



4 October 2013

UPDATE ON SURPRISE COSTS & FUNDING

Central Petroleum Limited (ASX: CTP) ("Company" or "Central") has completed its construction planning stage for the Surprise West Development and tested the market with respect to scheduling a drilling rig for the Surprise East Development. Based on this work, the budget to develop Surprise has been significantly lowered. The Company expects to commence the next development stage of Surprise West in Q4 2013.

Surprise Project review

On review, some modifications and optimisation have been made including sizing the oil storage for 3 to 8 days of production and locating the camp at the same site as that used previously for the Extended Production Test. Further savings are anticipated by coinciding the drilling of Surprise East with the timing of suitable rigs becoming available. This valuable flexibility gain has been enabled by the optimised "work-over" programme for Surprise West which now does not necessarily require a drilling rig.

With nearly half of the Surprise West Development now under contract, Central has been able to lock in savings of over \$2 million, decreasing the total budgeted cost of the combined Surprise projects ("**Surprise Project**") from \$13 million to \$11 million, with further cost reductions possible once the drilling contract is finalised.

An additional advantage of drilling flexibility allows for early revenue from Surprise West to offset the costs of drilling Surprise East. It also de-risks that drilling activity through data gained from Surprise West production whilst preserving optionality for future development.

Central Land Council conceptual agreement reached

We are also pleased that we have reached conceptual agreement with the Central Land Council on the Production Agreement for Surprise which when documented will be presented to the Traditional Owners at a meeting in the near future. At that meeting the Traditional Owners will have another opportunity to be informed about the benefits and impact of the Surprise Development and hopefully ratify the agreement.

"Considering the Surprise Production Licence application is the Company's first and it has been around 30 years since the last Petroleum Production Licence has been granted involving the Central Land Council (CLC), I am extremely pleased with the partnership approach in which the CLC and Central Petroleum have engaged in reaching this conceptual agreement" said Richard Cottee, Managing Director of Central Petroleum Limited.

"Both the Company and the CLC demonstrated a common objective of ensuring the optimal benefits over the short, medium and long term for the Traditional Owners without jeopardising the economics of the project. This process was enhanced by the (for me) very educational meeting with the Traditional Owners in June which was well attended."

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Surprise Project funding

As previously announced, the Company continues to pursue a minority interest farm out to assist the funding of the Surprise Project. Whilst we were confident that the process would have been completed by now, the timing of completion has been delayed by issues unrelated to the deal. Following the Project's cost reductions noted above and our recent \$10 million capital raising, the Company has the financial flexibility to commence and importantly complete the Project without relying on external funding through a farm out. The Company will keep the market informed on the process of the minority interest farm out over the quarter.

With nearly \$15 million cash in hand at the end of September 2013, we anticipate the Surprise Project expenditure to reflect the following forecast:

- 1) calendar Q4 2013: spend \$3 million to complete Surprise West,
- 2) calendar Q1 2014: an expected revenue of \$0.6 million from Surprise West, and an expenditure of \$3 million to commence drilling Surprise East, and
- 3) calendar Q2 2014: expected revenue of \$3.3 million from Surprise West and Surprise East, to contribute towards the balance of costs to complete Surprise East (\$5 million).

Company enquiries, please contact:

Richard Cottee, Managing Director +61 7 3181 3800

Media enquiries, please contact:

Martin Debelle at Citadel +61 2 9290 3033 or Mobile +61 (0) 409 911 189

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