

**2 May 2017**

## **Scheme Booklet & Independent Expert's Report**

As announced on Friday, 28 April 2017, the Supreme Court of Queensland ("**Court**") ordered the convening of a meeting ("**Scheme Meeting**") of Central's shareholders ("**Scheme Shareholders**") to be held at 10:30am (AEST) on 5 June 2017 at the Christie Conference Centre, The Caribbean Room, Level 1, 320 Adelaide Street, Brisbane.

A copy of the Explanatory Statement (**Scheme Booklet**) required to be sent to Scheme Shareholders as approved by the Court and lodged with the Australian Securities and Investments Commission is attached to this announcement.

The Scheme Booklet includes the Independent Expert's Report prepared by Ernst & Young Transaction Advisory Services Limited ("**Independent Expert**").

The Scheme Booklet, Notice of Meeting and instructions on how to vote will be sent to Scheme Shareholders either by post or electronically on Friday, 5 May 2017.

**Company Secretary,  
Joseph Morfea**

**General Disclaimer and explanation of terms:**

*This document may contain forward-looking statements. Forward looking statements are only predictions and are subject to risks, uncertainties and assumptions which may be outside the control of Central Petroleum Limited ("Company") and could cause actual results to differ materially from these statements. These risks, uncertainties and assumptions include (but are not limited to) funding, exploration, commodity prices, currency fluctuations, economic and financial market conditions in various countries and regions, environmental risks and legislative, fiscal or regulatory developments, political risks, project delay or advancement, approvals, cost estimates and other risk factors described from time to time in the Company's reports filed with the ASX. Actual values, results or events may be materially different to those expressed or implied in this document. Given these uncertainties, readers are cautioned not to place reliance on forward looking statements. Any forward looking statement in this document is valid only at the date of issue of this document. Subject to any continuing obligations under applicable law and the ASX Listing Rules, or any other Listing Rules or Financial Regulators' rules, the Company, its agents, directors, officers, employees, advisors and consultants do not undertake any obligation to publicly update or revise any information or any of the forward looking statements in this document if events, conditions or circumstances change or that unexpected occurrences happen to affect such a statement. Sentences and phrases are forward looking statements when they include any tense from present to future or similar inflection words, such as (but not limited to) "believe," "understand", "estimate," "anticipate," "plan," "predict," "target," "may," "hope," "can," "will," "should," "expect," "intend," "projects", "is designed to," "with the intent," "potential," the negative of these words or such other variations thereon or comparable terminology or similar expressions or future may indicate a forward looking statement or conditional verbs such as "will," "should," "would," "may" and "could" are generally forward-looking in nature and not historical facts.*

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Central Petroleum Limited

# SCHEME BOOKLET

This Scheme Booklet relates to the proposed acquisition by Macquarie MPVD Pty Limited (ACN 616 486 983) (**Macquarie MPVD**) of all of the ordinary shares in Central Petroleum Limited (ACN 083 254 308) (**Central**) (other than the Excluded Shares) through a scheme of arrangement between Central Shareholders (other than the Excluded Shareholders) and Central.

The Central Board unanimously recommends that you

## VOTE IN FAVOUR

of the Scheme Resolution in the absence of a Superior Proposal.

If you have any questions in relation to this Scheme Booklet or the Transaction, you should call the Central Shareholder Information Line on 1300 650 871 (within Australia) or +61 3 9415 4278 (outside Australia) Monday to Friday between 8.30am and 5.00pm (AEST) or visit [www.centralpetroleumscheme.com.au](http://www.centralpetroleumscheme.com.au).

FINANCIAL ADVISER



LEGAL ADVISER



# DISCLAIMER AND IMPORTANT NOTICES

## GENERAL

This Scheme Booklet provides Central Shareholders with information about the proposed acquisition of control of Central by Macquarie MPVD that was announced by Central to ASX on 10 March 2017.

This Scheme Booklet is important and requires your immediate attention. You should read this Scheme Booklet in full before making any decision as to how to vote at the Scheme Meeting.

## NATURE OF THIS DOCUMENT

This Scheme Booklet is the explanatory statement for the Scheme required by subsection 412(1) of the Corporations Act.

This Scheme Booklet does not constitute or contain an offer to Central Shareholders, or a solicitation of an offer from Central Shareholders, in any jurisdiction.

## ASIC AND ASX

A copy of this Scheme Booklet has been registered by ASIC for the purposes of subsection 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Scheme Booklet in accordance with subsection 411(2) of the Corporations Act. Neither ASIC, nor any of its officers, takes any responsibility for the contents of this Scheme Booklet.

ASIC has been requested to provide a statement, in accordance with subsection 411(17)(b) of the Corporations Act, that it has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing.

A copy of this Scheme Booklet has been provided to ASX. Neither ASX, nor any of its officers, takes any responsibility for the contents of this Scheme Booklet.

## IMPORTANT NOTICE ASSOCIATED WITH COURT ORDER UNDER SUBSECTION 411(1) OF THE CORPORATIONS ACT

The fact that, under subsection 411(1) of the Corporations Act, the Court has ordered that a meeting be convened and has approved the explanatory statement required to accompany the Notice of Scheme Meeting does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how Central Shareholders should vote (on this matter, Central Shareholders must reach their own conclusion); or
- has prepared, or is responsible for the content of, the explanatory statement.

## DEFINED TERMS

Capitalised terms used in this Scheme Booklet are defined in Section 10.1 of this Scheme Booklet. Section 10.2 also sets out some rules of interpretation which apply to this Scheme Booklet.

## NO INVESTMENT ADVICE

This Scheme Booklet has been prepared without reference to the investment objectives, financial and taxation situation or particular needs of any Central Shareholder or any other person. The information and recommendations contained in this Scheme Booklet do not constitute, and should not be taken as, financial product advice. The Central Board encourages you to seek independent financial and taxation advice before making any investment decision and any decision as to whether or not to vote in favour of the Scheme Resolution.

This Scheme Booklet should be read in its entirety before making a decision on whether or not to vote in favour of the Scheme Resolution. In particular, it is important that you consider the potential risks if the Scheme does not become Effective, as set out in Section 3.7 of this Scheme Booklet, the risks associated with remaining a Central Shareholder included but not limited to those contained in Section 7 of this Scheme Booklet, and the views of the Independent Expert set out in the Independent Expert's Report contained in Attachment A to this Scheme Booklet.

If you are in any doubt as to the course you should follow, you should consult an independent and appropriately licensed and authorised professional adviser.

## FORWARD LOOKING STATEMENTS

This Scheme Booklet contains both historical and forward looking statements (including in the Independent Expert's Report). Forward looking statements or statements of intent in relation to future events in this Scheme Booklet (including in the Independent Expert's Report) should not be taken to be forecasts or predictions that those events will occur. Forward looking statements generally may be identified by the use of forward looking words such as 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words. Similarly, statements that describe the objectives, plans, goals, intentions or expectations of Central, Macquarie MPVD or the Note Issuer are or may be forward looking statements. You should be aware that such statements are only opinions and are subject to inherent risks and uncertainties. These risks and uncertainties include factors and risks specific to Central and Macquarie MPVD and the Note Issuer and/or the industries in which they operate, as well as general economic conditions, prevailing exchange rates and interest rates and conditions in financial markets.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. None of Central or Macquarie MPVD nor the Note Issuer nor any of their respective officers, directors, employees or advisers or any person named in this Scheme Booklet or involved in the preparation of this Scheme Booklet makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. Accordingly, you are cautioned not to place undue reliance on those statements.

The forward looking statements in this Scheme Booklet reflect views held only at the date of this Scheme Booklet. Subject to any continuing obligations under the Listing Rules or the Corporations Act, Central or Macquarie MPVD or the Note Issuer and their respective officers, directors, employees and advisers disclaim any obligation or undertaking to distribute after the date of this Scheme Booklet any updates or revisions to any forward looking statements to reflect:

- any change in expectations in relation to such statements; or
- any change in events, conditions or circumstances on which any such statement is based.

## **RESPONSIBILITY STATEMENT**

Except as outlined below, the information contained in this Scheme Booklet has been provided by Central and is its responsibility alone. Except as outlined below, neither Macquarie MPVD, the Macquarie MPVD Entities nor any of their respective directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of such information.

The Macquarie MPVD Information has been prepared by Macquarie MPVD and is the responsibility of Macquarie MPVD. Neither Central nor any of its Subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of such information.

Ernst & Young Transaction Advisory Services Limited ACN 003 599 844 has prepared the Independent Expert's Report (as set out in Attachment A to this Scheme Booklet) and takes responsibility for that report. None of Central, its Subsidiaries, directors, officers, employees or advisers nor Macquarie MPVD and the Macquarie MPVD Entities and their respective directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report, except, in the case of Central, in relation to the information which it has provided to the Independent Expert.

No consenting party has withdrawn their consent to be named before the date of this Scheme Booklet.

## **FOREIGN JURISDICTIONS**

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Scheme Booklet has been prepared in accordance with the laws of the Commonwealth of Australia and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations of a jurisdiction outside of Australia.

The issue of Contingent Value Notes in accordance with the Scheme as set out in this Scheme Booklet does not constitute an offer of Contingent Value Notes, or any debt security, in any jurisdiction in which, or to any person to whom, it would not be lawful to issue or to make an offer of such securities. No action has been taken to permit the issue of Contingent Value Notes in any jurisdiction outside Australia.

## **FINANCIAL AMOUNTS**

All financial amounts in this Scheme Booklet are expressed in Australian currency unless otherwise stated.

Any discrepancies between totals in tables or financial statements, or in calculations, graphs or charts are due to rounding.

All financial and operational information set out in this Scheme Booklet is current as at the date of this Scheme Booklet, unless otherwise stated.

## **CHARTS AND DIAGRAMS**

Any diagrams, charts, graphs or tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, graphs and tables is based on information available as at the Last Practicable Date.

## **TIMETABLE AND DATES**

All times and dates referred to in this Scheme Booklet are references to times and dates in Australian Eastern Standard Time (AEST), unless otherwise indicated. All times and dates relating to the implementation of the Scheme referred to in this Scheme Booklet may change and, among other things, are subject to all necessary approvals from Regulatory Authorities.

## **PRIVACY**

Central may collect personal information in the process of implementing the Scheme. The type of information that it may collect about you includes your name, contact details and information on your shareholding in Central and the names of persons appointed by you to act as a proxy, attorney or corporate representative at the Scheme Meeting as relevant to you. The collection of some of this information is required or authorised by the Corporations Act.

The primary purpose of the collection of personal information is to assist Central to conduct the Scheme Meeting and implement the Scheme. Without this information, Central may be hindered in its ability to issue this Scheme Booklet and implement the Scheme. Personal information of the type described above may be disclosed to the Central Share Registry, third party service providers (including print and mail service providers and parties otherwise involved in the conduct of the Scheme Meeting), authorised securities brokers, professional advisers, Related Bodies Corporate of Central, Regulatory Authorities, and also where disclosure is otherwise required or allowed by law.

Central Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. If you would like to obtain details of the information about you held by the Central Share Registry in connection with Central Shares, please contact the Central Share Registry.

Central Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting should ensure that they inform such an individual of the matters outlined above.

## **CENTRAL SHAREHOLDER INFORMATION LINE**

If you have any questions in relation to this Scheme Booklet or the Transaction, you should call the Central Shareholder Information Line on 1300 650 871 (within Australia) or +61 3 9415 4278 (outside Australia) Monday to Friday between 8.30am and 5.00pm (AEST) or visit [www.centralpetroleumscheme.com.au](http://www.centralpetroleumscheme.com.au).

## **DATE OF SCHEME BOOKLET**

This Scheme Booklet is dated 28 April 2017.

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# IMPORTANT DATES

## Key dates

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Date of this Scheme Booklet	Friday, 28 April 2017
First Court Date	Friday, 28 April 2017
Latest time and date for receipt of the Scheme Voting Form (including forms lodged online) or powers of attorney by the Central Share Registry for the Scheme Meeting	10.30am (AEST) on Saturday, 3 June 2017
Time and date for determining eligibility to vote at the Scheme Meeting	7.00pm (AEST) on Friday, 2 June 2017
Scheme Meeting	10.30am (AEST) on Monday, 5 June 2017

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## If the Scheme Resolution is approved by Central Shareholders (other than the Excluded Shareholders):

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Second Court Date	Wednesday, 7 June 2017
Court order lodged with ASIC and announcement to ASX	
Effective Date	
Record Date (for determining entitlements of the Scheme Shareholders to Scheme Consideration)	7.00pm (AEST) on Wednesday, 14 June 2017
Implementation Date (Scheme Consideration will be paid to Scheme Shareholders on the Implementation Date)	Wednesday, 21 June 2017

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All dates in the above timetable are indicative only and are subject to change. Central and Macquarie MPVD may vary any or all of these dates and times and will provide reasonable notice of any such variation. Certain times and dates are conditional on the approval of the Scheme by the Scheme Shareholders and the Court. Any changes will be announced by Central to ASX and published on Central's website at [www.centralpetroleum.com.au](http://www.centralpetroleum.com.au).

# OVERVIEW OF THIS SCHEME BOOKLET

## WHAT IS THIS SCHEME BOOKLET FOR?

This Scheme Booklet provides Central Shareholders with information about the proposed acquisition of control of Central by Macquarie MPVD that was announced by Central to ASX on 10 March 2017.

It is proposed that the Transaction will be implemented through the Scheme between Central and the Scheme Shareholders.

This Scheme Booklet provides you with information to consider before voting on the Scheme Resolution at the Scheme Meeting scheduled to be held at 10.30am (AEST) on 5 June 2017 at Christie Conference Centre, The Caribbean Room, Level 1, 320 Adelaide Street, Brisbane, QLD 4000.

## WHAT WILL I BE ENTITLED TO RECEIVE IF THE SCHEME BECOMES EFFECTIVE?

If the Scheme becomes Effective, Scheme Shareholders will be entitled to receive the Scheme Consideration comprising:

- up front cash consideration of 20 cents; and
- one Contingent Value Note,

for each Scheme Share they hold. Ineligible Foreign Shareholders will not be issued any Contingent Value Notes and will instead receive the Redemption Amount under the Contingent Value Notes (if any) as set out in Section 4.6.

The Excluded Shareholders will not receive the Scheme Consideration and will retain their Central Shares.

## CENTRAL BOARD RECOMMENDATION

*The Central Board unanimously recommends that you vote in favour of the Scheme Resolution, in the absence of a Superior Proposal.*

If you support the Scheme (and wish to receive the Scheme Consideration), provided you are not an Excluded Shareholder, it is important that you vote in favour of the Scheme Resolution. The Scheme will not proceed unless it is approved by the Requisite Majority of Central Shareholders (other than the Excluded Shareholders).

## WHAT SHOULD I DO NEXT?

### Step 1: Read this Scheme Booklet in its entirety

You should read this Scheme Booklet carefully and in full, including the reasons to vote in favour of or against the Scheme Resolution (as set out in Section 1), before making any decision on how to vote.

Answers to various frequently asked questions about the Scheme Resolution are set out in Section 1. If you have any additional queries about this Scheme Booklet or the Scheme, please contact the Shareholder Information Line on 1300 650 871 (within Australia) or +61 3 9415 4278 (outside Australia) between 8.30am and 5.00pm (AEST), visit [www.centralpetroleumscheme.com.au](http://www.centralpetroleumscheme.com.au) or contact your legal, financial, taxation or other professional adviser. Please note that calls to the Central Shareholder Information Line may be recorded.

### Step 2: Vote at the Scheme Meeting

#### a. Entitlement to vote

If you are registered as a Central Shareholder (other than the Excluded Shareholders) on the Central Share Register at 7.00pm (AEST) on 2 June 2017, you will be entitled to attend and vote at the Scheme Meeting to be held at 10.30am (AEST) on 5 June 2017 at Christie Conference Centre, The Caribbean Room, Level 1, 320 Adelaide Street, Brisbane, QLD 4000.

If you are an Excluded Shareholder, you will not be entitled to vote at the Scheme Meeting.

#### b. How to vote

Central Shareholders (other than the Excluded Shareholders) may vote at the Scheme Meeting:

- a. **In person** by attending the Scheme Meeting. If you wish to vote in person at the Scheme Meeting, please arrive at least 30 minutes prior to the time designated for the meeting so that we may verify the number of your Central Shares for voting and note your attendance.

b. **By proxy or by direct voting:**

- by lodging a Scheme Voting Form online by accessing [www.investorvote.com.au](http://www.investorvote.com.au) and following the instructions (for Intermediary Online Subscribers (Institutions/Custodians) voting instructions should be lodged online by visiting [www.intermediaryonline.com](http://www.intermediaryonline.com));
  - by mailing the enclosed Scheme Voting Form to Computershare Investor Services Pty Limited at GPO Box 242, Melbourne, VIC 3001 Australia using the enclosed envelope; or
  - by faxing the enclosed Scheme Voting Form to Computershare Investor Services Pty Limited to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).
- c. **By attorney** appointed to vote on your behalf. Those persons attending as an attorney must bring the original power of attorney, or a certified copy, unless Central has already noted it. The power of attorney must be returned in the same manner, and at the same time, as outlined for the Scheme Voting Form below.
- d. **By corporate representative** appointed to vote on behalf of a Central Shareholder (other than the Excluded Shareholders) that is a company. Those persons attending as a corporate representative must bring evidence of their authority, such as a letter or certificate evidencing their appointment.

To be valid, a Scheme Voting Form casting a direct vote or appointing a proxy must be received by Computershare Investor Services Pty Limited by 10.30am (AEST) on Saturday, 3 June 2017. For further information on proxy voting, please refer to the detailed instructions contained in the enclosed Scheme Voting Form.

Further information on the procedure for voting at the Scheme Meeting can be found in the Notice of Scheme Meeting in Attachment E of this Scheme Booklet.

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## QUESTIONS?

If you have any questions after reading this Scheme Booklet, please call the Central Shareholder Information Line on 1300 650 871 (within Australia) or +61 3 9415 4278 (outside Australia) between 8.30am and 5.00pm (AEST), visit [www.centralpetroleumscheme.com.au](http://www.centralpetroleumscheme.com.au) or contact your legal, financial, taxation or other professional adviser.

# LETTER FROM THE CHAIRMAN OF CENTRAL

28 April 2017

Dear Fellow Central Shareholder

On 10 March 2017, Central announced that it had entered into the Central Scheme Deed with Macquarie MPVD under which it is proposed that Macquarie MPVD will acquire control of Central through a scheme of arrangement, subject to shareholder approval (among other conditions).

**The Central Board unanimously recommends that you vote in favour of the Scheme, and each member of the Central Board intends to vote all Central Shares held or controlled by them in favour of the Scheme Resolution in the absence of a Superior Proposal.**

## INDEPENDENT EXPERT

A full copy of the Independent Expert's Report is included as Attachment A to this Scheme Booklet and I encourage you to review it carefully. The Independent Expert has concluded the terms of the Scheme to be fair and reasonable and, therefore, in the best interests of Central Shareholders.

## SCHEME CONSIDERATION

If the Scheme is approved and becomes Effective, eligible Central Shareholders will receive the Scheme Consideration comprising:

- up front cash consideration of 20 cents (which is close to the top-end of the Independent Expert's assessed value of 20.5 cents per Central Share, on a controlling interest basis); and
- one Contingent Value Note,

for each Scheme Share they hold. Ineligible Foreign Shareholders will not be issued any Contingent Value Notes and will instead receive the Redemption Amount under Contingent Value Notes (if any) as set out in Section 4.6.

The Independent Expert has assessed the value of the Scheme Consideration to be paid by Macquarie MPVD is 20.6 cents to 21.7 cents. As set out in Section 2.2, the mid-point of this range, 21.2 cents, represents a significant premium to Central's previous trading prices, the original non-binding proposal from MQG and exceeds the top end of the Independent Expert's range of assessed values of a Central Share.

Negotiations between the Central Board and Macquarie MPVD have resulted in an offer which is at a significant premium to Central's market value prior to the announcement of MQG's initial proposal and the value assessed by the Independent Expert. The Central Board believes that this offer represents attractive value and provides an opportunity for you to de-risk your investment in Central.

The Directors also believe there is potential for Central Shareholders to realise additional value from the Contingent Value Notes. While the Independent Expert assessed the value of each Contingent Value Note to be 0.6 cents to 1.7 cents, the range of potential outcomes is from zero to approximately 19.6 cents.

The Central Board believes that the Scheme is likely to deliver higher value and greater certainty to Scheme Shareholders compared to Central continuing to operate and trade as a standalone entity in the current environment.

If the Scheme becomes Effective, the Central Board believes that it is also likely to deliver positive opportunities for Central's staff, strategic partners and the communities within which it operates.

## DIRECTORS' RATIONALE

The Central Board has formed the view that the Scheme is in the best interests of Scheme Shareholders for the following reasons (among others):

- the value of Central's foundation exploration acreage has significantly declined in the current oil price environment, as evidenced by Total S.A.'s withdrawal from the Southern Georgina joint venture and the assessment of the Independent Technical Specialist. The Scheme Consideration retains some exposure to Central's near term exploration targets through the Contingent Value Note. However, the vast majority of the consideration is a consequence of the value created by Central's pivot to gas three years ago;
- Central's most valuable gas asset is Mereenie, since it is most capable of responding to the domestic gas shortfall. The offer compares favourably to the acquisition price of the remaining 50% interest which was recently sold by Santos to MQG for \$52 million;
- Central will need to raise capital to exploit the East Coast gas market opportunity. Central estimates that Mereenie requires at least two wells and six to eight workovers, which together with an appraisal well at Ooraminna and a replacement well at Dingo will have an estimated cost of \$42 million;
- Central is highly geared with limited additional borrowing capacity. The current operating cash flows of Central, at \$70/bbl oil merely cover debt servicing, operational and maintenance costs and overheads leaving no room for field development capital or the capacity to sustain another period of low oil prices;
- Central Shareholders have been reluctant to support the capital needs of the Company. The 2015 share purchase plan only had take-up from 279 shareholders (or 3.19% of total shareholders) and Central's 2011 share purchase plan had to be withdrawn through lack of support;
- Central's historical share price performance and the trading price of 15 cents immediately prior to the Directors' recommendation provide little room for confidence that an equity raising could be achieved, other than at a price that would be highly dilutive to current Central Shareholders; and
- despite substantial efforts approaching over 80 groups to seek alternatives to Macquarie MPVD's proposal, no Superior Proposal has emerged and the Central Board is not aware of any Superior Proposal that is likely to emerge.

If the Scheme becomes Effective, it will provide Scheme Shareholders with risk-free immediate value for your Central Shares.

## HOW TO VOTE

Your vote is important regardless of how many Central Shares you own. If you wish for the Scheme to proceed, it is important that you vote in favour of the Scheme Resolution.

The Scheme will only be effective and implemented if it is supported by:

- more than 50% of eligible Central Shareholders present and voting at the Scheme Meeting; and
- at least 75% of the total votes cast on the Scheme Resolution by eligible Central Shareholders present and voting at the Scheme Meeting.

## FURTHER INFORMATION

This Scheme Booklet sets out important information regarding the Scheme and I encourage you to consider it carefully and in its entirety.

If you require any further information, please call the Shareholder Information Line on 1300 650 871 (within Australia) or +61 3 9415 4278 (outside Australia) between 8.30am and 5.00pm (AEST) or visit [www.centralpetroleumscheme.com.au](http://www.centralpetroleumscheme.com.au).

## CONCLUSION

On behalf of the Central Board, I would like to thank you for your ongoing support.

We look forward to your participation in the Scheme Meeting and encourage you to vote in favour of the Scheme, which we believe is in the best interests of Central Shareholders, in the absence of a Superior Proposal.

Yours sincerely



Robert Hubbard  
Chairman

# SUMMARY OF REASONS TO VOTE FOR OR AGAINST THE SCHEME

## REASONS TO VOTE FOR THE SCHEME RESOLUTION AND BENEFITS OF THE SCHEME



### **Directors' recommendation and intentions**

The Central Board considers the Scheme to be the best alternative available to Central Shareholders under the current circumstances and is unanimously recommending it, in the absence of a Superior Proposal. Central Directors intend to vote in favour of the Scheme.



### **Scheme consideration at a premium and in the best interests of Central Shareholders**

The Scheme Consideration of 20.6 cents to 21.7 cents per Central Share, as assessed by the Independent Expert, exceeds the Independent Expert's fair value range of 15 cents to 20.5 cents per Central Share on a controlling interest basis.

The midpoint of the Scheme Consideration range (of 21.2 cents) represents a premium of:

- 86% to the 6-month VWAP to the closing price on 9 November 2016 (prior to the announcement of MQG's indicative non-binding offer) of 11.4 cents.
- 69% to the closing price on 9 November 2016 of 12.5 cents.
- 28% to the closing price on 9 March 2017 (prior to the announcement of the Scheme) of 16.5 cents.
- 21% on the initial non-binding proposal of 17.5 cents received from MQG, as announced by Central to ASX on 14 November 2016.
- 3% to the top-end of the Independent Expert's range of assessed values of a Central Share, on a controlling interest basis, of between 15 cents and 20.5 cents per share.



### **Central Shareholders retain some upside**

The Contingent Value Notes potentially provide Central Shareholders with an opportunity to share in the future success of Central, up to a maximum of 19.6 cents per Contingent Value Note, without bearing any risks or diminution of value associated with exploration, development, raising capital or dilution.



### **No superior offer after extensive process**

Following the initial MQG offer, Central appointed Origin to seek a superior offer. Origin approached over 80 strategic and financial groups to seek alternative offers for control or substantial minority interest. Central established a comprehensive data room and shortlisted groups undertook due diligence. As at the date of this Scheme Booklet, no Superior Proposal has emerged.



### **Remove risk of gas market window closing before Central develops capacity to supply**

Although Australia currently has a dislocated domestic gas market, Central has a limited window of opportunity to capture higher prices, driven by the likelihood of new supply and demand destruction in the medium term. With a majority of Central's existing gas reserves committed under gas sales agreements, Central will need to raise a significant amount of capital – which has not been readily available – to increase its reserves. If equity funding is available, it could result in material dilution to existing shareholders.



### **Structural shift in international oil and gas prices**

The economic value of exploration assets continues to be limited by global long term fundamental factors. The global oil and gas industry recently experienced a structural shift, driven mainly by unconventional production of the US. Total S.A.'s decision not to proceed with its farmin into the Southern Georgina gas project with Central is symptomatic of lower expected returns for exploration under the current environment. The Independent Technical Specialist valued Central's exploration assets at no more than \$10 million.



### **Offer is fully priced, based on Santos' sale of 50% interest in Mereenie**

The offer, which implies a value of over \$162 million for all producing assets, compares favourably with Santos' recent sale in a contested process of its 50% interest in the Mereenie gas field for \$52 million. Mereenie is Central's most valuable gas asset, which accounts for 57% of Central's 2P reserves and is most capable of responding to the domestic gas shortfall.



### **Risks and lower share price if the Scheme does not become Effective**

If the Scheme does not become Effective:

- You will continue to be subject to the exploration, development, market and funding risks associated with the Central business.
- The share price is likely to fall to levels observed prior to MQG's initial offer.

## REASONS TO VOTE AGAINST THE SCHEME RESOLUTION



### **Disagree with Directors and Independent Expert**

You may disagree with the Central Board's unanimous recommendation and the Independent Expert's conclusion.



### **Maintain your investment profile**

You may wish to remain an investor in an ASX-listed group with Central's characteristics.



### **You may consider that there is potential for a Superior Proposal for Central to be made in the foreseeable future**

You may believe that if Central remained listed on the ASX, a Superior Proposal could emerge in the foreseeable future.



### **You may prefer to participate in the future financial performance of the Central business**

You may believe that the future prospects of Central exceed the value of Central which is implied by the Scheme Consideration.

# 1 FREQUENTLY ASKED QUESTIONS

This Section 1 answers some frequently asked questions about the Scheme. It is not intended to address all relevant issues for Central Shareholders. This Section 1 should be read together with all other parts of this Scheme Booklet (including the disclosures and risk factors in Sections 4.9, 4.10 and 7).

Question	Answer	More information
<b>THE SCHEME RESOLUTION, THE SCHEME CONSIDERATION AND THE CENTRAL BOARD'S RECOMMENDATION</b>		
<b>What is the Scheme?</b>	<p>The Scheme is a scheme of arrangement between Central and the Scheme Shareholders.</p> <p>If the Scheme becomes Effective, Macquarie MPVD will acquire each Scheme Share for:</p> <ul style="list-style-type: none"> <li>cash consideration of 20 cents; and</li> <li>one Contingent Value Note.</li> </ul> <p>Ineligible Foreign Shareholders will not be issued any Contingent Value Notes and will instead receive the Redemption Amount under the Contingent Value Notes (if any) as set out in Section 4.6.</p>	Section 3 contains a summary of the Scheme and a copy of the Scheme is contained in Attachment D.
<b>Who are the Excluded Shareholders?</b>	The Excluded Shareholders are Macquarie MPVD and its associates, but excluding MIML acting in the capacities listed in Section 6.5(a).	Section 6.5 contains further information about the Excluded Shareholders and their shareholding in Central.
<b>What does the Central Board recommend?</b>	<p>The Central Board unanimously recommends that Central Shareholders (other than the Excluded Shareholders) vote in favour of the Scheme Resolution in the absence of a Superior Proposal.</p> <p>The Central Board believes that the reasons for Scheme Shareholders to vote in favour of the Scheme Resolution outweigh any reasons to vote against it.</p> <p>The Central Board encourages you to seek independent legal, financial, taxation or other appropriate professional advice before making an investment decision in relation to your Central Shares.</p>	Sections 2.2 and 3.3 set out further details of the Central Board's recommendation.
<b>What are the voting intentions of the Central Board?</b>	Each member of the Central Board intends to vote in favour of the Scheme Resolution at the Scheme Meeting on 5 June 2017 in relation to all the Central Shares held by them, or on their behalf, in the absence of a Superior Proposal.	Details of the Relevant Interests of each Central Director in Central Securities (including Central Shares) are set out in Section 5.5.
<b>What is the opinion of the Independent Expert?</b>	The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Central Shareholders.	Attachment A contains the Independent Expert's Report.
<b>Am I entitled to receive the Scheme Consideration?</b>	<p>You are entitled to receive the Scheme Consideration for each Scheme Share you hold if you are a Scheme Shareholder at the Record Date (currently expected to be 7.00pm (AEST) on 14 June 2017).</p> <p>Scheme Shareholders are persons who are registered as Central Shareholders as at the Record Date and are not the Excluded Shareholders.</p>	

Question	Answer	More information
<b>What will I be entitled to receive if the Scheme becomes Effective?</b>	<p>If the Scheme becomes Effective, Scheme Shareholders will be entitled to receive on the Implementation Date (currently expected to be 21 June 2017):</p> <ul style="list-style-type: none"> <li>▪ cash consideration of 20 cents; and</li> <li>▪ other than an Ineligible Foreign Shareholder, one Contingent Value Note,</li> </ul> <p>for each Scheme Share held by them on the Record Date (currently expected to be 7.00pm (AEST) on 14 June 2017).</p> <p>Ineligible Foreign Shareholders will not be issued any Contingent Value Notes and will instead receive the Redemption Amount under the Contingent Value Notes (if any) as set out in Section 4.6.</p>	Section 8.8 contains further information in relation to the Scheme Consideration.
<b>What are the risks associated with my investment in Central if the Scheme does not become Effective?</b>	<p>If the Scheme does not become Effective, and no Superior Proposal emerges, the price of Central Shares is likely to fall.</p> <p>In addition, if the Scheme does not become Effective and no Superior Proposal emerges, Central Shareholders will continue to be subject to general risks as well as risks specific to Central and/or the industries in which it operates, including but not limited to those set out in Section 7.</p>	Section 7 contains further information on the risk factors associated with an investment in Central.
<b>When and how will I receive the cash component of the Scheme Consideration?</b>	<p>If the Scheme becomes Effective, the cash component of the Scheme Consideration will be paid to Scheme Shareholders on the Implementation Date (currently proposed to be 21 June 2017).</p> <p>Scheme Shareholders who have validly registered their bank account details with the Central Share Registry before the Record Date (currently proposed to be 7.00pm (AEST) on 14 June 2017) will have their Scheme Consideration transferred directly to their bank account. Scheme Shareholders who have not registered their bank account details with the Central Share Registry by that date and time will have their Scheme Consideration sent by cheque to the address shown on the Central Share Register. Please refer to Section 3.2(a) for details regarding how to change or nominate a bank account in which to receive payment of your Scheme Consideration.</p>	<p>See clause 5.2 of the Scheme contained in Attachment D.</p> <p>Section 3.2 contains further information about when and how you will receive the cash component of your Scheme Consideration.</p>
<b>When will I receive the Contingent Value Notes?</b>	<p>If the Scheme becomes Effective, the Note Issuer will on the Implementation Date issue to:</p> <ul style="list-style-type: none"> <li>▪ each Scheme Shareholder (other than Ineligible Foreign Shareholders), one Contingent Value Note for each Scheme Share held by the Scheme Shareholder on the Record Date; and</li> <li>▪ the Custodian, on behalf of Macquarie MPVD, the total number of Contingent Value Notes that would otherwise have been issued to the Ineligible Foreign Shareholders, if those Ineligible Foreign Shareholders were Scheme Shareholders entitled to receive Contingent Value Notes,</li> </ul> <p>in accordance with the Central Scheme Deed and the Note Trust Deed.</p>	<p>See clause 4.3 of the Scheme contained in Attachment D.</p> <p>Section 4 contains further information about when and how you will receive the Contingent Value Notes.</p>
<b>What is required for the Scheme to become Effective?</b>	<p>The Scheme will become Effective if:</p> <ul style="list-style-type: none"> <li>▪ the Scheme Resolution is approved by the Requisite Majority of Central Shareholders (other than the Excluded Shareholders) voting at the Scheme Meeting to be held on 5 June 2017;</li> <li>▪ all of the other Conditions Precedent are satisfied or waived (if applicable); and</li> <li>▪ the Court approves the Scheme at the Second Court Hearing.</li> </ul>	Section 8.2(a) contains further information on the Scheme Resolution approval requirements.
<b>What are my alternatives as a Central Shareholder?</b>	<p>As a Central Shareholder, you have the following choices available:</p> <ul style="list-style-type: none"> <li>▪ Vote in favour of the Scheme Resolution – this is the course of action unanimously recommended by the Central Board, in the absence of a Superior Proposal.</li> <li>▪ Vote against the Scheme.</li> <li>▪ Sell your Central Shares.</li> <li>▪ Do nothing.</li> </ul>	Section 3.8 contains further information on your choices as a Central Shareholder.

Question	Answer	More information
<b>THE BIDDER</b>		
<b>Who is Macquarie MPVD?</b>	<p>Macquarie MPVD Pty Limited ACN 616 486 983 is a wholly owned Subsidiary of MQG and a member of the Macquarie group of companies.</p> <p>Macquarie MPVD was incorporated as a special purpose vehicle for the acquisition of Central, and was registered as a company under the Corporations Act on 16 December 2016. As at the date of this Scheme Booklet, Macquarie MPVD had contributed capital of \$100.</p>	Section 6.1 contains further details about Macquarie MPVD and its business.
<b>How will Macquarie MPVD fund the Scheme Consideration?</b>	<p>The maximum amount of cash required to be paid by Macquarie MPVD to Scheme Shareholders under the Scheme is \$89,836,095.60 (based on there being a total of 449,180,478 Scheme Shares).<sup>1</sup></p> <p>Pursuant to internal Macquarie Group funding arrangements, Macquarie MPVD has access to cash reserves held by members of the Macquarie Group which are of an amount that materially exceeds the amount to be paid as consideration to Central. Subject to the Conditions Precedent being fulfilled, Macquarie MPVD has the ability to draw on these internal funding arrangements in order to fully fund its obligations to pay its portion of the Scheme Consideration.</p>	Section 6.3 contains further information about the means by which Macquarie MPVD will fund the Scheme Consideration.
<b>What are Macquarie MPVD's intentions for Central?</b>	<p>Macquarie MPVD's current intentions, if the Scheme becomes Effective, are set out in full in Section 6.4 and include the following:</p> <ul style="list-style-type: none"> <li>▪ Macquarie MPVD will cause Central to request that ASX remove Central from its official list.</li> <li>▪ Macquarie MPVD intends to replace the current Central Directors with its nominees.</li> <li>▪ Macquarie MPVD's present intention is to continue Central's primary activities of gas production and exploration; however, no specific intentions have been formed in relation to any individual tenement or petroleum licence, including any tenement licence to which the Contingent Value Notes relate.</li> <li>▪ Macquarie MPVD will also undertake a detailed review of Central following implementation of the Scheme to determine the optimum manner of operating and managing Central's business. Decisions about the future operating plans and management organisation for Central will be made by the new board of Central following the implementation of the Scheme and completion of the detailed post-acquisition review.</li> </ul>	Section 6.4 contains further details about Macquarie MPVD's current intentions for the Central Group after the Scheme is implemented.
<b>Why is Macquarie MPVD buying Central?</b>	<p>MQG has made a number of investments in the oil and gas sector, including the recent acquisition of a 50% working interest in the Mereenie gas field, and its investment in Quadrant Energy (which is not a wholly owned subsidiary of Macquarie Group).</p> <p>The acquisition of Central by Macquarie MPVD represents a continuation of MQG's investment in the oil and gas sector.</p>	

<sup>1</sup> Based on all of the Central Share Rights and Central Future Share Rights being converted into Central Shares and those Central Shares being duly and properly issued before the Record Date.

Question	Answer	More information
<b>What are Macquarie MPVD's other interests in Central securities and assets?</b>	<p>As at the Last Practicable Date:</p> <ul style="list-style-type: none"> <li>• MBL, a Related Body Corporate of Macquarie MPVD, has a Relevant Interest in 10,000,000 Central Shares (being approximately 2.31% of the total number of Central Shares). The above interests have been previously disclosed by Central to the ASX in its 2016 Annual Report.</li> <li>• MBL holds 30,000,000 Central Options with an exercise price of 20 cents and expiry date of 1 September 2019.</li> <li>• MBL, a Related Body Corporate of MPVD, has provided to Central a debt facility consisting of four tranches totalling \$90 million, which as at 31 March 2017 are drawn to \$83.8 million.</li> <li>• MBL, a Related Body Corporate of Macquarie MPVD, entered into a gas sales and prepayment agreement with Central in 2016. The agreement is for 5.2 PJs of prepaid gas supplied over three years with up to 3.5 PJs of additional gas sales possible over two subsequent years.</li> <li>• MBL, a Related Body Corporate of Macquarie MPVD, entered into a sale and purchase agreement in 2016 under which Central acquired a right to receive 50% of any payment received by MBL or its Related Bodies Corporate of the bonus amount (which may become payable to MBL if, at any time until 1 July 2031, the 90-day average net sales, as defined under the agreement, exceed certain thresholds of barrel of oil equivalents).</li> </ul>	Section 6.5 sets out additional information about the interests of Macquarie MPVD and its Related Bodies Corporate in Central Securities and other financial interests in Central.

## CONTINGENT VALUE NOTES

<b>What are the Contingent Value Notes?</b>	<p>Each Contingent Value Note:</p> <ul style="list-style-type: none"> <li>• is an unlisted, unsecured note to be issued by the Note Issuer in accordance with the Scheme and the Note Trust Deed; and</li> <li>• entitles the holder to the payment of the Redemption Amount if certain quantities of resources in certain exploration assets of Central's (defined as the Relevant Assets) are identified as at the <b>Determination Date</b> being the date that is four years after the Implementation Date.</li> </ul>	Section 4 contains further information about the Contingent Value Notes.
<b>Who is the Note Issuer?</b>	<p>Macquarie Amadeus Pty Limited ACN 617 817 893, being a wholly owned Subsidiary of Macquarie MPVD.</p> <p>The Note Issuer has no business activity other than its obligations in respect of the Contingent Value Notes as set out in the Note Trust Deed.</p>	Section 4.2 contains further information about the Note Issuer.
<b>Who will be issued Contingent Value Notes?</b>	The Note Issuer on the Implementation Date will issue to each Scheme Shareholder (other than Ineligible Foreign Shareholders) one Contingent Value Note for each Scheme Share held by the Scheme Shareholder on the Record Date in accordance with and subject to the terms of the Scheme and the Note Trust Deed.	Section 4.3(a) contains further information about the issue of Contingent Value Notes.
<b>What if I am an Ineligible Foreign Shareholder?</b>	<p>The Note Issuer has no obligation under the Scheme to issue Contingent Value Notes to an Ineligible Foreign Shareholder.</p> <p>The Note Issuer will on the Implementation Date issue to the Custodian the total number of Contingent Value Notes that would otherwise have been issued to the Ineligible Foreign Shareholders (<b>Custodian CVNs</b>), if those Ineligible Foreign Shareholders were Scheme Shareholders entitled to receive Contingent Value Notes.</p> <p>Macquarie MPVD has appointed the Custodian to:</p> <ul style="list-style-type: none"> <li>• hold the Custodian CVNs, on behalf of Macquarie MPVD, until the earlier of: <ul style="list-style-type: none"> <li>• the termination of the Note Trust Deed; and</li> <li>• the redemption or cancellation of the Custodian CVNs in accordance with the terms of the Note Trust Deed; and</li> </ul> </li> <li>• promptly following receipt of the aggregate Redemption Amount for the Custodian CVNs, remit to each Ineligible Foreign Shareholder a cash amount equivalent to the Redemption Amount they would have received had they been entitled to receive Contingent Value Notes.</li> </ul>	Section 4.6 contains further information about the treatment of Ineligible Foreign Shareholders.

Question	Answer	More information
<b>What is the Note Trust Deed and what are the rights attaching to the Contingent Value Notes?</b>	<p>The Note Trust Deed establishes the Note Trust and sets out the rights attaching to the Contingent Value Notes.</p> <p>The terms of cancellation and redemption of the Contingent Value Notes are set out in the Note Trust Deed.</p>	<p>Section 4.3 sets out further information in relation to the rights attaching to the Contingent Value Notes.</p> <p>Section 4.5 sets out a summary of the Note Trust Deed, a full copy of which is contained in Attachment C.</p>
<b>How much will I receive for my Contingent Value Notes?</b>	<p>One or more Independent Resource Assessors will carry out a determination of certain quantities of resources in certain Central exploration assets (defined as the "Relevant Assets") as at the Determination Date.</p> <p>The amount payable under the Contingent Value Notes will be based on the Independent Resource Assessor's determination of the "Redemption Amount" of the Contingent Value Notes.</p> <p>The Redemption Amount will be calculated based on the formula for the total contingent value set out in Section 4.3(b). This formula takes into account the quantum of economically recoverable resources identified by the Independent Resource Assessor for each Relevant Asset, the interest that the Central Subsidiary which owns the Relevant Asset has in that Relevant Asset and the total number of Central Shares on Issue as at the Record Date. The maximum Redemption Amount payable will be approximately 19.6 cents per Contingent Value Note.<sup>2</sup></p> <p>There is, however, no assurance that you will receive any Redemption Amount for your Contingent Value Notes.</p>	<p>Sections 4.3(b) and 4.3(c) set out further information in relation to the Redemption Amount and the role of the Independent Resource Assessor.</p>
<b>What if I disagree with the determination of the Independent Resource Assessor?</b>	<p>Absent any manifest error or fraud, the determination of an Independent Resource Assessor as set out in the redemption determination notice will be final and binding on all parties.</p>	
<b>When will I receive payment for the Contingent Value Notes?</b>	<p>You will not receive any payment for the Contingent Value Notes prior to the Determination Date.</p> <p>Following the Determination Date, the Independent Resource Assessor will carry out its assessment in accordance with the Note Trust Deed.</p> <p>Before any Redemption Amount is payable by the Note Issuer, the Redemption Conditions must be satisfied.</p> <p>If each of the Redemption Conditions is satisfied, the Note Issuer will pay to each Noteholder the Redemption Amount multiplied by the number of Contingent Value Notes held by that Noteholder on the Determination Date, within 14 days of receiving notice from the last of the Independent Resource Assessors (if more than one Independent Resource Assessor has been appointed) that it has completed its determination.</p>	<p>Section 4.3(c) sets out further information in relation to the Redemption Conditions and the payment of the Redemption Amount if any by the Note Issuer.</p>
<b>What are the Redemption Conditions?</b>	<p>The Redemption Conditions are that:</p> <ul style="list-style-type: none"> <li>▪ by no later than 14 days prior to the fifth anniversary of the Implementation Date, the Independent Resource Assessor (or, if more than one Independent Resource Assessor, each such Independent Resource Assessor) has provided notice to the Note Issuer that it has completed its determination in accordance with the Note Trust Deed; and</li> <li>▪ the Redemption Amount stated in such notice is greater than \$0.</li> </ul>	<p>Section 4.3(c) sets out further information in relation to the Redemption Conditions.</p>

<sup>2</sup> Assuming a total of 459,180,478 Central Shares on issue at the Record Date, based on all of the Central Share Rights and Central Future Share Rights being converted into Central Shares and those Central Shares being duly and properly issued before the Record Date.

Question	Answer	More information
<b>What are the assets relevant to the Contingent Value Notes?</b>	The assets relevant to the Contingent Value Notes are certain of Central's exploration assets located in the Amadeus Basin of the Northern Territory, being the Relevant Assets.	Section 4.9 sets out further information in relation to the Relevant Assets.
<b>What are Macquarie MPVD's intentions in relation to the Relevant Assets?</b>	<p>Macquarie MPVD has not formed any specific intentions in relation to the Relevant Assets beyond complying with its obligations as set out in the Note Trust Deed.</p> <p>Under the Note Trust Deed, Macquarie MPVD must procure that each Central Subsidiary which owns the Relevant Assets:</p> <ul style="list-style-type: none"> <li>▪ performs its obligations as is currently contemplated under the Farmout Agreement;</li> <li>▪ does not do anything to obstruct the work program and schedule currently provided for under the Farmout Agreement; and</li> <li>▪ does not agree to amend the Farmout Agreement, acting reasonably, if the amendment would have an adverse impact on the Contingent Value Notes.</li> </ul>	Section 4.5 sets out a summary of the Note Trust Deed, a full copy of which is contained in Attachment C.
<b>Can Macquarie MPVD or its Subsidiaries sell the Relevant Assets? What happens if it does so?</b>	<p>Yes it is possible that Macquarie MPVD may elect to sell all or a part of the Relevant Assets.</p> <p>If Macquarie MPVD (or any of its Subsidiaries) decides to relinquish all or part of a Relevant Asset or withdraw from a joint operating agreement before the Determination Date, the consideration received for the disposal will be relevant as to whether that Relevant Asset will be used in determining Macquarie MPVD's interest in that Relevant Asset (defined as the Relevant Equity Interest) for the purposes of calculating the ultimate Redemption Amount (if any) payable to Noteholders.</p> <p>If the disposal is made for valuable consideration, the Relevant Equity Interest for that Relevant Asset used in the Independent Resource Assessor's determination to calculate the Redemption Amount will be the interest of the Central Subsidiary which owns the Relevant Asset immediately prior to the disposal.</p> <p>However, if the relinquishment or withdrawal is made for nil or nominal consideration, the Relevant Equity Interest for that Relevant Asset used in the Independent Resource Assessor's determination to calculate the Redemption Amount will be zero.</p> <p>The Note Trust Deed contains protections to ensure Macquarie MPVD makes decisions regarding the Relevant Assets in good faith based on bona fide commercial considerations and not with an intention to circumvent the obligation to pay the Redemption Amount under the Contingent Value Notes.</p>	Section 4.5(g) sets out further information in relation to the Relevant Assets, and Section 6.4(d) sets out Macquarie MPVD's intentions in relation to the operations and continuation of business of Central.
<b>After I am issued Contingent Value Notes will I receive additional information about my investment?</b>	<p>Macquarie MPVD must use its reasonable endeavours to procure that, subject to any applicable confidentiality obligations or law, the Central Subsidiaries which own the Relevant Assets prepare a report (defined as the "Yearly Asset Report") on the activities undertaken during the previous 12 months including results relevant to the Independent Resource Assessor's assessment of the quantities of economically recoverable resources.</p> <p>Macquarie MPVD and the Note Issuer must ensure that a copy of the Yearly Asset Report is sent by email to such of the Noteholders as have provided an email address for contact within one month of each anniversary of the Implementation Date.</p> <p>The Note Issuer must also provide Noteholders with copies of its full year and half year financial reports lodged with ASIC without charge, if requested.</p>	Section 4.5 sets out further details in relation to ongoing reporting by the Note Issuer and the Relevant Asset.

Question	Answer	More information
<b>What are the risks in relation to holding Contingent Value Notes?</b>	<p>There are a number of risks in relation to holding Contingent Value Notes, including that:</p> <ul style="list-style-type: none"> <li>other than the commitments of Santos in accordance with the Southern Amadeus farmin (refer to Section 4.9(b)) and separately, certain minimum commitment obligations relating to EPs 82, 105, 112 and 125 (Southern Amadeus) and RLs 3 and 4 (Ooraminna), there is no obligation on Macquarie MPVD to undertake exploration or appraisal activity in respect of any of the Relevant Assets; and</li> <li>no Redemption Amount will be payable because no economically recoverable resources are assessed by the Independent Resource Assessor.</li> </ul> <p>In addition, there are also general risks as well as risks specific to Central and/or the industries in which it operates, including but not limited to those set out in Section 7.</p>	<p>Sections 4.9 and 4.10 set out further information in relation to the Relevant Assets and key risks in relation to Contingent Value Notes.</p> <p>Section 7 contains further information on the general risk factors associated with an investment in the industries in which Central operates.</p>
<b>Who is the Note Guarantor?</b>	<p>Macquarie Financial Holdings Pty Limited ACN 124 071 398.</p> <p>The Note Guarantor is a wholly owned Subsidiary of MQG.</p> <p>The Note Guarantor has agreed to guarantee the obligations of the Note Issuer to the Note Trustee under the Note Trust Deed.</p>	<p>Section 4.7 contains further information about the Note Guarantor.</p>
<b>Who is the Note Trustee?</b>	<p>Equity Trustees Limited ABN 46 004 031 298 (<b>Equity Trustees</b>) has been appointed as the Note Trustee. Equity Trustees holds an Australian financial services licence, licence number AFSL 240975.</p> <p>Equity Trustees was established as a trustee and executorial service provider by a special Act of the Victorian Parliament in 1888.</p> <p>Equity Trustees is a subsidiary of EQT Holdings Limited, a publicly listed company on the Australian Securities Exchange (ASX: EQT).</p> <p>The Note Trustee is appointed pursuant to section 283AA(1) of the Corporations Act to hold certain rights of the Noteholders on trust.</p>	<p>Section 4.8 contains further information about the Note Trustee.</p>
<b>Are the Contingent Value Notes listed?</b>	<p>No, the Contingent Value Notes will not be listed on any financial market.</p>	<p>The Note Trust Deed, a full copy of which is contained in Attachment C sets out the full terms of the Contingent Value Notes.</p>
<b>Are the Contingent Value Notes transferable?</b>	<p>The Custodian may transfer all but not some of the Custodian CVNs to a related body corporate, or to a person nominated by Macquarie MPVD if the Custody Agreement is terminated.</p> <p>Otherwise, the Contingent Value Notes are non-transferrable, other than as a result of operation of law or devolution.</p>	<p>The Note Trust Deed, a full copy of which is contained in Attachment C sets out the full terms of the Contingent Value Notes.</p>

## THE CONDITIONS PRECEDENT

<b>Are there any conditions to the Scheme?</b>	<p>There are a number of Conditions Precedent that will need to be satisfied or waived (where capable of waiver) before the Scheme can become Effective.</p> <p>As at the Last Practicable Date:</p> <ul style="list-style-type: none"> <li>none of the Conditions Precedent have been satisfied or waived;</li> <li>Macquarie MPVD has indicated that it would be willing to waive the Condition Precedent in relation to the Central Options held by Freestone, former employees and former directors of Central that have not been cancelled subject to being satisfied with the treatment of the other remaining Central Options; and</li> <li>all of the Central Directors believe that the other Conditions Precedent are capable of being satisfied or will ultimately be waived with the agreement of Macquarie MPVD.</li> </ul>	<p>Section 8.1(b) contains further information on the Conditions Precedent, and Section 9.5 contains further information on the status of the Conditions Precedent.</p>
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**VOTING FOR OR AGAINST THE SCHEME RESOLUTION**

<p><b>Why should you vote in favour of the Scheme Resolution?</b></p>	<p>Reasons why you should vote in favour of the Scheme Resolution include:</p> <ul style="list-style-type: none"> <li>• the Central Board has unanimously recommended voting in favour of the Scheme, in the absence of a Superior Proposal, and intends to vote in favour of the Scheme;</li> <li>• the Scheme Consideration reflects a premium to the top-end of the Independent Expert’s range of assessed values of a Central Share, on a controlling interest basis, and is therefore in your best interests;</li> <li>• Central Shareholders will retain some upside from Central’s exploration assets;</li> <li>• no Superior Proposal has been received as at the date of this Scheme Booklet, after an extensive process to identify alternative proposals;</li> <li>• the Scheme removes the risk of the gas market window closing before Central develops the capacity to supply into it;</li> <li>• there has been a structural shift in international oil and gas markets and prices;</li> <li>• the offer is fully priced, based on Santos’ sale of its 50% interest in Mereenie;</li> <li>• if the Scheme does not become Effective, you will continue to be subject to a number of risks associated with its operations (including those set out in Section 7);</li> <li>• the Scheme would provide you with the certainty of realising immediate value for your Central Shares; and</li> <li>• if the Scheme does not become Effective, and no Superior Proposal emerges, the Central Share price is likely to fall.</li> </ul>	<p>Sections 2.1 and 2.2 contain further information on why you should vote in favour of the Scheme Resolution.</p>
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<p><b>Why you may consider voting against the Scheme Resolution?</b></p>	<p>Reasons why you may consider voting against the Scheme Resolution include:</p> <ul style="list-style-type: none"> <li>• you may disagree with the recommendation of the Central Board and the conclusions of the Independent Expert;</li> <li>• if the Scheme becomes Effective, you will no longer be a Central Shareholder and you will not participate in Central’s future financial performance, or any potential upside or the future prospects of its business that may result from continuing to be a Central Shareholder (other than in accordance with the terms of the Contingent Value Notes). However, as with all investments in securities, there can be no guarantee as to Central’s future performance;</li> <li>• you may wish to maintain your investment profile; and</li> <li>• you may consider that there is potential for a Superior Proposal to emerge.</li> </ul>	<p>Sections 2.1 and 2.3 contain further information on why you may consider voting against the Scheme Resolution.</p>
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**The Scheme Meeting and voting**

<p><b>When and where will the Scheme Meeting be held?</b></p>	<p>The Scheme Meeting will be held at 10.30am (AEST) on 5 June 2017 at Christie Conference Centre, The Caribbean Room, Level 1, 320 Adelaide Street, Brisbane, QLD 4000.</p>	<p>The Notice of Scheme Meeting contained in Attachment E contains further information on the Scheme Meeting.</p>
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<p><b>What will Central Shareholders (other than the Excluded Shareholders) be asked to vote on at the Scheme Meeting?</b></p>	<p>At the Scheme Meeting, Central Shareholders (other than the Excluded Shareholders) will be asked to vote on whether to approve the Scheme by voting in favour of the Scheme Resolution. The Scheme Meeting will commence at 10.30am (AEST) on 5 June 2017.</p>	<p>The Scheme Resolution is set out in the Notice of Scheme Meeting contained in Attachment E.</p>
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Question	Answer	More information
<b>What is the Central Shareholder approval threshold for the Scheme?</b>	<p>In order to become Effective, the Scheme must be approved by:</p> <ul style="list-style-type: none"> <li>▪ a majority in number (more than 50%) of Central Shareholders (other than the Excluded Shareholders) present and voting at the Scheme Meeting;<sup>3</sup> and</li> <li>▪ at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Central Shareholders (other than the Excluded Shareholders) present and voting at the Scheme Meeting.</li> </ul> <p>The Excluded Shareholders will not be entitled to vote at the Scheme Meeting.</p> <p>Even if the Scheme is approved by the Requisite Majority of Central Shareholders (other than the Excluded Shareholders) at the Scheme Meeting, the Scheme is still subject to the approval of the Court (as well as other Conditions Precedent outlined in Section 3.6).</p>	Section 8.2(a) and the Notice of Scheme Meeting contained in Attachment E contain further information on the Scheme approval requirements.
<b>Am I entitled to vote at the Scheme Meeting?</b>	<p>If you are registered as a Central Shareholder on the Central Share Register at 7.00pm (AEST) on 2 June 2017 and you are not an Excluded Shareholder, you will be entitled to attend and vote at the Scheme Meeting.</p> <p>If you are an Excluded Shareholder, you will not be entitled to vote at the Scheme Meeting.</p>	The Notice of Scheme Meeting contained in Attachment E sets out further information on your entitlement to vote at the Scheme Meeting.
<b>Who is not entitled to vote at the Scheme Meeting?</b>	<p>The Excluded Shareholders are not entitled to vote at the Scheme Meeting.</p> <p>The Excluded Shareholders are Macquarie MPVD and its associates, but excluding MIML acting in the capacities listed in Section 6.5(a).</p>	The Notice of Scheme Meeting contained in Attachment E.
<b>Should I vote?</b>	Voting is not compulsory. However, the Central Board encourages all Central Shareholders (other than the Excluded Shareholders) to vote at the Scheme Meeting.	Sections 2.2, 3.3 and 3.4 provide further information on the Central Board's recommendation and the Central Board's voting intentions.
<b>How can I vote if I cannot attend the Scheme Meeting?</b>	If you would like to vote but cannot attend the Scheme Meeting on 5 June 2017 in person, you can vote by submitting a proxy (including by lodging your proxy online at <a href="http://www.investorvote.com.au">www.investorvote.com.au</a> and following the instructions, by mailing a completed proxy form to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, VIC 3001, Australia or faxing a completed proxy form to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia)) or appointing an attorney to attend and vote on your behalf. You may also vote by corporate representative if that option is applicable to you.	The Notice of Scheme Meeting contained in Attachment E sets out further details on how to vote at the Scheme Meeting.
<b>Will Macquarie MPVD vote any Central Shares that it holds at the Scheme Meeting?</b>	Macquarie MPVD is not a Central Shareholder and is not permitted to vote at the Scheme Meeting.	Section 6.5 contains further details about the interests of Macquarie MPVD in Central Shares.
<b>When will the results of the Scheme Meeting be known?</b>	<p>The results of the Scheme Meeting are expected to be available shortly after the conclusion of the Scheme Meeting and will be announced to ASX (<a href="http://www.asx.com.au">www.asx.com.au</a>) once available.</p> <p>Even if the Scheme is approved by the Requisite Majority of Central Shareholders (other than the Excluded Shareholders), the Scheme will still be subject to the approval of the Court (as well as other Conditions Precedent outlined in Section 3.6).</p>	

<sup>3</sup> It should be noted that the Court has the power to waive this requirement.

Question	Answer	More information
<b>What happens if the Court does not approve the Scheme or the Scheme does not otherwise proceed?</b>	<p>If the Scheme Resolution is not approved at the Scheme Meeting on 5 June 2017, or if the Scheme Resolution is approved at the Scheme Meeting but the Scheme is not approved by the Court or a Condition Precedent is not fulfilled or otherwise waived (if applicable), then the Scheme will not become Effective and will not be implemented.</p> <p>In such a scenario, Scheme Shareholders will not receive the Scheme Consideration but will retain their Central Shares and continue to be subject to general risks as well as risks specific to Central and/or the industries in which it operates, including those set out in Section 7.</p> <p>In these circumstances, the Central Group will, in the absence of a Superior Proposal, continue to operate as a standalone group listed on ASX.</p>	<p>Sections 3.7 and 7 contain further information on the implications for Central Shareholders if the Scheme does not become Effective.</p>
<b>What happens to my Central Shares if I do not vote, or if I vote against the Scheme Resolution, and the Scheme becomes Effective?</b>	<p>If you do not vote, or vote against the Scheme Resolution and the Scheme becomes Effective, any Scheme Shares held by you on the Record Date (currently expected to be 7.00pm (AEST) on 14 June 2017) will be transferred to Macquarie MPVD and you will be sent the Scheme Consideration, despite not having voted or having voted against the Scheme Resolution.</p>	
<b>Other questions</b>		
<b>How will the Central Share Rights and Central Future Share Rights be treated under the Scheme?</b>	<p>Subject to the Central Board's assessment of the status of the Conditions Precedent, including in relation to the Central Options, the Board may:</p> <ul style="list-style-type: none"> <li>• make a determination that a "change of control event" is likely to occur;</li> <li>• waive the performance criteria prescribed in respect of the Central Share Rights causing the Central Share Rights to vest; and</li> <li>• approve the issue of the Central Future Share Rights, which will immediately vest.</li> </ul> <p>ASX has granted a waiver from Listing Rule 6.23.3 to facilitate this (see Section 9.9 for further information regarding the waiver). The waiver is conditional upon, amongst other things, the Scheme becoming Effective.</p> <p>If the Board makes a determination that a "change of control event" is likely to occur, Central will enter into binding and irrevocable agreements with its current and former employees in relation to the Central Share Rights and with Mr Cottee in relation to the Central Future Share Rights, conditional only upon the Scheme becoming Effective, for:</p> <ul style="list-style-type: none"> <li>• the Central Share Rights and Central Future Share Rights to be exercised; and</li> <li>• the Central Shares underlying those rights to be issued and allotted,</li> </ul> <p>prior to the Record Date, such that no Central Share Rights or Central Future Share Rights will be on issue or in existence at the Record Date.</p>	<p>Section 5.4 sets out further information in relation to the Central Share Rights and the Future Share Rights.</p>

Question	Answer	More information
<p><b>How will the Central Options be treated under the Scheme?</b></p>	<p>The satisfaction of the Condition Precedent relating to the cancellation of Central Options will require a waiver by Macquarie MPVD of the Condition Precedent insofar as the Central Options held by Freestone, former employees and former directors are concerned. Macquarie MPVD has indicated that it would be willing to waive this Condition Precedent in relation to the Central Options held by Freestone, former employees and former directors which have not otherwise been cancelled, subject to Macquarie MPVD being satisfied with the treatment of the other remaining Central Options.</p> <p>As at the date of this Scheme Booklet, no agreement has been reached in relation to the Central Options held by Freestone. Mr Richard Cottee has recently resigned as a director of Freestone. Under no circumstances does Mr Cottee intend to receive an economic benefit from his beneficial interest in the underlying unit trust for which Freestone is the trustee.</p> <p>All Central Options issued to current employees, Mr Wrixon Gasteen (a current Director) and Mr Michael Herrington (a former Director), were cancelled in April 2017 for nil consideration.</p>	<p>Section 5.4 sets out further information in relation to the Central Options.</p>
<p><b>What will happen to Central if the Scheme becomes Effective?</b></p>	<p>If the Scheme becomes Effective, Central intends to apply to ASX for Central Shares to be suspended from official quotation on ASX from the close of trading on the Effective Date. You will not be able to sell your Central Shares on-market after this time. Macquarie MPVD has also indicated that it intends to delist Central if the Scheme becomes Effective.</p>	<p>Section 6.4 sets out the current intentions of Macquarie MPVD for Central if the Scheme becomes Effective.</p>
<p><b>What happens if Central is approached in relation to a Competing Transaction?</b></p>	<p>If Central is approached in relation to a Competing Transaction, the Central Board will carefully consider the proposal.</p> <p>Central must notify Macquarie MPVD of that approach in relation to the Competing Transaction in accordance with the Central Scheme Deed.</p>	<p>Section 8.1(c) contains a summary of Central's obligations in this respect under the Central Scheme Deed.</p>
<p><b>Can I sell my Central Shares now?</b></p>	<p>The existence of the Scheme does not preclude you from selling some or all of your Central Shares on-market for cash, if you wish, provided you do so before close of trading on ASX on the Effective Date (currently proposed to be 7 June 2017). Central intends to apply to ASX for Central Shares to be suspended from official quotation on ASX from the close of trading on the Effective Date. You will not be able to sell your Central Shares on-market after this time.</p> <p>Central Shareholders who sell some or all of their Central Shares on ASX:</p> <ul style="list-style-type: none"> <li>▪ may receive payment (which may vary from the Scheme Consideration) for the sale of their Central Shares sooner than they would receive the Scheme Consideration under the Scheme;</li> <li>▪ may incur a brokerage charge;</li> <li>▪ will not be able to participate in the Scheme, or be entitled to receive the Scheme Consideration, or, if one emerges, be able to participate in a Superior Proposal, in respect of those Central Shares they have sold; and</li> <li>▪ may be liable for CGT on the disposal of their Central Shares.</li> </ul>	<p>Section 3.8 contains a summary of the choices available to Central Shareholders.</p>

Question	Answer	More information
<b>When could Central be required to pay a reimbursement fee?</b>	<p>Under the Central Scheme Deed, Central must pay a reimbursement fee of \$918,392 to Macquarie MPVD if certain events occur, including if:</p> <ul style="list-style-type: none"> <li>▪ any member of the Central Board fails to recommend the Scheme in accordance with the Central Scheme Deed or changes his or her recommendation (including making a public announcement indicating he or she no longer supports the Scheme), other than where: <ul style="list-style-type: none"> <li>• the change of recommendation or public statement is made following the receipt of the report of the Independent Expert where that report states that in the opinion of the Independent Expert the Scheme is not in the best interests of Central Shareholders (other than where a Competing Proposal has been proposed or announced before the report is issued where the Independent Expert’s conclusion is due wholly or partly to the existence, announcement or publication of a Competing Proposal); or</li> <li>• where Central has terminated the Central Scheme Deed pursuant to its right to terminate Deed as a result of a material breach of deed or warranty by Macquarie MPVD;</li> </ul> </li> <li>▪ a Competing Proposal of any kind is announced during the Exclusivity Period (whether or not such proposal is stated to be subject to any pre-conditions) and within 12 months of the date of such announcement: <ul style="list-style-type: none"> <li>• the party proposing the Competing Proposal, or its associate, completes a Competing Proposal; or</li> <li>• Central or the Central Board abandons or fails to proceed with the Transaction;</li> </ul> </li> <li>▪ Macquarie MPVD has validly terminated the Central Scheme Deed as a result of a material breach of deed or warranty by Central;</li> <li>▪ the Conditions Precedent are not satisfied in accordance with the Central Scheme Deed;</li> <li>▪ the Central Scheme Deed is terminated following the Independent Expert concluding in the Independent Expert’s Report (or any update of, or revision, amendment or addendum to, that report) that the Scheme is not in the best interests of Central Shareholders, where that conclusion is due wholly or partly to the existence, announcement or publication of a Competing Proposal, irrespective of whether or not any members of the Central Board change, withdraw or modify their recommendation in favour of the Scheme or support or endorse the Competing Proposal; or</li> <li>▪ the Court fails to make any order directing Central to convene the Scheme Meeting, or fails to approve the terms of the Scheme for which the approval of the requisite Central Shareholders has been obtained, in each case as a result of a material non-compliance by Central with any of its obligations under the Central Scheme Deed.</li> </ul> <p>A failure by Central Shareholders to pass the Scheme Resolution at the Scheme Meeting will not of itself trigger Central’s obligation to pay a reimbursement fee to Macquarie MPVD.</p>	Section 8.1(e) contains further information about the reimbursement fee agreed by Central and Macquarie MPVD under the Central Scheme Deed.
<b>Will I have to pay brokerage or stamp duty?</b>	You will not have to pay brokerage or stamp duty on the transfer of your Central Shares under the Scheme.	

Question	Answer	More information
<b>Do I have to sign anything to transfer my Central Shares?</b>	<p>No. If the Scheme becomes Effective, Central will automatically have authority to sign a transfer on your behalf, and the Scheme Consideration will be paid to you. However, you should be aware that, under the Scheme, you are deemed to have warranted to Macquarie MPVD and Central that (in summary):</p> <ul style="list-style-type: none"> <li>▪ all your Scheme Shares (including any rights and entitlements attaching to those shares) which are transferred to Macquarie MPVD under the Scheme are fully paid and free from all encumbrances on the date of transfer of your Central Shares; and</li> <li>▪ you have full power and capacity to sell and transfer your Scheme Shares to Macquarie MPVD under the Scheme together with any rights and entitlements attaching to those shares.</li> </ul>	<p>See Section 3.10 for further information on the warranties given by Scheme Shareholders. The warranties given by Scheme Shareholders are contained in clause 5.6 of the Scheme, which is contained in Attachment D.</p>
<b>What are the taxation implications of the Scheme?</b>	<p>The taxation implications of the Scheme will depend on your personal circumstances.</p>	<p>Section 9.3 contains further information on tax implications which may be relevant to you.</p>
<b>When will the Scheme become Effective?</b>	<p>Subject to satisfaction or waiver (if applicable) of the Conditions Precedent, including the Scheme being approved by Central Shareholders (other than the Excluded Shareholders) and the Court, the Scheme will become Effective on the Effective Date (currently expected to be 7 June 2017) and will be implemented on the Implementation Date (currently expected to be 21 June 2017).</p>	<p>Section 8.5 contains further information on when the Scheme will become Effective.</p>
<b>Where can I get further information?</b>	<p>For further information, you can call the Shareholder Information Line on 1300 650 871 (within Australia) or +61 3 9415 4278 (outside Australia) between 8.30am and 5.00pm (AEST) or visit <a href="http://www.centralpetroleumscheme.com.au">www.centralpetroleumscheme.com.au</a>.</p> <p>If you are in doubt about anything in this Scheme Booklet, please contact your financial, legal, taxation or other professional adviser.</p>	

# 2 REASONS TO VOTE FOR/AGAINST THE SCHEME RESOLUTION

## 2.1 INTRODUCTION

The Scheme has a number of advantages and disadvantages which may affect Scheme Shareholders in different ways, depending on their individual circumstances. Scheme Shareholders should seek professional advice on their particular circumstances, as appropriate.

Section 2.2 provides a summary of some of the reasons why the Central Board has unanimously recommended you vote in favour of the Scheme in the absence of a Superior Proposal. Section 2.2 should be read in conjunction with Section 2.3 which sets out reasons why you may wish to vote against the Scheme Resolution. You should read this Scheme Booklet in full, including the Independent Expert's Report, before deciding how to vote at the Scheme Meeting. While the Central Board acknowledges the reasons to vote against the Scheme Resolution, they believe the advantages of the Scheme significantly outweigh the disadvantages.

## 2.2 WHY YOU SHOULD VOTE IN FAVOUR OF THE SCHEME RESOLUTION

### **Directors' recommendation and intentions**

In reaching their recommendation, each member of the Central Board has assessed the Scheme Resolution with regard to the reasons to vote for or against the Scheme Resolution, as set out in this Scheme Booklet.

Among other things the Central Board carefully assessed:

- the short, medium and long-term outlook for each of the oil and gas markets;
- the ongoing uncertainties and risks Central would face if it were to continue standalone operations;
- the recent completed comparative sale by Santos of its 50% interest in the Mereenie oil and gas field for \$52 million, including the implied value of Central's share in the project and attractiveness of Central to some potential offerors;
- the construction and operation of the NGP in accordance with its published schedule without material delays;
- the price performance of Central Shares subsequent to the Central Board's initial rejection of the non-binding indicative offer from MQG; and
- Central's ability to raise the necessary capital to prove up and develop resources.

Following consideration of these factors and the outcome of negotiations with Macquarie MPVD, the Central Board believes that Macquarie MPVD's offer, which is at a significant premium to the market value of Central Shares, represents attractive value and provides an opportunity for you to de-risk your investment in Central. If the Scheme becomes Effective, the Central Board believes that it is also likely to deliver positive opportunities for Central's staff and strategic partners.

In the absence of a Superior Proposal, each member of the Central Board intends to vote all Central Shares held or controlled by them in favour of the Scheme Resolution. The interests of Central Directors are set out in Section 5.5.

Please also refer to the Independent Expert's discussion in respect of the advantages of the Scheme on pages iii and iv of the Independent Expert's covering letter attaching the Independent Expert's Report.

### **Scheme consideration at a significant premium and in the best interest of Central Shareholders**

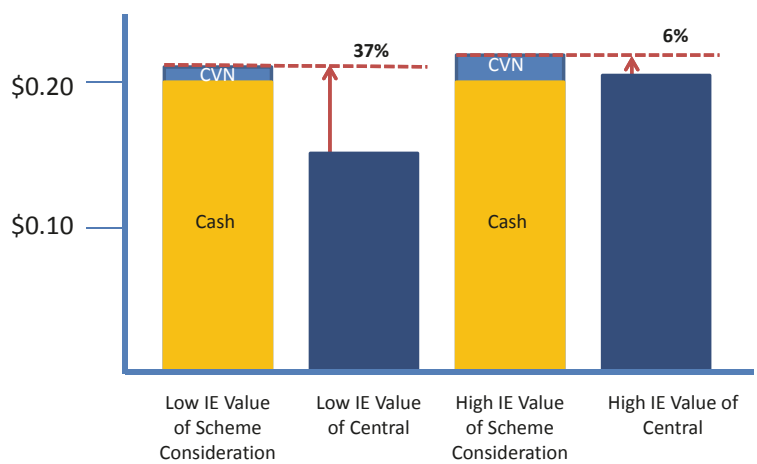
The Central Board appointed Ernst & Young Transaction Advisory Services Limited ACN 003 599 844 to prepare the Independent Expert's Report, including an opinion as to whether the Scheme is in the best interests of Scheme Shareholders. A complete copy of the Independent Expert's Report is included as Attachment A of this Scheme Booklet and you are encouraged to read this report in full.

The Independent Expert has assessed the fair value of a Central Share, on a controlling interest basis, to be between 15 cents per share and 20.5 cents per share.

The Independent Expert has also assessed the total value of the Scheme Consideration, to be in a range of 20.6 cents to 21.7 cents per share.

The Independent Expert concluded that the low-end value of the Scheme Consideration is higher than the top-end value of Central. The Independent Expert's conclusion holds, even without attributing any value to the Contingent Value Notes.

**Value of Scheme Consideration relative to IE Value of Central**



As the low-end value of the Scheme Consideration exceeds the range of assessed values of a Central Share, the Independent Expert considers the terms of the Scheme to be fair and reasonable and, therefore, in the best interests of Central Shareholders.

The value of the Scheme Consideration of 20.6 to 21.7 cents per Scheme Share also represents a premium to other recent share price metrics and a significant premium over the undisturbed price of Central Shares. By way of example, the mid-point of the Independent Expert’s assessed range (21.2 cents per Central Share) represents a premium of:

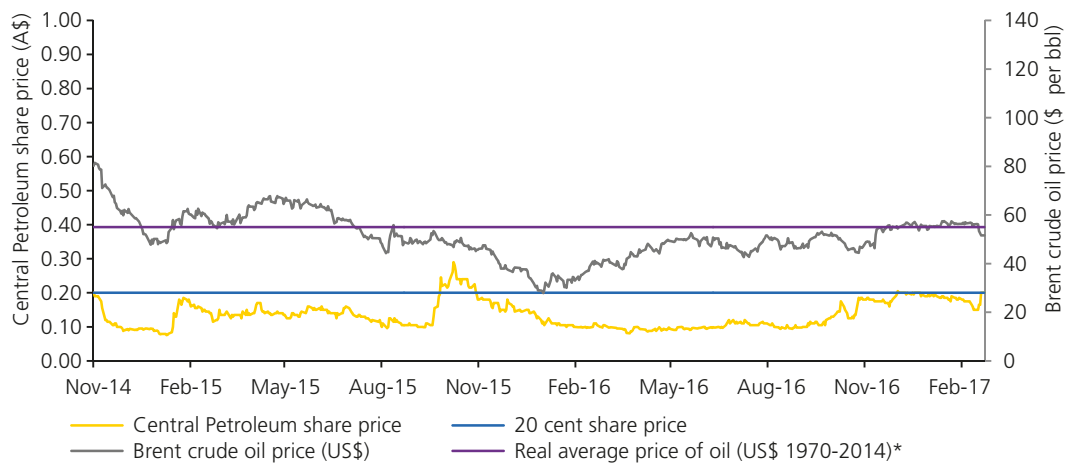
- 86% to the 6-month VWAP to the closing price on 9 November 2016 (prior to the announcement of Macquarie’s indicative non-binding offer) of 11.4 cents;
- 69% to the closing price on 9 November 2016, being the last trading day prior to receipt of the initial proposal from MQG of 12.5 cents;
- 28% to the closing price on 9 March 2017, being the last trading day prior to announcement of the Transaction of 16.5 cents;
- 21% on the initial non-binding proposal of 17.5 cents received from MQG, as announced by Central to ASX on 14 November 2016; and
- 3% to the upper end of the Independent Expert’s valuation range of the fair value of a Central Share, on a controlling interest basis, of between 15 cents and 20.5 cents per Central Share.

By itself, even the cash component of the Scheme Consideration (20 cents per Central Share) represents a premium of:

- 21% to the closing price on 9 March 2017, being the last trading day prior to announcement of the Transaction; and
- 60% to the closing price on 9 November 2016, being the last trading day prior to receipt of the initial takeover proposal from MQG.

The graph below shows the cash component of the Scheme Consideration relative to Central’s recent share price prior to the announcement of the receipt of MQG’s initial indicative non-binding proposal to privatise Central on 14 November 2016.

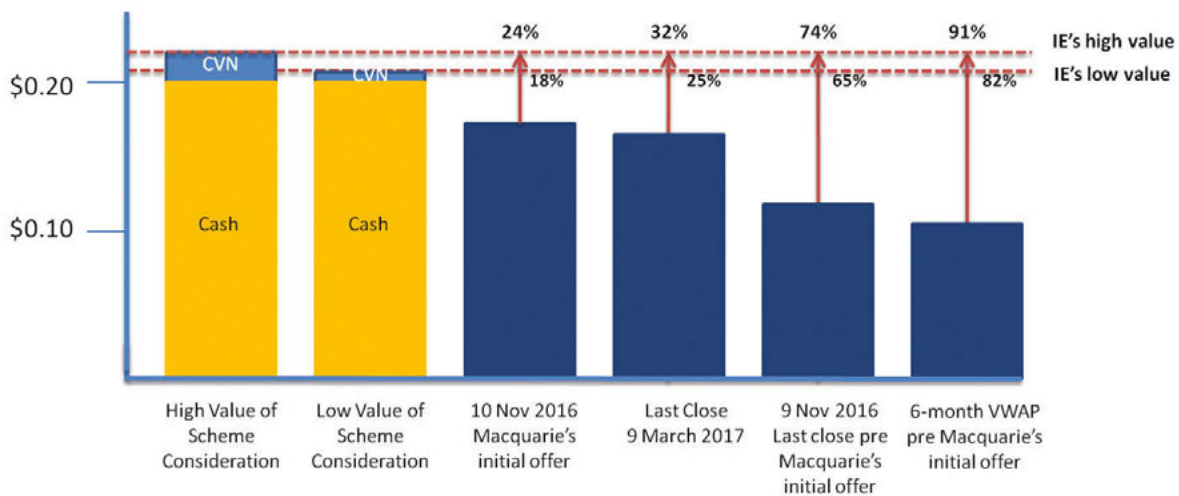
**Comparison Central Share Price Performance**



\* Source: ACCC Inquiry into the east coast gas market (page 56)

The graph below illustrates the premium of Scheme Consideration value range relative to Central's recent share price metrics.

### Premium of Scheme Consideration value relative to recent trading prices



In addition, from 10 December 2014 until 10 March 2017, when the Central Scheme Deed was announced, the price for Central Shares closed below 20 cents on all but 33 trading days.

In reaching their recommendation, each member of the Central Board has assessed the Scheme Resolution with regard to the reasons to vote for or against the Scheme Resolution, as set out in this Scheme Booklet.

Among other things the Central Board carefully assessed:

- the markets in which Central operates;
- the ongoing uncertainties and risks Central would face if it were to continue standalone operations;
- the recent completed comparative sale by Santos of its 50% interest in the Mereenie gas field for \$52 million;
- the construction and operation of the NGP in accordance with its published schedule without material delays;
- the price performance of Central Shares subsequent to the Central Board's initial rejection of the non-binding indicative offer from MQG; and
- the Company's ability to raise the necessary capital to prove up resources.

### ✓ Central Shareholders retain some upside

The Contingent Value Notes provide Central Shareholders with an opportunity to share in the future success of Central, up to a maximum of 19.6 cents,<sup>4</sup> without bearing any risks or diminution of value associated with exploration, development, raising capital or dilution.

The Contingent Value Notes were structured as a mechanism that allows Central Shareholders to participate in some of the key exploration assets of the Central portfolio with the potential for near term success, without incurring any of the associated appraisal and/or exploration costs.

To secure payment of any amounts associated with a Contingent Value Notes, the Note Trustee will be appointed and an Independent Resource Assessor will assess any hydrocarbon and non-hydrocarbon resources (including, without limitation, helium) associated with discoveries within:

- Ooraminna Permits which contain a gas discovery that may become economic in the near term;
- Palm Valley Deep Prospect;
- Mount Kitty Discovery; and
- Key exploration licences where Santos is undertaking work in the Southern Amadeus Farmout.

In addition, the Independent Resource Assessor will assess discoveries based on a Best Technical Estimate (BTE). The BTE can be considered similar to a contingent resource and is less stringent than the benchmark required for reserve certification.

Macquarie MPVD has various rights to dispose of or relinquish all or any part of a petroleum tenement or withdraw from a joint operating agreement, however, those decisions must be made in good faith based on bona fide commercial considerations and may not be made with the intention to circumvent the obligation to pay the Redemption Amount.

<sup>4</sup> Assuming a total of 459,180,478 Central Shares on issue at the Record Date, based on all of the Central Share Rights and Central Future Share Rights being converted into Central Shares and those Central Shares being duly and properly issued before the Record Date.

## ✓ No superior offer after extensive process

Following the MQG's indicative non-binding offer announced in 14 November 2016, Central appointed Origin to seek a superior offer. Origin's role was to seek the most favourable outcome for Central, being either:

- Central remaining independent and adequately funded; or
- a change of control at a consideration greater than the original MQG proposal.

Origin approached over 80 Australian and international parties in the following categories:

- Strategic parties including oil & gas exploration and production companies and other companies in the oil & gas supply chain.
- Financial groups including both hedge funds and specialist private equity firms.

In parallel with negotiations with MQG, Origin sought proposals in respect of either offers for control or substantial minority interest.

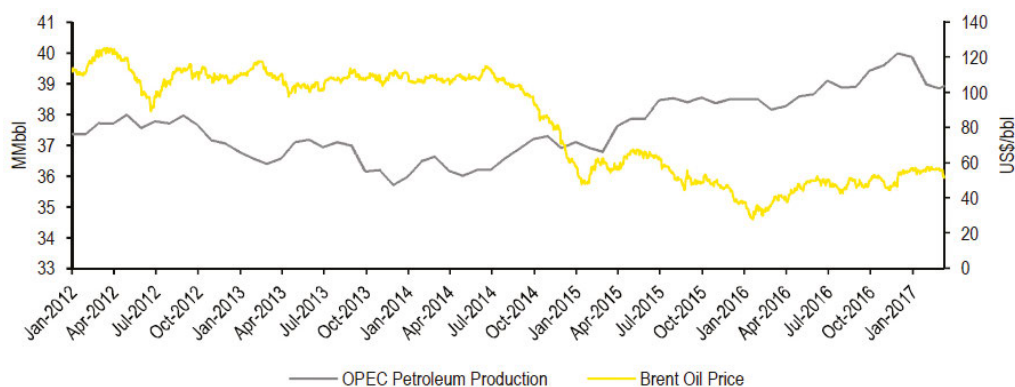
Central established a virtual data room containing comprehensive information in respect of Central, including its assets, commercial arrangements, financial information and financial model. Shortlisted parties conducted due diligence under customary non-disclosure agreements.

As at the date of this Scheme Booklet, no Superior Proposal has emerged.

## ✓ Structural shift in international oil & gas prices

The economic value of exploration continues to be limited by global long term fundamental factors. The global oil and gas industry recently experienced a structural shift, driven mainly by unconventional production of the US and OPEC's response.

### Global petroleum supply dynamics



Source: Independent Expert's Report, page 12

The medium-term outlook for international oil & gas prices remains subdued. Under this outlook, the economic value of exploration remains limited as illustrated by a number of major oil & gas groups exiting projects in Australia including BP plc's activities in the Great Australian Bight, Chevron Corporation's Nappamerri trough and Total S.A.'s decision not to proceed with its farm-in into Central's Southern Georgina acreage.

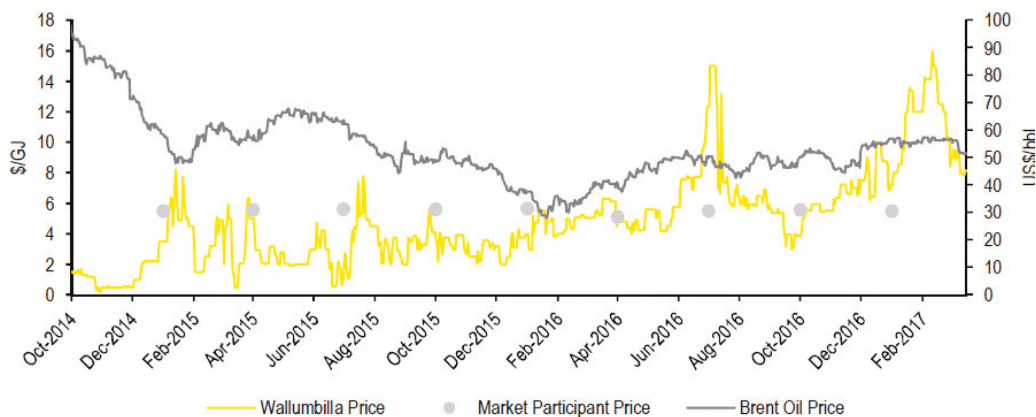
To assist the Independent Expert in preparing its report, the Independent Expert provided instructions to the Independent Technical Specialist to provide specialist technical input (under the VALMIN Code) which is reflected in the Independent Technical Specialist's report in the Independent Expert's Report. The Independent Technical Specialist assessed the value of all of Central's exploration assets in the current environment to be in the range of \$3 million to \$10 million.

## ✓ Remove risk of gas market window closing before Central develops capacity to supply

The East Coast of Australia currently has a dislocated gas market, mainly driven by the number of CSG-LNG projects in Queensland, monopolistic pricing in transport infrastructure, the international oil and gas environment and other disincentives for new supply including moratoria and other restrictions.

Central has a limited window of opportunity to capture higher prices, with the timing dependant on the speed of new domestic supply (some of which closer to markets or near existing transport infrastructure), potential for LNG imports and demand destruction in the medium term.

### Actual and realised domestic gas price vs Brent oil price



Source: Independent Expert's Report, page 20

Section 3.2 of the Independent Expert's Report contains a comprehensive overview of the Australian gas market dynamics and illustrates future market influences that may close the current window of opportunity.

With a majority of Central's existing gas reserves committed under gas sales agreements, Central will need to raise a significant amount of capital, which has not been readily available, to increase its reserves, secure contracts and be in a position to take advantage of the opportunity presented by the potential development of NGP.

## ✓ Risk that Vertigan reforms do not deliver any benefits to the Northern Territory gas fields

An options paper has been published which proposes, inter alia, that regulated pipelines like the Amadeus and Carpentaria pipelines will not be covered by the reforms. If this proves to be true there would be an economic barrier to the Northern Territory being a source of supply for the domestic market.

## ✓ Offer is fully priced, based on Santos' sale of 50% interest in Mereenie

Santos' recent sale in a contested process of its 50% interest in the Mereenie gas field for \$52 million is a recent and relevant value benchmark. Central's 50% interest in Mereenie, which includes operatorship, is its cornerstone gas asset. It accounts for 57% of 2P reserves and is the one asset most capable of responding to the domestic gas shortfall. The Scheme Consideration implies a value of greater than \$162 million for all of Central's predominately producing assets acquired since Central's pivot to gas.<sup>5</sup>

The Scheme Consideration represents value accretion to the acquisition cost of these gas producing assets at Palm Valley, Dingo and Mereenie gas field acquired in 2014 and 2015 respectively for a total sum of \$115 million.

<sup>5</sup> Enterprise value (midpoint value of Scheme Consideration of 21.2 cents per share x 459.2 million shares plus net debt of \$75.4 million) less the Independent Technical Specialist's high estimate for exploration assets of up to \$10 million (see section 7.3 of the Independent Expert's Report).

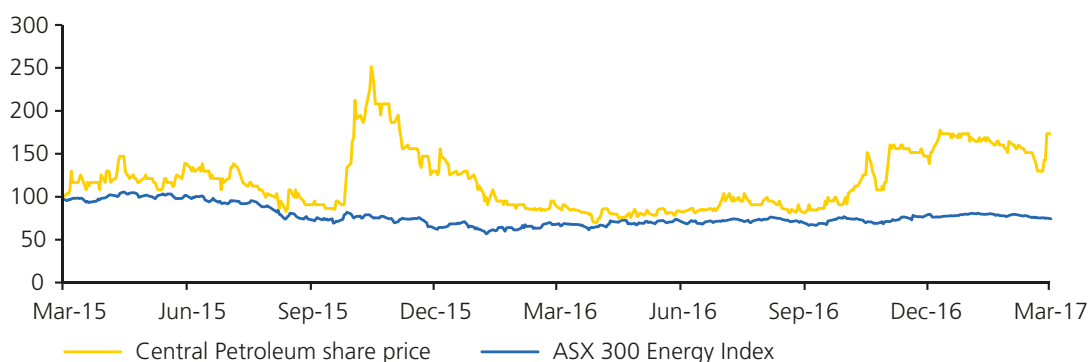
**✓ Risks and lower share price if the Scheme does not become Effective**

If the Scheme does not become Effective, Central will remain an independent company quoted on the ASX. As such, Central Shareholders will continue to be subject to the exploration, development, market and funding risks associated with the Central business.

If the Scheme does not become Effective, Central Shares will remain quoted on the ASX and will continue to be subject to market volatility, including general stock market movements, the impact of general economic conditions and demand for listed securities. As such, if the Scheme does not become Effective, the price at which Central Shares trade may fall, including to a price that is well below the cash component of the Scheme Consideration of 20 cents per Central Share.

Over the two years before the announcement of the execution of the Central Scheme Deed on 10 March 2017, Central Shares have traded between a high last close of 29 cents on 27 October 2015, which was shortly after completion of the Mereenie acquisition, and a low last close of 8.1 cents on 11 April 2016. The below chart illustrates that Central’s share price has generally tracked the performance of the ASX 300 Energy Index, with recent increases in Central’s share price corresponding to the announcement of the receipt of MQG’s initial indicative non-binding proposal to privatise Central.

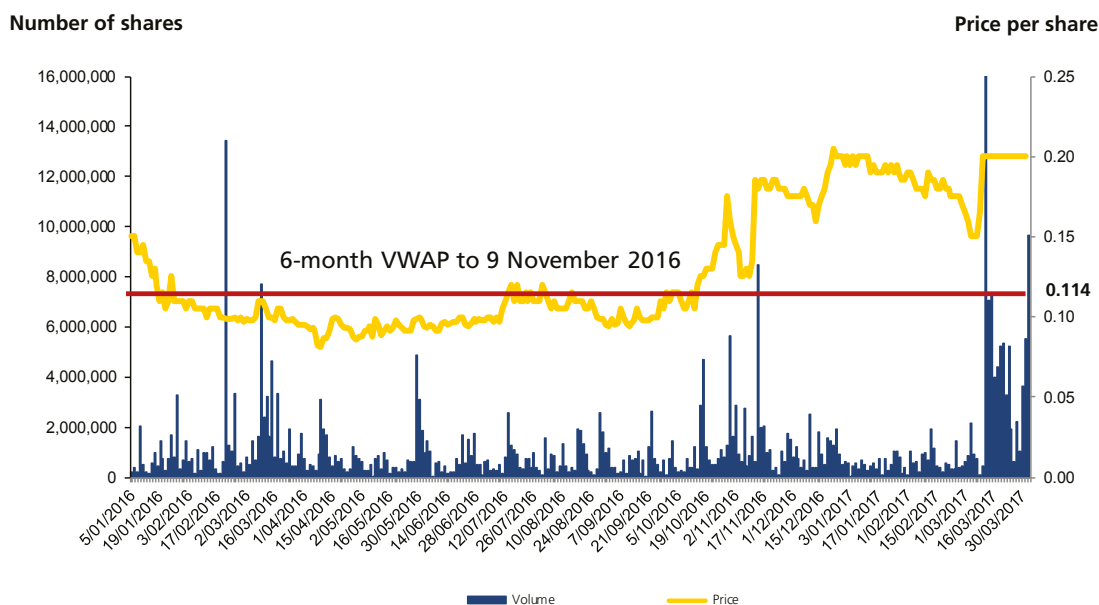
**Central Share Price vs ASX 300 energy index**



Source: Independent Expert’s Report, page 40

Further information relating to Central’s recent share price history is set out in Section 5.8. Please also refer to the Independent Expert’s discussion on this matter on pages iv and v of the Independent Expert’s covering letter attaching the Independent Expert’s Report.

**Central’s share price from 1 January 2016**



Source: Bloomberg

## 2.3 WHY YOU MAY WISH TO VOTE AGAINST THE SCHEME RESOLUTION

### **✗ You may disagree with the Central Board's unanimous recommendation and the Independent Expert's conclusion and believe that the Scheme Resolution is not in your best interests**

Despite the view of the Central Board, you may believe that the Scheme Resolution is not in the best interests of Central Shareholders or not in your individual best interests.

### **✗ You may wish to maintain your investment profile**

You may wish to maintain your investment profile in Central in order to have an investment in a publicly listed company with the specific characteristics of Central – in terms of industry, operational profile, size, capital structure and potential dividend stream.

Implementation of the Scheme will result in a disadvantage to those Central Shareholders who wish to maintain their investment profile in Central as they may find it difficult to find an investment with a similar profile to Central.

### **✗ You may consider that there is potential for a Superior Proposal for Central to be made in the foreseeable future**

It is possible that, if Central were to continue trading as a standalone listed entity, an alternative corporate control proposal for Central could materialise in the future, such as a takeover bid with a higher price. Implementation of the Scheme will mean that Central Shareholders will not receive the benefit of any such proposal.

### **✗ You may prefer to participate in the future financial performance of the Central business**

You may believe that the future prospects of Central exceed the value of Central which is implied by the Scheme Consideration, despite the view of the Central Board and the opinion of the Independent Expert, and that you are comfortable remaining invested in Central notwithstanding the risk factors set out in Sections 4.10 and 7.

If the Scheme is approved and becomes Effective, you will cease to be a Central Shareholder. As such, you will no longer be able to participate in the future financial performance or future prospects of Central's ongoing business (other than through the Contingent Value Notes). However, as with all investments in securities, there is no guarantee as to Central's future performance.

If the Scheme is approved and becomes Effective, Central will be removed from the official list of the ASX. Following delisting, investors will no longer be able to acquire or trade in Central Shares on the ASX.

However since the announcement of the Scheme to the ASX by Central on 10 March 2017 and up to the date of this Scheme Booklet, no Superior Proposal has emerged and the Central Board is not aware of any Superior Proposal that is likely to emerge.

The Central Scheme Deed prohibits Central from soliciting a competing transaction and contains other customary exclusivity obligations. However, Central is permitted to respond to any Competing Transaction should the Central Directors determine that failing to do so would likely constitute a breach of their fiduciary or statutory duties. Further details of the key terms of the Central Scheme Deed are provided in Section 8.1.

# 3 SUMMARY OF THE SCHEME

## 3.1 BACKGROUND

On 14 November 2016, Central announced that it had received an unsolicited, indicative and non-binding proposal from MQG to privatise Central by way of a scheme of arrangement. The proposal was subject to a number of conditions, including due diligence and entry into formal transaction documents.

On 10 March 2017, Central announced that it had entered into a Central Scheme Deed with Macquarie MPVD under which it is proposed that Macquarie MPVD will acquire control of Central through a scheme of arrangement for consideration of:

- cash consideration of 20 cents; and
- one Contingent Value Note,

per Scheme Share.

If the Scheme becomes Effective, Central will be ultimately owned by Macquarie MPVD and its Related Bodies Corporate.

This Section 3 contains an overview of the Scheme, a copy of which is included in Attachment D. A summary of the Central Scheme Deed is included in Section 8.1 and a copy of the Central Scheme Deed is attached to Central's ASX announcement of 10 March 2017 (available on the ASX website at [www.asx.com.au](http://www.asx.com.au)).

## 3.2 SCHEME CONSIDERATION

If the Scheme becomes Effective, Scheme Shareholders will receive:

- cash consideration of 20 cents; and
- one Contingent Value Note,

for each Scheme Share they hold. Ineligible Foreign Shareholders will not be issued any Contingent Value Notes and will instead receive the Redemption Amount under the Contingent Value Notes (if any) as set out in Section 4.6.

The Scheme Consideration will be paid to the Scheme Shareholders on the Implementation Date.

See clause 5 of the Scheme contained in Attachment D for further details.

### a. Scheme Shareholders who have nominated a bank account with Central

For those Scheme Shareholders from whom a valid request for direct credit of payment has been received by the Central Share Registry by the Record Date (currently proposed to be 7.00pm (AEST) on 14 June 2017), the cash component of the Scheme Consideration will be paid directly to their nominated bank account.

You can change or nominate an Australian bank account in which to receive payment of the cash component of the Scheme Consideration by completing the hard-copy direct credit instruction form that accompanied this Scheme Booklet or by visiting <https://www.computershare.com.au/easyupdate/ctp> and logging in using your unique SRN or HIN and passing the validation test. You may also call the Shareholder Information Line on 1300 650 871 (within Australia) or +61 3 9415 4278 (outside Australia) between 8.30am and 5.00pm (AEST) to request a hard-copy direct credit instruction form. Scheme Shareholders must validly register their bank account details with the Central Share Registry before the Record Date (currently proposed to be 7.00pm (AEST) on 14 June 2017).

### b. Scheme Shareholders who have not nominated a bank account with Central

For those Scheme Shareholders from whom a valid election has not been received by the Central Share Registry as described in Section 3.2(a), they will receive the cash component of the Scheme Consideration by cheque sent by pre-paid post.

In the event that Central is unable to pay the Scheme Consideration by direct credit to the Scheme Shareholders who have nominated a bank account with the Central Share Registry, those Scheme Shareholders will receive the Scheme Consideration by cheque sent by pre-paid post.

### 3.3 CENTRAL BOARD RECOMMENDATION

The Central Board unanimously recommends that Central Shareholders (other than the Excluded Shareholders) vote in favour of the Scheme Resolution in the absence of a Superior Proposal.

The Central Board believes that the reasons for Central Shareholders (other than the Excluded Shareholders) to vote in favour of the Scheme Resolution outweigh the reasons to vote against the Scheme Resolution. See Section 2.2 for key reasons for vote in favour of the Scheme Resolution and other relevant considerations for Central Shareholders.

In considering whether to vote in favour of the Scheme Resolution, the Central Board encourages you to:

- carefully read all of this Scheme Booklet (including the Independent Expert's Report);
- consider the choices available to you as outlined in Section 3.8;
- have regard to your individual risk profile, portfolio strategy, taxation position and financial circumstances; and
- obtain financial advice from your broker or financial adviser on the Scheme and obtain taxation advice on the effect of the Scheme becoming Effective.

### 3.4 VOTING INTENTIONS OF THE CENTRAL BOARD

Each member of the Central Board intends to vote in favour of the Scheme Resolution at the Scheme Meeting in relation to the Central Shares held by them, or on their behalf, in the absence of a Superior Proposal.

Details of the Relevant Interests of the Central Directors in Central Securities (including Central Shares) are set out in Section 5.5.

### 3.5 INDEPENDENT EXPERT'S CONCLUSIONS

Central commissioned the Independent Expert to prepare a report on whether the Scheme is, in the Independent Expert's opinion, fair and reasonable and in the best interests of Scheme Shareholders.

The Independent Expert has assessed the fair value of a Central Share, on a controlling interest basis, to be between 15 cents per share and 20.5 cents per share.

As the cash component of the Scheme Consideration exceeds the range of assessed values of a Central Share, the Independent Expert considers the terms of the Scheme to be fair and reasonable and, therefore, in the best interests of Central Shareholders.

The Independent Expert's Report is contained in Attachment A. The Central Board encourages you to read the Independent Expert's Report in full before deciding whether to vote in favour of the Scheme Resolution.

### 3.6 CONDITIONS TO THE SCHEME

The implementation of the Scheme is still subject to a number of Conditions Precedent. The Conditions Precedent are set out in full in clause 3.1 of the Central Scheme Deed, a copy of which is attached to Central's ASX announcement of 10 March 2017 (available on the ASX website at [www.asx.com.au](http://www.asx.com.au)).

The Scheme will not proceed unless all the Conditions Precedent are satisfied or waived (if applicable) in accordance with the Central Scheme Deed. As at the Last Practicable Date, all of the Central Directors believe that the Conditions Precedent are capable of being satisfied or will be waived with the agreement of Macquarie MPVD.

A summary of the Conditions Precedent is included in Section 8.1(b). See also Section 9.5 for more information about the status of the Conditions Precedent as at the Last Practicable Date.

### 3.7 IMPLICATIONS IF SCHEME DOES NOT PROCEED

If the Scheme does not become Effective:

- Scheme Shareholders will continue to hold their Central Shares and will be exposed to general risks as well as risks specific to Central and/or the industries in which it operates, including those set out in Section 7;
- Scheme Shareholders will not receive the Scheme Consideration; and
- a reimbursement fee of \$918,392 may be payable by Central to Macquarie MPVD in certain circumstances described in Section 8.1(e).

Prior to the Scheme Meeting, transaction costs will have been incurred, or will be committed, by Central in relation to the Scheme. Those transaction costs will be payable by Central regardless of whether or not the Scheme becomes Effective and is implemented.

The Central Board is of the opinion that if the Scheme does not become Effective, the price of Central Shares on the ASX is likely to fall, in the absence of a Superior Proposal.

### 3.8 YOUR CHOICES AS A CENTRAL SHAREHOLDER

As a Central Shareholder, you have the following choices available:

<b>Vote in favour of the Scheme Resolution</b>	<b>This is the course of action unanimously recommended by the Central Board, in the absence of a Superior Proposal</b>
	<p>To follow the unanimous recommendation of the Central Board, you should vote in favour of the Scheme Resolution at the Scheme Meeting on 5 June 2017 in the absence of a Superior Proposal.</p> <p>For a summary of how to vote on the Scheme Resolution, please refer to the Notice of Scheme Meeting contained in Attachment E.</p> <p>The Scheme is conditional on the Scheme Resolution being passed by the Requisite Majority.</p>
<b>Vote against the Scheme</b>	<p>If, despite the unanimous recommendation of the Central Board, you do not support the Scheme Resolution, you may vote against the Scheme Resolution at the Scheme Meeting on 5 June 2017.</p> <p>However, if all the Conditions Precedent for the Scheme are satisfied or waived (if applicable) and the Scheme becomes Effective, the Scheme will bind all Scheme Shareholders, including those who vote against the Scheme Resolution at the Scheme Meeting and those who do not vote at all.</p>
<b>Sell your Central Shares</b>	<p>The existence of the Scheme does not preclude you from selling some or all of your Central Shares on market for cash, if you wish, provided you do so before close of trading on ASX on the Effective Date (currently proposed to be 7 June 2017). Central intends to apply to ASX for Central Shares to be suspended from official quotation on ASX from the close of trading on the Effective Date. You will not be able to sell your Central Shares on-market after this time.</p> <p>If you are considering selling some or all of your Central Shares:</p> <ul style="list-style-type: none"> <li>▪ you should have regard to the prevailing trading prices of Central Shares and compare those to the Scheme Consideration. You may ascertain the current trading price of Central Shares through the ASX website (<a href="http://www.asx.com.au">www.asx.com.au</a>); and</li> <li>▪ you should contact your stockbroker for information on how to effect that sale.</li> </ul> <p>Central Shareholders who sell some or all of their Central Shares on ASX:</p> <ul style="list-style-type: none"> <li>▪ may receive payment (which may vary from the Scheme Consideration) for the sale of their Central Shares sooner than they would receive the Scheme Consideration under the Scheme;</li> <li>▪ may incur a brokerage charge;</li> <li>▪ will not be able to participate in the Scheme, or, if one emerges, a Superior Proposal, in respect of those Central Shares they have sold; and</li> <li>▪ may be liable for CGT on the disposal of their Central Shares (as you also may be under the Scheme).</li> </ul>
<b>Do nothing</b>	<p>Scheme Shareholders who elect to not vote at the Scheme Meeting on 5 June 2017 or do not sell their Central Shares on market will:</p> <ul style="list-style-type: none"> <li>▪ if the Scheme becomes Effective – have their Scheme Shares transferred to Macquarie MPVD, by operation of the Scheme and receive the Scheme Consideration for each Scheme Share held by them; and</li> <li>▪ if the Scheme does not become Effective – retain their Scheme Shares.</li> </ul>

### **3.9 COPY OF CENTRAL SHARE REGISTER**

Under sections 169 and 173 of the Corporations Act, any Central Shareholder has a right to inspect, and to ask for a copy of, the Central Share Register which contains details of the names and addresses of each Central Shareholder. Central may require a Central Shareholder to provide reasons for their request prior to providing a copy of the Central Share Register, and a Central Shareholder must not use any information obtained for an improper purpose. A copy of the Central Share Register will be given to any Central Shareholder upon request and payment of the prescribed fee under the Corporations Act where Central is satisfied that the details provided are not likely to be used for an improper purpose.

### **3.10 WARRANTY BY SCHEME SHAREHOLDERS**

The terms of the Scheme provide that each Scheme Shareholder is taken to have authorised Central to warrant to Macquarie MPVD that:

- all their Scheme Shares (including any rights and entitlements attaching to those shares) which are transferred under the Scheme will, at the date of transfer, be fully paid and free from all mortgages, liens, charges, pledges, encumbrances, security interests (including any 'security interest' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind whether legal or otherwise, and restrictions on transfer of any kind;
- all of their Scheme Shares which are transferred under the Scheme will, at the date of transfer, be fully paid;
- they have full power and capacity to sell and to transfer their Scheme Shares to Macquarie MPVD under the Scheme together with any rights and entitlements attaching to those shares; and
- they have no existing right to be issued any Central Shares, options, performance rights, convertible notes or any other securities including Central Options, Central Share Rights and Central Future Share Rights.

Under the terms of the Scheme, Central undertakes that it will provide such warranty to Macquarie MPVD as agent and attorney of each Scheme Shareholder.

### **3.11 NO BROKERAGE OR STAMP DUTY**

No brokerage or stamp duty will be payable by Scheme Shareholders on the transfer of their Scheme Shares to Macquarie MPVD under the Scheme.

### **3.12 DELISTING OF CENTRAL**

On a date after the Implementation Date, Central will apply for the termination of the official quotation of Central Shares on ASX and for Central to be removed from the official list of ASX.

# 4 CONTINGENT VALUE NOTES

This Section 4 (other than Sections 4.9 and 4.10) has been prepared by Macquarie MPVD and the Note Issuer. Central and its advisers do not assume any responsibility for the accuracy or completeness of the information included in this Section 4 (other than Sections 4.9 and 4.10).

The issue of Contingent Value Notes in accordance with the Scheme as set out in this Scheme Booklet does not constitute an offer of Contingent Value Notes, or any debt security, in any jurisdiction in which, or to any person to whom, it would not be lawful to issue or to make an offer of such securities. No action has been taken to permit the issue of Contingent Value Notes in any jurisdiction outside Australia.

## 4.1 OVERVIEW

The Contingent Value Notes form part of the Scheme Consideration and will be issued by the Note Issuer to the Scheme Shareholders (other than Ineligible Foreign Shareholders) on the Implementation Date. As at the date of this Scheme Booklet, no Contingent Value Notes are on issue. Accordingly, no Contingent Value Notes have been sold in the three months prior to the date of this Scheme Booklet.

The Note Issuer is a wholly-owned Subsidiary of Macquarie MPVD. A structure chart with respect to the Note Issuer, Macquarie MPVD and the Note Guarantor is set out in Section 6.1.

The terms of the Contingent Value Notes are set out in full in the Note Trust Deed, the terms of which are summarised in Section 4.5 and a full copy of the Note Trust Deed is contained in Attachment C.

### a. Issue of Contingent Value Notes

The Note Issuer on the Implementation Date will issue to each Scheme Shareholder (other than Ineligible Foreign Shareholders) one Contingent Value Note for each Scheme Share held by the Scheme Shareholder on the Record Date in accordance with and subject to the terms of the Scheme and the Note Trust Deed.

The Contingent Value Notes will be unsecured and rank equally in all respects (including as to payment) as between themselves.

A more detailed summary of the issue of the Contingent Value Notes is set out in Section 4.3(a).

### b. Redemption Amount and Independent Resource Assessor

The cash payment (if any) to be made by the Note Issuer in respect of each Contingent Value Note will be determined based on the quantity of resources identified in certain exploration assets of Central, being the Relevant Assets, as at the date that is four years after the Implementation Date, being the Determination Date.

In order to determine whether any cash payment is to be made in respect of the Contingent Value Notes, Macquarie MPVD will appoint an independent third party assessor to undertake an assessment of the economically recoverable resources on terms set out in the Note Trust Deed. The Independent Resource Assessor, will make this determination as at the Determination Date.

This determination will only be undertaken in relation to the Relevant Assets, being each of the following located in the Amadeus Basin of the Northern Territory, Australia:

- RL3 and RL4 (the **Ooraminna Permits**);
- the Southern Amadeus Farmout;
- the Mount Kitty Discovery; and
- the hydrocarbon prospect located in the Arumbera Sandstone Formation within OL3 (the **Palm Valley Deep Prospect**).

A more detailed summary of the Redemption Amount, the role of the Independent Resource Assessor, and the obligations of Macquarie MPVD in relation to the Relevant Assets is set out in Sections 4.3(b), 4.3(c) and 4.5(g).

Further information with respect to disclosure for the Relevant Assets is set out in Section 4.9.

### c. Ineligible Foreign Shareholders

Under the Scheme, the Note Issuer will not issue Contingent Value Notes to an Ineligible Foreign Shareholder.

Instead, the Note Issuer will, on the Implementation Date, issue to the Custodian, to hold on behalf of Macquarie MPVD, the total number of Contingent Value Notes that would otherwise have been issued to the Ineligible Foreign Shareholders, if those Ineligible Foreign Shareholders were Scheme Shareholders entitled to receive Contingent Value Notes.

Following the payment of the Redemption Amount (if any), Ineligible Foreign Shareholders will receive a cash amount from the Custodian in respect of the Contingent Value Notes that would have been issued to those Ineligible Foreign Shareholders if they were Scheme Shareholders entitled to receive Contingent Value Notes.

Macquarie MPVD has provided an irrevocable direction to the Custodian to:

- pay to each Ineligible Foreign Shareholder the cash amount set out below; and
- give the chair of each meeting of Noteholders, an open proxy to vote all of the Contingent Value Notes to which the Custodian is entitled (**Custodian CVNs**) as the chair sees fit, to be given within the time required under and otherwise in accordance with the Note Trust Deed.

Further information for Ineligible Foreign Shareholders is set out in Section 4.6.

**d. ASIC benchmarking**

ASIC Regulatory Guide 69 requires issuers of unlisted unsecured notes, such as the Note Issuer, to make particular disclosures against specified benchmarks.

The Note Issuer's disclosures against these specified benchmarks are set out in Section 4.4.

**e. Note Trustee and Note Guarantor**

**The Note Trustee has been appointed as the trustee for the Noteholders in accordance with the Note Trust Deed.**

Further information about the rights of Noteholders and the role of the Note Trustee is set out in Section 4.8.

The Note Issuer was incorporated as a special purpose vehicle to issue the Contingent Value Notes.

Macquarie MPVD has provided a binding letter of support executed as a deed to the Note Issuer (**Letter of Support**), that for so long as a Contingent Value Note is on issue and outstanding, it will ensure that the Note Issuer is at all times in a position to meet its financial obligations as they fall due, including the payment by the Note Issuer of the Redemption Amount (if any).

Subject to the Scheme becoming Effective, the Note Guarantor unconditionally and irrevocably guarantees to the Note Trustee (for the benefit of itself and each Noteholder) the due and punctual payment of the Redemption Amount under the Note Trust Deed and the other obligations of the Note Issuer under the Note Trust Deed.

Further information about the Note Guarantor is set out in Section 4.7.

**f. Key risks in relation to Contingent Value Notes**

There are risks associated with ownership of and an investment in the Contingent Value Notes, many of which are outside the control of the Note Issuer.

You should carefully consider the risks described in this Scheme Booklet before voting on the Scheme.

Further information about the Relevant Assets and risks relating to the Contingent Value Notes are set out in Sections 4.9 and 4.10.

Other risks with respect to the Scheme are set out in Section 7.

## **4.2 INFORMATION ON THE NOTE ISSUER**

The Note Issuer is a wholly owned Subsidiary of Macquarie MPVD.

The current directors of the Note Issuer are:

- Ben Derrin;
- Steven Atherton; and
- Peter Chase.

The Note Issuer was incorporated as a special purpose vehicle to issue the Contingent Value Notes and was registered as a company under the Corporations Act on 7 March 2017. As at the date of this Scheme Booklet, the Note Issuer had contributed capital of \$100. The Note Issuer has no business activity, other than its obligations in respect of the Contingent Value Notes.

The Note Issuer's only liability with respect to the Contingent Value Notes is its obligation to pay the Redemption Amount, which in accordance with the Note Trust Deed can be no more than \$90 million in aggregate.

Macquarie MPVD has provided the Letter of Support to the Note Issuer, that for so long as a Contingent Value Note is on issue and outstanding, it will ensure that the Note Issuer is at all times in a position to meet its financial obligations as they fall due, including the payment by the Note Issuer of the Redemption Amount (if any).

Subject to the Scheme becoming Effective, the Note Guarantor unconditionally and irrevocably guarantees to the Note Trustee (for the benefit of itself and each Noteholder) the due and punctual payment of the Redemption Amount under the Note Trust Deed and the other obligations of the Note Issuer under the Note Trust Deed.

### 4.3 RIGHTS ATTACHING TO THE CONTINGENT VALUE NOTES

The following Section 4.3 sets out a summary of the rights attaching to the Contingent Value Notes. The terms of the Contingent Value Notes are set out in full in the Note Trust Deed, a full copy of which is contained in Attachment C.

#### a. Issue of Contingent Value Notes

The Note Issuer will, on the Implementation Date, issue to each Scheme Shareholder (other than Ineligible Foreign Shareholders), one Contingent Value Note for each Scheme Share held by the Scheme Shareholder on the Record Date in accordance with and subject to the terms of the Scheme and the Note Trust Deed.

The obligations of the Note Issuer with respect to the issue of Contingent Value Notes to each Scheme Shareholder (other than an Ineligible Foreign Shareholders) will be satisfied by the Note Issuer registering or procuring the registration of the name and address of each Scheme Shareholder (other than an Ineligible Foreign Shareholder) on the Notes Register as the holder of the Contingent Value Notes to which the Scheme Shareholder (other than an Ineligible Foreign Shareholder) is entitled.

The Custodian may transfer all but not some of the Custodian CVNs to a related body corporate or to a person nominated by Macquarie MPVD if the Custody Agreement is terminated. Otherwise, the Contingent Value Notes are non-transferrable, other than as a result of operation of law or devolution.

The terms of cancellation and redemption of the Contingent Value Notes are set out in the Note Trust Deed.

#### b. Independent Resource Assessor

No later than three months before the Determination Date, Macquarie MPVD must appoint and must procure that the Central Subsidiaries which own the Relevant Assets jointly appoint, an Independent Resource Assessor in accordance with the Note Trust Deed to carry out an assessment to determine the quantities of economically recoverable resources on terms set out in the Note Trust Deed used to determine whether a Redemption Amount is payable per Contingent Value Note.

At Macquarie MPVD's sole election and no later than two months before the Determination Date, Macquarie MPVD may appoint and, if so, must procure that the Central Subsidiaries which own the Relevant Assets jointly appoint, a second Independent Resource Assessor.

Each Independent Resource Assessor will be instructed to determine the economically recoverable resources in relation to the Relevant Assets on terms set out in the Note Trust Deed (expressed in billions of cubic feet).

Each Independent Resource Assessor will also provide a redemption determination notice which will set out the Redemption Amount.

Absent any manifest error or fraud, the determination of an Independent Resource Assessor as set out in a redemption determination notice will be final and binding on all parties.

The Redemption Amount (if any) payable for a Contingent Value Note will be determined by reference to the Redemption Amount set out in the redemption determination notice(s).

In coming to its determination the Independent Resource Assessor will calculate the total contingent value of the Contingent Value Notes which will be the lesser of:

- \$90 million; and
- the amount calculated according to the following formula:

$$\text{Total contingent value of the Contingent Value Notes} = (A \times B)$$

where:

A = A\$150,000; and

B = the sum of the quantum of economically recoverable resources (expressed in billions of standard cubic feet) for each Relevant Asset x Relevant Equity Interest, where B is calculated individually for each Relevant Asset as at the Determination Date.

Assuming a total of 459,180,478 Central Shares on issue at the Record Date,<sup>6</sup> the maximum amount payable for a Contingent Value Note will be approximately 19.6 cents per Contingent Value Note.

If there are two Independent Resource Assessor, the Redemption Amount will be the average of the Redemption Amount set out in each redemption determination notice.

#### c. Redemption Conditions and Payment of Redemption Amount (if any)

Before any Redemption Amount is payable by the Note Issuer, the Redemption Conditions must be satisfied.

The Redemption Conditions are that:

- by no later than 14 days prior to the fifth anniversary of the Implementation Date, the Independent Resource Assessor (or, if more than one Independent Resource Assessor has been appointed by Macquarie MPVD in accordance with the Note Trust Deed, each Independent Resource Assessor) has completed its assessment to determine the quantities of economically recoverable resources on terms set out in the Note Trust Deed and provided the redemption determination notice to the Note Issuer; and
- the Redemption Amount stated in any redemption determination notice is greater than \$0.

<sup>6</sup> Based on all of the Central Share Rights and Central Future Share Rights being converted into Central Shares and those Central Shares being duly and properly issued before the Record Date.

If each of the Redemption Conditions is satisfied, the Note Issuer must redeem the Contingent Value Notes by:

- notifying the Note Trustee in writing that the Redemption Conditions have been satisfied and providing a copy of the redemption determination notice(s) to the Note Trustee (if not already provided) as soon as practicable (and in any event, not later than five Business Days) after the date on which the last of the Redemption Conditions was satisfied; and
- paying to each Noteholder, who is a Noteholder on the Determination Date, the aggregate total Redemption Amount for all Contingent Value Notes held by the Noteholder on the Determination Date, rounded up or down to the nearest whole cent within 14 days of receiving the, or the second to be received (as appropriate), redemption determination notice.

#### **4.4 BENCHMARKING IN RELATION TO CONTINGENT VALUE NOTES**

If the Scheme becomes Effective, the Note Issuer will be an issuer of unlisted, unsecured notes (the **Contingent Value Notes**).

ASIC Regulatory Guide 69 requires issuers of unlisted, unsecured notes, such as the Note Issuer, to make particular disclosures against specified benchmarks.

This Section 4.4 discloses whether the Note Issuer will satisfy the applicable benchmarks if the Scheme becomes Effective, and if not then why not.

##### **a. Equity ratio**

*ASIC's benchmark: An issuer should maintain an equity ratio of 8%, where only a minor part of its activity is property development or lending funds directly or indirectly for property development.*

Given the structure of the Contingent Value Notes, it is not possible for the Note Issuer to determine whether it satisfies this benchmark at this time.

As at the date of this Scheme Booklet, the Note Issuer had contributed capital of \$100.

Whether any cash payment is to be made with respect to the Contingent Value Notes will depend on the quantity of economically recoverable resources in the Relevant Assets identified by the Independent Resource Assessor as at the Determination Date.

The Note Issuer's liabilities with respect to the Contingent Value Notes ranges from \$0 to the Redemption Amount where the total contingent value of the Contingent Value Notes cannot be more than \$90 million.

The Note Issuer has no other liabilities.

Macquarie MPVD has provided the Letter of Support to the Note Issuer, that for so long as a Contingent Value Note is on issue and outstanding, it will ensure that the Note Issuer is at all times in a position to meet its financial obligations as they fall due, including the payment by the Note Issuer of the Redemption Amount (if any).

Additionally, the Note Guarantor unconditionally and irrevocably guarantees to the Note Trustee (for the benefit of itself and each Noteholder) the due and punctual payment of the Redemption Amount under the Note Trust Deed. Further information regarding the Note Guarantor including its capital position is provided in Section 4.7.

In light of the Letter of Support and the guarantee (which is limited to guaranteeing the obligations of the Note Issuer under the Note Trust Deed) noted above, a failure by the Note Issuer to meet this benchmark should not prejudice Scheme Shareholders.

The Note Issuer was incorporated on 7 March 2017 for the purposes of issuing the Contingent Value Notes in accordance with the Scheme. Accordingly, the Note Issuer is unable to disclose its comparative equity ratio for previous years.

##### **b. Liquidity**

*ASIC's benchmark: An issuer should have cash flow estimates for the next three months and ensure that at all times it has cash or cash equivalents sufficient to meet its projected cash needs over the next three months.*

The Note Issuer satisfies this benchmark.

The Note Issuer does not have any projected cash needs over the next three months.

All cash needs of the Note Issuer will be funded by Macquarie MPVD as the parent company of the Note issuer.

Macquarie MPVD has provided the Letter of Support to the Note Issuer, that for so long as a Contingent Value Note is on issue and outstanding, it will ensure that the Note Issuer is at all times in a position to meet its financial obligations as they fall due, including the payment by the Note Issuer of the Redemption Amount (if any).

Additionally, the Note Guarantor guarantees to the Note Trustee (for the benefit of itself and each Noteholder) the due and punctual payment of the Redemption Amount under the Note Trust Deed.

If the Note Issuer requires additional cash beyond the three month projection noted above, it will have the benefit of the Letter of Support and the guarantee (which is limited to guaranteeing the obligations of the Note Issuer under the Note Trust Deed) noted above, and accordingly, Scheme Shareholders should not be prejudiced.

### c. Rollovers

*ASIC's benchmark: An issuer should disclose its approach to rollovers, including what process is followed at the end of the investment term and how it informs those rolling over or making further investments of any current prospectus and continuous disclosure announcements.*

The Note Issuer satisfies this benchmark.

The Note Issuer must pay the Redemption Amount (if any) for the Contingent Value Notes in accordance with the terms of the Note Trust Deed, following the determination by the Independent Resource Assessor(s) of the Redemption Amount as at the Determination Date.

The maximum term of the Note Trust Deed expires on the fifth anniversary of the Implementation Date.

No rollover is contemplated for the Contingent Value Notes.

### d. Debt maturity

*ASIC's benchmark: An issuer should disclose an analysis of the maturity profile of interest-bearing liabilities (including notes on issue) by term and value; and the interest rates, or average interest rates, applicable to its debts.*

The Note Issuer satisfies this benchmark.

The total aggregate Redemption Amount by the Note Issuer from cannot exceed \$90 million (or approximately 19.6 cents per Contingent Value Note).

No interest is payable on the Contingent Value Notes.

The Note Issuer has no other interest-bearing liabilities or debts.

### e. Loan portfolio

*ASIC's benchmark: An issuer who on-lends funds, or indirectly on-lends funds through a related party, should disclose the current nature of its (or the related party's) loan portfolio.*

This benchmark does not apply to the Note Issuer as it has not on-lent funds, or indirectly on-lent to a related party.

### f. Related party transactions

*ASIC's benchmark: An issuer who on-lends funds, should disclose its approach to related party transactions.*

This benchmark does not apply to the Note Issuer as it has not on-lent funds to a related party.

Macquarie MPVD has provided the Letter of Support to the Note Issuer, that for so long as a Contingent Value Note is on issue and outstanding, it will ensure that the Note Issuer is at all times in a position to meet its financial obligations as they fall due, including the payment by the Note Issuer of the Redemption Amount (if any).

### g. Valuations

*ASIC benchmark: Where an issuer is involved in or (directly or indirectly) lends money for property-related activities, it should take certain approaches to valuations.*

This benchmark does not apply to the Note Issuer as it is not directly or indirectly involved in or on-lending funds for property-related activities.

### h. Lending principles – Loan-to-valuation ratios

*ASIC's benchmark: Where an issuer (directly or indirectly) on-lends money in relation to property-related activities, it should maintain certain loan-to-valuation ratios.*

This benchmark does not apply to the Note Issuer as it is not directly or indirectly involved in or on-lending funds for property-related activities.

## 4.5 SUMMARY OF THE NOTE TRUST DEED

This Section 4.5 summarises the key terms of the Note Trust Deed including the rights of the Noteholders. The Note Trustee has been appointed under the Note Trust Deed to represent the Noteholders. A full copy of the Note Trust Deed is contained in Attachment C.

### Note Trustee

The Note Issuer has entered into the Note Trust Deed to provide for the appointment of Equity Trustees (AFSL 240975) as trustee for the Noteholders.

### a. Meetings of Noteholders

The Note Trustee or the Note Issuer may at any time convene a meeting of the Noteholders and either must do so if required by the Corporations Act and the Note Trustee must do so upon the occurrence of an Event of Default.

### **Noteholder right to call meetings**

The Note Issuer undertakes to hold a meeting of Noteholders if required to do so on application in writing from the holders of not less than 10% of the total Contingent Value Notes on issue delivered to its registered office, with a copy of the application delivered to the Note Trustee.

After receiving the requisite application above, the Note Issuer (by giving notice to each of the Noteholders at the Noteholder's address as specified in the Notes Register) will summon a meeting of Noteholders:

- to consider the financial statements that were laid before the last annual general meeting of the Note Issuer; and
- to give the Note Trustee directions in relation to the exercise of its powers.

A requisition of a meeting called by Noteholders as set out above must state the general nature of the business proposed to be dealt with at the meeting. Meetings of Noteholders must be held at such place as the Note Trustee and the Note Issuer from time to time reasonably determine or approve.

In the event that the Note Issuer does not issue a notice of meeting as required above within 15 Business Days of receipt of the application delivered under that paragraph, the Note Trustee must convene the meeting forthwith.

### **Quorum**

At any meeting of Noteholders, there will be quorum if:

- two or more Noteholders present in person or by proxy or attorney are present and entitled to vote; and
- the Noteholders who are so present hold more than 10% of the total Contingent Value Notes on issue at the time of the meeting.

### **Resolutions at meetings**

A resolution will be deemed duly passed as a special resolution if it is approved in either of the following ways:

- by a resolution in writing signed by Noteholders that represent not less than 75% of the total number of Contingent Value Notes then on issue, which resolution may be contained in one document or in several documents in like form each signed by one or more Noteholders; or
- at a meeting of Noteholders, by not less than 75% of the votes cast.

A special resolution of Noteholders is required to issue additional or new Contingent Value Notes, waive any breach (other than a minor breach) by the Note Issuer under the Note Trust Deed or amend (other than a minor amendment) the terms of the Note Trust Deed.

Any resolution (other than a special resolution) of the Noteholders will be duly passed if it is approved in any one of the following ways:

- by a resolution in writing signed by Noteholders who represent more than 50% of the total number of Contingent Value Notes then on issue which resolution may be contained in one document or in several documents in like form each signed by one or more Noteholders; or
- at a meeting of Noteholders, if carried by a simple majority of the votes cast.

The Noteholders as recorded in the Notes Register 48 hours before the time appointed for the holding of the meeting will be the only Noteholders entitled to vote on or sign any such resolution and the Contingent Value Notes so recorded at such time are the only Contingent Value Notes taken into account in determining whether the requisite majority has been obtained.

### **b. Events of Default**

Upon an Event of Default (as defined below), the Note Trustee may take action on behalf of Noteholders, to amongst other things, require the Note Issuer to take steps to remedy the Event of Default.

Subject to any waiver by the Note Trustee, each of the following is an event of default (**Event of Default**) (whether or not it is in the control of the Note Issuer):

- if, following satisfaction of both Redemption Conditions, the Note Issuer fails to pay the Redemption Amount in respect of any Contingent Value Note in accordance with the Note Trust and such failure continues unremedied for a period of five Business Days;
- an insolvency event occurs in respect of the Note Issuer prior to payment of the Redemption Amount; and
- the Note Issuer is in breach of any material undertaking under the Note Trust Deed (other than those referred to elsewhere in the bullet points directly above), which breach is not rectified to the reasonable satisfaction of the Note Trustee within 20 Business Days of notice by the Note Trustee to do so.

Upon becoming aware of an Event of Default, the Note Trustee must convene a meeting of Noteholders to consider the Event of Default and the Noteholders will have the following powers exercisable by ordinary resolution:

- to direct the Note Trustee to take any particular action under the Note Trust Deed or the Contingent Value Notes;
- to direct the Note Trustee to commence legal proceedings against the Note Issuer to recover any outstanding Redemption Amount, owing in respect of the Contingent Value Notes; and
- to direct the Note Trustee to take such other action as the Noteholders deem appropriate to recover any outstanding Redemption Amount owing in respect of the Contingent Value Notes,

and the Note Trustee must comply with those directions subject to the terms of the Note Trust Deed.

At any time after the occurrence of an Event of Default the Note Trustee must take Enforcement Action, or commence proceedings against the Note Issuer, where all the following conditions are satisfied:

- the Note Trustee has convened a meeting of Noteholders;
- a resolution of Noteholders is passed directing the Note Trustee to take the Enforcement Action, commence proceedings or to join in proceedings, as the case may be; and
- the Note Trustee is not of the view that the enforcement is inconsistent with the Note Trust Deed, the Corporations Act or is otherwise objectionable.

However, the Note Trustee:

- may not take Enforcement Action against the Note Issuer or Note Guarantor during any period during which the Note Issuer fails or refuses to redeem the Contingent Value Notes in order to comply with any law or any order of any court of competent jurisdiction; and
- is not required to take any Enforcement Action if it does not have a satisfactory indemnity or protection from the Noteholders against:
  - all actions, proceedings, claims and demands to which the Note Trustee may become liable by taking the Enforcement Action; and
  - all costs, charges, damages and expenses which the Note Trustee may incur in carrying out the Enforcement Action.

#### c. Retirement and remuneration of Note Trustee

##### Retirement and appointment of Note Trustee

Subject to any statutory provisions for the time being relating to the retirement of trustees, the Note Trustee may retire at any time (with or without giving any reason for its retirement) after the expiration of not less than two months' notice in writing to the Note Issuer of its intention to do so, provided that such retirement will not take effect until a new trustee which fulfils the requirements set out in the Note Trust Deed has been appointed by the Note Issuer.

Subject to the other provisions of the Note Trust Deed, the power to appoint a new trustee of the Note Trust is vested in the Note Issuer and the Note Issuer may at any time remove the Note Trustee and appoint a new trustee of the Note Trust (which must fulfil the requirements set out in the Note Trust Deed):

- on not less than two months' notice; or
- immediately if:
  - any of the events referred to in section 283BD of the Corporations Act occur in relation to the Note Trustee;
  - an insolvency event occurs in relation to the Note Trustee;
  - a resolution to remove the Note Trustee is passed at a meeting of the Noteholders; or
  - the Note Trustee is in breach of any of its obligations under the Note Trust Deed or any other transaction document under the Note Trust Deed, and the breach has not been remedied by the Note Trustee within 14 Business Days of receipt of notice in writing from the Note Issuer specifying the breach.

##### Remuneration of Note Trustee

Macquarie MPVD must pay the Note Trustee by way of remuneration for its services as Note Trustee, a fee or remuneration as is agreed with the Note Trustee.

On demand, Macquarie MPVD will reimburse or pay to the Note Trustee all costs, charges and expenses and other liabilities and costs reasonably and properly incurred or payable by the Note Trustee in connection with its role under the Note Trust Deed, including:

- in connection with the preparation and execution of the Note Trust Deed and the other transaction documents arising out of it;
- in or in connection with the carrying out by the Note Trustee of any right, power, privilege, authority or discretion under the Note Trust Deed and the other transaction documents arising out of it, conferred on the Note Trustee or on any Noteholder;
- in connection with any breach or default in the observance or performance by the Note Issuer of any of its obligations and the conditions of the Note Trust Deed and the other transaction documents arising out of it; or
- in or in connection with the convening and holding of any meeting of Noteholders or the carrying out of any directions or resolutions of such meeting, provided that such costs, charges and expenses are reasonable and properly incurred.

If the Note Trustee proposes to exercise a right, power or remedy or take any action in its capacity as Note Trustee, including pursuant to a resolution of Noteholders directing the Note Trustee, and the Note Trustee reasonably considers this could result in the Note Issuer becoming obliged to pay the Note Trustee, then the Note Trustee may require the Note Issuer to pay the Note Trustee before exercising that right or taking that action, an amount equal to the amount the Note Trustee reasonably determines is payable and the Note Trustee is not obliged to so act until that amount is paid.

#### d. **Undertakings of the Note Issuer**

The Note Issuer must establish and maintain, or cause to be established and maintained, a Notes Register.

The Notes Register will remain open during normal business hours for inspection by the parties to the Note Trust Deed (other than the Note Guarantor).

The Note Issuer undertakes in favour of the Note Trustee and each Noteholder that it will:

- not issue any additional or new Contingent Value Notes without the consent of the Noteholders by special resolution at a meeting of Noteholders;
- carry on and conduct its business (if any) in a proper and efficient manner;
- keep or cause to be kept proper books of account and enter into those books full particulars of all dealings and transactions in relation to its business;
- notify the Note Trustee:
  - if it creates a security interest, within 21 days after the charge is created, and if the total amount to be advanced on the security of the security interest is indeterminate and the advances are not merged in a current account with bankers, trade creditors or anyone else, the notice must contain written details of the amount of each advance within seven days after it is made;
  - as soon as reasonably practical after it becomes aware that the Central Scheme Deed has been terminated or will be terminated;
  - as soon as it becomes aware of any Event of Default;
  - as soon as it becomes aware that any provision of the Note Trust Deed or a Contingent Value Note is not being, or cannot be, complied with by the Note Issuer, together with details of that breach; and
  - as soon as reasonably practicable if the Note Issuer intends to redeem or acquire any Contingent Value Note;
- promptly give the Note Trustee copies of all documents and notices received by it from any Noteholder or which it gives to a Noteholder;
- without charge, provide a copy of the Note Trust Deed to the Note Trustee or a Noteholder if they request a copy;
- do all things and execute all deeds, instruments and other documents as may be necessary or desirable to give full effect to the Note Trust Deed in favour of the Note Trustee and the Noteholders; and
- otherwise comply with all statutory and regulatory requirements applicable to it (including under Chapter 2L of the Corporations Act) to the extent they relate to its obligations under the Note Trust Deed.

The Note Issuer must provide the Note Trustee with copies of its full year and half year financial reports lodged with ASIC and also provide the full year report, without charge, to Noteholders if requested. The Note Issuer will provide to the Note Trustee within one month after the end of each calendar quarter the report required by section 283BF(4) of the Corporations Act.

The Note Issuer will also make available for inspection by the Note Trustee the whole of the financial or other records of the Note Issuer and will give to the Note Trustee such information, explanation of, or other assistance it requires with respect to any matters relating to those records.

Macquarie MPVD and the Note Issuer must ensure that a copy of the Yearly Asset Report is sent by email to such of the Noteholders and Ineligible Foreign Shareholders as have provided an email address for contact within one month of each anniversary of the Implementation Date.

#### e. **Note Guarantor**

Subject to the Scheme becoming Effective, the Note Guarantor unconditionally and irrevocably guarantees to the Note Trustee (for the benefit of itself and each Noteholder) the due and punctual payment of the Redemption Amount under the Note Trust Deed.

If for any reason the Note Issuer is voluntarily wound up, its obligations under the Note Trust Deed will be guaranteed by the Note Guarantor. The guarantee extends to all of the Note Issuer's obligations under the Note Trust Deed, and are contemplated to remain effective in the event of the Note Issuer being wound up or otherwise being de-registered.

#### f. **Macquarie MPVD**

Macquarie MPVD must use its reasonable endeavours to procure that the Central Subsidiaries which own the Relevant Assets:

- prepare a report on the activities undertaken during the 12 months prior to the anniversary of the Implementation Date, in respect of the Relevant Assets and the results thereof relevant to the Independent Resource Assessor's assessment of the quantities of economically recoverable resources (**Yearly Asset Report**); and
- provide the Yearly Asset Report to the Note Issuer and the Note Trustee within one month of each anniversary of the Implementation Date,

and Macquarie MPVD and the Note Issuer must ensure that a copy of the Yearly Asset Report is sent by email to such of the Noteholders and Ineligible Foreign Shareholders as have provided an email address for contact within one month of each anniversary of the Implementation Date.

The Noteholders and the Note Trustee acknowledge that nothing set out in this Section 4.5(f) requires a Central Subsidiary to disclose any information in the Yearly Asset Report which would be reasonably likely to result in a breach by that Central Subsidiary of a confidentiality obligation with a third party, or any applicable law.

## g. Relevant Assets

### Obligations on Macquarie MPVD

Under the Note Trust Deed, Macquarie MPVD must procure that each Central Subsidiary which owns the Relevant Assets:

- performs its obligations as is currently contemplated under the Farmout Agreement;
- does not do anything to obstruct the work program and schedule currently provided for under the Farmout Agreement; and
- does not agree to amend the Farmout Agreement, acting reasonably, if the amendment would have an adverse impact on the Contingent Value Notes.

### Relinquishment or withdrawal

Under the Note Trust Deed, the Note Trustee on behalf of the Noteholders agrees that Macquarie MPVD and each Central Subsidiary which owns a Relevant Asset may:

- at their sole discretion elect to conduct exploration or appraisal activities with respect to the Mount Kitty Discovery, or a subsequent petroleum tenement issued over substantially the same area, but are not obliged to do so and may elect not to participate in the appraisal of the discovery.
- at their sole discretion elect to conduct exploration or appraisal activities with respect to the Ooraminna Tenements but are not obliged to do so.
- at their sole discretion elect to conduct exploration or appraisal activities with respect to the Palm Valley Deep Prospect but are not obliged to do so.

Following Implementation, Macquarie MPVD and its Subsidiaries may at their sole discretion take actions with respect to the Relevant Assets which may impact the payment of a Redemption Amount, including:

- electing to conduct or not to conduct exploration or appraisal activities with respect to some of the Relevant Assets;
- for any Relevant Asset that is the subject of a joint operating agreement, electing to withdraw from the joint operating agreement and assigning their interest for nil or nominal consideration to the other participant(s) under the joint operating agreement; and
- electing to relinquish for nil or nominal consideration the whole or any part of any petroleum tenement forming part of a Relevant Asset to the relevant issuing government.

It is possible that Macquarie MPVD may elect to sell the Relevant Assets. The intentions of Macquarie MPVD with respect to the Relevant Assets are set out in Section 6.4(d).

Macquarie MPVD has not formed any specific intentions in relation to the Relevant Assets beyond complying with its obligations as set out in the Note Trust Deed.

For any Relevant Asset that is the subject of a joint operating agreement, Macquarie MPVD and its subsidiaries may elect to withdraw from the joint operating agreement and assign its interest for nil or nominal consideration to the other participants in the joint operating agreement.

Macquarie MPVD and its subsidiaries may elect to relinquish for nil or nominal consideration the whole or any part of any petroleum tenement forming part of a Relevant Asset to the relevant issuing government.

If Macquarie MPVD (or any of its Subsidiaries) choose to relinquish all or part of a Relevant Asset or withdraw from a joint operating agreement before the Determination Date, the amount of the consideration received for the disposal will be relevant as to whether that Relevant Asset will be used in determining the Relevant Equity Interest for that Relevant Asset the ultimate Redemption Amount (if any) payable to Noteholders.

If the disposal is made for valuable consideration, the Relevant Equity Interest for that Relevant Asset used in the Independent Resource Assessor's determination to calculate the Redemption Amount will be the interest of the Central Subsidiary which owns the Relevant Asset immediately prior to the disposal.

However, if the relinquishment or withdrawal is made for nil or nominal consideration, the Relevant Equity Interest for that Relevant Asset used in the Independent Resource Assessor's determination to calculate the Redemption Amount will be zero.

### Restrictions relating to and following relinquishment or withdrawal

If prior to the termination of the Note Trust Deed, Macquarie MPVD or one of its Subsidiaries relinquishes the whole or part of a Relevant Asset for nil or nominal consideration, then for a period of three years following such relinquishment, Macquarie MPVD must not and must procure that its Subsidiaries do not apply for a new petroleum tenement or participate in any joint venture or similar relationship covering all or part of the same area.

*Notwithstanding Macquarie MPVD's relinquishment and withdrawal rights above, any decision by it to dispose of or relinquish all or any part of a petroleum tenement or withdraw from a joint operating agreement must be made in good faith based on bona fide commercial considerations and may not be made with the intention to circumvent the obligation to pay the Redemption Amount.*

Further restrictions and obligations imposed on Macquarie MPVD with respect to the Relevant Assets are set out in full in the Note Trust Deed contained in Attachment C.

#### 4.6 INELIGIBLE FOREIGN SHAREHOLDERS

This Section 4.6 sets out a summary of the obligations of the Note Issuer with respect to Ineligible Foreign Shareholders, and the rights that the Ineligible Foreign Shareholders have against the Note Issuer.

The issue of Contingent Value Notes in accordance with the Scheme as set out in this Scheme Booklet does not constitute an offer of Contingent Value Notes, or any debt security, in any jurisdiction in which, or to any person to whom, it would not be lawful to issue or to make an offer of such securities. No action has been taken to permit the issue of Contingent Value Notes in any jurisdiction outside Australia.

The Note Issuer has no obligation under the Scheme to issue Contingent Value Notes to an Ineligible Foreign Shareholder.

Under the Deed Poll, the Note Issuer has provided an undertaking in favour of Scheme Shareholders to provide or procure the provision of the Contingent Value Note component of the Scheme Consideration, as determined under clause 5.3 of the Scheme, in accordance with the terms of the Scheme.

Under the terms of the Scheme, the Note Issuer will, on the Implementation Date, issue to the Custodian, to hold on behalf of Macquarie MPVD, the total number of Contingent Value Notes that would otherwise have been issued to the Ineligible Foreign Shareholders, if those Ineligible Foreign Shareholders were Scheme Shareholders entitled to receive Contingent Value Notes.

Macquarie MPVD has provided an irrevocable direction to the Custodian to:

- pay to each Ineligible Foreign Shareholder the cash amount set out below; and
- give the chair of each meeting of Noteholders, an open proxy to vote all of the Custodian CVNs as the chair sees fit, to be given within the time required under and otherwise in accordance with the Note Trust Deed.

The obligations of the Note Issuer with respect to the issue of Contingent Value Notes to the Custodian will be satisfied by the Note Issuer:

- registering or procuring the registration of the name and address of the Custodian on the Notes Register as the holder of the Custodian CVNs; and
- procuring that the Custodian (or its replacement from time to time) is appointed to:
  - hold the Custodian CVNs until the earlier of:
    - the termination of the Note Trust Deed; and
    - the redemption or cancellation of the Custodian CVNs in accordance with the terms of the Note Trust Deed; and
  - promptly following receipt of the aggregate Redemption Amount for the Custodian CVNs, remit to each Ineligible Foreign Shareholder a cash amount determined as follows:

*Cash Amount to be paid to each Ineligible Foreign Shareholder = Redemption Amount x A*

Where A = the total number of Scheme Shares held by that Ineligible Foreign Shareholder at the Record Date.

The Note Issuer must, within 5 Business Days after the Implementation Date, dispatch a certificate to the Custodian for the Contingent Value Notes to which the Custodian is entitled.

#### 4.7 INFORMATION ON THE NOTE GUARANTOR

The Note Guarantor is a wholly owned Subsidiary of Macquarie Group.

The current directors of the Note Guarantor are:

- Stuart John Dyson;
- Stuart Green; and
- Anthony John Lewis.

As at 31 March 2016, the Note Guarantor had cash and cash equivalents of \$11.2 billion and net assets of \$2.6 billion on a consolidated basis. For the year ended 31 March 2016, the Note Guarantor recorded a net profit after tax of \$889 million and net cashflows from operating activities of \$1,726 million on a consolidated basis.

The principal activity of the Note Guarantor is to act as the holding company of the non-banking group within the Macquarie Group.

As at the date of this document, the Note Guarantor is a large proprietary company which must lodge its annual report with ASIC each year.

A full copy of the Note Guarantor's 2016 financial report can be accessed at <http://www.macquarie.com/au/about/investors/reports/>.

#### 4.8 INFORMATION ON THE NOTE TRUSTEE

Equity Trustees has been appointed as the Note Trustee. Equity Trustees holds an Australian financial services licence, licence number AFSL 240975.

Equity Trustees was established as a trustee and executorial service provider by a special Act of the Victorian Parliament in 1888.

Equity Trustees is a subsidiary of EQT Holdings Limited, a publicly listed company on the Australian Securities Exchange (ASX: EQT). The Note Trustee is appointed pursuant to section 283AA(1) of the Corporations Act to hold certain rights of the Noteholders on trust.

## 4.9 KEY DISCLOSURES IN RELATION TO THE RELEVANT ASSETS

### a. Ooraminna Permits

Ooraminna is 100% owned by Central and is the subject of RL3 and RL4, indicating the presence of a discovery which is subject to appraisal and evaluation to determine whether it is economic to develop. Subject to technical success, the structure could contain a BTE of around 150PJ of natural gas (Shareholders should read the Independent Technical Specialist's report for further information, in particular section 4.1.4). These retention licences have a permit obligation to drill a well by 5 March 2018. If a well is not drilled by this date, there is a risk that the licences will be relinquished. The structure is approximately 30km from Central's Dingo pipeline.

If the Scheme becomes Effective, there is no obligation on Macquarie MPVD to continue exploration or appraisal efforts or commence development at Ooraminna. Macquarie MPVD may decide to relinquish RL3 and RL4, in which case Central will not be permitted to reapply to explore and develop Ooraminna for a number of years, and only then after receiving relevant approvals including native title clearance.

### b. Southern Amadeus Farmout

The Southern Amadeus Farmout consists of a number of exploration permits which are the subject of a farm-in obligation by Santos QNT Pty Ltd (**Santos**), as outlined below.

Macquarie MPVD has no obligation to carry out any exploration or appraisal activity on the relevant exploration permits under the Farmout Agreement.

The exploration or appraisal activities of Santos in respect of the Southern Amadeus Farmout area are governed by the Farmout Agreement. Each exploration permit is treated on a separate and independent basis, such that Santos may elect to proceed with a permit(s) to the exclusion of another permit(s) resulting in Santos' participating interest in a rejected permit being returned to Central or voluntarily relinquished on mutual agreement (see below for further details on the elections made by Santos to date). The various exploration permits are held by certain of Central's Subsidiaries; however, for ease of reference Central will instead be referred in this Section.

Exploration activities for a pre-defined work program under the Farmout Agreement are at the cost of Santos. Santos' payment obligations in respect to seismic activities are not capped in order to satisfy the seismic work program. Santos' payment obligations in respect to drilling wells are capped at \$12 million per well (being the estimated reasonable cost of a well) or if the Northern Territory Government accepts the well as sufficient for the purposes of the applicable permit, after which Santos will be deemed to have satisfied the farmout well. Upon satisfaction of the pre-defined work program for each stage of the Farmout Agreement, Santos will have earned the right to retain the agreed participating interest related to that stage of the farmout.

### Summary of Farmout Structure and Agreed Work Program for Permits which Santos currently has a Participating Interest and is the Operator for these Permits which form part of the Relevant Assets

	Stage 1 4 April 2013 to 3 July 2014	Stage 2 4 April 2013 to 3 October 2017	Stage 3 4 April 2013 to 3 November 2018	Total which Santos may earn up to
<b>EP 82 (excluding EP82 sub-blocks)</b>	1,500km 2D seismic within RL3, RL4, EP82, EP105, EP106, EP107, EP112 and EP125  25% transfer to Santos	1,300km 2D seismic within EP82 (excluding EP82 sub-blocks), EP105, EP112 and EP125  15% transfer to Santos	1 well <sup>1</sup>  30% transfer to Santos	70%
<b>EP105</b>	1,500km 2D seismic within RL3, RL4, EP82, EP105, EP106, EP107, EP112 and EP125  25% transfer to Santos	1,300km 2D seismic within EP82 (excluding EP82 sub-blocks), EP105, EP112 and EP125  15% transfer to Santos	1 well <sup>1</sup>  30% transfer to Santos	70%
<b>EP112</b>	1,500km 2D seismic within RL3, RL4, EP82, EP105, EP106, EP107, EP112 and EP125  25% transfer to Santos	1,300km 2D seismic within EP82 (excluding EP82 sub-blocks), EP105, EP112 and EP125  15% transfer to Santos	1 well <sup>1</sup>  30% transfer to Santos	70%

Note 1 – Santos has the election to swap the drilling of one of these wells with \$12 million (excluding GST) of seismic works (being acquisition, processing, interpretation and analysis of seismic information) within EP82 (excluding EP82 sub-blocks), EP105, EP112 and EP125, subject to satisfying that permit's statutory minimum work commitments.

At the conclusion of the farmout work program (whether at the conclusion of Stage 2 or Stage 3, and in each case in respect of the exploration permits in which Santos decides to retain its participating interest), each of Central and Santos becomes responsible for its participating interest share of joint operations under the relevant Joint Operating Agreement (**JOA**). In respect of drilling which may have exceeded the \$12 million per well referred above, Central has protections under the Farmout Agreement to ensure its contribution to costs above the \$12 million are limited. Upon Santos completing the farmout, Central will be required to contribute 30% of the actual aggregate drilling costs for all wells if the cost exceeds the sum of the number of farmout wells drilled multiplied by \$12 million (**Cost Contribution**), subject to the Cost Contribution not exceeding 1.5% of the number of farmout wells drilled multiplied by \$12 million (capped again at \$1.8 million). Based on one well drilled to date (being Mount Kitty) and a maximum of three wells which might be drilled under Stage 3 of the Farmout Agreement, the maximum contribution from Central which may apply after Santos satisfies the farmout obligations is \$720,000.

When the Farmout Agreement commenced in April 2013 it comprised of three stages, with Stages 2 and 3 being at Santos' election to progress. Once Santos elected to commence a stage, it became mandatory for Santos to satisfy the exploration obligation.

Stage 1 was completed by Santos which comprised of:

- 1,500km 2D seismic to earn a 25% participating interest in EPs 82, 105, 106, 107 and 112 and EPA147;
- 300km 2D seismic to earn a 40% participating interest in the North Mereenie Block within EP115; and
- drilling the Mount Kitty well to earn a 70% participating interest in EP125.

EP107, EPA147 and certain blocks within EP82 were returned to Central as part of Central's acquisition of a 50% interest in the Mereenie oil and gas field in 2015.

Santos elected to proceed with Stage 2 in July 2014 which comprised of acquiring, processing, interpretation and analysis of seismic information in respect of 1,300km of 2D seismic. This is required to be completed by 3 October 2017.

On completion of the Stage 2 seismic, Santos will have unconditionally earned a 40% participating interest in EPs 82, 105, 106 and 112. Regarding EP106, although it remains part of the Farmout Agreement at present, Santos and Central have mutually agreed to relinquish the permit and further exploration work is not planned. Further it has been agreed that upon surrender, Central and Santos will be released from any obligations under the Farmout Agreement and the EP106 joint operating agreement and the parties will at that time execute an amendment to the Farmout Agreement removing all references to EP106.

Within 30 days of completion of the Stage 2, 1,300km 2D seismic (but no later than 2 November 2017), Santos must provide notice to Central as to which of EPs 82, 105 and 112 it elects to:

- commence the Stage 3 drilling works (including if there will be a substitution of \$12 million of seismic works referred to in Note 1 above);
- not commence the Stage 3 drilling works and re-transfer to Central its 40% participating interest in that exploration permit; or
- not commence the Stage 3 drilling works and retain its 40% participating interest in that exploration permit.

If Santos elects not to commence the Stage 3 drilling works for any of EPs 82, 105 and 112 and retain its 40% participating interest, the parties will operate as a joint venture for that permit under a joint operating agreement which is broadly on industry standard terms, with Santos holding a 40% participating interest and Central holding a 60% participating interest. It is to be noted that any future exploration activity is subject to a vote of the operating committee under the JOA which requires an affirmative vote of two or more unaffiliated parties collectively in excess of 65%, which in effect means that all matters would require a unanimous vote for so long as only Central and Santos remain as joint venturers.

Santos will earn an additional 30% participating interest in each of EPs 82, 105 and 112 for those permits it elects to drill a well (including substituting \$12 million of seismic works for a permit referred to in Note 1 above) to hold a cumulative 70% participating interest in that permit. On the completion of drilling the well (but no later than 2 January 2019), Santos must provide notice to Central as to which exploration permits it elects to re-transfer all its participating interest to Central.

The above dates may be extended by reasons of force majeure (as defined in the Farmout Agreement) and in respect of EP105 by up to three months for delays related to landowner consent or access arrangements.

### c. **Mount Kitty Discovery**

The Mount Kitty Discovery refers to an area within EP125 in which a well was drilled by Santos under the Farmout Agreement. Santos has completed its obligations under the Farmout Agreement in relation to the Mount Kitty Discovery and has earned a 70% participating interest.

Neither EP125 nor the Mount Kitty Discovery within EP125 are subject to any pre-defined work program under the Farmout Agreement. EP125 including the Mount Kitty Discovery is instead governed under the joint operating agreement for EP125 which is broadly on industry standard terms, with Santos holding a 70% participating interest and Central holding a 30% participating interest.

It is to be noted that any future appraisal or exploration activity is subject to a vote of the operating committee under the joint operating agreement, which requires an affirmative vote of two or more unaffiliated parties collectively holding participating interests in excess of 65%, which in effect means that all matters require a unanimous vote for so long as only Central and Santos remain as joint venturers.

#### d. **Palm Valley Deep Prospect**

Palm Valley Deep is 100% owned by Central and is an exploration prospect located underneath the existing Palm Valley field within OL3.

No drilling has occurred on the prospect to date.

### 4.10 KEY RISKS IN RELATION TO THE CONTINGENT VALUE NOTES

If the Scheme becomes Effective, there are certain disadvantages and risks associated with ownership of and an investment in the Contingent Value Notes many of which are outside the control of the Note Issuer. A significant number of the general and specific risk factors, specific to Central and/or the industries in which it operates, and described in Section 7 will also continue to apply to Central Shareholders even if the Scheme becomes Effective as a result of exposure under the Contingent Value Notes. You should carefully consider the risks described in Sections 4.9, 4.10 and 7 and the other information in this Scheme Booklet before voting on the Scheme.

The disclosures described in Section 4.9 and the risks and uncertainties described in this Section below are not an exhaustive list and additional risks and uncertainties may also become important factors that affect the Contingent Value Notes or the Note Issuer.

The following risks do not take into account your individual investment objectives, financial situation, position or particular needs. You should seek professional guidance from your stockbroker, accountant or other independent and qualified professional adviser before voting on the Scheme.

#### a. **There is no guarantee that any Redemption Amount will be payable**

The Redemption Amount is only payable if the Independent Resource Assessor has sufficient information to be able to estimate an economically discoverable resource in relation to a Relevant Asset as at the Determination Date in accordance with the Note Trust Deed.

There are a variety of factors, a number of which are speculative, which will impact whether economically recoverable resources are found in a Relevant Asset. Some of these risks are set out further in this Section 4.10.

Accordingly, there can be no assurance that any Redemption Amount will be paid under the Contingent Value Notes.

#### b. **Early assessment of resources**

The Independent Resource Assessor may be required to make its assessment of economically recoverable resources prior to any detailed appraisal of a discovery, so the level of information and understanding as to the size and economics of the discovery at the Determination Date may be limited. Therefore, the Independent Resource Assessor may be required to make assumptions about any discovery, including assumptions as to the size, extent or characteristics of the reservoir. Because of the limited information that may be available at the Determination Date, there is a risk that the Independent Resource Assessor will make assumptions that subsequently prove to be incorrect, which could result in no Redemption Amount being payable to Central Shareholders in respect of the Contingent Value Notes.

#### c. **Macquarie MPVD has no obligation to explore**

The Directors and Central can give no assurance as to the ultimate value of the Contingent Value Notes. Any value being derived from the Contingent Value Notes is dependent on exploration and appraisal activity being undertaken in respect of the Relevant Assets. Other than the commitments of Santos in accordance with the Southern Amadeus farm-in – see further Section 4.9(b) – and separately, certain minimum commitment obligations relating to EPs 82, 105, 112 and 125 (Southern Amadeus) and RLs 3 and 4 (Ooraminna), there are no other legal requirements for Macquarie MPVD to undertake exploration or appraisal activity in respect of any of the Relevant Assets.

Following implementation of the Scheme, Macquarie MPVD and its Subsidiaries may at their sole discretion take actions with respect to the Relevant Assets which may impact the payment of a Redemption Amount, including:

- electing to conduct or not to conduct exploration or appraisal activities with respect to the Relevant Assets;
- for any Relevant Asset that is the subject of a joint operating agreement, electing to withdraw from the joint operating agreement and assigning their interest for nil or nominal consideration to the other participant(s) under the joint operating agreement; and
- electing to relinquish for nil or nominal consideration the whole or any part of any petroleum tenement forming part of a Relevant Asset to the relevant issuing government.

In accordance with the Note Trust Deed, any decision by Macquarie MPVD to dispose, relinquish or withdraw from a permit or joint operating agreement for nil or nominal consideration:

- must be made in good faith based on bona fide commercial considerations and not with the intention to circumvent the obligation to pay the Redemption Amount; and
- will then preclude it from applying for a new petroleum licence or participating in any joint venture covering all or part of the same area for a period of three years following such relinquishment or withdrawal.

Notwithstanding the above controls, if Macquarie MPVD does so relinquish a permit or withdraw from a joint venture or otherwise decides not to conduct exploration or appraisal activities, the Independent Resource Assessor is unlikely to have sufficient information to estimate an economically recoverable resource for that Relevant Asset as at the Determination Date. This may impact whether or not any Redemption Amount is payable to Central Shareholders in respect of the Contingent Value Notes.

**d. There is no certainty as to the precise activities which Santos will undertake under the Southern Amadeus Farmout Agreement**

On completing Stage 2, Santos may elect not to drill the wells outlined in Stage 3. On completing Stage 2, Santos also has the right to withdraw from a permit or retain the Stage 2 40% participating interest. If Santos retains the Stage 2 40% participating interest, Central will be responsible for the balance of the commitments of the exploration permit should Central remain a party to the joint operations. There is no obligation on Macquarie MPVD to complete any aspects of the Farmout Agreement if Santos elects not to, or to proceed or agree to proceed with any further appraisal or exploration activities, subject to the requirements of the applicable joint operating agreement.

If Santos elects to proceed with Stage 3 drilling, it may be delayed beyond the Determination Date due to force majeure or other permitted delays.

Additionally, Santos may elect to substitute the drilling of a well for seismic work during Stage 3 (as outlined in Section 4.9(a)). This will result in the farmout work obligation being met, earning Santos a 70% participating interest in total, but no well would have actually been drilled for the purposes of the Independent Resource Assessor's assessment. This would likely reduce the information available for the determination as to whether or not there is an economically recoverable resource as at the Determination Date in accordance with the Note Trust Deed.

Further, Santos may not complete the Farmout Agreement work program as contemplated or may breach the Farmout Agreement which may result in farmout works not being performed or being delayed.

**e. No liquidity**

The Contingent Value Notes are unlisted, unsecured notes, the value of which (if any) will only be realised no earlier than four years after the implementation of the Scheme. The Custodian may transfer all but not some of the Custodian CVNs to a related body corporate or to a person nominated by Macquarie MPVD if the Custody Agreement is terminated. Otherwise, the Contingent Value Notes are non-transferrable, other than as a result of operation of law or devolution.

Central Shareholders will not be able to sell the Contingent Value Notes prior to the Determination Date, and therefore will not be able to realise any value in the Contingent Value Notes other than the payment of any Redemption Amount, if applicable.

The possible tax implications arising in connection with the Scheme are discussed in Section 9.3.

**f. Counterparty risk and ability of the Note Issuer to pay the Redemption Amount**

There are usual contractual and counterparty risks associated with ownership of the Contingent Value Notes. The Note Issuer or the Note Trustee may breach its or their obligations under the Note Trust Deed.

The Note Issuer was incorporated as a special purpose vehicle to issue the Contingent Value Notes and was registered as a company under the Corporations Act on 7 March 2017. As at the date of the Scheme Booklet, the Note Issuer had contributed capital of \$100.

As set out in Section 4.2, Macquarie MPVD has provided the Letter of Support to the Note Issuer undertaking that for so long as a Contingent Value Note is on issue and outstanding, it will ensure the Note Issuer is at all times in a position to meet its financial obligations as they fall due. Following Implementation, Macquarie MPVD will hold all of the shares in Central and will indirectly hold all of its assets

Subject to the Scheme becoming Effective, the Note Guarantor will also unconditionally and irrevocably guarantee to the Note Trustee (for the benefit of itself and each Noteholder) the due and punctual payment of the Redemption Amount under the Note Trust Deed. Details about the current financial position of the Note Guarantor is set out in further detail in Section 4.7.

The Redemption Amount (if any) payable under the Contingent Value Notes will not be payable until at least four years from the Implementation Date. While the Letter of Support and the guarantee noted above have been put in place to help address any risk of default on the payment of the Redemption Amount, there is no guarantee as to Note Issuer's, Macquarie MPVD's or the Note Guarantor's financial position or ability to pay the Redemption Amount at the time any Redemption Amount becomes payable.

Additionally, past performance and the current financial position of the Note Guarantor, and of Macquarie MPVD (including taking into account the Central assets which will be owned by Macquarie MPVD following implementation of the Scheme) are not a reliable indicator of future performance.

**g. Exposure to future upside limited**

Other than the Contingent Value Notes, the total payout from which cannot exceed \$90 million (or approximately 19.6 cents per Contingent Value Note), if the Scheme becomes Effective, Central Shareholders will not receive any future increases in value of the Central portfolio of assets as a result of exploration success or market movements through its shareholding in Central as a company listed on the ASX.

#### h. **Risks of delays impacting Relevant Assets**

Appraisal and exploration activity in relation to the Relevant Assets may be hampered or delayed due to a variety of reasons outside the control of Santos or Macquarie MPVD, including natural disasters, civil wars, earthquakes, inclement weather conditions, labour strikes or other industrial action, changes in government and/or government policies, regulatory intervention, delays in necessary approvals, native title issues and approvals, land access issues and other natural or man-made events or occurrences.

Such matters may result in increased costs, impact future earnings, or commercial viability of production or exploration or appraisal activity, and therefore impact the Independent Resource Assessor's assessment of the economically recoverable resource for a Relevant Asset at the Determination Date. Such changes may also result in periods of uncertainty which can give rise to delays or cancellations of proposed projects and/or contracts.

#### i. **Pipeline tariff risk (Vertigan Report)**

Please refer to Section 7.3 for further information relating to the Vertigan Report.

Existing domestic pipeline tariffs may impact future earnings, or commercial viability of production or exploration or appraisal activity, and therefore impact the Independent Resource Assessor's assessment of the economically discoverable resource for a Relevant Asset at the Determination Date. This may influence whether any Redemption Amount is payable to Scheme Shareholders in respect of the Contingent Value Notes.

#### j. **Risks of moratorium**

Presently, the Northern Territory has imposed a moratorium on shale gas exploration pending the outcome of public consultations on fracking, chaired by Her Honour Justice Pepper. Please refer to Section 7.3 for further information relating to this moratorium.

Any further extensions to the moratorium on exploration, or new laws and regulations applying to exploration, may impact future earnings or impact on the commercial viability of production or exploration or appraisal activity, and therefore impact the Independent Resource Assessor's assessment of the economically recoverable resource for a Relevant Asset at the Determination Date. This may influence whether any Redemption Amount is payable to Scheme Shareholders in respect of the Contingent Value Notes.

#### k. **Exploration and development risk**

Oil and gas exploration is a speculative investment and involves a high degree of risk. There is no guarantee that the exploration, appraisal and development of any oil and gas assets can be profitably exploited and is subject to (among other things), the cost of any required infrastructure and availability and cost of funds.

Even if wells are drilled, the risks are that they are dry holes or do not result in commercially feasible oil or natural gas production.

Please refer to Section 7.3 for further information relating to exploration, appraisal and development risk generally.

#### l. **Oil and gas estimates**

Reservoir engineering is a subjective process that only provides an educated estimate of the volume of underground reserves. Oil and gas estimates are not precise and are based on knowledge, experience, interpretation and industry practice. Different variables can impact whether these reserves are economically recoverable, including changes with respect to governmental regulations, commodity prices and taxes.

The Independent Resource Assessor's assessment of the existence of an economically recoverable resource at any Relevant Asset in four years' time will also be affected by such subjective influences. Indeed, it is possible that actual recoverable resources will exceed the assessor's estimates, however, any Redemption Amount will only be payable to Scheme Shareholders in respect of the Contingent Value Notes in accordance with the Independent Resource Assessor's assessment at the relevant time. Payments under the Contingent Value Notes are also capped at \$90 million.

It is therefore possible that value of the Contingent Value Notes as determined by the Independent Resource Assessor may be more or less than would be determined if the Resource Determination were conducted at a date earlier or later than the Determination Date.

#### m. **Environmental, legislative and regulatory risk**

Please refer to Section 7.3 for further information relating to environmental risk and legislative and regulatory risk generally.

Any changes to the environmental, legislative and regulatory landscape applying to the oil and gas exploration and production industry (including any changes to the Northern Territory's or Federal royalty and tax regimes) will directly impact the Independent Resource Assessor's assessment of the existence of an economically recoverable resource at any Relevant Asset. This may influence whether any Redemption Amount is payable to Scheme Shareholders in respect of the Contingent Value Notes.

# 5 PROFILE OF CENTRAL

## 5.1 INTRODUCTION

Central is an oil and gas explorer and producer with a focus on supplying the domestic gas market. Central is the largest onshore gas producer in the Northern Territory and operator of the only producing onshore gas fields in the Northern Territory at Mereenie, Palm Valley and Dingo. Not being unconventional shale gas fields, Central's fields are not caught within the moratorium on fracking for unconventional shale gas exploration announced by the Northern Territory Government in September 2016.

You should read this Section carefully in conjunction with Section 5.2.

Central's future is inexorably linked to its ability to economically supply natural gas in a timely fashion to the domestic gas market on the eastern seaboard with yet to be proven reserves from its existing gas fields, primarily from Mereenie. To achieve this, its future is critically dependent on:

- the construction and operation of the NGP in accordance with its published schedule without material delays;
- the implementation of the Vertigan Report and, in particular, the adoption by COAG in May or June 2017 of the low-cost, easily accessible arbitration regime based on economic principles which recognises past capital recoupment and the lower costs of ancillary services such as back haul;
- the containment of the present moratorium in the Northern Territory to shale gas so as to not affect the drilling necessary to prove up reserves in the Stairway Formation at Mereenie and the drilling of the well at Ooraminna, which forms part of the permit obligation under RL3 and RL4; and
- the outcome of the drilling and appraisal programme being successful.

The Australian gas industry is in a state of flux and change. The NGP is under development to flow gas to East Coast markets by 2018, with 60 TJ/d of pipeline capacity available for new sales. Pipe was originally expected to be laid from April 2018 but this has been delayed to June 2018 as a result of a land access dispute which has now been resolved. As at the Last Practicable Date, a key concern for Central is an options paper which proposes, inter alia, that regulated pipelines like the Amadeus and Carpentaria pipelines will not be covered by the reforms. If this proves to be true there would be an economic barrier to Central's ability to become a source of supply into the domestic market.

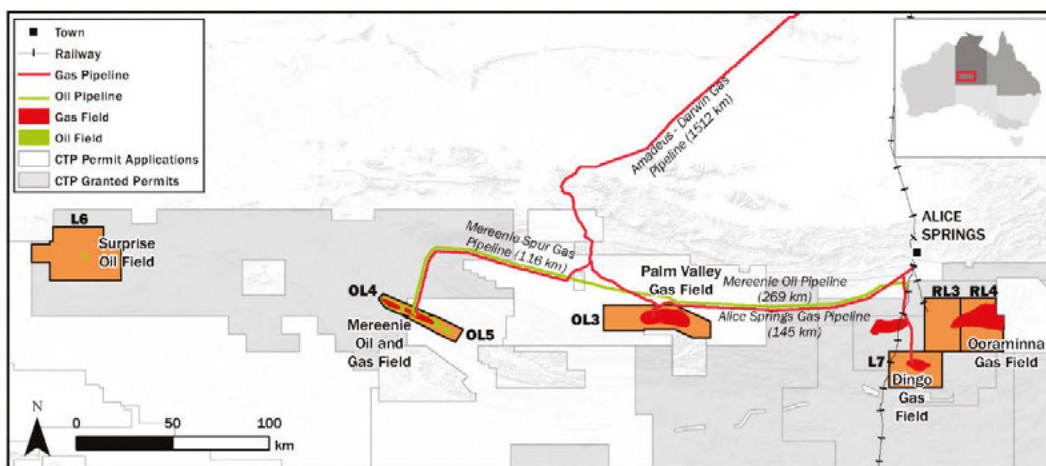
At present, the domestic gas market remains tight and is recognised federally as a "national security issue". However, there are risks that the eastern seaboard market could re-balance before reserves are able to be proven up and economically transported to the eastern seaboard, either through permanent demand destruction or competing supply sources garner the market before our gas becomes available, or a combination of the two.

Similarly, whilst EP115 is oil prone, the development and transportation costs of any discovery of crude oil requires economy of scale to justify the production at the current low oil prices. Despite the development costs having already been invested, the large transportation costs involved in the sale of crude from the Surprise discovery does not justify production at current oil prices.

## 5.2 OPERATIONS OVERVIEW

### a. Production assets

#### Mereenie Oil and Gas Field (OL4 and OL5, 50% interest and operator)

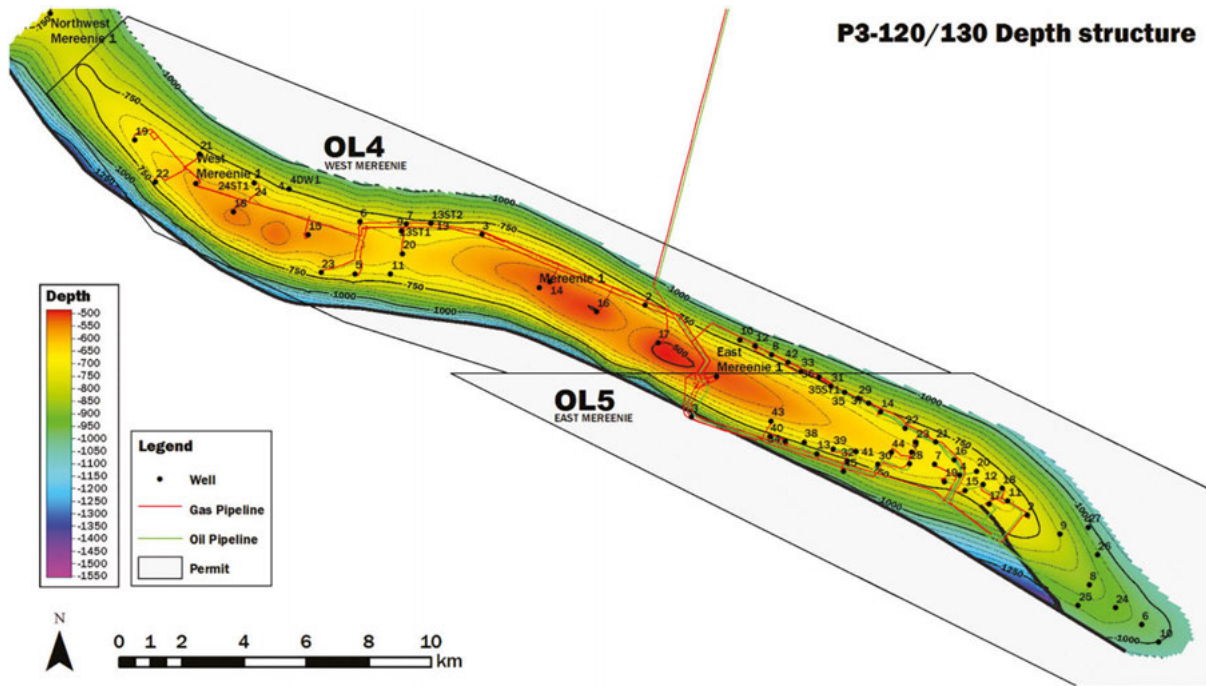


Location of Mereenie, Palm Valley Dingo and Surprise fields

Central operates three gas fields in Alice Springs in the Northern Territory. Production is heavily curtailed due to lack of market/ pipeline to market. In view of the current gas availability crisis on the eastern seaboard, Central is in a position to help supply the market if:

- a pipeline is built to connect the Amadeus to Darwin line to the eastern seaboard; and
- enough capital can be provided to increase reserves, delivery capacity and facility upgrades across these three gas fields.

*Mereenie description and history*



*Mereenie Oil & Gas Field, Pacoota Sandstone depth structure map*

Central announced on 4 June 2015 that it had entered into an agreement with Santos Limited (**Santos**) to acquire a 50% interest in the Mereenie oil and gas field, Amadeus Basin, Northern Territory and became the operator. Macquarie has reached financial close on the purchase of the remaining 50% of Mereenie in February 2017.

The Mereenie oil and gas field was discovered in 1963 by Mereenie 1 drilled on the crest of a large surface expressed anticline, with subsurface field area up to ~25,000 acres, or 100km<sup>2</sup>.

A total of 70 wells have been drilled into the field with approximately 34 wells on production, approximately 10 gas injection wells, 10 observation wells, and 11 abandoned wells. The field has approximately 178km of pipelines and flowlines.

Production Licences OL4 and OL5 were granted in 1981, the initial focus was on oil production. A further 29 appraisal wells were then drilled between 1982 and 1986. The Eastern Satellite Station (**ESS**) was commissioned in 1984 and crude oil production commenced at 1500BOPD. Oil was initially trucked to Alice Springs. The 270km, 200mm Mereenie - Alice Springs oil pipeline to Brewer Estate was built in 1985. The pipeline was subsequently decommissioned in 2009.

A gas contract with Power and Water Corporation was executed in 1985, the 1,500km Amadeus to Darwin gas pipeline was built in 1986, followed by first gas sales in 1987, with rates increasing to a peak of ~53TJ/d in 2005. The Central Treatment Plant (**CTP**) was also commissioned in 1986 (and expanded in 1995) to allow for gathering and processing of gas and oil from the central and western parts of the field.

During the seven years from 1990 a further 20 “oil” wells were drilled, adding to oil and gas production capacity, followed by six dedicated gas wells during 1999-2004, and four oil wells since 2007.

Following expiry of the long term gas contract in 2009, the operator undertook studies and then acted in 2010 with the expansion of gas re-injection to enhance oil recovery. As of 2014, the field was producing up to 1,000bopd (oil and condensate) from 23 wells, selling ~5TJ/d gas (1.8PJ pa) and reinjecting the balance into the oil reservoirs. The field is able to produce and sell up to 15TJ/d (5PJ pa) with limited impact on oil production. Gross production of 30 years to date is approximately 17MMbbl oil, 258PJ sales gas and 1MMbbl condensate.

**Mereenie geology**

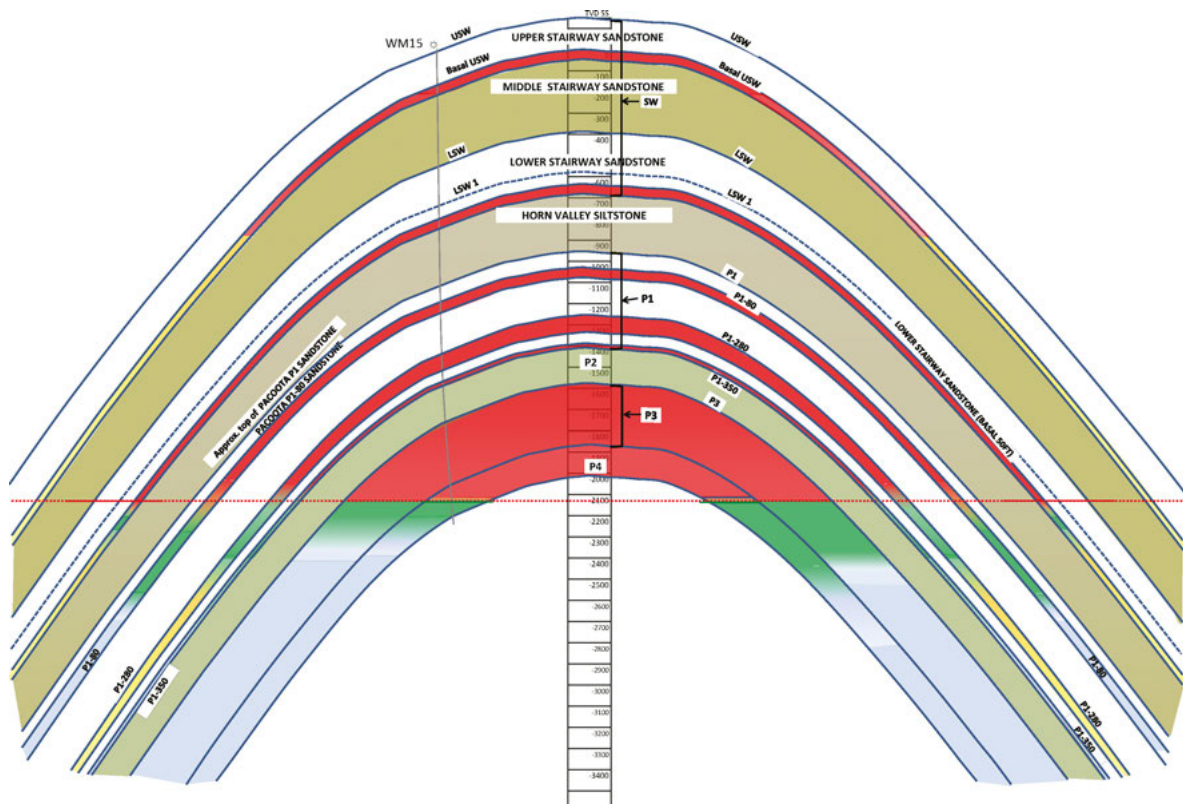
The reservoirs of Mereenie oil and gas field are Early Ordovician sandstones of the Larapinta Group, sealed intra-formationally and beneath the regional Stokes Siltstone. Reservoirs are encountered throughout the Stairway and Pacoota formations, at depths ranging from 300m (top Stairway) to 1,500m (Pacoota P4).

The principal oil and gas reservoirs are the P1 and P3 units of the Ordovician Pacoota Sandstone at a depth of approximately 1,500m. The overlying Horn Valley Siltstone is both the source and seal. The majority of oil production has come from the quartzose P3, in which porosities average 8% and permeabilities average 10md

The Pacoota P1 reservoir has not been widely developed in the oil rim. Gas production is principally from the P1 sands and from gas produced in solution with the oil. Since the gas sale contract ended in 2009, gas from the CTP and ESS has been reinjected into the main oil reservoir to maintain reservoir pressure. The majority of flank wells deviate naturally (up to 45°) through the hard abrasive rock to intersect the narrow oil rim which surrounds the gas cap.

Reserves have also been identified in the Pacoota P4 unit and in the Stairway Sandstone. Oil production from the lower Stairway and Pacoota P4 has, so far, been insignificant.

The Pacoota sandstones with respect to their geological description can be summarised by the stratigraphic sequence as depicted below:



*Mereenie geological Cross-section*

The upper and lower Stairway sandstone contains significant volumes of undeveloped gas resources in generally very low permeability reservoir sands. Current data suggests that reservoir effective porosity and permeability is limited to isolated pockets and long-term production capability has not yet been tested adequately.

The Pacoota P4 first produced oil at interesting rates following the successful East Mereenie 38 well. Generally, the sand is more suitable for gas production according to rock typing studies.

**Mereenie development options**

Encouraging gas flows have been recorded in sands that are not developed within Mereenie Oil & Gas Field. Sands of the Upper and Lower Stairway, Pacoota P2 and P4 have performed well during drill stem testing, in addition to the Pacoota P1 and P3 primary objectives.

Cautionary statement: The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

### Potential Mereenie work program

A high level potential work program outline is provided below for the drilling of two new wells in the Mereenie Stairway (West Mereenie 25 and West Mereenie 26), together with the Recompletion opportunities section below, for the purpose of highlighting a possible future work program(s) for Mereenie which may realise further potential, however, these programs require significant capital to put into effect.

The Stairway Sandstone reservoirs which lie above the Pacoota and are gas bearing are recognised as containing a large amount of tight gas, with 2C contingent resources of 120PJ (this estimate forms part of the reserves stated in Central's ASX announcement dated 14 March 2016).

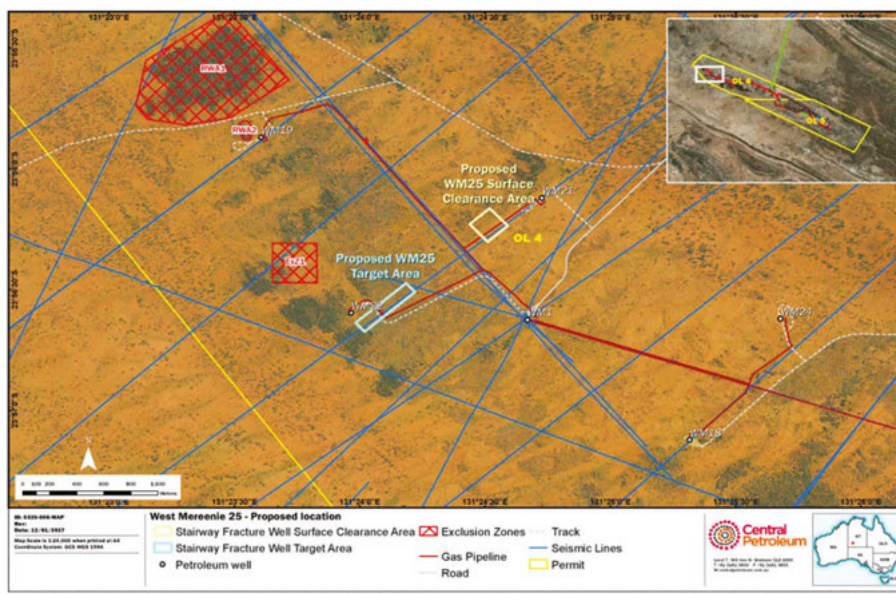
The Stairway Sandstone is split into four zones, the Upper Stairway (US), Middle Stairway (MS), Lower Stairway 2 (LS2) and the Lower Stairway 1 (LS1). However, the MS is composed primarily of siltstone and is not considered a reservoir unit. Four wells have been completed in the Stairway Sandstone; East Mereenie 8 and East Mereenie 10 in the LS1 reservoir, West Mereenie 15 and West Mereenie 16 in the US reservoir, with cumulative production respectively of 2Bcf, 0.2Bcf, 240mmscfd and nil. While drilling with air, the US and LS1 flowed at 2.5 mmscfd in West Mereenie 15. Gas production from the US in West Mereenie 15 started at ~2MM mmscfd in May 2015 and has declined to 0.2 mmscfd to date. Decline analysis on West Mereenie 15 production data shows a characteristic change of slope that infers fractures are contributing to production.

West Mereenie 25 and 26 could be used to appraise the Stairway Sandstone by drilling a sub-horizontal well perpendicular to the fracture dip direction to connect the fractures and increase the flow rate. Of the 65 vertical wells air-drilled in the field, 28 zones recorded gas flows, with 12 zones recording significant rates in the range 1 to 7mmscfd. This previous drilling suggests there is a relationship between increased gas flows, fracture intensity, fold curvature and fold axis proximity. West Mereenie 25 would target a zone of predicted high fracture intensity, proximal to the anticlinal fold axis. West Mereenie 26 trajectory incorporates a lateral section parallel to bedding in order to augment the number of fractures penetrated by the well. Initial production is expected to exceed 5MMcfd with a total recoverable volume of 7 to 10Bcf depending on economic cut-off rate and operating philosophy.

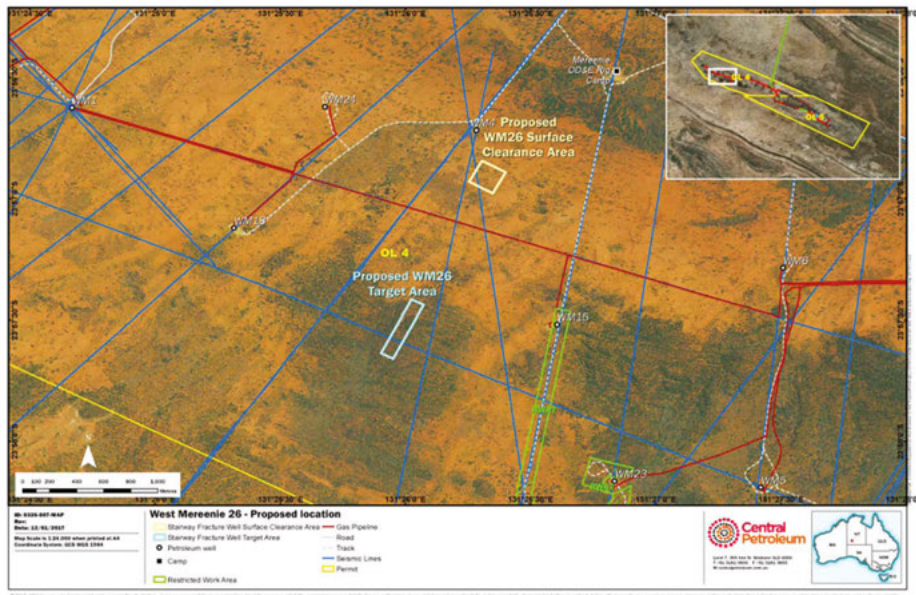
The primary Stairway target is a zone of predicted high fracture density that extends from a depth of 1045m at top LS1 to 1165m at total depth within the LS1. The proposed depth of the well is 2095m with a lateral section within the LS1 extending from 1385m to 2095m at total depth. The projected surface location of the target is approximately 200m east-northeast of West Mereenie 22. As such, the well will consist of an inclined section that targets areas of increased fracturing parallel to bedding in the LS1.

Fractures at Mereenie are fold and fault related so that their orientation, distribution and intensity can be better predicted using the structural geometry of the fold and faults. In particular, the orientation of fold related fractures is related to bedding orientation in that the fractures are predominantly oriented at a high angle to bedding. In order to maximise well deliverability and performance, the proposed West Mereenie 25 trajectory may incorporate a lateral section parallel to bedding in order to augment the number of fractures penetrated by the well. Initial production is expected to exceed 5 mmscfd with a total recoverable volume of 7 to 10Bcf depending on economic cut-off rate and operating philosophy.

The Reservoir performance is primarily a function of a dual permeability system (fractured matrix), production at maximum capacity will resemble an exponential decline as observed in West Mereenie 15 well performance. Reducing the maximum well production is expected to provide the matrix the capability to produce into the fractures at a more sustainable, stable rate, which will be reflected by a more sustainable, stable total well performance. Further, commercial analysis will be required based on well performance to optimise on rate and number of wells to develop the Stairway.



The primary target for West Mereenie 25 illustrated above is a zone of predicted high fracture density with the LS1, approximately 200m east-northeast of West Mereenie 22 at a depth of ~1100 m. Wells are positioned at surface location.



The primary target for West Mereenie 26 illustrated above is a zone of predicted high fracture density within the LS1, approximately 1000m east of West Mereenie 15 at a depth of ~1000 m. Wells are positioned at surface location.

There are several political risks associated with this project:

- The speed of change unfolding in the commercial political arena surrounding the March 2016 ACCC Report on the East Coast gas market and Vertigan Report, as well as the relations by State Governments, incumbent pipeline owners positioning and Northern Territory moratorium.
- All of the above impact (to increase or decrease) netback gas prices, which in turn directly drives the economics of the project. It is difficult to plan significant capital investment if the price of the commodity is not directly connected to market pricing.
- As a result of the uncertainty in bullets one and two above, securing capital becomes more challenging.
- In addition to the above, any work program by Central remains subject to all required approvals and consents, including, where required, land access, sacred site clearance and governmental approvals.

This above mentioned potential Mereenie work program is designed to appraise the fracture distribution, optimise the well orientation and resulting sustainable deliverability of the wells and as such could be considered as a risk.

#### Potential Mereenie Example Recompletion Opportunities

Recompletion opportunities are considered to be available in the P1 and P3 Pacoota reservoirs as depicted below, note that listed volumes are gross volumes, not equity accounted for:

- P1 recompletes: there are 45 P1 gas cap wells available as candidates for recompletion (not accounting for P&A wells, however including suspended and producing wells).  
Target Prospective Resources (see cautionary statement below):  
~130Bcf or around ~3Bcf/well if all available wells are deemed fit for recompletion.
- P3 recompletes: there are 19 P3 gas cap wells available as candidates for recompletion (not accounting for P&A wells, however including suspended and producing wells).  
Target Prospective Resources (see cautionary statement below):  
With ~3Bcf/well and 5 wells, ~15 Bcf is a target prospective resource from P3 recompletions.

Recompletion, deepening and new drilling opportunities are considered available in the P4 Pacoota reservoirs as depicted below, note that listed volumes are gross volumes, not equity accounted for:

- P4 recompletes: recompletion of P4 gas wells (West Mereenie 14, West Mereenie 15 – post Stairway production testing and East Mereenie 1).
- P4 deepening: deepen existing P1 or P3 gas wells to the P4 gas cap (West Mereenie 16, West Mereenie 17 and West Mereenie 18).
- P4 New Well(s): Drill new well(s) targeting the P4.  
Target Prospective Resources (see cautionary statement below):
  - three wells to be recompleted and three wells to be deepened equates to ~18Bcf.
  - to reach 40Bcf cumulative total, another ~7-8 successful wells will need to be drilled into the P4.

**Mereenie reserves**

The current reserves statement from Central for Mereenie oil and gas field was detailed in Central’s ASX announcement dated 14 March 2016 and further stated on page 16 of Central’s 2016 Annual Report which estimated Mereenie oil and gas field net sales gas reserves and contingent resources in PJ as of 31 December 2015 summarised as follows:

Reserves Category	Central net share - Gas		Mereenie Gross - Gas (100% field volumes)
	PJ	PJ	PJ
1P (Proved)*	62		124
2P (Proved + Probable)*	75		150
3P (Proved + Probable + Possible)*	82		164

Contingent Resources Category	Central net share - Gas		Mereenie Gross - Gas (100% field volumes)
	PJ	PJ	PJ
1C*	57		113
2C (includes 1C)*	91		182
3C (includes 1C and 2C)*	107		214

\* Central confirms that it is not aware of any new information or data that materially affects the above reserves and that all the material assumptions and technical parameters underpinning the estimates above continue to apply and have not materially changed.

Since first publishing the above reserves in March 2016, there has been 3PJ (gross) (1.5PJ Central net share) of production as at 31 December 2016, which should be taken into account and deducted from each of the 1P and 2P numbers.

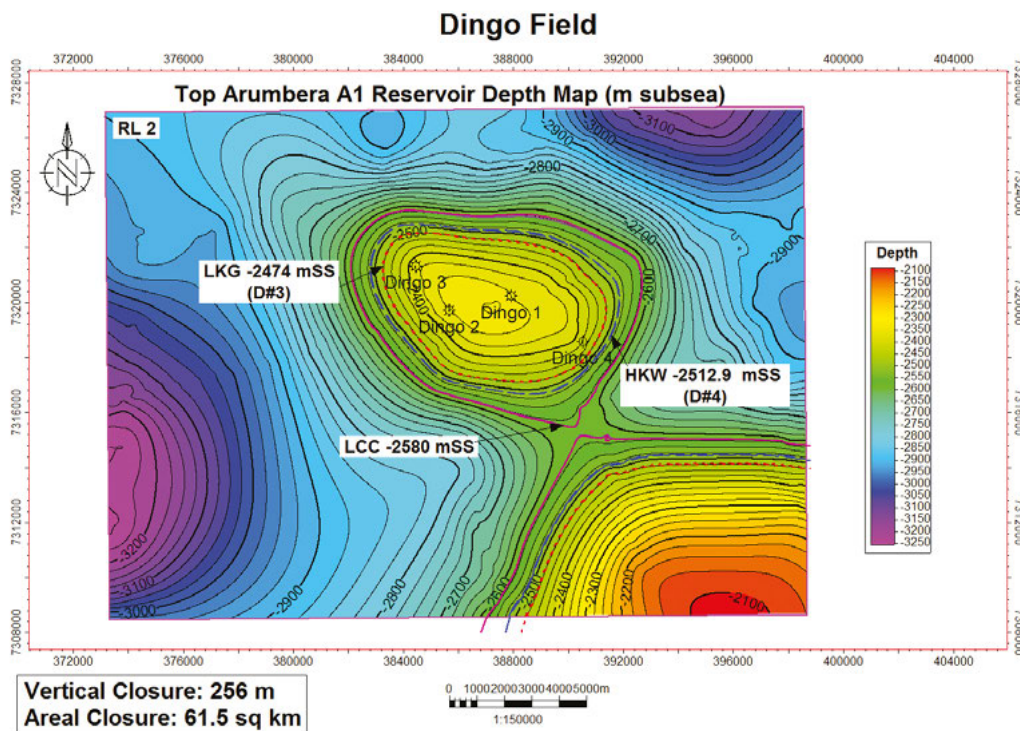
Central expects the 2C contingent resources of 91PJ (being contingent on markets) will be able to be converted into 2P reserves once the NGP becomes certain, adding to the amount of gas available to underwrite that pipeline (subject to demonstration of the economic viability of a development plan and negotiation of a new gas sales contract agreement).

Risks associated with recompletions include:

- Mechanical risk.
- Interval performance/permeability.
- Commingling high pressure and depleted intervals.

**Dingo gas field (L7, 100% interest)**

*Dingo description and history*



Dingo structure map on top Arumbera

The Dingo gas field is situated on the Dingo anticline located in the northeast Amadeus Basin, Northern Territory, Australia, approximately 60km south of Alice Springs. The gas field is developed for production and sale of natural gas to the Owen Springs Power Station at Brewer Industrial Estate, approximately 20km south of Alice Springs.

Four wells have been drilled in the Dingo field; currently only Dingo-2 and Dingo-3 are completed as commercial gas producers from the Arumbera Sandstone. Dingo-4, drilled in 1991, encountered saline water in the reservoir and was plugged and abandoned. Dingo-1 is not completed with re-drilling of the well seen as a development opportunity.

The only production from the field prior to December 2015 had been during well testing operations. Total gas production during testing operations carried out from 1981 to 1991 has been estimated at 200mmcf. This production resulted in a pressure decrease of 51 psi from an original reservoir pressure of 4,600 psi. The Dingo structure is mapped as a slightly elongate west-northwest trending, simple unfaulted anticline. Areal closure to the lowest closing contour at the Arumbera Sandstone (A1 reservoir) level is approximately 61.5km<sup>2</sup> and the closure height on the structure is approximately 256m. Maximum closure is defined by a narrow saddle at the south-eastern end of the structure.

In 2013, a Gas Supply and Purchase Agreement (**GSPA**) was negotiated with the Power and Water Corporation to supply Dingo gas for up to 16PJ of gas over a 10-year supply period (from commencement in 2015) for use in the Owen Springs Power Station located at the Brewer Industrial Estate approximately 20km south of Alice Springs. There is a possibility for the GSPA to continue with gas sales for up to a further 10 years, subject to economically deliverable reserves determined by a reserves report, as further described in the GSPA.

The announcement that the Ron Goodin Power Station will be closing in 2017 should see Dingo gas become even more important to the energy security of Alice Springs, and we expect the contract to run at least to its annual contract quantity.

### **Dingo Reserves**

The current reserves statement from Central for Dingo field was detailed in Central's ASX announcement dated 21 July 2015 and further stated on page 16 of Central's 2016 Annual Report, which estimated Dingo field net sales gas reserves and contingent resources in PJ as at 30 June 2015 summarised as follows:

<b>Dingo Field (Central Net Share – 100%)</b>	<b>1P (Proved)</b>	<b>2P (Proved + Probable)</b>	<b>2C (Contingent)</b>
Sales Gas Reserves (PJ)*	10.3	33.2	22.7

\* Central confirms that it is not aware of any new information or data that materially affects the above reserves and that all the material assumptions and technical parameters underpinning the estimates above continue to apply and have not materially changed.

Since first publishing the above reserves in July 2015, there has been 0.93PJ of production as at 31 December 2016, which should be taken into account and deducted from each of the 1P and 2P numbers.

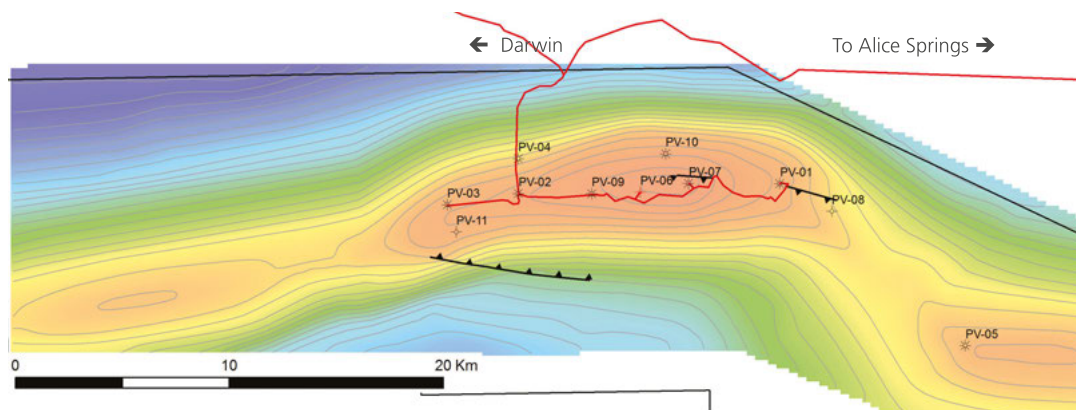
Central expects the 2C contingent resources of 22.7PJ (being contingent on markets) will be able to be converted into 2P reserves once the NGP becomes certain, adding to the amount of gas available to underwrite that pipeline (subject to demonstration of the economic viability of a development plan and negotiation of a new gas sales contract agreement).

Risks associated with this project include:

- Netback gas price.
- Economic viability of a development plan based on the first bullet point above.
- Negotiation of a new gas sales contract.
- Capital for a re-drill of Dingo 1 (~\$10 million).
- Capital for expansion of pipeline and processing facilities (~\$17 million).

## Palm Valley Gas Field (OL3, 100% interest)

### Palm Valley Description and History



Palm Valley gas field, structure map on top of Pacoota

Gas was discovered by the Palm Valley-1 well, drilled in 1965. Development of the gas field commenced after the grant of the Petroleum Lease on 9 November 1981. Gas was first delivered to Alice Springs in 1983 through the 145km Palm Valley-Alice Springs gas pipeline and subsequently to Darwin in 1987 through the 1,512km Amadeus Basin-Darwin gas pipeline.

The Palm Valley structure is an elongate WSW to ENE trending anticline defined by 2D seismic lines. The reservoirs are sandstone enhanced by natural fractures. Gas deliverability is provided by a complex interconnected network of fractures which has resulted in extremely high open hole test flow rates (137mmcf/D from Palm Valley - 6B) and good connectivity along the crest of the field.

A total of 11 wells have been drilled on the field, of which Palm Valley 1, 2, 6, and 7 are currently producing. Gas production rates at the Palm Valley gas field have continued to decline naturally, primarily as a consequence of the reduction in reservoir pressure and the influx of formation water in the productive fractures. The rate of pressure decline has reduced in recent years due to recharge from a large volume of tight gas connected to the fracture network. Reservoir pressures also increased following shut-in after the 2012 contract ceased.

Palm Valley field is subject to a Gas Sales and Purchase Agreement with the Mereenie Joint Venturers for up to 25.65PJ over 17 years (from commencement in 2012).

### Palm Valley Reserves

The current reserves statement from Central for the Palm Valley field was detailed in Central's ASX announcement dated 21 July 2015 and further stated on page 16 of Central's 2016 Annual Report which estimated Palm Valley field net sales gas reserves and contingent resources in PJ as at 30 June 2015 summarised as follows:

<b>Palm Valley Field (Central Net Share – 100%)</b>	<b>1P (Proved)</b>	<b>2P (Proved + Probable)</b>	<b>2C (Contingent)</b>
Sales Gas Reserves (PJ)*	17.7	23.6	29.7

\* Central confirms that it is not aware of any new information or data that materially affects the above reserves and that all the material assumptions and technical parameters underpinning the estimates above continue to apply and have not materially changed.

Since first publishing the above reserves in July 2015 there has been 1PJ of production as at 31 December 2016, which should be taken into account and deducted from each of the 1P and 2P numbers.

Central expects the 2C contingent resources of 29.7PJ (being contingent on markets) will be able to be converted into 2P reserves once the NGP becomes certain, adding to the amount of gas available to underwrite that pipeline (subject to demonstration of the economic viability of a development plan and negotiation of a new gas sales contract agreement).

Risks for this project include:

- Netback gas price.
- Pipeline connection to East Coast market.
- Capital to upgrade control to systems and convert to remote operation (~\$2 million).

## Surprise Oil Field (L6, 100% interest)

### Surprise history of exploration and discovery

The Surprise field is located approximately 400km west of Alice Springs in the Amadeus Basin, Northern Territory and central Australia. The field is situated in the western half of EP115, which lies along the north western edge of the basin. The field is approximately 150km west-northwest of the Mereenie oil and gas field.

The initial Surprise exploration well, Surprise 1, commenced drilling in October 2010. The well was finally plugged and suspended at a measured depth of 2555m in the Lower Stairway Sandstone formation as a result of rig problems. A core was cut in the Lower Stairway Sandstone between 2,546m – 2,554m, which recorded excellent visible oil shows.

In December 2011, the suspended well was re-entered and deepened as Surprise RE-1, reaching a total measured depth (TD) of 2,732m in the Pacoota Sandstone. The well was fully logged at total depth, the results of which confirmed the presence of an oil column in the Lower Stairway Sandstone.

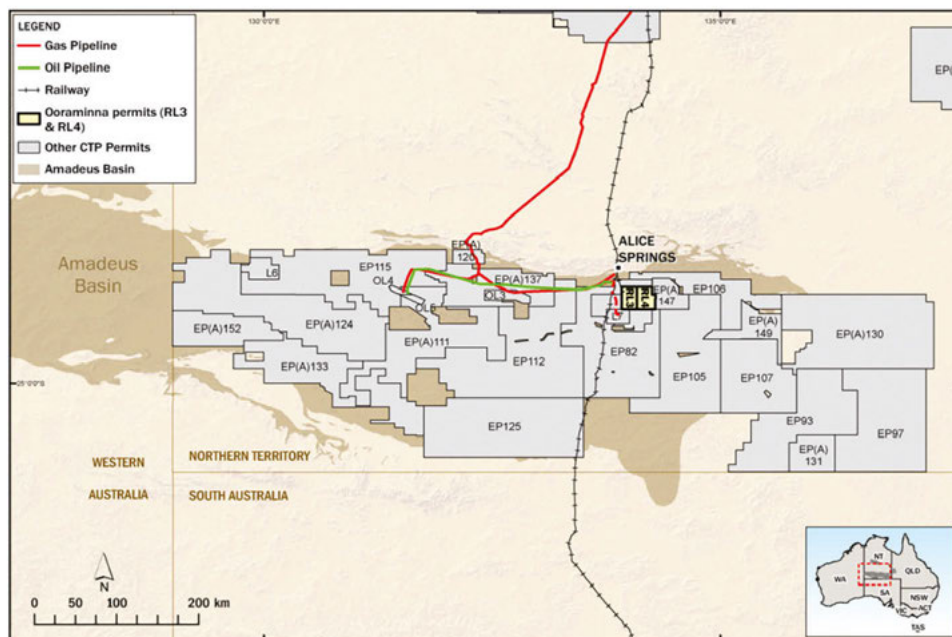
Following the encouraging results, a decision was made to drill laterally into the Lower Stairway Sandstone. This was carried out as Surprise RE/HST 1, which drilled into the lower part of the Lower Stairway Sandstone, reached a TD of 2,853m. The well was completed open-hole in the Lower Stairway Sandstone interval in order to maximise potential production capability from the higher permeability zone identified in the wireline logs. The well was subsequently flow tested and recorded a 24 hour rate of 387 BOPD of 40° API oil.

The Surprise well has produced a total of 88,650bbl of crude oil. The well was shut-in during July 2015 due to low oil prices and a need to monitor long-term recharge of the reservoir. With the high cost of this remote operation, oil prices will need to stabilise above AU\$75/bbl to justify restarting the well. There was an increase in water production at the time the well was shut-in, suggesting a workover may be required prior to start up to reduce water entry. The remaining oil exploration surrounding Surprise will require finding multiple (incremental) accumulations to justify development and leverage off the current infrastructure.

To date, Central has expended a total of over \$51 million on exploration activities in EP115.

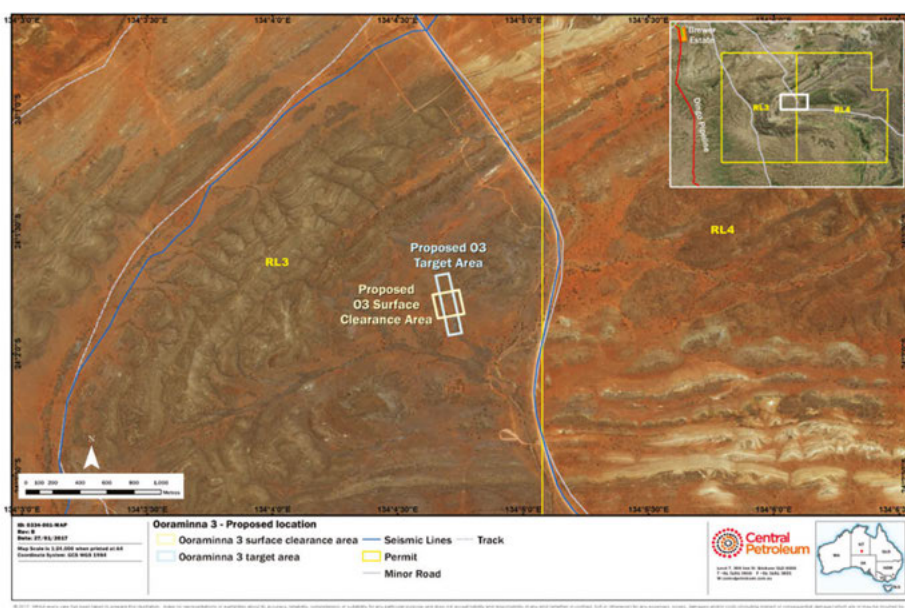
## b. Contingent Value Notes: Relevant Assets

### Ooraminna well proposal (appraisal opportunity RL3 and RL4, 100% interest)



Ooraminna locality map

The Ooraminna 3 well is a potential appraisal well located at the crest of the western culmination in the Ooraminna field, to fully evaluate the natural fracture density and connectivity of the Pioneer Sandstone (**Pioneer**). Previously drilled wells, Ooraminna 1 and Ooraminna 2 flowed gas from the Pioneer of 12mscf/d and ~50mscf/d respectively, but since the wells were vertical and drilled in an area of low fracture density and connectivity, the flows were uneconomic.



The primary target for Ooraminna 3 illustrated above is a zone of predicted high fracture density approximately 8km west-northwest of Ooraminna 1 at a depth of 1205mGL. Wells positioned at surface location.

### Ooraminna Previous Drilling

Ooraminna is considered Central's best appraisal prospect outside of Mereenie.

Risks for this project are primarily:

- Ability to establish economic flow rates.
- Netback gas price.
- The geological and commercial risk are partially offset by the location of Dingo infrastructure 30-50km to the West.

Two wells have been drilled at Ooraminna, with both being drilled in close proximity to the axis of the anticline. Ooraminna 1 was a vertical exploration well, drilled on a surface expression. The well did flow gas, and a follow up well Ooraminna 2 was drilled directionally with air through the Pioneer to limit formation damage and maximise fracture penetration. Ooraminna 2 did not intersect many fractures but the gas flow rate did increase while drilling with air.

### Objectives and Technical Justification

The projected surface location of the target is approximately 8km west-northwest of Ooraminna 1.

RL3 at Ooraminna is a permit commitment well, planned to be a sub-horizontal well targeting an area of predicted increased fracture density and connectivity. By drilling sub-horizontal, there is a greater probability of intersecting the sub-vertical fractures at the crest and therefore a higher gas rate. Current gas production at Palm Valley (~150km to the west) is facilitated by fractures which display a relationship between increased gas flows, fracture density, fold curvature and fold axis proximity. As such, Ooraminna 3 targets a zone of predicted high fracture density, proximal to the anticlinal fold axis, that extends from a depth of -693mASL (1,205mL) at top Pioneer to -710mASL (1,222m) at base Pioneer.

The Pioneer has been intersected in Ooraminna 1 and Ooraminna 2, with the Pioneer being a brecciated cherty limestone with a reservoir thickness of ~17m true vertical thickness (TVT). Wireline logs run in Ooraminna 2 have inferred the matrix porosity to be between 2% and 5%. The 12mscf/d gas flows over the Pioneer interval in Ooraminna 1 indicated some permeability with the possibility of sub-vertical fractures being present within the Pioneer. Ooraminna 2 was drilled at an angle (~45°) through the Pioneer, with the intent to intersect more fractures and realise an associated higher flow rate ~50mscfd. Current fracture mapping, showing that both Ooraminna 1 and Ooraminna 2 are in an area of low fracture density, has been used to delineate the Ooraminna 3 target.

Fractures at Ooraminna are fold related so that their orientation, distribution and density can be better predicted using the structural geometry of the fold. In particular, the fracture orientation is related to bedding orientation in that the fractures are predominantly oriented at a high angle to bedding. In order to maximise well deliverability and performance, the proposed Ooraminna 3ST1 trajectory incorporates a lateral section parallel to bedding in order to increase the number of fractures penetrated by the well.

**c. Exploration – Amadeus Basin prospects and leads**

Extensive work has been conducted on identifying exploration prospects and leads in the Southern Amadeus area.

Cautionary statement: The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

In this Section 5.2(b), bounding scenarios have been presented assuming the reservoir to be either all Fractured Basement or all Heavitree Quartzite. However, it is also possible for both reservoirs to occur together. In a mixed reservoir scenario the inclusion of one reservoir type is to the detriment of the other (i.e. it is not appropriate to add the bounding scenarios together).

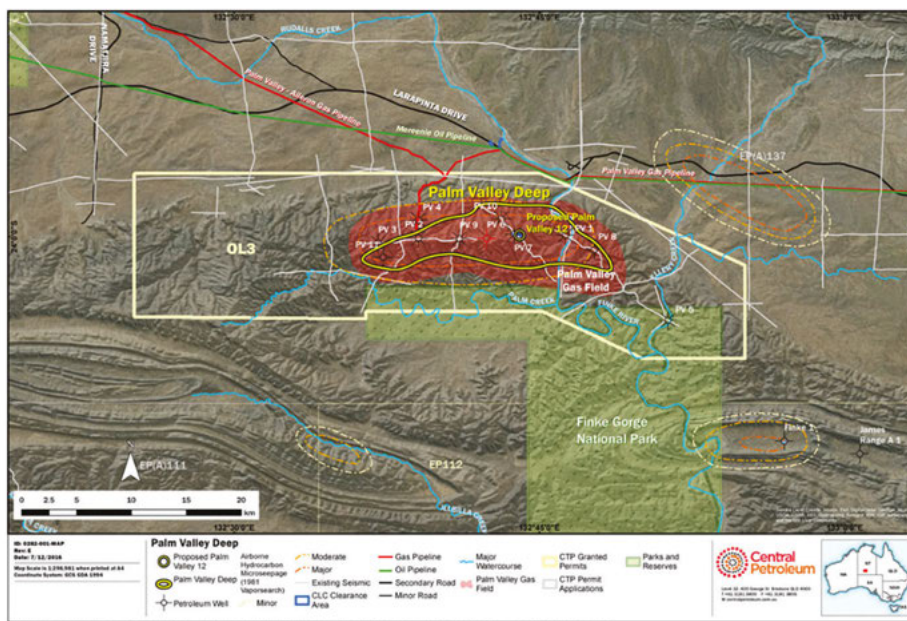
All volumes presented in this Section 5.2(b) are gross volumes.

The seismic has been/is currently being acquired over the following prospects:

- Palm Valley Deep;
- Mount Kitty (EP125);
- Dukas (EP112 and EP125); and
- Sculthorpe (EP112 and EPA111).

**Palm Valley Deep (OL3, 100% Central)**

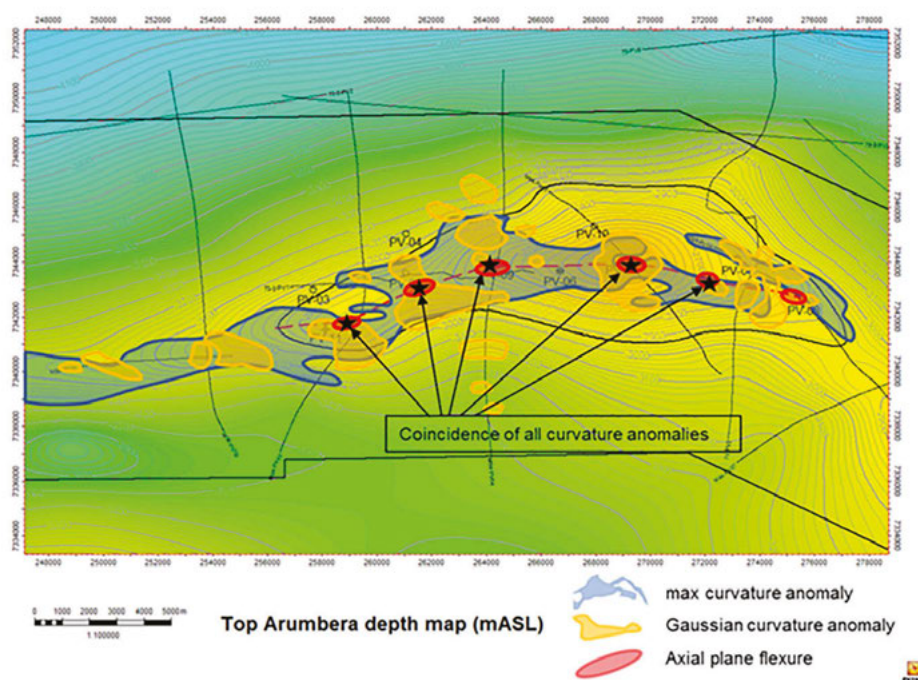
The Palm Valley gas field, situated within the Amadeus Basin approximately 130km west-southwest of Alice Springs, Northern Territory, has a strong surface expression with topographic relief of approximately 350 m and an anticlinal structural axis that can be traced for over 30 km. The discovery well, Palm Valley 1, was drilled in 1965, and since then ten additional wells have been drilled. The gas field is classified as a Type 2 fractured reservoir, meaning that a fracture network provides permeability both laterally and vertically in accessing a much larger gas resource stored in a low porosity and low permeability rock matrix.



*Palm Valley Deep locality map*

Current production at Palm Valley is from the Lower Stairway and Pacoota Sandstones at depths of up to 1500m below sea level (up to 2300m below surface).

The Palm Valley Deep exploration target is believed to be gas bearing in the Arumbera Sandstone which reservoirs gas at the Dingo field. The primary target is a zone of predicted high fracture intensity, that extends from a depth of -2575 mASL (3425 mGL) at top Arumbera to -2975 mASL (-3825 mGL) at base Arumbera. Gas flows from the Arumbera have been recorded at Dingo and Orange to the east of Palm Valley at depths of up to approximately 3000 mGL in sandstones with average porosities of 9-13%. Fractures at Palm Valley are fold related so that their orientation, distribution and intensity can be predicted using the structural geometry of the fold. In particular, the fracture orientation is related to bedding orientation, and fracture intensity which impacts upon fracture connectivity and potential gas production can be related to fold curvature and fold axis proximity.



Potentially High Density fractures in the Arumbera Reservoir

### Palm Valley Deep Prospective Resource

Resource Estimates	Best Estimate (P50)*
EUR (Bcf)	241.8

\* See cautionary statement

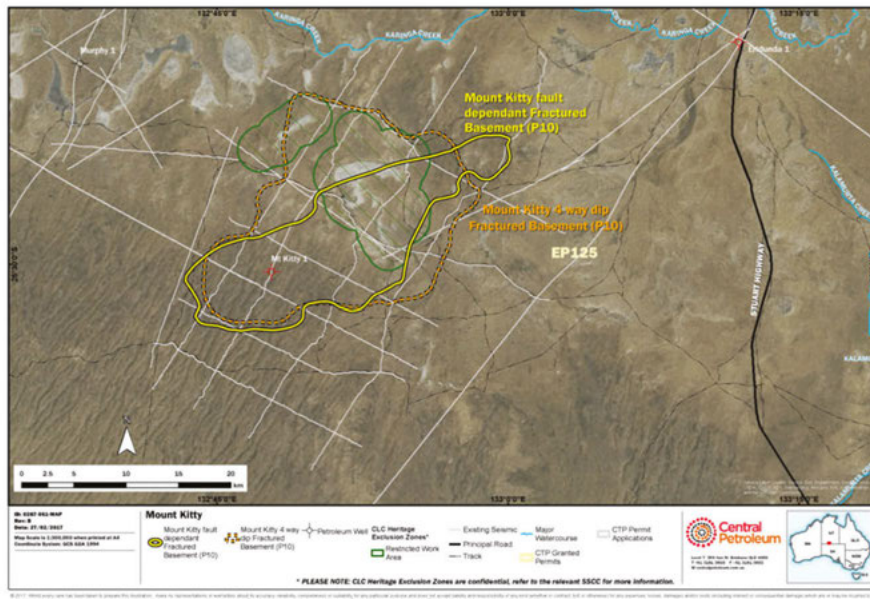
Risks for project are primarily:

- Geological risks for exploration well.
- Capital for exploration well (~\$15 million).
- Capital for surface facilities upgrade if exploration well is successful (~\$12 million).
- Economically viable development plan.
- Netback gas prices.
- Connection to East Coast market.
- Negotiation of new gas sales agreement.

The geological and commercial risks are partially offset by the location of Palm Valley production facilities on the structure.

#### Mount Kitty discovery (EP125, 30% Central, 70% Santos and operator)

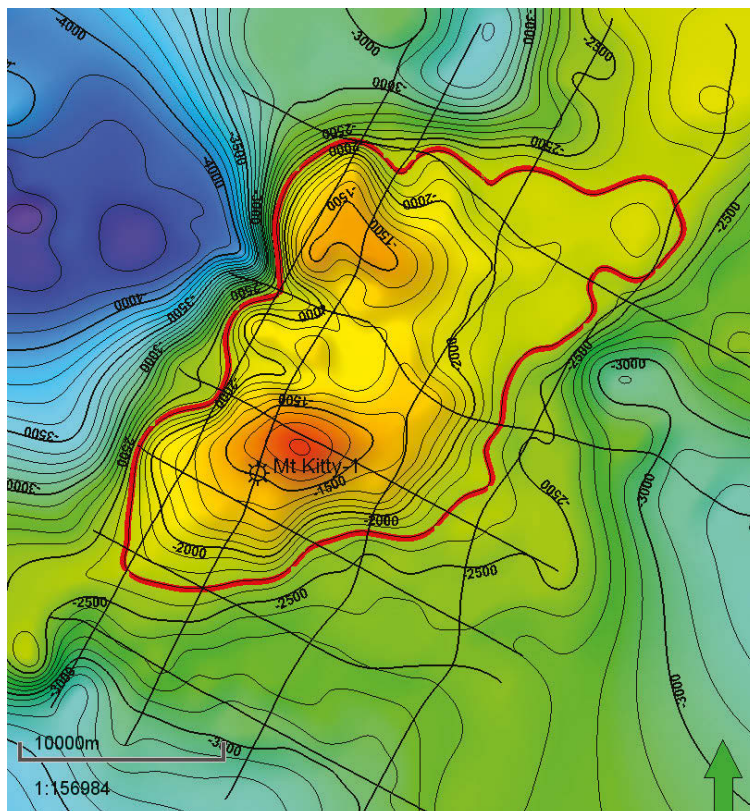
The Mount Kitty prospect lies within EP125 in the southern part of the Amadeus Basin about 230km southwest of Alice Springs, Northern Territory. The primary interpretation of the Mount Kitty structure is of a three-way dip on thrust fault, sealed by overlying Gillen Salt. However, a second structural interpretation is possible from the wide seismic line spacing consisting of a complexly faulted anticlinal structure. However, it is felt the primary interpretation is more likely.



### Mount Kitty Prospect

The Mount Kitty 1 exploration well was drilled targeting the Heavitree Quartzite, the target was absent, however, gas was intersected in the fractured basement. A naturally fractured Mesoproterozoic basement contributed a gas flow of ~0.5mmscfd over four zones. The basement fractures were generally high angle and were continuous over the +150m of penetrated basement. It is predicted that the fractures could extend much deeper due to the extensive thrusting of basement evident at Mount Kitty and the extent of fracture zones observed in fractured basement analogues in Vietnam. The fractures account for the only porosity and permeability within basement with porosity ranging from 0.1% to 2%.

### Four-Way dip scenario



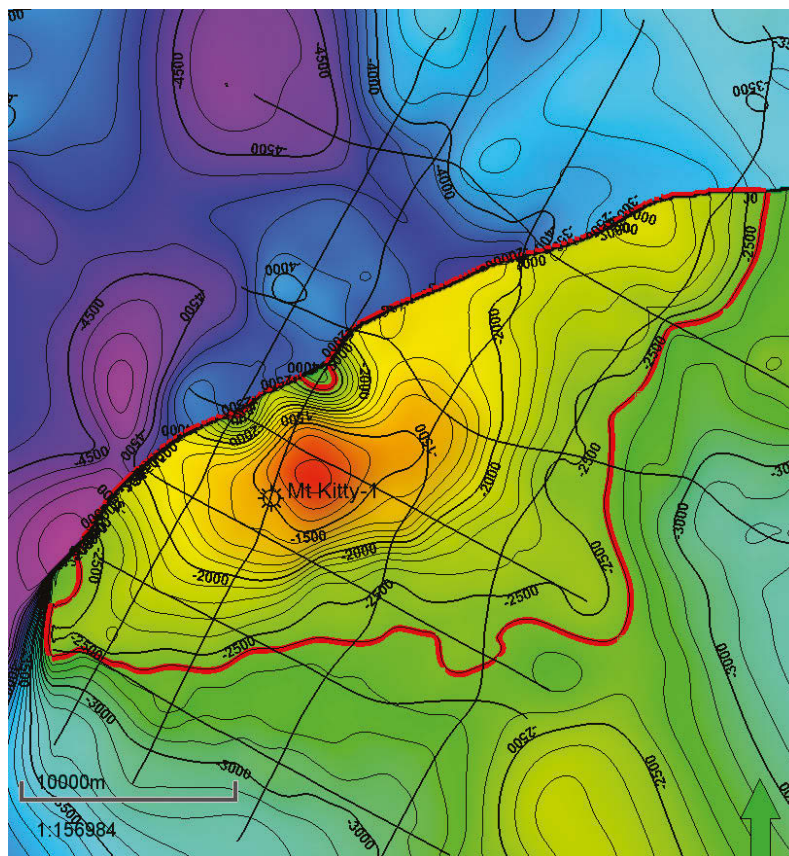
Mount Kitty Structure Map - Four-way dip scenario

## Mt Kitty Prospective Resource 4 Way Dip Scenario

Resource Estimates	Best Estimate (P50)*
EUR (Bcf) - Helium	28.7
EUR (Bcf) - Hydrocarbons	60.9

\* See cautionary statement

### Fault dependent scenario



Mount Kitty Structure Map - Fault dependent scenario

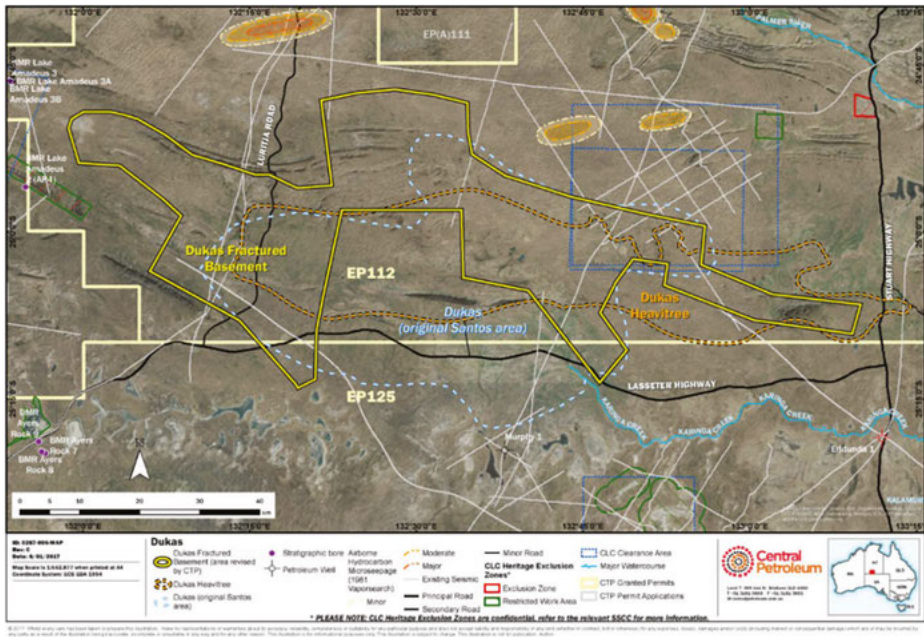
## Mt Kitty Prospective Resource Fault Dependent Scenario

Resource Estimates	Best Estimate (P50)*
EUR (Bcf) - Helium	18.1
EUR (Bcf) - Hydrocarbons	38.4

\* See cautionary statement

### Dukas prospect (EP112, 60% Central, 40% Santos (subject to the Farmout Agreement) and EP125, 30% Central, 70% Santos and operator)

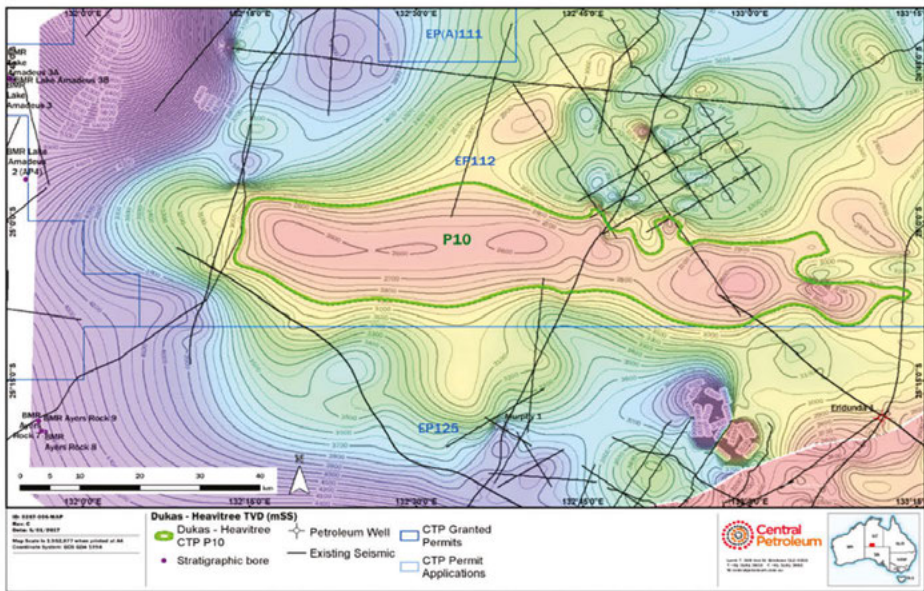
The Dukas prospect lies within EP112 and EP125 in the southern part of the Amadeus Basin, about 200km southwest of Alice Springs, Northern Territory. Due to poor seismic control from a lack of reflectivity at target level, two geologic scenarios have been developed that match the observed gravity data. The first accounts for the observed gravity high and loss of seismic reflectivity by a significant diapiric thickening of the Gillen Salt unit, overlying a simple Heavitree reservoir high. The second accounts for the gravity high through a thrustured basement block model, with fracturing within the shallow upthrustured basement providing the reservoir target.



Dukas prospect

### Heavitree Quartzite scenario

This unit is predominantly a massive sandstone, overlying a thin shale above basement. The sandstone intersected at Magee-1 was predominantly medium grained, and is cemented by both silica and carbonate cements, however, porosity measurements from logs and laboratory data averaged around 9% and the well did flow at ~50mscf/d, indicating some permeability. The petrography of the sand was similar to that described from outcrop samples of the Heavitree Quartzite around the basin's northern and south-western edges. However, the thickness was considerably thinner than those exposures, it is recognised as being widespread, sheet-like and uniform, and up to 500m thick. At Magee 1, it occurred over a 4.5m section.



Dukas prospect depth map - Heavitree Quartzite scenario

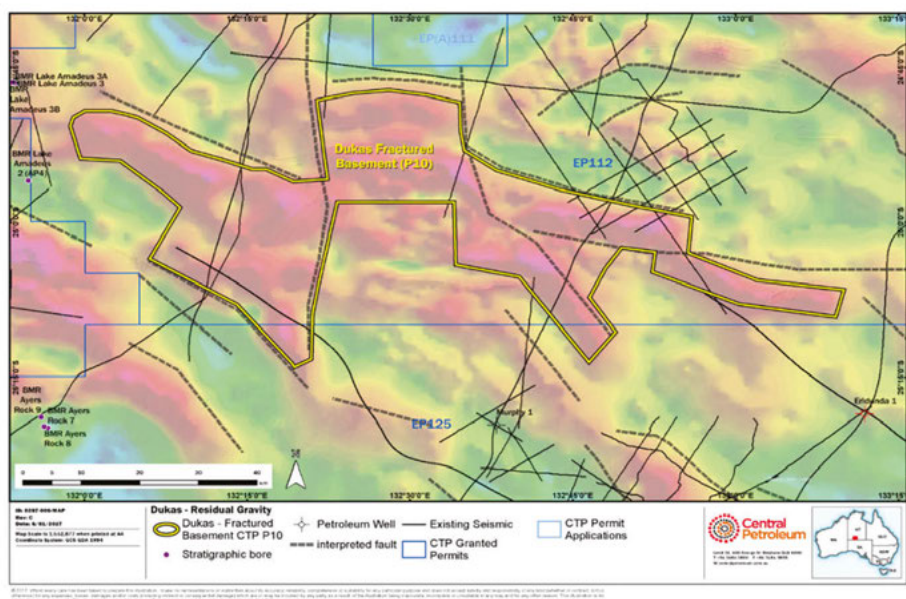
## Dukas Prospective Resource Heavtree Quartzite Scenario

Resource Estimates	Best Estimate (P50)*
EUR (Bcf) - Helium	493
EUR (Bcf) - Hydrocarbons	2,410

\* See cautionary statement

### Fractured basement scenario

The Mount Kitty 1 exploration well was drilled targeting the Heavtree Quartzite, the target was absent, however, gas was intersected in the fractured basement. A naturally fractured Mesoproterozoic basement contributed a gas flow of ~0.5mmscfd over four zones. The basement fractures were generally high angle and were continuous over the +150m of penetrated basement. It is predicted that the fractures could extend much deeper due to the extensive thrusting of basement evident at Mount Kitty and the extent of fracture zones observed in fractured basement analogues in Vietnam. The fractures account for the only porosity and permeability within basement with porosity ranging from 0.1% to 2%.



Dukas prospect gravity map - Fractured basement scenario

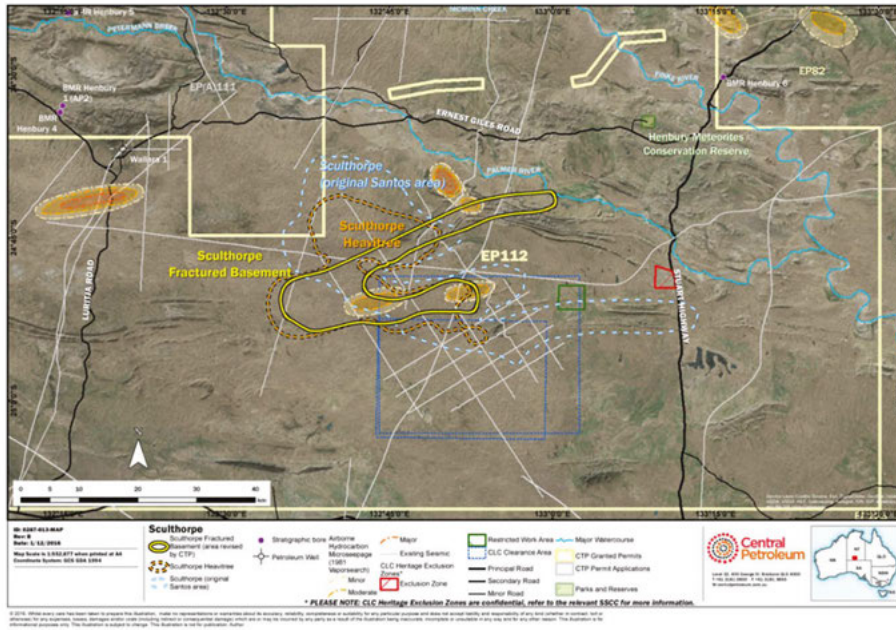
## Dukas Prospective Resource Fractured Basement Scenario

Resource Estimates	Best Estimate (P50)*
EUR (Bcf) - Helium	255
EUR (Bcf) - Hydrocarbons	1,247

\* See cautionary statement

*Sculthorpe prospect (EP112, 60% Central, 40% Santos and operator (subject to the Farmout Agreement) and EPA111, 100% Central and operator. Santos has an option to take a 50% interest in EPA111 and be appointed as operator at the time of exercising the option)*

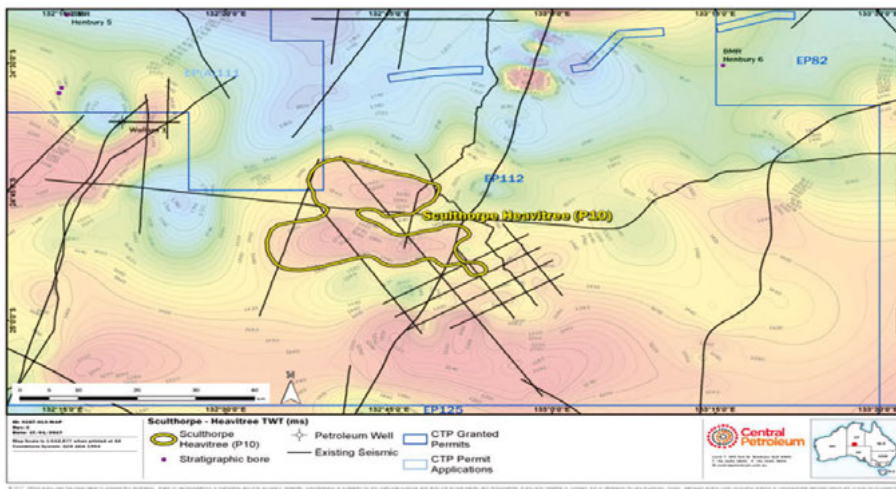
The Sculthorpe prospect predominantly lies within EP112 (with a small portion within EPA111 in the Heavtree Quartzite scenario below) in the southern part of the Amadeus Basin, about 170km southwest of Alice Springs, Northern Territory. Due to poor seismic control from a lack of reflectivity at target level, two geologic scenarios have been developed that match the observed gravity data. The first accounts for the observed gravity high and loss of seismic reflectivity by a significant diapiric thickening of the Gillen Salt unit, overlying a simple Heavtree reservoir high. The second accounts for the gravity high through a thrustured basement block model, with fracturing within the shallow upthrustured basement providing the reservoir target.



Sculthorpe prospect

*Heavitree Quartzite scenario*

See description in Dukas prospect section above.



Sculthorpe prospect depth map - Heavitree Quartzite scenario

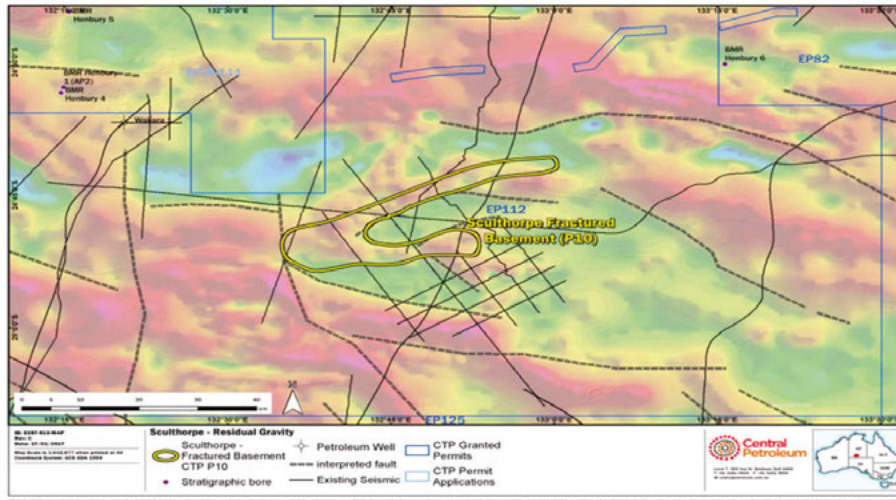
**Sculthorpe Prospective Resource Heavitree Quartzite Scenario**

Resource Estimates	Best Estimate (P50)*
EUR (Bcf) - Helium	149
EUR (Bcf) - Hydrocarbons	728

\* See cautionary statement

### Fractured basement scenario

See description in Dukas prospect section above.



Sculthorpe prospect gravity map - Fractured basement scenario

### Sculthorpe Prospective Resource Fractured Basement Scenario

Resource Estimates	Best Estimate (P50)*
EUR (Bcf) - Helium	36
EUR (Bcf) - Hydrocarbons	176

\* See cautionary statement

## 5.3 CENTRAL BOARD

The Central Board comprises the following directors:

Name	Position
Mr Robert Hubbard	Chairman
Mr Richard Cottee	Managing Director and Chief Executive Officer
Mr Wrixon Gasteen	Non-Executive Director
Prof Peter Moore	Non-Executive Director

## 5.4 CAPITAL STRUCTURE

As at the date of this Scheme Booklet, Central had the following securities:

Type of security	Number of securities
Central Shares	433,197,647
Central Options	58,560,435
Central Share Rights	24,068,958
Central Future Share Rights	1,913,873

## a. Central Options

### Current and former Directors and Freestone

Of the Central Options on issue, 26,367,440 options are held by former Directors Henry Askin and Andrew Whittle, and a company associated with Mr Richard Cottee. Details of all current and former Directors who hold options are set out below:

- 866,667 Central Options held by Askin Nominees Pty Ltd (Henry Askin, a former Director);
- 24,900,773 Central Options held by Freestone (Mr Richard Cottee, the current managing director of Central, holds a 50% (non-controlling) interest in underlying unit trust for which Freestone is the trustee); and
- 600,000 Central Options held by Andrew Whittle, a former Director.

Mr Richard Cottee has recently resigned as a director of Freestone. Under no circumstances does Mr Cottee intend to receive an economic benefit from his beneficial interest in the underlying unit trust for which Freestone is the trustee.

The terms of these Central Options held by current and former Directors (and by Freestone) include the following:

- exercise price of 45 cents;
- expiry date is 15 November 2017;
- vesting condition being the volume weighted average price on the ASX over a 30-day period is \$1.00 or above; and
- on the occurrence of a "change of control event" all unvested Central Options will vest and become immediately exercisable; and
- in respect of Freestone, a deferred option fee equivalent to 13.5 cents for tranche 2 and 12 cents for tranche 3 per Central Option is payable on exercise of the Central Options; and
- in respect of Henry Askin and Andrew Whittle, a deferred option fee equivalent to 22 cents for tranche 2 and 20 cents for tranche 3 per Central Option is payable on exercise of the Central Options.

Unless cancelled, these Central Options would become exercisable following implementation of the Scheme.

### Current Directors

All Central Options issued to Mr Wrixon Gasteen, a current Director, were cancelled in April 2017 for nil consideration.

Mr Cottee holds a beneficial interest in Central Options through his 50% (non-controlling) interest in underlying unit trust for which Freestone is the trustee. Further information regarding these Central Options is provided below.

### Former Directors

All Central Options issued to Mr Michael Herrington, a former Director, were cancelled in April 2017 for nil consideration.

As at the date of this Scheme Booklet, no agreement has been reached in relation to the Central Options held by other former Central Directors. However, Central will request the other former Directors of Central who hold Central Options (Mr Askin and Mr Whittle) to enter into binding and irrevocable agreements to cancel those Central Options for nil consideration by the Delivery Time on the Second Court Date. It is not within Central's power to cancel these Central Options without the agreement of Mr Askin and Mr Whittle.

If agreements are not entered into with Mr Askin and Mr Whittle to cancel their Central Options, they would be required to pay at least 57 cents on exercise of their Central Options. In light of the Scheme Consideration, the Board considers it highly unlikely that these Central Options would be exercised at any time prior to their expiry on 15 November 2017. Notwithstanding the above, in the unlikely event that these Central Options were exercised after implementation of the Scheme, Macquarie MPVD would have general compulsory acquisition rights under Part 6A.2 of the Corporations Act to achieve 100% ownership of Central.

Macquarie MPVD has indicated that it would be willing to waive the Condition Precedent in relation to the Central Options held by former Central Directors which have not otherwise been cancelled, subject to Macquarie MPVD being satisfied with the treatment of the other remaining Central Options.

### Freestone

As at the date of this Scheme Booklet, no agreement has been reached in relation to the Central Options held by Freestone.

Macquarie MPVD has indicated that it would be willing to waive the Condition Precedent in relation to the Central Options held by Freestone which have not otherwise been cancelled, subject to Macquarie being satisfied with the treatment of the other remaining Central Options.

If Macquarie MPVD chooses to waive the Condition Precedent, Freestone would be required to pay at least 57 cents on exercise of the options. In light of the Scheme Consideration, the Board considers it highly unlikely that these Central Options would be exercised at any time prior to their expiry on 15 November 2017.

Notwithstanding the above, in the unlikely event that these Central Options were exercised after implementation of the Scheme, Macquarie MPVD would have general compulsory acquisition rights under Part 6A.2 of the Corporations Act to achieve 100% ownership of Central.

As mentioned above, under no circumstances does Mr Cottee intend to receive an economic benefit from his beneficial interest in the underlying unit trust for which Freestone is the trustee.

### Current and former employees

The balance of the Central Options (other than 30 million Central Options held by MBL) are held by former employees. The terms on which Central Options were issued to employees provide that on the occurrence of a “change of control event”, the Central Options that have been granted to them will automatically vest and become capable of being exercised if:

- the 30 day volume weighted average price on the ASX;
- the company is subject to a takeover under chapter 6 of the Corporations Act and the value of a share acquired by the bidder; or
- the final traded price of a Central Share before delisting from the ASX,

is greater than \$1.00 and \$1.45 for the applicable tranche of Central Options. Macquarie MPVD has stated that it intends to delist the Central Shares following implementation of the Scheme (see Section 6.4(a)). Accordingly, unless the share price hurdles are met prior to implementation of the Scheme, the Central Options will not be able to vest and be exercised.

### Current employees

All Central Options issued to current employees were cancelled in April 2017 for nil consideration.

### Former employees

Central does not have the power to cancel these Central Options without the agreement of each former employee, and in many cases these persons may be not be contactable. As a result, Central does not intend to cancel any Central Options held by former employees. Accordingly, the satisfaction of the Condition Precedent relating to the cancellation of Central Options will require a waiver by Macquarie MPVD of the Condition Precedent in so far as the Central Options held by former employees are concerned. Macquarie MPVD has indicated that it would be willing to waive this Condition Precedent in relation to the Central Options held by former employees which have not otherwise been cancelled, subject to Macquarie MPVD being satisfied with the treatment of the other remaining Central Options.

In relation to both the current and former employees, in view of Central’s current share price and the Scheme Consideration, the Board considers it obvious that the vesting conditions for these Central Options will not be satisfied prior to implementation of the Scheme. Accordingly, it is obvious that these Central Options could not be exercised.

Notwithstanding the above, if these Central Options were to vest and be exercised following implementation of the Scheme, Macquarie MPVD would have general compulsory acquisition rights under Part 6A.2 of the Corporations Act to achieve 100% ownership of Central.

Please refer to the status of the Conditions Precedent in Section 9.5 for further information in relation to the Central Options.

### Central Share Rights and Future Share Rights

Except as set out below, the Central Share Rights held by employees and executives will only vest and become capable of exercise if certain performance criteria prescribed in respect of those rights have been satisfied or waived by the Board in accordance with the equity incentive plan rules.

- Central Share Rights: in the event of a “change of control event”, or if the Board determines in its discretion that there is likely to be a change of control event, the Board may waive the performance criteria prescribed in respect of the Central Share Rights.
- Central Future Share Rights: these rights (held on behalf of Mr Richard Cottee) will immediately vest and be issued upon a “change of control event” or the Board determining that there is likely to be change of control event, subject to the approval of a majority of the current Directors.

Subject to Macquarie MPVD waiving the Central Options condition precedent in its entirety (summarised in Section 8.1(b)), the Board may make a determination that a “change of control event” is likely to occur. Subject to the board making such a determination, Central will enter into binding and irrevocable agreements with the holders of the Central Share Rights and Central Future Share Rights conditional only upon the Scheme becoming Effective, for such Central Share Rights and Central Future Share Rights to be exercised and the underlying Central Shares to be issued and allotted prior to the Record Date.

Upon execution of these agreements, the Central Share Rights and Central Future Share Rights Condition Precedent referred to in Section 8.1(b) will be satisfied.

Upon the Scheme becoming Effective and the Shares underlying the Central Share Rights and Central Future Share Rights being issued and allotted, those Shares will participate in the Scheme (and receive the Scheme Consideration).

The ASX has granted a waiver in respect of Listing Rule 6.23.3 to enable Central to deal with the Central Share Rights in the manner described above (see Section 9.9 for further details of the waiver).

Please see the status of the Conditions Precedent in Section 9.5 for further information in relation to the Central Share Rights and Central Future Share Rights.

## 5.5 INTERESTS OF CENTRAL DIRECTORS IN CENTRAL SECURITIES

### a. Relevant Interests of Central Directors in Central Securities

As at the date immediately prior to the date of this Scheme Booklet, the Central Directors had the following Relevant Interests in Central Shares:

Central Director	Number of Central Shares	Nature of interest
Mr Robert Hubbard	298,947	Mr Hubbard has an indirect interest in 298,947 Central Shares held by Hubbard Investments Pty Ltd.
Mr Richard Cottee	427,946	Mr Cottee has a direct interest in 52,999 Central Shares. Mr Cottee has an indirect interest in 374,947 Central Shares held by Mamdal Superannuation Pty Ltd.
Mr Wrixon Gasteen	136,473	Mr Gasteen has a direct interest in 136,473 Central Shares held jointly by Mr Gasteen and Ms Joy Morais.
Prof Peter Moore	Nil	Not applicable.

### b. Interests of Central Directors in Central Share Rights and Central Future Share Rights

Central Director	Number of Central Share Rights and Central Future Share Rights	Nature of interest
Mr Robert Hubbard	Nil	Not applicable.
Mr Richard Cottee	5,307,887 Central Share Rights 1,913,973 Central Future Share Rights	Mr Cottee has a direct interest in 3,202,983 Central Share Rights. Mr Cottee has an indirect interest in 2,104,904 Central Share Rights held by Mamdal Superannuation Pty Ltd. Mr Cottee has an indirect interest in 1,913,873 Central Future Share Rights held by Mamdal Superannuation Pty Ltd.
Mr Wrixon Gasteen	Nil	Not applicable.
Prof Peter Moore	Nil	Not applicable.

### c. Interests of Central Directors in Central Options

Central Director	Number of Central Options	Nature of interest
Mr Robert Hubbard	Nil	Not applicable.
Mr Richard Cottee	24,900,773	Mr Cottee has an indirect interest in 24,900,773 Central Options held by Freestone. Under no circumstances does Mr Cottee intend to receive an economic benefit from his beneficial interest in the underlying unit trust for which Freestone is the trustee.
Mr Wrixon Gasteen	Nil	Not applicable.
Prof Peter Moore	Nil	Not applicable.

### d. Dealings of Central Directors in Central Shares

No Central Director acquired or disposed of a Relevant Interest in any Central Share in the four month period ending on the date immediately prior to the date of this Scheme Booklet.

## 5.6 INTERESTS OF CENTRAL DIRECTORS IN MACQUARIE

### a. Relevant Interests of Central in MQG

As at the date immediately prior to the date of this Scheme Booklet, no Central Director (other than Robert Hubbard) had a Relevant Interest in any securities in MQG.

On 28 December 2016, Hubbard Investments Pty Ltd, a company which Mr Robert Hubbard controls, sold 200 shares in MQG, being its entire shareholding in MQG; and

On 23 December 2016, a superannuation fund of which Robert Hubbard is a member, sold 550 shares in MQG, being its entire shareholding in MQG.

**b. Dealings of Central Directors in securities of MQG**

No Central Director (other than Robert Hubbard) acquired or disposed of a Relevant Interest in any securities in MQG in the four month period ending on the date immediately prior to the date of this Scheme Booklet.

See Section 5.6(a) above in relation to Robert Hubbard's recent dealings in MQG shares.

**c. Relevant Interests of Central in Macquarie MPVD**

As at the date immediately prior to the date of this Scheme Booklet, no Central Director had a Relevant Interest in any securities in Macquarie MPVD.

**d. Dealings of Central Directors in securities of Macquarie MPVD**

No Central Director acquired or disposed of a Relevant Interest in any securities in Macquarie MPVD in the four month period ending on the date immediately prior to the date of this Scheme Booklet.

## 5.7 BENEFITS AND AGREEMENTS

**a. Benefits in connection with retirement from office**

No payment or other benefit is proposed to:

- be made or given to any director, company secretary or executive officer of Central as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in Central or in a Related Body Corporate of Central; or
- be made or given to any director, company secretary or executive officer of any Related Body Corporate of Central as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in that Related Body Corporate of Central or in Central,

in connection with the Scheme, other than in his or her capacity as a Central Shareholder.

**b. Agreements connected with or conditional on the Scheme**

There are no agreements or arrangements made between any Central Director and any other person in connection with, or conditional on, the outcome of the Scheme, other than in their capacity as a Central Shareholder.

**c. Interests of Central Directors in contracts with Macquarie MPVD**

None of the Central Directors have any interest in any contract entered into by Macquarie MPVD, or a Macquarie MPVD Related Body Corporate, other than in their capacity as a Central Shareholder.

**d. Benefits from Macquarie MPVD**

None of the Central Directors have agreed to receive, or is entitled to receive, any benefit from Macquarie MPVD or an Macquarie MPVD Related Body Corporate, which is conditional on, or is related to, the Scheme, other than in their capacity as a Central Shareholder.

## 5.8 RECENT SHARE PRICE HISTORY

A summary of the trading prices of Central Shares on ASX for various periods leading up to, and following, announcement of the Scheme on ASX is set out below.

Date	High	Low
Last Practicable Date	\$0.205	\$0.200
9 March 2017, being the last trading day prior to announcement of execution of the Central Scheme Deed on 10 March 2017	\$0.165	\$0.165
1 month period ended 9 March 2017	\$0.195	\$0.145
3 month period ended 9 March 2017	\$0.21	\$0.145
11 November 2016, being the last trading day prior to announcement of the initial proposal from MQG on 14 November 2016	\$0.135	\$0.135
6 month period ended 9 March 2017	\$0.21	\$0.096
12 month period ended 9 March 2017	\$0.21	\$0.08

## 5.9 HISTORICAL FINANCIAL INFORMATION

### a. Basis of preparation

This Section 5.9 sets out summary financial information in relation to Central for the purpose of this Scheme Booklet. The financial information has been extracted from Central's financial results for the half year ended 31 December 2016, and from Central's audited financial statements for the financial years ended 30 June 2016 and 30 June 2015.

The historical financial information of Central in this Section 5.9 is presented in an abbreviated form and does not contain all the disclosures, presentations, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act. Central considers that for the purposes of this Scheme Booklet, the historical financial information presented in an abbreviated form is more meaningful to Central Shareholders. The historical financial information of Central has been prepared in accordance with the recognition and measurement principles contained in Australian Accounting Standards.

Central's recent statutory historical consolidated income statements, historical consolidated statements of financial position and historical consolidated cash flow statements are disclosed in the annual financial reports, all of which can be found on the ASX website at [www.asx.com.au](http://www.asx.com.au).

### b. Historical consolidated statement of comprehensive income

	Year ended 30 June 2015 \$	Year ended 30 June 2016 \$	6 months to 31 Dec 2016 \$
Revenue from the sale of goods	10,313,266	22,642,569	12,639,411
Other revenue from customers	-	1,220,000	-
Cost of sales	(10,117,038)	(14,060,704)	(7,899,120)
<b>Gross profit</b>	<b>196,228</b>	<b>9,801,865</b>	<b>4,740,291</b>
Other income	7,480,298	259,939	1,021,112
Share based employment benefits	(2,246,683)	(2,235,544)	(1,138,885)
General and administrative expenses	(1,938,425)	(505,674)	(257,662)
Depreciation and amortisation	(2,707,589)	(8,404,153)	(3,849,344)
Employee benefits and associated costs	(5,018,180)	(4,478,454)	(2,143,840)
Exploration expenditure	(7,655,931)	(4,025,627)	(576,568)
Restructure of future contingent commitments	-	(1,725,000)	-
Finance costs	(3,748,714)	(8,290,599)	(3,941,567)
Impairment expense	(12,092,042)	(1,437,045)	-
Loss before income tax	(27,731,038)	(21,040,292)	(6,146,463)
Income tax credit	-	-	-
Loss for the year	(27,731,038)	(21,040,292)	(6,146,463)
Other comprehensive loss for the year, net of tax	-	-	-
<b>Total comprehensive loss for the year</b>	<b>(27,731,038)</b>	<b>(21,040,292)</b>	<b>(6,146,463)</b>
<b>Total comprehensive loss attributable to members of the parent entity</b>	<b>(27,731,038)</b>	<b>(21,040,292)</b>	<b>(6,146,463)</b>
Basic and diluted loss per share (cents)	(7.63)	(5.16)	(1.42)

c. Historical consolidated balance sheet

	30 June 2015 \$	30 June 2016 \$	31 December 2016 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3,516,139	15,115,699	5,940,721
Trade and other receivables	5,869,332	3,787,278	9,460,757
Inventories	2,136,673	3,592,561	3,644,636
Assets held for sale	1,755,736	-	-
<b>Total current assets</b>	<b>13,277,880</b>	<b>22,495,538</b>	<b>19,046,114</b>
<b>Non-current assets</b>			
Property, plant and equipment	58,577,415	113,783,254	109,222,171
Exploration assets	8,898,767	8,898,767	8,898,767
Intangible assets	12,052	82,393	60,581
Other financial assets	2,075,733	2,208,624	2,264,092
Goodwill	3,906,270	3,906,270	3,906,270
<b>Total non-current assets</b>	<b>73,470,237</b>	<b>128,879,308</b>	<b>124,351,881</b>
<b>Total assets</b>	<b>86,748,117</b>	<b>151,374,846</b>	<b>143,397,995</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	7,707,897	6,896,389	2,260,303
Deferred revenue	-	2,714,334	2,714,334
Interest-bearing liabilities	7,921,129	3,784,194	3,956,188
Other financial liabilities	-	-	38,600
Provisions	2,060,330	3,766,713	3,914,074
<b>Total current liabilities</b>	<b>17,689,356</b>	<b>17,161,630</b>	<b>12,883,499</b>
<b>Non-current liabilities</b>			
Trade and other payables	-	2,621,694	2,548,209
Deferred revenue	-	1,253,074	5,213,335
Interest-bearing liabilities	39,536,722	81,916,860	80,125,441
Other financial liabilities	-	11,765,271	12,156,831
Provisions	6,375,539	20,138,707	18,960,648
<b>Total non-current liabilities</b>	<b>45,912,261</b>	<b>117,695,606</b>	<b>119,004,464</b>
<b>Total liabilities</b>	<b>63,601,617</b>	<b>134,857,236</b>	<b>131,887,963</b>
<b>Net assets</b>	<b>23,146,500</b>	<b>16,517,610</b>	<b>11,510,032</b>
<b>EQUITY</b>			
Contributed equity	160,785,182	172,301,532	172,301,532
Reserves	16,695,379	19,590,431	20,729,316
Accumulated losses	(154,334,061)	(175,374,353)	(181,520,816)
<b>Total Equity</b>	<b>23,146,500</b>	<b>16,517,610</b>	<b>11,510,032</b>

d. Consolidated statement of cash flows

	Year ended 30 June 2015 \$	Year ended 30 June 2016 \$	6 months to 31 Dec 2016 \$
<b>Cash flows from operating activities</b>			
Receipts from customers	10,980,363	26,674,618	10,783,302
Interest received	143,396	239,221	93,650
Other income	3,420,536	4,073,057	661,726
Interest and borrowing costs	(286,761)	(7,298,231)	(3,228,905)
Lease incentives received	-	-	193,000
Payments for restructuring future contingent commitments	-	(1,725,000)	-
Payments to suppliers and employees (inclusive of GST)	(24,857,867)	(22,834,261)	(11,060,738)
<b>Net cash outflow from operating activities</b>	<b>(10,600,333)</b>	<b>(870,596)</b>	<b>(2,557,965)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	(21,776,201)	(1,831,972)	(926,778)
Payments for interest in Mereenie Joint Venture	-	(47,073,161)	(3,342,446)
Proceeds from sale of property, plant and equipment	960,000	354,360	-
Proceeds from the sale of interests in exploration permits	-	-	80,000
Redemption/(Acquisition) of security deposits and bonds	345,352	101,759	(100,067)
<b>Net cash outflow from investing activities</b>	<b>(20,470,849)</b>	<b>(48,449,014)</b>	<b>(4,289,291)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares and options	5,562,142	11,516,350	-
Proceeds from borrowings and other financing arrangements	19,000,000	53,025,000	-
Repayment of borrowings	(305,295)	(3,622,180)	(2,327,722)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>24,256,847</b>	<b>60,919,170</b>	<b>(2,327,722)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(6,814,335)</b>	<b>11,599,560</b>	<b>(9,174,978)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>10,330,474</b>	<b>3,516,139</b>	<b>15,115,699</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>3,516,139</b>	<b>15,115,699</b>	<b>5,940,721</b>

e. Material changes in Central's financial position since 31 December 2016

As announced by Central on 27 February 2017 and pursuant to the relevant clauses of the Southern Georgina Basin Farmout Agreement, Total S.A. has withdrawn.

Total gave notice of its election not to commence Stage 2 Farming of the Queensland Permits. Accordingly, in accordance with the terms of the Farmout Agreement, Total S.A. is deemed to have withdrawn from the Farmout Agreement and the joint operating agreement in respect of the Queensland Permits and EPA132 in the Northern Territory.

Cash balance as at 31 March 2017 was \$7,764,958.

## 5.10 PUBLICLY AVAILABLE INFORMATION ABOUT CENTRAL

### a. Continuously disclosing entity

Central is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, Central is subject to the Listing Rules which require (subject to some exceptions) continuous disclosure of any information Central has that a reasonable person would expect to have a material effect on the price or value of Central Shares.

ASX maintains files containing publicly disclosed information about all listed companies. Information disclosed to ASX by Central is available at [www.asx.com.au](http://www.asx.com.au).

ASIC also maintains a record of documents lodged with it by Central, and these may be obtained from, or inspected at, any office of ASIC.

Central Shareholders may obtain a copy of:

- the Central 2015 Annual Financial Report (being the full financial report most recently lodged with ASIC before registration of this Scheme Booklet with ASIC); and
- any announcements given to ASX by Central after the lodgement by Central of the Central 2015 Annual Financial Report and before the date of this Scheme Booklet,

from the ASX's website ([www.asx.com.au](http://www.asx.com.au)) or free of charge by calling the Central Shareholder Information Line on 1300 650 871 (from within Australia), +61 3 9415 4278 (from outside Australia) Monday to Friday between 8.30am and 5.00pm (AEST) or by visiting [www.centralpetroleum.com.au](http://www.centralpetroleum.com.au).

A list of announcements made by Central to ASX from March 2017 (being the date on which Central lodged its Interim Financial Report for the half year ended 31 December 2016 with ASX) to the Last Practicable Date is contained below. Central Shareholders may obtain further announcements concerning Central from ASX's website ([www.asx.com.au](http://www.asx.com.au)).

A substantial amount of information about Central is also available in electronic form on the Central website at [www.centralpetroleum.com.au](http://www.centralpetroleum.com.au).

### b. Recent Central announcements

The following table lists announcements made to the ASX by Central over the period between 8 March 2017 (being the date Central lodged its Interim Financial Report for the half year ended 31 December 2016 with ASX) to 26 April 2017. These announcements may have affected the Central Share price during that period.

Date	Event
26 April 2017	Appendix 3B
26 April 2017	Central signs 9.85PJ Gas Supply Agreement
3 April 2017	Appendix 3B
10 March 2017	CTP Board Unanimously Recommends Improved Macquarie Proposal
9 March 2017	Appendix 3B
9 March 2017	Trading Halt
8 March 2017	Half Yearly Report and Accounts

# 6 PROFILE OF MACQUARIE MPVD

This Section 6 has been prepared by Macquarie MPVD. The information concerning Macquarie MPVD and the intentions, views and opinions contained in this Section 6 are the responsibility of Macquarie MPVD. Central and its advisers do not assume any responsibility for the accuracy or completeness of the information included in this Section 6.

## 6.1 OVERVIEW OF MACQUARIE MPVD

If the Scheme becomes Effective, Macquarie MPVD and its Related Bodies Corporate will become the only holders of Central Shares.

Macquarie MPVD was incorporated as a special purpose vehicle for the acquisition of Central Shares, and was registered as a company under the Corporations Act on 16 December 2016. As at the date of this Scheme Booklet, Macquarie MPVD had contributed capital of \$100. The current directors of Macquarie MPVD are:

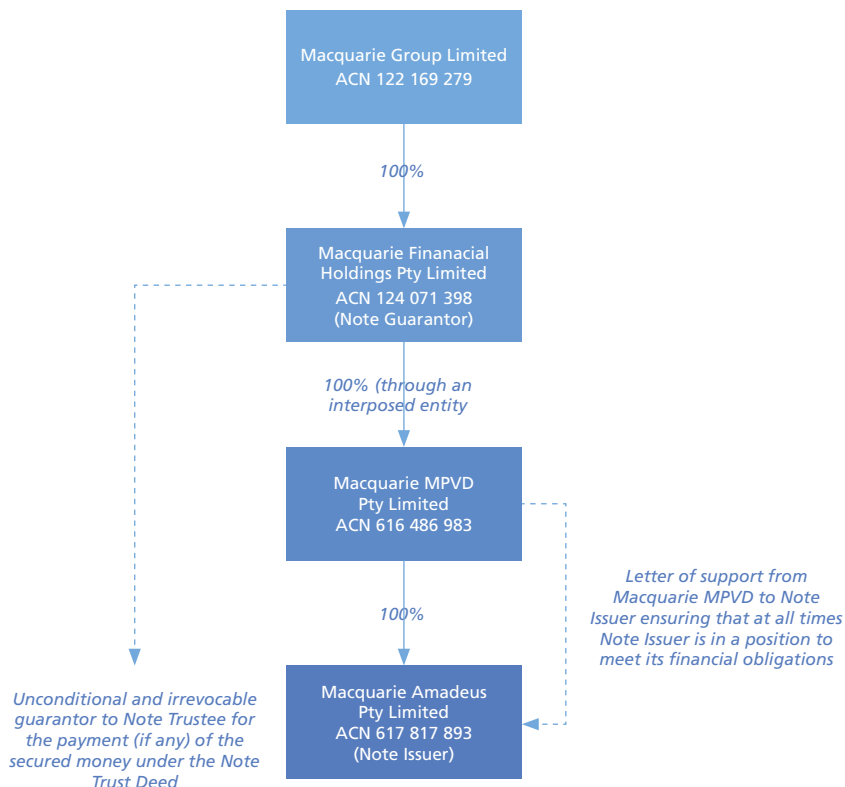
- Jeremy Meades;
- Michael John Forrest; and
- Guy Reynolds.

Macquarie MPVD is a wholly owned Subsidiary of MQG and a member of the Macquarie group of companies.

MQG is a diversified financial group providing clients with asset management and finance, banking, advisory and risk and capital solutions across debt, equity and commodities. It is listed in Australia and is regulated by the Australian Prudential Regulation Authority (APRA), the Australian banking regulator, as the owner of MBL, an authorised deposit-taker. MQG's activities are also subject to supervision by various other regulatory agencies around the world.

Founded in 1969, MQG employs more than 13,800 people in over 27 countries. At 30 September 2016, MQG had assets of A\$493.1 billion and total equity of A\$15.5 billion.

A structure chart showing the positions of the Note Guarantor, Macquarie MPVD and the Note Issuer within the MQG group structure is set out below:



## 6.2 MACQUARIE MPVD'S RATIONALE FOR ACQUIRING CENTRAL

Macquarie Group has made a number of investments in the oil and gas sector, including the recent acquisition of a 50% working interest in the Mereenie gas field and its investment in Quadrant Energy. Quadrant Energy is not a wholly owned subsidiary of Macquarie Group.

The acquisition of Central by Macquarie MPVD represents a continuation of Macquarie Group's investment in the oil and gas sector.

## 6.3 FUNDING OF THE CASH CONSIDERATION

The maximum amount of cash required to be paid by Macquarie MPVD to Scheme Shareholders under the Scheme is \$89,836,095.60 (based on there being a total of 449,180,478 Scheme Shares).<sup>7</sup>

Macquarie MPVD is a wholly owned Subsidiary of the Note Guarantor, which is the principal holding company for Macquarie Group's non-banking group businesses.

Pursuant to internal Macquarie Group funding arrangements, Macquarie MPVD has access to cash reserves held by members of the Macquarie Group which are of an amount that materially exceeds the amount to be paid as consideration to Central. Subject to the Conditions Precedent being fulfilled, Macquarie MPVD has the ability to draw on these internal funding arrangements in order to fully fund its obligations to pay its portion of the Scheme Consideration.

## 6.4 MACQUARIE MPVD'S INTENTIONS IF THE SCHEME BECOMES EFFECTIVE

If the Scheme becomes Effective, Macquarie MPVD and its Related Bodies Corporate will become the only holder of all Central Shares.

This Section 6.4 sets out the intentions of Macquarie MPVD in relation to the continuation of Central's business, any major changes to Central's business and any redeployment of the fixed assets of Central and the future employment of the present employees of Central, in each case if the Scheme becomes Effective.

The statements made in this Section 6.4 are statements of present intention only and are based on the information concerning Central (including certain non-public information made available by Central to Macquarie MPVD prior to their entry into the Central Scheme Deed) and the general business environment that is known to Macquarie MPVD at the time of preparation of this Scheme Booklet.

Final decisions will only be made by Macquarie MPVD after having conducted a detailed review of Central's business following implementation of the Scheme. Accordingly, the statements set out in this Section 6.4 are statements of present intention only, which may change as new information becomes available or circumstances change.

### a. Central to be delisted

If the Scheme becomes Effective, Macquarie MPVD will cause Central to request that ASX remove Central from its official list.

### b. Governance and board of directors

If the Scheme becomes Effective, Macquarie MPVD intends to replace the current Central Directors with its nominees.

### c. Management and employees

As noted above, it is intended that Macquarie MPVD will undertake a detailed review of Central following implementation of the Scheme to determine the optimum manner of operating and managing Central's business. Decisions about the future operating plans and management organisation for Central will be made by the new board of Central following the implementation of the Scheme and completion of the detailed post-acquisition review.

Macquarie MPVD does not expect that, following implementation of the Scheme, there will be any material change in the total number of employees who are employed by Central.

### d. Operations and continuation of business

As noted above, it is intended that Macquarie MPVD will undertake a detailed review of Central following implementation of the Scheme including in relation to its current operations. Macquarie MPVD's present intention is to continue Central's primary activities of gas production and exploration, however no specific intentions have been formed in relation to any individual tenement or petroleum licence.

Macquarie MPVD has not formed any specific intentions in relation to the Relevant Assets beyond complying with its obligations as set out in the Note Trust Deed. Macquarie's future intentions will be subject to the aforementioned review of Central's operations.

### e. Other intentions

Other than as set out above and subject to consideration of general market conditions and the detailed review of Central following implementation of the Scheme, Macquarie MPVD has no current intention to make any major changes to, or dispose of any parts of, Central's business.

<sup>7</sup> Based on all of the Central Share Rights and Central Future Share Rights being converted into Central Shares and those Central Shares being duly and properly issued before the Record Date.

## 6.5 MACQUARIE MPVD'S INTERESTS IN CENTRAL SECURITIES

### a. Interests in Central Securities

As at the Last Practicable Date:

- Macquarie MPVD does not have a Relevant Interest in any Central Shares. However, Macquarie MPVD has voting power in Central of 2.355%.
- MBL, a Related Body Corporate of Macquarie MPVD has a Relevant Interest in 10,000,000 Central Shares (being approximately 2.31% of the total number of issued Central Shares). The above interests have been previously disclosed by Central to the ASX in its 2016 Annual Report.
- MBL holds 30,000,000 Central Options with an exercise price of 20 cents and expiry date of 1 September 2019.
- Macquarie Group, through its wholly owned subsidiary Macquarie Investment Management Ltd (**MIML**) has a Relevant Interest in 193,444 Central Shares (being approximately 0.045% of the total number of issued Central Shares). MIML holds these Central Shares in its role as trustee for a superannuation fund known as the Macquarie Superannuation Plan (**Fund**). MIML, as trustee, will exercise voting rights, or abstain from voting, on behalf of the Fund where required by any applicable laws or regulations and in accordance with the relevant product disclosure statement, its voting policy and where it is in the best interests of the members of the Fund. In accordance with its voting policy, MIML will generally not vote shares it holds in this capacity if such shares constitute less than 5% of the total number of issued shares in the relevant company.
- MIML also holds a further 1,391,270 Central Shares (being approximately 0.321% of the total number of issued Central Shares) in its role as bare trustee for third party investors as part of an Investor Directed Portfolio Service (**IDPS**) operated by MIML. These Central Shares are held by MIML on an "investor directed" basis, meaning that MIML may only vote these Central Shares if and as directed to do so by the underlying third party investors. Accordingly, MIML will only vote any Central Shares it holds as part of its IDPS on the Scheme Resolution if and as MIML is directed to do so by the third party investors on whose behalf MIML holds such Central Shares. In this capacity, MIML acquired 37,225 Central Shares on 3 January 2017 at 20 cents per share on behalf of a third party investor. Central Shares held or acquired by MIML in this capacity do not give rise to a Relevant Interest for Macquarie Group.

If the Scheme becomes Effective, any Central Shares held by MIML as at the Record Date in the capacities noted above will be acquired by Macquarie MPVD pursuant to the Scheme (in the same manner as all other Scheme Shares).

### b. Other financial interests in Central

#### Debt facility

MBL, a Macquarie MPVD Entity, has provided to Central a debt facility consisting of four tranches totalling \$90 million, which as at 31 March 2017 are drawn to \$83.8 million. The tranches of the debt facility are summarised as follows:

- tranches A and C total \$20 million and were used for the acquisition of the Palm Valley and Dingo gas fields and related assets;
- tranche B totals \$30 million and was used to fund completion of the Dingo gas field, including all acquisition costs and capitalised interest expense; and
- tranche D totals \$40 million and was used primarily to fund the acquisition of 50% of the Mereenie gas field.

#### Gas prepayment

MBL, a Macquarie MPVD Entity, entered into a gas sales and prepayment agreement with Central in 2016. The agreement is for 5.2 PJs of prepaid gas supplied over three years with up to 3.5 PJs of additional gas sales possible over two subsequent years.

#### Magellan bonus amount

MBL, a Macquarie MPVD Entity, entered into a sale and purchase agreement with Central in 2016 under which Central acquired a right to receive 50% of any payment received by MBL or any of its Related Bodies Corporate of the bonus amount (which may become payable to MBL if, at any time until 1 July 2031, the 90-day average net sales, as defined in under the agreement, exceed certain thresholds of barrel of oil equivalents) as more particularly described in note 31(a)(iii) of Central's 2016 Annual Report.

### c. Dealings in Central Securities in previous four months

Except for the Scheme Consideration to be provided pursuant to the Scheme, and otherwise as disclosed in this Scheme Booklet, during the period of four months before the date of this Scheme Booklet, no Macquarie MPVD Entity has provided or agreed to provide consideration for any Central Shares under a purchase or other agreement.

### d. Benefits to holders of Central Securities

During the period of four months before the date of this Scheme Booklet, no Macquarie MPVD Entity has given, offered to give, or agreed to give a benefit to another person where such benefit was likely to induce the other person to:

- vote in favour of the Scheme; or
- dispose of Central Shares,

and was not also offered to all Central Shareholders.

# 7 RISK FACTORS

## 7.1 INTRODUCTION

In considering the Scheme Resolution, you should be aware that there are a number of general risk factors as well as risks specific to Central and/or the industries in which it operates, which could materially adversely affect the future operating and financial performance of Central, the value of Central Shares and future dividends. Some of these risks, while currently relevant to Central Shareholders, will only continue to be relevant to Central Shareholders (other than the Excluded Shareholders) if the Scheme does not become Effective and you retain your current investment in Central.

If the Scheme becomes Effective:

- Central Shareholders (other than the Excluded Shareholders) will receive the Scheme Consideration;
- Central Shareholders (other than the Excluded Shareholders) will cease to be a Central Shareholder, and therefore will no longer be exposed to the risks set out in this Section 7;
- the Excluded Shareholders will remain exposed to the risks set out in this Section 7; and
- Central Shareholders will remain exposed to certain risks as a result of holding interests in Contingent Value Notes set out in Sections 4.9 and 4.10.

This Section 7 describes principal risks associated with Central's business and risks associated with continuing to hold Central Shares. While some of these risks can be mitigated, some are out of the control of Central and the Central Directors and cannot be mitigated. In particular, there are number of risks associated with movements in commodity prices which affect Central's business and its revenue and profitability which cannot be mitigated by Central.

The outline of the risks set out in this Section 7 is a summary only and should not be considered exhaustive. This Section 7 does not purport to list every risk that may be associated with continuing to hold Central Shares now or in the future. Further, the occurrence or consequences of some of the risks described in this Section 7 may be partially or completely outside the control of Central, its Directors and senior management team.

These risk factors do not take into account the individual investment objectives, financial situation, position or particular needs of Central Shareholders. Before deciding how to vote in relation to the Scheme Resolution, you should have a sufficient understanding of these matters, having regard to your own individual risk profile, portfolio strategy, investment objectives, financial circumstances and taxation position. If you do not understand any part of this Scheme Booklet or are in any doubt as to how to vote in relation to the Scheme Resolution, it is recommended that you seek professional guidance from your financial, legal, taxation or other independent and qualified professional adviser before deciding how to vote.

You should carefully consider the risk factors discussed in this Section 7, as well as the other information contained in this Scheme Booklet before voting on the Scheme Resolution.

## 7.2 GENERAL MARKET RISKS

Like many listed companies, Central is exposed to a number of general risks that could materially adversely affect its financial position, assets and liabilities, reputation, profits, prospects and the market price and/or value of Central Shares.

These could include any or all of the following:

- fluctuations in economic conditions in Australia and internationally, including fluctuations in economic growth, interest rates, exchange rates, the level of inflation and employment levels;
- fluctuations in Australian and overseas stock markets;
- changes in government fiscal, monetary, regulatory and foreign policy in relevant jurisdictions and changes to political or judicial policies or conditions (including the impact of referendums in relevant jurisdictions);
- increases in expenses (including wage inflation);
- changes to accounting or financial reporting standards; and
- natural disasters and catastrophic events.

## 7.3 SPECIFIC RISKS RELATING TO CENTRAL AND/OR THE INDUSTRIES IN WHICH IT OPERATES

### a. Risks of delay in NGP

Jemena, which was selected by the Northern Territory Government to build, own and operate the NGP, announced on 24 March 2017 that all necessary land access agreements have now been signed to allow the pipeline to run from Tennant Creek to Mount Isa. Jemena is aiming to have construction finished in 2018 with the first gas piped by the end of that year – Jemena was originally scheduled to lay pipe from April 2018 but this has been delayed until June 2018 as a result of a land access dispute which has now been settled. Any further delay in construction may have a material adverse effect on Central's performance. Delays may affect Central's commercial appetite for further exploration on its tenements in the Northern Territory.

### b. Pipeline tariff risk (Vertigan Report)

In December 2016, as a direct result of the ACCC enquiry, COAG released the Vertigan Report which identified that pipeline operators were exercising market power in their negotiations for pipeline services with customers. The Vertigan Report stated that this occurs because there is an unequal level of bargaining power and information asymmetry between the parties.

Whilst the recommendations outlined in the Vertigan Report – aimed at improving transparency and operation in the market – were initially endorsed by COAG, consultation on the implementation of these recommendations as outlined by the Gas Market Reform Group's 'Implementation Options Paper' is currently underway and comments are due by 13 April 2017. Whilst Central will be making submissions to justify the significant reduction in the price of domestic pipeline tariffs so they become comparable to international tariffs, there will be other parties submitting that domestic tariffs should essentially remain unchanged.

COAG is expected to make a further statement in relation to the Vertigan Report following its meetings which are scheduled to occur in May 2017 or June 2017. If COAG fails to adopt an effective set of measures to implement the Vertigan Report recommendations, and without true economic reform of domestic pipeline tariffs, Central anticipates that the existing domestic pipeline tariffs may adversely impact on its development economics and, therefore, have a material adverse effect on Central's growth prospects.

If the Vertigan Report reforms do not deliver a substantive reduction in the price of domestic gas transportation, Central will have a significantly reduced capacity to become a new source of gas supply to the Australian East Coast market in the future.

#### c. **Risks of moratorium**

Presently, the Northern Territory has imposed a moratorium on shale gas exploration pending the outcome of public consultations on fracking, chaired by Her Honour Justice Pepper. If the report, due in October this year, is adverse to the industry, it may increase the political risks to Central's future development and, in particular, to the reserve appraisal programme, which would have a material adverse effect to Central's performance.

#### d. **Exploration and development risk**

Central has a number of prospective exploration assets. Oil and gas exploration is a speculative investment and involves a high degree of risk. There is no guarantee that the exploration and development of any oil and gas assets can be profitably exploited.

Oil, condensate, natural gas liquids and natural gas exploration and production activities are subject to numerous risks, including the risk that drilling will result in dry holes or not result in commercially feasible oil or natural gas production. Selecting a drilling location is influenced by the interpretation of geological, geophysical, and seismic data, which is a subjective science and has varying degrees of success. Other factors, including land ownership and regulatory rules, may impact Central's decisions with respect to well locations. Further, no known technologies provide conclusive evidence prior to drilling a well that oil or natural gas is present or may be produced economically. New wells drilled may not be productive, or may not recover all or any portion of Central's investment in such wells. Decisions to purchase, explore, develop or otherwise exploit prospects or properties will depend, in part, on the evaluation of production data, engineering studies, and geological and geophysical analyses, the results of which are typically inconclusive or subject to varying interpretations. The cost of drilling, completing, equipping and operating wells is typically uncertain before drilling commences.

#### e. **Oil and gas estimates**

Reservoir engineering is a subjective process that only provides an educated estimate of the volume of underground reserves. Oil and gas estimates are not precise and are based on knowledge, experience, interpretation and industry practice. Different variables can impact whether these reserves are economically recoverable, including changes with respect to governmental regulations, commodity prices and taxes. Central's actual revenues, expenses and production will likely vary from such estimates and such differences could be substantial.

#### f. **Commercialisation and access to infrastructure**

Oil and gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted and access to transportation and infrastructure.

Due to the location of Central's oil and gas assets and the nature of the oil and gas industry in that geographic area, the oil and gas production may be sold to a limited number of purchasers.

#### g. **Cash flow risk and liquidity**

Central's ability to service its debt and other obligations depends on the future performance and cash flow of its business which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors, many of which are beyond Central's and the Central Board's control.

In addition, Central requires significant capital to continue exploring and developing its oil and gas assets. Central would be required to fund these activities by either debt, equity issue or a combination of both. There is no assurance that Central would be able to access and secure additional funding on reasonable terms, or at all.

#### h. **Health, safety and security risk**

While Central maintains a strong focus on health and safety, the oil and gas industry presents a number of inherent health and safety risks and Central employees and professional services contractors undertake work in environments where risk of personal injury is present.

If Central's safety performance deteriorated or there was a serious incident on one of its projects, Central may suffer reputational damage, impacting its ability to win work and retain employees. In addition, if Central fails to comply with the necessary occupational health and safety legislative requirements across the jurisdictions in which it operates, this could result in fines, penalties and compensation for damages. Also, a major health scare in jurisdictions in which Central operates could adversely affect Central's activities in that jurisdiction, thereby negatively impacting revenues and profitability.

#### i. **Competition risk**

Central competes with numerous other organisations within the oil and gas industry. This includes companies that have substantially greater financial resources, staff and facilities. Central's ability to increase its reserves in the future will depend not only on its ability to explore and development its various assets, but also on its ability to secure transportation.

#### j. **Reliance on key personnel**

Central relies on certain key personnel, the loss of whom may have a material adverse effect on Central's business. There can be no assurance that Central will be able to continue to attract and retain all personnel necessary for the implementation, development and operation of its business strategy.

#### k. **Human resource risk**

Central depends on the talent and experience of its employees and professional services contractors as its primary asset and in order to maintain its credentials in the fields in which it operates.

It is essential that appropriately skilled employees and professional services contractors be available in sufficient numbers to support Central's business. Central requires employees and professional services contractors that are professionally skilled in many areas, some of which may be considered niche specialties in which few practitioners are available for recruitment. Growth in demand for skilled employees and professional services contractors in the oil and gas industry or greater competition between industry participants may adversely impact the availability of such personnel for Central.

#### **l. Operating and insurance risks**

Any future operations of Central may be delayed or adversely affected by factors which are beyond the control of Central including but not limited to surface access restrictions, compliance with current and new governmental requirements, technical issues, access to equipment, supplies, personnel and transportation, delays in the commissioning of plant and equipment, adverse weather conditions, environmental hazards, labour disputes or industrial accidents.

The overall nature of the oil and gas industry is hazardous and entails many inherent risks, including (among other things) well blowouts, cratering, explosions, uncontrollable flows of hydrocarbons, fires, formations with abnormal pressures, water shortages, crude oil spills, natural gas leaks, pipeline and tank ruptures, unauthorised discharges or certain pollutants, encountering naturally occurring radioactive material, and other hazards, risks and pollutants.

All of these hazards and risks create substantial liabilities and may result in substantial losses. Even if Central maintains insurance on par with industry standards, such insurance may not fully protect against all risks inherent in Central's activities, as full insurance coverage may not be available or may be cost prohibitive. As a result, any losses Central sustains may only be partially covered by insurance, if at all.

#### **m. Growth risk**

There is a risk that Central may be unable to manage its future growth and profitability successfully. Potentially significant obstacles to growth include Central Petroleum's cash flow and liquidity risk (including its ability to service and repay new and existing debt and secure or renegotiate sufficient debt funding on acceptable terms), fluctuations in commodity prices and the consequent potential material adverse effect on contract performance, continuation and development and Central's projects (amongst other things) and the ability to hire and retain skilled personnel as outlined above may be a significant obstacle to growth.

#### **n. Intellectual property risk**

Central's ability to leverage its innovation and expertise depends upon its ability to protect its intellectual property and any improvements to it. Such intellectual property may not be capable of being legally protected, it may be the subject of unauthorised disclosure or unlawfully infringed, or Central may incur substantial costs in asserting or defending its intellectual property rights.

#### **o. Environmental risk**

Central is subject to laws and regulations to minimise the environmental impact of any operations as well as rehabilitation of any areas affected by Central's activities. These laws can be costly to operate under and may change in the future to adversely affect Central's business. Failure to adhere to such laws and regulations may result in significant penalties and remediation costs.

#### **p. Risk of delays due to matters outside the control of Central**

Central's ability to undertake some of its operations, may be hampered or delayed due to a variety of reasons outside the control of Central including natural disasters, civil wars, earthquakes, inclement weather conditions, labour strikes or other industrial action, changes in government and/or government policies, regulatory intervention, delays in necessary approvals, difficult site access and other natural or man-made events or occurrences.

#### **q. Effective execution of strategy risk**

Central's failure to deliver on or to effectively execute its stated strategy or its failure to redefine its strategy to meet changing market conditions could result in a decline in the value of Central Shares and a loss of earnings.

#### **r. Litigation risk**

In the normal course of business, Central may be involved in complaints, disputes or litigation both in Australia and internationally by shareholders, customers, suppliers, clients, government agencies or third parties, including disputes or litigation arising from contract claims. Such matters may have an adverse effect on Central's reputation, divert its financial and management resources from more beneficial uses, and have a material adverse effect on Central's future financial performance or position. In particular, claims or disputes may not always be resolved through negotiation with the parties directly and may lead to litigation.

Refer to Section 9.3 for a summary of Central's current disputes and litigation.

#### **s. Legislative and regulatory risk**

Central is subject to a variety of laws and regulations in Australia. Specifically, Central is required to comply with laws and regulations that apply to the oil and gas exploration and production industry. More generally, Central is also required to comply with laws and regulations that apply to other businesses, such as employment, health and safety, taxation, continuous disclosure and intellectual property.

Central is focused on ensuring compliance with its regulatory obligations and regularly reviews its operations in light of regulatory developments that may impact its business. However, a breach of, or an unfavourable change to, introduction or interpretation of, laws and regulations may have an adverse effect on Central.

Adverse changes to legislation, regulation and policy may result in increased costs for Central and impact future earnings. Such changes may also result in periods of uncertainty which can give rise to delays or cancellations of proposed projects and/or contracts.

#### **t. Share market risk**

There are general risks associated with any investment in the stock market. The value of Central's Shares will be subject to varied and often unpredictable influences on the market for equities in general and, in particular, stocks in the industry in which Central operates, which are beyond Central's and the Central Board's control and unrelated to Central's financial performance.

There is no guarantee of profitability, dividends, returns of capital or the price at which Central Shares will trade on any market. Historical share price performance of Central Shares should not be taken as a guide to future Central Share price performance as the price of shares can fluctuate.

# 8 IMPLEMENTING THE SCHEME

## 8.1 CENTRAL SCHEME DEED

### a. Overview

Central and Macquarie MPVD entered into a Central Scheme Deed on 9 March 2017.<sup>8</sup> A Variation Deed was entered into on 26 April 2017 to, amongst other things, amend the Central Scheme Deed so that the Condition Precedent relating to Central Share Rights and Central Future Share Rights is consistent with the conditions of the ASX waiver to Listing Rule 6.23.3 (see Section 9.9 for further details in relation to the waiver).

The key terms of the Central Scheme Deed (as amended) are summarised below.

A full copy of the Central Scheme Deed is attached to Central's ASX announcement of 10 March 2017, available at [www.asx.com.au](http://www.asx.com.au). A full copy of the Variation Deed is in Attachment G of this Scheme Booklet.

This is a summary only and you should refer to the full copy of the Central Scheme Deed for full details.

### b. Conditions Precedent

Implementation of the Scheme is conditional on the satisfaction (or waiver, if applicable) of all of the following Conditions Precedent:

- **no Central Prescribed Occurrence:** no Central Prescribed Occurrence occurring between 9 March 2017 and the Delivery Time on the Second Court Date;
- **no Central Material Adverse Change:** no Central Material Adverse Change occurring or becoming apparent between 9 March 2017 and the Delivery Time on the Second Court Date;
- **restraints:** no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or government agency, or any other material legal restraint or prohibition, preventing or delaying the Scheme being in effect at the Delivery Time on the Second Court Date;
- **Central warranties:** the representations and warranties provided by Central in the Central Scheme Deed being true and correct in all material respects on the date of the Central Scheme Deed and the Delivery Time on the Second Court Date;
- **Macquarie MPVD warranties:** the representations and warranties provided by Macquarie MPVD being true and correct in all material respects on the date of the Central Scheme Deed and the Delivery Time on the Second Court Date;
- **Note Trust Deed:** the Note Issuer, the Note Guarantor, the Note Trustee and Macquarie MPVD having entered into the Note Trust Deed prior to the Delivery Time on the Second Court Date;
- **Central Share Rights and Central Future Share Rights:**
  - prior to the date of the Scheme Meeting, Central and each holder of Central Share Rights and Central Future Share Rights have entered into binding and irrevocable agreements conditional only upon the Scheme becoming Effective, in a form and on terms acceptable to Macquarie (in its absolute discretion), for such Central Share Rights and Central Future Share Rights to be:

- cancelled and extinguished, in consideration for a cash payment equal to the cash portion of the scheme consideration (being 20 cents per Central Share Right and 20 cents per Central Future Share Right); or
- exercised and the shares underlying those Central Share Rights or Central Future Share Rights (as relevant) are issued and allotted,

in each case prior to the Record Date such that there are no Central Share Rights or Central Future Share Rights on issue or in existence at the Record Date;

### • Central Options:

- prior to the date of the Scheme Meeting:
  - Central and each holder of Central Options (other than MBL) have entered into binding and irrevocable agreements, in a form and on terms acceptable to Macquarie (in its absolute discretion) for such Central Options to be cancelled by the Delivery Time on the Second Court Date; and
  - Central having obtained a waiver from Listing Rule 6.23.2 for the cancellation of all of the Central Options (other than those held by MBL); and
- at the Delivery Time on the Second Court Date, each agreement referred to has taken effect such that there are no Central Options on issue (other than those Central Options held by MBL);
- **Transaction costs:** as at the Delivery Time on the Second Court Date, Central's total external costs paid or incurred in relation to the Scheme (including all legal, financial, printing, shareholder communication and any other costs) do not exceed \$2,040,000 (other than costs associated with any appeal process contemplated by clause 5.1(m)(ii) of the Central Scheme Deed);
- **Shareholder approval:** the Scheme is approved by the Requisite Majority of Central Shareholders (other than the Excluded Shareholders) at the Scheme Meeting; and
- **Court approval:** the Scheme is approved by the Court in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations on either party (acting reasonably).

Full details of the Conditions Precedent, the ability of Central and Macquarie MPVD to rely on the various Conditions Precedent and the provisions relating to satisfaction or waiver of these Conditions Precedent are set out in clause 3.1 of the Central Scheme Deed.

A summary of the status of the Conditions Precedent is set out in Section 9.5.

### c. Exclusivity arrangements

The Central Scheme Deed contains certain exclusivity arrangements in favour of Macquarie MPVD. Those exclusivity arrangements are set out in full in clause 13 of the Central Scheme Deed.

<sup>8</sup> A full copy of the Central Scheme Deed is attached to Central's ASX announcement of 10 March 2017 (available on the ASX website at [www.asx.com.au](http://www.asx.com.au)).

In summary, Central has granted the following exclusivity rights in favour of Macquarie MPVD:

- **no existing discussions:** Central represents and warrants it is not currently in negotiations or discussions in respect of any Competing Proposal;
- **no shop:** during the Exclusivity Period, Central must not, and must ensure that its Representatives do not, directly or indirectly solicit, invite, initiate or encourage any Competing Proposal or any enquiries, proposals, discussions or negotiations with any third party in relation to (or that could reasonably be expected to lead to) a Competing Proposal or to Central abandoning the Scheme, or communicate any intention to do any of these things;
- **no talk:** during the Exclusivity Period, Central must not, and must ensure that its Representatives do not, directly or indirectly negotiate or enter into or participate in negotiations or discussions with any person or communicate any intention to do any of these things, in relation to (or which may reasonably be expected to lead to) a Competing Proposal, even if that person's Competing Proposal was not directly or indirectly solicited, encouraged or initiated by Central or any of its Representatives, or that person has publicly announced the Competing Proposal;
- **no due diligence:** during the Exclusivity Period, except with the prior written consent of Macquarie MPVD, Central must not, and must ensure that its Representatives do not, directly or indirectly undertake due diligence investigations or make available any non-public information in respect of any Central Group Member, or any of their businesses and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal;
- **notification of unsolicited approach:** during the Exclusivity Period, Central must promptly inform Macquarie MPVD if Central or any of its Representatives receives any unsolicited approach with respect of any Competing Transaction, receives any request for information relating to Central or any of its Representatives, which Central has reasonable grounds to suspect may relate to a Competing Proposal and if it provides any information relating to Central or any of its Representatives of any of their business or operations in connection with a Competing Proposal; and
- **fiduciary out:** the restrictions in respect of no-talk, no due-diligence and the obligations in respect of notifications of approaches do not apply to the extent they restrict Central or any member of the Central Board from taking or refusing to take any action with respect to a Competing Proposal provided that the Competing Proposal is bona fide and the members of Central Board, after consultation with their financial advisers and external Australian legal adviser, determine in good faith that the Competing Proposal may reasonably be expected to lead to a Superior Proposal and failing to take action or refusing to take action would be likely to constitute a breach of the fiduciary or statutory obligations of the members of the Central Board. Central must enter into a confidentiality agreement with the person who has made the applicable Competing Proposal and must not make an announcement in relation to any change of the board member's recommendation or entry or recommended entry into any agreement, commitment, arrangement or understanding relating to the Competing Proposal (other than a confidentiality agreement) unless the Competing Proposal is bona fide and the terms of the Central Scheme Deed has otherwise been complied with.

#### d. Central Board recommendation

The Central Scheme Deed requires that Central must state in this Scheme Booklet that each member of the Central Board recommends that the Central Shareholders vote in favour of the Scheme in the absence of a Superior Proposal, subject to the Independent Expert concluding that the Scheme is not in the best interests of Central Shareholders.

#### e. Reimbursement of costs

Central has agreed to pay Macquarie MPVD \$918,392 if certain events occur as set out in full in clause 12.2 of the Central Scheme Deed, including:

- any member of the Central Board fails to recommend the Scheme in accordance with the Central Scheme Deed or changes his or her recommendation (including making a public announcement indicating he or she no longer supports the Scheme), other than where:
  - the change of recommendation or public statement is made following the receipt of the report of the Independent Expert where that report states that, in the opinion of the Independent Expert, the Scheme is not in the best interests of Central Shareholders (other than where a Competing Proposal has been proposed or announced before the report is issued where the Independent Expert's conclusion is due wholly or partly to the existence, announcement or publication of a Competing Proposal); or
  - where Central has terminated the Central Scheme Deed pursuant to its right to terminate the Central Scheme Deed as a result of a material breach of deed or warranty by Macquarie MPVD;
- a Competing Proposal of any kind is announced during the Exclusivity Period (whether or not such proposal is stated to be subject to any pre-conditions) and within 12 months of the date of such announcement:
  - the party proposing the Competing Proposal or its associate completes a Competing Proposal; or
  - Central or the Central Board abandons or fails to proceed with the Transaction;
- Macquarie MPVD has validly terminated the Central Scheme Deed as a result of a material breach of deed or warranty by Central;
- the conditions precedent are not satisfied in accordance with the Central Scheme Deed;
- the Central Scheme Deed is terminated following the Independent Expert concluding in the Independent Expert's Report (or any update of, or revision, amendment or addendum to, that report) that the Scheme is not in the best interests of Central Shareholders, where that conclusion is due wholly or partly to the existence, announcement or publication of a Competing Proposal, irrespective of whether or not any members of the Central Board change, withdraw or modify their recommendation in favour of the Scheme or support or endorse the Competing Proposal; or
- the Court fails to make any order directing Central to convene the Scheme Meeting, or fails to approve the terms of the Scheme for which the approval of the requisite Central Shareholders has been obtained, in each case as a result of a material non-compliance by Central with any of its obligations under the Central Scheme Deed.

A failure by Central Shareholders to pass the Scheme Resolution at the Scheme Meeting will not of itself trigger Central's obligation to pay a reimbursement fee to Macquarie MPVD.

#### f. **Conduct of business**

The Central Scheme Deed sets out the obligations of Central from the date of the Central Scheme Deed up to and including the Implementation Date in relation to the conduct of its business.

Central has agreed to:

- carry on and operate its businesses as a going concern, in the ordinary and normal course and in substantially the same manner as those businesses were conducted in the 12 months before the date of the Central Scheme Deed;
- use reasonable endeavours to preserve its relationships with joint venturers, customers, suppliers, landlords, licensors, licensees and others having material business dealings with them, and to retain the services of all key employees;
- use reasonable endeavours to ensure that all assets are maintained in the normal course and consistent with past practice;
- maintain in force, on materially the same terms and conditions, all existing insurances;
- use reasonable endeavours to comply in all material respects with all material contracts to which a Central Group Member is a party, and with laws and Authorisations applicable to each Central Group Member; and
- not take any action that constitutes a Central Prescribed Occurrence or that could reasonably be expected to result in a Central Prescribed Occurrence, or allow to occur by failing to take any action a Central Prescribed Occurrence,

however these obligations will not apply in respect of:

- any action required to respond, on a reasonable and prudent basis, to an emergency or a disaster;
- any action required to be done or procured by Central by any applicable laws, the Listing Rules or by any Regulatory Authority;
- any action disclosed as being an action that the Central Group may carry out between 9 March 2017 and the Implementation Date;
- any matter expressly contemplated in the Central Scheme Deed; or
- any matter which has been consented to in writing by Macquarie MPVD prior to the matter.

These restrictions are set out in full in clauses 7.1 and 7.2 of the Central Scheme Deed.

#### g. **Termination rights**

Central or Macquarie MPVD can terminate the Central Scheme Deed:

- if:
  - any Condition Precedent is not satisfied or waived by the specified date; or
  - a circumstance occurs with the result that a Condition Precedent is not capable of being fulfilled (and if able to be waived by a party, that party does not do so within seven Business Days after the occurrence of the circumstance), and Central and Macquarie MPVD have consulted reasonably for a period of at least five Business Days;
- if the Court refuses to make any order directing Central to convene the Scheme Meeting, provided that both Central and Macquarie MPVD have met and consulted for a period of at least five business days and agreed that they do not wish to proceed with the Scheme; or

- if the Effective Date for the Scheme has not occurred on or before the End Date, provided that (other than if Central receives a Competing Proposal and the majority of members of the Central Board determine the Competing Proposal constitutes a Superior Proposal or the Independent Expert concludes the Scheme is not in the best interests of the Central Shareholders (other than where that conclusion is based on the existence of a Superior Proposal)), both Central and Macquarie MPVD have met and consulted for a period of at least five Business Days and have not been able to agree that they wish to proceed with the Scheme.

Macquarie MPVD can terminate the Central Scheme Deed if:

- Central is in material breach of a material obligation applicable to it under the Central Scheme Deed (other than a breach of a representation or warranty), and, if such breach is capable of remedy, Central has failed to remedy that breach within five Business Days (or 5.00pm (AEST) on the day before the date of the Second Court Date, if earlier) of receipt by it of a notice in writing from Macquarie MPVD setting out details of the relevant circumstance and requesting the other party to remedy the breach;
- Central materially breaches any of the representations and warranties contained in the Central Scheme Deed, and the breach:
  - cannot be remedied to the reasonable satisfaction of Macquarie MPVD by subsequent action on the part of Central before 10.00am (AEST) on the day before the Second Court Date; and
  - was of a kind that, had it been disclosed to Macquarie MPVD prior to its entry into the Central Scheme Deed, could reasonably be expected to have resulted in Macquarie MPVD either not entering into the Central Scheme Deed or entering into it on materially different terms;
- any member of the Central Board:
  - fails to recommend the Scheme in the manner in accordance with the Central Scheme Deed; or
  - changes, withdraws or modifies his or her recommendation or makes any public statement, or takes any other action that is inconsistent with his or her recommendation (including where a Competing Proposal is announced and is recommended by any member of the Central Board); or
- an insolvency event occurs in relation to Central or any Central Group Member.

Central can terminate the Central Scheme Deed if:

- Macquarie MPVD is in material breach of a material obligation applicable to it under the Central Scheme Deed (other than a breach of representation or warranty) and, if such breach is capable of remedy, Macquarie MPVD has failed to remedy that breach within five Business Days (or 5.00pm on the day before the date of the Second Court Date, if earlier) of receipt by it of a notice in writing from Central setting out details of the relevant circumstance and requesting Macquarie MPVD to remedy the breach;
- Macquarie MPVD materially breaches any of the representations and warranties contained in the Central Scheme Deed and the breach:
  - cannot be remedied to the reasonable satisfaction of Central by subsequent action on the part of Macquarie MPVD before 10.00am (AEST) on the day before the Second Court Date; and

- was of a kind that, had it been disclosed to Central prior to its entry into the Central Scheme Deed, could reasonably be expected to have resulted in Central either not entering into the Central Scheme Deed or entering into it on materially different terms;
- a majority of the members of the Central Board change, withdraw or modify their recommendations of the Scheme where they determine the Competing Proposal constitutes a Superior Proposal; or
- an insolvency event occurs in relation to Macquarie MPVD.

The termination rights are set out in full in clause 11.1 of the Central Scheme Deed.

#### h. Representations and warranties

Central and Macquarie MPVD provide a number of customary representations and warranties in the Central Scheme Deed. In particular, as at:

- the date of the Central Scheme Deed and at all times between the date of the Central Scheme Deed and the earlier of:
  - the Delivery Time on the Second Court Date; and
  - termination of the Central Scheme Deed; or
- where expressed, at the time which the representation or warranty is expressed to be given.

Central represents and warrants to Macquarie MPVD that each of the statements set out in clause 9.1 of the Central Scheme Deed are true and correct in all material respects including that:

- it is validly existing under the laws of its place of incorporation or registration;
- it has the power to enter into and perform its obligations under the Central Scheme Deed and to carry out the transactions contemplated by the Central Scheme Deed;
- it has taken all necessary action to authorise its entry into and performance of the Central Scheme Deed and to carry out the transactions contemplated by the Central Scheme Deed;
- Central's obligations under the Central Scheme Deed are valid and binding and enforceable against it in accordance with their terms;
- no insolvency event has occurred in relation to Central or any Central Group Member;
- as at the date of the Central Scheme Deed, Central is not in breach of its continuous disclosure obligations under the Listing Rules and is not relying on the exclusion in Listing Rule 3.1A to withhold any information from disclosure (other than in relation to the Scheme or as disclosed to Macquarie MPVD before entering into the Central Scheme Deed);
- as at 9 March 2017:
  - 433,197,647 Central Shares are on issue which are officially quoted on ASX;
  - 63,372,950 Central Options are on issue which are not quoted on any financial market;
  - 24,068,958 Central Share Rights are on issue which are not quoted on any financial market; and
  - 1,913,873 Central Future Share Rights exist which are not quoted on any financial market;
- no Central Group Member has issued, or agreed to issue, any other securities or instruments which may convert into Shares, Central Share Rights, Central Future Share Rights or any other securities in Central;

- the details of the Central Options, Central Share Rights and Central Future Share Rights set out in the side letter dated 9 March 2017 are true and correct in all respects;
- Central's total external costs paid or incurred in relation to the Scheme (including all legal, financial, printing, shareholder communication and any other costs) have not exceeded and will not exceed \$2,040,000;
- as at the date of the Central Scheme Deed, the information disclosed to Macquarie MPVD, taken as a whole:
  - is materially accurate
  - is not materially misleading or deceptive, including by omission; and
  - fairly reflects the overall state of affairs of the Central Group,

and Central has not withheld any information of which the Central is aware and which, if disclosed, might reasonably be expected to affect the decision of Macquarie to enter into the Central Scheme Deed and complete the transactions contemplated by it, including any liabilities or contingent liabilities relating to Central or its Subsidiaries or their businesses; and

- the information provided pursuant to the terms of the Central Scheme Deed and included in this Scheme Booklet, as at the date of this Scheme Booklet, will not contain any material statement which is misleading or deceptive nor contain any material omission having regard to applicable disclosure requirements.

Macquarie MPVD represents and warrants to Central that each of the statements set out in clause 9.2 of the Central Scheme Deed are true and correct in all material respects including that:

- it is validly existing under the laws of its place of incorporation or registration;
- it has the power to enter into and perform its obligations under the Central Scheme Deed and to carry out the transactions contemplated by the Central Scheme Deed;
- it has taken all necessary action to authorise its entry into, and performance of, the Central Scheme Deed and to carry out the transactions contemplated by the Central Scheme Deed;
- its obligations under the Central Scheme Deed are valid and binding and enforceable against it in accordance with their terms;
- no insolvency event has occurred in relation to Macquarie MPVD, the Note Issuer or the Note Guarantor;
- it has access to the necessary funds and resources to, if the Scheme becomes Effective, implement the Scheme including satisfaction of its payment obligations under the Deed Poll and Note Trust Deed; and
- the Macquarie MPVD Information provided pursuant to the terms of the Central Scheme Deed and included in this Scheme Booklet, as at the date of this Scheme Booklet, will not contain any material statement which is misleading or deceptive nor contain any material omission having regard to applicable disclosure requirements.

## 8.2 VOTING ON THE SCHEME

### a. Scheme approval requirements

The Scheme will only become Effective and be implemented if:

- the Requisite Majority of Central Shareholders (other than the Excluded Shareholders) approve the Scheme Resolution at the Scheme Meeting;
- the Court approves the Scheme at the Second Court Hearing; and
- all Conditions Precedent have been satisfied or waived (if applicable) by the End Date.

Passing of the Scheme Resolution by Central Shareholders (other than the Excluded Shareholders) requires approval by:

- **Scheme Resolution** – both:
  - a majority in number (more than 50%) of Central Shareholders (other than the Excluded Shareholders) present and voting at the Scheme Meeting – it should be noted that the Court has the power to waive this requirement; and
  - at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Central Shareholders (other than the Excluded Shareholders) present and voting at the Scheme Meeting.

The Excluded Shareholders will not be eligible to vote their Central Shares for the purposes of the Scheme Resolution.

## 8.3 COURT APPROVAL OF THE SCHEME

In the event that:

- the Scheme is approved by the Requisite Majority of Central Shareholders (other than the Excluded Shareholders) at the Scheme Meeting (see Section 8.2(a) for the Scheme Resolution approval requirements); and
- all Conditions Precedent (except Court approval of the Scheme) have been satisfied or waived (if they are capable of being waived),

then Central will apply to the Court for orders approving the Scheme.

Each Central Shareholder has the right to appear at the Second Court Hearing.

## 8.4 DEED POLL

As at the date of this Scheme Booklet, a deed poll has been executed by Macquarie MPVD, in favour of the Scheme Shareholders, to:

- provide, or to procure that Macquarie MPVD provide, the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders under the Scheme, subject to the Scheme becoming Effective; and
- undertake all other actions attributed to Macquarie MPVD under the Scheme.

A copy of the Deed Poll is contained in Attachment B.

## 8.5 EFFECTIVE DATE

If the Court approves the Scheme, the Scheme will become Effective on the Effective Date (currently expected to be 7 June 2017), being the date an office copy of the Court order from the Second Court Hearing approving the Scheme is lodged with ASIC. Central will, on the Scheme becoming Effective, give notice of that event to ASX.

Central intends to apply to ASX for Central Shares to be suspended from official quotation on ASX from the close of trading on the Effective Date.

## 8.6 RECORD DATE AND ENTITLEMENT TO SCHEME CONSIDERATION

If the Scheme becomes Effective, those Central Shareholders (other than the Excluded Shareholders) on the Central Share Register on the Record Date (currently expected to be 7.00pm (AEST) on 14 June 2017) will be entitled to receive the Scheme Consideration in respect of the Central Shares they hold at that time.

If the Scheme becomes Effective, the Excluded Shareholders will not receive the Scheme Consideration and will retain its Central Shares.

## 8.7 IMPLEMENTATION DATE

If the Scheme becomes Effective, Scheme Shareholders will be sent the Scheme Consideration on the Implementation Date (currently expected to be 21 June 2017). Immediately after the Scheme Consideration is paid to Scheme Shareholders, the Scheme Shares will be transferred to Macquarie MPVD.

## 8.8 PAYMENT OF THE SCHEME CONSIDERATION

If the Scheme becomes Effective, Scheme Shareholders will receive 20 cents for each Scheme Share and:

- each Scheme Shareholder (other than Ineligible Foreign Shareholders) will receive one Contingent Value Note for each Scheme Share held by the Scheme Shareholder on the Record Date; and
- the Custodian will be issued, and will hold on behalf of Macquarie MPVD, the total number of Contingent Value Notes that would otherwise have been issued to the Ineligible Foreign Shareholders, if those Ineligible Foreign Shareholders were Scheme Shareholders entitled to receive Contingent Value Notes,

in accordance with the Central Scheme Deed and Note Trust Deed.

The cash component of the Scheme Consideration will be sent to Scheme Shareholders on the Implementation Date (currently expected to be 21 June 2017). Scheme Shareholders who have validly registered their bank account details with the Central Share Registry before the Record Date (currently expected to be 7.00pm (AEST) on 14 June 2017) will have their Scheme Consideration transferred directly to their bank account. Scheme Shareholders who have not registered their bank account details with the Central Share Registry by that date and time will have their Scheme Consideration sent by cheque to the address shown on the Central Share Register. Please refer to Section 3.2(a) for details regarding how to change or nominate a bank account in which to receive payment of your Scheme Consideration.

Further details on the payment of Scheme Consideration are contained in Section 3.2 and clause 5 of the Scheme contained in Attachment D.

# 9 ADDITIONAL INFORMATION

## 9.1 IMPLICATIONS OF THE TRANSACTION FOR EXCLUDED SHAREHOLDERS

The Excluded Shareholders will not participate in the Scheme. If the Scheme becomes Effective, Macquarie MPVD and its Related Bodies Corporate will become the sole shareholders of Central and will therefore continue to be exposed to the risks set out in Section 7 and would also participate in any potential “upside” in the businesses of Central.

## 9.2 EFFECT OF THE TRANSACTION ON CENTRAL'S MATERIAL CONTRACTS

As at the date of this Scheme Booklet, to the extent required Central has obtained the consent of any counterparties to material contracts that contain a ‘change of control’ provision and such consents have not been withdrawn. Accordingly, the Transaction will not have any effect on Central’s material contracts.

## 9.3 TAXATION IMPLICATIONS OF THE SCHEME

This analysis reflects the tax law in effect in Australia as at the date of this Scheme Booklet. It does not take into account or anticipate any changes in the tax law or future judicial interpretations of the law after this time, nor does it take into account the tax law of countries other than Australia.

This analysis does not cover all possible Australian taxation considerations that could apply to Central Shareholders with respect to the proposed Scheme. In particular, the following discussion is only relevant to Central Shareholders who hold their Central Shares (and Contingent Value Notes) on capital account and not as revenue assets or trading stock (unless otherwise specified below).

This analysis does not deal with Central Shareholders who may be subject to special tax rules, such as banks, insurance companies, managed investment trusts, tax exempt organisations, small businesses, dealers in securities, Central Shareholders subject to Australia’s Taxation of Financial Arrangements (TOFA) rules, Central Shareholders who acquire their Central Shares in connection with an employee share plan or Central Shareholders who acquired their shares prior to Central listing on the Australian Stock Exchange (ASX) in 2006. This analysis also does not consider the tax consequences for a Central Shareholder who is not a resident of Australia for Australian income tax purposes or Ineligible Foreign Shareholders, who should obtain their own taxation advice regarding the taxation consequences that may arise in connection with the Scheme.

This analysis has been prepared on the basis that the Australian Capital Gains Tax (CGT) “Earnout” rules contained in Subdivision 118-I of the *Income Tax Assessment Act 1997* will not apply to the Contingent Value Notes that will be acquired by Central Shareholders under the Scheme.

The following discussion does not constitute taxation advice. Each Central Shareholder should obtain their own taxation advice regarding the Australian taxation consequences that may arise in connection with the Scheme.

### a. Australian Taxation Implications: Residents

#### Disposal of Central Shares

For Central Shareholders that are Residents, a CGT event will occur when they dispose of their Central Shares in accordance with the Scheme (i.e. on the Implementation Date).

Central Shareholders will realise a capital gain if the amount received in connection with this disposal (called the “capital proceeds”) is more than the cost base in the Central Shares. A capital loss will be realised to the extent that the capital proceeds received in connection with this disposal is less than the reduced cost base in the Central Shares. Capital losses can generally be offset only against capital gains realised in the same income year or later income years, subject to satisfying the relevant loss utilisation rules.

#### Capital Proceeds

The capital proceeds received for the disposal of the Central Shares will be equal to the total of the following:

- The cash component of the Scheme Consideration, being 20 cents per Scheme Share paid by Macquarie to Central Shareholders; and
- The market value of the one Contingent Value Note per share issued to Central Shareholders. Please refer to section 8 of the Independent Expert’s Report which provides the Independent Expert’s assessment of the value of the Contingent Value Notes.

#### Cost Base/Reduced Cost Base

The cost base of the Central Shares will generally be the sum of the amount paid for the Central Shares, acquisition costs and other costs relating to the holding and disposal of Central Shares, but only to the extent a deduction has not been claimed for such costs. The reduced cost base is usually determined in a similar, but not identical manner. There are a number of circumstances which may result in the cost base or reduced cost base being calculated in a different manner to that outlined above.

#### Discount CGT Concession

Central Shareholders that are individuals, trusts or complying superannuation entities may be entitled to reduce their capital gain (after taking into account capital losses) by the CGT discount if they have held their Central Shares for at least 12 months prior to the time of the relevant CGT event (excluding the acquisition and disposal dates).

Individuals and trusts are entitled to reduce any capital gain remaining after the application of capital losses by 50% and complying superannuation funds are entitled to reduce any capital gain remaining after the application of any capital losses by 33  $\frac{1}{3}$ %.

## Realisation of Contingent Value Note

Central Shareholders will receive one Contingent Value Note per share as part of the consideration for disposing of their Central Shares. A CGT event will occur when the rights under the Contingent Value Note “end” (for example, because the Contingent Value Note is redeemed, expires, or otherwise ends).

If the amount received (the “capital proceeds”) as a result of the ending of the Contingent Value Note exceeds the cost base of the Contingent Value Note then the Central Shareholders will make a capital gain. If the amount received is less than the reduced cost base of the Contingent Value Note then the Central Shareholders will make a capital loss.

## Capital proceeds

The capital proceeds will be the amount received by the Central Shareholders in connection with the ending of the Contingent Value Note. If the Contingent Value Note is redeemed, the capital proceeds will be the Redemption Amount. If the Contingent Value Note ends, through expiry without a payment being made to Central Shareholders, then the capital proceeds will be nil.

## Cost Base/Reduced Cost Base

The cost base of the Contingent Value Note will generally be equivalent to market value of the property given by Central Shareholders to acquire it. The cost base will therefore be referable to the market value of that part of the Central Shares that Central Shareholders disposed of in order to acquire the Contingent Value Note. Practically, this cost base should reflect the market value of the Contingent Value Note received upon the disposal of the Central Shares.

## Discount CGT Concession

Central Shareholders that are individuals, trusts and complying superannuation entities may be entitled to reduce their capital gain (after taking into account capital losses) by the CGT discount mentioned above if they have held the Contingent Value Note for at least 12 months prior to the time the right ends (excluding the acquisition and disposal dates).

### b. Stamp Duty and Goods and Services Tax

No Australian stamp duty or Goods and Services Tax (GST) will be payable by a Central Shareholders on the disposal of their Central Shares or ending of the Contingent Value Note in accordance with the Scheme.

## 9.4 DISPUTES AND LITIGATION

Central is from time to time involved in disputes and litigation. This Section sets out disputes and litigation involving Central which is material in the context of the Central Group as a whole.

Central is involved in litigation filed in the District Court of Harris County, located in Houston, Texas, by Geoscience Resource Recovery, LLC. (GRR) in respect of a farm-in deal negotiated between the Perth office of Total S.A. and Central when it was headquartered in Perth. Central has lodged an appeal to the order of the court denying Central's objection to the court's jurisdiction. Separately, internal investigations of the merits have concluded that there is no factual basis for the alleged claim and Central accordingly denies any liability. The action will be vigorously defended.

Central also filed proceedings in the Supreme Court of Queensland against GRR claiming, among other things, declarations, that under Australian law, Central being an Australian company which conducts its business exclusively in Australia, no agreement had been signed with GRR for certain fees claimed by GRR and, alternatively, even if the agreement was signed (which is denied), Central's exploration manager at the time had no authority to sign any such agreement. GRR is opposing the jurisdiction of the Supreme Court of Queensland.

## 9.5 STATUS OF CONDITIONS PRECEDENT

The Conditions Precedent are summarised in Section 8.1(b) are set out in clause 3.1 of the Central Scheme Deed.

As at the Last Practicable Date:

- none of the Conditions Precedent have been satisfied or waived;
- Macquarie MPVD has indicated that it would be willing to waive the Condition Precedent in relation to the Central Options held by Freestone, former employees and former directors of Central that have not been cancelled subject to being satisfied with the treatment of the other remaining Central Options; and
- all of the Central Directors believe that the other Conditions Precedent are capable of being satisfied or will ultimately be waived with the agreement of Macquarie MPVD.

The Scheme will not proceed unless all the Conditions Precedent are satisfied or waived (if applicable) in accordance with the Central Scheme Deed.

Central will continue to keep Central Shareholders updated on any material developments through releasing announcements to the market as appropriate.

## 9.6 SUBSTANTIAL SHAREHOLDERS

As at the Last Practicable Date, there are no substantial shareholders with a Relevant Interest of 5% or more in Central Shares.

## 9.7 CONSENTS TO BE NAMED

### a. Consents

This Scheme Booklet contains statements made by, or statements said to be based on statements made by:

- Macquarie MPVD, and the Note Issuer in respect of the Macquarie MPVD Information only;
- Ernst & Young Transaction Advisory Services Pty Limited as the Independent Expert; and
- RISC Operations Pty Ltd as the Independent Technical Specialist.

Each of those persons named above has consented to the inclusion of each statement it has made in the form and context in which the statements appear and has not withdrawn that consent at the date of this Scheme Booklet.

The following parties have given and have not, before the time of registration of this Scheme Booklet with ASIC, withdrawn their consent to be named in this Scheme Booklet in the form and context in which they are named:

- Equity Trustees Limited;
- Origin Securities Pty Limited;
- Computershare Investor Services Pty Limited; and
- Jones Day.

## b. Disclosures and responsibility

Further, each person named in Section 9.7(a):

- has not authorised or caused the issue of this Scheme Booklet;
- does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than:
  - Macquarie MPVD and the Note Issuer in respect of the Macquarie MPVD Information only;
  - Ernst & Young Transaction Advisory Services Pty Limited in relation to its Independent Expert's Report; and
  - RISC Operations Pty Ltd in relation to its independent technical report; and
- to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party as specified in this Section 9.7(b).

## 9.8 INTENTIONS OF CENTRAL DIRECTORS

The Corporations Regulations require a statement by the Central Directors of their intentions regarding Central's business. As set out in Section 6.4(b), if the Scheme becomes Effective, Macquarie MPVD intends to replace the current Central Directors with its nominees.

Accordingly, it is not possible for the Central Directors to provide a statement of their intentions regarding:

- the continuation of the business of Central or how Central's existing business will be conducted;
- any major changes to be made to the business of Central, including any redeployment of the fixed assets of Central; or
- the future employment of the present employees of Central, in each case after the Scheme is implemented.

If the Scheme becomes Effective, Macquarie MPVD and its associates will own all of the Central Shares (other than the Central Options, see further Section 5.4) and will Control Central. The intentions of Macquarie MPVD if the Scheme becomes Effective are set out in Section 6.4.

## 9.9 REGULATORY RELIEF

ASX has granted a waiver of Listing Rule 6.23.3 to the extent necessary to permit the treatment of the Central Share Rights as set out in Section 5.4 of this Scheme Booklet. The waiver is conditional upon:

- the Scheme Resolution being approved by Central Shareholders (other than the Excluded Shareholders) by the Requisite Majority and a court of competent jurisdiction approves the Scheme and the court's orders are lodged with ASIC such that the Scheme becomes Effective; and
- full details of the proposed treatment of the Central Share Rights being set out to ASX's satisfaction in the Scheme Booklet.

## 9.10 NO UNACCEPTABLE CIRCUMSTANCES

The Central Board believes that the Scheme does not involve any circumstances in relation to the affairs of Central that could reasonably be characterised as constituting 'unacceptable circumstances' for the purposes of section 657A of the Corporations Act.

## 9.11 FOREIGN JURISDICTIONS

The distribution of this Scheme Booklet outside Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. Central disclaims all liabilities to such persons.

Central Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed.

No action has been taken to register or qualify this Scheme Booklet or any aspect of the Transaction in any jurisdiction outside of Australia.

The issue of Contingent Value Notes in accordance with the Scheme as set out in this Scheme Booklet does not constitute an offer of Contingent Value Notes, or any debt security, in any jurisdiction in which, or to any person to whom, it would not be lawful to issue or to make an offer of such securities. No action has been taken to permit the issue of Contingent Value Notes in any jurisdiction outside Australia.

## 9.12 EXECUTIVE SERVICE AGREEMENTS

Central's Directors' Report for the year ended 30 June 2016 made certain disclosures in relation to Mr Richard Cottee and Mr Daniel White. Central provides the following additional information:

- generally the period of notice required to terminate their employment is 6-months in the case of Mr Cottee and 3-months in the case of Mr White, except in exceptional circumstances such as breach or gross misconduct where one month or less notice can be given; and
- in other circumstances being consistent with Central's current standard form employment agreement, if Central is subject to a change of control and if the agreement is terminated by Central, subject to the maximum amount permitted to be paid by the Company to the employee without being in breach of the Corporations Act (including the restriction on exceeding 12-months termination benefits), Central may be required to pay a lump sum on termination of each of Mr Cottee and Mr White calculated using the relevant base salary (less tax) which would have been paid for the balance of their current terms.

### **9.13 NO OTHER MATERIAL INFORMATION**

Except as disclosed elsewhere in this Scheme Booklet, so far as the Central Board is aware, there is no other information that is:

- material to the making of a decision by a Central Shareholder (other than an Excluded Shareholder) whether or not to vote in favour of the Scheme Resolution; and
- known to any member of the Central Board at the date of lodging this Scheme Booklet with ASIC for registration,

which has not previously been disclosed to Central Shareholders.

### **9.14 SUPPLEMENTARY DISCLOSURE STATEMENT**

Central will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of this Scheme Booklet and the Effective Date:

- a material statement in this Scheme Booklet that is false or misleading in a material respect;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter included in this Scheme Booklet; or
- a significant new matter that has arisen and would have been required to be included in this Scheme Booklet if it had arisen before the date of this Scheme Booklet.

Depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, Central may circulate and publish any supplementary document by:

- making an announcement to ASX;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document to Central Shareholders at their address shown on the Central Share Register; and/or
- posting a statement on Central's website at [www.centralpetroleum.com.au](http://www.centralpetroleum.com.au),

as Central, in its absolute discretion, considers appropriate.

# 10 DEFINITIONS AND INTERPRETATION

## 10.1 DEFINITIONS

In this Scheme Booklet unless the context otherwise appears, the following terms have the meanings shown below:

TERM	MEANING
<b>ACCC</b>	the Australian Competition and Consumer Commission
<b>APRA</b>	the Australian Prudential Regulation Authority.
<b>ASIC</b>	the Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
<b>Authorisation</b>	means an approval, authorisation, consent, declaration, exemption, licence, lease, notarisation, permit or waiver, however it is described, from or by a Regulatory Authority, including any renewal or amendment and any condition attaching to it.
<b>BTE</b>	has the meaning given to that term in Section 2.2.
<b>Business Day</b>	a business day as defined in the Listing Rules, other than any day on which banks are not open for business in Sydney or Brisbane.
<b>Central</b>	Central Petroleum Limited ACN 083 254 308.
<b>Central Board or Board</b>	the board of directors of Central and a <b>Central Board Member</b> means any director of Central comprising part of Central Board.
<b>Central Director or Director</b>	each Central Board Member.
<b>Central Future Share Rights</b>	rights to be issued Share Rights if the Central Board determines in its absolute discretion that a change of control event is likely to occur and which have been granted by Central as at the date of the Central Scheme Deed pursuant to the: <ol style="list-style-type: none"> <li>a. the Central Long Term Incentive Plan Policy approved on 23 March 2015; or</li> <li>b. the Central Long Term Incentive Plan Policy approved on 16 December 2015.</li> </ol>
<b>Central Group</b>	Central and each of its Subsidiaries, and a reference to a <b>Central Group Member</b> is to Central or any of its Subsidiaries.
<b>Central Material Adverse Change</b>	one or more changes, events, occurrences or known matters which, individually or in aggregate, have, will have or will be reasonably likely to have a material adverse effect on the assets, liabilities, financial condition or prospects of any Central Group Member, including any such changes, events, occurrences or matters which, individually or in aggregate will or could be reasonably expected to: <ol style="list-style-type: none"> <li>a. have the effect or result:               <ol style="list-style-type: none"> <li>i. of diminishing the:                   <ol style="list-style-type: none"> <li>A earnings before interest and tax as compared to the 12 month period prior to the change, event or occurrence; or</li> <li>B net assets of the Central Group (taken on a consolidated basis) by 10% or more; or</li> </ol> </li> <li>ii. that any Central Group Member is unable to carry on its business in substantially the same manner as it is carried on at the date of the Central Scheme Deed;</li> </ol>               but does not include any changes, events, occurrences or matters:               <ol style="list-style-type: none"> <li>iii. expressly agreed to in writing by Macquarie MPVD prior to the relevant change, event, occurrence or matter;</li> <li>iv. was disclosed to Macquarie MPVD prior to signing of the Central Scheme Deed;</li> <li>v. that have been disclosed by Central in an announcement made by Central to ASX before the date of the Central Scheme Deed; or</li> </ol> </li> </ol>

TERM	MEANING
<b>Central Material Adverse Change Cont.</b>	<ul style="list-style-type: none"> <li>vi. arising from: <ul style="list-style-type: none"> <li>A changes in law or economic, political, regulatory or business conditions in Australia; or</li> <li>B a general deterioration in equity markets, interest rates, exchange rates or credit spreads, that impact the Central Group and its competitors in a similar manner;</li> </ul> </li> <li>vii. result in the termination of any Gas Supply Agreement, in each case to the effect that a Central Group Member is no longer a seller under the relevant Gas Supply Agreement; or</li> <li>viii. result in: <ul style="list-style-type: none"> <li>A the development of the NGP being cancelled or postponed by a period likely to exceed 12 months; or</li> <li>B Jemena Limited no longer continuing with the development of the NGP.</li> </ul> </li> </ul>
<b>Central Options</b>	options which have been issued by Central as at the date of the Central Scheme Deed to subscribe for Central Shares.
<b>Central Prescribed Occurrence</b>	<p>the occurrence of any of the following on or after the date of the Central Scheme Deed:</p> <ul style="list-style-type: none"> <li>a. any Central Group Member converts all or any of its shares or securities into a larger or smaller number of shares or securities;</li> <li>b. any Central Group Member resolves to reduce its share capital in any way;</li> <li>c. any Central Group Member: <ul style="list-style-type: none"> <li>i. enters into a buy-back agreement; or</li> <li>ii. resolves to approve the terms of a buy-back agreement under subsection 257C(1) or 257D(1) of the Corporations Act;</li> </ul> </li> <li>d. any Central Group Member issues shares, or grants or issues any options or rights for the issue of shares or other securities, or agrees to make such a grant or issue of a right or an option, other than the issue of Central Future Share Rights, and exercise of a Central Option, Central Share Right or Central Future Share Right before the Delivery Time on the Second Court Date where that Central Option, Central Share Right or Central Future Share Right was on issue immediately before the date of the Central Scheme Deed);</li> <li>e. any Central Group Member issues, or agrees to issue, convertible notes or any other security or instrument that is convertible into shares;</li> <li>f. any Central Group Member becomes insolvent;</li> <li>g. any Central Group Member makes any change to its constitution or convenes a meeting to consider a resolution to change a constitution of any Central Group Member;</li> <li>h. any Central Group Member makes any change to its accounting policies, other than as required by law;</li> <li>i. Central pays, declares, distributes or incurs a liability to make or pay a dividend, bonus or other share of its profits, income, capital or assets by way of a dividend or other form of distribution;</li> <li>j. any Central Group Member ceases, or threatens to cease to carry on the business conducted as at the date of the Central Scheme Deed or disposes, or agrees to dispose, of the whole, or a substantial part, of its business, assets or property;</li> <li>k. any disposal of shares, units in a trust or any other form of securities by a Central Group Member in any Central Group Member, other than to a Central Group Member that is a wholly owned subsidiary of Central;</li> <li>l. any Central Group Member creates or agrees to create, any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of its business, assets, property, shares or other form of securities other than a lien which arises by operation of law or legislation securing an obligation that is not yet due;</li> <li>m. any Central Group Member pays, agrees to pay or amends any agreement to pay any financial adviser any fee, cost or other form of compensation that is directly or indirectly payable as a result of, contingent on, or contingent with the Scheme;</li> <li>n. any Central Group Member issues, or agrees to issue, or grants an option to subscribe for debentures (as defined in section 9 of the Corporations Act);</li> </ul>

TERM	MEANING
<b>Central Prescribed Occurrence Cont.</b>	<ul style="list-style-type: none"> <li>o. except as required by law, any Central Group Member hires, extends, terminates or makes any material change to the terms of employment of or agreement with, or grants or pays any bonus, retention, severance or termination payment to, any director, executive, senior manager, other employee, contractor or agent of the Central Group;</li> <li>p. any Central Group Member enters into, amends, varies, assigns or otherwise transfers, or terminates or agrees to enter into, amend, vary, assign or otherwise transfer, or terminate any contract, shareholder agreement, joint venture agreement, farmin or farmout agreement, partnership, or commitment: <ul style="list-style-type: none"> <li>i. that is material to the Central Group;</li> <li>ii. relating to any rights or interests of any Central Group Member in relation to any Petroleum Tenement;</li> <li>iii. which has the effect of waiving any third party defaults which has a material financial impact on the Central Group or accepting as a compromise anything less than the full compensation due to the Central Group; or</li> <li>iv. with any related party of any Central Group Member (other than another Central Group Member);</li> </ul> </li> <li>q. any Central Group Member gives or agrees to give a financial benefit to any related party of any Central Group Member (other than another Central Group Member);</li> <li>r. any Central Group Member enters into a new shareholder agreement, joint venture agreement, farmin or farmout agreement or other similar agreement or arrangement;</li> <li>s. any Central Group Member acquires or disposes of, or offers or agrees or announces an intention to acquire or dispose of one or more companies, businesses, properties or assets if: <ul style="list-style-type: none"> <li>i. the total amount of: <ul style="list-style-type: none"> <li>A the consideration provided or to be provided (including both upfront and deferred consideration); and</li> <li>B any other expenditure, work or other commitments assumed, by (in the case of an acquisition) or to (in the case of a disposal) the Central Group in respect of any such acquisitions or disposals exceeds or would be reasonably likely to exceed \$1,000,000 in aggregate; or</li> </ul> </li> <li>ii. in the case of a disposal, it involves disposing of any legal or beneficial rights or interests of any Central Group Member in a Petroleum Tenement;</li> </ul> </li> <li>t. any Central Group Member undertakes, authorises (including through the approval of a work program and budget under a shareholder agreement, joint venture agreement, farmin or farmout agreement or other similar agreement or arrangement) or commits to provide funding in respect of any exploration, appraisal, development or production activities on or relating to any Petroleum Tenement;</li> <li>u. any Central Group Member enters into, offers to enter into, agrees to enter into or announces any intention to enter into any transaction, under which: <ul style="list-style-type: none"> <li>i. any third party would, or on the satisfaction of conditions would be entitled to, acquire any legal, beneficial or economic interest in or an overriding royalty interest, net profit interest, or other right to payment over or in respect of; or</li> <li>ii. there would be any diminution in the rights granted under or held by any Central Group Member in respect of, any Petroleum Tenement in which any Central Group Member holds a legal, beneficial or economic interest.</li> </ul> </li> </ul>

TERM	MEANING
<b>Central Prescribed Occurrence Cont.</b>	<p>v. any Central Group Member enters into, offers to enter into, agrees to enter into, or announces an intention to enter into:</p> <p>i. any transaction under which:</p> <p style="padding-left: 20px;">A the aggregate amount of all payments plus the value of any non-cash consideration to be provided by or to Central Group Members exceeds or is reasonably likely to exceed \$1,000,000 in aggregate; or</p> <p style="padding-left: 20px;">B any third party would, or on the satisfaction of conditions would be entitled to, acquire any legal, beneficial or economic interest in Petroleum from the Central Group's current or future operations or right to sell or market that Petroleum;</p> <p>ii. any agreement for the sale (including forward sales), lending, exchange or disposal by other means of Petroleum of any kind or under which a Central Group Member commits to utilise or to pay for the right to utilise any third party facility or other infrastructure; or</p> <p>iii. any swap, option, hedge, forward, futures, or similar transaction;</p> <p>w. any Central Group Member takes any action, or fails to take any action, which causes a Petroleum Tenement not to be in good standing and in full force and effect under the Petroleum Legislation;</p> <p>x. any Central Group Member does anything to affect the continuation and validity of any Authorisation upon which the business of the Central Group depends, or fails to renew any such Authorisation;</p> <p>y. any Central Group Member incurs or enters into, agrees to enter into, or announces an intention to enter into any agreement to incur borrowings or similar indebtedness owing to any entity other than another Central Group Member, including an agreement that amends or replaces any existing debt facility, or grants any loan or advance, or enters into any off balance sheet financing or assumes, guarantees or endorses the obligations of any person;</p> <p>z. any Central Group Member enters into, offers to enter into, agrees to enter into, or announces an intention to enter into:</p> <p>i. any gas sale agreement, gas supply agreement or gas transportation agreement; or</p> <p>ii. a contract or commitment which materially affects the ability of any Central Group Member to freely market its share of Petroleum from any Petroleum Tenement,</p> <p>aa. any Central Group Member institutes, settles or compromises any claim against it; or</p> <p>ab. any Central Group Member or Central Persons directly or indirectly authorising, committing or agreeing to take or announcing any of the actions referred to above,</p> <p>provided that a Central Prescribed Occurrence will not include any matter:</p> <p>ac. required to be done or procured by Central pursuant to the Central Scheme Deed or which is otherwise expressly contemplated by the Central Scheme Deed or the Scheme;</p> <p>ad. required to be done or procured by Central by any applicable laws, the Listing Rules or by any Regulatory Authority;</p> <p>ae. to the extent that matter is specifically accounted for in Central's budget and which has been previously disclosed to Macquarie MPVD;</p> <p>af. to the extent it is disclosed to Macquarie MPVD prior to signing of the Central Scheme Deed; or</p> <p>ag. the undertaking of which Central has first notified in writing to Macquarie MPVD and Macquarie MPVD has consented to in writing or otherwise has not objected to the matter within 5 Business Days of being so notified.</p>
<b>Central Scheme Deed</b>	the deed so entitled between Central and Macquarie MPVD dated 9 March 2017, a copy of which is attached to Central's ASX announcement of 10 March 2017 available at <a href="http://www.asx.com.au">www.asx.com.au</a> , as amended by the Variation Deed and otherwise as amended from time to time.
<b>Central Security</b>	a Central Share, Central Share Right, Central Future Share Right or Central Option.
<b>Central Share</b>	a fully paid ordinary share in the capital of Central.
<b>Central Shareholder</b>	a person holding one or more Central Shares.
<b>Central Share Rights</b>	rights to be issued or allocated Shares which have been granted by Central as at the date of the Central Scheme Deed pursuant to:
	a. the Central Long Term Incentive Plan Policy approved on 23 March 2015; or
	b. the Central Long Term Incentive Plan Policy approved on 16 December 2015.

TERM	MEANING
<b>Central Share Register</b>	the register of members of Central maintained by the Central Share Registry in accordance with the Corporations Act.
<b>Central Share Registry</b>	Computershare Investor Services Pty Limited ABN 48 078 279 277.
<b>CGT</b>	Australian Capital Gains Tax.
<b>COAG</b>	the Energy Council of the Council of Australian Governments.
<b>Competing Proposal</b>	<p>any proposal, offer or transaction by a third party (other than Macquarie MPVD or any of its Related Bodies Corporate) that, if completed, would mean:</p> <ol style="list-style-type: none"> <li>a person would acquire a relevant interest or voting power in 10% or more of the Central Shares or of the securities of any Central Group Member;</li> <li>a person would enter into any synthetic, economic or derivative transaction connected with or relating to 10% or more of the Central Shares or of the securities of any Central Group Member;</li> <li>a person would directly or indirectly acquire or obtain an interest (including an economic interest) in all or a substantial part or material part of the business conducted by, or assets or property of, Central or any Central Group Member;</li> <li>a person would acquire Control of Central or any Central Group Member;</li> <li>a person may otherwise acquire, or merge with, Central or any Central Group Member (including by way of takeover bid, scheme of arrangement, capital reduction, buy-back, sale of assets, sale of securities, strategic alliance, dual listed company structure, joint venture or partnership); or</li> <li>Central will issue 10% or more of its capital as consideration for the assets or share capital of another person,</li> </ol> <p>or any proposal by Central to implement any reorganisation of capital or any proposal, offer or transaction that is similar in structure to, or that would be reasonably regarded as being an alternative proposal to, the Scheme. Each successive modification or variation to the fundamental commercial terms of any proposal, offer or transaction in relation to a Competing Proposal will constitute a new Competing Proposal.</p>
<b>Conditions Precedent</b>	each of the conditions set out in clause 3.1 of the Central Scheme Deed and which are summarised in Section 8.1(b).
<b>Contingent Value Notes</b>	the Contingent Value Notes which form part of the Scheme Consideration to be issued by the Note Issuer on the Implementation Date under the Note Trust Deed.
<b>Control</b>	has the meaning given in section 50AA of the Corporations Act.
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth).
<b>Corporations Regulations</b>	the <i>Corporations Regulations 2001</i> (Cth).
<b>Court</b>	the Supreme Court of Queensland or such other court of competent jurisdiction determined by Central (after consultation, in good faith, with Macquarie MPVD).
<b>Custodian</b>	Equity Trustees AFSL 240975 or its replacement from time to time, being the custodian appointed by Macquarie MPVD to hold the Custodian CVNs, on behalf of Macquarie MPVD
<b>Custodian CVNs</b>	such number of Contingent Value Notes that is equal to the number of Scheme Shares held by all Ineligible Foreign Shareholders as at the Record Date.
<b>Custody Agreement</b>	the agreement entered into between Macquarie MPVD, the Note Issuer and Equity Trustees, under which Macquarie MPVD appoints the Custodian to hold the Custodian CVNs on behalf of Macquarie MPVD.
<b>Deed Poll</b>	a deed poll substantially in the form of Attachment B to this Scheme Booklet.
<b>Delivery Time</b>	in relation to the Second Court Date, not later than 2 hours before the commencement of the hearing or if the commencement of the hearing is adjourned, the commencement of the adjourned hearing, of the Court to approve the Scheme in accordance with section 411(4)(b) of the Corporations Act.
<b>Determination Date</b>	The date that is four years after the Implementation Date
<b>Effective</b>	when used in relation to the Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the order of the Court made under paragraph 411(4)(b) of the Corporations Act in relation to the Scheme.
<b>Effective Date</b>	the date on which the Scheme becomes Effective.

<b>TERM</b>	<b>MEANING</b>
<b>End Date</b>	the later of: <ul style="list-style-type: none"> <li>a. six months from the date of the Central Scheme Deed; and</li> <li>b. such other date and time agreed in writing between Central and Macquarie MPVD.</li> </ul>
<b>Enforcement Action</b>	under the Note Trust Deed, means: <ul style="list-style-type: none"> <li>a. taking action in relation to the enforcement of an Event of Default;</li> <li>b. requiring the Note Issuer to take action in relation to an Event of Default, including steps to remedy such Event of Default;</li> <li>c. bringing a claim against the Note Issuer in relation to an Event of Default;</li> <li>d. entering into any agreement or arrangement with the Note Issuer in relation to an Event of Default; or</li> <li>e. petitioning, applying or voting for, or taking any steps (including the appointment of any liquidator, receiver, administrator or similar officer) in relation to the winding up, dissolution, administration or reorganisation of the Note Issuer.</li> </ul>
<b>Equity Trustees</b>	Equity Trustees Limited ABN 46 004 031 298, Equity Trustees holds an Australian financial services licence, licence number AFSL 240975.
<b>Event of Default</b>	has the meaning given to it in Section 4.5(b).
<b>Excluded Share</b>	a Central Share held by an Excluded Shareholder as at the Record Date.
<b>Excluded Shareholder</b>	when used in relation to the Scheme or Scheme Resolution, Macquarie MPVD and its associates, but excluding MIML acting in the capacities listed in Section 6.5(a).
<b>Exclusivity Period</b>	the period commencing on the date of the Central Scheme Deed and ending on the earliest of: <ul style="list-style-type: none"> <li>a. the End Date;</li> <li>b. the Effective Date; and</li> <li>c. the date the Central Scheme Deed is terminated.</li> </ul>
<b>Farmout Agreement</b>	the Farmout Agreement between Central and Santos QNT Pty Ltd dated 28 September 2012, as amended.
<b>First Court Date</b>	the first day on which an application made to the Court for orders under section 411(1) of the Corporations Act convening the Scheme Meeting is heard.
<b>Freestone</b>	Freestone Energy Partners Pty Ltd.
<b>Gas Supply Agreement</b>	include: <ul style="list-style-type: none"> <li>a. the gas supply agreement dated 9 March 2012 for the sale and purchase of gas between McArthur River Mining Pty Ltd as buyer and the owners of the Mereenie gas field as sellers; or</li> <li>b. the gas sale and purchase agreement dated 12 September 2013 for the sale of gas between Power and Water Corporation as buyer and Central Petroleum (NT) Pty Ltd as seller,</li> </ul> in each case as amended at the date of the Central Scheme Deed.
<b>GRR</b>	Geoscience Resource Recovery, LLC.
<b>GST</b>	Australian Goods and Services Tax.
<b>Implementation Date</b>	the fifth Business Day after the Record Date, or such other date after the Record Date agreed to in writing between Central and Macquarie MPVD.
<b>Independent Expert</b>	Ernst & Young Transaction Advisory Services Limited ACN 003 599 844.
<b>Independent Expert's Report</b>	the report in respect of the Scheme prepared and issued by the Independent Expert for inclusion in the Scheme Booklet (or any update or variation to that report) and which is contained in Attachment A.
<b>Independent Technical Specialist</b>	RISC Operations Pty Ltd ACN 150 789 030.
<b>Independent Resource Assessor</b>	the Independent Resource Assessor to be appointed in accordance with the Note Trust Deed, as further described in Section 4.5.
<b>Ineligible Foreign Shareholder</b>	a Scheme Shareholder whose address shown in the Central Share Register is a place outside Australia and its external territories unless Macquarie MPVD determines it is lawful and not unduly onerous or impractical to issue to that Scheme Shareholder with Contingent Value Notes when the Scheme becomes Effective.
<b>Last Practicable Date</b>	21 April 2017, being three clear Business Days prior to the First Court Date.

TERM	MEANING
<b>Letter of Support</b>	The binding letter of support, executed as a deed, given by Macquarie MPVD to the Note Issuer more particularly described in Section 4.1(e)
<b>Listing Rules</b>	the official listing rules of ASX.
<b>Macquarie Group or MQG</b>	Macquarie Group Limited ACN 122 169 279. (ASX: MQG).
<b>Macquarie MPVD</b>	Macquarie MPVD Pty Limited ACN 616 486 983.
<b>Macquarie MPVD Entity</b>	<ul style="list-style-type: none"> <li>a. Macquarie MPVD;</li> <li>b. the Note Issuer;</li> <li>c. the Note Guarantor; and</li> <li>d. a Related Body Corporate of Macquarie MPVD, the Note Issuer or the Note Guarantor.</li> </ul>
<b>Macquarie MPVD Information</b>	<p>the information contained in:</p> <ul style="list-style-type: none"> <li>a. the answers to the following questions in Section 1: <ul style="list-style-type: none"> <li>i. "When will I receive the Contingent Value Notes?"</li> <li>ii. "Who is Macquarie MPVD?"</li> <li>iii. "How will Macquarie MPVD fund the Scheme Consideration?"</li> <li>iv. "What are Macquarie MPVD's intentions for Central?"</li> <li>v. "Why is Macquarie MPVD buying Central?"</li> <li>vi. "What are Macquarie MPVD's other interests in Central securities and assets?"</li> <li>vii. "What are the Contingent Value Notes?"</li> <li>viii. "Who is the Note Issuer?"</li> <li>ix. "Who will be issued Contingent Value Notes?"</li> <li>x. "What if I am an Ineligible Foreign Shareholder?"</li> <li>xi. "What is the Note Trust Deed and what are the rights attaching to the Contingent Value Notes?"</li> <li>xii. "How much will I receive for my Contingent Value Notes?"</li> <li>xiii. "What if I disagree with the determination of the Independent Resource Assessor?"</li> <li>xiv. "When will I receive payment for the Contingent Value Notes?"</li> <li>xv. "What are the Redemption Conditions?"</li> <li>xvi. "What are Macquarie MPVD's intentions in relation to the Relevant Assets?"</li> <li>xvii. "Can Macquarie MPVD or its Subsidiaries sell the Relevant Assets? What happens if it does so?"</li> <li>xviii. "After I am issued Contingent Value Notes will I receive additional information about my investment?"</li> <li>xix. "Who is the Note Guarantor?"</li> <li>xx. "Who is the Note Trustee?"</li> <li>xxi. "Are the Contingent Value Notes listed?"</li> <li>xxii. "Are the Contingent Value Notes transferable?"</li> <li>xxiii. "Will Macquarie MPVD vote any Central Shares that it holds at the Scheme Meeting?"</li> </ul> </li> <li>b. Section 4 (other than Sections 4.9 and 4.10);</li> <li>c. Section 6;</li> </ul>

TERM	MEANING
<b>Macquarie MPVD Information Cont.</b>	<p>d. the following definitions in this Section 10.1 (including this definition):</p> <ul style="list-style-type: none"> <li>i. 'Contingent Value Notes';</li> <li>ii. 'Custodian';</li> <li>iii. 'Custodian CVNs';</li> <li>iv. 'Deed Poll';</li> <li>v. 'Determination Date';</li> <li>vi. 'Enforcement Action';</li> <li>vii. 'Equity Trustees';</li> <li>viii. 'Event of Default';</li> <li>ix. 'Independent Resource Assessor';</li> <li>x. 'Letter of Support';</li> <li>xi. 'Macquarie MPVD';</li> <li>xii. 'Macquarie MPVD Entity';</li> <li>xiii. 'MIML';</li> <li>xiv. 'Noteholder'</li> <li>xv. 'Note Guarantor';</li> <li>xvi. 'Note Issuer';</li> <li>xvii. 'Notes Register';</li> <li>xviii. 'Note Trust Deed';</li> <li>xix. 'Note Trustee';</li> <li>xx. 'MBL';</li> <li>xxi. 'MQG';</li> <li>xxii. 'Redemption Amount';</li> <li>xxiii. 'Redemption Conditions';</li> <li>xxiv. 'Relevant Assets';</li> <li>xxv. 'Relevant Equity Interest'; and</li> <li>xxvi. 'Yearly Asset Report'.</li> </ul>
<b>MBL</b>	Macquarie Bank Limited ACN 008 583 542.
<b>MIML</b>	Macquarie Investment Management Ltd ACN 002 867 003.
<b>Mount Kitty Discovery</b>	has the meaning given to that term in the definition of Relevant Assets.
<b>NGP</b>	Northern Gas Pipeline.
<b>Non-Resident</b>	a Central Shareholder who is not a Resident and who does not hold their Central Shares through a permanent establishment in Australia.
<b>Note Guarantor</b>	Macquarie Financial Holdings Pty Limited ACN 124 071 398.
<b>Noteholder</b>	in relation to a Contingent Value Note, means, at any time, the person whose name is entered into the Notes Register as the holder of that Contingent Value Note.
<b>Note Issuer</b>	Macquarie Amadeus Pty Limited ACN 617 817 893.
<b>Notes Register</b>	register of persons who hold Contingent Value Notes required to be kept and updated by or on behalf of the Note Issuer in accordance with the Corporations Act.
<b>Note Trust Deed</b>	the deed entered into between Macquarie MPVD, the Note Guarantor, the Note Issuer and the Note Trustee in the form of Attachment C to this Scheme Booklet.
<b>Note Trustee</b>	Equity Trustees Limited ABN 46 004 031 298, AFSL 240975 or its Related Body Corporate.
<b>Notice of Scheme Meeting</b>	the notice of meeting relating to the Scheme Meeting to be held on 5 June 2017 which is contained in Attachment E.
<b>Origin</b>	Origin Securities Pty Limited ACN 086 570 738.
<b>Record Date</b>	7.00pm (AEST) on 14 June 2017 or such other date as Central and Macquarie MPVD agree.

TERM	MEANING
<b>Redemption Amount</b>	<p>means the amount calculated by the Independent Resource Assessor or Independent Resource Assessors (as the case may be) in accordance with the following formula:</p> <p style="text-align: center;"><i>Redemption Amount = the total value of the Contingent Value Notes (see Section 4.3(b)), calculated in accordance with the Trust Deed being no more than \$90 million / the total number of Central Shares on issue as at the Record Date</i></p> <p>rounded up or down to the nearest five decimal places and if there are two Independent Resource Assessors, the average of the Redemption Amounts rounded up or down to the nearest five decimal places.</p>
<b>Redemption Conditions</b>	has the meaning given to that term in Section 4.3(a).
<b>Regulatory Authority</b>	<p>a. any government or local authority, any department, minister or agency of any government and any other governmental, administrative, fiscal, monetary or judicial body; and</p> <p>b. any other authority, agency, commission or similar entity having powers or jurisdiction under any law or regulation or the listing rules of any recognised stock or securities exchange.</p>
<b>Related Body Corporate</b>	has the meaning given in section 50 of the Corporations Act.
<b>Related Persons</b>	<p>in relation to a person:</p> <p>a. that person's associates; and</p> <p>b. that person's Related Bodies Corporate (if any) and their respective officers, employees, advisers and agents.</p>
<b>Relevant Assets</b>	<p>each of the following located in the Amadeus Basin of the Northern Territory, Australia:</p> <p>a. EP82 (excluding the EP 82 sub-blocks, being graticular blocks SG53-20, SG53-21, SG53-22, SG53-23, SG53-92, SG53-93, SG53-94, SG53-95, SG53-164, SG53-165, SG53-169, SG53-170, SG53-171, SG53-241, SG53-242, SG53-243, SG53-311, SG53-312, SG53-313 and SG53-314);</p> <p>b. EP105; and</p> <p>c. EP112,</p> <p>(together the <b>Southern Amadeus Farmout</b>);</p> <p>d. the Mount Kitty discovery, contained within graticular blocks SG53 1162, SG53 1163, SG53 1164, SG53 1233, SG53 1234, SG53 1235, SG53 1236, SG53 1305, SG53 1306, SG53 1307, SG53 1308 within EP125 (the <b>Mount Kitty Discovery</b>);</p> <p>e. RL3 and RL4 (the Ooraminna Permits); and</p> <p>f. the hydrocarbon prospect located in the Arumbera Sandstone Formation within OL3 (the Palm Valley Deep Prospect).</p>

TERM	MEANING
<b>Relevant Equity Interest</b>	<p>for any given Relevant Asset, subject to paragraphs (d) to (h) in this definition, will be (in each case expressed as a percentage):</p> <ol style="list-style-type: none"> <li>for each of the Ooramina Permits and the Palm Valley Deep Prospect, Central's current net working interest in the Relevant Asset, as at the date of the Central Scheme Deed, being 100%;</li> <li>for the Mount Kitty Discovery, Central's net working interest in the Relevant Asset as at the Determination Date, and being 30% as at the date of the Central Scheme Deed, provided that where Macquarie MPVD (or any of its subsidiaries) elects not to participate in a development proposal proposed by the operator (which is subsequently developed as a sole risk development) then the relevant net working interest will be that applicable as at the Determination Date; and</li> <li>for each of the Relevant Assets within the Southern Amadeus Farmout, Central's current net working interest in the Relevant Asset as at the Determination Date, but assessed as if the terms of the Farmout Agreement are as they are drafted as at the date of the Central Scheme Deed, and disregarding any amendments to the Farmout Agreement or any new agreements entered into after the date of the Central Scheme Deed which would have the effect of altering Central's net interest in the Relevant Asset,</li> </ol> <p>where:</p> <ol style="list-style-type: none"> <li>Relevant Equity Interest cannot be less than zero;</li> <li>if before the Determination Date any petroleum tenement or petroleum tenement area with respect to a Relevant Asset is relinquished to the government for nil or nominal consideration, the Relevant Equity Interest for that petroleum tenement or petroleum tenement area will be zero;</li> <li>for any Relevant Asset which is subject to a joint operating agreement, if before the Determination Date a Central Subsidiary which owns a Relevant Asset withdraws from the joint operating agreement for nil or nominal consideration, the Relevant Equity Interest for the Relevant Asset will be zero;</li> <li>if before the Determination Date any Petroleum Tenement or Petroleum Tenement area with respect to a Relevant Asset is disposed of, for nil or nominal consideration, the Relevant Equity Interest for that Petroleum Tenement or Petroleum Tenement area will be zero; and</li> <li>if before the Determination Date any petroleum tenement or petroleum tenement area with respect to a Relevant Asset is disposed of for valuable consideration, the Relevant Equity Interest for that petroleum tenement or petroleum tenement area will be the interest of the Central Subsidiary which owns the Relevant Asset immediately prior to the disposal.</li> </ol>
<b>Relevant Interest</b>	has the meaning given in sections 608 and 609 of the Corporations Act.
<b>Representative</b>	<p>in relation to an entity:</p> <ol style="list-style-type: none"> <li>each of the entity's Related Entities; and</li> <li>each of its and its Related Entities' respective directors, officers, trustees, employees, contractors, Advisers and agents, but excluding the Independent Expert.</li> </ol>
<b>Resident</b>	a resident of Australia for Australian income tax purposes.
<b>Requisite Majority</b>	in relation to the Scheme Resolution, a majority in number (more than 50%) of Central Shareholders (other than the Excluded Shareholders) present and voting at the Scheme Meeting and at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Central Shareholders (other than the Excluded Shareholders) present and voting at the Scheme Meeting.
<b>Santos</b>	has the meaning given to that term in Section 4.9(b).
<b>Scheme</b>	the scheme of arrangement under Part 5.1 of the Corporations Act between Central and the Scheme Shareholders, the form of which is attached as Attachment D, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by Macquarie MPVD and Central.
<b>Scheme Booklet</b>	this booklet, including the attachments to it.
<b>Scheme Consideration</b>	<p>the consideration payable by Macquarie MPVD to Central (as agent for each Scheme Shareholder) for the transfer to Macquarie MPVD of each Scheme Share, being, for each Central Share held by a Scheme Shareholder as at the Record Date:</p> <ol style="list-style-type: none"> <li>20 cents; and</li> <li>one Contingent Value Note,</li> </ol> <p>per Scheme Share. Ineligible Foreign Shareholders will not be issued any Contingent Value Notes and will instead receive the Redemption Amount under the Contingent Value Notes (if any) as set out in Section 4.6.</p>

TERM	MEANING
<b>Scheme Meeting</b>	the meeting of Central Shareholders (other than the Excluded Shareholders) ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on the Scheme, currently scheduled to occur at 10.30am (AEST) on 5 June 2017 at Christie Conference Centre, The Caribbean Room, Level 1, 320 Adelaide Street, Brisbane, QLD 4000, and includes any meeting convened following any adjournment or postponement of that meeting.
<b>Scheme Voting Form</b>	a voting form for the Scheme Meeting which accompanies this Scheme Booklet or which is available from the Central Share Registry allowing eligible Central Shareholders to vote directly or to appoint up to two proxies.
<b>Scheme Resolution</b>	the resolution set out in the Notice of Scheme Meeting to approve the terms of the Scheme.
<b>Scheme Shareholder</b>	a person registered as a Central Shareholder at the Record Date, other than an Excluded Shareholder.
<b>Scheme Shares</b>	all Central Shares held by the Scheme Shareholders as at the Record Date.
<b>Second Court Date</b>	the day on which the Court makes an order pursuant to section 411(b) of the Corporations Act approving the Scheme, with such hearing being the <b>Second Court Hearing</b> .
<b>Southern Amadeus Farmout</b>	has the meaning given to that term in the definition of Relevant Assets.
<b>Subsidiaries</b>	has the meaning given in Division 6 of Part 1.2 of the Corporations Act.
<b>Superior Proposal</b>	a bona fide Competing Proposal which a majority of the members of the Central Board determine, acting in good faith and in order to satisfy what the members of the Central Board reasonably consider to be their fiduciary or statutory duties, would, if completed substantially in accordance with its terms, be likely to result in a transaction more favourable to Central Shareholders than the Proposed Transaction having regard to all relevant matters including consideration, conditionality, funding, certainty and timing.
<b>Transaction</b>	the acquisition by Macquarie MPVD of all Central Shares other than the Excluded Shares through the implementation of the Scheme.
<b>Variation Deed</b>	the deed so entitled between Central and Macquarie MPVD dated 26 April 2017 amending the Central Scheme Deed, a copy of which is in Attachment G to this Scheme Booklet.
<b>Vertigan Report</b>	the report entitled 'Examination of the current test for the regulation of gas pipelines' dated 14 December 2016, by Dr Michael Vertigan AC, the Executive Summary and Recommendations of which are contained in Attachment F.
<b>VWAP</b>	volume weighted average price.
<b>Yearly Asset Report</b>	has the meaning given to that term in Section 4.5(f).

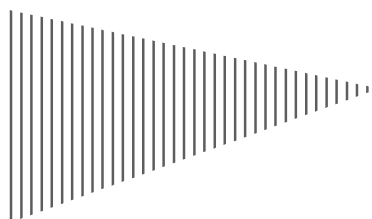
## 10.2 INTERPRETATION

In this Scheme Booklet, unless the context otherwise appears:

- a. words and phrases have the same meaning (if any) given to them in the Corporations Act;
- b. words importing a gender include any gender;
- c. words importing the singular include the plural and vice versa;
- d. an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- e. a reference to a Section or attachment is a reference to a section of and an attachment to this Scheme Booklet as relevant;
- f. a reference to any statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances, or by laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- g. headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;
- h. a reference to time is a reference to Australian Eastern Standard Time (AEST);
- i. a reference to writing includes facsimile transmissions; and
- j. a reference to dollars, \$, A\$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

# **ATTACHMENT A**

## **INDEPENDENT EXPERT'S REPORT**



## **Independent Expert’s Report and Financial Services Guide**

In relation to the proposed scheme of arrangement between Central Petroleum Limited and Macquarie MPVD Pty Ltd

28 April 2017



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## Part 1 – Independent Expert’s Report

The Directors  
Central Petroleum Limited  
Level 7, 369 Ann Street  
Brisbane QLD 4000

28 April 2017

Dear Directors

### Proposed scheme of arrangement with Macquarie MPVD Pty Ltd

#### Background

On 10 March 2017 (“Announcement Date”), Central Petroleum Limited (“Central” or the “Company”) announced that Macquarie MPVD Pty Limited (“Macquarie MPVD”) proposed to acquire 100% of the shares in Central not held by Macquarie MPVD or its related bodies corporate (as defined under section 50 of the *Corporations Act 2001* (“The Act”)), by way of a Scheme of Arrangement (“Proposed Scheme”). One of the conditions precedent to the Proposed Scheme is the approval by holders of ordinary shares in Central (“Central Shares”) (“Central Shareholders”).

Under the Proposed Scheme, Central Shareholders will receive cash consideration of 20 cents for every Central Share held, and one Contingent Value Note (“CVN”)<sup>1</sup>, issued by Macquarie Amadeus Pty Limited (“MAL”), for every Central Share held as at the record date of the Proposed Scheme (the “Scheme Consideration”). The issue of the CVNs are contingent on the “best technical estimate” of gas within select exploration stage assets (the “Relevant Assets”) at a future date and will take the form of unlisted, unsecured, non-transferrable notes in MAL. The CVNs will be paid four years after the successful implementation of the Proposed Scheme, and after the “best technical estimate” is provided by an approved technical specialist.

Central Shareholders are to consider a resolution seeking approval of the Proposed Scheme at a general meeting of the Company that is to be held on or about 5 June 2017 (the “Scheme Meeting”). If the Proposed Scheme is approved and all the other conditions precedent are satisfied or waived (if applicable), the acquisition of Central Shares by Macquarie MPVD will occur, and Central will no longer be listed on the Australian Securities Exchange (“ASX”). We recommend that Central Shareholders read Central’s scheme booklet (“Scheme Booklet”) to obtain a full understanding of the Proposed Scheme.

#### Requirement for an independent expert’s report

We understand that there is no regulatory requirement for an independent expert’s report (“IER”) to be provided to shareholders in relation to the Proposed Scheme. Notwithstanding, the Directors of Central have engaged Ernst & Young Transaction Advisory Services Limited (“EY Transaction Advisory Services”) to prepare this IER in relation to the Proposed Scheme as if such a report was required under the *Corporations Regulations 2001* (the “Regulations”).

Accordingly, we have prepared this IER to set whether, in our opinion, the Proposed Scheme is fair and reasonable, and in the best interests of Central Shareholders. Our report is to be included in the Scheme Booklet being sent to Central Shareholders in respect of the Scheme Meeting.

<sup>1</sup> CVNs will not be issued to Ineligible Foreign Shareholders but instead to a Custodian (as defined in the Central Scheme Deed). Upon payment of the redemption amount these shareholders will receive a cash amount from the Custodian in respect of the CVN.

## Approach

Neither the Act nor the Regulations define the term “in the best interests of”. The Australian Securities and Investments Commission (“ASIC”) has issued Regulatory Guide 111: *Content of expert reports* (“RG 111”) which provides guidance as to what matters an independent expert should consider when determining whether or not a particular transaction is in the best interests of shareholders.

A key matter under RG 111 that an expert needs to consider when determining the appropriate form of analysis is whether or not the effect of the transaction is comparable to a takeover offer and is therefore representative of a “control transaction”.

If the Proposed Scheme is approved and implemented, Central Shareholders other than Macquarie MPVD will cease to own any shares in Central, and Macquarie MPVD will own 100% of the shares in Central. As such, the Proposed Scheme represents a control transaction.

In the circumstance of a scheme that achieves the same outcome as a takeover offer, RG 111 suggests that the form of the analysis undertaken by the independent expert should be substantially the same as for a takeover offer. IERs required under the Act in the circumstance of a takeover are required to provide an opinion as to whether or not the takeover offer is “fair and reasonable”. While there is no definition of “fair and reasonable”, RG 111 provides some guidance as to how the term should be interpreted in a range of circumstances. With respect to a takeover offer:

- ▶ An offer is “fair” if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer.
- ▶ An offer is “reasonable” if it is fair. It might also be “reasonable” if, despite being “not fair”, the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111 states that, in the case of a scheme, if an expert can conclude that an offer is “fair and reasonable” then he or she will be able to conclude that the scheme is in the “best interests” of shareholders.

RG 111 states that the comparison of the value of the consideration and the value of the securities subject to a takeover offer is to be made assuming 100% ownership of the target and it is “inappropriate to apply a discount on the basis that the shares being acquired represent a minority or portfolio parcel of shares”.

## Summary of opinion

### ***Fairness and reasonableness of the Proposed Scheme***

We have determined whether the Proposed Scheme is fair by comparing the assessed value of a Central Share, on a controlling interest basis, to the assessed value of the Scheme Consideration that will be received by Central Shareholders in the event that the Proposed Scheme is approved and implemented.

We adopted a sum-of-the-parts approach to value Central and our assessed range of values is set out in section 7. The value of a Central Share has been assessed on a fully diluted basis.

We have valued the Scheme Consideration based on the up-front cash payment, plus the present value of expected future cash payments from the CVNs. This analysis is set out in section 8.

The table below presents a summary of the assessed value of the Scheme Consideration and a Central Share.

Evaluation of the fairness of the Proposed Scheme			
	Ref	Low	High
Value of a Central Share on a controlling interest basis (cents/share)	Section 7	15.0	20.5
Cash consideration (cents/share)	Section 8	20.0	20.0
Value of a Contingent Value Note (cents/share)	Section 8	0.6	1.7
Value of Scheme Consideration (cents/share)		20.6	21.7

Source: EY Transaction Advisory Services analysis

As the Scheme Consideration exceeds the range of assessed values of a Central Share, we consider the terms of the Proposed Scheme to be fair. Under the guidance provided by RG 111, as we consider the terms of the Proposed Scheme to be fair, we also consider the terms to be reasonable, and accordingly, in the best interests of Central Shareholders.

#### **Other factors**

Notwithstanding the above conclusion that the terms of the Proposed Scheme are fair and reasonable, we have also considered other factors that Central Shareholders should consider in forming their views as to whether or not to vote in favour of the Proposed Scheme.

Individual Central Shareholders may interpret these factors differently depending on their own circumstances.

Listed below is a summary of these other factors and Central Shareholders should refer to section 9 for further explanation.

#### **Advantages**

*Central Shareholders are receiving a premium to the price of Central Shares prior to the announcement of the Proposed Scheme*

The last traded price of Central Shares on 9 March 2017, the day prior to the Announcement Date, was 16.5 cents per share. On 13 November 2016, the day prior to the date of the announcement of Macquarie MPVD's initial takeover offer for Central (the "Initial Announcement"), Central Shares traded at 13.5 cents. Our midpoint valuation of the Scheme Consideration therefore represents a 56.7% premium to Central Shares prior to the Initial Announcement. The share price prior to the Initial Announcement date does not reflect any distortion of a takeover bid.

*Central Shareholders will continue to have exposure to the Central exploration assets*

Should further exploration realise economically recoverable resources in the Relevant Assets, the Central Shareholders have exposure to potential upside through the CVNs. Further, the nature of the CVNs mean that Central Shareholders will not bear the inherent risks associated with additional capital expenditure required to realise the resources.

*The Proposed Scheme provides liquidity*

The cash consideration offered as part of the Proposed Scheme represents an opportunity for Central Shareholders to access liquidity in their shares.

#### *Removal of exposure to near-term capital expenditure requirements*

Central requires significant expenditure to be incurred before 2018 in order to fund ramp-up of production from existing operations, to allow Central to access the East Coast gas market. Based on historical cash burn from operations, and the amount of cash currently held by Central, the Company does not have sufficient capital to meet these capital requirements. Any further capital raising will likely be dilutive to Central Shareholders, unless Central Shareholder participate equally in any capital raising.

#### *Removal of exposure to contingent liabilities*

Central is currently in an ongoing legal dispute which has been noted as a contingent liability in its financial statements. If the Proposed Scheme is approved and implemented, Central Shareholders will no longer have exposure to any potential future liabilities associated with this dispute. Further details with regard to this dispute are contained in section 4.2.4 and section 9.3.1.5.

### **Disadvantages**

#### *CVNs do not provide up-front liquidity*

The CVNs are unlisted, unsecured, non-transferrable notes, the value of which (if any) will only be realised four years after the implementation of the Proposed Scheme. Central Shareholders will not be able to sell CVNs prior to the realisation date, and therefore will not be able to realise any value in the CVN's until that time. There may also be up-front tax implications to the Central Shareholders, as the value of the CVNs at the date of issuance, will form part of the capital proceeds received for the disposal of Central Shares. See section 9.3 of the Scheme Booklet for further details.

#### *Exposure to future upside is limited*

Other than the CVNs, the payout from which is capped at \$90.0 million in total (approximately 19.6 cents per CVN), if the Proposed Scheme is approved and implemented, Central Shareholders will not receive the benefit of any future increases in value of the portfolio as a result of exploration success or market movements.

#### *Macquarie MPVD has no obligation to explore*

Our valuation of the CVNs assumes that exploration activity is undertaken in respect of the Relevant Assets. Other than the commitments that Santos Limited ("Santos") has in accordance with the Southern Amadeus farmin, there are no other legal requirements for Macquarie MPVD to undertake exploration activity in respect of the Relevant Assets. If no exploration activity is undertaken, then the technical expert appointed four years after implementation of the Proposed Scheme is unlikely to have sufficient information to estimate an economically recoverable resource. This would mean no money would be payable in respect of the CVNs.

### **Other factors**

In addition to the advantages and disadvantages outlined above, we have also considered the following:

#### *Potential for alternative superior proposals to emerge*

While it is possible that an alternative proposal involving Central may emerge, we note that since the announcement of the Proposed Scheme, no superior proposals have been received and the Directors of Central are not aware of any potential superior alternative proposal likely to emerge.

#### *If the Proposed Scheme is not approved and implemented the Central share price is likely to fall below current trading levels*

If the Proposed Scheme is not approved and implemented, and in the absence of an alternative transaction, Central will continue to operate in its current form and be listed on the ASX. As a consequence Central

Shareholders will maintain ownership of Central Shares but will not receive any cash consideration or CVNs. Previously discussed advantages and disadvantages of the proposal will also not be realised other than the payment of estimated \$2.0 million one-off transaction costs. Further, in these circumstances there is a risk that the price of Central Shares may fall back towards levels experienced prior to the Initial Announcement closing price of 13.5 cents per share.

#### *Tax consequences*

There may be certain tax implications for individual Central Shareholders in connection with the Proposed Scheme if it is approved and implemented. The exact nature and impact is uncertain and will depend upon the profile of each Central Shareholder. These specific consequences need to be borne in mind by each Central Shareholder in weighing up the merits of the Proposed Scheme. As such, Central Shareholders should refer to section 9.3 of the Scheme Booklet.

#### *Costs associated with the Proposed Transaction*

In addition to a reimbursement fee of \$918,392 which may be paid to Macquarie MPVD in certain circumstances, Central estimates that it will have incurred or committed to incur one-off transaction costs totalling \$2.0 million in relation to the Proposed Scheme. A significant proportion of these transaction costs will be payable by Central regardless of whether the Proposed Scheme is approved and implemented.

#### **Conclusion**

Taking into consideration the matters detailed in this IER, in the opinion of EY Transaction Advisory Services, in the absence of a superior offer, the Proposed Scheme is fair and reasonable and therefore is in the best interests of Central Shareholders.

#### **Other matters**

This IER has been prepared specifically for Central Shareholders. Neither EY Transaction Advisory Services, EY nor any employee thereof undertakes responsibility to any person, other than Central Shareholders, in respect of this report, including any errors or omissions howsoever caused.

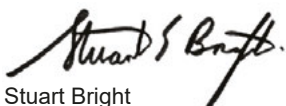
This IER constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of Central Shareholders. The decision as to whether to vote in favour of or against the Proposed Scheme is a matter for individual Central Shareholders. Central Shareholders should have regard to the Scheme Booklet prepared by the Directors and the Company management. Central Shareholders who are in doubt as to the action they should take in relation to the Proposed Scheme should consult their own professional adviser.

Our opinion is made as at the date of this letter and reflects circumstances and conditions as at that date. This letter must be read in conjunction with the full IER as attached. All amounts are in Australian dollars (“\$”) unless otherwise stated.

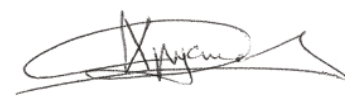
EY Transaction Advisory Services has prepared a Financial Services Guide in accordance with the Act. The Financial Services Guide is included as Part 2 of this report.

Yours faithfully

Ernst & Young Transaction Advisory Services Limited



Stuart Bright  
Director and Representative



Evgeny Khrustalev  
Director and Representative

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# 1. Introduction

## 1.1 Overview of the Proposed Scheme

The Proposed Scheme, whereby Macquarie MPVD has proposed to acquire 100% of Central by way of a scheme of arrangement, was recommended to Central Shareholders by the Directors of Central on the Announcement Date.

One of the conditions precedent to the Proposed Scheme is the approval by Central Shareholders. The vote to approve the Proposed Scheme will occur at the Scheme Meeting to be held on or about 5 June 2017.

Should the Proposed Scheme be implemented, Central Shareholders (excluding Macquarie MPVD and its related bodies corporate) will receive the following Consideration for every Central Share held at the record date of the Proposed Scheme:

- (i) A cash payment of 20 cents.
- (ii) One CVN. The CVNs will take the form of unlisted, unsecured, non-transferrable notes in MAL. These notes have no voting rights or rights on winding up, and will be paid four years after the successful implementation of the Proposed Scheme subject to certain conditions.

The terms of the CVN are set out in the note trust deed. A summary of the key terms of the CVN are as follows:

- ▶ Payment of the CVN is dependent upon the “best technical estimate” of the economically recoverable resource across a discovery’s entire geological feature, based on the technical, economic and other applicable information available at the time of the evaluation. This “best technical estimate” will be determined by an approved technical specialist, appointed by Macquarie MPVD from the list of approved specialists set out in the note trust deed.
- ▶ Under the terms of the CVN the following Central exploration and appraisal program areas will be considered (the Relevant Assets):
  - Santos Southern Amadeus Farmout (EP 82 (excluding certain sub-blocks), EP 105 and EP 112)
  - Mount Kitty Discovery (EP 125)
  - Ooraminna Permits (RL 3 and RL 4)
  - Palm Valley Deep Prospect within the Palm Valley gas field
- ▶ The total CVN value will be the “best technical estimate” of the economically recoverable resource of the Relevant Assets multiplied by \$150,000 per billion cubic feet (“BCF”) of gas, with a maximum value of \$90.0 million, which equates to 600 BCF or 19.6 cents per CVN on a fully diluted basis.
- ▶ Foreign Shareholders will not be issued any CVNs, rather CVNs will be issued to a Custodian. Following the payment of the redemption amount (if any) Foreign Shareholders will receive the equivalent cash value of the CVN from the Custodian.

The Central Board of Directors have unanimously recommended that Central Shareholders, in the absence of a superior proposal, vote in favour of the Proposed Scheme and have stated that they intend to do so in regards to their own holdings in Central.

## 1.2 Summary of Central

Central is an ASX listed oil and gas production and exploration company with a focus on domestic gas market supply. Central operates the only producing conventional oil and gas facilities in the Northern Territory: Mereenie, Palm Valley and Dingo; making it the largest onshore gas producer in the Northern Territory. With a market capitalisation of \$86.6<sup>2</sup> million, Central holds onshore acreage in Australia with projects in the Pedirka Basin, Amadeus Basin, Wiso Basin, and Georgina Basin, and holds a total of 34 tenements, excluding EP 93 and EP 107 which are being relinquished. In FY16, Central produced 83,906 barrels (“bbl”) of crude oil and condensate and 3,203 Terajoules (“TJ”) of gas, both equity accounted.

In addition to the producing assets, the Central portfolio consists of substantial existing uncontracted gas reserves and identified gas exploration and appraisal targets, which cover 228,740 square kilometres (“km<sup>2</sup>”), 88% of which is gas prone and 47% of which have received native title clearance<sup>3</sup>. These reserves position Central to participate in the Northern Gas Pipeline (“NGP”), which is a 622 kilometres (“km”) pipeline linking the Northern Territory to the East Coast gas market. Once complete, the NGP will be a 12-inch pipeline capable of 90 TJ/Day with the potential to increase capacity up to 160 TJ/Day with compression. The NGP is being constructed by Jemena and scheduled for completion in 2018.

As at the Announcement Date, Central had 433,197,647 ordinary shares on issue, 63,803,777 unlisted options outstanding (“Options”), 24,068,958 share rights (“Share Rights”) and 1,913,873 future share rights (“Future Share Rights”)<sup>4</sup>. The Share Rights and Future Share Rights are unlisted and are held by directors, executives and employees of Central. The Future Share Rights will be issued on a change of control or in circumstances as determined by the board.

The following table summarises the number of Central Shares, Options, Share Rights and Future Share Rights that Central has on issue before implementation of the Proposed Scheme.

Capital structure of Central before implementation of the Proposed Scheme	
Million	
Number of Central Shares on issue	433.2
Number of Options on issue	63.8
Number of Share Rights on issue	24.1
Number of Future Share Rights	1.9

A more extensive overview of Central is provided in section 4.

## 1.3 Impact of the implementation of the Proposed Scheme

If the Proposed Scheme is approved and implemented, Macquarie MPVD will purchase all of the outstanding shares in Central that it does not already own and Central will cease to be listed on the ASX. After a period of four years Macquarie MPVD will be required to appoint a technical specialist to undertake an assessment of the potential reserves at the Relevant Assets and make any payment required under the terms of the CVN.

<sup>2</sup> S&P CapitalIQ as at 31 March 2017

<sup>3</sup> Central Petroleum website ‘Company Overview and Strategy’ tab as at 15 March 2017

<sup>4</sup> Central Petroleum ‘Quarterly Activities Report’ for quarter ended 31 December 2016

## 1.4 Conditions precedent

Completion of the Proposed Scheme is subject to a number of conditions (some of which, pursuant to the Central Scheme Deed (“CSD”) may be waived by agreement between Central and Macquarie MPVD) including, amongst other matters:

- ▶ Central Shareholders’ approval of the Proposed Scheme.
- ▶ Supreme Court of Queensland approval of the Proposed Scheme.
- ▶ No material adverse change to Central or Macquarie MPVD as defined in the CSD.
- ▶ Prior to the date of the Scheme Meeting, Central having entered into binding agreements with each holder of Central Share Rights and Central Future Share Rights for the cancellation, or vesting and exercise of, all Central Share Rights and Central Future Share Rights.
- ▶ Prior to the date of the Scheme Meeting, Central having entered into binding agreements with each holder of Central Options (other than those issued to Macquarie Bank Limited) to cancel the Central Options held by those persons.
- ▶ No Central Prescribed Occurrence occurring between the dates of the CSD and the Delivery Time on the Second Court Hearing (each term as defined in the CSD).
- ▶ No restraining order, injunction or other order issued by any court or government agency preventing or delaying the Scheme is in effect as at the Delivery Time on the Second Court Date.
- ▶ The warranties given by each of Central and Macquarie MPVD in the Central Scheme Deed being true and correct in all material respects.
- ▶ Prior to the Delivery Time on the Second Court Date, the Note Issuer, the Note Guarantor, the Note Trustee and Macquarie MPVD having entered into the Note Trust Deed.
- ▶ Prior to the date of the Scheme Meeting, Central having obtained from ASX a waiver from Listing Rule 6.23.2 for the cancellation of the Central Options (other than those held by Macquarie).
- ▶ Central’s total external costs paid or incurred in relation to the Scheme not exceeding \$2,040,000 (other than costs of appealing a court order in connection with the Scheme).

We note that a break fee of \$918,392 may be payable by Central to Macquarie MPVD in certain circumstances. These include Central entering into a competing proposal, any director changing their recommendation or withdrawing an earlier recommendation, or Macquarie MPVD terminating the CSD due to Central breaching a material obligation under the agreement. The circumstances in which a break fee is payable are set out in clauses 12.2 of the CSD.

## 2. Scope of the independent expert's report

### 2.1 Purpose of the report

The Proposed Scheme between Central and Macquarie MPVD is to be conducted under the provisions of section 411 of the Act. If approved by Central Shareholders, the Proposed Scheme will then be subject to approval by the Federal Court of Australia.

Part 3 of Schedule 8 to the Regulations prescribes the information to be sent to security holders in relation to schemes of arrangement pursuant to section 411. Part 3 of Schedule 8 requires an IER in relation to a scheme of arrangement to be prepared when a party to a scheme of arrangement holds at least 30% of the company subject to the scheme, or if the parties have a common director. In those circumstances, the documents to be sent to shareholders must be accompanied by a report prepared by an independent expert in which that entity provides an opinion as to whether or not the Proposed Scheme is in the best interests of shareholders subject to the scheme and set out the reasons for that opinion.

Macquarie MPVD does not currently have a substantial holding in Central Shares and does not have any common directors with Central. On this basis, there is no regulatory requirement for an IER to be undertaken in relation to the Proposed Scheme. Notwithstanding, the Directors of Central have engaged EY Transaction Advisory Services to prepare an IER setting out whether or not, in our opinion, the Proposed Scheme is in the best interests of Central Shareholders and the reasons for that opinion, as if such a report was required under the Regulations. Our report will accompany the Scheme Booklet to be sent to Central Shareholders.

### 2.2 Basis of evaluation

There is no legal definition of the term "in the best interests of" in the Act or the Regulations. However ASIC has issued RG 111 which provides guidance as to what matters an independent expert should consider when determining whether or not a particular transaction is in the best interests of shareholders.

Importantly, RG 111 differentiates between the analysis required for control transactions and other transactions. In the context of a control transaction, where the transaction has a similar effect on the company's shareholding as a takeover bid then the transaction should be analysed as if it were a takeover bid. In these instances, the independent expert is required to distinguish between "fair" and "reasonable". A proposal that was "fair and reasonable" or "not fair but reasonable" is defined in RG 111 to be in the best interests of shareholders.

As the Proposed Scheme achieves the same outcome as a takeover bid, given Macquarie MPVD proposes to acquire all of the outstanding shares in Central, we have evaluated the Proposed Scheme as a control transaction.

IERs required under the Act in the circumstances of a takeover offer are required to provide an opinion as to where or not the takeover bid is "fair and reasonable". In this regard RG 111 indicates:

- ▶ Where an independent expert would conclude that a proposal is "fair and reasonable" then the expert would also be able to conclude that the scheme is in the best interests of shareholders.
- ▶ Where an independent expert would conclude that a proposal is "not fair but reasonable" then it is still open to the expert to also conclude that the scheme is in the best interests of the shareholders.
- ▶ Where an independent expert would conclude that a proposal is "not fair and not reasonable" then the expert would also conclude that the scheme is not in the best interests of shareholders.

RG 111 provides guidance as to how the term “fair and reasonable” should be interpreted in a range of circumstances. With respect to a scheme of arrangement:

- ▶ An offer is “fair” if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison is to be made assuming 100% ownership of the target and it is “inappropriate to apply a discount on the basis that the shares being acquired represent a minority or portfolio parcel of shares.”
- ▶ An offer is “reasonable” if it is fair. It might also be “reasonable” if, despite being “not fair”, the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111 also provides that an independent expert should usually give a range of values for the securities that are the subject of the offer. If the value of the consideration offered falls within the range of values of the securities, the offer is considered to be fair.

We have therefore determined whether the Proposed Scheme is fair by comparing the estimated value of the Central Shares being given up, on a controlling interest basis, with the fair value of the consideration being offered by Macquarie MPVD. In assessing the value of a Central Share, we have assumed 100% ownership, which implicitly includes a control premium. The Proposed Scheme is considered fair if the value of the Scheme Consideration is equal to or greater than the range of values assessed for a Central share. In considering whether the Proposed Scheme is reasonable, we also considered the following matters:

- ▶ The liquidity of, and prices at which, Central shares have recently traded on the ASX and the premium that Macquarie MPVD is paying over pre-announcement trading levels.
- ▶ The existence of alternatives to the Proposed Scheme and the consequences for Central Shareholders.
- ▶ The likelihood of a superior proposal being received.
- ▶ The likely impact on Central’s share price in the event that the Proposed Scheme is not approved.
- ▶ Other advantages and disadvantages that Central Shareholders should consider in assessing whether to vote in favour of the Proposed Scheme.

In undertaking our assessment of the Proposed Scheme we have had regard to a number of references including ASIC Regulatory Guidelines, in particular, RG 111 and Regulatory Guide 112 *Independence of experts* (“RG 112”), and relevant market valuation guidelines and generally accepted practices in the preparation of expert reports. We have also had regard to the *Code for the technical assessment and valuation of mineral and petroleum assets and securities for independent expert reports* (the “VALMIN code”). This report has also been prepared in accordance with APES 225 *Valuation Services* issued by the Accounting Professional & Ethical Standards Board Limited in July 2008 (revised May 2012).

A glossary summarising the abbreviations we have used in this report is contained in Appendix G - *Glossary*.

## 2.3 Fair value

We have assessed the value of Central and the Scheme Consideration on a fair value basis. Fair value in this context is considered to be:

*“the price at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer both acting at arm’s length”.*

Fair value does not incorporate any special value. Special value is the additional value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

## 2.4 Independence

Prior to accepting this engagement, we considered our independence with respect to Central and Macquarie MPVD with reference to RG 112. In our opinion, we are independent of Central and Macquarie MPVD.

EY Transaction Advisory Services, Ernst & Young, and global affiliations, have not provided any services to Central or Macquarie MPVD in relation to the Proposed Scheme.

Ernst & Young has previously provided professional services to both Central and Macquarie MPVD, and subsidiaries thereof, and in the case of Macquarie some of these may be ongoing. These professional services were or are in respect of matters not related to the Proposed Scheme. We do not consider these services to compromise our independence.

## 2.5 Limitations and reliance on information and technical experts

We have considered a number of sources of information in preparing our report and arriving at our opinion. These sources of information are detailed in Appendix F – *Sources of information*.

In particular, in considering the fair value of Central we have relied on the independent technical report prepared by RISC Operations Pty Ltd (“RISC”) (the “RISC Report”), who was appointed by Central as the independent technical specialist to undertake a technical assessment of the production and exploration assets of Central. A copy of the RISC Report is attached in full at Appendix H and should be read in conjunction with our report.

As per our letter of instruction to RISC dated 27 February 2017, RISC were instructed to:

- ▶ Review the relevant data and reports available with respect to Central’s underlying production and development assets (including Mereenie, Palm Valley and Dingo).
- ▶ Provide a description of the assets.
- ▶ Consider the technical geophysical, geological and engineering data, reserves and contingent resources, development and drilling plans, production profile (including production volumes and economic cut off, operating costs, capital costs and exploration potential).
- ▶ Consider the financial models (the “Models”) prepared for the assets. Their role was to determine the reasonableness of the technical and operational assumptions upon which the Models are based, including the reserves and contingent resources, production life, operating costs, capital costs and any other technical input viewed as necessary to conclude on the reasonableness of the operating assumptions. EY Transaction Advisory Services provided the economic and financial assumptions around commodity prices, exchange rates, inflation rates and discount rates.
- ▶ Consider the technical and operational assumptions (including any technical risking factors) for the reserves and contingent resources that are not included in the Models and consider the reasonableness of value derived from an extension of the Models.
- ▶ Determine the value of development and exploration properties to the extent that they are not covered by the Models (including unconventional properties held by Central).

In placing reliance on the RISC Report we have satisfied ourselves as to RISC's competence, expertise and independence. We are also satisfied that the assumptions, methodologies and source data used by RISC are reasonable and appropriate and that the report contains sufficient information to support the conclusions drawn.

The information provided to us for the preparation of our report has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the Proposed Scheme is in the best interests of Central Shareholders. We also held discussions with management of Central in relation to the Proposed Scheme, as well as the operations, financial position and operating results of Central. However, we do not warrant that our enquiries have identified all of the matters that an audit, an extensive examination or tax investigation might disclose.

Preparation of this report does not imply that we have, in any way, audited the accounts or records of Central. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles including the Australian equivalents to International Financial Reporting Standards and International Financial Reporting Standards, as applicable.

In forming our opinion we have also assumed that:

- ▶ Matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed.
- ▶ The assessments by Central and its advisers with regard to legal, regulatory, tax and accounting matters relating to the transaction are complete and accurate.
- ▶ The information set out in the Scheme Booklet and accompanying documents to Central Shareholders is complete, accurate and fairly presented in all material respects.
- ▶ The publicly available information relied upon by us in our analysis was accurate and not misleading.
- ▶ The proposed scheme will be implemented in accordance with its terms.
- ▶ To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations and policies, we assume no responsibility and offer no legal opinion or interpretation on any issue.

The statements and opinions given in this IER are given in good faith and in the belief that such statements and opinions are not false or misleading. This report should be read in the context of the full qualifications, limitations and consents set out in Appendix A – *Statement of qualifications and declarations* of this report.

Our assessment of the Proposed Scheme is based on economic, market and other conditions prevailing as at the date of this IER. As evidenced in recent years these conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, our opinion could be different.

We provided draft copies of this IER to the Directors and management of Central for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of us alone. Amendments made to this IER as a result of this review by the Directors and management of Central have not changed the conclusions reached by us.



## 2.6 Shareholders' decisions

This IER constitutes general financial product advice only. In forming our opinion we have considered the interests of Central's Shareholders as a whole, and we have not considered, nor is it practical or possible to consider, the individual circumstances of each Central Shareholder. The decision to vote for or against the Proposed Scheme is a matter for individual shareholders. Central Shareholders should consider the advice in the context of their own circumstances, including investment objectives, liquidity preferences, risk profiles, tax position and expectations of future market conditions. Shareholders should also have regard to the Scheme Booklet prepared by the directors and management of Central. Shareholders who are in doubt as to the action they should take in relation to the Proposed Scheme should consult their own professional adviser.

Similarly it is a matter for individual shareholders as to whether to buy, hold or sell shares in Central. This is an investment decision upon which we do not offer an opinion and is independent of a decision to vote for or against the Proposed Scheme. Shareholders should consult their own professional adviser in this regard.

EY Transaction Advisory Services has prepared a Financial Services Guide in accordance with the Act. The Financial Services Guide is included as Part 2 of this report.

## 3. Industry overview

Central's assets currently produce both oil and natural gas, however the future prospects of the company are largely linked to its exposure to the Australian gas market. This market has been the subject of significant scrutiny in recent months, with the Chairman of the Australian Competition and Consumer Commission ("ACCC"), Mr Rod Sims (among others) describing the market as being in a state of "crisis"<sup>5</sup>. It is difficult to set out in detail all of the factors impacting the industry, and even more difficult to predict potential future responses to the crisis from users, producers, governments and other stakeholders.

In undertaking our analysis, we have observed that a significant gas supply shortfall exists in the Australian East Coast gas market, which is likely to persist in the short to medium term. This shortfall is likely to continue to cause gas prices to increase, subject to regulatory or other changes which could open up additional supply. At the same time, infrastructure costs such as pipeline tariffs continue to represent a large proportion of prices received for gas meaning that, even in a higher price environment, margins are squeezed on gas that is transported over long distances.

This section outlines some of the factors impacting the markets into which Central is seeking to sell its gas. Section 3.1 provides a high level overview of the global supply and demand issues that have led to decreases observed in Brent oil pricing in recent years, and the linkage between oil pricing and gas pricing. Section 3.2 discusses the gas market in the context of Australia and more specifically the Northern Territory and the East Coast, including factors that will have both a positive and negative impact on the future prospects of Central. We have also provided a short discussion of domestic gas pricing and key pipeline infrastructure.

### 3.1 Global oil and gas markets

Demand for, and pricing of, both oil and gas produced by Central is impacted by global market forces. In particular, global oil prices have a direct impact on the price received by Central for sales of oil, and an indirect impact on the price received for sales of gas. In recent years, global oil and gas markets have experienced structural changes, including a significant downward correction in global oil prices.

#### 3.1.1 Global supply and demand

Between June 2014 and January 2016, the Brent crude oil price declined from nearly US\$112/bbl to around US\$32/bbl<sup>6</sup>. The decline in price is generally accepted to have been driven by supply side forces. The key market change before this period was that the United States overtook Saudi Arabia and Russia to become the world's largest crude oil producer, contributing approximately 16% of global production in 2014. US production growth in the period up to 2014 was driven by various factors, in particular the increase of "unconventional" oil and gas production. Shale producers in the United States have improved cost efficiency in recent years and can be flexible with production, causing commentators to identify them as "swing producers" that can create a price ceiling.

On 27 November 2014, the Organisation of the Petroleum Exporting Countries ("OPEC") made the decision to maintain production levels, rather than reducing its output in response to the new production environment. This action meant that oversupply persisted and downward pressure on pricing was maintained. In December 2016, OPEC was reported to have agreed to production cuts for the first time in eight years. Whilst some commentators suggest that Saudi Arabia is not committed to this agreement, in March 2017 the Saudi Arabian energy ministry was reported to have maintained its commitment to "stabilising the global oil market"<sup>7</sup>. The Brent crude oil price has traded in a range approximately between \$52/bbl and \$57/bbl since January 2017<sup>8</sup>.

<sup>5</sup> 'Recognising Australia's east coast gas crisis', Australian Domestic Gas Outlook 2017, 14 March 2017

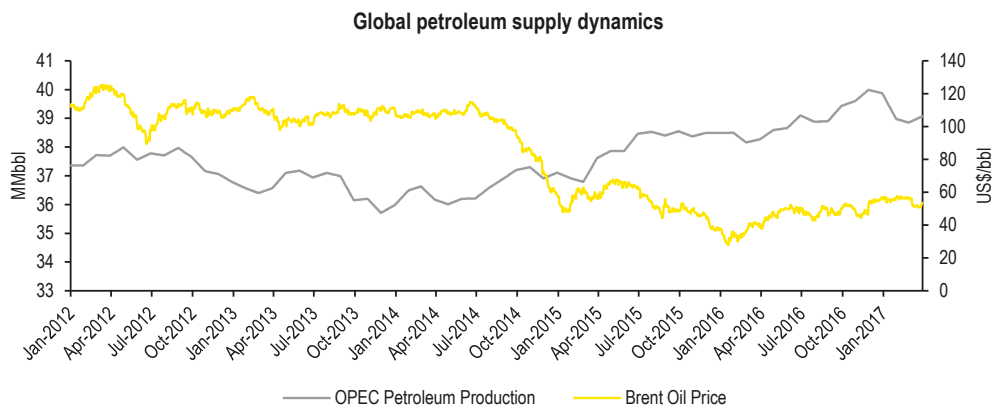
<sup>6</sup> S&P CapitalIQ as at 31 March 2017

<sup>7</sup> Saudis stand by commitment to oil production cuts', Financial Times, 15 March 2017

<sup>8</sup> S&P CapitalIQ as at 31 March 2017

A key impact of the current price environment is a lack of willingness to invest in new projects. This is likely to create longer term supply issues, as ageing facilities with depleted reserves are not being replaced.

The chart below sets out the Brent crude oil price and OPEC petroleum production in the last five years:



Source: EIA 'Short Term Energy Outlook' historical data and S&P CapitalIQ as at 31 March 2017

During the time period shown in the chart, changes in the global energy mix have also impacted the oil and gas markets. Moves toward “cleaner” energy sources may reduce the role of fossil fuels (including oil and gas) in the medium to long term. However a key impact of the changing energy mix has been an increase in demand for natural gas, which is perceived to be a cleaner fuel source than, for example, coal. Gas fired generation is also commonly used alongside renewables to provide consistency of supply in electricity grids. In 2016, approximately one quarter of energy demand on a global basis was satisfied by natural gas<sup>9</sup>.

### 3.1.2 Unconventional production

Oil and gas products are composed of hydrocarbons which occur naturally in a liquid (e.g. oil) or gaseous state (e.g. natural gas). These hydrocarbons are formed naturally as organic matter is subjected to geological processes at high temperature and pressure over very long periods of time. Oil and gas products are typically extracted as a mix of different hydrocarbons, which require processing before they can be used or sold.

The term “unconventional” broadly refers to production from hydrocarbon reservoirs which were previously considered uneconomic due to technological limitations at the time. In recent years, improvements in sub surface extraction techniques have allowed for production from these reservoirs, causing a significant increase in the volume of global oil and gas reserves. The hydrocarbons extracted in unconventional production do not have a significantly different chemical composition from hydrocarbons extracted using conventional means. Although the reservoirs in which they occur are different, the actual products derived from conventional and unconventional production are the same (subject to usual variations seen in hydrocarbon production).

The technological improvements which have enabled unconventional extraction include hydraulic fracture stimulation (commonly known as “fracking”). This technique involves the injection of high pressure fluid into a reservoir to widen existing fractures or create new ones. While fracking has been used for some time as a means of extraction in the United States, there continues to be significant community unease regarding its use. Opponents to fracking in particular are concerned with the impact that the fluids used in the fracking process may have on underground water tables.

<sup>9</sup> International Gas Union '2016 World LNG Report'

### 3.1.3 Liquefied natural gas

Around 10% of global natural gas requirements are fulfilled by liquefied natural gas (“LNG”)<sup>10</sup>. LNG is produced by chilling gas to extremely low temperatures, causing liquefaction, which reduces the volume by a factor of circa 1:600. This process allows for seaborne transportation, opening up export markets for gas.

As of 2015, 33 countries were importing LNG for both power generation and industrial use, with the major importing countries being Japan, South Korea, China, India and Taiwan<sup>11</sup>. These countries have arisen as large importers mostly due to a lack of naturally occurring gas formations. The top two importers (Japan and South Korea) rely on LNG to meet almost all of their domestic gas demand<sup>12</sup>.

To help meet the needs of these LNG importing countries, gas rich countries have embarked on several multi-billion dollar projects to liquefy and export natural gas. As of 2015, only 17 countries were producing and exporting LNG, with the major exporting countries (10% of market share or more) being Qatar, Australia and Malaysia<sup>13</sup>. Australia is on track to become the largest LNG exporter globally.

While pricing mechanisms for LNG are more opaque than oil pricing, as prices are typically struck under long term contracts, LNG contract pricing dynamics in the Asia Pacific region generally rely on an underlying oil price as an input. The investment decisions to develop the majority of LNG projects commissioned in recent years were made when oil prices were significantly higher than they are today.

## 3.2 Australian gas market

The Australian gas market is currently fragmented into three distinct markets: the East Coast (encompassing Queensland, New South Wales, Canberra, Victoria, Tasmania and South Australia), Western Australia and the Northern Territory. This section discusses the supply and demand dynamics of the Australian domestic gas market, with a focus on the Northern Territory and East Coast.

### 3.2.1 Northern Territory

Gas production in the Northern Territory began in the 1980’s with the two onshore fields Mereenie and Palm Valley, which continue to produce today. The Northern Territory gas market is currently separated from the East Coast, meaning that gas produced in the Territory is either consumed within the Territory or exported as LNG. Jemena is currently developing a 622 km pipeline, the NGP from Tennant Creek in the Northern Territory to Mt Isa in Queensland. The NGP is due to be completed in 2018 and will connect Northern Territory producers to East Coast users.

The largest recent gas reserves commercialised in the Northern Territory are offshore, and have largely been used to supply LNG projects. These include the Bayu-Undan field which underpins the Darwin LNG project. This field is expected to be depleted by 2023. While there are several offshore fields that may be able to fill the supply need, these all sit within the Timor Sea. Given that a dispute is ongoing in respect of the permanent maritime border for East Timor, it is unclear if or when these fields will be available to Australian producers. This may result in future demand for onshore gas projects to fill the supply gap.

In addition to these fields, in 2009, additional gas production was added to the Northern Territory domestic market from the offshore field Blacktip, located approximately 110 km off Australia’s north coast in the Timor Sea. Upon discovery in 2001, it was estimated Blacktip contained 872 petajoules (“PJ”) of reserves. Gas from the Blacktip field is sold to Power and Water Corporation (“PWC”) under a 25 year contract. The Blacktip project effectively means that domestic demand for gas is filled by existing projects, and no additional production is required for domestic use. Blacktip gas, sold by PWC, was used to underpin the construction of the NGP and transport gas to the foundation customer Incitec Pivot<sup>14</sup>.

<sup>10</sup> International Gas Union ‘2016 World LNG Report’

<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

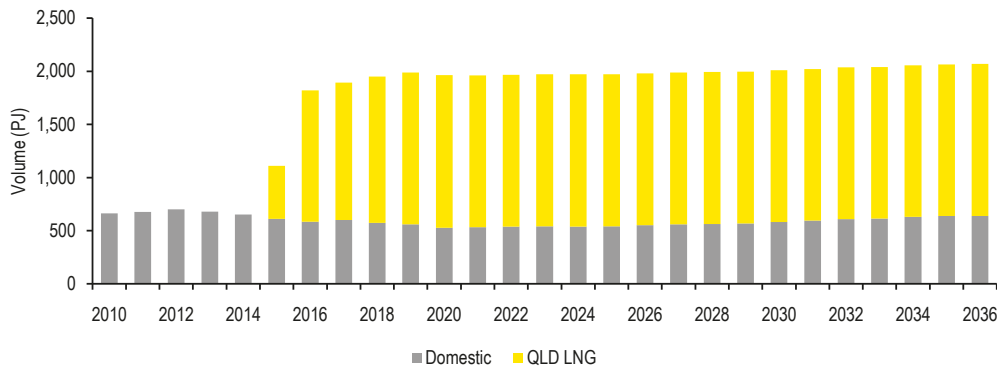
<sup>14</sup> Incitec Pivot ASX announcement, 17 November 2015

### 3.2.2 East Coast market

Within the Australian East Coast market there are six major gas producing regions, connected by a pipeline infrastructure network: Queensland’s Surat and Bowen basins, the Victorian offshore basins Otway, Bass and Gippsland and the South Australian Cooper basin. Before 2015, gas consumed in the East Coast market was sold to industrial users (44%), gas fired generation (30%) and the residential and commercial sector (26%)<sup>15</sup>.

Between 2007 and 2008, three major LNG projects were announced, underpinned by coal seam gas (“CSG”) reserves in Queensland, to be built on Curtis Island off the coast of Gladstone. By mid-2015 these three projects, the Gladstone LNG (“GLNG”) project, Australia Pacific LNG (“APLNG”) project and Queensland Curtis LNG (“QCLNG”) project, were in their preliminary production phases and ramping up to a combined production level of 1,290 PJ per annum<sup>16</sup>. As a result, demand for gas on the East Coast has materially increased and is forecast to remain high for the foreseeable future, as shown in the graph below:

**Australian east coast demand forecasts**



Source: AEMO, historical data from ‘AEMO Gas Bulletin Board’, forecasts from ‘2017 Gas Statement of Opportunities’, medium case

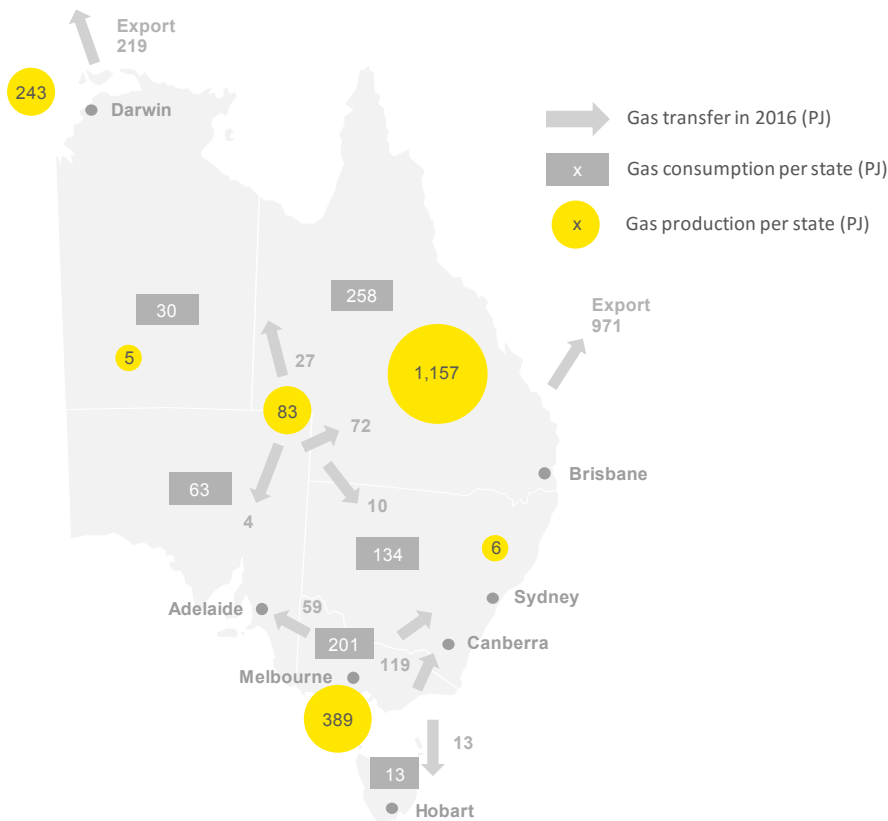
While construction of the East Coast LNG projects was underpinned by large reserve bases in the Surat and Bowen Basins, a number of factors have arisen which have caused the projects to impact the domestic market. These factors include:

- ▶ The reserves bases are not sufficient to supply the projects over their lives. In particular, the GLNG project was built with the requirement of finding an additional 4,155 PJ of gas in order to be able to satisfy its contracted capacity over a 20 year period<sup>17</sup>.
- ▶ The nature of CSG production can be relatively volatile, and domestic supply can assist in smoothing out supply to the LNG facilities. In particular, the CSG fields supporting the Queensland LNG projects have limited production history and have experienced slower ramp-up and less gas in production than expected. A key issue that has arisen since the LNG projects were commissioned is the moratoria and restrictions on drilling and exploration in certain parts of Australia, which have limited new domestic projects and thereby restricted the potential for future supply to the projects.
- ▶ The reduction in global oil prices has meant that the LNG projects are generating lower cashflows than expected at the time the investment decisions were made. This creates incentives for the projects to produce higher volumes than their nameplate capacities to gain efficiencies from economies of scale.

<sup>15</sup> Office of the Chief Economist ‘2015 Gas Market Report’  
<sup>16</sup> AEMO ‘2017 Gas Statement of Opportunities’  
<sup>17</sup> ACCC ‘Inquiry into the east coast gas market’ dated April 2016

Production and consumption on a state-by-state basis during 2016 can be seen in the graphic below:

**Sales gas production and consumption by state, year ended December 2016**



Source: EnergyQuest 'Energy Quarterly' March 2017

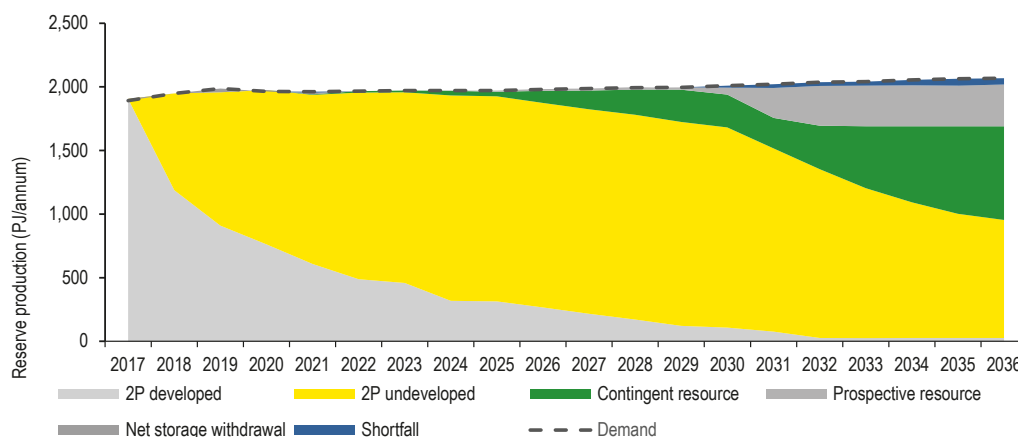
The highest East Coast consumption is in Queensland, at 258 PJ per annum. Most of Queensland's gas consumption is for LNG production, whereas gas in NSW and Victoria is largely for power generation and industrial or residential use. In addition to highlighting the significance of Queensland's LNG projects, a key observation from the chart is that NSW currently produces a small fraction of its needs.

Despite the abundance of gas reserves in eastern Australia, many market commentators and industry bodies are forecasting a shortfall in gas supply as early as 2018. This issue has been the subject of various inquiries, including by the ACCC and the Australian Energy Market Operator ("AEMO"), and has been the subject of public and political debate in recent months. The key findings of the ACCC's *Inquiry into the east coast gas market*, related to the gas supply shortfall, pricing and infrastructure including pipelines. The ACCC found that moratoria and other restrictions had contributed to the supply shortfall, and that domestic reservation policies were likely to deter development of new supply. The ACCC also found that market operation and transparency required improvement, and that further work was needed in relation to the functioning of the pipeline sector.

In its March 2017 *Gas Statement of Opportunities* ("GSOO") report, AEMO notes that declining gas production may result in a shortfall of gas required by gas fired generators to meet electricity demands in the summer of 2018-2019. The market operator further stresses that if no short term alternative can be found then AEMO may need to interrupt supply to these generators.

The chart below shows the results of the supply and demand forecasting prepared for AEMO's GSOO, assuming that the NGP is available from 2018:

**Gas supply and demand forecasting**



Source: AEMO '2017 Gas Statement of Opportunities', neutral case, additional supply sensitivity (NGP)

The chart shows total East Coast demand, including LNG and domestic demand. Supply is also shown, coming from various developed and undeveloped sources. The chart clearly articulates the dynamic currently occurring in the East Coast market: broadly, there is sufficient gas to meet demand, however urgent development of reserves and resources is required in order to avoid supply shortfalls. The AEMO analysis expects shortfalls to occur in 2021, then from 2030 onwards.

This issue has been further evidenced by industrial users expressing an inability to renew long term gas supply agreements ("GSA") on similar terms to their legacy contracts, or not being offered gas at all. That is, even if industrial users are offered gas, the new contracts have been cited to be on a higher \$/GJ basis, for shorter time frames and providing less flexibility. This uncertainty, and the resulting increases in gas price, have threatened the viability of industrial users' businesses. In some cases, industrial users have directly entered the gas market to secure supply, through funding of development projects.

The shortfall in supply of gas has been driven by the expansive increase in the demand for gas on the East Coast and a lack of investment in new projects. This lack of investment has been evidenced by a deterioration in the amount of exploration and drilling expenditure undertaken in Australia. It is further evidenced by several large exploration projects being cancelled such as BP plc's oil exploration activities in the Great Australian Bight, Chevron Corporation's Nappamerri trough gas project and Total S.A electing not to proceed with its farm in into the Southern Georgina gas project with Central.

To help combat this expected shortfall, politicians at a state and federal level have suggested various responses. Potential responses include domestic gas reservation (although this was criticised in the findings of the ACCC's *Inquiry into the East Coast gas market*), and provision of incentives for exploration. For example, the Premier of South Australia announced in March 2017 that farmers within the state would be offered a 10% share of royalties paid by oil and gas companies extracting gas from their farm land<sup>18</sup>. The intention is that this scheme will provide incentive for farmers to provide access to companies willing to explore for and produce gas in South Australia.

<sup>18</sup> 'South Australia's royalty plan a gas game-changer', Australian Financial Review, 14 March 2017

### **3.2.3 Moratoria and other restrictions**

Supply side issues in the East Coast market have been exacerbated by moratoria and other restrictions imposed by various state and territory governments (as well as responses from the Commonwealth Government and certain local councils). These restrictions are in response to community concerns regarding gas production and exploration, particularly with regard to CSG. Community concerns range from uncertainty regarding fracking, the impact on water resources, competing land use issues and environmental impacts.

The moratoria and restrictions effectively mean that some potential resources in NSW, Victoria and the Northern Territory cannot be explored or developed under current rules. Debate regarding the future of these restrictions creates uncertainty for producers looking to develop new assets, as any lifting of restrictions could allow competing supply into the market. A brief summary of the restrictions is outlined below.

#### **3.2.3.1 New South Wales**

Between 2011 and 2016, NSW imposed a moratorium on CSG activities in the state, ceased issuance of new exploration permits and undertook a period of review including a review by the Chief Scientist of NSW regarding CSG. This review by the Chief Scientist found that the technical challenges and risks posed by the CSG industry could be managed through the implementation of certain safeguards. In 2014, the NSW Government released its 'gas plan', setting out its response to the issues. A key response of this plan was to buy back existing petroleum exploration permits from permit holders. The final major buy-back of petroleum licences was settled on 22 December 2015, when the NSW Government acquired Metgasco's licences for \$25.0 million.

As a result of implementation of the gas plan, petroleum production in NSW was restricted to one project, and two exploration projects which were deemed to be strategically important to the energy needs of NSW. In February 2016, AGL Energy, the operator of the Gloucester Project, announced that it would not proceed with this project. The remaining two projects (Camden which is in production until 2023, and the Narrabri project which is in exploration phase) have been subjected to significantly tighter restrictions designed to protect farming, agriculture and horticulture in the state from any environmental impacts of CSG.

Whilst the NSW gas plan is not technically a moratorium, it places significant restrictions on exploration in the state, and effectively limits the potential new supply from NSW to one project only.

#### **3.2.3.2 Victoria**

As of 7 March 2017 Victoria became the first state in Australia to place a permanent ban on all unconventional onshore exploration and development under anti-fracking legislation. At the same time the Victorian Government also extended the moratorium on all onshore conventional exploration and development until June 2020, despite being the second largest user of gas in Australia.

Offshore exploration, assessment and production activities in areas such as the Bass and Otway basins off the south coast of Victoria are not affected by this ban.

#### **3.2.3.3 Northern Territory**

On 14 September 2016, under the newly elected Labor Party, the Northern Territory Government implemented a moratorium on all unconventional onshore prospecting, exploration and extraction activities. This moratorium extends until such time as a full scientific inquiry undertaken by an independent panel has been conducted. This inquiry includes community consultation and the development of regulatory framework to ensure environmental safeguards. The current moratorium is not retrospective.

On 20 February 2017, the Scientific Inquiry into Hydraulic Fracturing in the Northern Territory released a background and issues paper. The paper has highlighted nine key areas of consideration for the inquiry: water, land, air, public health, impacts on local indigenous people and their culture, social impacts, economic impacts, land access and regulatory framework. The inquiry has also asked for feedback from the community and other stakeholders.

In 2012, the Northern Territory Environmental Protection Agency released two bulletins discussing environmental regulation and hydraulic fracturing in the Northern Territory, noting that the regulatory framework at the time would require strengthening in order for unconventional gas to be safely extracted. Neither of these bulletins recommended a ban on fracking in the Northern Territory<sup>19</sup>.

The moratorium on fracking in the Northern Territory does not restrict any of Central's current plans for its assets. However, our understanding of Central's plans for its potential development projects is that the moratorium may increase the cost of the projects by reducing recovery per well where fracking could have been utilised.

#### **3.2.3.4 Federal Government response**

On 15 March 2017, the Australian Prime Minister, Malcolm Turnbull, met with representatives from the gas industry to discuss measures for cheaper, more reliable gas. According to the statement from the Prime Minister's office, producers expressed willingness to make more gas available to the domestic market<sup>20</sup>. This is expected to be an ongoing issue, and it is unlikely to be resolved in the short term, as any resolution requires significant additional gas supply to be developed. This scale of development takes time and requires capital, which at the current point in time has not been committed.

Given the supply restrictions imposed by the state and territory moratoria, as well as the lead time to get gas from exploration to market, the potential impact of Federal Government intervention is unclear.

#### **3.2.4 Future market influences**

The AEMO GSOO report assumed that all LNG demand would be met, and that gas fired generation would be a lower priority for gas supply (meaning that the shortfalls would impact gas fired generation first). The timing of AEMO's projected shortfall varies by state, but that total projected shortfall is over 50 PJ per annum in 2021 and 2035, with the first major shortfall expected in 2019 in NSW and South Australia.

Notwithstanding projections regarding a shortfall in gas supply, including those set out in AEMO's GSOO report, there are a number of projects in various stages of development or assessment that have the potential to add material supply to the East Coast domestic gas market. These are set out in the following sections.

##### **3.2.4.1 AGL regasification plant**

AGL Energy, the ASX listed energy company, has committed \$17.0 million to undertake a feasibility study to import LNG from global markets to a floating storage and regasification facility to be located in south eastern Australia. It is estimated the development cost of this project would be \$200 million to \$300 million and could be available by 2021.

##### **3.2.4.2 Santos Narrabri project**

Santos is the operator of the Narrabri CSG project, which is the last of the "strategic energy projects" named by the NSW Government in its gas plan. In February 2017, Santos announced the submission of an environmental impact statement for the Narrabri project. This statement projects that the Narrabri project would be able to supply sufficient gas to meet half of NSW's needs.

The vast majority of the project sits within the Pilliga state forest, which is state owned land that has been set aside for logging and extractive industries. Santos is seeking approval for 850 natural gas wells within the 95,000 hectare project area. APA Group will construct the pipeline, connecting in to the existing Moomba to Sydney pipeline.

We note that this project was one of the projects named by Santos as a "non-core" asset in its strategic portfolio review in late 2016. As such, there is uncertainty with regard to the potential future funding of this project in the hands of its current owner.

<sup>19</sup> EPA Information Bulletin No.1 and No.2 'Onshore gas in the Northern Territory - environmental regulation and management issues' dated January 2012

<sup>20</sup> 'Measures agreed for cheaper, more reliable gas, Website of the Prime Minister, The Hon Malcolm Turnbull MP, 15 March 2017

### 3.2.4.3 Beetaloo Basin project

The Beetaloo basin project is located approximately 500 km south east of Darwin in the Northern Territory and is a joint venture between Origin Energy, Sasol Petroleum Australia and Falcon Oil & Gas.

The project is an unconventional shale gas and condensate project that was granted permission to frack on the eve of the Northern Territory election, excluding it from the current moratorium. To date early gas flow rates have been consistently between 400,000 and 600,000 cubic feet per day from the fracked Amungee well.

### 3.2.4.4 Arrow CSG

Arrow Energy, a joint venture between Royal Dutch Shell and PetroChina, owns CSG assets across the Bowen and Surat Basins in Queensland. These assets were initially considered to underpin the Arrow LNG project ("ALP"), which would have been the fourth LNG facility on Curtis Island in Queensland. ALP however, was scrapped in early 2015, with Royal Dutch Shell citing the oil price decline as underpinning the decision. It is estimated that ALP holds 8,915 PJ of gas<sup>21</sup>. At the date of this report, the future plans for ALP are unclear, however ALP has been cited by various sources, including Prime Minister Malcom Turnbull, as a key project that could help to alleviate the domestic gas shortfall in the East Coast market.

### 3.2.4.5 Sole gas project

Cooper Energy operates the offshore Sole gas project in the Gippsland Basin, which is still under development, but is expected to be sanctioned in March 2017. The project already has gas contracts in place with EnergyAustralia, Alinta and AGL totalling 20 PJ per annum until FY24, with extension options<sup>22</sup>. Initial estimates of the 2C contingent resource are 249 PJ.

The gas processing facilities required by the project will be supplied by APA Group, which has historically not operated within the mid-stream gas market. This will involve investing \$250.0 million into the mothballed Orbost plant in the onshore Gippsland Basin.

## 3.2.5 Gas pricing

Domestic gas pricing has historically been conducted under GSA's, usually with take or pay provisions and delivery to a certain location. These agreements are private negotiations between buyers and sellers and the actual \$/GJ price of these contracts is not in the public domain. While AEMO has introduced a gas supply hub at Wallumbilla to aid wholesale trading of natural gas, and thus price transparency, the uptake on this has been low, leaving domestic gas pricing largely opaque to the broader market.

The introduction of the LNG facilities to the East Coast has changed the market dynamics for pricing, exposing domestic gas users to movements in global oil prices. This exposure exists as gas suppliers are now also able to sell gas to LNG facilities, which in theory should be willing to pay the LNG netback price for this feedstock gas. The LNG netback price is the price of delivered LNG, less the costs of transportation and liquefaction. As LNG prices are typically oil linked, the LNG facilities netback price changes with movements in the underlying oil price. At an oil price of US\$60/bbl EnergyQuest estimates that the LNG netback price at Wallumbilla is \$8.72/GJ<sup>23</sup>.

It is difficult to estimate a true marginal cost of supply, given the various different production sources and delivery points. We observe that Core Energy (in its submission to AEMO's 2016 National Gas Forecasting Report<sup>24</sup>), estimates that the long term marginal cost of supply in the East Coast market will be between \$6.50/GJ and \$8.50/GJ. Further, in the ACCC's *Inquiry into the east coast gas market*, the ACCC observed current marginal costs of CSG supply as being approximately \$5.70/GJ (in 2015 dollars).

<sup>21</sup> ACCC '2015 Inquiry into the east coast gas market'

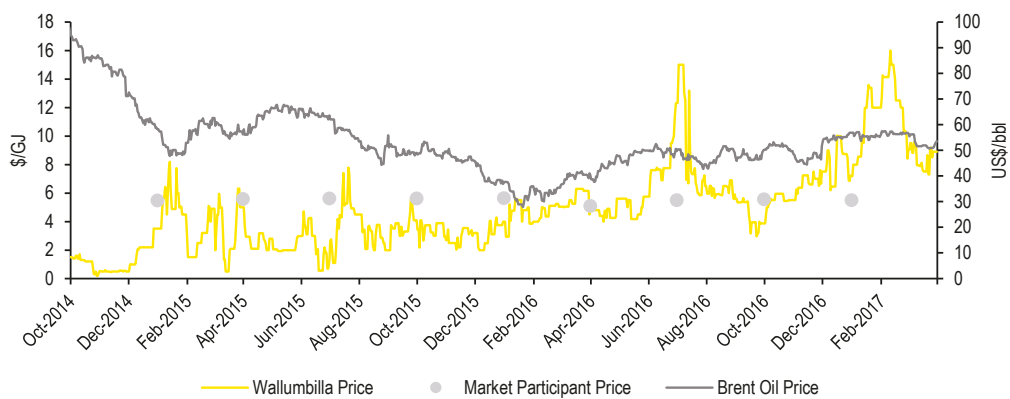
<sup>22</sup> Cooper Energy 'FY17 first half results & Sole gas project' investor presentation dated 27 February 2017

<sup>23</sup> EnergyQuest 'Energy Quarterly' March 2017

<sup>24</sup> 'NGFR Gas Price Assessment', Core Energy, October 2016

The chart below shows observed prices from gas trading at the Wallumbilla trading hub. This trading hub is not considered to be highly liquid, therefore price discovery is minimal. However, this data serves as a directional indicator of gas pricing. The chart also shows the Brent crude oil price, as well as average reported realised prices from East Coast gas producers (based on EY research into quarterly production reports).

**Actual and realised domestic gas price vs Brent oil price**



Source: AEMO Wallumbilla benchmark price data as at 31 March 2017, Beach and Santos 2014, 2015 and 2016 'Quarterly Reports', S&P Capital IQ as at 31 March 2017

The chart above shows that the Wallumbilla price has trended upwards over the past two years. Whilst the price of gas in the domestic market is theoretically capped by the LNG netback price, the current market shortfall means that spot prices have been observed well in excess of this netback. The price point at which domestic users will be unable to participate in the market is uncertain.

Whilst anecdotal evidence suggests that some recent GSAs struck in the East Coast market contain an oil link mechanism, the actual observed prices received by producers have remained relatively consistent, despite decreases in oil prices and volatility in the prices observed at the trading hub. Significant market uncertainty means that long term GSAs are not being struck frequently, and the terms of GSAs are generally not made public. The most recent long term GSA struck in the East Coast gas market was for Cooper Energy's Sole project. Based on company announcements, this GSA is not linked to oil price. EnergyQuest estimates these GSAs are priced at between \$7.00/GJ - \$8.00/GJ<sup>25</sup>.

<sup>25</sup> EnergyQuest 'Energy Quarterly' March 2017

### 3.2.6 Infrastructure

#### East coast pipeline network



An extensive pipeline infrastructure network exists on the East Coast that connects all major cities, as well as the LNG facilities in Queensland. Transportation through these pipelines is sold under gas transportation agreements (“GTA”).

Most pipelines in the East Coast gas market are not regulated. While some pipeline operators readily publish the pipeline tariffs, others do not, making it difficult for users of the pipelines to negotiate charges. Pipeline tariffs can significantly alter the ex-field price received by producers, as prices are typically negotiated with reference to a market price at a particular delivery point. Central’s location means that pipeline tariffs will have a larger impact on Central’s ex-field price than the price received by other producers.

Other key infrastructure includes gas processing plants. For example, gas to be transported along the NGP will be required to go through a nitrogen removal process, due to the differing gas specifications between the Northern Territory and Queensland markets.

Over the past few years there has been significant scrutiny on gas infrastructure operators, particularly the pipeline sector. The following sections summarise recent developments in this regard.

Source: ACCC *Inquiry into the east coast gas market*, EY analysis

#### 3.2.6.1 ACCC inquiry

In April 2016 the ACCC published the *Inquiry into the east coast gas market*. The inquiry was commissioned as a result of industrial users citing that they were either unable to renew long term legacy contracts at all, or were not able to renew them on favourable terms.

One of the key findings of the inquiry was evidence of the pipeline sector engaging in monopoly pricing. This behaviour was found to be exacerbating supply and pricing issues in the domestic market. It was found that in pricing pipeline tariffs some operators were pricing in a return on capital for the incremental investment over the prior three years of 1.4 – 20 times higher than the Australian Energy Regulator had estimated in gas regulatory decisions. There was also evidence to suggest that earnings on some pipelines were up to 70% higher than if the pipeline had been operated under a regulatory regime.

#### 3.2.6.2 Vertigan inquiry

In December 2016, as a direct result of the ACCC inquiry, the Council of Australian Governments (“COAG”) Energy Council released the paper *Examination of the current test for the regulation of gas pipelines* by Dr Michael Vertigan (“Vertigan Inquiry”). This inquiry identified that pipeline operators were exercising market power in their negotiations for pipeline services with customers. This occurs as there is an unequal level of bargaining power and information asymmetry between the parties. Rather than adding an additional layer of regulation to the market the Vertigan Inquiry provided a set of recommendations, aimed at improving transparency and operation in the market. A key recommendation was the introduction of a framework for binding arbitration, available to all open access pipelines in the event parties are unable to reach a commercial agreement.

### 3.2.6.3 Pipelines to the Northern Territory

As noted in section 3.2.1, Jemena is currently developing the NGP, from Tennant Creek to Mt Isa. On 3 March 2017, Jemena announced that it was resequencing the construction schedule for the NGP to facilitate finalisation of outstanding land access approvals. As a result, commencement of work which was targeted to begin in April 2017, will be delayed. Jemena's announcement confirmed that completion of the project remains on schedule, with first gas flows expected in 2018.

The NGP is a 12 inch pipe, which is expected to have a capacity of 90 TJ/day, with the potential to increase to 160 TJ/day with compression. We understand there is 60 TJ/day of available capacity before compression<sup>26</sup>.

The table below summarises the pipelines which Central (or its customers) need to access in order to transport gas to the East Coast. For indicative purposes, we have shown Wallumbilla as the delivery point.

Indicative pipeline tariffs (based on stated tariffs from the operators)				
Pipeline	Connection points	Operator	Tariff (\$/GJ)	Notes
Amadeus Gas Pipeline	Amadeus Basin – Tennant Creek	APA	0.60	Indicative firm charge
NGP	Tennant Creek – Mt Isa	Jemena	2.12	\$1.40 firm forward haulage, plus \$0.72 nitrogen removal (assuming 10 yr term)
Carpentaria Gas Pipeline	Mt Isa – Ballera	APA	1.32	Indicative firm charge
South West QLD Pipeline	Ballera – Wallumbilla	APA	1.16	Indicative firm charge
<b>Total</b>			<b>5.20</b>	

Source: APA and Jemena websites, accessed March 2017

The table demonstrates the relatively high transport costs associated with gas produced in the Northern Territory. The Vertigan Inquiry report notes that transmission costs make up 5% - 15%<sup>27</sup> of the total gas price for users. The table above indicates that, assuming a delivered price at Wallumbilla of \$8.00/GJ, the transportation costs would make up approximately 65% for gas produced by Central. By way of comparison, gas produced in the Cooper Basin and entering the market in Moomba will need to access the South West Queensland Pipeline, at a cost of \$1.16/GJ (or 14.5% of the total price assuming \$8.00/GJ delivered).

A key aim of Central's agitation for regulatory reform in the pipeline sector has been to reduce the costs Central faces to access the East Coast market. The means by which any tariff reduction would reduce is unclear. Increased regulation across the whole pipeline network would be likely to reduce tariffs, however at this stage no such regulatory change has been agreed. Assuming no regulatory change is implemented, Central may also seek to agree with pipeline operators to structure its pipeline access as a 'backhaul' service, which typically attracts a lower tariff. Assuming the market price of gas at the delivery point remained the same, any reduction in transport costs may result in an increase in the ex-field price received by Central.

Following the ACCC Inquiry and the Vertigan Inquiry, the COAG Energy Council agreed to "mandate commercial arbitration and greater disclosure and transparency of pipeline services and pricing".<sup>28</sup> Subject to passage of amendments to relevant legislation, these measures will commence from 1 May 2017. In January 2017, the COAG Energy Council Major Project Implementation Team released a draft amendment to existing legislation regarding pipeline access to establish a framework for commercial arbitration. Submissions from stakeholders in response to the draft amendment were received by 8 February 2017. A separate consultation is being run with respect to the detail of the commercial arbitration scheme.

Whilst Central is well positioned to sell its gas into the East Coast market through the NGP, its price competitiveness will be impacted by the outcome of any potential changes to pipeline tariffs resulting from the ongoing processes outlined above. At the date of this IER, there is significant uncertainty with respect to the outcome of these processes.

<sup>26</sup> Central annual general meeting presentation, 9 November 2016

<sup>27</sup> 'Examination of the current test for the regulation of gas pipelines', Dr Michael Vertigan AC, 14 December 2016

<sup>28</sup> 'Significant reforms agreed by COAG Energy Council, The Hon Josh Frydenberg MP, Minister for the Environment and Energy, 14 December 2016

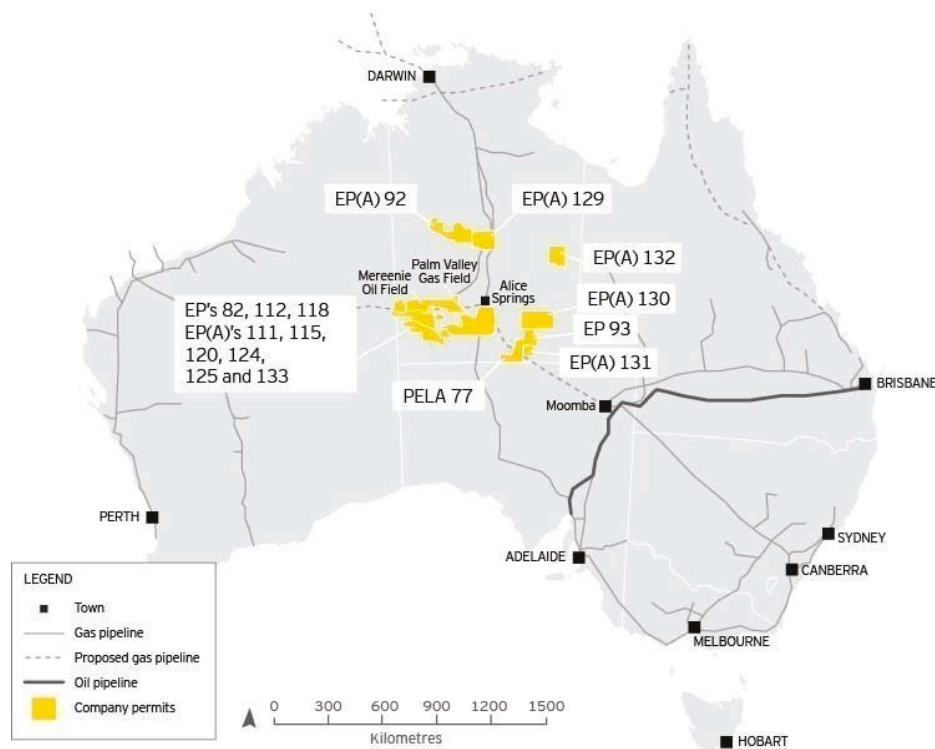
## 4. Overview of Central Petroleum

### 4.1 Company background

Central was incorporated in 1998 and listed on the ASX in 2006. The Company is an oil and gas producer and explorer with a focus primarily on supply to the domestic gas market. Central currently operates the only producing conventional gas facilities in the Northern Territory: Mereenie Oil and Gas Field (“Mereenie”), Palm Valley Gas Field (“Palm Valley”) and Dingo Gas Field (“Dingo”). In addition, Central owns a number of development opportunities, exploration licenses and related assets.

Upon listing on the ASX in 2006, Central held only exploration assets, with Exploration Permits (“EP”) and Exploration Permit Applications (“EP(A)”) across the Pedirka, Amadeus, Georgina and Wiso Basins. The map below shows the Company’s interests as at the date of listing on the ASX:

Central: Overview of assets upon ASX listing (2006)



Source: Central ‘2005 Supplementary Prospectus’

Since listing Central has acquired a number of additional assets, including producing oil and gas assets within the Northern Territory. In 2014, Central acquired the Palm Valley and Dingo Gas Fields from Magellan Petroleum Corporation (“Magellan”) for \$34.5 million<sup>29</sup>, marking Central’s entry into the conventional gas production market. In 2015, Central acquired 50% of Mereenie from Santos for \$50.0 million<sup>30</sup>, and became the operator of the Mereenie joint venture.

<sup>29</sup> Comprised of \$20 million cash and 39.5 million shares in Central, sourced from Central ‘2014 Annual Report’

<sup>30</sup> Central ASX announcement ‘Central acquires 50% of Mereenie Oil & Gas Field and Operatorship from Santos’ dated 4 June 2015

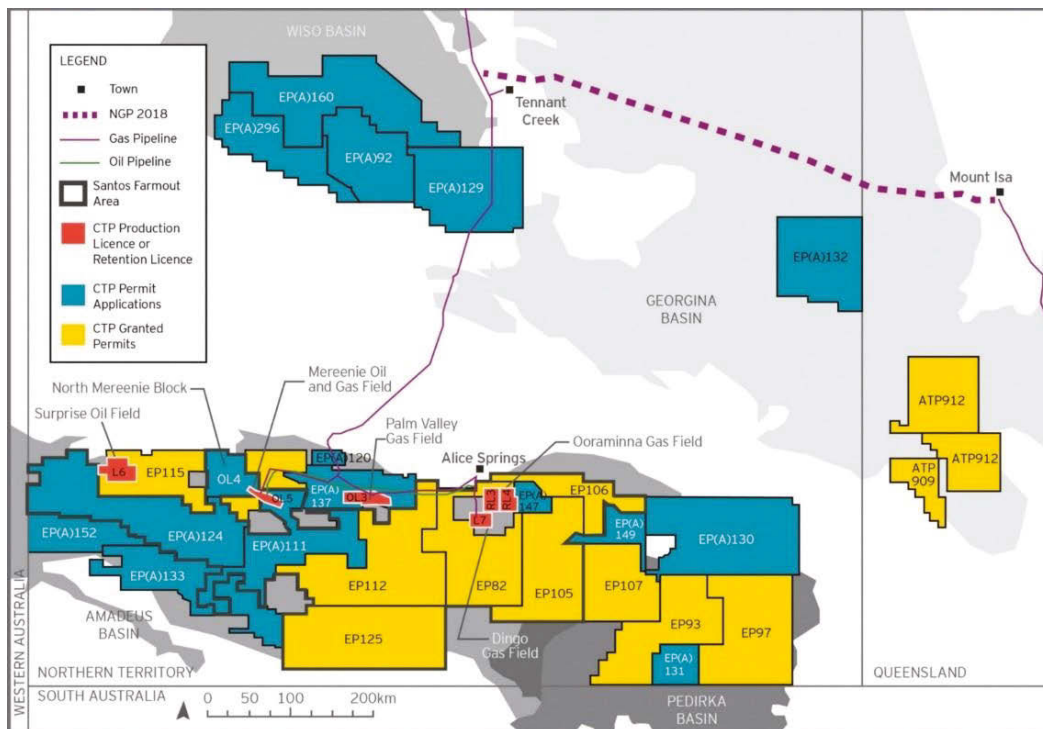
The portfolio of exploration assets which Central owned prior to acquiring its producing assets potentially hold substantial uncontracted gas reserves, and identified gas exploration and appraisal targets. 88% of the exploration assets have been identified as gas prone and 47% have received native title clearance<sup>31</sup>.

The locations of Central's assets position the Company to participate in the NGP, and allow access to the East Coast gas market, albeit with higher transport costs than most other producers in the market due to the number of different pipelines Central (or its customers) will need to access. Central has cited that its largest constraint to accessing the East Coast market, and proving up reserves, is gas transportation costs.

Central was a large proponent of the ACCC *Inquiry into the east coast gas market*, and subsequent regulatory inquiries, with a view to seeking, in Central's view, fair and efficient pricing mechanisms for pipelines. A reform of pipeline tariffs following the Vertigan Inquiry could have a material impact of the competitive dynamics of Central's gas on the East Coast through increasing the realised ex-field price of gas received. Conversely, and as outlined in section 3.2.4 of this IER, there are also a number of potential projects that may compete with Central's gas in the East Coast market. Whilst each of these projects has its own individual challenges to overcome, each of these projects is sufficiently large enough to assist in the long term solution to gas supply shortfalls. Ultimately, the impact on Central of these projects will depend on timing.

As at 31 March 2017, Central had a market capitalisation of \$86.6 million<sup>32</sup>. In FY16, Central produced 83,906 bbl of crude oil and condensate and 3,203 TJ of gas. The map below shows an overview of Central's interests as at June 2016.

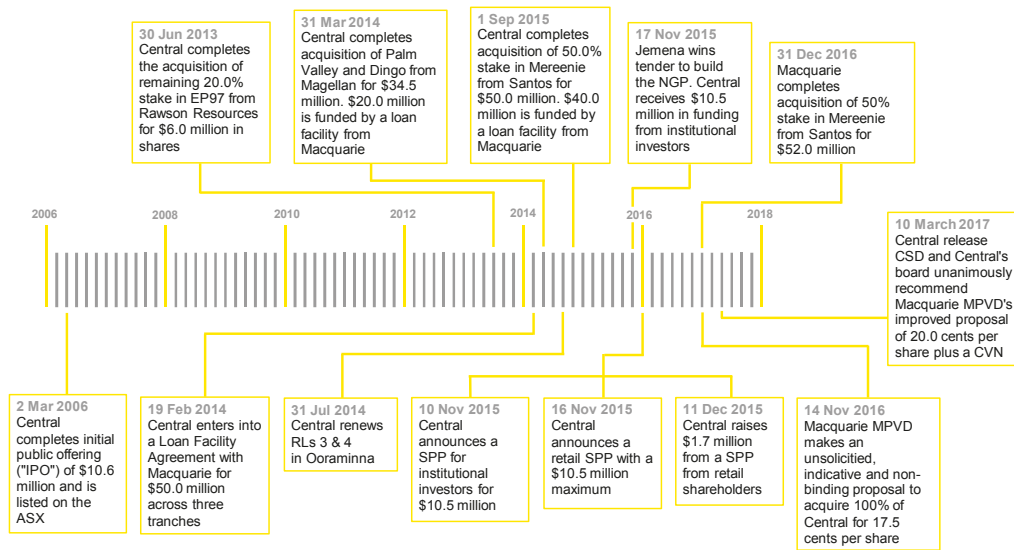
**Central: Amadeus Basin, Pedirka Basin, Wiso Basin & Georgina Basin interests (2016)**



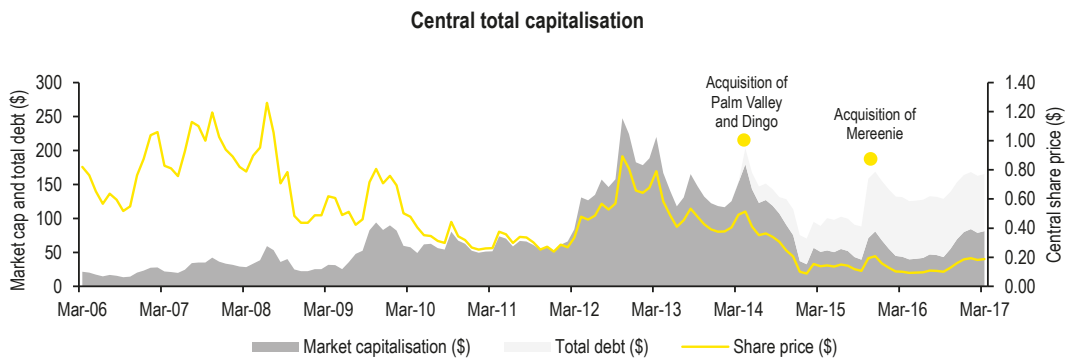
Source: Central '2016 Annual Report'

<sup>31</sup> Central Website – Company Overview and Strategy Tab  
<sup>32</sup> S&P CapitalIQ as at 31 March 2017

The following diagram summarises key events in the history of Central:



The following graph illustrates Central's fluctuations in total capitalisation (market capitalisation plus debt). We note that in the below graph we have shown gross debt, rather than net debt. This has been done on the basis that Central is still conducting exploration activities and therefore is to require likely all the cash it has access to.



Source: S&P CapitalIQ as at 31 March 2017

The chart illustrates that since the start of 2015, being the time period after the significant correction in global oil prices, the overall capitalisation of Central has grown. This growth reflects increases in the value of Central's portfolio resulting from the acquisition of Mereenie and confirmation of development of the NGP. However, this growth in capitalisation has been funded by debt and by the issuance of new equity, meaning that the traded price per share has not increased at the same rate. Specific movements in Central's share price are discussed in detail in section 4.7.

## 4.2 Central's oil and gas assets

### 4.2.1 Overview of assets

The table below provides an overview of Central's assets by status and beneficial ownership percentage. The assets are further described in the following sections.

Central – Overview of assets						
Tenement	Area (km <sup>2</sup> )	Status	Operator	Ownership % (beneficial)	Other owners	Included in CVN?
<b>Mereenie Oil &amp; Gas Field<sup>1</sup></b>						
OL 4	123	Production	Central	50	Macquarie (50%)	
OL 5	158	Production	Central	50	Macquarie (50%)	
<b>Dingo Gas Field &amp; Surrounding Area</b>						
OL 7	468	Production	Central	100		
EP 82DSA	1,492	Exploration	Central	100		
<b>Palm Valley Gas Field</b>						
OL 3	639	Production <sup>2</sup>	Central	100		✓ <sup>3</sup>
<b>Surprise Oil Field</b>						
L 6	929	Production <sup>4</sup>	Central	100		✓
<b>Southern Amadeus Joint Venture</b>						
EP 82	9,898 <sup>5</sup>	Exploration	Santos	60	Santos (40%)	✓
EP 105	9,756	Exploration	Santos	60	Santos (40%)	✓
EP 106	4,097	Exploration	Santos	60	Santos (40%)	
EP 112	14,080	Exploration	Santos	60	Santos (40%)	✓
EP 125 (Mt Kitty)	12,773	Exploration	Santos	30	Santos (70%)	✓ <sup>6</sup>
<b>EP 115</b>						
EP 115	12,397	Exploration	Central	100		
<b>North Mereenie Block</b>						
EP 115NMB	2,647	Exploration	Santos	60	Santos (40%)	
<b>Ooraminna Retention License</b>						
RL 3		Exploration	Central	100		✓
RL 4	1,004	Exploration	Central	100		✓
<b>Southern Georgina Basin</b>						
ATP 909	2,672	Exploration	Central	100		
ATP 911	4,330	Exploration	Central	100		
ATP 912	7,365	Exploration	Central	100		
EP(A) 132	9,587	Exploration	Central	100		
<b>Pedirka Basin</b>						
EP 93	9,075	Exploration	Central	100		
EP 97	1,291	Exploration	Central	100		
EP 107	6,955	Exploration	Central	100		
EP(A) 130	15,590	Exploration	Central	100		
EP(A) 131	2,242	Exploration	Central	100		

Source: Central '2016 Annual Report'

Notes:

<sup>1</sup> We note that Stairway forms part of Mereenie

<sup>2</sup> Palm Valley is capable of production, however currently it is only employed to fulfil shortages in Dingo and Mereenie's gas contracts during annual statutory shut-downs. We note that the Palm Valley Deep prospect also forms part of OL 3.

<sup>3</sup> Palm Valley Deep forms part of the CVN.

<sup>4</sup> Surprise Oil Field is capable of production, however due to low oil prices, the facility is temporarily closed.

<sup>5</sup> Excludes EP 82DSA (1,492km<sup>2</sup>) excised from the EP82 Joint Venture with Santos as part of arrangements in the purchase of Central's interest in the Mereenie oil and gas field. Excluding the EP 82 sub-blocks, being graticular blocks SG53-20, SG53-21, SG53-22, SG53-23, SG53-92, SG53-93, SG53-94, SG53-95, SG53-164, SG53-165, SG53-169, SG53-170, SG53-171, SG53-241, SG53-242, SG53-243, SG53-311, SG53-312, SG53-313 and SG53-314.

<sup>6</sup> Only the Mt Kitty discovery, contained within graticular blocks SG53 1162, SG53 1163, SG53 1164, SG53 1233, SG53 1234, SG53 1235, SG53 1236, SG53 1305, SG53 1306, SG53 1307, SG53 1308 within EP 125

## 4.2.2 Operating assets

### 4.2.2.1 Mereenie Oil and Gas Field – Joint Venture with Macquarie Mereenie

Mereenie is located in the Amadeus Basin, comprising 281 km<sup>2</sup> across the operating licence (“OL”) 4 and OL 5 permits. Mereenie currently produces oil, condensate and gas. Central acquired its 50% (operator) stake in the Mereenie joint venture from Santos in September 2015 for \$50.0 million.

In December 2016, Santos announced that it had agreed to sell its remaining 50% interest in Mereenie and the Mereenie to Alice Springs Pipeline for \$52.0 million to a subsidiary of Macquarie, Macquarie Mereenie Pty Ltd (“Macquarie Mereenie”). Central continues to be the operator of the Mereenie field<sup>33</sup>.

Mereenie currently has 59 wells<sup>34</sup> and has historically derived the majority of its revenue from gas production. Only seven of the wells have been drilled in locations conducive to the extraction of gas, with the majority of the remaining wells favouring oil production. Gas from Mereenie is currently sold under contract to MacArthur River Mine and NT Gas Distribution. All liquids produced by Mereenie are processed then transported ~1,400km via trucks to Port Bonython for sale. Trucking is an expensive form of transportation, meaning that Central’s oil is relatively high on the cost curve. Any residual gas that is not required to meet contract commitments is reinjected into the reservoir in order to maintain reservoir pressure.

With the NGP due to become operational in July 2018<sup>35</sup>, Central is aiming to maximise gas reserves that are not committed to existing contracts and sell these through the NGP to East Coast customers. Thus Central’s core objective for Mereenie is to continue to maximise the area’s gas reserves and develop the field and its surrounding acreage. Further exploration opportunities within the licenced areas include targeting known reservoirs, which include deeper reservoirs such as the Arumbera Sandstone. The configuration of these potential sites requires additional mapping, for which planning is currently underway.

In FY16, Mereenie production, net to Central, was 82,015 bbl of liquids and 1.8 PJ of gas. Currently Central’s share of reserves at Mereenie is 72 PJ of 2P reserves certified and 98 PJ of 2C contingent resources<sup>36</sup>. In the first half of FY17 Mereenie sold 1.2 PJ of gas and 56,663 bbl of oil<sup>37</sup>.

### 4.2.2.2 Dingo Gas Field & Surrounding Areas

Dingo is located in the Amadeus Basin in the L7 tenement. In March 2014, Central discovered but undeveloped gas reserves and the contract to supply PWC at Dingo from Magellan. Following this acquisition Central commenced development of the facilities at Dingo, which was completed in April 2015. This involved the construction of wellhead facilities, gathering pipelines, gas conditioning facilities, a 50 km gas pipeline (Pipeline Licence “PL” 30) to Brewer Estate in Alice Springs, and compression and custody transfer metering facilities. The project was funded by a \$30.0 million tranche of a loan facility agreement with Macquarie<sup>38</sup>. In addition to the Dingo tenement acquired in 2014, Central obtained 20 graticular blocks in the EP 82 tenement surrounding Dingo from Santos in 2015 (“EP 82DSA”). This area of 1,492 km<sup>2</sup> is believed to contain further exploration opportunities, with gas potential identified in some reservoirs.

The Dingo wells produce high pressure gas that is transported to Brewer Estate via pipeline. All hydrocarbon condensates and water are then extracted from the gas and the pressure is reduced to meet customer requirements before sale.

Dingo currently has 32 PJ of 2P certified reserves and 23 PJ of 2C<sup>39</sup>. In the first half of FY17 Dingo reported sales of 421 TJ<sup>40</sup>. The gas produced at Dingo is relatively dry, making it ideal for use in power stations. Dingo currently supplies gas under a take or pay (“ToP”) GSA to PWC for supply to the Owen Springs Power Plant.

<sup>33</sup> Central ‘Operating Activities Report’ and ‘ASX Appendix 5B’ for quarter ended 31 December 2016

<sup>34</sup> Central ‘2016 Noosa Mining Conference’ Presentation

<sup>35</sup> Jemena ‘NGP Draft Environmental Impact Statement

<sup>36</sup> Appendix H – RISC Report

<sup>37</sup> Central ‘HY Report’ for the 6 months ended 31 December 2016

<sup>38</sup> Central ‘2016 Annual Report’

<sup>39</sup> Central ‘2016 Noosa Mining Conference’ Presentation

<sup>40</sup> Central ‘HY Report’ for the 6 months ended 31 December 2016

When the Ron Goodin Power Station in Alice Springs closes in late 2017, it is estimated that gas sales will increase under the PWC contract to 4 TJ/day.

#### **4.2.2.3 Palm Valley Gas Field**

Palm Valley is located in the Amadeus Basin in OL 3, which covers 639 km<sup>2</sup>. Central acquired Palm Valley from Magellan in March 2014, including all producing reserves, associated compression, processing and transportation infrastructure, and a related gas contract.

Currently, Palm Valley has the ability to produce gas at low pressure from three wells. This gas uses flow lines as a means of transportation to the production facility for compression and dehydration, before being supplied to customers via a transmission pipeline. Upon acquisition of Mereenie in September 2015, Palm Valley was put on care and maintenance as, collectively, Mereenie and Dingo have the capacity to fulfil all of Central's ongoing contractual gas obligations. Palm Valley remains on care and maintenance. Gas production from Palm Valley in FY16 was only 834 TJ. Of this, 46 TJ was produced to fulfil gas contracts typically serviced by Mereenie and Dingo during their annual statutory shut-downs<sup>41</sup>. Palm Valley currently has 22 PJ of certified 2P reserves and 30 PJ of 2C<sup>42</sup>.

In addition to the producing Palm Valley operations, there are several exploration interests, including:

- ▶ The Palm Valley Deep Prospect (forms part of CVN). Central proposes considering testing deeper Arumbera Sandstone, an established gas bearing reservoir (as at Dingo), to identify further gas potential.
- ▶ Palm Valley West. Additional seismic mapping has been planned and should this prove successful, Central could process this gas through their existing infrastructure, enhancing the attractiveness of this prospect.

#### **4.2.2.4 Surprise Oil Field**

Surprise is a remote site, located in the Amadeus Basin, 500 km west of Alice Springs. PL 6, which allows for production from Surprise, was granted in February 2014, and was the first onshore production licence issued in the Northern Territory since the passing of the Native Title Act 1993. Production commenced in March 2014 and by mid 2015 the field was averaging 85 bopd. Key facilities include a single production well and oil storage tanks.

In 2016, low oil prices and geographical challenges due to its remote location (including high transport costs due to trucking) led to the decision to temporarily cease production from the field<sup>43</sup>. Any future decision to re-commence production from Surprise is dependent on a recovery of oil prices. From an operational perspective, the well is recharging pending re-commencing production, creating adequate pressure for extraction and allowing for higher initial production sales. Further exploration opportunities may also exist within the 929 km<sup>2</sup> licensed area.

### **4.2.3 Exploration assets**

#### **4.2.3.1 Southern Amadeus Joint Venture (forms part of the CVN)**

Central's Southern Amadeus Joint Venture with Santos ("Southern Amadeus") is a three stage farmin agreement covered by EP 105, EP 106, EP 112, EP 125 (Mt Kitty) and part of EP 82 (excluding EP 82DSA). Central has a 60% interest in all these tenements with the exception of EP 125 in which it holds 30%. The joint venture has no production facilities at this stage.

<sup>41</sup> Central '2016 Annual Report'

<sup>42</sup> Appendix H – RISC Report

<sup>43</sup> Central '2016 Annual Report'

Santos is the assigned operator, and committed to an initial investment of \$30.0 million in Stage 1 of this agreement, with options to invest a further \$60.0 million in each of Stages 2 and 3<sup>44</sup>. The stages are as follows:

- ▶ **Stage 1:** Concluded in June 2014 and, based on initial funding, earned Santos a 25% interest in the joint venture. This stage required the drilling of the well Mt Kitty 1, and the acquisition of a minimum of 1,500 km of 2D seismic data. The 2D seismic data acquired by Santos over this period exceeded this target by 87 km.
- ▶ **Stage 2:** In November 2016, Santos announced that it had commenced Stage 2 of the farm-in, and intended to acquire a further 1,300km of 2D seismic. The aim of the program is to mature the Dukas and Mahler drill targets and gather data for the Rossini lead. At the time of the announcement, Santos expected the work would cost \$12.0 million and be completed by mid-2017. Upon completion, Santos will have the right to increase its participating interest in the relevant permits from 25% to 40%<sup>45</sup>.
- ▶ **Stage 3:** Upon the completion of Stage 2, Santos has the option to conduct a drilling program in exchange for additional equity.

#### **4.2.3.2 Ooraminna (forms part of the CVN)**

In March 2013, Central was granted RL 3 and RL 4, covering a total area of approximately 1,004 km<sup>2</sup> across 6 and 8 blocks respectively. Currently, the Pioneer Sandstone ("Pioneer") and Ooraminna Gas Fields ("Ooraminna") sit within these tenements. Well locations are currently being assessed, however additional technical work such as seismic and surface mapping is required to firm up these locations.

From initial works undertaken, Central believes that hydrocarbons may be able to be extracted from Pioneer by taking advantage of natural fractures within the geological structure. That is, Central may not need to frack the area to extract the gas. Should this area be successful the geographical location allows for the potential gas to be processed through the existing Dingo production facilities.

#### **4.2.3.3 EP 115**

Central currently holds EP 115, which is located immediately northwest of Mereenie in the Amadeus Basin. Encompassing both Surprise and EP 115NMB, the block covers 2,647 km<sup>2</sup>. Currently Central has operatorship of the area excluding EP 115NMB. Further exploration appraisal and core data needs to be collected to aid in firming up the reserve and resource position of the area. At this stage it is unclear if this area holds shale oil or shale gas.

#### **4.2.3.4 North Mereenie Block**

In September 2012 Central entered a three stage farm-out agreement with Santos for the area immediately northwest of Mereenie under EP 115NMB. Santos currently holds operatorship of EP 115NMB and Central holds a 60% interest.

During 2013 the joint venture acquired 323 km of 2D seismic data and reprocessed over 500 km of historical 2D seismic. This has resulted in several identified conventional exploration opportunities.

#### **4.2.3.5 Southern Georgina Basin**

Authority to Prospect ("ATP") licences ATP 909, ATP 911 and ATP 912 were initially awarded in March 2013 and extend until 10 March 2019. The Southern Georgina Basin ("SGB") project is located within these tenements. SGB began as a three stage farmout agreement with Total E&P Australia Pty Ltd ("Total"), in which Central held responsibility for all activities in the exploration phase.

<sup>44</sup> Central '2015 Annual Report'

<sup>45</sup> Central ASX Announcement 'Santos Commences Seismic Program' dated 30 November 2016

Stage 1 of the farmout launched in 2013 with the acquisition of 974 km of 2D seismic. On 20 July 2014, Central began drilling an unconventional well in ATP 912. Due to operational reasons, despite an initial planned depth of 1,920 m, the well was suspended at 1,141 m. On 14 September 2014 drilling of the second well, Gaudi-1, commenced in ATP 909, reaching a depth of 2,430 m.

On 22 February 2017, Total gave notice of its decision not to engage in key permit renewals, resulting in its withdrawal from the farm-out agreement and SGB<sup>46</sup>. As a result, Central retains its 100% interest in the permits and no longer has to pay its last portion of the Stage 1 farmin. At the date of this Report, the future plans for the area are unclear.

#### **4.2.3.6 The Pedirka Basin**

Central currently holds EP 93, EP 97, EP 107, EP(A) 130 and EP(A) 131 in the Pedirka Basin, totalling 35,153 km<sup>2</sup> in area. Under these permits Central has conducted extensive exploration activities, acquiring 688 km of 2D seismic data, and commencing the drilling of the Simpson-1 and Blamore-1 wells. Central has also undertaken testing for coal seam gas following the discovery of coals in the licensed tenements and nine shallow wells have been drilled. The Madigan prospect has been identified to hold the most oil potential from current data. In FY17 Central has also submitted applications to the NT Department of Primary Industry and Resources for consent to surrender EP 93, EP 97 and EP107. This relinquishment is indicative of Central's move to focus on Amadeus Basin gas plays, away from the Pedirka Basin assets.

#### **4.2.4 Contingent liabilities**

Central is currently in a legal dispute with Geoscience Resource Recovery LLC ("GRR"). GRR has alleged that Central entered into an arrangement in early 2012 to pay a success fee for sourcing a farmin partner, in the event that the sourced farmin partner did not pay the fee.

The initial claim made by GRR, filed in the State of Texas, requests 7% of the initial \$48.0 million paid by the farmin partner to Central for stage one of the farmin, all exploration funds received and 5% on all follow-on development funds received from the farmin partner. Additionally, GRR is requesting a 2% royalty from any production from the acreage. Under the alleged contract the maximum Central is liable for is \$20.0 million.

Central has treated this as a contingent liability in their financial statements.

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<sup>46</sup> Central 'HY Report' for the 6 months ended 31 December 2016

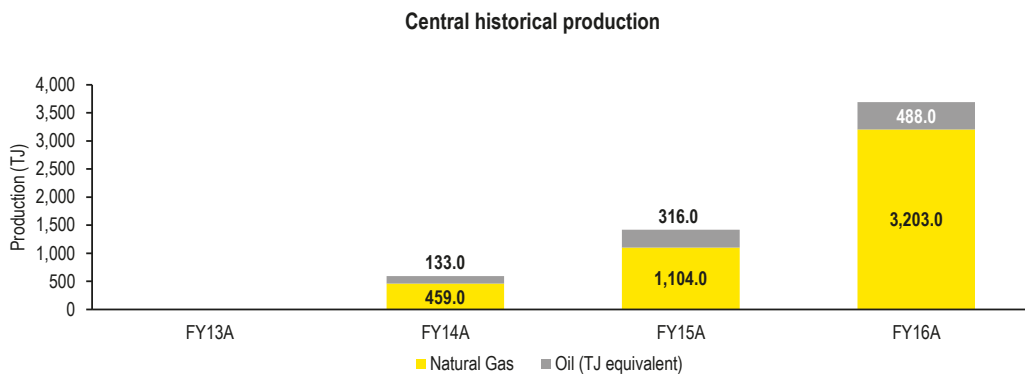
## 4.3 Production, reserves and resources

### 4.3.1 Production

Central currently owns three oil and gas production facilities: Mereenie (OL4 and OL5), Palm Valley (OL3) and Dingo (L7 and EP 82DSA). As at the date of this IER, only Mereenie and Dingo are producing.

In FY16, Central produced 83,906 bbl of crude oil and condensate and 3,203 TJ of gas, representing a year-on-year (“YoY”) increase of 54.4% (FY15: 54,333 bbl) and 190.1% (FY15: 1,104 TJ) respectively. This growth in oil and condensate was primarily driven by the acquisition of Mereenie and the commencement of production from Dingo in late 2015.

The following chart summarises Central’s production between FY13 and FY16. As noted previously, production only commenced in FY14 upon the acquisition of Palm Valley from Magellan.



Source: Central '2014, 2015 and 2016 Annual Reports'

### 4.3.2 Reserves and resources

The tables below summarise Central’s reserves and resource volumes for gas and liquids as at 31 December 2016:

Central Gas Reserves and Resources			
Central gas reserves (PJ)	1P	2P	2C
Mereenie	62.1	71.9	97.6
Palm Valley	17.4	21.8	29.7
Dingo	9.4	32.2	23.1
Ooraminna	-	-	106.7
<b>Total gas reserves and resources</b>	<b>88.8</b>	<b>125.9</b>	<b>257.1</b>

Central liquid reserves and resources (MMstb)			
	1P	2P	2C
Mereenie	0.6	1.0	0.2
<b>Total liquids reserves and resources</b>	<b>0.6</b>	<b>1.0</b>	<b>0.2</b>

Source: Appendix H – The RISC Report

## 4.4 Financial information

### 4.4.1 Financial performance

A summary of Central's financial performance for the last two years ended 30 June (i.e. FY15 and FY16) and the half year ended 31 December 2016, as extracted from the financial statements, are presented below:

Central - Consolidated income statement summary			
\$ 000	FY15A	FY16A	Dec16A
Revenue from the sale of goods	10,313	22,643	n/a
Other revenue from customers	-	1,220	n/a
<b>Total revenue</b>	<b>10,313</b>	<b>23,863</b>	<b>12,639</b>
Cost of sales	(10,117)	(14,061)	(7,899)
<b>Gross profit</b>	<b>196</b>	<b>9,802</b>	<b>4,740</b>
Other income	7,480	260	1,021
Share based employment benefits	(2,247)	(2,236)	(1,139)
General and administrative expenses	(1,938)	(506)	(258)
Employee benefits and associated costs	(5,018)	(4,478)	(2,144)
Exploration expenditure	(7,656)	(4,026)	(577)
Restructure of future contingent commitments	-	(1,725)	-
<b>Earnings before interest, tax, depreciation and amortisation ("EBITDA")</b>	<b>(9,183)</b>	<b>(2,908)</b>	<b>1,644</b>
Finance costs	(3,749)	(8,291)	(3,942)
Impairment expense	(12,092)	(1,437)	-
Depreciation and amortisation	(2,708)	(8,404)	(3,849)
<b>Loss before income tax</b>	<b>(27,731)</b>	<b>(21,040)</b>	<b>(6,146)</b>
Income tax expense	-	-	-
<b>Loss for the year</b>	<b>(27,731)</b>	<b>(21,040)</b>	<b>(6,146)</b>
Other comprehensive loss for the year, net of tax	-	-	-
Total comprehensive loss for the year	(27,731)	(21,040)	(6,146)
<b>Total comprehensive loss attributable to members of the parent entity</b>	<b>(27,731)</b>	<b>(21,040)</b>	<b>(6,146)</b>

Source: Central '2015 and 2016 Annual Report' and 'HY Report' for the 6 months ended 31 December 2016

Note:

<sup>1</sup> Total values are not exact due to allowances for rounding

In relation to the historical financial performance we note:

- ▶ Revenue from sale of goods (oil and gas) in FY16 increased by \$12.3 million (119.6%) from FY15, reflective of increased production as a result of the contribution from Mereenie. Central also generated \$1.2 million in other revenue from short term sales to PWC. Central was loss making at an EBITDA level in FY15 and FY16, and net profit level in each of the periods shown above.
- ▶ FY16 revenue reflects a high level of customer concentration, with the top three customers representing 36%, 32% and 22% of the group's total oil and gas revenues<sup>47</sup>. Similar concentrations were observed in Central's December 2016 half yearly revenue<sup>48</sup>.
- ▶ The average realised oil price was \$58/bbl in FY16, down 37% from \$93/bbl in FY15. In the six months to December 2016 the realised price increased to \$68/bbl reflecting stronger global crude oil prices<sup>49</sup>.

<sup>47</sup> Central '2016 Annual Report'

<sup>48</sup> Central 'HY Report' for the 6 months ended 31 December 2016

<sup>49</sup> Central 'HY Report' for the 6 months ended 31 December 2016

- ▶ Cost of sales increased from \$10.1 million in FY15 to \$14.1 million in FY16, with gross margins improving from 1.9% to 41.1%. This \$4.0 million increase is linked to the commencement of the sale of gas under the PWC GSA in December 2015.
- ▶ Other income of \$0.3 million in FY16 was down \$7.2 million from FY15. This included refunds received in relation to research and development. These refunds are largely linked to exploration expenditure, meaning that the refunds lag spending on these activities. Exploration expenditure declined \$3.6 million to \$4.0 million in FY16, as a result of reduced drilling activity in the Southern Georgina Basin and the suspension of exploration in Ooraminna due to low oil prices.
- ▶ General and administrative expenses decreased to \$0.5 million in FY16 from \$1.9 million in FY15, as a result of cost savings and increased recoveries from both sole and joint venture operations.
- ▶ An additional one-off cost of \$1.7 million was incurred in FY16, due to the restructure of future contingent commitments. This removed Central's net exposure to the Mereenie Production Bonus, via the acquisition of rights to a bonus amount.
- ▶ Finance costs increased from \$3.7 million in FY15 to \$8.3 million in FY16. This increased financing cost reflects the additional debt to finance the acquisition of Mereenie.
- ▶ Impairment expenses of \$12.1 million in FY15 are primarily attributable to the shutdown of Surprise (\$5.4 million) and its associated exploration assets (\$0.8 million). In FY15, the potential divestment of permit interests led to the \$5.6 million impairment of EP 97. This exploration permit was impaired a further \$1.3 million in FY16 following Central's submission to surrender its interest after an unsuccessful divestment process. Since ASX listing Central has incurred \$102.7 million of exploration expenditure.

#### 4.4.2 Financial position

Provided below is a summary of Central's financial position as at 30 June 2016 and 31 December 2016.

Central – Consolidated financial position summary		
\$ 000	Jun16A	Dec16A
<b>Current assets</b>		
Cash and cash equivalents	15,116	5,941
Trade and other receivables	3,787	9,461
Inventories	3,593	3,645
<b>Total current assets</b>	<b>22,496</b>	<b>19,046</b>
<b>Non-current assets</b>		
Property, plant and equipment	113,783	109,222
Exploration assets	8,899	8,899
Intangible assets	82	61
Other financial assets	2,209	2,264
Goodwill	3,906	3,906
<b>Total non-current assets</b>	<b>128,879</b>	<b>124,352</b>
<b>Total assets</b>	<b>151,375</b>	<b>143,398</b>
<b>Current liabilities</b>		
Trade and other payables	6,896	2,260
Deferred revenue	2,714	2,714
Interest-bearing liabilities	3,784	3,956
Other financial liabilities	-	39
Provisions	3,767	3,914
<b>Total current liabilities</b>	<b>17,161</b>	<b>12,883</b>
<b>Non-current liabilities</b>		
Trade and other payables	2,622	2,548
Deferred revenue	1,253	5,213
Interest-bearing liabilities	81,917	80,125
Other financial liabilities	11,765	12,157
Provisions	20,139	18,961
<b>Total non-current liabilities</b>	<b>117,696</b>	<b>119,004</b>
<b>Liabilities</b>	<b>134,857</b>	<b>131,888</b>
<b>Equity</b>		
Contributed equity	172,302	172,302
Reserves	19,590	20,729
Accumulated losses	(175,374)	(181,521)
<b>Total equity</b>	<b>16,518</b>	<b>11,510</b>

Source: Central '2016 Annual Report' and 'HY Report' for the 6 months ended 31 December 2016

Note: <sup>1</sup> Values may not sum due to rounding

The largest asset category is property, plant and equipment which, in turn, is largely attributable to the value of producing assets acquired, and capitalised costs associated with development of the Dingo Pipeline.

Interest bearing liabilities of \$84.1 million reflect borrowings from Macquarie, largely taken on to fund the development of Dingo and the acquisition of Mereenie. In addition to this debt, Central has other financial liabilities of \$12.1 million, comprised of the gas pre-sale agreement with Macquarie, which was used to assist funding the final payment for the Mereenie acquisition. This forward gas sales agreement contains a cash settlement option that is at the discretion of Macquarie.

### 4.4.3 Cash flow statement

Provided below is a summary of Central's cash flow statement for FY15, FY16 and the half year ended 31 December 2016, as extracted from Central's financial statements:

Central – Consolidated cash flow summary			
\$ 000	FY15A	FY16A	Dec16A <sup>1</sup>
<b>Cash-flow from operations</b>			
Receipts from customers	10,980	26,675	10,783
Interest received	143	239	94
Other income	3,421	4,073	28
Interest and borrowing costs	(287)	(7,298)	(3,229)
Payments for restructuring future contingent commitments	-	(1,725)	-
Payments to suppliers and employees (inclusive of GST)	(24,858)	(22,834)	(11,061)
Other	-	-	827
<b>Operating cash-flow</b>	<b>(10,600)</b>	<b>(871)</b>	<b>(2,558)</b>
<b>Cash-flow from investing activities:</b>			
Payments for property, plant and equipment	(21,776)	(1,832)	(927)
Payments for interest in Mereenie Joint Venture	-	(47,073)	(3,342)
Proceeds from sale of property, plant and equipment	960	354	-
Redemption / (Acquisition) of security deposits and bonds	345	102	(170)
Proceed from sale of exploration permits	-	-	80
<b>Cash from investing</b>	<b>(20,471)</b>	<b>(48,449)</b>	<b>(4,289)</b>
<b>Cash-flow from financing activities:</b>			
Proceeds from the issue of shares and options	5,562	11,516	-
Proceeds from borrowings and other financing arrangements	19,000	53,025	-
Repayment of borrowings	(305)	(3,622)	(2,328)
<b>Cash from financing</b>	<b>24,257</b>	<b>60,919</b>	<b>(2,328)</b>
<b>Net change in cash</b>	<b>(6,814)</b>	<b>11,600</b>	<b>(9,175)</b>
<b>Opening cash balance</b>	<b>10,330</b>	<b>3,516</b>	<b>15,116</b>
Net change in cash	(6,814)	11,600	(9,175)
<b>Closing cash balance</b>	<b>3,516</b>	<b>15,116</b>	<b>5,941</b>

Source: Central '2015 and 2016 Annual Report' and 'HY Report' for the 6 months ended 31 December 2016

Note:

<sup>1</sup> For the half year ended December 2016

<sup>2</sup> Values may not sum due to rounding

In relation to the cash flow statement we note:

- ▶ Cash flows from financing and investing activities in FY15 and FY16 largely reflect the development of Dingo and the acquisition of Mereenie. These cash outflows were funded by debt from Macquarie, as well as a capital raising conducted in late 2015.
- ▶ For the periods shown above, Central has experienced net cash outflows from operating activities. This is despite receiving cash inflows from research and development refunds in FY15 and FY16. Central's closing cash balance at 31 December 2016, would be sufficient to fund just over one year of operations, based on the cash burn from operations experienced in the six months to December 2016.

## 4.5 Securities

As at 28 April 2017, in accordance with the Scheme Booklet, Central had the following securities on issue:

- ▶ 433,197,647 fully paid ordinary shares including shares issued in FY16 from a share placement to institutional investors in November 2015 (55.3 million shares) and a security purchase plan in December 2016 (9.2 million shares).
- ▶ 63,803,777 unlisted Options in respect of Central's ordinary shares, held by current and former directors, executives and employees. 30,000,000 of these options were issued in FY16 to Macquarie. The Options are exercisable at various prices and have expiry dates as listed below:

Central – Options outstanding		
Number of Options	Exercise Price	Expiry Date
430,827	\$0.45	11/11/2017
782,525	\$0.40	15/11/2017
234,000	\$0.41	15/11/2017
30,494,002	\$0.45	15/11/2017
1,899,350	\$0.48	15/11/2017
393,900	\$0.65	15/11/2017
30,000,000 (held by Macquarie)	\$0.20	01/09/2019

Source: Central '2016 Annual Report', 'HY Report' for the 6 months ended 31 December 2016 and Appendix 3B dated 9 March 2017

- ▶ 24,068,958 Share Rights and 1,913,873 Future Share Rights. These rights relate to deferred shares in Central granted to eligible employees. The rights are granted in respect of a plan which commences on 1 July each year and are subject to certain performance hurdles.

As set out in section 1.4, the conditions precedent to the Proposed Scheme include cancellation or exercise of the Options, Share Rights and Future Share Rights. None of the Options are in the money at current share prices, or based on the Scheme Consideration. The Share Rights and Future Share Rights will effectively participate in the Scheme Consideration, as they will either be converted into shares prior to voting on the Proposed Scheme, or they will be cancelled for Scheme Consideration and therefore compensated in a similar manner to Central Shares.

As shown in section 4.4.2 above, Central's contributed equity as at 31 December 2016 was \$172.3 million. This reflects 13 separate capital raisings undertaken by Central since listing on the ASX.

The most recent capital raisings occurred in late 2015. In November 2015, Central raised \$10.5 million from institutional investors from the issuance of 55.3 million ordinary shares at 19.0 cents per share. Following this, Central raised an additional \$1.7 million from retail shareholders by way of a 9.2 million share security purchase plan at 19.0 cents per share in December 2015. Central had targeted an additional \$10.5 million raising from retail investors, meaning that the raising experienced a shortfall of \$8.8 million. We note that the final deferred payment to Santos for the acquisition of Mereenie, of \$10.0 million, was made in mid 2016. This payment was funded through the gas pre-sale agreement to Macquarie.

#### 4.5.1 Debt

As at 31 December 2016, Central had the following debt obligations:

- ▶ Central holds four tranches of debt with Macquarie. Tranches A and C total \$20.0 million and were used for the acquisition of Palm Valley and Dingo. Tranche B comprises \$30.0 million and was used to fund the development of the Dingo field. Tranche D comprises \$40.0 million and was used primarily to fund the Mereenie acquisition. Total interest bearing liabilities as at 31 December 2016 is \$84.1 million.
- ▶ As at 31 March 2017 Central's total interesting bearing liabilities were \$83.2 million.
- ▶ Central also carries \$12.2 million of other financial liabilities relating to the pre-sale of gas to Macquarie. This liability may be settled at the discretion of Macquarie by either the delivery of gas or a cash payment.

#### 4.6 Major shareholders

The following entities are listed in Central's annual report as the legal holders of the largest parcels of shares:

Central – Major shareholders	
Shareholder	Number of Shares
Citicorp Nominees Pty Ltd	20,521,053
Macquarie Bank Limited <Metals Mining and AG	10,000,000
Magellan Petroleum Australia Pty Ltd	8,247,576
National Nominees Limited <DB A/C>	6,052,632
JP Morgan Nominees Australia Limited	5,013,336

Source: Central '2016 Annual Report'

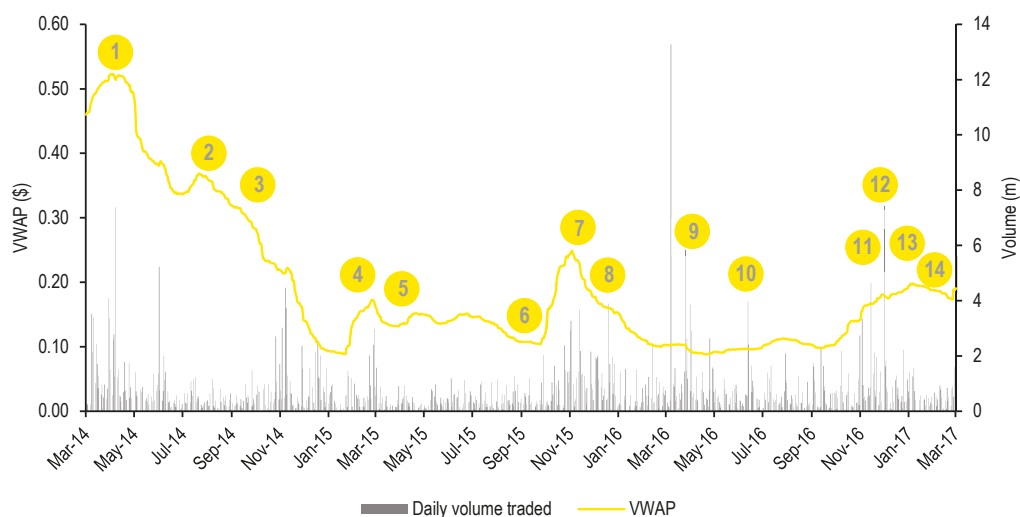
No substantial shareholder notices have been lodged with Central, indicating that there are no shareholders holding a 5% or more beneficial interest in Central.

#### 4.7 Share price performance

The chart overleaf shows the daily 30 day volume weighted average price ("VWAP") and trading volumes of Central shares on the ASX between 10 March 2014 and 31 March 2017. Over that period, Central's closing share price traded between a high of 57.0 cents on 19 March 2014, to a low of 7.6 cents on 28 January 2015. Central's closing share price on 9 March 2017, being the last trading day prior to the Announcement Date was 16.5 cents per share.

We note that the Proposed Scheme was the second announced offer for Central. On 14 November 2016, Central announced that Macquarie MPVD had submitted an unsolicited, non-binding cash offer of 17.5 cents per Central share (the Initial Announcement) and as such the closing price on 9 March 2017 already reflected the Initial Announcement and speculation that this position was likely to be enhanced. Central's 30 day trailing VWAP for the last trading day prior to the Initial Announcement was 14.4 cents per share.

Central VWAP (30 day trailing) and volume



Source: S&P Capital IQ as at 31 March 2017

In addition to regular quarterly, interim and annual reporting announcements, other announcements made by Central between March 2014 and March 2017, that may have had an impact on Central's share price are annotated in the chart above and summarised below:

1. 31 March 2014 – Central completes the acquisition of Palm Valley and Dingo from Magellan for \$35.0 million.
2. 31 July 2014 – Central renewed RL 3 & 4 at Ooraminna.
3. 24 September 2014 – Central filed a secondary equity offering in the amount of \$6.0 million.
4. 9 February 2015 – Central announced the early sale of gas under a GSA with PWC – Central to begin immediately selling approximately 2 TJ/day of gas.
5. 23 March 2015 – Central announced that it had commissioned the Dingo gas project.
6. 1 September 2015 – Central completed the 50% Mereenie acquisition from Santos for \$50.0 million.
7. 17 November 2015 – Central receives \$10.5 million in equity funding from institutional investors.
8. 11 December 2015 – Central raises \$1.7 million of a potential \$10.5 million from the share purchase plan from retail shareholders.
9. 26 April 2016 – Central informs the market that it signed a 5 PJ pre-paid gas sale agreement with Macquarie.
10. 27 June 2016 – Central announces confirmed gas flow at Stairway.
11. 14 November 2016 – Macquarie MPVD enters into an unsolicited, indicative and non-binding proposal to acquire 100% of the shares in Central for 17.5 cents per share.
12. 30 November 2016 – Santos commences its Stage 2 seismic acquisition programme in Southern Amadeus Basin.
13. 31 December 2016 – Macquarie Mereenie completes the acquisition of a 50% stake in Mereenie from Santos for \$52.0 million.
14. 10 March 2017 – Central announces and the board unanimously recommends, an improved Macquarie MPVD proposal of 20 cents cash consideration plus a CVN.

The following table summarises the monthly trading prices and volumes of trading in Central Shares on the ASX over the period 1 April 2016 to 31 March 2017.

Central - Monthly share trading					
Month	High (cents)	Low (cents)	Average close (cents)	VWAP (cents)	Monthly volume (m)
Apr-16	10.5	8.0	9.2	8.9	14.7
May-16	10.7	8.7	9.3	9.6	16.5
Jun-16	10.0	9.1	9.6	9.6	11.4
Jul-16	12.0	9.6	10.8	11.1	11.5
Aug-16	12.0	9.1	10.6	10.5	14.8
Sep-16	12.0	9.2	10.0	10.1	11.7
Oct-16	17.5	10.5	12.7	13.8	20.5
Nov-16	20.0	12.5	16.0	16.7	25.2
Dec-16	21.0	16.0	18.5	18.3	15.2
Jan-17	20.5	18.5	19.4	19.4	8.0
Feb-17	19.5	16.5	18.2	18.2	11.3
Mar-17	21.5	14.5	17.0	19.7	67.3

Source: S&P Capital IQ as at 31 March 2017

The table shows that throughout the twelve month period, Central Shares have traded within the range of 8.0 cents to 21.5 cents. The monthly liquidity of Central Shares over the period April 2016 to February 2017, ranged between 1.8% and 6.7% (measured on total volume traded divided by total shares on issue). The relatively low liquidity of Central Shares means that it may be difficult for Central Shareholders to realise value for large volumes of shares in the open market. We have excluded March 2017 from our liquidity analysis on the basis of deal related activity materially increasing share trading volumes for the month.

The table below summarises the VWAP of Central Shares prior to the Announcement Date:

Central - VWAP of Central Shares prior to the Announcement Date	
Period	VWAP (cents)
1 day prior to the Announcement Date	17.3
1 week prior to the Announcement Date	17.6
1 month prior to the Announcement Date	18.8
3 months prior to the Announcement Date	19.0

Source: S&P Capital IQ as at 31 March 2017

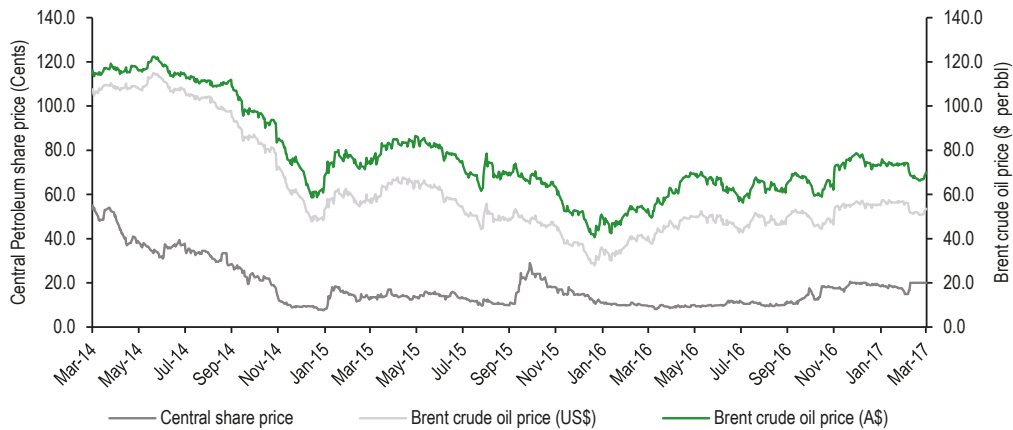
The VWAP pricing above reflects subsequent speculation that Macquarie MPVD could increase its offer terms. As such, the following table is a more indicative representation of VWAP pricing prior to the Initial Announcement.

Central - VWAP of Central shares prior to the Initial Announcement	
Period	VWAP (cents)
1 day prior to the Initial Announcement	14.4
1 week prior to the Initial Announcement	14.0
1 month prior to the Initial Announcement	10.8
3 months prior to the Initial Announcement	11.1

Source: S&P Capital IQ as at 31 March 2017

The movement between Central's share price and Brent crude oil price (stated in US\$ and A\$) is illustrated in the chart below.

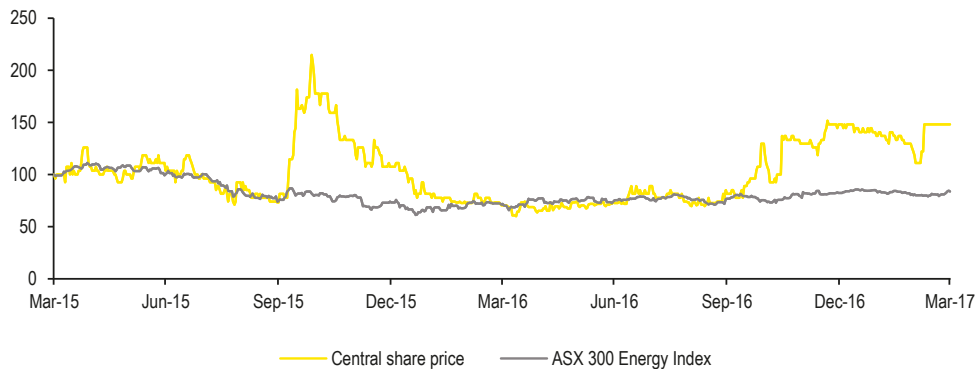
**Central share price vs Brent crude oil price**



Source: S&P Capital IQ as at 31 March 2017

The following chart illustrates the correlation between movements in Central's share price with the S&P/ASX 300 Energy index over the period 31 March 2015 to 31 March 2017.

**Central share price vs ASX 300 energy index**



Source: S&P Capital IQ as at 31 March 2017

The graph shows that over the period from 31 March 2015 to 31 March 2017 Central's share price has closely tracked, and in some periods outperformed, when compared to the S&P/ASX 300 Energy Index. We note that the key constituents of the index have significant exposure to LNG and to global oil prices. Whilst the outlook for domestic gas prices, to which Central is exposed, has likely increased since March 2015, the outlook for global oil prices and LNG have declined, which has led to significant impairment write downs being recorded by a number of the index constituents.

## 5. Overview of Macquarie

Macquarie MPVD is a wholly owned subsidiary of Macquarie Group Limited (“Macquarie”). Macquarie is an ASX listed, diversified global financial services company. Macquarie is the largest investment bank in Australia and currently operates in 27 countries, with significant operations in Australia, the Americas, Asia and EMEA.

Macquarie listed on the ASX in 1996 and has a market capitalisation in excess of \$30.0 billion. The group has undertaken substantial investments since listing, including significant exposure/experience in energy and oil and gas assets.

Macquarie is the fourth largest physical gas trader in the United States, after acquisitions including Cook Inlet Energy Supply and Constellation Energy’s downstream gas trading operations. Along with Brookfield Asset Management, Macquarie participated in the acquisition of Apache’s Australian oil and gas portfolio (now known as Quadrant Energy) for \$2.7 billion. Macquarie also acquired 50% of the Mereenie field in the Northern Territory from Santos in December 2016. Macquarie is Central’s key debt financier.

MAL is a wholly owned subsidiary of Macquarie MPVD and is the note issuer. MAL was incorporated as a special purpose vehicle to issue the CVNs and was registered as a company under the Act on 7 March 2017. MAL has no other operations other than its obligations in respect of the CVN. MAL’s liabilities are the obligation to pay the redemption amount, which in accordance with the note trust deed can be no more than \$90.0 million in aggregate.

Macquarie Financial Holdings Pty Limited (“MFHPL”) is the note guarantor for MAL’s CVN and is a subsidiary of Macquarie. Formed in February 2007, MFHPL operates as a holding company for the non-banking group within Macquarie. As per the 2016 Annual reports at 31 March 2016, MFHPL held \$2.6 billion in net assets and \$2.1 billion in liquid assets (receivables from financial institutions)<sup>50</sup>. In August 2016 Fitch rated MFHPL as BBB equivalent.

<sup>50</sup> MFHPL ‘2016 Annual Report’

## 6. Valuation approach

As noted in section 2.2, we have considered whether the Proposed Scheme is fair by comparing our assessed value of the Central Shares being given up, on a controlling interest basis, with the fair value of the Scheme Consideration. In assessing the value of a Central Share, we have assumed 100% ownership which is implicitly on a control basis. The Proposed Scheme is considered fair if the value of the Scheme Consideration is within or greater than the range of values assessed for a Central Share.

### 6.1 Valuation methodologies adopted

#### 6.1.1 Value of Central Shares

The most commonly adopted valuation approach for oil and gas production and exploration companies, such as Central, is to assess the value of the company based on the value of its underlying net assets, on a going concern basis using a discounted cash flow (“DCF”) methodology where possible. This is the primary approach we have taken when valuing the equity in Central. We have calculated a value per share based on the number of shares in Central on a fully diluted basis. That is, assuming all the Share Rights and Future Share Rights vest, but that the Options are cancelled prior to implementation of the Proposed Scheme.

#### 6.1.2 Production and appraisal assets

Oil and gas projects in the later stages of development or in production are typically valued using a DCF methodology as projects of this type are generally well defined technically and often supported by reliable cash flow forecasts<sup>51</sup>.

Given Central's producing oil and gas projects have production history and detailed forecast models are available, we have valued the projects using the DCF methodology. To assist in our DCF analysis and to be consistent with the requirements of the VALMIN Code, the technical, production and cost assumptions adopted in the DCF models have been reviewed by RISC. Based on their review, RISC formulated production cases for each of the operating projects. All other inputs, including commodity prices, foreign exchange rates, discount rates and taxation analysis were determined by EY.

The forecast cash flows for the Central assets were estimated in A\$ on a post-tax, nominal, ungeared basis. RISC's comments and findings are detailed in the RISC Report, which is included as Appendix H.

We considered adopting the market approach for valuing Central's share in Mereenie, with reference to the recent transaction in the other 50% of Mereenie which Central does not own. We understand that this transaction was the result of a competitive process, and therefore provides a relevant market value benchmark for Mereenie. We elected to adopt a DCF to value Mereenie as part of Central's portfolio, in order to appropriately take into account group-level issues such as income tax and Petroleum Resources Rent Tax (“PRRT”). We also note there may be an argument that Central's operatorship of the asset should attract more value than Macquarie's non-operator interest. We considered the transaction price paid by Macquarie as a cross check to our valuation.

#### 6.1.3 Exploration assets

To the extent that no cash flow forecasts were available, or that a risked DCF indicated no value, the exploration prospects for Central were valued by RISC. In summary, RISC determined the fair market value (which is synonymous with “fair value”) of these assets with reference to recent transactions or historical exploration costs. In particular, RISC referred to the commitments or cash payments in recent farmin transactions. Details of these approaches are contained in section 2.2 of the RISC Report.

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<sup>51</sup> Not in the case of Central

### 6.1.4 Other assets and liabilities

We have assessed the value of Central's other assets and liabilities as follows:

- ▶ Negative value attributable to corporate costs was assessed based on a DCF.
- ▶ Benefits from utilisation of carried forward tax losses were valued on a DCF basis and in substance reflected the offset of taxes assumed in the cash flows at an asset level by tax losses. No value was placed on tax losses not expected to be utilised based on assumed cash flows.
- ▶ The fair value of cash and net debt were considered to be commensurate with their book value.

### 6.1.5 Summary of methodologies applies

A summary of the methods used to value each of the key assets is shown in the table below:

Key assets	Valuation methodology			
	Central	Low case	Base case	High case
Corporate costs		DCF	DCF	DCF
Deferred tax asset (utilisation of tax losses)		DCF	DCF	DCF
Dingo		DCF	DCF	DCF
Dingo Satellites		RISC	RISC	RISC
EP125 Mt Kitty		RISC	RISC	RISC
EP82		RISC	RISC	RISC
EP105		RISC	RISC	RISC
EP112		RISC	RISC	RISC
Georgina Basin, Ethabuka		RISC	RISC	RISC
Mereenie		DCF	DCF	DCF
Ooraminna		DCF	DCF	DCF
Palm Valley		DCF	DCF	DCF
Palm Valley Deep		RISC	RISC	DCF
Stairway		DCF	DCF	DCF
Western Amadeus		RISC	RISC	RISC

Source: EY Transaction Advisory Services analysis, The RISC Report

To clarify the table above, for Palm Valley Deep the DCF calculation provided a negative value after risking, for the low case of the range. As such, we relied on RISC's analysis to set an effective floor for the value range. We used the results of the DCF calculation to determine the high end of the range of values for Palm Valley Deep.

## 6.2 Control premium / minority discount

As noted previously, our valuation of Central has been assessed on a 100% controlling interest and as such, includes a premium for control. This is consistent with the requirements of RG 111. This approach reflects the fact that Macquarie MPVD is obtaining control of Central through its 100% acquisition. In theory, a DCF valuation provides a controlling interest value of an asset. As such, no adjustment has been made to our valuations to add a control premium.

## 6.3 Valuation cross checks

Prior to finalising our valuation of Central, we considered the reasonableness of our assessed valuation ranges for the assets valued using the DCF approach by comparison with trading multiples of other companies with similar operations as Central. We also considered values and multiples implied by recent transactions. We also considered the recent traded prices of Central Shares.

## 7. Valuation of Central

### 7.1 Summary of Values

We have valued Central based on the sum of the fair values of its underlying net assets and liabilities, on a going concern basis. Our sum-of-the-parts valuation is summarised in the following table.

Central – Valuation summary			
\$ million	Ref	Low	High
Producing assets DCF	7.2	121.0	131.9
Exploration assets valued with a DCF	7.2	5.6	20.5
Exploration assets from multiple analysis <sup>1</sup>	7.3	6.4	4.5
<b>Total oil and gas assets</b>		<b>133.0</b>	<b>156.9</b>
Plus: Deferred tax asset (tax losses)	7.2.4.4	41.0	42.4
Less: Corporate costs	7.2.4.2	(27.5)	(27.5)
Less: Net debt	7.4.1	(75.4)	(75.4)
Less: One off transaction costs	7.4.3	(2.0)	(2.0)
<b>Fair value of equity</b>		<b>69.0</b>	<b>94.3</b>
Number of shares on issue (million) <sup>2</sup>	4.5	459.2	459.2
<b>Fair value of a Central Share on a control basis (cents)</b>		<b>15.0</b>	<b>20.5</b>

Source: EY Transaction Advisory Services analysis

Notes:

<sup>1</sup> In the high case Ooraminna has a positive value and thus is valued using DCF analysis instead of multiple analysis

<sup>2</sup> Shares on issue include all Share Rights and Future Share Rights

<sup>3</sup> Total values are not exact due to allowances for rounding

We have determined the fair value of 100% of the ordinary equity in Central to be in the range of \$69.0 million to \$94.3 million on a controlling interest basis. We note the following in respect of the specific items noted in the table above:

- ▶ The fair values of the assets that are currently producing, or are assumed to commence producing in the short to medium term, are based on a DCF analysis. Assumptions underpinning the production, operating expenses (“Opex”) and capital expenditure (“Capex”) forecasts reflected in the DCF analysis have been reviewed by RISC whose report is included in Appendix H.
- ▶ In addition to assets referred to above that have been valued on a DCF basis, Central has a number of exploration assets that have been valued by RISC. Refer to Appendix H. – *The RISC Report* for further detail on RISC’s approach in respect of these assets.
- ▶ Central’s net debt has been calculated as interest bearing debt less cash as at 31 March 2017.

As set out in section 4.2.4, Central has a potentially material contingent liability in relation to legal proceedings with GRR. At present the likely outcome of those legal proceedings is not known. Consistent with the financial statements of Central, the above valuation analysis does not make any allowance for a potential adverse outcome from the legal proceedings. We note that any such allowances would only decrease the assessed value of Central Shares relative to the higher Scheme Consideration.

In determining the value of a Central Share, we divided our assessed fair value of the equity in Central by the expected number of shares on issue immediately prior to completion of the Proposed Scheme, after all Share Rights and Future Share Rights have vested and any outstanding Options are cancelled.

Our assessed valuation range of a Central Share has been considered in conjunction with various cross checks, including the actual trading price leading up to the announcement of the Proposed Scheme and implied multiples. Refer to section 7.7 for our analysis of the cross checks considered.

## 7.2 DCF analysis

We have been provided with a corporate model (“Central Model”) prepared by Central management. For the purposes of assessing the Proposed Scheme we have used data contained in the Central Model but constructed our own DCF model (“Financial Model”) that includes projections on an ungeared post-tax nominal basis over the life of the assets. These asset cash flows have been supported by the following:

- ▶ Central’s two year plan up to FY18 (“Central Budget”), including corporate costs and opening tax losses.
- ▶ Central’s current contracts in place (including GSAs).
- ▶ The latest reserves and resources statement, which was reviewed by RISC and prepared by Netherland, Sewell & Associates, Inc.
- ▶ Assumptions underpinning the forecasts at the Financial Model level that are based on contingent resources, and any potential further exploration upside, have been probability weighted.
- ▶ Cash flow projections for Mereenie in the Financial Model are on a 100% basis. That is, we have considered both Central and Macquarie Mereenie’s interests. Where we have presented cash flow data, these are shown as Central’s share of cash flows.

We have assessed a range of values for the assets in the Financial Model using a DCF methodology based on the above and adjusted for various aspects including:

- ▶ Technical input from RISC on certain assumptions following their review of the Central Model and associated support. Specifically, RISC reviewed various aspects including resource and reserve estimation, production volumes, Opex, Capex and other environmental and infrastructure related considerations. Full details are set out in Appendix H – *The RISC Report*.
- ▶ Our view of economic assumptions including future expected oil and gas prices, exchange rates, tax, royalty and PRRT assumptions.
- ▶ Calculation of changes in net working capital based on revenue, Opex, and assumed days of payables and receivables.
- ▶ Rehabilitation and decommissioning costs expected to be incurred at the end of the economic life of each asset, assessed by RISC.
- ▶ Our view of a discount rate reflective of the underlying risks associated with the cash flows.
- ▶ Risk weightings of 20% applied to the cash flows of Stairway and Ooraminna to determine the values based on a DCF analysis. For Palm Valley Deep we applied a risk weighting of 12% for the low and base cases and 20% for the high case. These weightings have not been applied to Capex that is required to be incurred regardless of well success. These risk weightings were determined by RISC and are shown in the associated asset sections of the RISC Report.
- ▶ Exclusion of certain assets from the DCF analysis either due to no economic value contributed based on their DCF value or as a result of it being more appropriate for a value to be determined by RISC due to the nature of the relevant asset. We have relied on RISC’s values to set an effective floor to the exploration portfolio.

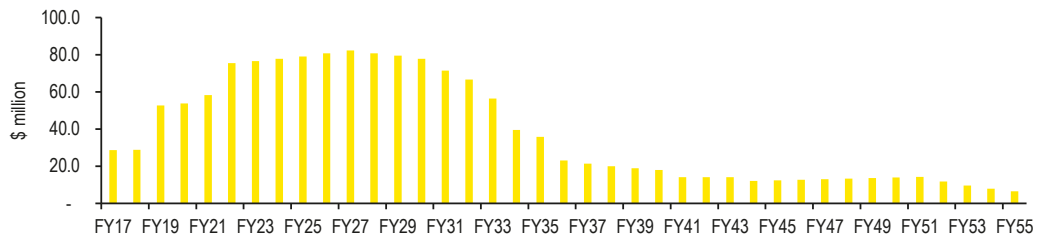
We have not undertaken a detailed review or audit of the Central Model or Central Budget provided by Central management. We have, however, held discussions with Central management regarding the preparation of the Central Model and Central Budget and the assumptions contained therein.

For presentation purposes we have presented the midpoint of our value range when stating cash flow items.

## 7.2.1 Revenue

Revenue from Central's oil and gas projects are a function of the volume of hydrocarbons produced and the corresponding forecast prices. The graph below shows revenue summarised over the forecast period to FY55.

Central forecast revenue profile



Source: Central Model, reviewed by RISC

### 7.2.1.1 Production

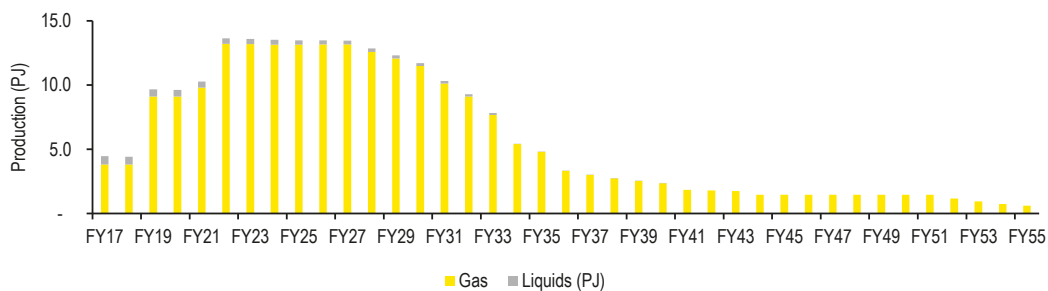
Production volumes are forecast at an asset level, underpinned by more detailed assumptions based on the extraction of 2P developed and undeveloped reserves and a risk-adjusted portion of 2C undeveloped resources as at 31 December 2016.

Specifically, our base case as provided by RISC assumes:

- ▶ Mereenie: Extraction of 2P reserves.
- ▶ Palm Valley and Dingo: Extraction of 2P reserves and 2C contingent resources (classified as 2C due to market constraints).
- ▶ Palm Valley Deep, Stairway and Ooraminna: Extraction of 2C contingent resources, after application of risking factor (likelihood of success).

The graph below summarises the production profile for Central's assets incorporated into the Financial Model, after adjustment by EY and RISC, over the forecast period to FY55 for oil, condensate and natural gas.

Central forecast production profile



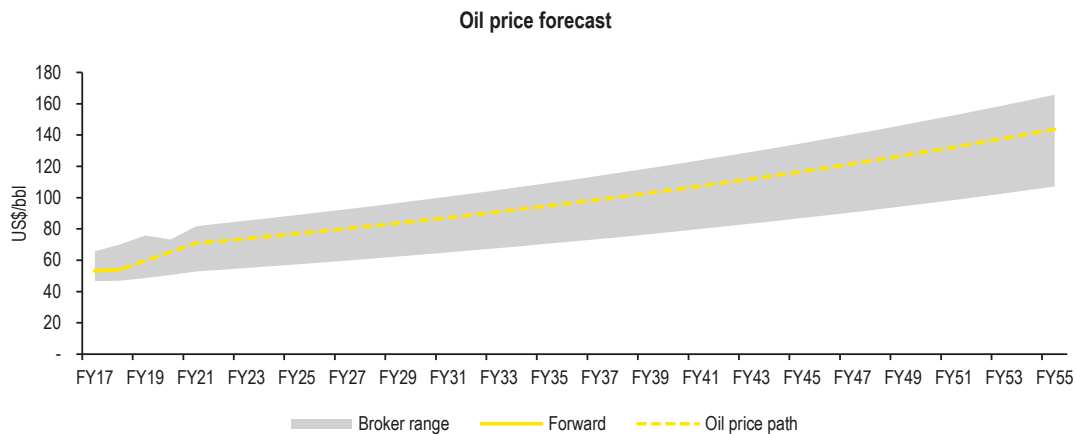
Source: Central Model, reviewed by RISC

Total production over the forecast period includes total gas production of 254 PJ and total liquids (oil and condensate) of 6 PJ.

### 7.2.1.2 Forecast oil and condensate prices

Our adopted forecast commodity prices and foreign exchange rates are based on broker consensus estimates, forward prices and recent spot prices and rates. Due to the continued volatility in the oil markets, we have limited the broker reports considered to those published from 1 February 2017 to 31 March 2017, with most data being sourced from reports dated during March 2017. These prices represent our view of the forecast prices and exchange rates that a market participant would apply when considering a transaction. It is important to note that the value of the oil and gas assets will be materially impacted by any significant change in commodity prices and exchange rates.

A summary of the data observed and our adopted forecast oil price used in the valuation of Central's oil and gas assets is presented on a nominal basis:



Source: EY Transaction Advisory Services analysis, Bloomberg forward curve, broker notes

Central – Brent oil price forecast					
Currency: US\$/bbl	FY17	FY18	FY19	FY20	LT (real)
Price path adopted	53	54	60	65	65

Source: EY Transaction Advisory Services analysis

The price estimates up to FY20 shown above are in nominal dollars, whereas the long term estimates are in real terms, applied from FY21. The real long term price has been inflated at an assumed long term consumer price index ("CPI"), reflecting an increase of 2.1% per annum. This CPI assumption is consistent with long term United States inflation estimates of between 2.0% and 2.2%, sourced from broker analyst reports and industry commentators. Price forecasts have been adjusted to reflect an average price over the financial year ended 30 June, consistent with the Central Model.

Forecast revenue sales of oil from Central's assets are based on an assumed export price, referenced from the Brent crude price. Central's sales contracts assume an oil benchmark with certain discounts and premiums, we have recalculated this and note the resulting price approximates Brent. As such, for the purposes of this IER we have applied the Brent crude forecast pricing as a proxy. The forecast as shown in the graph above, is based on a forward curve and broker consensus.

### 7.2.1.3 Forecast gas price

A key assumption underpinning our analysis is that Central will not be market constrained once the NGP has been completed. We assume that Central is able to sell all gas it can produce in the East Coast market.

Currently, Central sells gas under contract to three separate parties. Details of the pricing arrangements for sales of gas outlined within these contracts are sensitive and commercial in confidence. Any information we have obtained as part of our analysis which relates to the potential price to be received for gas sales under future contracts is also commercially sensitive. We have cited these GSA contracts and ensured that the Financial Model reflects the contractual terms. Any gas produced by Central that is in excess of the Company's current contracted commitments we have assumed will be sold to a hypothetical market participant that is likely located on the East Coast, transported via the NGP, as firm commitment.

Typically, gas is sold under a GSA to a delivery point (such as Wallumbilla) and the seller would incur the gas transportation costs. As Central is yet to secure any GSA's for gas delivered to the East Coast, it is difficult to determine a delivery point and thus the delivered price for their gas. Further, there is a large amount of uncertainty in the market in regards to pipeline tariffs, as outlined in section 3.2.6, which have the potential to increase the margin on gas sold by Central. On this basis, we have forecast domestic gas pricing for all uncontracted volume under an ex-field price (i.e. Central does not incur any tolling fees for the transport of gas via pipeline). The impact of this assumption is that there is a potential upside to Central should pipeline tariffs reduce. We have assumed a range of potential price paths for the price of gas by Central as follows:

- ▶ Low price path: \$4.00/GJ (real, ex-field).
- ▶ High price path: \$4.50/GJ (real, ex-field).

In coming to our view we considered the following factors:

- ▶ Our understanding of negotiations Central has had with buyers in the market, and offers that have been received from buyers, including discussions on an ex-field basis.
- ▶ The forecast price of sales gas at specified delivery points (for example, Roma for gas powered generators and the Brisbane city gate price), as forecast by Core Energy in AEMO's National Gas Forecasting Report. This data has been forecast for the purposes of planning future electricity prices. This report also outlines estimated long term marginal costs of supply, which underpin the long term price assumptions.
- ▶ LNG netback pricing, for example as estimated by EnergyQuest in the Energy Quarterly March 2017 Report, netted back to the Amadeus basin. This data has been calculated as an oil-link relationship, assuming a linear relationship between oil pricing and domestic gas pricing.
- ▶ Other considerations, including our understanding of recent GSAs struck in the market, some of which are oil-linked.
- ▶ To the extent that we have considered prices that could be received at a specific delivery point in the East Coast market, we have netted the price back to the Amadeus basin relying on pipeline tariffs as published by APA and Jemena (section 3.2.6.3). Our range reflects that there could be upside to the ex-field price received by Central if any change in pipeline regulation occurs, or if Central is able to negotiate backhaul tariffs.

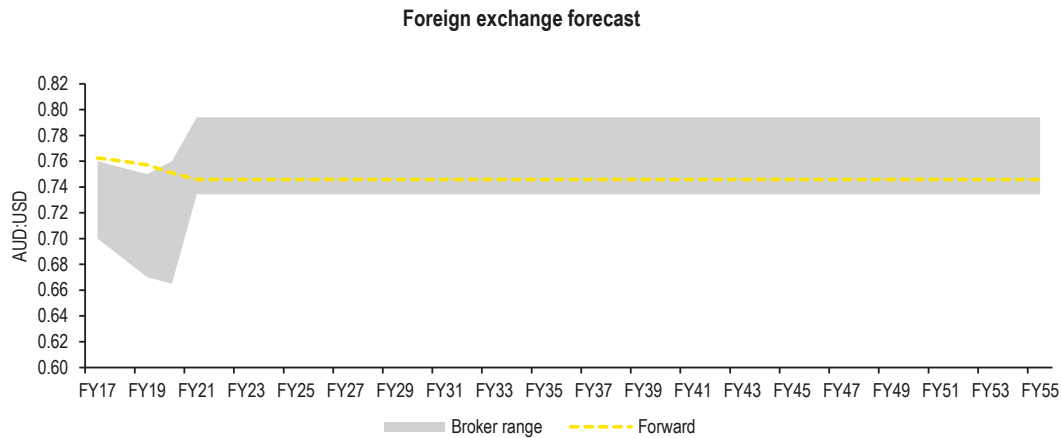
We consider that the high end of the price range applied in our analysis is higher than the average of the various data points considered, indicating an allowance for potential future changes in pipeline tariffs. We have adopted this relatively higher pricing in order to ensure that our assessed value range provides Central Shareholders with exposure to the potential for this upside to occur. We have gained comfort regarding the selection of our range after considering the valuation cross checks, in particular the recent transaction between Macquarie and Santos in respect of the other 50% of Mereenie.

### 7.2.1.4 Foreign exchange rates

Forecast oil price estimates are in US dollars. Oil prices are converted to Australian dollars based on forward foreign exchange rates. In determining the forecast AUD:USD exchange rate, we have considered:

- ▶ Consensus estimates from recent analysts' reports.
- ▶ Foreign exchange forward rates sourced from Bloomberg and Reuters.
- ▶ Other publicly available exchange rate estimates including Oxford Economics.

Based on our analysis, we have adopted forward foreign exchange rates (to be applied to nominal US dollar commodity price forecasts) as follows:

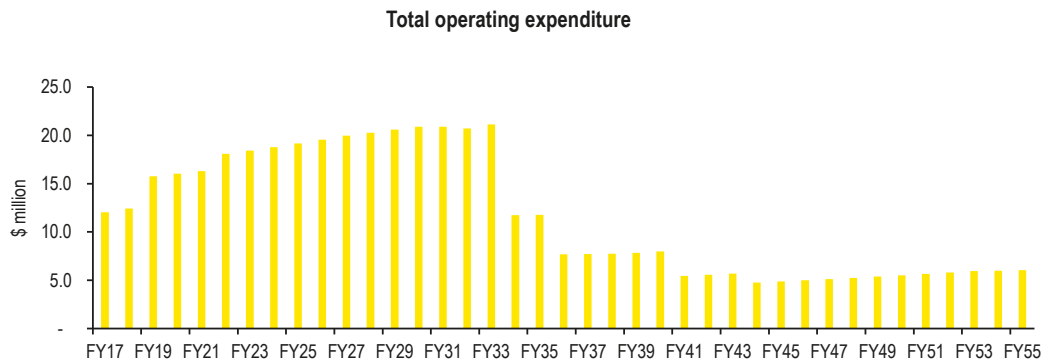


Source: EY Transaction Advisory Services analysis, Bloomberg forward curve, broker notes up to 31 March 2017

The selected exchange rate assumptions shown above are based on forward foreign exchange rates up to FY21, with a stable long term rate assumed from FY21.

### 7.2.2 Operating expenditure

The Financial Model includes forecast Opex per asset. This was assessed by RISC, with the exception of general and administrative costs. The chart below shows Opex summarised for all assets considered over the forecast period (exploration asset cash flows are shown on a risked basis).



Source: Financial Model, Central Budget, reviewed by RISC

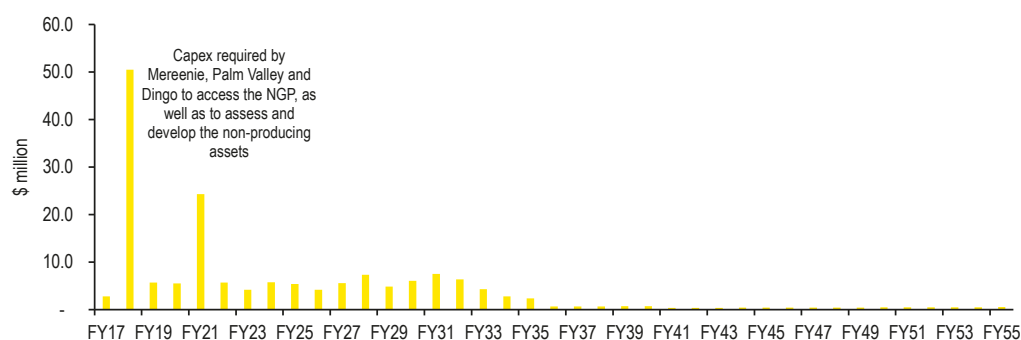
We note the following in relation to the chart on the previous page:

- ▶ Opex includes costs associated with processing, handling, transportation, field cost and other costs. The significant decline in FY33 (of 44.5%) is due to the depletion of Mereenie.
- ▶ Opex for Mereenie, Dingo and Palm Valley has been forecast within the Central Budget and has been reviewed by RISC. For Stairway’s cash flows and Palm Valley Deep and Ooraminna’s incremental cash flows, RISC has provided an estimate of Opex which has been risked at the same risking factors as the other cash flows.

### 7.2.3 Capital expenditure

Capex is included in the Financial Model on an individual asset level. The chart below shows Capex over the forecast period to FY40 (exploration asset cash flows are shown on a risked basis).

**Total capital expenditure**



Source: Financial Model, Central Budget, reviewed by RISC

We note the following in relation to the graph on the previous page:

- ▶ Capex forecasts comprise costs in relation to increasing and maintaining exploration, appraisal and development of the assets. As the majority of the assets are still in development, Capex is higher in the first few years of the forecast period.
- ▶ Capex is forecast within the Central Budget over a two year period. These assumptions have been verified by RISC. Capex beyond this period has been provided to us by RISC.
- ▶ Capex in FY18, of approximately \$50.5 million, of which approximately \$40.6 million relates to expenditure required at Mereenie, Palm Valley and Dingo to be able to sell gas through the NGP. The remainder relates to capex required to assess and develop Palm Valley Deep, Stairway and Ooraminna. Exploration capex, which is required to assess the potential of the prospect, is assumed to be incurred with no risking factor applied. Subsequent capex to develop these assets has been risked at the same risking factors as the other cash flows.

## 7.2.4 Other cash flow items

### 7.2.4.1 Royalties

Royalties have been calculated in the Financial Model. Government royalties are approximately 10% of revenue less operating costs, less permit licences and fees. Central is also liable to pay a range of private royalties relating to both traditional owners and land access rights. These royalties are at rates of up to 3.5%, but also include fixed payments.

### 7.2.4.2 Corporate costs

Corporate costs within the Financial Model have been calculated at the group level. That is, these costs have not been ascribed to individual assets. We note the following in relation to the corporate costs:

- ▶ Corporate costs relate to head office costs including costs for IT and corporate administration.
- ▶ Corporate costs are forecast for a two year period as per the Central Budget. After FY19 we have forecast corporate costs over the life of the assets by escalating costs by CPI of 2.1% per annum.

### 7.2.4.3 Changes in working capital

Working capital is calculated as the net of trade receivables and payables. These balances are forecast on an asset-by-asset basis for the duration of the Financial Model based on an analysis of comparable companies expected average payment terms for debtors and creditors. The change in working capital from year to year is reflected in the cash flow forecast.

### 7.2.4.4 Income tax

We have determined post-tax nominal cash flows at an asset level. However, we have also made certain group level tax adjustments to assess a more appropriate level of tax at the group level. These adjustments included:

- ▶ A group level carried forward tax loss balance of \$141.1 million. This tax asset acts to reduce the amount of tax payable in the future and arises due to losses made in prior years.
- ▶ The tax benefit of corporate costs which were not reflected at the asset level

### 7.2.4.5 PRRT

In addition to income tax, Central's assets are also subject to PRRT. The level at which PRRT is assessed is dependent on the relevant tax legislation. Central's PRRT is assessed at an asset level. We have incorporated PRRT into the Financial Model, based on the expected future earnings of the assets and the various specific adjustments required by the PRRT legislation.

## 7.2.5 Discount rate

To value Central using a DCF approach, we applied an Australian dollar denominated, nominal, post-tax discount rate of 11.5%. A detailed description of the discount rate determination is set out in Appendix C.

## 7.2.6 Valuation range

We have assessed the enterprise value of the producing assets in a range of \$121.0 million to \$131.9 million and the enterprise value of the exploration assets that are valued via a DCF as outlined in section 7.3 in a range of \$5.6 million to \$20.5 million. These values exclude the impact of corporate costs and group level tax. We note that the implied reserve multiples sit at the low end of the implied multiples ranges as referred to in the valuation cross check section further below. We do not consider this to be unreasonable, as outlined in section 7.7.

### 7.3 Exploration assets

The value of Central's non-producing assets that have not been able to be valued using a DCF have been assessed by RISC. Further details of Central's exploration assets are detailed in sections 5.5.2 and 6.6 of the RISC Report, with valuation methodologies discussed in section 2.2.

RISC has derived minimum, 'most likely' and maximum values for each permit. However, RISC considers that the minimum and maximum values represent possible extremes that are unlikely to be paid by potential buyers of the portfolio. Instead individual assessments of each permit will likely span the minimum, 'most likely' or maximum outcomes based on an array of unique factors. As such, RISC has determined a low and high value of the portfolio at an estimated one standard deviation from the total midpoint value of the portfolio. Therefore, the sum of the minimum and maximum values do not equal their respective total portfolio values. The values determined by RISC are summarised below:

Central – Fair value of exploration assets (\$ million)			
Asset	Minimum	Most likely	Maximum
RL 3/RL 4 Ooraminna	0.00	0.63	1.88
OL 3 Palm Valley Deep	0.00	1.88	5.63
EP 125 Mt Kitty	0.00	0.60	1.80
EP 82	0.00	0.00	1.05
EP 105	0.00	0.00	0.00
EP 112	0.00	1.20	1.20
Dingo Satellites	0.00	0.63	1.88
Western Amadeus	0.00	0.63	1.88
Georgina Basin, Ethabuka	0.00	1.25	3.75
<b>Central exploration portfolio range</b>	<b>3.00<sup>1</sup></b>	<b>7.00</b>	<b>10.00<sup>2</sup></b>

Source: The RISC Report

Note:

<sup>1 & 2</sup> RISC has determined a low and high value of the portfolio at an estimated one standard deviation from the total midpoint value of the portfolio. Therefore, the sum of the low and high values do not equal their respective total portfolio values.

RISC has valued Central's exploration assets in the range of \$3.0 million to \$10.0 million with a 'most likely' value of \$7.0 million.

For the purposes of our valuation we have adopted the 'most likely' value determined by RISC, of \$7.0 million. We have adopted this 'most likely' value with reference to sections 5.5.2 and 6.6 of the RISC report.

For the avoidance of doubt, the values of Stairway and Ooraminna have determined using a DCF as presented in section 7.2 above. In respect of Palm Valley Deep, we note:

- ▶ The low end of our valuation range reflects RISC's value for Palm Valley Deep. As such, the low end of the range presented in section 7.1 includes all exploration assets, with the exception of Ooraminna. We have deducted the value of Ooraminna (\$0.6 million) from RISC's 'most likely' values resulting in a residual amount of \$6.4 million.
- ▶ The high end of the range reflects a DCF value for Palm Valley Deep. This value is included within the total \$20.5 million 'exploration asset' value discussed in section 7.2. We have deducted the values of Palm Valley Deep and Ooraminna from RISC's values above (\$1.9 million and \$0.6 million respectively), and included the residual amount of \$4.5 million in the valuation range presented in section 7.1.

## **7.4 Other assets and liabilities**

### **7.4.1 Net debt**

As at 31 March 2017, Central's net debt of \$75.4 million consisted of \$83.2 million in interest bearing debt and \$7.8 million of cash.

For the purposes of calculating net debt we have excluded the \$12.2 million of other financial liabilities relating to the Macquarie gas pre-sale. This has been undertaken on the basis that the Financial Model assumes the 5 PJ of gas is delivered to Macquarie, which effectively repays this liability.

### **7.4.2 Provisions**

As at 31 December 2016, Central had recognised a decommissioning provision for financial reporting purposes of \$18.6 million. This provision represents Central's obligation to restore operating locations, including dismantling and removing structures, rehabilitating production sites, dismantling operating facilities, closure of facilities and waste sites and restoration, reclamation, revegetation and monitoring of affected areas.

RISC has provided EY Transaction Advisory Services with an assumption regarding an appropriate level of rehabilitation costs where necessary. All decommissioning, restoration and rehabilitation costs have been included in the asset values determined using our DCF analysis, and therefore no further deduction for these provisions is required.

Central has also recognised a provision of \$1.3 million as at 31 December 2016 relating to an interim gas balancing agreement with Macquarie Mereenie. Within the Financial Model this gas is repaid to Macquarie Mereenie during FY19 and FY21, and therefore no further deduction for this provision is required. We note that under the agreement Macquarie Mereenie can alternatively request cash payment equal to the settlement gas volume multiplied by the weighted average portfolio ex-field gas price.

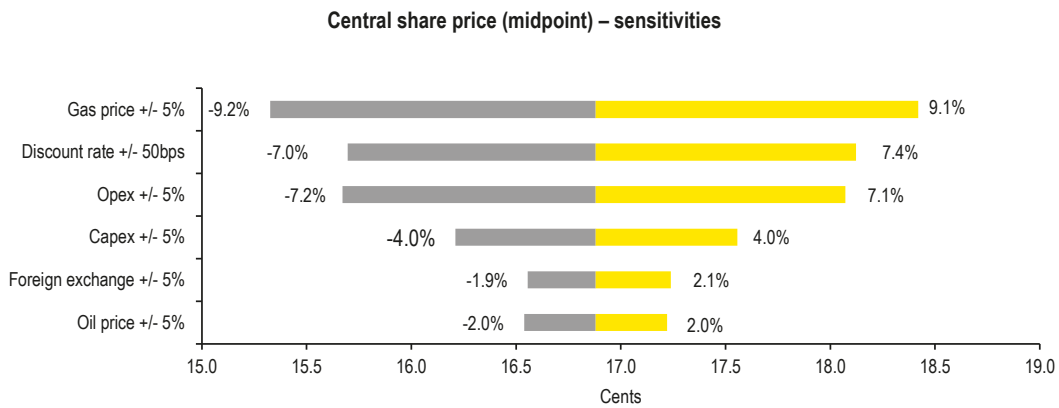
### **7.4.3 One off transaction costs**

As per the CSD Central has agreed to not exceed external costs in relation to the Proposed Scheme of \$2.0 million. We have included these one off transaction costs within the value of equity calculation as Central has indicated they will incur the full extent of these costs.

## 7.5 Sensitivity analysis

The following chart outlines the value of a Central share (midpoint) and its sensitivity to the following parameters (assuming all other assumptions are held constant):

- ▶ Change in uncontracted domestic gas price forecasts +/- 5%
- ▶ Change in operating expenditure forecasts +/- 5%
- ▶ Change in discount rate by +/- 50bps (0.5%).
- ▶ Change in capital expenditure forecasts +/- 5%
- ▶ Change in foreign exchange rate forecasts +/- 5%
- ▶ Change in Brent crude oil price forecasts +/- 5%



Source: EY Transaction Advisory Services analysis

## 7.6 Number of shares on issue

In order to determine a value per Central Share on a control basis, we have divided the total equity value (based on the sum of the net assets outlined above) by the total number of Central Shares on issue immediately prior to the implementation of the Proposed Scheme.

The table below summarises the expected number of shares on issue immediately prior to the implementation of the Proposed Scheme, on a fully diluted basis.

Capital structure of Central immediately prior to the Proposed Scheme (fully diluted)	
Million shares	VWAP (\$)
Number of Central Shares on issue at 31 March 2017	433.2
Add: Number of Share Rights expected to vest	24.1
Add: Number of Future Share Rights expected to vest	1.9
Add: Number of Options expected to be exercised	-
<b>Total expected Central Shares (fully diluted)</b>	<b>459.2</b>

Source: EY Transaction Advisory Services analysis

As set out in the table, and explained in section 4.5, the number of Central Shares on issue is expected to be increased by the number of Central Share Rights and Future Share Rights expected to vest on a change of control. We have not considered the dilutive impact of Options, as all Options other than those held by Macquarie are expected to be cancelled prior to the approval and implementation of the Proposed Scheme. The Options held by Macquarie are out of the money and are not expected to be exercised prior to the approval of the Proposed Scheme nor would they expect to be exercised based on share prices prevailing before the Announcement Date or the Initial Announcement.

## 7.7 Valuation cross check

We have considered the reasonableness of our valuation using a number of cross-checks. These include consideration of recent share pricing trading and transaction multiples, with specific reference to recent transactions in Mereenie, Palm Valley and Dingo. The implied multiples based on our valuation of Central are shown in the table below:

Central – Implied multiples		
Million shares	Low	High
Enterprise value (\$m)	146.5	171.8
<b>2P (\$/GJ)</b>	<b>1.16</b>	<b>1.36</b>

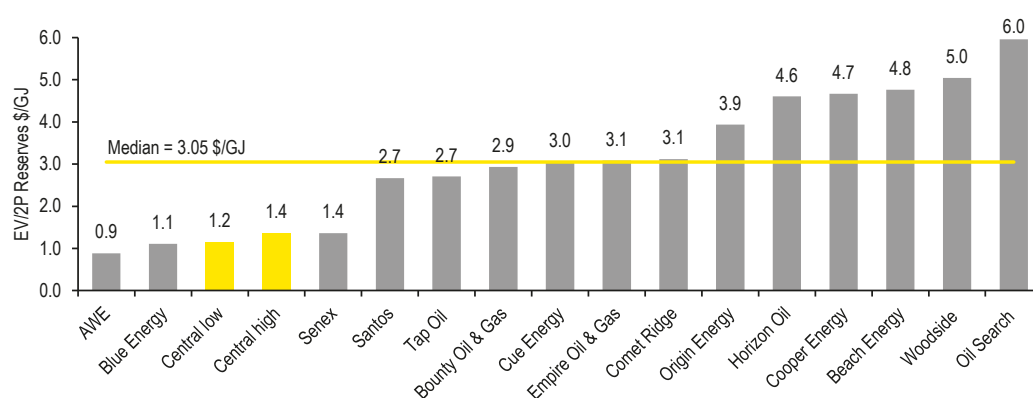
Source: EY Transaction Advisory Services analysis

Assuming our assessment of the fair value of Central is on a 100% basis, which implicitly includes a control premium, we have considered the trading multiples inclusive of a premium for control. Refer to section 6.2 for our discussion on control premiums.

## 7.7.1 Trading multiples of comparable companies

The implied 2P multiples of comparable companies compared to our implied Central multiples are shown in the graph below. Refer to Appendix D for further information on trading multiples and comparable companies.

**EV/2P multiples: Central vs other listed producing oil and gas companies**



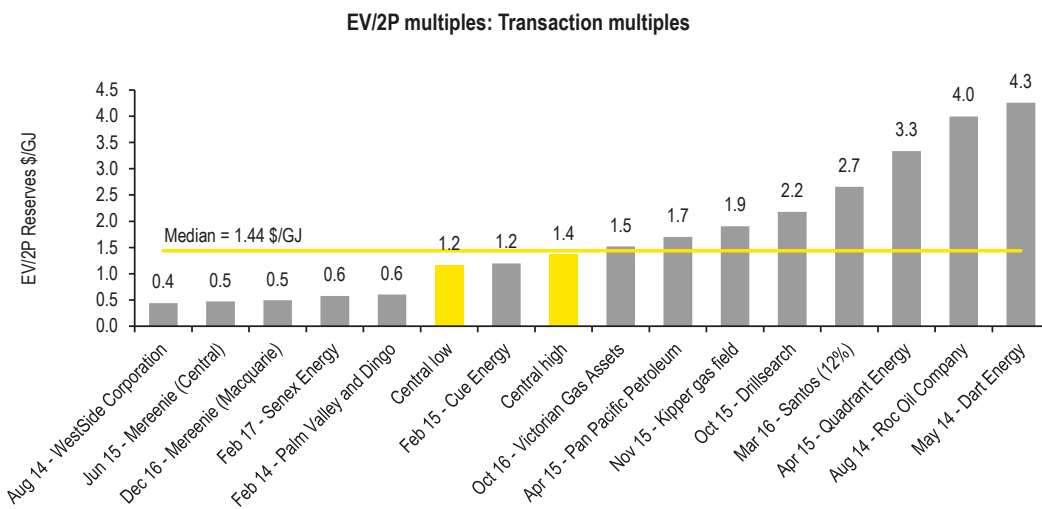
Source: EY Transaction Advisory Services analysis, S&P Capital IQ, company websites

The implied multiples for our assessed valuation range for Central sit at the low end of the range of comparable company trading multiples. We do not find this unreasonable based on the following factors:

- ▶ The comparable companies include large companies which are already producing at their full production rates. Central will not be able to produce at its full technical potential as Central currently does not have access to the East Coast and there is not sufficient demand within the Northern Territory to sell additional uncontracted gas
- ▶ A number of the companies shown in the chart, such as Woodside, Oil Search, Origin Energy and Santos are much more diverse than Central as their operations are broader than pure upstream production. For example, a number of these companies have direct exposure to LNG
- ▶ Central's assets are isolated relative to other companies assets within the comparable group. Any gas that Central does sell upon connection to the NGP is likely to incur more substantial pipeline tariffs than the group of comparables.

## 7.7.2 Industry transaction multiples

We have also considered prices achieved from transactions between 2014 and 2016 involving the sale of oil and gas producing and exploration companies or assets. Please refer to Appendix E for further information on transaction multiples considered. The implied 2P multiples of comparable transactions compared to our implied Central multiples is illustrated in the graph below.



Source: EY Transaction Advisory Services analysis, S&P Capital IQ, company websites

In assessing the reasonableness of the multiples implied by our valuation of Central we have placed a greater weight on Central's acquisition of Palm Valley and Dingo in 2014 from Magellan, Central's 2015 acquisition of 50% of the Mereenie field from Santos and Macquarie Mereenie's 50% acquisition of the Mereenie field from Santos.

While these multiples provide recent market based values derived from a competitive bidding process and are, in theory, representative of the fair value of these assets, we have chosen to rely on them as a cross-check only, giving consideration to the following:

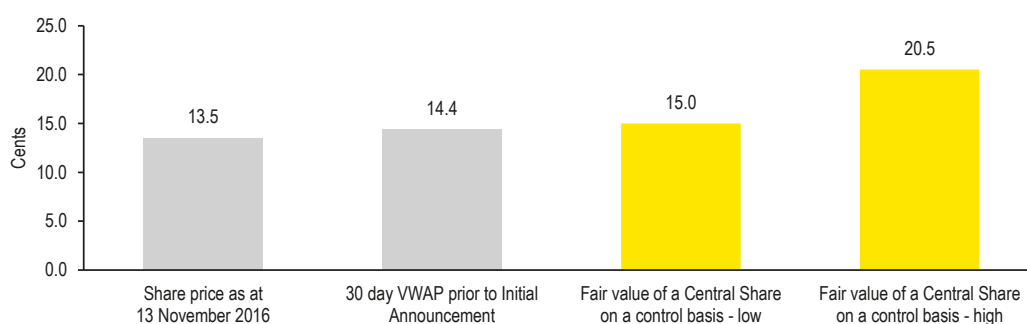
- ▶ Macquarie Mereenie's acquisition in the Mereenie field is a non-operatorship interest and therefore is likely to have transacted at a lower value than an operating interest, such as held by Central. We note that our assessed value of Central's share of Mereenie, within the Central portfolio, is higher than the value paid by Macquarie, as announced in December 2016.
- ▶ Central's acquisitions of Mereenie, Dingo and Palm Valley occurred in different oil price environments. Dingo and Palm Valley were acquired in a US\$100/bbl oil price environment, while Mereenie was acquired while there was still a substantial amount of uncertainty in the market.
- ▶ Since the acquisition of Palm Valley and Dingo, Central has undertaken development work at Dingo to turn the asset into a producing asset.
- ▶ These transaction values do not take into consideration Central-specific cash flows that apply to Central at a group level, such as the implication of carry forward tax losses and PRRT credits that are able to be shared between certain assets.

We conclude that the implied multiples from our assessed valuation range for Central are not unreasonable. In particular, all other things being equal we would expect Central's assets to attract lower multiples than other Australian gas assets simply due to the significantly higher transport costs associated with getting Central's gas to market.

### 7.7.3 Share price

In addition to trading and transaction multiples of comparable companies, we have compared our valuation range for Central to its share price prior to the announcement of the Proposed Scheme as at the Initial Announcement and the Announcement Date.

Central – Comparison of range of values and share price



Source: EY Transaction Advisory Services analysis

In relation to the chart above, we note:

- ▶ Central's 30 day VWAP and share price prior to the Initial Announcement (which are assumed to be on a non-controlling basis) are below our assessed value range (on a controlling interest basis).
- ▶ Since the Initial Announcement, the price of Brent crude oil has increased approximately 16.2% and the S&P/ASX 300 Energy index also increased approximately 5.3%. We expect that these market increases may have impacted the Central share price, in the absence of the announcement of the Proposed Scheme.

## 8. Valuation of Scheme Consideration

### 8.1 Overview of the Proposed Scheme Consideration

As outlined in section 1.1, consideration for the Proposed Scheme will be cash and a CVN. Specifically, the consideration that Central Shareholders will receive includes:

- (i) A cash payment of 20 cents for every Central Share held.
- (ii) One CVN for every Central Share held.

The terms of the CVN are set out in the note trust deed and are summarised in section 1.1.

### 8.2 Valuation approach

We have valued the Share Consideration based on the cash payment, plus an assessment of the value of the CVNs.

The value of the CVNs at the time of implementation of the Proposed Scheme can be assessed as the present value of the expected future CVN payout at the redemption date (expected to be on or around 16 June 2021).

In turn, the expected future CVN payout can be assessed as Central's share of the expected economically recoverable resource, multiplied by \$150,000 per BCF. This approach can be summarised as follows:

**Value of CVN = present value of expected future CVN Payout**

*where*, CVN Payout = \$150,000 x Central's share of Defined Resource, in BCF

*and*, Defined Resource = expected "Economically Recoverable Resource" at the redemption date

*and*, Expected Economically Recoverable Resource = Volume if successful x Likelihood of success

The key technical assumptions underpinning this calculation have been provided to us by RISC based on the best available information. Details of how RISC has determined these inputs are set out in the RISC Report.

The present value of the expected future CVN payout has been calculated using a discount rate which reflects the credit risk of the note guarantor, MFH. We consider that all technical risk associated with the CVN payout has been considered in RISC's assessment of the technical inputs and therefore the discount rate should only reflect the time value of money, and counterparty credit risk. The discount rate has been selected with reference to current yields on traded debt in Macquarie Group companies, including MFH.

### 8.3 CVN valuation

The table below sets out the key assumptions relating to the CVNs, and the expected CVN payout in June 2021:

Calculation of CVN value				
	Source	Units	Low case	High case
Central's share of Defined Resource	RISC, assumes exploration success	BCF	109	147
Likelihood of success	RISC	%	20%	40%
Agreed payout per BCF	CVN Note Deed	\$/BCF	150,000	150,000
CVN payout in June 2021	EY Transaction Advisory Service Analysis	\$ millions	3.3	8.8
Present value factor	Calculation, based on 3.5% discount rate	-	0.87	0.87
Value of CVN on date of Proposed Scheme	EY Transaction Advisory Service Analysis	\$ millions	2.9	7.7
Value per Central Share	Based on 459 million shares	cents	0.6	1.7

Source: CSD dated 10 March 2017

As shown in the table, we have assessed that the value of each CVN at the time of implementation of the Proposed Scheme is between 0.6 cents per share and 1.7 cents per Central Share.

It is important to note that the inverse of the 'likelihood of success' is a likelihood of failure. That is, there is a 60% to 80% likelihood that no resource is discovered. In the event that the exploration activity is unsuccessful, there is likely to be no payout upon maturity of the CVNs four years after the implementation of the Proposed Scheme.

In the event that a resource is discovered, the CVN payout is likely to be greater than the amounts estimated above, as the amounts above have been risked as set out in the RISC report. The CVN payout will be capped at a maximum value of \$90.0 million (which implies a maximum payout of 19.6 cents per share, before discounting).

### 8.4 Conclusion on the valuation of the Scheme Consideration

Based on the analysis provided above, we have assessed the value of the Scheme Consideration to be between 20.6 cents per share and 21.7 cents per share, being 20 cents in cash plus the value of the CVNs at between 0.6 and 1.7 cents per share.

## 9. Evaluation of the Proposed Scheme

### 9.1 Overview

In forming our opinion as to whether the Proposed Scheme is in the best interests of Central Shareholders, we have considered a number of factors including:

- ▶ Whether the estimated value of a Central Share, on a controlling interest basis, is higher or lower than the fair value of the Scheme Consideration that will be received by Central Shareholders in the event that the Proposed Scheme is approved and implemented.
- ▶ The price at which the Central Shares are proposed to be acquired relative to the listed market price of Central Shares prior to the announcement of the Proposed Scheme (and the initial offer received from Macquarie MPVD), and whether a premium for control is being paid and is appropriate in the circumstances.
- ▶ The existence of alternatives to the Proposed Scheme and the consequences for Central Shareholders.
- ▶ The likelihood of an alternative superior proposal being received.
- ▶ The likely market price of Central Shares in the event that the Proposed Scheme is not approved.
- ▶ The advantages and disadvantages relevant to Central Shareholders if the Proposed Scheme proceeds compared to if it doesn't proceed.

### 9.2 Fairness

We have determined whether the Proposed Scheme is fair by comparing the assessed value of a Central share, on a controlling interest basis, to the assessed value of the Scheme Consideration that will be received by Central Shareholders in the event that the Proposed Scheme is approved and implemented. The following table summarises this comparison:

Evaluation of the fairness of the Proposed Scheme			
	Ref	Low	High
Value of Central Shares on a controlling interest basis (cents/share)	Section 7	15.0	20.5
Value of Scheme Consideration (cents/share)	Section 8	20.6	21.7

Source: EY Transaction Advisory Services analysis

The assessed value of a Central Share on a controlling basis is between 15.0 cents and 20.5 cents per share. The value of the Scheme Consideration is between 20.6 cents and 21.7 cents per share. As the range of Scheme Consideration generally exceeds the range of Central Shares on a controlling basis we consider the Proposed Scheme to be fair.

### 9.3 Reasonableness

As the Scheme Consideration exceeds the range of assessed values of a Central share, we consider the terms of the Proposed Scheme to be fair. Under the guidance provided by RG 111, as we consider the terms of the Proposed Scheme to be fair, we also consider the terms to be reasonable, and accordingly, in the best interests of Central Shareholders.

### 9.3.1 Advantages

#### 9.3.1.1 *Central Shareholders are receiving a premium to the price of Central Shares prior to the announcement of the Proposed Scheme*

The Proposed Scheme provides Central Shareholders with the opportunity to realise value for their shares in excess of the price at which they traded prior to the Announcement Date on 10 March 2017.

In the absence of a transaction involving the acquisition of 100% of Central Shares, or a similar form of control transaction, Central Shareholders may be unable to realise a control premium above the minority interest value. In addition, the relatively low liquidity of Central Shares means that it may be difficult for Central Shareholders to realise value for large volumes of shares in the open market.

As noted previously in this report, on 14 November 2016, Central announced that Macquarie MPVD had submitted an unsolicited, non-binding offer of 17.5 cents per Central share. Since the date of that announcement, Central Shares have traded at or higher than 17.5 cents per share.

The price of Central Shares increased significantly between the date of the Initial Announcement and the Announcement Date. During this time, the acquisition of the other 50% in Mereenie by Macquarie Mereenie was announced. We consider that the share price increase is more likely to reflect speculation regarding a potential revised offer for Central Shares, rather than being a true reflection of the market's view of the value of Central's portfolio. Despite these share price increases we note that, the Scheme Consideration (excluding the CVN value) reflects a premium over the share price immediately prior to the Announcement Date.

The table below sets out a comparison of our assessed value of the Scheme Consideration to the last traded price of Central Shares of 16.5 cents per share on 9 March 2017, being the day prior to the Announcement Date, and of 13.5 cents per share on 13 November 2016, being the day prior to the Initial Announcement.

Comparison of our assessed value of the Scheme Consideration with the traded share price of Central		
Cents per share	Low	High
Value of Scheme Consideration	20.6	21.7
Share price on 13 November 2016 (day prior to the Initial Announcement)	13.5	13.5
Share price on 9 March 2017 (day prior to the Announcement Date)	16.5	16.5
Premium to the price of Central Shares prior to the Initial Announcement	52.6%	60.7%
Premium to the price of Central Shares prior to the Announcement Date	24.8%	31.5%

Source: S&P Capital IQ, EY Transaction Advisory Services analysis

In addition, based on our discussions with the management of Central and Central's advisers, a robust process was undertaken to solicit alternative offers for Central. On 24 November 2016, Central appointed Origin Securities Pty Limited ("Origin") as its defence adviser in response to the Initial Announcement of an unsolicited takeover offer from Macquarie. We are advised that Origin's objective was to either raise capital so the Company could remain independent or source an offer superior to the Macquarie proposal, which the Board advised was not in the interests of shareholders. This appointment resulted in a number of interested parties entering a process, the aim of which was to seek alternative offers for Central. No superior alternative offers were received.

This appointment resulted in a number of interested parties entering a process, the aim of which was to seek alternative offers for Central. No superior alternative offers were received.

#### 9.3.1.2 *Central Shareholders will continue to have exposure to the Central exploration assets*

Under the Proposed Scheme, Central Shareholders will receive CVNs, which provide shareholders with some exposure to future exploration upside from the Relevant Assets in Central's portfolio.

This means that, should the volume of estimated economically recoverable resource increase over time and should the Proposed Scheme be approved and implemented, Central Shareholders will benefit from that increase, to the extent allowed for in the terms of the CVNs.

It is important to note that the CVNs mean that Central Shareholders are not exposed to any capital expenditure required to undertake the exploration necessary to prove that an economically recoverable resource exists in the Relevant Assets. If the CVN volume were to be estimated at the current point in time, the volume would be likely be nil, because further exploration activity needs to be undertaken. This exploration activity must be funded by capital, and such activity is inherently risky. That is, there is a high probability in exploration activities that the capital is spent and no economically recoverable resource is discovered. The nature of the CVNs means that Central Shareholders are not required to put any capital at risk, but still share in some of the upside if the exploration activity is successful.

### **9.3.1.3 The Proposed Scheme provides liquidity**

Under the Proposed Scheme, Central Shareholders will receive cash consideration for their shares which is in excess of the recent trading price for Central Shares.

As noted in section 4.7, the trading volumes of Central Shares have historically been relatively low. This suggests that it may be difficult for Central Shareholders to realise similar value for their Central Shares in the normal course of market trading, in lieu of an offer similar to the Proposed Scheme.

### **9.3.1.4 Removal of exposure to near-term capital expenditure requirements**

In order for Central to realise the value in its asset portfolio, the company requires further capital expenditure. Based on the Capex profiles reviewed by RISC, the minimum capital expenditure required to increase production to levels required to meaningfully access the East Coast gas market is estimated to be approximately \$40.6 million for Mereenie, Palm Valley and Dingo. This does not include any further work on the expansion projects; Palm Valley Deep, Stairway or Ooraminna.

As discussed in section 4.4.3, Central's closing cash balance at 31 December 2016 would be sufficient to fund just over one year of operations, based on the cash burn from operations experienced in the six months to December 2016. As such, Central does not currently have the funds available to undertake the capital expenditure required to access the East Coast gas market. Central would therefore need to raise additional funds in order to access this market. This observation is in line with comments made by representatives of Central to the media in recent months<sup>52</sup>. Any such capital raising, whether by debt or equity, risks being dilutive to Central Shareholders.

### **9.3.1.5 Removal of exposure to contingent liabilities**

As set out in section 4.2.4, Central is currently in a legal dispute with GRR. Any payment is contingent on the outcome of this legal dispute, which has been running for some time. There is currently no certainty whether or not Central will ultimately have to pay any of the disputed amount, or any other costs. Further, there is no certainty as to the potential timing of any payment. Central denies liability for the claim and is defending its position. Central has taken the view that there is no basis to record a financial liability in relation to this matter, and therefore no liability has been recorded on Central's audited balance sheet.

Given the uncertainty, and management's expectations with regard to potential payment, we have not included any potential liability in our valuation of Central. However, there is still a risk that Central will be ordered by the court to make some payment in regard to this dispute. If the Proposed Scheme is approved and implemented, Central Shareholders will no longer have any exposure to this potential future liability.

## **9.3.2 Disadvantages**

### **9.3.2.1 CVNs do not provide up-front liquidity**

The CVNs are unlisted, unsecured, non-transferrable notes, the value of which (if any) will only be realised four years after the implementation of the Proposed Scheme. Central Shareholders will not be able to sell these CVNs prior to the realisation date, and therefore will not be able to realise any value in the notes until that time.

<sup>52</sup> Central ASX Announcement 'Macquarie allowed non-exclusive Due Diligence' dated 21 November 2016

There may also be up-front tax implications to the Central Shareholders, as the value of the CVNs at the date of issuance, will form part of the capital proceeds received for the disposal of Central Shares. See section 9.3 of the Scheme Booklet for further details.

### **9.3.2.2 Exposure to future upside is limited**

Our view of the market's expectations with regard to upside from market factors, such as the ex-field price received for Central's gas after completion of the NGP, has been factored into our valuation range. Other than the CVNs, if the Proposed Scheme is approved and implemented, Central Shareholders will not receive the benefit of any increases in value of the portfolio as a result of exploration success or market movements into the future.

The value of the CVNs is capped, and is based on a dollar per BCF amount that has been agreed between Central and Macquarie MPVD. Further exploration and appraisal work is required in order to develop reliable production profiles and cash flow estimates for the potential future projects that may be developed to monetise the Relevant Assets.

The risking factors applied, in both our valuation of the CVNs and the valuation of the Relevant Assets forming part of our valuation of Central Shares, mean that the values derived are probability-weighted values. In reality, the outcome of exploration activity will be binary; either an economically recoverable resource will be discovered, or no resource will be discovered. If the exploration activity is successful, then the economically recoverable resource could be significantly higher than the "risked" amount which underpins our valuation of the CVNs and the valuation of the Relevant Assets included as part of our fair valuation of Central Shares. This means that, if exploration success is achieved, the payment to Central Shareholders at the time the CVNs are redeemed could be lower than the value of the Relevant Assets at that time.

### **9.3.2.3 Macquarie MPVD has no obligation to explore**

As set out in section 8, our valuation of the CVNs assumes that exploration activity is undertaken in respect of the Relevant Assets. If no exploration activity is undertaken, then the technical expert appointed four years after implementation of the Proposed Scheme will not have sufficient information to estimate an economically recoverable resource in which case no value would be payable in respect of the CVNs.

Other than the commitments that Santos has in accordance with the Southern Amadeus farmin, there are no other legal requirements for Macquarie MPVD to undertake exploration activity in respect of the Relevant Assets. There may be commercial incentives for this activity to be undertaken, as current estimates suggest that the assets have value. However, there is a risk that Macquarie MPVD does not cause the activity to be undertaken and that therefore no economically recoverable resource can be estimated.

## **9.4 Other considerations**

### **9.4.1 Potential for alternative superior proposals to emerge**

While it is possible that an alternative proposal involving Central may emerge, we note that on 24 November 2016, Central announced the appointment of Origin as financial adviser. We are advised that Origin's instructions included seeking an alternative bidder. Origin underwent an extensive process to find alternative bidders however, no superior proposals were received and the Directors of Central are not aware of any potential superior alternative proposal likely to emerge. The terms of the CSD prevent Central from actively seeking alternative proposals. Further, given that Macquarie MPVD is the other shareholder in Central's largest producing asset and Macquarie is Central's major financier, a holder of options and Central's largest single capital provider; there are few other potential acquirers of Central which would be able to realise the same level of synergistic value as Macquarie MPVD.

These factors reduce the likelihood of any superior proposals emerging.

#### **9.4.2 If the Proposed Scheme is not approved and implemented the Central share price is likely to fall below current trading levels**

If the Proposed Scheme is not approved, and implemented and in the absence of an alternative transaction, Central will continue to operate in its current form and be listed on the ASX. As a consequence:

- ▶ Central Shareholders will continue to own shares in Central but will not receive any cash consideration or CVNs.
- ▶ The advantages, disadvantages and risks of the proposal will not occur other than with respect to the estimated one-off transaction costs totaling approximately \$2.0 million, a large part of which will be payable by Central regardless of whether the Proposed Scheme is implemented.

In these circumstances and in the absence of an alternative transaction, the price of Central Shares may fall. Central Shares rose 21.2% on 10 March 2017 following the announcement of the Proposed Scheme, and have risen 48.0% since the date of the Initial Announcement. The closing price the day prior to the Initial Announcement was 14.4 cents per share. If the Proposed Scheme is not implemented, there is a risk that the price of Central Shares will fall back towards the levels experienced prior to the Initial Announcement.

#### **9.4.3 Tax consequences**

There may be certain tax implications for individual Central Shareholders in connection with the Proposed Scheme if it approved and implemented. The exact nature and impact is uncertain and will depend upon the profile of each Central Shareholder. These specific consequences need to be borne in mind by each Central Shareholder in weighing up the merits of the Proposed Scheme. As such, Central Shareholders should refer to section 9.3 of the Scheme Booklet.

#### **9.4.4 Costs associated with the Proposed Transaction**

In addition to a reimbursement fee of \$918,392 which may be paid to Macquarie MPVD in certain circumstances, Central estimates that it will have incurred or committed to incur one-off transaction costs totalling \$2.0 million in relation to the Proposed Scheme. A significant proportion of these transaction costs will be payable by Central regardless of whether the Proposed Scheme is approved and implemented.

### **9.5 Conclusion**

Taking into consideration the matters detailed in this IER, in the opinion of EY Transaction Advisory Services, the Proposed Scheme is fair and reasonable and therefore is in the best interests of Central Shareholders.

This IER has been prepared to assist Central Shareholders in assessing the merits of the Proposed Scheme. In doing so, the report provides general information only and does not consider the individual situation, objectives and needs of each Central Shareholder. On this basis, Central Shareholders should consider whether this report is appropriate for their circumstances, having regard to their own situation, objectives and needs before relying on or taking action based on this report. If there is any doubt, Central Shareholders should seek their own professional advice.



## Appendix A Statement of qualifications and declarations

EY Transaction Advisory Services, which is wholly owned by Ernst & Young, holds an Australian Financial Services Licence under the Act and its representatives are qualified to provide this report. The directors of EY Transaction Advisory Services responsible for this report have not provided financial advice to Central.

Prior to accepting this engagement, EY considered its independence with respect to Central with reference to Regulatory Guide 112: *Independence of experts*.

This report has been prepared specifically for Central shareholders in relation to the Proposed Scheme. Neither EY Transaction Advisory Services, Ernst & Young and any employee thereof undertakes responsibility to any person, other than Central Shareholders, in respect of this report, including any errors or omissions howsoever caused.

The statements and opinions given in this report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this report EY Transaction Advisory Services has relied upon and considered information believed after due inquiry to be reliable and accurate. EY has no reason to believe that any information supplied to it was false or that any material information has been withheld from it. EY Transaction Advisory Services has evaluated the information provided to it by Central, its advisors, as well as other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base its report. EY Transaction Advisory Services does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its inquiries could have verified any matter which a more extensive examination might disclose.

The information relied upon in the preparation of this report is set out in Appendix F to this report.

Central has provided an indemnity to EY Transaction Advisory Services for any claims arising out of any mis-statement or omission in any material or information provided to it in the preparation of this report.

EY Transaction Advisory Services provided draft copies of this report to Central for comments as to factual accuracy, as opposed to opinions, which are the responsibility of EY Transaction Advisory Services alone. Changes made to this report as a result of this review by the Directors and management of Central have not changed the methodology or conclusions reached by EY Transaction Advisory Services.

EY Transaction Advisory Services will receive a professional fee based on time spent in the preparation of this report estimated at approximately \$130,000 (exclusive of GST). EY Transaction Advisory Services will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the making of this report.

Mr Stuart Bright, a director and representative of EY Transaction Advisory Services and a partner of Ernst & Young and Mr Evgeny Khrustalev, a director and representative of EY Transaction Advisory Services and a partner of Ernst & Young have assumed overall responsibility for this report. Both have the necessary experience and professional qualifications appropriate to the advice being offered. Other staff have been consulted in the preparation of this report where appropriate.

It is not intended that the report should be used for any other purpose other than to be included in the Scheme Booklet to be sent to Central Shareholders with respect to the Proposed Scheme. In particular, it is not intended that this report should be used for any other purpose other than as an expression of its opinion as to whether or not the Proposed Scheme is fair and reasonable and in the best interests of the Central Shareholders.

EY Transaction Advisory Services consents to the issue of this report in the form and context in which it is included in the Scheme Booklet.

## Appendix B Valuation methodologies

RG 111 provides guidance on the valuation methods that an independent expert should consider when valuing a company. These methods include the:

- ▶ DCF method and the estimated realisable value of any surplus assets.
- ▶ Application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.
- ▶ Amount that would be available for distribution to security holders on an orderly realisation of assets.
- ▶ Quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale.
- ▶ Recent genuine offers, if any, received by the target for any business units or assets as a basis for valuation of those business units or assets.
- ▶ Amount that any alternative acquirer might be willing to offer if all the securities in the target were available for purchase.

Each methodology is appropriate in certain circumstances. The decision as to which methodology to apply generally depends on the nature of the asset being valued, the methodology most commonly adopted in valuing such an asset and the availability of appropriate information.

The DCF methodology involves calculating the net present value of cash flows that are expected to be derived from future activities. The forecast cash flows are discounted by a discount rate that reflects the time value of money and the risk inherent in the cash flows. This methodology is particularly appropriate in valuing projects, businesses and companies that are in a start-up phase and are expecting considerable volatility and/or growth in earnings during the growth phase, as well as businesses with a finite life (such as oil and gas projects). The utilisation of this methodology generally requires that the asset be sufficiently advanced to enable management to provide long term cash flows with some degree of robustness.

The capitalisation of earnings methodology involves capitalising the earnings of a project, a business or a company at an appropriate multiple, which reflects the risks underlying the earnings together with growth prospects. This methodology is theoretically most appropriate where a company or business is expected to generate a relatively stable level of earnings but in practice, is also frequently used in a range of other circumstances.

The net asset backing methodology involves consideration of the net realisable value of the assets of a business or company on a going concern basis, assuming an orderly realisation of those assets. This value includes a discount to allow for the time value of money and for reasonable costs of undertaking the realisation. It is not a valuation on the basis of a forced sale, where assets may be sold at values materially different to their fair value.

Market based assessments relate to the valuation of companies, the shares of which are traded on a stock exchange. While the relevant share price would, prima facie, constitute the market value of the shares, such market prices usually reflect the prices paid for small parcels of shares and as such do not include a control premium relevant to a significant parcel of shares.

## Appendix C Determination of discount rate

Our DCF valuations of Central assets have been performed on a nominal, un-gearred and post-tax basis in Australian dollars.

To determine the net present value of the cash flows for each of Central's operating and exploration projects valued using a DCF approach, we have assessed the appropriate weighted average cost of capital ("WACC").

The WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided.

Under a classical tax system the post-tax WACC is commonly calculated as follows:

$$WACC = R_e \times \frac{E}{D+E} + R_d(1-t_c) \times \frac{D}{D+E}$$

Where:

WACC - post tax weighted average cost of capital

$R_e$  - required rate of return on equity capital

$E$  - market value of equity capital

$D$  - market value of debt

$R_d$  - required rate of return on debt capital

$t_c$  - statutory corporate tax rate

In the following paragraphs we comment on each of the assumptions we make in respect of each of the main variables in this formula.

### Required rate of return on equity

The capital asset pricing model ("CAPM") is a model for estimating the rate of return required by an equity investor on an investment.

Under CAPM the required rate of return on equity (" $R_e$ ") is calculated as follows:

$$R_e = R_f + \beta_e \times (R_m - R_f) + R_s$$

Where:

$R_e$  - rate of return on equity

$R_f$  - risk free rate of return

$\beta_e$  - expected equity beta of the investment

$R_m$  - expected rate of return on the market portfolio of risky investments

$(R_m - R_f)$  - excess return of the market over the risk free rate, or the market risk premium

$R_s$  - specific risk premium

### **Risk free rate**

The 10 year government bond market is a widely adopted proxy for the risk free rate in Australia. The 10 year Australian Commonwealth Government bond yield as at 31 March 2017 was approximately 2.7%.

We have adjusted the calculated cost of equity for a non-asset specific risk premium of 1.3%. We believe this additional risk premium is justified taking into account the current risk free rate (referenced above as the 10 year Australian Commonwealth Government bond rate) being at well below long term historical levels. Most market observers regard this low rate to be inconsistent with current share prices, the observed volatility in the markets and general economic uncertainty. In response, many valuers have either used a normalised risk free rate, increased their estimates of the market risk premium or have included an additional risk factor in their calculations of the cost of equity.

The most common approach we have observed in Australia has been for valuers to include or increase an additional risk premium (often referred to a specific risk premium or alpha) to ensure that the overall discount rate determined by the CAPM is considered to be appropriate for the asset subject to valuation.

Based on a historical analysis of the risk free rate (five year and 10 year Australian Commonwealth Government bond rate), and a recognition of the lives of the assets included in the values set out in this report we have applied a premium of 1.3% to the risk free rate. The addition of the risk premium results in an effective risk free rate of 4.0%.

### **Market risk premium**

The market risk premium ( $R_m - R_f$ ) represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned. Generally, most estimates fall within a range of approximately 4.0% to 8.0%. However, investor's expectations of the premium can change as the market fluctuates and perceptions of the riskiness of equities change.

We adopted a market risk premium of 6.0% in calculating discount rates for this analysis.

### **Asset specific risk premium**

To account for additional risk surrounding timing in production and small company associated risk, we have assumed an asset specific risk premium of 1.0%.

### **Beta**

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation. In order to determine an appropriate beta to use for the valuation of Central's operations and exploration, we have considered the observed betas of comparable companies.

Beta can be expressed as an equity beta, which includes the effect of gearing on equity returns, and as an asset beta, which removes the impact of gearing. The asset beta will be lower than the equity beta for any given investment, with the extent of the difference dependent on the level of debt in the capital structure. The greater the level of gearing, the greater is the risk faced by equity holders (as debt holders have a contractual right of return and so first claim on the operating income). Accordingly, for a given asset beta, the equity beta will increase as the level of gearing increases.



We used the following formula to undertake the de-gearing and re-gearing exercise:

$$\beta_e = \beta_a \left( 1 + \frac{D}{E} (1 - t_c) \right)$$

Where:

$\beta_e$  – the equity or geared beta

$\beta_a$  – the ungeared beta

$t_c$  – the statutory corporate tax rate

$D/E$  - equals the market value of debt divided by the market value of equity capital

In assessing a range of betas, we selected a group of companies deemed comparable to Central. We selected those companies with producing and exploration oil and gas projects, mainly located within Australia. Our data set included both companies with small scale operations limited to a single country and those with more diversified operations.

We note that for many of the comparable companies, the data sourced for calculating the betas resulted in non-meaningful data. We have excluded any betas where the correlation was less than 0.04 as these betas are not statistically meaningful.

The table below summarises the beta information of companies where the betas produced were considered statistically meaningful.

Beta analysis as at 31 March 2017									
Comparable company	Market Cap (\$m)	2-yr weekly (Local) <sup>1</sup>				5-yr monthly (Local) <sup>1</sup>			
		Equity Beta	Net Debt/Equity <sup>2</sup>	Asset beta <sup>3</sup>	R <sup>2</sup> square	Equity Beta	Net Debt/Equity <sup>2</sup>	Asset beta <sup>3</sup>	R <sup>2</sup> square
Central Petroleum Ltd	87	1.63	126%	0.87	0.08	3.48	53%	2.54	0.16
Woodside Petroleum Ltd	27,026	1.16	24%	1.00	0.45	0.86	12%	0.79	0.39
Origin Energy Ltd	12,373	1.99	88%	1.23	0.43	0.80	62%	0.56	0.11
Santos Ltd	7,916	2.41	75%	1.58	0.34	1.62	59%	1.15	0.23
Oil Search Ltd	10,994	1.12	43%	0.86	0.24	0.67	37%	0.57	0.16
Beach Energy Ltd	1,499	2.01	0%	2.01	0.25	1.81	0%	1.81	0.21
Senex Energy Ltd	512	1.83	0%	1.83	0.17	2.07	0%	2.07	0.20
AWE Ltd	261	2.50	10%	2.34	0.23	1.25	5%	1.21	0.13
Horizon Oil Ltd	76	0.98	216%	0.39	0.09	1.29	106%	0.74	0.12
Karoon Gas Australia Ltd	402	1.77	0%	1.77	0.22	0.90	0%	0.90	0.03
Cooper Energy Ltd	244	0.72	0%	0.72	0.04	1.12	0%	1.12	0.09
Strike Energy Ltd	77	0.69	1%	0.68	0.05	0.69	1%	0.68	0.03
Comet Ridge Ltd	72	(0.29)	0%	(0.29)	nmf	0.87	0%	0.87	0.02
Camaron Petroleum Ltd	101	1.10	0%	1.10	0.10	1.21	0%	1.21	0.02
Tap Oil Ltd	34	0.82	34%	0.66	0.03	1.45	26%	1.23	0.11
Cue Energy Resources	46	0.20	0%	0.20	nmf	0.15	0%	0.15	nmf
Bounty Oil & Gas N.L.	8	0.43	0%	0.43	0.01	0.61	0%	0.61	0.05
Empire Oil & Gas NL	22	0.13	21%	0.12	nmf	0.49	9%	0.46	0.02
Galilee Energy Ltd	21	(0.43)	0%	(0.43)	0.01	(0.14)	0%	(0.14)	nmf
Real Energy Corporation	8	0.71	0%	0.71	0.02	1.58	0%	1.58	0.10
Icon Energy Ltd	18	0.56	0%	0.56	0.04	1.26	0%	1.26	0.16
Blue Energy Ltd	61	(0.19)	0%	(0.19)	nmf	1.11	0%	1.11	0.03
High (excl. outliers)		2.50	216%	2.34		3.48	106%	2.54	
<b>Mean (excl. outliers)</b>		1.60	<b>49%</b>	1.31		1.42	<b>26%</b>	1.23	
<b>Median (excl. outliers)</b>		1.70	<b>17%</b>	1.17		1.27	<b>9%</b>	1.18	
Low (excl. outliers)		0.69	0%	0.39		0.61	0%	2.54	

Source: S&P Capital IQ, EY Transaction Advisory Services Analysis

Notes:

<sup>1</sup> We have excluded any betas where the correlation was less than 0.04 and have classified these as not meaningful or "nmf"

<sup>2</sup> Net debt is calculated as total debt less cash and cash equivalents averaged over a historical period (where available)

<sup>3</sup> Where the net debt/equity ratio is negative, it is taken to equal nil and the asset beta has been taken to equal the equity beta

<sup>4</sup> Highlighted rows have been excluded from the analysis

For the purposes of our analysis, we have adopted an asset beta of 1.1 to 1.3. In selecting this beta range, we have considered the following:

- ▶ We note that the two year weekly and five year monthly beta analysis results in materially consistent mean and median asset betas
- ▶ We have considered companies with producing and/or exploration assets located in Australia to be similarly comparable to the activities of Central. We note that the companies operating in Western

Australia only (Empire Oil & Gas NL and Carnarvon Petroleum Limited) are affected by different market conditions than the other above listed comparable. Western Australia is the only state not connected via pipeline to the other states. The average and median asset betas of comparable companies with producing and/or exploration assets, excluding outliers are 1.31 and 1.17 based on two year weekly data and 1.23 and 1.18 based on five year monthly data.

- ▶ Observed betas for individual companies fall within a wide range and also vary depending on the data source considered. Many of the companies have betas that are not statistically significant because oil and gas companies tend to follow the oil price, rather than broader market movements.

### **Capital structure**

In calculating the WACC, we need to make an assumption regarding an optimal capital structure at which to re-gear the asset beta, and with which to weight the cost of equity and cost of debt. Generally, the gearing level adopted should reflect the level of debt that can reasonably be sustained by any company operating in an industry, rather than actual gearing maintained by the current business owners.

In order to determine an appropriate capital structure, we have had regard to the capital structures of Central, and the capital structure of other companies in the industry. In relation to the capital structure, we note:

- ▶ Central's average debt to equity ratio over the last two and five years was 126% and 53%, respectively. As at 31 March 2017, Central had net debt of \$75.4 million.
- ▶ Considering companies with producing and/or exploration assets, the average and median debt to equity ratio of comparable companies are 49% and 17% over the last two years and 26% and 9% over the last five years.

Accordingly, we have assumed a debt to equity ratio of 20% to 40% to be appropriate as a proxy for the optimal gearing ratio for oil and gas producing assets.

### **Cost of debt**

The estimated cost of debt for the debt component of the discount rate is based on the margin over the yield on 10 year Australian Commonwealth Government bonds.

The debt premium over the risk free rate reflects debt related risks specific to the business being valued (i.e. the risk that the business will default on payments). The cost of debt represents the cost of funding over the life of the cash flow models. In arriving at an appropriate debt premium we have had regard to a number of factors including:

- ▶ The margin implicit in corporate bond yields over Australian Commonwealth Government bond yields. Implied yields reflect the market's view of risk as at a point in time and care should be exercised before incorporating these into any assessment of an entity's cost of debt.
- ▶ The debt ratings of comparable companies.

After considering the above factors, with particular emphasis on the borrowing rate of Central, we adopted a nominal, pre-tax cost of debt of 6.4%.



## WACC

On the basis of the above, we have adopted the following inputs in our calculation of the nominal post-tax WACC as shown in the table below.

Weighted Average Cost of Capital	
Parameters	Selected parameters
Risk Free Rate	2.7%
Asset beta	1.20
Equity beta	1.45
Market Risk Premium	6.0%
Non-asset specific risk premium	1.3%
Asset specific risk premium	1.0%
Cost of equity	13.7%
Nominal pre-tax cost of debt	6.4%
Tax Rate	30.0%
Equity/EV	76.9%
Debt/EV	23.1%
Calculated nominal post-tax WACC	11.5%
<b>Adopted: WACC (post-tax, nominal)</b>	<b>11.5%</b>

Source: EY Transaction Advisory Services Analysis

## Appendix D Comparable trading multiples

Company	Minority basis				Control basis (control premium of 30%)			
	2P (P/J)	2C (P/J)	EV (minority basis)	2P Multiple (A\$/P/J)	2C Multiple (A\$/P/J)	EV (control basis)	2P Multiple (A\$/P/J)	2C Multiple (A\$/P/J)
Woodside Petroleum Ltd	8,455	29,391	34,647	4.10	1.18	42,636	5.04	1.45
Origin Energy Limited	6,277	3,639	21,189	3.38	5.82	24,710	3.94	6.79
Santos Limited	5,211	na	12,350	2.37	na	13,881	2.86	na
Oil Search Limited	3,083	4,321	15,436	5.01	3.57	18,376	5.96	4.25
Beach Energy Limited	409	1,203	1,499	3.66	1.25	1,948	4.76	1.62
Senex Energy Limited	489	1,219	512	1.05	0.42	666	1.36	0.55
Tap Oil Limited	17	220	37	2.25	0.17	45	2.70	0.20
AWE Limited	403	596	284	0.70	0.48	356	0.88	0.60
Bounty Oil & Gas N.L.	3	8	8	2.26	0.93	10	2.93	1.21
Horizon Oil Limited	53	628	228	4.32	0.36	243	4.60	0.39
Cooper Energy Limited	68	436	244	3.59	0.56	318	4.67	0.73
Strike Energy Limited <sup>2</sup>	1	101	77	nmf	0.76	100	nmf	0.99
Empire Oil & Gas NL	13	18	34	2.65	1.87	40	3.08	2.18
Cue Energy Resources Limited	20	17	46	2.35	2.70	60	3.05	3.51
Comet Ridge Limited	30	452	72	2.40	0.33	93	3.12	0.43
Blue Energy Limited	71	984	61	0.85	0.20	79	1.11	0.26
Low			8	0.70	0.17	10	0.88	0.20
Median			228	2.40	0.76	243	3.08	0.99
Mean			5,103	2.73	1.37	6,093	3.33	1.68
High			34,647	5.01	5.82	42,636	5.96	6.79

Source: S&P Capital IQ, comparable company announcements, EY Transaction Advisory Services Analysis

Notes:

1. Strike Energy Limited has a 2P multiple of 57 and 73 on a minority and controlling basis, respectively. We have excluded the 2P multiples of Strike Energy Limited as outliers from the analysis above
2. The table excludes certain listed Australian gas explorers if insufficient data was available to determine a multiple

Comparable company descriptions		
Company	Description	Market cap (A\$m) <sup>1</sup>
Woodside Petroleum Ltd	Australian based explorer and producer with activities in Australia located in the North West Shelf, Pluto, Australia Oil, Carnarvon, Broome, Karratha, Exmouth, Darwin Basins.	27,026
Origin Energy Limited	Australian based explorer and producer with activities in the Surat, Bowen, Bass and Otway Basins in Australia, Kupe, Canterbury and Taranaki Basins in New Zealand, and Song Hong Basin in Vietnam. Origin Energy is also the operator of the APLNG project and has significant electricity generation assets.	12,373
Santos Limited	Australian based producer with activities located in the Cooper, Browse, Bonaparte, Gunnedah, Gippsland, Otway, Carnarvon and Amadeus Basins in Australia, including assets in Asia, as well as the GLNG project.	7,916
Oil Search Limited	Papua New Guinean based explorer and producer with interests primarily located in Papua New Guinea, Yemen, Iraq, Tunisia and Australia, as well as the PNG LNG project with ExxonMobil.	10,994
Beach Energy Limited	Beach Energy Limited explores, develops, produces, and sells oil, gas, and gas liquids with a core focus on the Cooper Basin with gross acreage of over 69,000 km <sup>2</sup>	1,499
Senex Energy Limited	Australian producer with activities in the Cooper, Surat and Eromanga Basins in Australia.	512
Tap Oil Limited	Australian based producer with activities in Carnarvon Basin in Australia and Manora in Thailand.	34
AWE Limited	Australian based explorer and producer with activities in the Bass, Otway and Perth Basins in Australia, Taranaki Basin in New Zealand, including assets in Indonesia and the US.	261
Bounty Oil & Gas N.L.	Australian based with activities in Surat, Cooper, Eromanga, Carnarvon, Naccowlah, Utopia Basins in Australia, including assets in Tanzania.	8
Horizon Oil Limited	Australian based producer with activities in the Maari/Manaia, Taranaki, Elevala and Ketu fields in New Zealand, and assets located in the Beibu Gulf in China, and Papua New Guinea.	76
Cooper Energy Limited	Australian based production company with activities in the Cooper, Otway and Gippsland Basins in Australia, including exploration and production assets in Indonesia and Tunisia.	244
Strike Energy Limited <sup>2</sup>	Australian based explorer and producer with activities in the Cooper Basin in Australia and the US.	77
Empire Oil & Gas NL	Australian based producer with activities in the Perth and Carnarvon Basins in Australia.	22
Cue Energy Resources Limited	Australian based producer with activities in the Carnarvon Basin in Australia, Taranaki in New Zealand, and Kutei and Central Sumatra Basins in Indonesia.	46
Comet Ridge Limited	Australian based explorer with activities in the Galilee, Gunnedah, Bowen Basins in Australia, and West Coast in New Zealand. It also has interests in Indonesia.	72
Blue Energy Limited	Australian based explorer with activities in the Bowen, Surat, Cooper, Eromanga, Galilee, Greater McArthur and Maryborough Basins.	61

Source: S&P Capital IQ, EY Transaction Advisory Services Analysis

Note:

<sup>1</sup> Market capitalisation as at 31 March 2017

<sup>2</sup> Origin Energy including assets to be separated in new company as part of IPO

## Appendix E Comparable transaction multiples

Comparable company descriptions										
Asset (Target)	Location of resources	Bidder	Date <sup>1</sup>	Stake	Status	Implied EV at 100% (\$Am)	2P (P/J)	2P Multiple (A\$/P/J)	2C (P/J)	2C Multiple (A\$/P/J)
<b>Producing</b>										
Senex Energy	Australia	EIG Global Energy Partners	Feb-17	13%	Completed	282	489	0.58	1,219	0.23
Mereenie Oil & Gas Field from Santos Limited	Australia	Macquarie Mereenie Pty Limited	Dec-16	50%	Announced	104	211 <sup>2</sup>	0.49	182	0.57
Victorian Gas Assets from Santos Limited	Australia	Cooper Energy Limited	Oct-16	100%	Completed	82	54	1.52	121	0.68
Slag Oilfield	Australia	Mitra Energy (Australia) Pty Ltd (now: Jadestone Energy (Australia) Pty Ltd)	Jul-16	100%	Completed	33	86	0.39	na	n/a
Cliff Head Oil Field from AWE Limited	Australia	Triangle Energy (Global) Ltd	Jun-16	58%	Completed	5.6	20	0.27	na	n/a
Scarborough area assets	Australia	Woodside Petroleum Ltd	May-16	Various	Completed	857	na	n/a	9,471	0.09
Santos Limited	Australia	Xineng (Hong Kong) Energy Investment Limited	Mar-16	12%	Completed	14,715	5,539	2.66	10,861	1.35
Kipper Gas Field from Santos Limited	Australia	Mitsui E&P Australia Pty Ltd	Nov-15	35%	Completed	1,486	780	1.91	n/a	n/a
Drillsearch Energy Limited	Australia	Beach Energy Limited	Oct-15	100%	Completed	328	151	2.18	509	0.64
South Taranaki Energy Project	New Zealand	High Peak Royalties Ltd; Mosman Oil and Gas Ltd	Aug-15	100%	Announced	9	10	0.88	39	0.23
Mereenie Oil & Gas Field	Australia	Central Petroleum Ltd	Jun-15	50%	Completed	100	211 <sup>2</sup>	0.47	n/a	n/a
Apache Energy Limited (nka: Quadrant Energy)	Australia	Brookfield Asset Management Inc.; Macquarie Capital	Apr-15	100%	Completed	6,324	1,895	3.34	n/a	n/a
Cue Energy Resources Limited	Australia, Indonesia, New Zealand	New Zealand Oil & Gas Limited	Feb-15	80%	Announced	33	27	1.20	115	0.29
Roc Oil Company Limited	Australia, China, Malaysia, UK	Transcendent Resources Limited	Aug-14	100%	Completed	408	102	4.00	198	2.06
WestSide Corporation Limited	Australia	Shandong Landbridge Group	Apr-14	100%	Completed	152	347	0.44	n/a	n/a
Paim Valley, Dingo gas fields from Magellan Petroleum Corporation	Australia	Central Petroleum Ltd	Feb-14	100%	Completed	35	58	0.61	n/a	n/a

Comparable company descriptions										
Asset (Target)	Location of resources	Bidder	Date <sup>1</sup>	Stake	Status	Implied EV at 100% (\$Am)	2P (PJ)	2P Multiple (A\$/PJ)	2C (PJ)	2C Multiple (A\$/PJ)
Pan Pacific Petroleum NL	Australia, New Zealand, Vietnam	Zeta Energy Pte. Ltd.	Apr-15	30%	Completed	8	5	1.70	23	0.35
Dart Energy limited	Australia	IGas Energy Plc	May-14	100%	Completed	178	42	4.26	5,436	0.03
Ambassador Oil & Gas Limited	Australia	Drillsearch (Central) Pty Limited	Jun-14	100%	Completed	44	166	0.26	198	0.22
Bowen Basin Coal Bed Methane Assets	Australia	Petrochina International Investment (Australia) Pty Ltd	Aug-12	100%	Completed	41	341	0.12	594	0.07
<b>Overall</b>										
Low						6		0.12		0.03
Median						102		1.07		0.46
Mean						2,146		1.62		1.03
High						15,861		5.21		3.69

Source: S&P Capital IQ, comparable company announcements; EY Transaction Advisory Services Analysis

Notes:

<sup>1</sup> Announced date of transaction

<sup>2</sup> Mereneie multiple based on publicly available data at the time of the acquisition

## Appendix F Sources of information

In arriving at our views, we have had regard to the following sources of information:

- ▶ Audited annual financial statements and half yearly reports of Central.
- ▶ Audited financial statements of MAL.
- ▶ The RISC Report, included in Appendix H of this report.
- ▶ Central Model and Central Budget prepared by Central management, with operational and technical assumptions updated by RISC.
- ▶ Details of Central Shareholders as provided by Central management
- ▶ ASX announcements for Central and Macquarie including.
- ▶ Company websites for Central, Macquarie and comparable companies.
- ▶ Market data obtained from sources including ThomsonOne, S&P Capital IQ, Datanalysis and Factiva.
- ▶ Data published by AEMO and ACCC.
- ▶ EnergyQuest.
- ▶ The RISC Report.
- ▶ Industry bodies such as: International Gas Union, EPA, Core Energy, Cooper Energy.
- ▶ News articles from the Australian Financial Review and Financial Times.

In addition we held discussions with various members of senior management of Central and Macquarie.

## Appendix G Glossary

Glossary	
Abbreviation	Full Title / Description
\$	Australian dollars
ACCC	Australian Competition and Consumer Commission
AEMO	Australian Energy Market Operator
Announcement Date	10 March 2017
APLNG	Australia Pacific LNG project
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATP	Authority to prospect licenses
Bbl	Barrels
BCF	Billion cubic feet
Capex	Capital expenditure
CAPM	Capital asset pricing model
Central	Central Petroleum Limited
Central Budget	Central's two year plan up to FY18 including corporate costs and opening deferred tax asset balances
Central Model	Corporate model prepared by Central management
Central Shareholders	Holders of Central Shares
Central Shares	Ordinary shares in Central
COAG	Council of Australian Governments
Company	Central Petroleum Limited
CPI	Consumer price index
CSD	Central Scheme Deed
CSG	Coal seam gas
CVN	Contingent Value Note
DCF	Discounted cash flow
Dingo	Dingo Gas Field
EBITDA	Earnings before interest, tax, depreciation and amortisation
EP	Exploration Permits
EP 82DSA	In addition to the Dingo tenement acquired in 2014, Central obtained 20 graticular blocks in the EP 82 tenement surrounding Dingo from Santos in 2015
EP(A)	Exploration Permit Applications
EY Transaction Advisory Services	Ernst & Young Transaction Advisory Services Limited
Financial Model	DCF model constructed by EY Transaction Advisory Services, which includes assumed future cash flows on an ungeared post-tax basis over the life of the assets
FSG	Financial Services Guide
Future Share Rights	1,913,873 future share rights in Central
GLNG	Gladstone LNG project
GRR	Geoscience Resource Recovery
GSA	Gas supply agreements
GSOO	Gas Statement of Opportunities
GTA	Gas transport agreements

IER	Independent Expert's Report
Initial Announcement	On 14 November 2016, Central announced that Macquarie MPVD had submitted an unsolicited, non-binding offer of 17.5 cents per Central share
LNG	Liquefied natural gas
Macquarie	Macquarie Group Limited
Macquarie Mereenie	Macquarie Mereenie Pty Ltd
Macquarie MPVD	Macquarie MPVD Pty Ltd
Magellan	Magellan Petroleum Corporation
MAL	Macquarie Amadeus Pty Limited
Mereenie	Mereenie Oil and Gas Field
MFHPL	Macquarie Financial Holdings Pty Limited
NGP	Northern Gas Pipeline
Note Trust Deed	The deed to be entered into between Macquarie MPVD, MAL and MFHPL in relation to the CVNs
OL	Operating Licence
Ooraminna	Ooraminna Gas Fields
OPEC	Organisation of Petroleum Exporting Countries
Opex	Operating expenses
Options	63,803,777 unlisted Central options outstanding
Origin	Origin Securities Pty Limited
Palm Valley	Palm Valley Gas Field
Pioneer	Pioneer Sandstone
PJ	Petajoules
PL	Pipeline Licence
Proposed Scheme	Macquarie's proposal to acquire 100% of the shares in Central by way of Scheme of Arrangement
PRRT	Petroleum resources rent tax
PWC	Power and Water Corporation
QCLNG	Queensland Curtis LNG project
Re	Required rate of return on equity
Regulations	Corporations Regulations 2001
Relevant Assets	Exploration and appraisal program areas covered by the CVN including: Santos Southern Amadeus Farmout (EP82 (excluding certain sub-blocks), EP105 and EP112), Mount Kitty Discovery (EP 125), Ooraminna Permits (RL3 and RL4) and Palm Valley Deep Prospect within the Palm Valley gas field
RG 111	Regulatory Guide 111: <i>Content of expert reports</i>
RG 112	Regulatory Guide 112 <i>Independence of experts</i>
RISC	RISC Operations Pty Ltd
RISC Report	Independent technical report prepared by RISC
Santos	Santos Limited
Scheme Consideration	Cash consideration of 20 cents for every Central Share held and one CVN for every Central Share held as at the record date of the Proposed Scheme
Scheme Meeting	General meeting of Central shareholders to be held on or around 5 June 2017
SGB	Southern Georgina Basin
Share Rights	24,068,958 Central share rights
Southern Amadeus	Southern Amadeus Joint Venture with Santos
The Act	Corporations Act 2001



TJ	Terajoules
ToP	Take or Pay
Total	Total E&P Australia Pty Ltd
VALMIN Code	Code for the technical assessment and valuation of mineral and petroleum assets and securities for independent expert reports
Vertigan Inquiry	<i>Examination of the current test for the regulation of gas pipelines</i> by Dr Michael Vertigan
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
YoY	Year-on-year

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## Appendix H    The RISC Report



# Independent Technical Specialists Report on the Petroleum Properties of Central Petroleum Limited

27 April 2017



*decisions with confidence*

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## 1. Executive summary

The Directors  
Central Petroleum Limited  
Level 7, 369 Ann St  
Brisbane, Queensland 4000

Mr Stuart Bright  
Ernst & Young Transaction Advisory Services  
200 George Street  
Sydney NSW 2000

**27 April 2017**

Dear Sirs,

### **Independent Technical Specialist's Report on the Petroleum Assets of Central Petroleum Limited**

Ernst & Young Transaction Advisory Services ("EYTAS") has been appointed by the Directors of Central Petroleum Limited ("Central") in relation to the proposed transaction between Central and Macquarie Group Limited ("Macquarie") whereby Macquarie intends to acquire all of the shares in Central that it does not already own (the "Proposed Transaction").

To assist EYTAS in preparing its report covering the Proposed Transaction, EYTAS has provided instructions to RISC Operations Pty Ltd ("RISC") to act as a Specialist, as defined in the Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, as amended (the VALMIN Code), and to prepare an Independent Technical Specialist Report (ITSR). This document comprises the ITSUR.

The ITSUR documents our review of the petroleum reserves, resources and associated development schedules, production and cost forecasts. We have audited the estimates provided by Central and made such adjustments that in our judgment were necessary to provide a reasonable assessment and reflect current information. This report also provides a description and valuation Central's exploration properties and our opinion on the resources that may eventuate and trigger the Contingent Value Notes ("CVN") which form part of the Proposed Transaction.

#### **Reserves and contingent resources**

The estimated reserves and contingent resource volumes net to Central as at 31 December 2016 are shown in Table 1-1 and Table 1-2, respectively. Reserves and resources have been evaluated in accordance with PRMS Guidelines.



Table 1-1: Reserves net to Central as at 31/12/2016

Field and Sales Product	Unit	Central Net Reserves		
		1P	2P	3P
Mereenie Sales Gas	PJ	62.1	71.9	79.1
Mereenie Condensate and Oil	MMstb	0.6	1.0	n/a
Palm Valley Sales Gas	PJ	17.4	21.8	n/a
Dingo Sales Gas	PJ	9.4	32.2	n/a
<b>Total Sales Gas</b>	<b>PJ</b>	<b>88.8</b>	<b>125.9</b>	<b>n/a</b>
<b>Total Condensate and Oil</b>	<b>MMstb</b>	<b>0.6</b>	<b>1.0</b>	<b>n/a</b>

Notes:

1. Sales Gas reserves are stated in sales quantities after adjustment for fuel, flare and shrinkage at a reference point at the relevant plant gate at the inlet to the Amadeus Gas Pipeline. Condensate and oil are stated at the loading facility at the relevant plant gate.
2. Deterministic evaluation methods have been used.
3. Additions beyond the field level have all been made arithmetically, as a result RISC cautions that the 1P aggregate quantities may be very conservative estimates and the 3P aggregate quantities may be very optimistic due to portfolio effects.
4. Totals may differ due to rounding

Table 1-2: Net Central contingent resources as at 31/12/2016

Field and Sales Product	Unit	Central Net Contingent Resources
		2C
Mereenie Sales Gas	PJ	97.6
Mereenie Condensate and Oil	MMstb	0.2
Palm Valley Sales Gas	PJ	29.7
Dingo Sales Gas	PJ	23.1
Ooraminna Sales Gas	PJ	106.7
<b>Total Sales Gas</b>	<b>PJ</b>	<b>257.1</b>
<b>Total Condensate and Oil</b>	<b>MMstb</b>	<b>0.2</b>

Notes:

1. Sales Gas reserves are stated in sales quantities after adjustment for fuel, flare and shrinkage at a reference point at the relevant plant gate at the inlet to the Amadeus Gas Pipeline. Condensate and oil are stated at the loading facility at the relevant plant gate.
2. Probabilistic and deterministic evaluation methods have been used.
3. Excludes Mt Kitty which has not been included in production forecasts
4. Totals may differ due to rounding

## Project development and production

Central has a portfolio of potential future development opportunities which have been included in their cash flow projections. The increase in production is timed to coincide with the commencement of operations of the Northern Gas Pipeline (NGP) in mid-2018 linking the Amadeus Gas Pipeline (AGP) to Mt Isa, which will create the opportunity for gas sales to the large eastern Australian market. However if the NGP is delayed, then this will impact the timing of production. A description of the projects is summarised as follows:

### Mereenie

The initial phase of work will involve re-direction of injected gas to sales, recompletion of existing wells and drilling two new production wells and will result in production of 30 TJ/d from the existing reserves forecast to commence in mid-2018.

The next major phase of development anticipated for Mereenie is development of the Pacoota P4 and Lower Stairway Sandstone contingent resources which will take production to 50 TJ/d. Central has identified the opportunity to drill a well to confirm the commercial producibility of these resources and if successful commence production FY2019 with ultimately up to 48 producers. The schedule is aggressive and may be delayed.

### Palm Valley

Once the Northern Gas Pipeline (NGP) is operational in 2018, Central plans to restart production from Palm Valley at 4 TJ/d using the existing facilities which will be re-instated. Contingent resources have also been estimated based on an extension to the existing gas sales agreement.

Central has identified a potentially significant exploration resource in deeper horizons underlying the Palm Valley field. Central's plan is to drill two wells and should these be successful expand production to 34 TJ/d in FY2019 with ultimately 14 further producers. The schedule is aggressive and may be delayed.

### Dingo

Central plans to drill a replacement well for Dingo-1 in 2018 and expand the facilities to enable 11 TJ/d of gas production. Contingent resources have also been estimated based on an extension to the existing gas sales agreement.

### Ooraminna

There is a commitment well required on Ooraminna discovery to retain the retention lease. Central plans to drill a well to target anticipated higher productivity naturally fractured zones which if successful, would result in a 20 TJ/d development by 2022.

The production forecast associated with the net 2P reserves, 2C contingent resources and the Palm Valley Deep prospective resource is shown in Figure 1-1. The contingent resources carry with them a chance of development and the prospective resources a chance of discovery and a chance of development. We consider the contingent resources associated with Palm Valley and Dingo to be low risk, as they result from extensions of existing contracts. The contingent and prospective resources are not risk adjusted. The risks are provided in further detail our report.

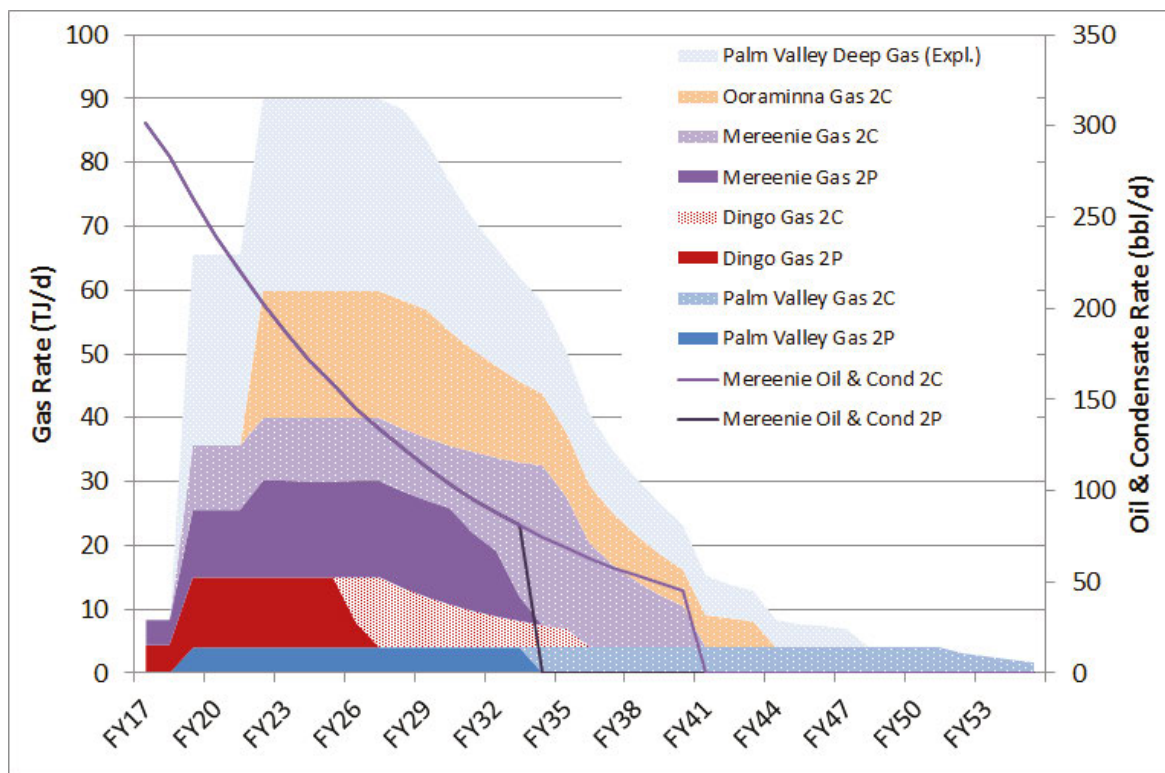


Figure 1-1: Central Net 2P, 2C and Best Estimate prospective resource production forecast

Central’s actual net capital and operating expenditure for the financial year 2016 and forecast expenditure for the years for financial years 2017 and 2018 are shown in Table 1-3, which covers costs for ongoing operations and minor capital expenditure in the producing fields.

Table 1-3: Central net producing field capital and operating expenditure 2015 to 2018 A\$ million

Project	Cost Type	FY2016 Actual	FY2017 Forecast	FY2018 Forecast
Mereenie	Operating	7.8	7.4	7.6
	Capital	0.9	1.1	1.0
Palm Valley	Operating	0.8	0.4	0.5
	Capital	0.0	0.0	0.8
Dingo	Operating	3.0	2.6	2.6
	Capital	0.0	0.9	0.9
Total	Operating	11.5	10.4	10.6
	Capital	0.9	2.0	2.7

In addition to the above expenditure, we estimate a total net capital expenditure A\$55.7 million will be required to develop the identified reserves projects and a further A\$403.5 million for the identified contingent and prospective resource projects from 1 January 2017.

Details of the costs and production profiles associated with the development and production of these resources are included in our report.

### Contingent Value Notes

The Contingent Value Note (CVN) is an unsecured note issued under a trust deed that after a period of four years from Central's acquisition can be redeemed for a part of the total contingent value which is determined by the Economically Recoverable Resources in Bcf in the Relevant Assets. The Economically Recoverable Resources are determined at the 50% confidence level at the equity level held by Central at the time of determination by an Independent Resource Assessor.

In order to assist EYTAS with valuing the CVN, RISC has been instructed to prepare an estimate of potential future Economically Recoverable Resources an assume the effective date of the transaction will be mid-2017. Our estimates are shown in Table 1-4.

The Relevant Assets discussed in Sections 5.1 to 5.3 of our report are contained within:

- The Southern Amadeus Farmout Area comprising permits EP82 (part), EP105 and EP112 operated by Santos (Central 60% which will be reduced to 30% upon completion of the Farmout);
- Ooraminna discovery located in RL3 and RL4 (Central 100% and operator);
- Mt Kitty discovery located in EP125 (Central 30% operated by Santos); and
- Palm Valley Deep Prospect, located under the Palm Valley Field in OL3 (Central 100% and operator).

In order to estimate the potential future Economically Recoverable Resources, it is necessary to form a view on:

- the forward drilling program over the four year period of interest;
- the permits in which that drilling will be carried out and the prospects which will be the target of that drilling;
- the success case Economically Recoverable Resources of the drilling and the chance that the outcome will be achieved.

**Table 1-4: Estimated Potential Future Contingent Value Note Economically Recoverable Resources**

	Low (Bcf)	Best (Bcf)	High (Bcf)
Estimate of potential future Economically Recoverable Resources in the success case, net to Central	109	125	147
Number of wells drilled	1	2	4
Probability of at least 1 discovery generating Economically Recoverable Resources	20%	30%	40%
Probability of no Economically Recoverable Resources	80%	70%	60%



It should be noted that the Economically Recoverable Resources shown in Table 1-4 have not yet been determined. They are RISC's estimates based on the information currently available to us for a notional drilling program which may or may not eventuate. Based on the drilling program we have adopted, we estimate that there is a 20% to 40% chance that Economically Recoverable Resources will eventuate and there is 60% to 80% chance that no Economically Recoverable Resources will occur.

### Exploration value

Cash flow schedules have been prepared by RISC for EYTAS to evaluate the economic potential of the Palm Valley Deep prospect and Ooraminna. The value of these is addressed in EYTAS' report. However there are alternative valuation methods that we have employed to arrive at an estimate of value.

The value of Central's exploration and appraisal properties has been estimated from RISC's view of the value created for Central of farming out its obligations to drill or acquire seismic. The resulting low, best and high case values for the CVN Relevant Assets and the other exploration properties in Central's portfolio are shown in Table 1-5. Details of the valuation are contained in our report.

**Table 1-5: Valuation of Central's exploration and appraisal portfolio, A\$ million**

Project area	Low (A\$million)	Best (A\$million)	High (A\$million)
CVN Relevant Assets	\$2	\$4	\$6
Other exploration properties	\$1	\$3	\$4
<b>Total</b>	<b>\$3</b>	<b>\$7</b>	<b>\$10</b>

## 2. Introduction

### 2.1. Description of the petroleum properties

Central has an extensive portfolio of oil and gas assets in the Northern Territory and western Queensland, Australia, Figure 2-1. The assets include the producing fields, Meerenie, Palm Valley and Dingo and extensive exploration acreage in the prospective Amadeus, Pedirka, Georgina and Wiso basins.

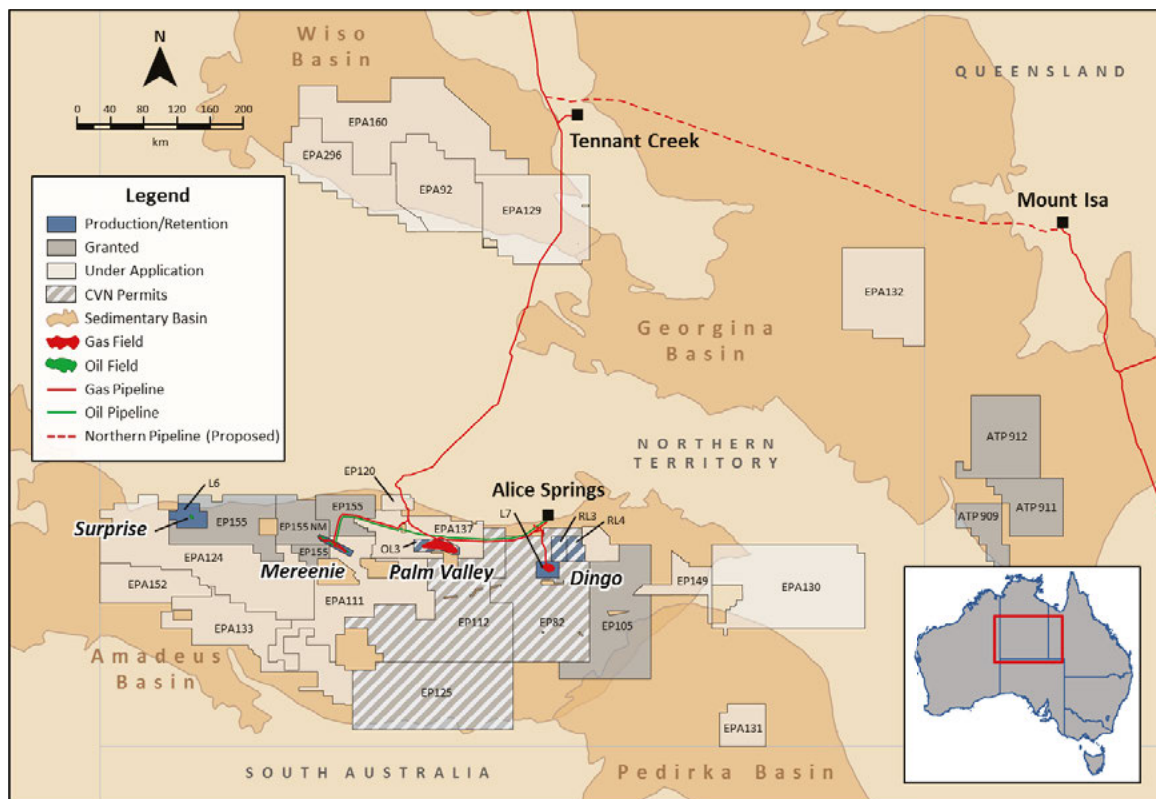


Figure 2-1: Location map for Central's petroleum tenements

Central's working interest in the permits ranges from 30% to 100% with its interest in the majority of the permits being 100%. Details of the tenements are contained in Table 8-1, Table 8-2 and Table 8-3 at the end of this report.

The producing assets which Central holds are:

- Meerenie, OL4 and OL5 (50% and operator);
- Palm Valley, OL3 (100% and operator); and
- Dingo, L7 (100% and operator).

The other key properties are:

- The Southern Amadeus Farmout Area comprising permits EP82 (part), EP105 and EP112 operated by Santos (Central 60%);
- Ooraminna discovery located in RL3 and RL4 (Central 100% and operator);
- Mt Kitty discovery located in EP125 (Central 30% operated by Santos); and

- Palm Valley Deep Prospect, located under the Palm Valley Field in OL3 (Central 100% and operator). These latter properties comprise the tenements that contribute to the CVN.

For many years the Mereenie and Palm Valley fields were the primary source of gas to Darwin via the Amadeus Gas Pipeline (AGP). Although Darwin is now supplied from the Blacktip Field in the Bonaparte Gulf, Mereenie and Palm Valley still have considerable gas reserves and available capacity. These fields, together with the recently developed Dingo Field, currently supply gas on a number of smaller contracts (Figure 2-2). The Mereenie field also produces appreciable volumes of oil and condensate, however Dingo and Palm Valley produce dry gas. Construction of the planned Northern Gas Pipeline (NGP) linking the AGP to Mt Isa will create the opportunity for gas sales to the large eastern Australian market from mid-2018. If the NGP is delayed, then this will impact the ability of Central’s gas to reach these markets.

Production from Palm Valley is currently suspended until the NGP becomes operational in mid-2018. Until then, Palm Valley Gas contracts are being supplied from the Mereenie field under a gas balancing arrangement.

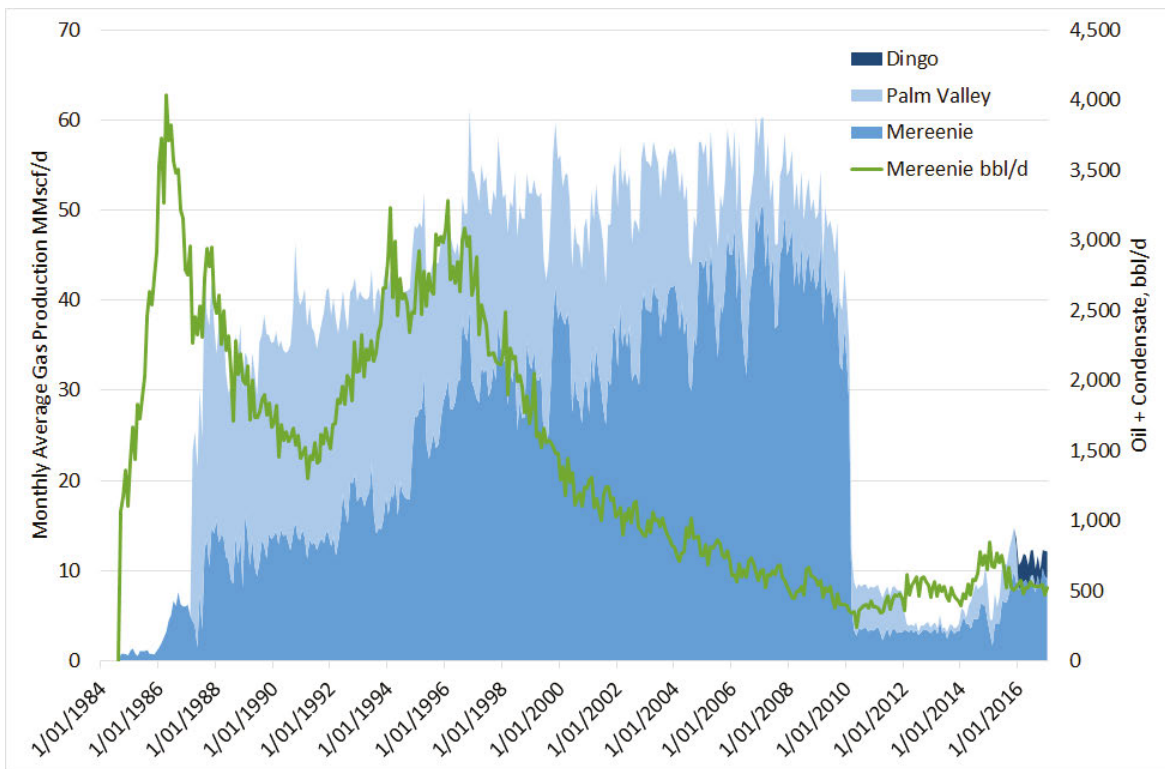


Figure 2-2: Mereenie, Palm Valley and Dingo Gross Historical Production

Total gas production to 31 December 2016 is 416 Bcf of gas and 16.8 MMbbl of liquids (Table 2-1).

Table 2-1: Mereenie, Palm Valley and Dingo Cumulative Gross Production to 31 December 2016 .

Field	Gross Cumulative Production to 31 Dec 2016		
	Gas Bcf	Gas PJ	Oil + Cond MMstb
Mereenie	254.6	295.4	16.8
Palm Valley	160.5	183.0	
Dingo	1.0	1.1	
Total	416.1	479.5	16.8

The Surprise oil field in L6 (Central 100% and operator) ceased production in August 2015 due to low oil prices.

## 2.2. Terms of reference and basis of assessment

### 2.2.1. Terms of reference

- This assignment has been conducted under the terms of our engagement dated 29 November 2016 and 27 February 2017 provided by EYTAS. RISC's terms of reference are:
- Review of the relevant data and reports available with respect to Central's underlying production and development assets (including Mereenie, Palm Valley and Dingo);
- Provide a description of the assets; Consideration of the technical geophysical, geological and engineering data, reserves and contingent resources, development and drilling plans, production profile (including production volumes and economic cut off, operating costs, capital costs and exploration potential);
- Consideration of the financial models (the "Models") prepared for the assets. Your role will be to determine the reasonableness of the technical and operational assumptions upon which the Models are based, including the reserves and contingent resources, production life, operating costs, capital costs and any other technical input viewed as necessary to conclude on the reasonableness of the operating assumptions. EYTAS will provide the economic and financial assumptions around commodity prices, exchange rates, inflation rates and discount rates;
- Consideration of the technical and operational assumptions (including any technical risk factors) for the reserves and contingent resources that are not included in the Models and consideration of the reasonableness of value derived from an extension of the Models;
- The value of development and exploration properties to the extent that they are not covered by the Models (including unconventional properties held by Central).

With respect to the CVN;

- Assessment of the expected further technical work to be conducted by Macquarie on the Relevant Assets. This assessment will need to consider any existing work program commitments (or other obligations) for the Relevant Assets;
- Based on the assessed further technical work to be conducted, assessment of the likely resource volume which will be assessed at the determination date specified in the terms of the CVN. This assessment will form the basis for the expected value of the CVN at the determination date;



- The assessments above must be conducted using assumptions consistent with the assumptions underpinning the valuation of non-producing assets.

### 2.2.2. Basis of assessment

The data and information used in the preparation of this report were provided by Central supplemented by public domain information. RISC has relied upon the information provided and has undertaken the evaluation on the basis of a review and audit of existing interpretations and assessments as supplied making adjustments that in our judgment were necessary. Our assessment for the producing assets is based on production data to 31 December 2016

RISC has reviewed the reserves/resources in accordance with the Society of Petroleum Engineers internationally recognised Petroleum Resources Management System (PRMS)<sup>1</sup>.

We have reviewed the production forecasts, development plans and costs prepared by Central. The reserves presented in this report are based on long term mid-case oil price projections provided by EYTAS of US\$65/bbl for liquids, A\$4.05/GJ for Dingo gas and A\$4.25/GJ for other gas in real terms at 1 January 2017. The long term exchange rates used was US\$0.75/A\$. The discount rate used was 11.5%.

Unless otherwise stated, all resources presented in this report are gross (100%) quantities with an effective date of 31 December 2016. Unless otherwise stated, all costs are in A\$ real terms with a reference date of 1 January 2017 (RT2017).

### 2.2.3. Exploration valuation

The valuation is based on the concept of “Market Value” (Value) as defined by the VALMIN Code.

The VALMIN Code defines Value as the amount of money (or the cash equivalent of some other consideration) determined by the Expert in accordance with the provisions of the VALMIN Code for which the Mineral or Petroleum Asset or Security should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an “arm’s length” transaction, with each party acting knowledgeably, prudently and without compulsion.

A range of oil and gas industry accepted practices in relation to exploration properties has been considered to determine value, which are described below.

Note that in this report, RISC in some instances uses mean or average values for prospective resources to estimate the fair market value of Central’s exploration properties. RISC’s report is not intended to be an Australian Securities Exchange (ASX) compliant prospective resource disclosure. The purpose of using mean or average values is that in our opinion, where used, they are appropriate for estimating the fair market value of the exploration portfolio. The use of mean values is not permitted under ASX rules and should not be used in place of the permitted low, best and high estimates for ASX compliant resource statements.

### 2.2.4. Comparable transaction metrics

The Value of exploration properties can be estimated using recent comparable transactions. Such transactions may provide relevant metrics such as Value per unit of reserves, contingent or prospective

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<sup>1</sup> SPE/WPC/AAPG/SPEE 2007 Petroleum Resources Management System

resources, and price paid per unit area of the permit or % interest. The VALMIN Code advises Value must also take into account risk and premium or discount relating to market, strategic or other considerations.

#### 2.2.5. Farm-in promotion factors

An estimate of Value can be based on an estimation of the share of future costs likely to be borne by a reasonable farmee under prevailing market conditions. A premium or promotion factor may be paid by the farmee. The promotion factor is defined as the ratio of the proportion of the activity being paid for and the amount of equity being earned.

The nominal permit value is defined as the amount spent by the farmee divided by the interest earned. The premium value for the permit is the difference between the nominal value and the equity share of the cost of the activity divided by the equity interest being earned.

The premium or promotion factor will be dependent upon the perceived prospectivity of the property, competition and general market conditions. The premium value is equivalent to the farmee paying the farmor a cash amount in return for the acquisition of the interest in the permit and is the fair market value.

Farm-in transactions may have several stages. For example, a farmee may acquire an initial interest by committing to a future cost in the first stage of the transaction, but has an option to acquire an additional interest or interests in return to committing to funding a further work programme or programmes.

Farm-in agreements can also include re-imbusement of past costs and bonus payments once certain milestones are achieved, for example declaration of commerciality, or achieving threshold reserves volumes. Depending on their conditionality, such future payments may contribute to Value. However, they may need to be adjusted for the time value of money and probability of occurring.

#### 2.2.6. Work programme

The costs of a future work programme may also be used to estimate Value. The work programme valuation relies on the assumption that unless there is evidence to the contrary the permit is worth what a company will spend on it. This method is relevant for permits in the early stages of exploration and for expenditure which is firmly committed as part of a venture budget or as agreed with the government as a condition of holding the permit. There may need to be an adjustment for risk and the time value of money.

#### 2.2.7. Expected monetary value (EMV)

EMV is the risked net present value (NPV) of a prospect. EMV is calculated as the success case NPV times the probability of success less the NPV of failure multiplied by the probability of failure. The EMV method provides a more representative estimate of Value in areas with a statistically significant number of mature prospects within proven commercial hydrocarbon provinces where the chance of success and volumes can be assessed with a reasonable degree of predictability.

The EMV valuation can also be used as a relative measure for ranking exploration prospects within a portfolio to make drilling decisions, assessing commercial potential and to demonstrate the commercial attractiveness of a permit, which may influence a buyer or seller.

### 2.2.8. Market factors

Since the latter part of 2014, oil prices have substantially declined from around the US\$100/bbl mark to under US\$30/bbl in January 2016. They have since recovered somewhat and are trading near US\$50/bbl at the time of writing this report (Figure 2-3). Central's share price has tracked the oil price closely.

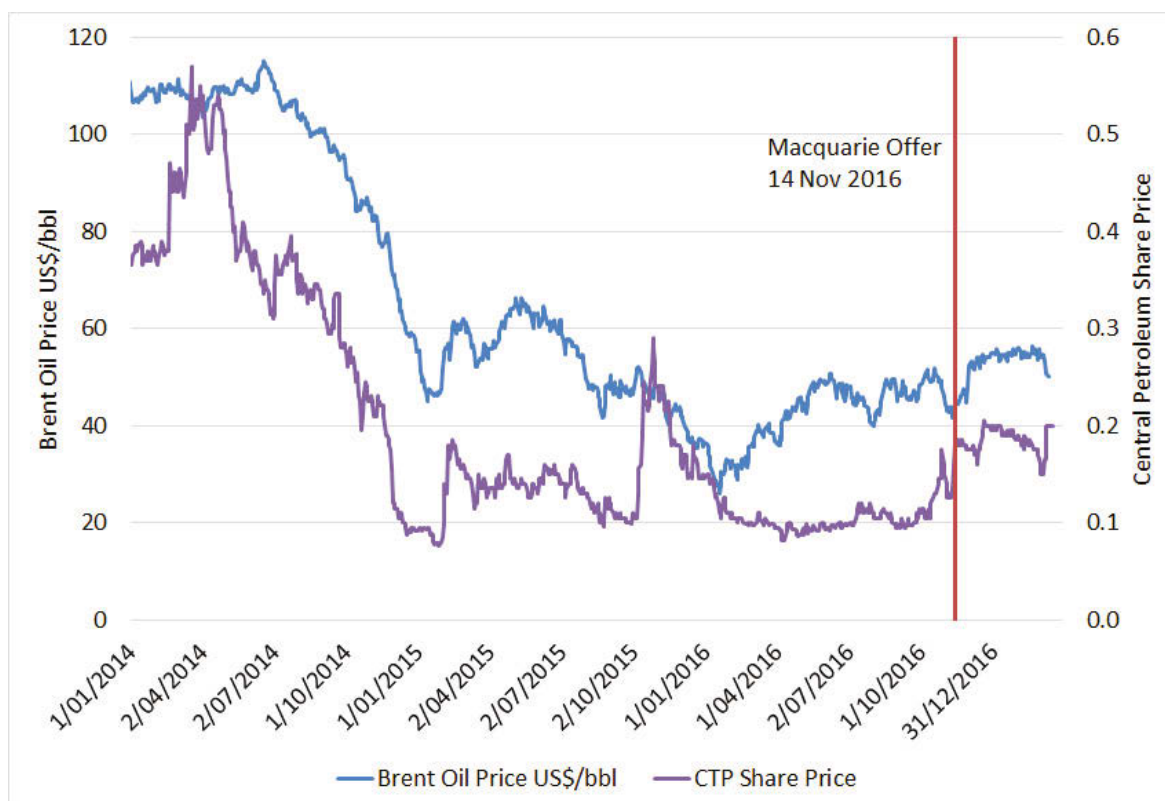


Figure 2-3: Brent oil price and Central share price 2014-2017

Prior to the oil price decline, interest in exploration valuations was high and farm-in promotes of 2 or greater were being seen for quality acreage with large investment programs. Since then, there has been a paucity of transactions and anecdotally, RISC has identified that buyers are seeking farm-in promotes at or just about above ground floor level.

In response to the market factors, our experience has been that oil and gas companies have slashed their exploration budgets and the value of exploration companies has declined significantly. Figure 2-4 shows the change in enterprise value (EV)<sup>2</sup> for selected ASX listed oil and gas companies with an exploration bias with conventional portfolios from October 2014 to February 2017. Out of the 21 companies evaluated, 3 have

<sup>2</sup> Enterprise value is calculated as the market capitalization plus debt, minority interest and preferred shares, minus total cash and cash equivalents.

increased their enterprise value and the remaining 18 companies have shown significant reductions, with current EV averaging 134% lower than the 2014 EV<sup>3</sup>.

Consequently, it is to be expected that unless there are special circumstances, market factors will result in significant reduction in the value of oil and gas exploration portfolios since October 2014.



Figure 2-4: Change in EV for selected ASX listed companies October 2014 to March 2017

<sup>3</sup> The scale of the vertical axis is been truncated at +200% and -200% to improve its readability. In the companies sampled, the largest positive change was over 800% and the largest negative change was over 1000%.

### 3. Geological overview

#### 3.1. Amadeus Basin

The intracratonic Neoproterozoic to Early Carboniferous Amadeus Basin occupies much of the southern quarter of the Northern Territory and extends about 150 km into Western Australia, covering about 170,000 km<sup>2</sup> in total<sup>4</sup>. It has a maximum sediment thickness of 14,000 m with several major depocentres<sup>5</sup>, Figure 3-1.

The Amadeus Basin has been significantly tectonically modified during two major intracratonic orogenic events: the 580–530 Ma Petermann Orogeny and the 450–300 Ma Alice Springs Orogeny. It is now a preserved remnant of a broad, shallow basin that at times during its history was far more extensive.

In terms of their hydrocarbon prospectivity the most successful structures in the Amadeus Basin are 4-way dip, closed overthrust anticlines (Mereenie Field and West Walker) and 4-way dip closed anticlines (Palm Valley, Dingo and Surprise fields). Late Neoproterozoic and Ordovician sections are productive in these structures. Footwall/hanging wall, subthrust and 3-way dip/fault traps are also common within the basin and are prospective. Most of the Ordovician structural plays occur north of the Central Ridge.

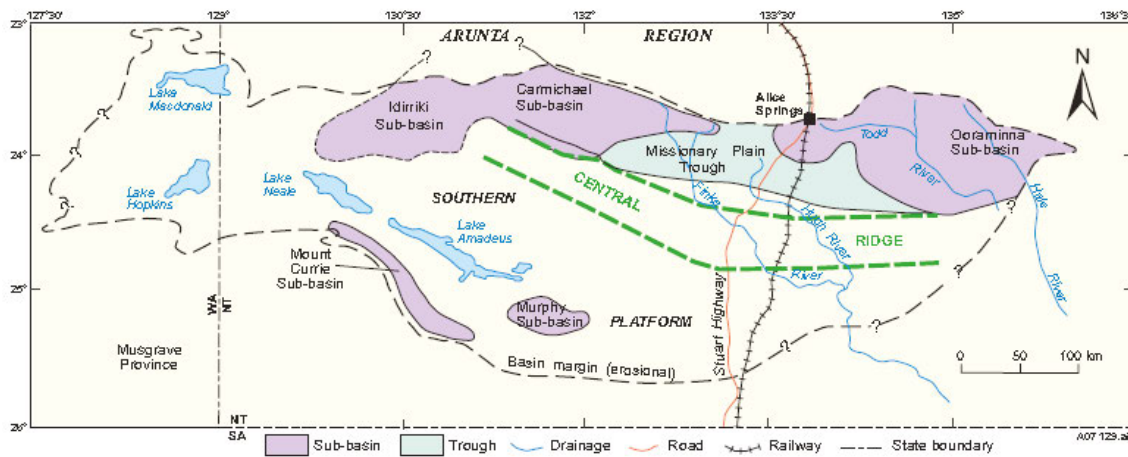


Figure 3-1: Amadeus Basin structural architecture<sup>5</sup>

A stratigraphic column for the Amadeus Basin is shown in Figure 3-2. The stratigraphic column shows the ages of the various geological formations, structural events and hydrocarbon occurrence. Lithologies are identified by colour and those units that have hydrocarbon source, seal and reservoir qualities are also shown. It should also be noted that accumulations have been encountered with significant helium content and this may form a potentially valuable resource in the future, although to date there are no commercial projects existing or planned.

<sup>4</sup> <http://www.ga.gov.au/scientific-topics/energy/province-sedimentary-basin-geology/petroleum/onshore-australia/amadeus-basin>.

<sup>5</sup> Edgoose CJ, 2013. Chapter 23: Amadeus Basin: in Ahmad M and Munson TJ (compilers). 'Geology and mineral resources of the Northern Territory'. Northern Territory Geological Survey, Special Publication 5.

Five petroleum systems are recognized, however, to date only the Arumbera Sandstone - Chandler Formation (Dingo) and the Pacoota Sandstone - Horn Valley Siltstone - Stairway Sands (Mereenie, Palm Valley and Surprise) have resulted in commercial hydrocarbon production.

Hydrocarbon and helium gas flows from fractured igneous basement (Mt Kitty 1) and Heavtree Quartzite/Gillen Member of the Bitter Springs Formation (Magee 1) indicate the potential for commercial production from other systems.

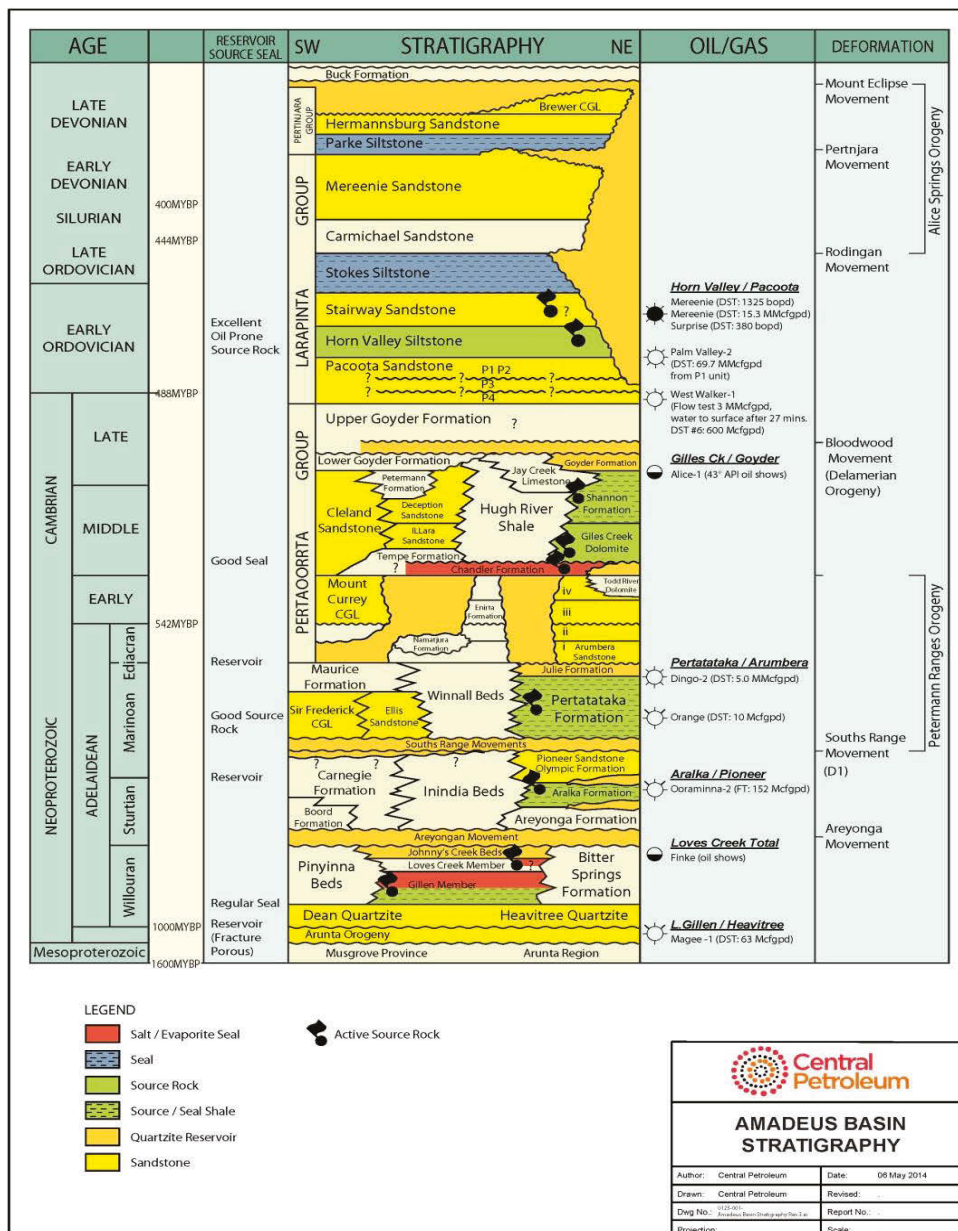


Figure 3-2: Amadeus Basin stratigraphic column

### 3.2. Perdika Basin

The Cambrian–Devonian Warburton Basin, Permian–Triassic Pedirka Basin and Late Triassic–Cretaceous Eromanga Basin are three stacked basins in southeastern Northern Territory that also extend over areas of adjoining Queensland, South Australia and New South Wales.

The largely subsurface, intracratonic Pedirka Basin unconformably overlies the Amadeus and Warburton basins, above Proterozoic crystalline basement rocks, and is unconformably overlain by strata of the Eromanga Basin. It contains an up to 1.5 km-thick diverse succession of fluvio-glacial, fluvial, lacustrine, coal swamp and continental red bed deposits. It has an area of about 100, 000 km<sup>2</sup>, approximately half of which is in the Northern Territory (NT), Figure 3-3.

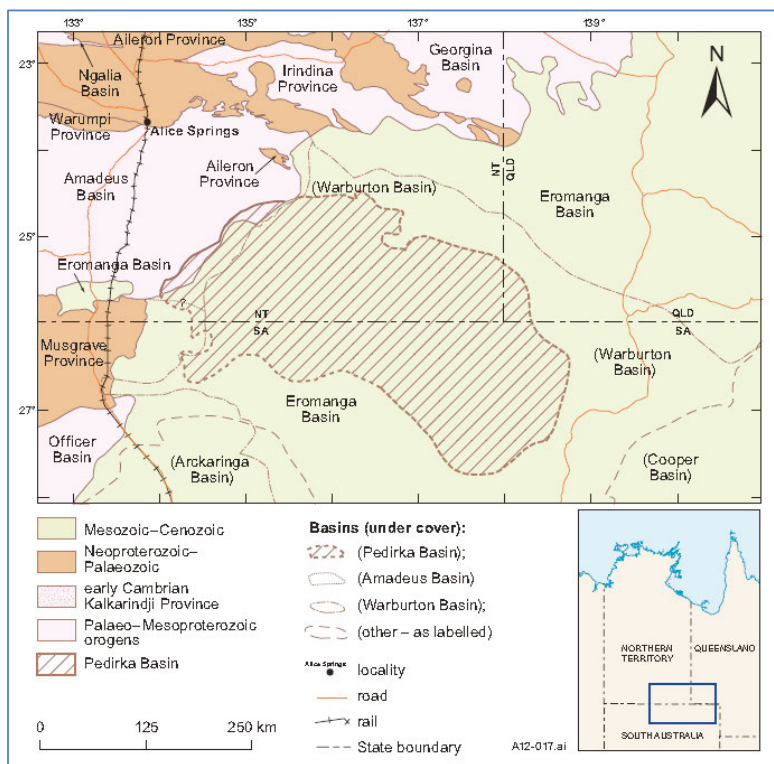


Figure 3-3: Regional geological setting of Pedirka Basin (Munsen and Ahmad, 2013)

The only outcrop of the Pedirka Basin is along the northwestern margin, where the Early Permian Crown Point Formation is exposed. Much of the remainder of the basin is at depths of greater than 400 m and the basin reaches maximum depths in excess of 3000 m at its deepest points in the east. The major depocentres of the basin are the Eringa, Madigan and Poolowanna troughs, which are segmented and separated by a series of structural ridges and major faults.

Stacked basins in the southeastern corner of the NT and adjacent areas are prospective for both conventional and unconventional petroleum at a number of stratigraphic levels. Possible plays in this region are associated with fractured basement rocks, early and mid-Paleozoic rocks of the Warburton Basin, Permian and Triassic rocks of the Pedirka Basin, and Mesozoic rocks of the Eromanga Basin.

These basins have structures and depocentres in common and petroleum systems are not necessarily confined to any one basin succession.

The NT portion of the Pedirka Basin has only been sparsely explored for conventional petroleum, although there is good potential for commercial accumulations. The succession has been penetrated by 18 wells and there is about 3500 line km of modern seismic data over a relatively large prospective area of 70 000 km<sup>2</sup>. So far, only non-commercial conventional hydrocarbon accumulations have been found in this area, in basal Jurassic sandstones of the overlying Eromanga Basin.

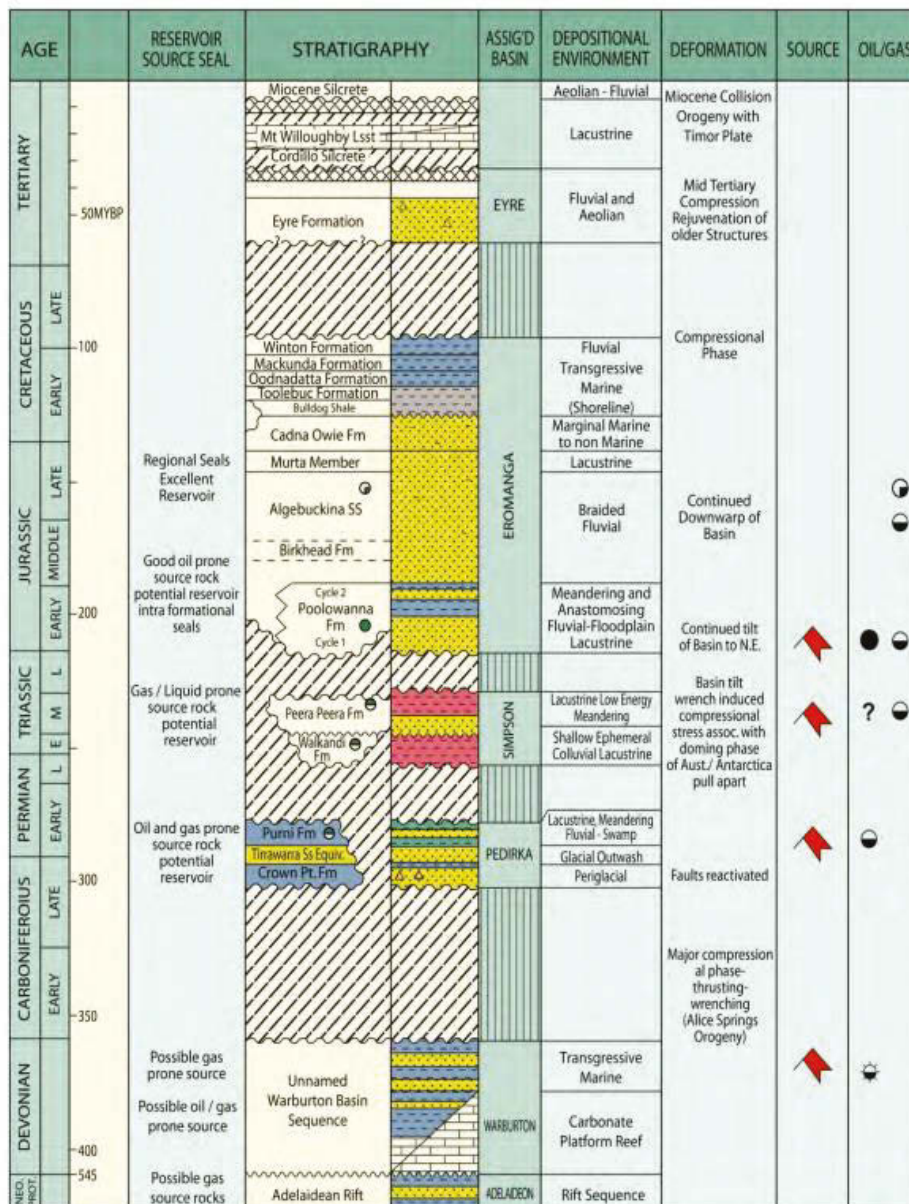


Figure 3-4: Stratigraphic column – stacked Warburton/Pedirka/Eromanga basins

### Prospectivity

The Warburton, Pedirka and Eromanga basins have an abundance of organically rich source rocks, porous and permeable reservoirs with effective vertical seals, and closed anticlinal structures. Reservoir objectives and their associated source rocks range in age from earliest Cambrian to Early Cretaceous. Upper Paleozoic and Mesozoic rocks remain the primary exploration targets but underlying Paleozoic (Cambrian to Devonian) clastic and carbonate rocks provide significant secondary objectives.

No commercial hydrocarbon discoveries have been made in the Northern Territory in these basins to date, but oil was recovered on test from Jurassic reservoirs in Poolowanna 1, drilled by Western Mining Corporation in 1977.

Reservoir/seal couplets within the Pedirka Basin, Figure 3-5 include: Tirrawarra Sandstone equivalent sandstone blanketed by basal shale of the Purni Formation shale, equivalent to the Tirrawarra/lower Patchawarra Formation reservoir/seal couplet of the Cooper Basin; intra-Purni Formation sandstone/shale and intra Peera Formation basal sandstone/top shale.

The basal Triassic Walkandi Formation is also an important regional seal and significant sheet-like regional seal couplets that could have trapped petroleum sourced from Permian–Triassic rocks also occur in the overlying Mesozoic Eromanga Basin succession, including intra-Poolowanna sandstone/shale, Algebuckina Sandstone/Cadna-owie Formation basal shale and Cadna-owie Formation sandstone/Wallumbilla Formation shale.

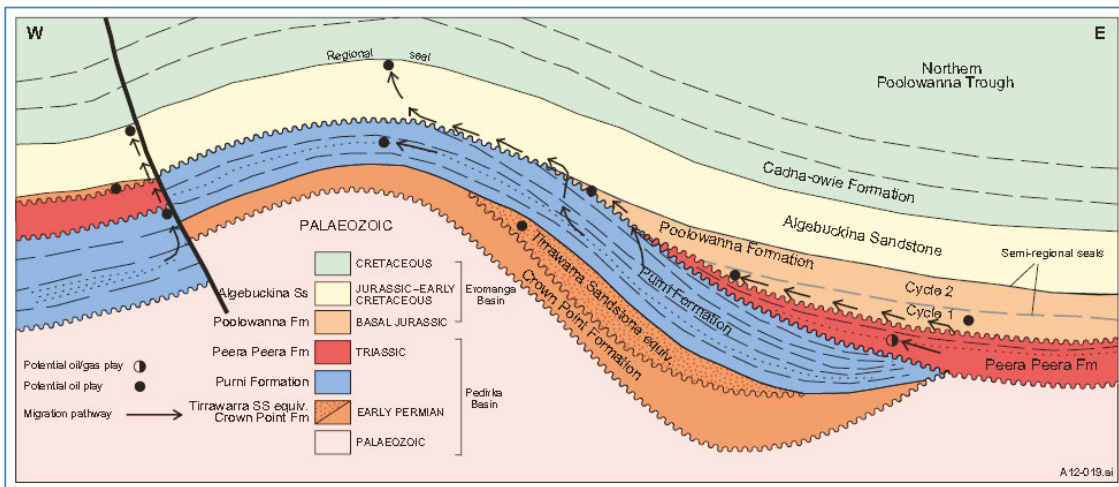


Figure 3-5: Schematic petroleum migration model showing reservoir/seal couplets (Munsen and Ahmad, 2013)

The extensive Permian and lesser Triassic coal measures and carbonaceous shale of the Pedirka Basin have considerable potential for coal seam gas.

### 3.3. Georgina Basin

The Georgina Basin covers an area of 330,000 km<sup>2</sup> in the central-eastern NT and extends into western Queensland, Figure 3-6. The Georgina Basin is continuous with the Daly and Wiso basins, to the northwest and southwest of the Tennant Region, respectively. These neighbouring basins contain stratigraphic succession of similar age to the Georgina Basin and form distinct depocentres that are separated from the Georgina Basin by basement ridges formed by basaltic rocks of the Kalkarindji Province.

The Georgina Basin comprises two distinct domains: a southern basinal depocentre (southern Georgina Basin), essentially south of latitude 21°S, incorporating Cryogenian, Ediacaran, Cambrian, Ordovician and Devonian successions; and a central-northern, quiescent platform (central and northern Georgina Basin) north of that latitude, including some late Neoproterozoic sedimentary rocks, early Cambrian Kalkarindji Province rocks and a relatively thin, platformal middle Cambrian succession. Neoproterozoic rocks in the southern Georgina Basin form a part of the ‘Centralian A Superbasin’ succession.

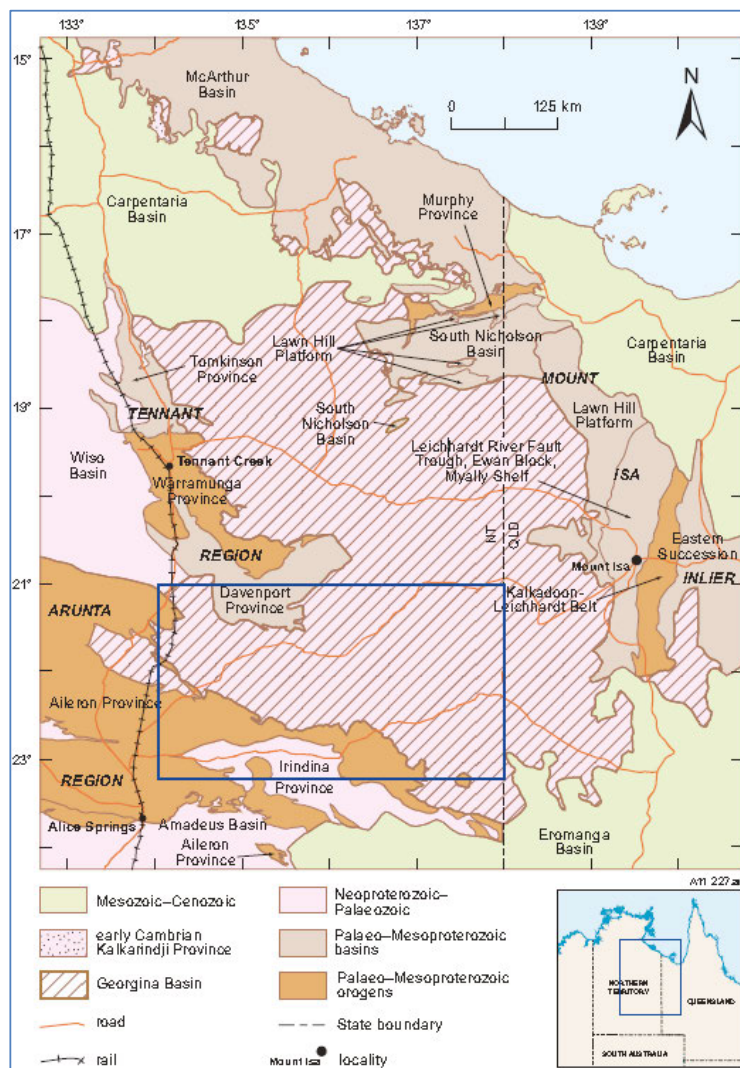


Figure 3-6: Regional geology of the Georgina Basin (Kruse et al, 2013)

Central’s Queensland tenements are located within the Southern Georgina Basin that comprises a succession of Neoproterozoic, Cambrian, Ordovician and Devonian carbonate and clastic sediments up to 5,000 m in thickness deposited in a broad northwest–southeast depression. Several structural phases have shaped the basin, the most important of these events being the Petermann and the Alice Springs orogenies. The Toko Syncline formed in the later part of the Alice Springs Orogeny by northerly thrusting of the Arunta Block. The basin was extensively eroded after uplift in the east. The basin has two established Middle Cambrian source rocks, one developed at the base of the Lower Arthur Creek Formation, and the other within the Thornton

Limestone. These source rocks are responsible for ubiquitous oil and gas shows in some 30 wells drilled in the basin. A sub-commercial gas flow of about 200 Mcfd from the Coolibah formation was recorded in the exploration well Ethabuka 1.

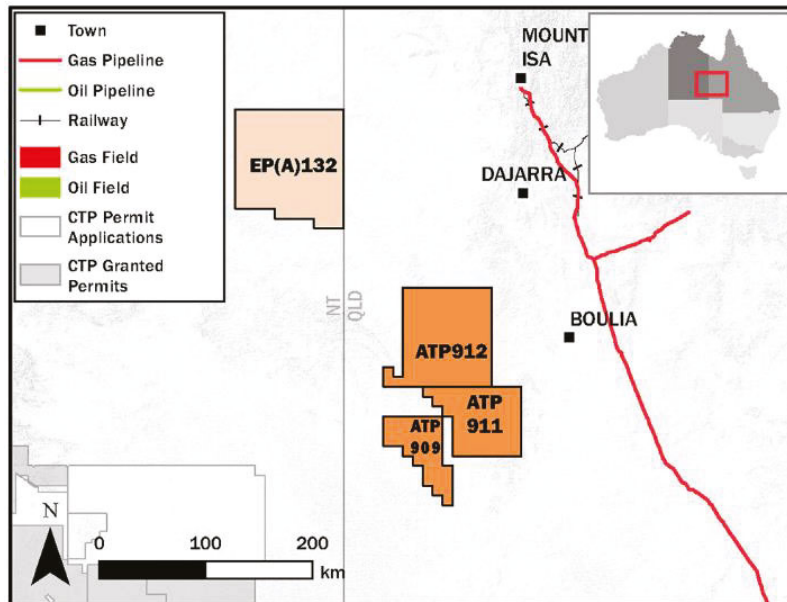


Figure 3-7: Location of Central's Georgina Basin permits

### Prospectivity

Central's primary exploration within the Southern Georgina Basin (SGB) is to evaluate the unconventional resource potential of the lower Arthur Creek Formation, seeking a continuous gas resource.

There is also considerable potential for unconventional basin-centered gas and oil plays over large areas of the basin and the Arthur Creek Formation in particular is currently being investigated as a potential oil shale or tight gas reservoir. The high TOC in the Arthur Creek Formation basal black shale indicates that it is a very rich oil source. The unconventional potential comprises gas or oil in fractured shale and other tight reservoirs, including fractured/vuggy silty dolostone of the upper Arthur Creek Formation and fractured silty shale of

Exploration efforts have included analysis of legacy wells in conjunction with the drilling of Gaudi 1 and Whiteley 1. These studies confirm there are at least four play types operating in the SGB, being:

- Lower Arthur Creek unconventional gas target. The company aims to complete the drilling of Whiteley 1 well to better understand distribution of key unconventional reservoir parameters;
- Tight gas target, as demonstrated in Gaudi 1 where gas is reservoired in tight carbonates. The extent and variability of the play is to be determined, forms a target of interest;
- Hydro-thermal Dolomite play: A new play has been identified, bearing a good resemblance to analogues in the US; and
- Conventional gas such as discovered in Ethabuka 1, which is a large structure requiring appraisal by flank wells to determine the extent of the gas column and reservoir distribution.

### 3.4. Wiso Basin

The Wiso Basin is a large (160,000 km<sup>2</sup>) intracratonic sedimentary basin located in the central northwestern Northern Territory. In the middle Cambrian, the interconnected Wiso, Daly and Georgina basins collectively formed part of a vast depositional area that extended across northern, central and southern Australia; contiguous portions of this depositional system in northern and central Australia are referred to as the Centralian B Superbasin.

About 80% of the basin is very shallow, containing less than 300 m of middle Cambrian rocks. The main basin depocentre is the Lander Trough along the southern margin which includes a much thicker succession of Cambrian, Ordovician and Devonian rocks up to 2000–3000 m thick and may reach a maximum of 4500 m. Away from the north-western margin outcrop is patchy to non-existent.

The Wiso Basin is virtually unexplored for petroleum, although much of the basin is currently covered by exploration permit applications. No petroleum or deep stratigraphic wells have been drilled anywhere in the basin, although there are a number of shallow mineral exploration and BMR stratigraphic drillholes. Minor hydrocarbon shows have been noted in two of the BMR drillholes. The most prospective area, the Lander Trough, has not been drill tested, greatly limiting geological interpretations of this feature. A reconnaissance seismic survey was undertaken in the southeast of the basin in the late 1960s (Ray Geophysics 1967), but there is otherwise no seismic coverage of the basin. Airborne geophysics, including a modern grid of aeromagnetic data at a line spacing of 400 m or better, is available over the whole of the basin. Figure 3-8 is a map of aeromagnetic depth to basement, showing the location of Central’s Wiso Basin application areas. None of the applications have progressed in the last 5 years due to Native Title issues.

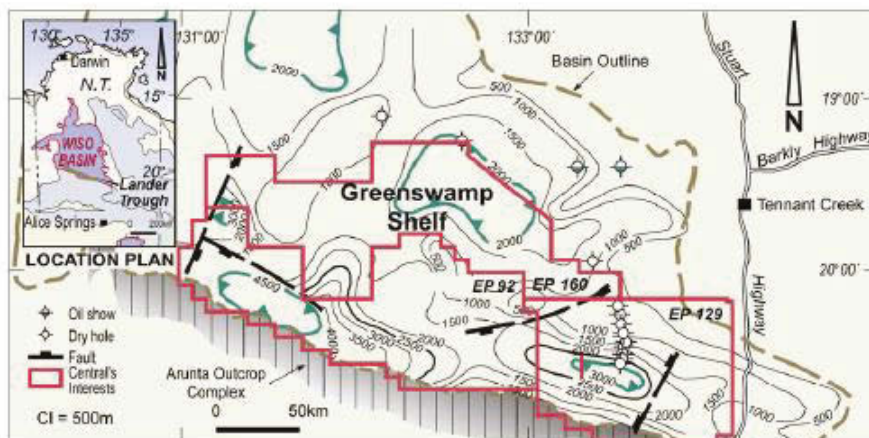


Figure 3-8: Lander Trough and Green Swamp Shelf aeromagnetic depth to the basement (Central)

The two dominant source rocks in the Georgina Basin to the east are the Middle Cambrian Thornton Limestone and Arthur Creek formation and these are stratigraphically equivalent to the Montejinni Limestone and the Point Wakefield Beds-Hanson River Beds respectively, Figure 3-9.

The most promising source rock intervals in the Wiso Basin succession are the Montejinni Limestone and unit 3 of the Hanson River beds.

AGE	WISO BASIN (LANDER TROUGH)	DULCIE SYNCLINE (N.T.)	WESTERN TOKO SYNCLINE (QLD.)	DEFORMATION	OIL / GAS
TERTIARY	UNDIFFERENTIATED	UNDIFFERENTIATED	UNDIFFERENTIATED		
LATE JURASSIC CRETACEOUS			UNDIFFERENTIATED	ALICE SPRINGS OROGENY	
DEVONIAN	LAKE SURPRISE SANDSTONE	DULCIE SANDSTONE	CRAVENS PEAK BEDS	RODINGAN MOVEMENT	
LATE ORD - SILURIAN					
EARLY - MIDDLE ORDOVICIAN			ETHABUKA SST. MITHAKA FM. CARLO SST.		
		NORA FM.	NORA FM. COOLBAH FM. KELLY CREEK FM.		☀
	HANSON	KELLY CREEK FM.	NINMAROO FM.		
		TOMAHAWK BEDS			
LATE CAMBRIAN		ARRINTHRUNGA FM. EUROWIE SST. Mbr. CHABELOWE FM. HAGEN Mbr.	ARRINTHRUNGA FM. EUROWIE SST. Mbr.	DELAMERIAN OROGENY	☀ ● ● ●
	RIVER BEDS				
			STEAMBOAT SST.		
		ARTHUR CREEK FM. "HOT SHALE"	ARTHUR CREEK FM. "HOT SHALE"		
MIDDLE CAMBRIAN	PORT WAKEFIELD BEDS				
	LOTHARI HILL SANDSTONE HOOKER CREEK FORMATION MONTEJINI FORMATION	THORNTONIA LSST.	THORNTONIA LSST.		
		RED HEART DOLOSTONE	RED HEART DOLOSTONE		
EARLY CAMBRIAN	ANTRIM PLATEAU VOLCANICS	MOUNT BALDWIN FM.	ADAM SHALE	PETERMANN OROGENY	●
NEOPROTEROZOIC	UNNAMED NEOPROTEROZOIC	MOPUNGA GP	MOPUNGA GP		

Figure 3-9: Stratigraphical table of the Lander Trough, Wiso Basin and correlatives in the Southern Georgina Basin (Central)

A number of Cambrian and Ordovician sandstone and carbonate intervals within the Wiso Basin succession have good reservoir potential and either underlie effective sealing strata or contain intraformational seals. Fractured and vuggy carbonate rocks in the Montejinni Limestone which is the main producing aquifer in the western Wiso Basin, have particularly good potential.

Much of the Wiso Basin succession is too thin and shallow to be thermally mature, except in the Lander Trough where modelled depths of 3000 m or greater indicate that the succession there should be more mature.. Recent maturation modelling by Central has indicated that source rocks in the Lander Trough may range from the early oil window to the early gas window, depending on the depth of burial (Central, ASX announcement, 26 May 2011): Figure 3-9.

## 4. Producing properties

### 4.1. Mereenie

#### 4.1.1. Introduction

The Mereenie oil and gas field is located in OL4 and OL 5, and is approximately 270 km west of Alice Springs (Figure 2-1). Mereenie Field is a large 4-way anticlinal structural trap with mapped vertical closure from the crest located on the East Mereenie sub-culmination, to the saddle (spill-point) located on the western end of approximately 275 m for all reservoir horizons. The Mereenie 1 well, drilled in 1963, confirmed the presence of a hydrocarbon accumulation in the Mereenie Anticline within the Cambro-Ordovician Stairway and Pacoota Sandstones

The principal reservoir of the Mereenie Field comprises predominantly sandy and shaly sediments, deposited in alluvial, coastal and marine shoreface settings of the Early Ordovician Pacoota Sandstone. The secondary target, Middle Ordovician Stairway Sandstone, comprises predominantly sandy and shaly sediments deposited in a regressive-transgressive shallow marine setting in a restricted seaway. In each reservoir which has been adequately appraised by well control, there is proven a gas cap with underlying saturated oil rim.

The Mereenie Field oil is a light sweet crude with an API gravity of 49°. The gas has relatively high nitrogen content of up to 15% increasing with depth and may require blending with Palm Valley and Dingo gas to achieve the AGP pipeline specification of 10%.

Twenty separate reservoir sands have been identified in the Pacoota Sandstone and four within the Stairway Sandstone. These formations are separated stratigraphically by the Horn Valley Siltstone. The Pacoota Sandstone is subdivided into four subunits from top to base: Pacoota P1, Pacoota P2, Pacoota P3 and Pacoota P4.

Currently, a total of sixty five wells had been drilled, predominantly targeting the Pacoota reservoir oil legs for production and gas reinjection. A smaller portion of the wells were drilled high on structure targeting production from the Pacoota P1 gas cap. The majority of the oil produced to-date has been sourced from the P3 oil wells in the eastern region of the field, (Figure 4-1).

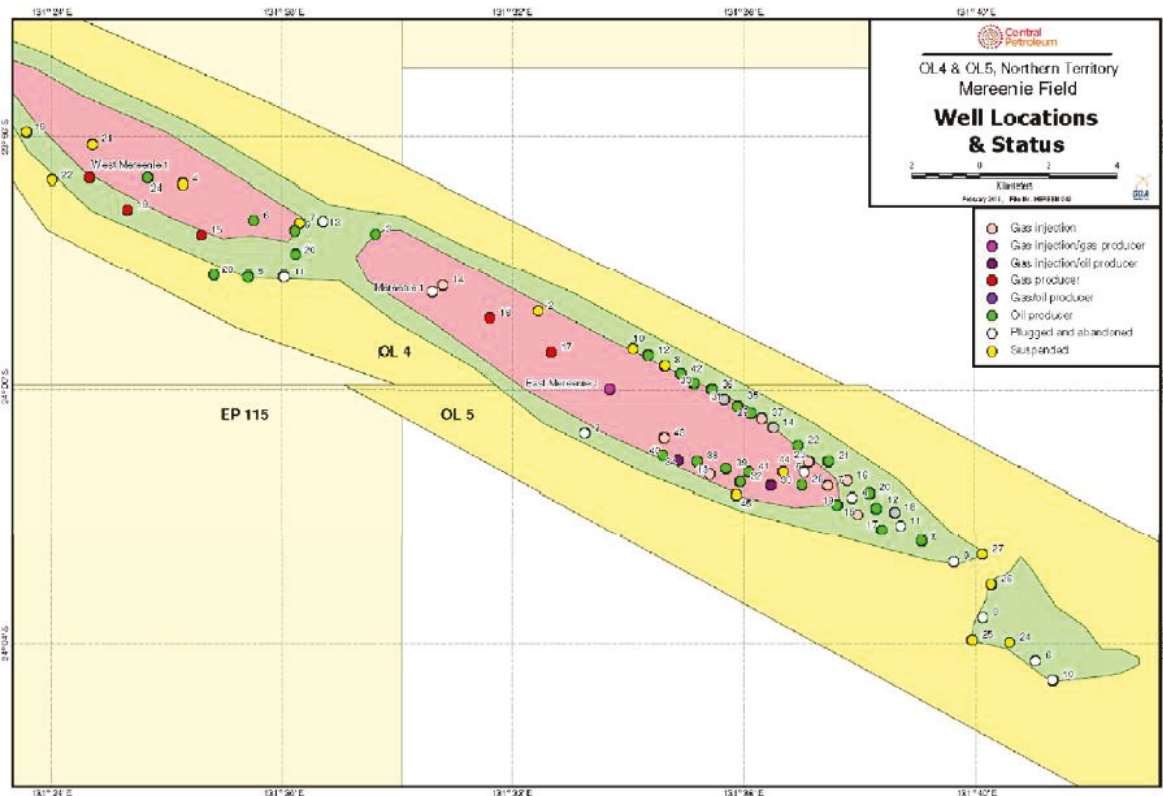


Figure 4-1: Mereneie fluid compartments

#### 4.1.2. Existing Facilities

The Eastern Satellite Station (ESS) was commissioned and oil production commenced in 1984 at a rate of 1,500 bbl/d. Oil was initially trucked to Alice Springs, the 270 km, 200 mm oil pipeline to Brewer Estate was built in 1985.

A gas contract with PAWA was executed in 1985, the 1,500 km Amadeus to Darwin gas pipeline was built in 1986, followed by first gas sales in 1987. The Central Treatment Plant (Central) was also commissioned in 1986 (and expanded in 1995) to allow for gathering and processing of gas and oil from the central and western parts of the field.

The reservoir pressure has declined significantly (approximately 800-1,400 psi c.f. virgin pressure of 1,870 psi). The current development strategy is to provide (partial) pressure maintenance to the P3 reservoir through gas re-injection to enhance recovery of the oil.

Liquids (oil and condensate) are currently trucked to Port Bonython for storage prior to export. Gas is sold into the Northern Territory market or re-injected into the field to maintain pressure.

The main processing facilities are the Central and ESS which are equipped for gas, oil and water separation, gas conditioning, dehydration and compression, oil pumping and water disposal. The combined facilities have the capacity to handle approximately 5,000 bbl/d of oil and 50 MMscf/d gas.

Produced water is disposed of by evaporation in dedicated interceptor/evaporation ponds located at the Central and ESS.

Gas reinjection was initiated in 1987 to increase oil production rates and to increase reserves by improving oil reservoir sweep efficiency. Gas is currently being injected into the Pacoota P3 reservoir at an average rate of 20 MMscf/d.

#### 4.1.3. Future Development and Production

Central has identified undeveloped reserves and contingent resources. The initial phase of work will involve re-direction of injected gas to sales, recompletion of existing wells and drilling two new production wells and will result in production of 30 TJ/d from the existing reserves forecast to commence in mid-2018.

The next major phase of development anticipated for Mereenie is development of the Pacoota P4 and Lower Stairway Sandstone contingent resources which will take production to 50 TJ/d. Central has prepared production and cost schedules for the Stairway development which are discussed in the following sections forecast to commence in mid-2019.

The Mereenie 1P, 2P and 2C production forecasts are shown in Figure 4-2.

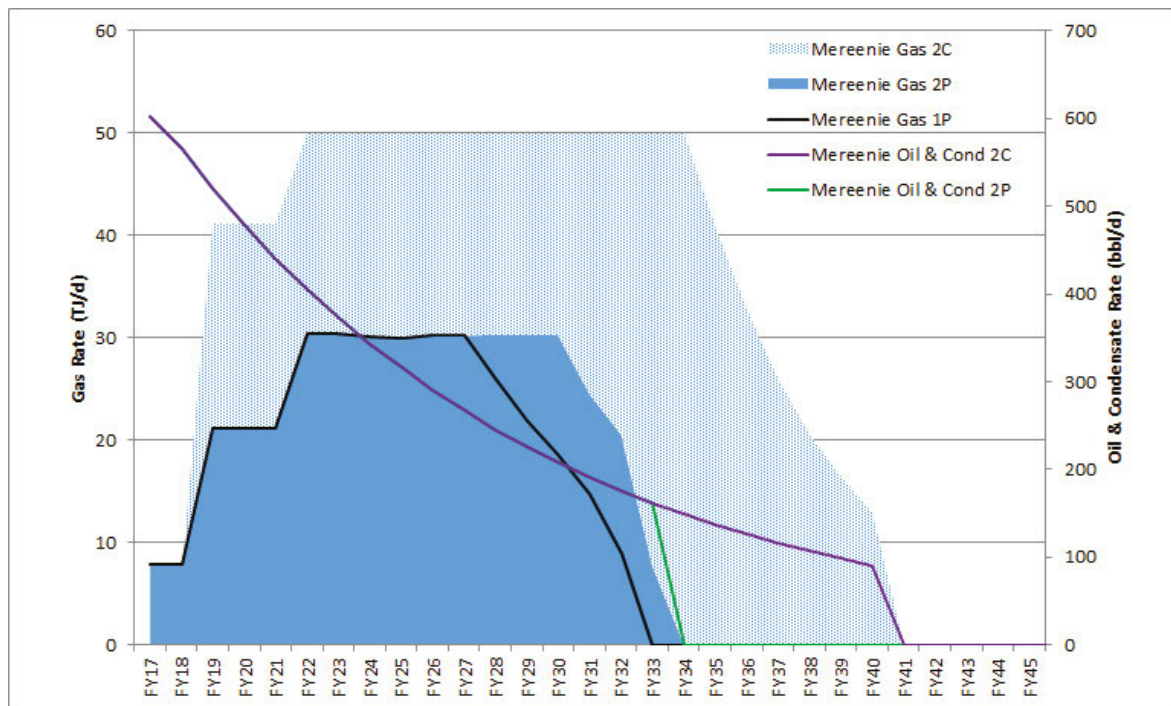


Figure 4-2: Mereenie Gross Gas and Liquids Production Forecasts

#### 4.1.4. Mereenie reserves

In 2016 Netherland, Sewell and Associates, Inc. (NSAI) estimated reserves for the P1 and P3 reservoirs of the Mereenie Field, effective 31 December 2015. We have reviewed reservoir simulation and analytical information provided by Central and conclude that the NSAI gas reserve estimates are reasonable. Central has prepared 2P production forecasts from FY2017 which we are satisfied are consistent with the NSAI gas reserves estimates. RISC has adjusted the reserves for production from 30 June 2016 to 31 December 2016 to estimate the reserves shown in Table 4-1. RISC has prepared 1P production forecasts based on NSAI's estimates. Central's oil and condensate reserves are based on decline curve analysis and are consistent with



their development plans focusing on gas production. Note that under a gas balancing arrangement, Central has overproduced 1.1 PJ of gas as at 31 December 2016 which has been deducted from their net 50% share of Mereenie gas reserves.

**Table 4-1: Mereenie gross reserves as at 31 December 2016**

	Unit	Mereenie Gross Reserves		
		1P	2P	3P
Sales Gas	PJ	126.3	145.8	160.4
Oil and Condensate	MMstb	1.3	2.0	na
Notes:				
<ol style="list-style-type: none"> <li>1. Sales gas reserves have been adjusted for shrinkage and fuel.</li> <li>2. The reference point for gas is at connection to the Alice Springs to Darwin gas pipeline. The reference point for oil and condensate is at the plant gate.</li> <li>3. Deterministic evaluation methods have been used.</li> <li>4. Sales gas conversion (HHV) is 1.16 PJ/Bscf.</li> <li>5. 1.1 PJ of production imbalance attributed to overlifting by Central as at 31 December 2016 needs to be deducted when determining Central's net reserves position</li> </ol>				

Central has carried out reservoir simulation and analytical analysis to estimate recoverable gas. It is our understanding that these models were available to NSAI. Central's simulation models for the Mereenie Field were used to examine various gas market demand scenarios of up to 50 MMscf/d, assessing plateau duration and number of wells and workovers required and their associated timing. The modelling has been used to investigate what combination of recompletion of selected wells and drilling of additional infill wells is needed to effectively drain the P3 gas cap, assuming the availability of additional compression allowing a FBHP of 300 psi.

RISC has reviewed Central's simulation model, analytical models and supporting documentation. In their simulation work, Central focused on history matching the gas phase as this was the focus of future development. RISC considers the cumulative production and rate history matching at the field level and well pressure matches in the gas phase to be robust, Figure 4-3.

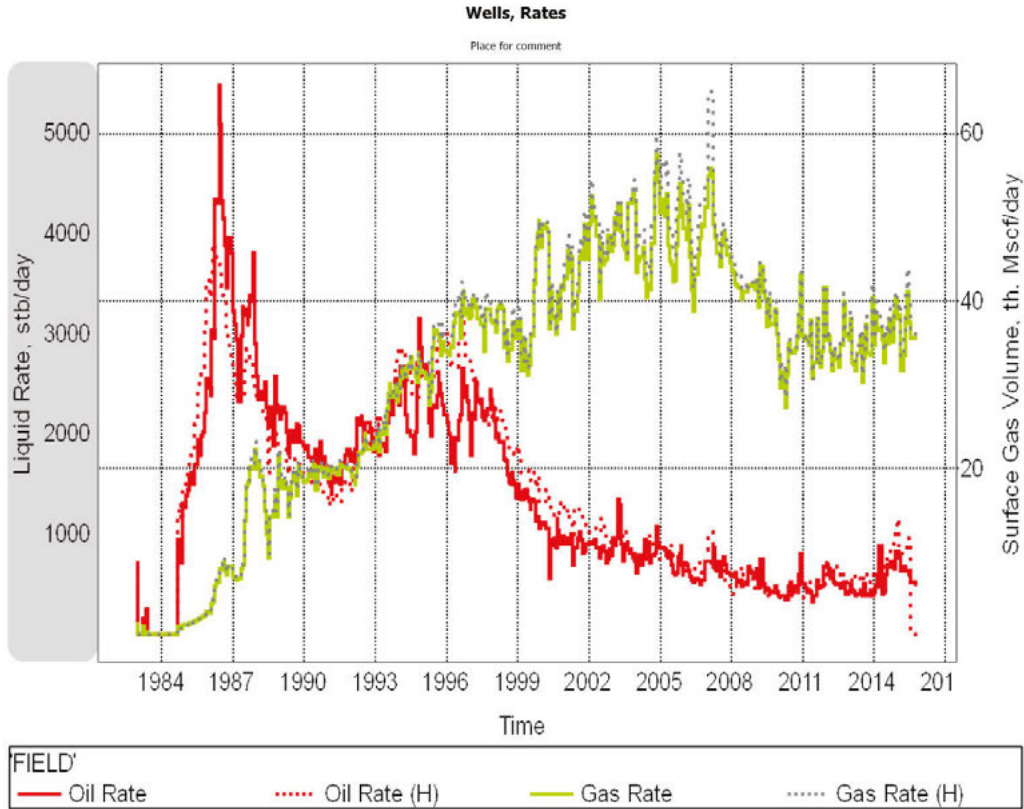


Figure 4-3: Mereenie Field simulation model history match

Forecasting of 30 TJ/day plateau for 15 years with a well production cutoff rate of 30 Mscf/d to be indicated further gas recovery of 172 PJ gross, Figure 4-4. Note that the forecast commences the 30 MMscf/d plateau on the 1<sup>st</sup> Nov 2017. Although Central's model was available to them NSAI generated a different forecast with a slightly lower recovery, 150 PJ gross as at 31 December 2015, which RISC considers reasonable.

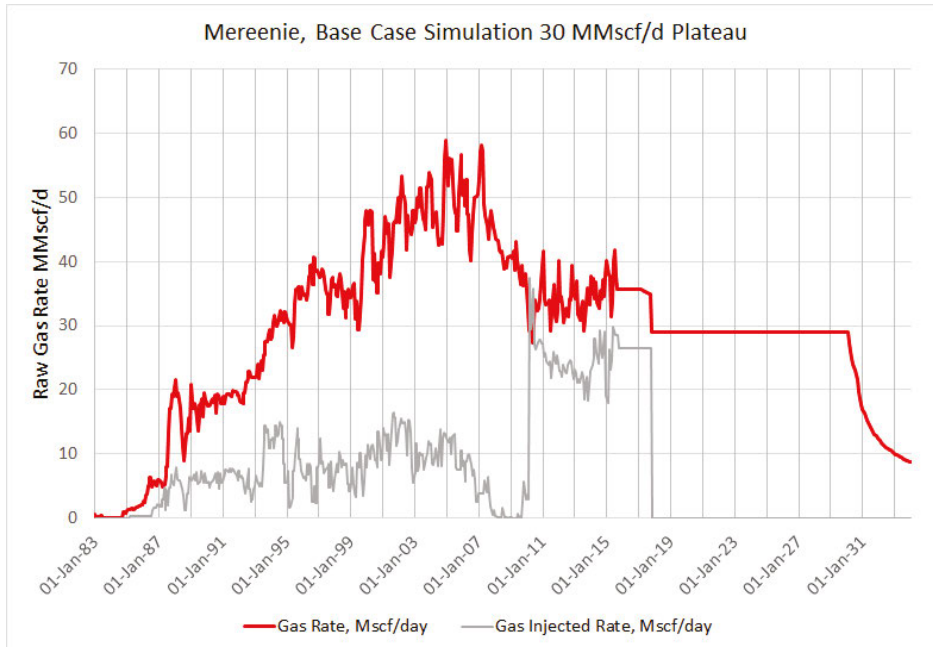


Figure 4-4: Mereenie Field 30 MMscf/d Simulation Model Forecast

By comparison, Central’s analytical study estimate recoverable gas from the P1 and P3 reservoirs gas caps of around 194 Bcf gross.

#### 4.1.5. Contingent Resources

NSAI estimated contingent resources within the Pacoota P4 and Lower Stairway Sandstone as at 31 December 2015. The resources are contingent upon the successful development of improved well completion technology for the Lower Stairway and determination of whether the P4 sand is partially connected to the overlying Pacoota P3 sands. If subsequent testing of the P4 shows that it is connected to the P3, then additional would expected to be recovered by the existing P3 wells. If the testing of the P4 shows that it is not connected to the P3, contingent resources will be recovered by the P4 development wells and not through the connectivity to the P3 Stairway Sandstone.

Central has prepare a production forecast for these contingent resources which produces 195 PJ. This estimate is reasonably close to NSAI’s 31 December 2015 estimate of 182 PJ. We are unable to reconcile the differences between the NSAI and Central estimates. RISC has reviewed Central’s volumetric estimates and production forecasts considers them to be reasonable (Table 4-2).

As the resources are discovered, the geological chance of success is 100%. We have assessed the chance of achieving commercial production at 20%.

We note that Central has been progressing studies into the natural fracture distribution within the Lower Stairway sandstone. These studies, based on outcrop, FMI log data and structural analysis indicate the natural fractures have a preferred orientation and location around areas of maximum curvature in the field which would be favorable for oriented drilling to maximize the intersection of productive reservoir. If this concept is proven by appraisal drilling, then the chance of commercial production will increase materially.

Table 4-2: Meerenie gross contingent resources as at 31 December 2016

Sales Product	Unit	Mereenie Gross Contingent Resources
		2C
Sales gas	PJ	195.2
Oil and condensate	MMstb	0.3
Notes:		
1. Sales gas resources have been adjusted for shrinkage and fuel.		
2. The reference point for gas is at connection to the Amadeus Gas Pipeline. The reference point for oil and condensate is at the plant gate.		
3. Deterministic evaluation methods have been used.		
4. Sales gas conversion (HHV) is 1.16 PJ/Bscf.		

#### 4.1.6. Capital and operating costs - 2P reserve development

A summary of Meerenie capital and operating costs for financial year (FY) 2016 along with estimated capital and operating costs over the next two financial years are shown in Table 4-3. Operating costs exclude liquids transport, corporate overheads, gas balancing, royalties and compensation. In FY2016 the gross total of these excluded costs was \$6.78 million.

Table 4-3: Meerenie 2016 actual and 2017/2018 estimated 2P operating and capital cost (gross)

A\$ million (gross)	FY2016 (actuals)	FY2017 (estimate)	FY2018 (estimate)
Capital cost	1.74	2.18	17.02
Operating cost	15.52	14.75	15.10
Total cost	17.26	16.93	32.12

Staff and general production expenses make up around 85 percent of operating cost for the Meerenie field. Little capital expenditure is estimated for FY2017.

During the November 2016 Technical Committee Meeting (TCM)<sup>6</sup>, it was identified that gas flaring for operational purposes will likely not be permitted over the near term. \$5 million is estimated in FY2018 to enable the Joint Venture to rectify this operationally. This will also result in a small increase to operating costs. RISC has estimated a 2 percent increase in overall operating cost as a result.

Sustaining capital cost of \$2 million p.a. is estimated over the life of the field.

Future development of 2P resources in the Meerenie field is expected to occur during 2018 so that additional gas is available for sales through the Northern Gas Pipeline (NGP), which is estimated to be available in mid-

<sup>6</sup> "Nov 2016 TCM (Meerenie JV – TCM, Technical review and Budget 2016"

2018. If the NGP is delayed, then this will impact the ability of Central's gas to reach these markets. The following activities and capital costs are estimated to produce 2P reserves.

**Table 4-4: Future Mereenie 2P development scope and capital cost**

<b>Development scope</b>	<b>Cost (A\$ million)</b>
Facility works to allow 30 TJ/d gas production	17
Re-use existing crestal wells EM43/EM12/EM2	0.1
Re-complete WM19/WM15/WM14/WM16 as gas producers	5.5
Drill and complete two new gas production wells and EM44 top hole	9.5
Other	0.5
<b>Total development capital</b>	<b>32.6</b>

While well costs carry a reasonable level of confidence given past activity and hence cost data in the area, it should be noted that the facility cost shown in Table 4-4 is preliminary and therefore carries significant uncertainty. Additional uncertainty arises given the brownfield nature of the project.

Facility scope includes:

- restaging of compressors K-201 and K-202;
- installation of integrated control system;
- upgrade of PLCs, safety shutdown, SCADA and individual control systems to enable better reliability at higher production rates;
- installation of a more effective produced water management system; and
- installation of export metering and plant air.

It is estimated that operating costs increase from \$14.7 million in FY2017 when production rates are approximately 15 TJ/d, to \$16.6 million p.a. as production increases to 30 TJ/d.

Operator estimates show little or no production downtime during the installation of new plant and equipment. While it may be possible that annual quantities are able to remain relatively consistent, it is likely that some impact on production would occur during the installation of new equipment.

Decommissioning and abandonment of the Mereenie 2P resource development scope is estimated at \$55 million.

#### **4.1.7. 2C resource development**

RISC has reviewed Central's concept for the development of the Lower Stairway contingent resource in the Mereenie field. The following table represents the scope and capital cost required to develop the Lower Stairway contingent resources.

**Table 4-5: Lower Stairway contingent resource development scope and capital cost (gross)**

Development scope	Cost (A\$ million)
Facility works to allow 50 TJ/d gas production	68
48 Lower Stairway development wells	144
Other	0.5
<b>Total development capital for contingent resources</b>	<b>213</b>
<i>Three additional development wells targeting 2P resource acceleration</i>	<i>9.0</i>

Should the successful development of the Lower Stairway resources occur, it is also estimated that three additional wells are drilled to target the acceleration of 2P gas reserves.

Central's original development concept calls for the Lower Stairway wells to be a slim hole design to enable the utilisation of smaller, lower cost rigs as the wells are shallow at less than 1000 m depth. However recent work by Central has indicated the potential to drill high angle wells drilled underbalanced and/or with air oriented to maximise the intersection with natural fractures. In this scenario, the laterals are anticipated to be in the order of 500-700m requiring a two well proof of concept well program prior to development. The high angle well option has the potential to significantly reduce the well count to in the order of 20 albeit more expensive wells. If pursued, this option could potentially reduce capital costs by approximately \$50 million.

The facility cost estimate is preliminary in nature and has been prepared with little engineering definition. The facility scope required to increase production to 50 TJ/d is:

- two new field boost compressors at 2.5 MW each;
- two new export compressors at 1 MW each;
- slug catcher installation;
- additional infield pipelines and flowlines;
- installation of integrated control system;
- upgrade of PLCs, safety shutdown, SCADA and individual control systems to enable better reliability at higher production rates;
- installation of a more effective produced water management system;
- installation of export metering and plant air.

It is estimated that operating costs increase from \$14.7 million in FY2017 when production rates are approximately 15 TJ/d, to \$20.3 million p.a. as production increases to 50 TJ/d.

Development of the Lower Stairway resources is forecast to start in FY2019 in order to maximise throughput into the NGP. This timeline is however very aggressive, and could easily slip by 12 months or more. In addition, little or no production impact has been forecast by the operator during the installation of new plant and equipment. While it may be possible that annual quantities remain relatively consistent, it is likely that some impact on production would occur during the installation of new equipment. If the NGP is delayed, then this will impact the ability of Central's gas to reach these markets.

Decommissioning and abandonment of the Mereenie 2P and 2C resource development scope is estimated at \$80 million.

## 4.2. Palm Valley

### 4.2.1. Introduction

The Palm Valley gas field is located in OL3 and is approximately 130 km west of Alice Springs (Figure 2-1).

The field was discovered in the 1960s when the Bureau of Mineral Resources (BMR) recorded the L051 seismic survey over the Palm Valley Anticline showing that the anticlinal structure existed at depth. It was tested by the drilling of Palm Valley 1 (PV1) which flowed gas from the Ordovician Lower Stairway Sandstone and Pacoota Sandstone. It was not until 1982 that the production licence was granted and the gas plant and pipeline to Alice Springs were commissioned in 1983. In 1986 gas was supplied to Darwin via the 1,500 km Amadeus Basin – Darwin pipeline.

Production from the field has been curtailed since 2015, when Central decided to suspend production and utilize the production capacity in the Mereenie field to meet Palm Valley’s gas contracts of approximately 1.5 PJ/a. This arrangement is expected to continue until mid-2018, when the NGP pipeline opens. If the NGP is delayed, then this will impact the ability of Central’s gas to reach these markets.

The Palm Valley structure is an elongate WSW to ENE trending, doubly plunging anticline with only minor faulting. The anticlinal structure is approximately 29 km in length and 14 km in width at the level of the top Pacoota Sandstone. Although the rugose topography has made seismic data acquisition difficult, the structure is currently mapped from an irregular grid of 2D seismic lines, shown in Figure 4-5 comprising 26.6 km of 2D seismic acquired in 1971 and the 1994 helicopter supported survey totaling 90 km. Subsequent crooked line reprocessing of this dataset has improved the image quality.

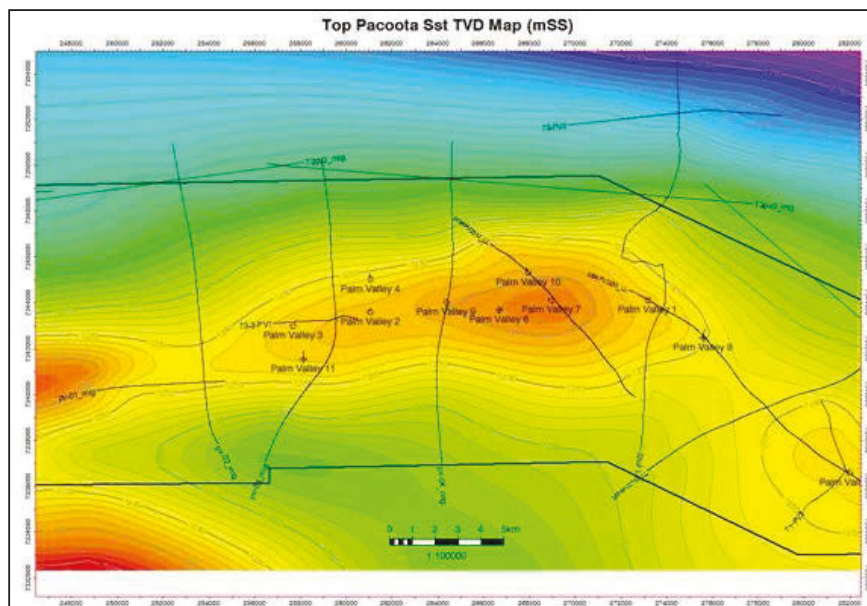


Figure 4-5: Palm Valley Field structural depth map at top Pacoota level showing location of wells and 2D seismic lines

Drilling has shown that the contiguous lower Stairway Sandstone, Horn Valley Siltstone and Pacoota Sandstone reservoirs are highly fractured at depths from 1,800 to 2,200 m. The fracture system is well connected and wells that have intersected large open fractures have flowed gas to surface at significant rates (for example PV-6B flowed at approximately 137 MMscf/d).

The Palm Valley reservoir is classified as a Type 2 naturally fractured reservoir where large open fractures provide essential reservoir permeability and is therefore not a conventional reservoir. These effective fractures are fed by an extensive, interconnected system of smaller fractures which provide access to micro-fractured matrix rock. Gas deliverability is provided by a complex interconnected network of fractures which has resulted in extremely high flow rates and good connectivity along the crest of the field. This is shown schematically in Figure 4-6.

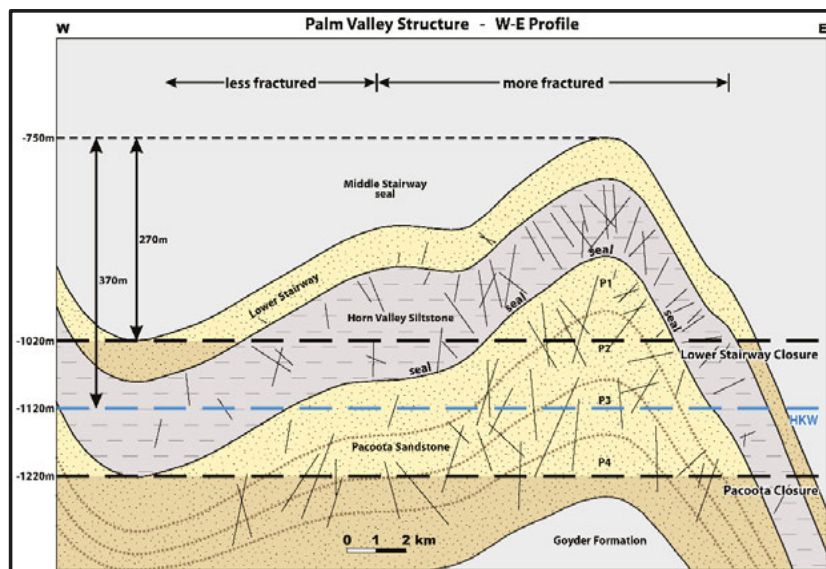


Figure 4-6: Schematic west to east cross section through palm Valley showing structural spill points

Reservoir lithologies consist of a variable mixture of quartzose sandstones (orthoquartzites), siltstones and shales deposited in intertidal to shallow marine environments. The Horn Valley Siltstone, predominately composed of organic-rich shales and minor limestones, is considered to be the source rock of the gas. The Palm Valley reservoir matrix rock is “tight” with intergranular porosity averaging 4-5% and matrix permeability in the order of 0.01-0.03 mD.

Interference tests carried out between the Palm Valley wells confirms that flow in the field is strongly anisotropic, with the predominant flow direction in the central region being along the plunge of the anticline, predominantly east-west. This is supported by the seismic interpretation of large numbers of small normal faults seen on every dip line over the structure, and which likely form part of the strong crestal communication pathways. Magellan, the previous Operator claimed that pressure data and gas isotope data indicate good vertical communication between the lower Stairway Sandstone and Pacoota Sandstone, suggesting a gross hydrocarbon column height of at least 670 m.

No field-wide gas-water contact has been identified at Palm Valley, yet the field currently produces aquifer water. Historically produced water was trucked to Lake Lewis (500 km round trip) for disposal. Produced water volumes have decreased in line with lower gas production and water is currently disposed of via the PV-4 well which has been reconfigured from a gas producer to a water injector.

#### 4.2.2. Existing Facilities

Eleven wells have been drilled on the field, six of which have produced gas for sale. There are currently four producing wells capable of production, PV01, 02, 06 and 07. PV03 is a shut-in producing well which ceased production in 1998 due to water loading. PV09 ceased flowing in 2010 when the gas flow rate became insufficient to continue to lift the produced water. Production could be re-established from PV09 if artificial lift was used to produce the formation water rather than relying on gas lift. PV04 is a water disposal well; PV05 and 10 are cased and suspended as observation wells, and PV08, PV09 and 11 have been plugged and abandoned. PV05 is located off the Palm Valley anticline.

The production facilities as shown in Figure 4-7 consist of wellheads and gathering system, the Central Treatment Plant (Central) and central compression.

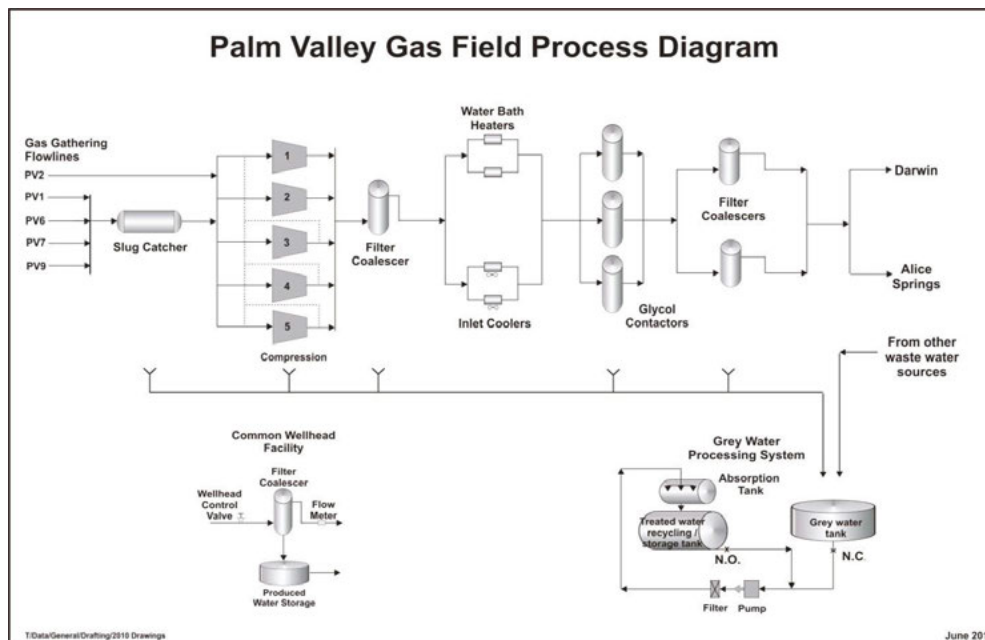


Figure 4-7: Palm Valley gas treatment process diagram

The production facilities gather raw gas from five wellheads after produced fluids are separated at the wellhead. The water saturated gas is compressed to pipeline pressure and dehydrated, whereupon water and certain other impurities are removed, then metered into the export facilities.

#### 4.2.3. Future Development

Once the NGP is operational in 2018, Central plans to restart production from Palm Valley at 1.5 PJ/a using the existing facilities which will be re-instated. Contingent resources have also been estimated based on an extension to the existing gas sales agreement.

Central has identified a potentially significant exploration resource in deeper horizons in the Proterozoic/Cambrian, Arumbera at approximately 3800mGL TVD underlying the Palm Valley field. This is the same formation which is producing in the Dingo field. Palm Valley Deep is classified as a prospective resource, with best estimate recoverable resources of 166 Bcf (189 PJ). Central’s plan is to drill two wells to target the Arumbera, and should these be successful, drill 14 producers and expand production to 34 TJ/d by FY2019. The Palm Valley Deep prospect is discussed in greater detail in Section 5.1.

The 1P, 2P, 2C and Palm Valley Deep gas production forecasts are shown in Figure 4-8. We have assessed the Palm Valley contingent resource chance of achieving commercial production at 80% and Palm Valley Deep combined chance of discovery and commercial production at 12 to 20%.

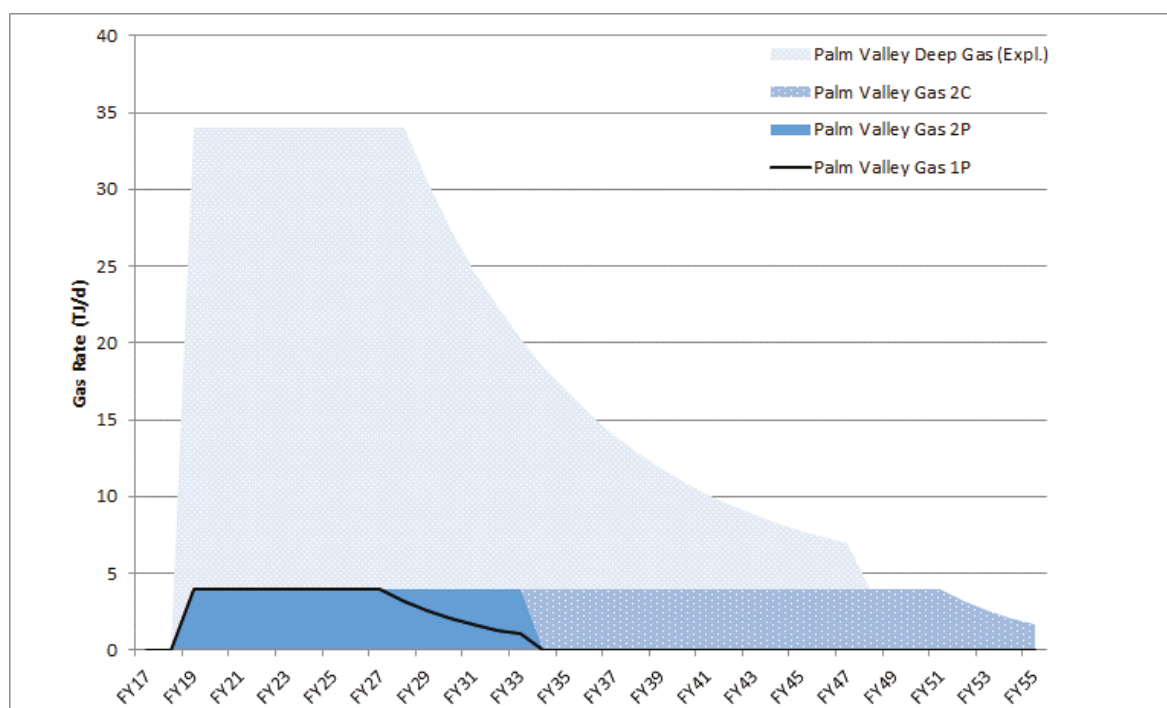


Figure 4-8: Palm Valley Gross Gas Production Forecasts

#### 4.2.4. Palm Valley reserves

Reserves for the Palm Valley Field as at 30 June 2015 were assessed by NSAI<sup>7</sup>. The reserves are supported by simulation models and are consistent with material balance estimates. Overall recovery is equivalent to a 39% recovery of the volumetric gas in place. Reserves stated by NSAI were determined to the end of gas sales agreements.

Given the production history RISC considers the performance based estimates are a good indicator of recovery from Palm Valley.

Central has prepared 2P production forecasts from FY2017 which we are satisfied are consistent with the NSAI gas reserves estimates. RISC has adjusted the reserves for production from 30 June 2016 to 31

<sup>7</sup> Netherland, Sewell and Associates, Inc., letter dated 17 July 2015.



December 2016 to estimate the reserves shown in Table 4-6. RISC has prepared 1P production forecasts consistent with NSAI's estimates.

**Table 4-6: Palm Valley gross reserves as at 31 December 2016**

Sales Product	Unit	Palm Valley Gross Reserves		
		1P	2P	3P
Sales Gas	PJ	17.4	21.8	na
Notes:				
<ol style="list-style-type: none"> <li>1. Sales gas reserves have been adjusted for shrinkage and fuel.</li> <li>2. The reference point for gas is the connection to the Alice Springs to Darwin gas pipeline.</li> <li>3. Deterministic evaluation methods have been used.</li> <li>4. Sales gas conversion (HHV) is 1.14 PJ/Bscf.</li> </ol>				

#### 4.2.5. Palm Valley Contingent Resources

Simulation models indicate that production could continue beyond this time if suitable sales agreements were in place. NSAI has classified the extension volumes as contingent resources, which was a reasonable but conservative position at that time. It is arguable that they could be classified as reserves. We do not propose the change the classification but note that an extension of production is considered by us to have a low technical risk. In the situation which exists in the current eastern states gas market which has a shortage of supply and with the planned NGP pipeline, we believe that there will be a ready market for this gas. RISC has prepared 2C production forecasts consistent with NSAI's 2C estimates. However if the NGP is delayed, then this will impact the ability of Central's gas to reach these markets.

**Table 4-7: Palm Valley gross contingent resources as at 31 December 2016**

Sales Product	Unit	Palm Valley Gross Contingent Resources
		2C
Sales gas	PJ	29.7
Notes:		
<ol style="list-style-type: none"> <li>1. Sales gas resources have been adjusted for shrinkage and fuel.</li> <li>2. The reference point for gas is at connection to the Alice Springs to Darwin gas pipeline.</li> <li>3. Deterministic evaluation methods have been used.</li> <li>4. Sales gas conversion (HHV) is 1.14 PJ/Bscf.</li> </ol>		

#### 4.2.6. Capital and operating costs – 2P reserves

A summary of Palm Valley capital and operating cost for FY2016 along with estimated capital and operating costs over the next two financial years are shown in Table 4-8 below. Operating costs exclude liquids transport, corporate overheads, royalties and compensation.

Table 4-8: Palm Valley 2016 actual and 2017/2018 estimated 2P operating and capital cost

A\$ million (gross)	FY2016 (actuals)	FY2017 (estimate)	FY2018 (estimate)
Capital Cost	0.0	0.0	0.0
Operating Cost	0.75	0.45	0.45
<b>Total Cost</b>	<b>0.75</b>	<b>0.45</b>	<b>0.45</b>

The Palm Valley production facility is currently shut-in, with Palm Valley gas contract volumes (4 TJ/d) being supplied from the Mereenie field. It is anticipated that once the NGP is available in mid-2018, Palm Valley facilities will be reinstated, at which time operating costs will increase to \$2.5 million p.a. and production to 4 TJ/d.

It is estimated that sustaining capital of \$0.3 million p.a. is required over the life of the field.

Capital works required to reinstate the Palm Valley field are shown below.

Table 4-9: Future Palm Valley 2P development scope and capital cost

Development scope	Cost (A\$ million)
Facility reinstatement and upgrade	2.0
Other	0.75
<b>Total capital cost</b>	<b>2.75</b>

The facility cost estimate is conceptual in nature and include the following scope:

- Control system upgrade; and
- Automation and remote operation installation.

Decommissioning and abandonment of the Mereenie 2P resource development scope is estimated at \$10 million.

### 4.3. Dingo

#### 4.3.1. Introduction

The Dingo gas field is located in Production Licence L7 (formerly RL 2) in the northeast Amadeus Basin, approximately 60 km south of Alice Springs. The gas field was discovered in 1981 when the Dingo 1 exploration well tested 1.45 MMscf/d gas from the Neoproterozoic lower Arumbera Sandstone (Unit 1). The field has been appraised by three additional wells

As further development of the field was not warranted at that time, the 6 graticular block Retention Licence No. 2 (RL2) was applied for and granted on 25 May 1992. The Retention Licence was renewed after each 5 year term and subsequently converted to Production Licence L7 on 7 July 2014.

The Dingo structure is mapped as a slightly elongate west-northwest trending, simple unfaulted domal anticline. The structure is 11 km by 5.6 km, and the productive reservoir is at a depth of approximately 3,000 m subsurface (2,500 m subsea) as shown in Figure 4-9.

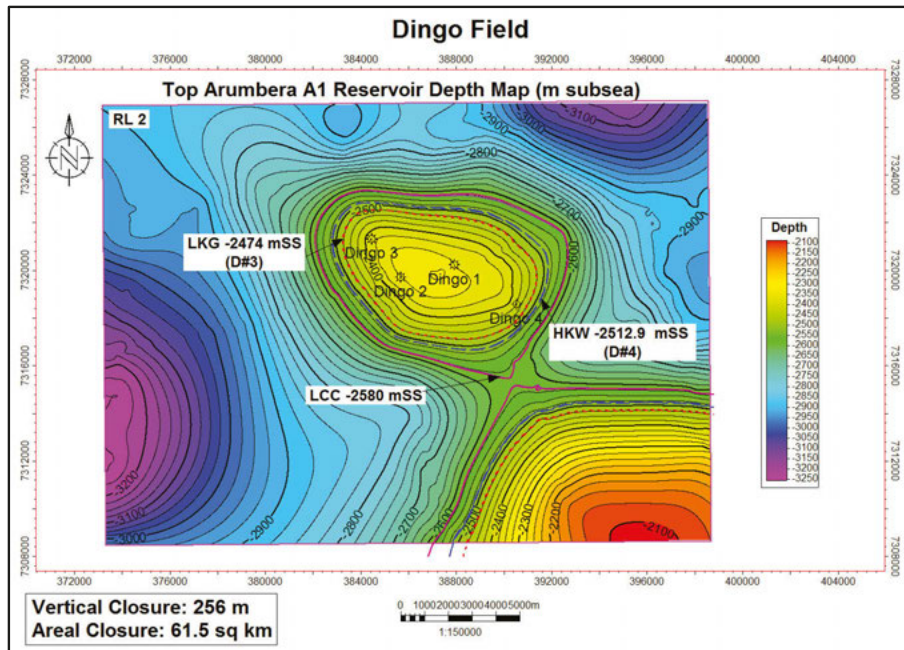


Figure 4-9: Near top Arumbera A1 Sandstone (sea-level datum)

Areal closure to the lowest closing contour at the Arumbera Sandstone (A1 reservoir) level is approximately 61.5 km<sup>2</sup> and the closure height on the structure is approximately 256 m. Maximum closure is defined by a narrow saddle at the south eastern end of the structure

The Arumbera Sandstone reservoirs consist of sandstone with minor siltstone deposited in a shallow marine to delta plain environment. Core was acquired in the lower part of the Arumbera Sandstone (Unit 1) and the Julie equivalent Formation in Dingo 2. In the Arumbera cored section, core porosity averages 8.3% (ranging from 2% to 14.8%) and core permeability averages 1.6 mD (ranging from 0.1 mD to 11.9 mD).

Upside potential in the form of unconventional tight gas in place has been estimated by relaxing the net sand porosity cut off value from 9% to 4%.

Deliverability was proven with gas flows on test in Dingo 1, 2 and 3 and with water recovery in Dingo 4. Reservoir quality is moderate and it is possible that natural fractures contribute to reservoir deliverability, although RISC's 2014 analysis of the Dingo 2 and Dingo 3 that the well tests did not indicate any appreciable dual porosity or natural fracture signature<sup>8</sup>.

<sup>8</sup> Dingo Field Review for Central Petroleum, February 2014. RISC PowerPoint report

#### 4.3.2. Existing Facilities

Four wells have been drilled in the Dingo Field. Currently only Dingo 2 and Dingo 3 are capable of commercial gas production from the Arumbera Sandstone. Both these wells are on line and producing.

Dingo 1 has collapsed casing above the productive zone, the result of salt movement within the Chandler Formation and is not available for future production purposes. Due to the strategic location of this well at the crest of the structure a re-drill is considered necessary for gas recovery and to fulfil the market commitments. The cost of a re-drill is incorporated in RISC’s capital forecast for 2018.

Dingo 4 was plugged and abandoned having intersected very poor quality Upper and Middle Arumbera reservoirs and a water saturated Lower Arumbera reservoir.

The Dingo gas field development, completed in April 2015, comprised the construction of wellhead facilities, gathering pipelines, gas conditioning facilities, a 50 km gas pipeline (Pipeline Licence PL30) to Brewer Estate in Alice Springs, compression and custody transfer metering facilities. The Brewer Estate Export Facility (Figure 4-10) was designed to service a gas sale contract with Territory Generation. Gas production from Dingo 2 and Dingo 3 commenced in April 2016.



Figure 4-10: Brewer Estate export facility

#### 4.3.3. Future Development

Central plans to drill a replacement well for Dingo-1 in 2018 and expand the facilities to enable 11 TJ/d production. Contingent resources have also been estimated based on an extension to the existing gas sales agreement. We believe that the risks associated with producing the 2C extension are low.

There are a number of near-field satellite exploration prospects which have been identified by Central which could potentially be tied in to the facilities. These are discussed in Section 6.1.

The 1P, 2P and 2C gas production forecasts are shown in Figure 4-11.

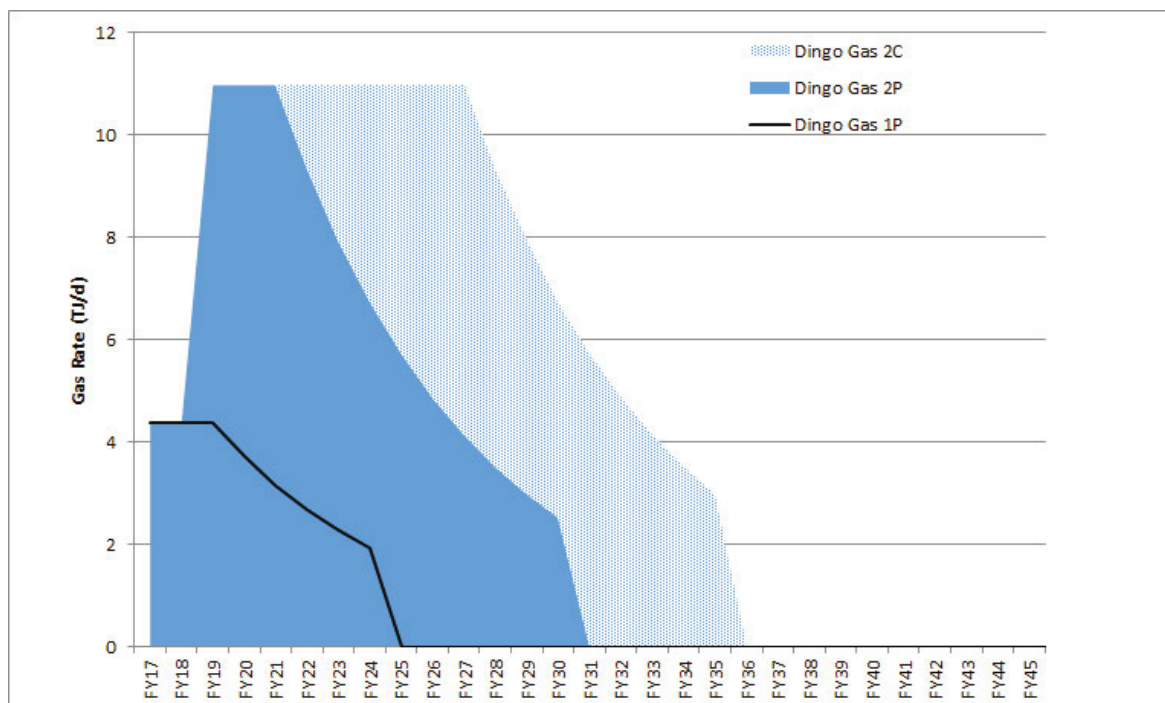


Figure 4-11: Dingo Gross Gas Production Forecasts

#### 4.3.4. Dingo reserves

NSAI reviewed the Central’s numerical simulation study of the Dingo field and as at 30 June 2015 and estimated 2P reserves of 33.2 PJ which were limited to quantities covered by gas sales agreements. Central has prepared 2P plus 2C production forecasts from FY2017 which we are satisfied are consistent with the NSAI gas reserves and contingent resource estimates. RISC has prepared separate production profiles for the 1P and 2P reserves and 2C contingent resources and adjusted the reserves for production from 30 June 2016 to 31 December 2016 to estimate the reserves (Table 4-10).

Table 4-10: Dingo gross reserves as at 31 December 2016

Sales Product	Unit	Dingo Gross Reserves		
		1P	2P	3P
Sales Gas	PJ	9.4	32.2	na

Notes:

1. Sales gas reserves have been adjusted for shrinkage and fuel.
2. The reference point for gas is the connection to the Alice Springs to Darwin gas pipeline.
3. Deterministic evaluation methods have been used.
4. Sales gas conversion (HHV) is 1.14 PJ/Bscf.

#### 4.3.5. Dingo Contingent Resources

Simulation models indicate that production could continue beyond this time if suitable sales agreements were in place. NSAI has classified the extension volumes as contingent resources, which was a reasonable but conservative position at that time. We do not propose the change the classification but note that an extension of production is considered by us to have a low technical risk. In the situation which exists in current eastern states gas market which has a shortage of supply and with the planned NGP pipeline, we believe that there will be a ready market for this gas. However if the NGP is delayed, then this will impact the ability of Central's gas to reach these markets.

Table 4-11: Dingo gross contingent resources as at 31 December 2016

Sales Product	Unit	Dingo Gross Contingent Resources
		2C
Sales gas	PJ	23.1
Notes:		
<ol style="list-style-type: none"> <li>1. Sales gas resources have been adjusted for shrinkage and fuel.</li> <li>2. The reference point for gas is at connection to the Alice Springs to Darwin gas pipeline.</li> <li>3. Deterministic evaluation methods have been used.</li> <li>4. Sales gas conversion (HHV) is 1.14 PJ/Bscf.</li> </ol>		

#### 4.3.6. Capital and operating costs - 2P reserve development

A summary of Dingo capital and operating cost for FY2016 along with estimated capital and operating costs over the next two financial years are shown in Table 4-12 below. Operating costs exclude liquids transport, corporate overheads, royalties and compensation.

Table 4-12: Dingo 2016 actual and 2017/2018 estimated 2P operating and capital cost

A\$ million (gross)	FY2016 (actuals)	FY2017 (estimate)	FY2018 (estimate)
Capital cost	0.0	0.91	0.91
Operating cost	3.02	2.56	2.56
<b>Total cost</b>	<b>3.02</b>	<b>3.47</b>	<b>3.47</b>

Future development of 2P resources in the Dingo field is expected to occur during FY2018 so that additional gas is available for sales through the NGP, which is estimated to be available mid-2018. The following activities and capital costs are estimated to produce Dingo 2P resources, and increase production capacity from 4.4 TJ/d to 11 TJ/d.



Table 4-13: Future Dingo 2P development scope and capital cost

Development scope	Cost (A\$ million)
Facility works to allow 11 TJ/d gas production	20
Re-drill Dingo 1 well	10
<b>Total development capital</b>	<b>30</b>

The facility cost estimate is preliminary in nature and has been prepared with little engineering definition. The facility estimate includes the following:

- Dingo 1 wellhead facilities;
- Fiberspar looping; and
- Chiller, MEG and BECGS.

Well costs are estimated for re-drilling Dingo 1. The Dingo 1 redrill well cost is based on a new well with a 100 m offset, to a depth of approximately 3,000 m.

It is estimated that operating costs increase from \$2.6 million in FY2017 when production rates are 4.4 TJ/d, to \$3.0 million p.a. as production increases to 11 TJ/d when Dingo 1 is brought online.

Decommissioning and abandonment of the Dingo 2P reserves development scope is estimated at \$10 million.

## 5. Properties included in the Contingent Value Notes

### 5.1. Palm Valley Deep

The Palm Valley Deep prospect is located in OL3 in the Amadeus Basin, NT, directly below the gas producing Palm Valley field (Central 100%). The trap is a 4-way dip anticline with the primary objective being gas in the Proterozoic/Cambrian, Arumbera at approximately 3800mGL TVD. The reservoir lithology is fractured sandstone. The Palm Valley gas field produces from the shallower Pacoota Sandstone while the Arumbera A1 is a proven reservoir target in the Dingo gas field. OL3 is a production licence that runs for 21 years to 5/11/2024. There is no commitment to drill, however Central are proposing a well targeting the crest of the anticline where the poor continuity of the seismic data may indicate the likely crestral fracturing which provides permeability in the shallower Pacoota Sandstone.

#### 5.1.1. Volumetric estimates and risking

Palm Valley is delineated by 12 2D seismic lines. 7 of which were acquired in 1994 and 5 in the 1970's. Although the seismic lines show the presence of the structure, the detail of the horizon picks is very poor quality (Figure 5-1).

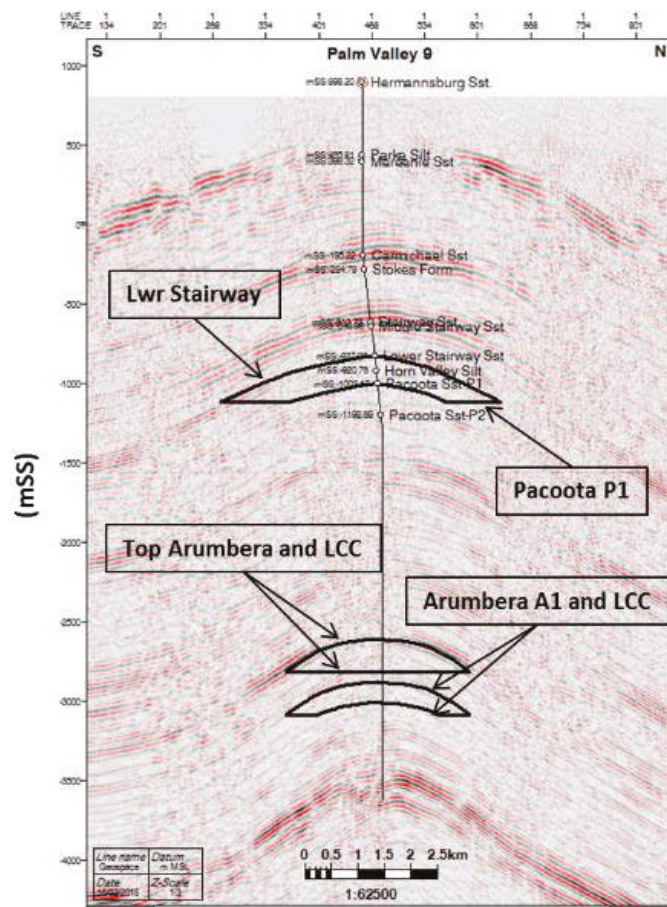


Figure 5-1: Palm Valley seismic section



The limits of the accumulation have been defined using the lowest closing contour for the top of the Arumbera Sandstone of -2820mSS. Central Petroleum’s volumetric estimates have been reviewed by RISC and are considered reasonable (Table 5-1). Based on the P50 EUR of 166 Bcf, we estimate the gross 2C contingent resources to be 185.5 PJ.

**Table 5-1: Palm Valley Deep Prospective Resource estimates (Central Petroleum, March 2017)**

Parameter	P90	P50	P10
GIIP (Bcf)	163	433	1029
EUR (Bcf)	62	166	401

The key risks for the Palm Valley Deep prospect are reservoir quality and seal. RISC has estimated the combined chance of discovery and commercial probability of success at between a low and mid case value of 12% and a high case value of 20%.

### 5.1.2. Palm Valley Deep development

RISC has also reviewed development of Palm Valley Deep resources. The following table represents the scope and capital required to develop these resources in a success case.

**Table 5-2: Palm Valley Deep resource development scope and capital cost**

Development scope	Cost (A\$ million)
Facility works to allow 34 TJ/d gas production	2.0
Gathering system, TEG contactor, well facilities	10
14 Palm Valley Deep Wells	155
<b>Total development capital for Palm Valley Deep resources</b>	<b>167</b>

It is estimated that operating costs increase from \$2.5 million when production rates are 4 TJ/d, to \$6.1 million p.a. as production increases to 34 TJ/d.

Under a success case, development of the Palm Valley Deep resource is forecast to start in FY2019 at a plateau rate of 30 TJ/d in order to maximise throughput into the NGP pipeline (Figure 4-8). This timeline is however very aggressive, and relies on exploration occurring in parallel with project development, which is unlikely to occur given the current conceptual nature of development studies. In a success case, full scale production from Palm Valley could easily slip by 24 months or more. Decommissioning and abandonment of the Palm Valley 2P and Palm Valley Deep resource scope is estimated at \$25 million.

## 5.2. Ooraminna

### 5.2.1. Introduction

The Ooraminna discovery is located in retention licences RL3 and RL4 in the Amadeus Basin, NT. The trap is a 4-way dip anticline. Primary objective is fractured Pioneer Sandstone at 1100 mGL TVD, which is sealed here by the Pertatataka Formation. The shallower Arumbera Sandstone is a secondary target. Ooraminna-1 was drilled in 1963, and flowed 12 Mcf/d. Ooraminna-2 was drilled 90m updip from Ooraminna-1 in 2010 and flowed up to 152 Mcf/day. RL3 and RL4 both expire on 5<sup>th</sup> March 2018. There is commitment to drill one well by 5<sup>th</sup> March 2017.

### 5.2.2. Volumetric estimates and risking

Ooraminna is delineated by 6 2D seismic lines. The interpretation shows a 4-way dip closure at the Pioneer Sandstone level. Ooraminna-3 will target the western end of the crest of the anticline where crestal fracturing will provide permeability in the Pioneer Sandstone.

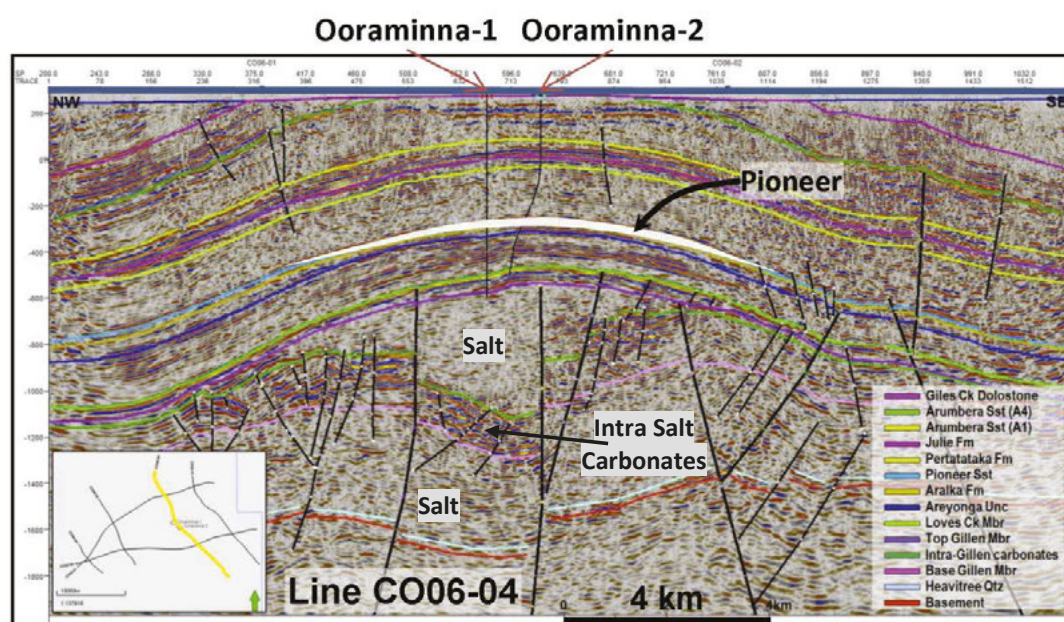


Figure 5-2: Seismic Line CO06-04 across Ooraminna Prospect

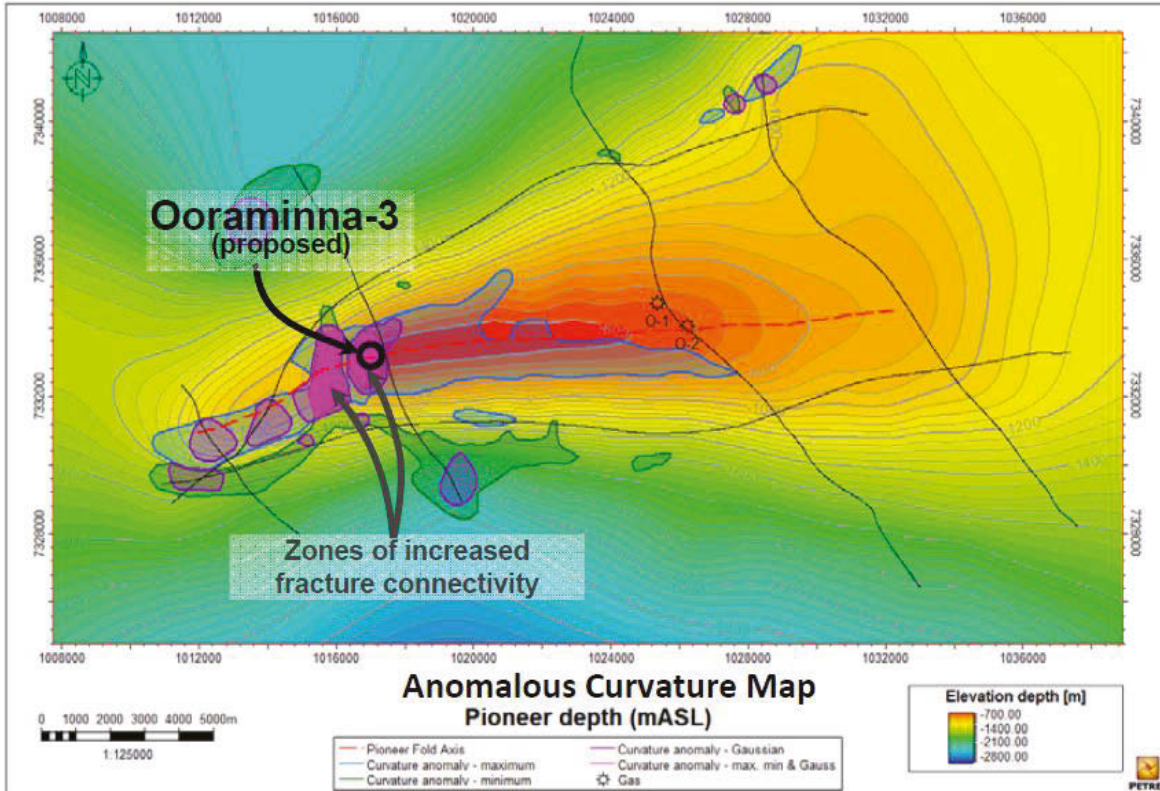


Figure 5-3: Ooraminna prospect depth map

The limits of the accumulation have been defined using the lowest closing contour for the top of the Arumbera Sandstone of -1000mSS. Limited areas of predicted increased fracture intensity were used to constrain a low side case. Central Petroleum’s volumetric estimates have been reviewed by RISC and are considered reasonable (Table 5-3). Based on the P50 EUR of 109 Bcf, we estimate the gross 2C contingent resources to be 106.7 PJ sales quantities after fuel, flare and shrinkage.

Table 5-3: Ooraminna Contingent Resource estimates (Central Petroleum, March 2017)

Parameter	P90	P50	P10
GIIP (Bcf)	180	241	321
EUR (Bcf)	81	109	144

The geological chance of success in Ooraminna is 100% because two wells have already established a gas resource. The chance of commercial success is dependent on Ooraminna-3 proving that an economic gas flow rate can be achieved on test. RISC estimates the commercial chance of success at 20%.

### 5.2.3. Ooraminna development

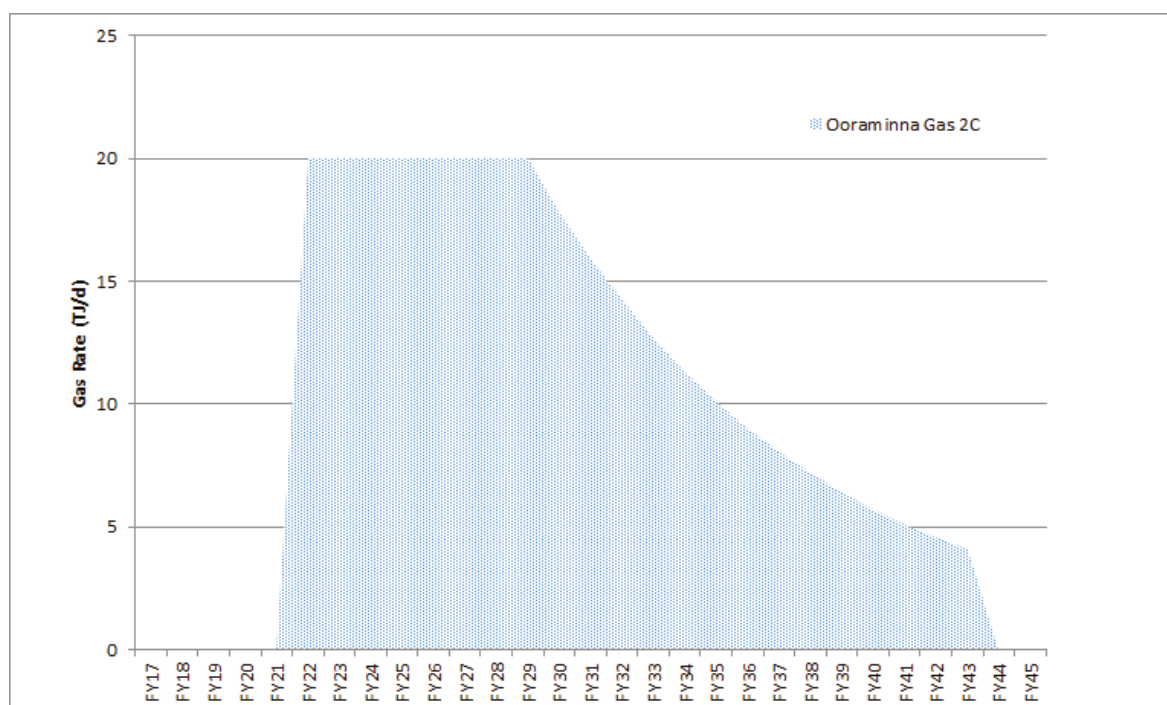
RISC has reviewed development of the Ooraminna resources. The following table represents the scope and capital required to develop these resources in a success case.

**Table 5-4: Ooraminna resource development scope and capital cost**

Development scope	Cost (A\$ million)
2D Seismic reprocessing	0.8
Gathering system, TEG contactor, well facilities	51.6
Pipeline	30.9
8 development wells (includes 2 appraisal /delineation wells re-used as producers)	44.0
<b>Total development capital for Ooraminna resources</b>	<b>127.3</b>

It is estimated that operating costs will be \$4 million pa.

Under a success case, development of the Ooraminna resource is forecast to start in FY2022 at a plateau rate of 20 TJ/d (Figure 5-4). Decommissioning and abandonment of the Ooraminna development is estimated at \$14 million.



**Figure 5-4: Ooraminna 2C Gross Gas Production Forecast**

### 5.3. Mt Kitty Area

#### 5.3.1. Introduction

Mount Kitty is located in retention license EP125 in the Amadeus Basin, NT around 175km south of Palm Valley. The Mount Kitty CVN is an area around the Mt Kitty discovery excised from EP125 only for the purpose of the CVN. Because of poor seismic definition, the trap is either a 4-way dip anticline or a fault dependent 3 way dip fault block. The primary objective is fractured basement at 1635 mGL TVD, which is sealed here by the Gillen Salt. Mt Kitty-1 was drilled in 2013, and flowed 530 Mcf/d. The average gas composition from Mt. Kitty 1 contained 70% Nitrogen, 14% hydrocarbons with 6.6% He, 8.8% hydrogen and oxygen and 0.2% CO<sub>2</sub>. The fluid is believed to have been sourced from the basement. The appraisal plan is to drill a horizontal well perpendicular to fracture orientation. EP125 expires on 10<sup>th</sup> March 2021. There is an outstanding non-binding commitment to drill one well by 6<sup>th</sup> June 2020 and another in the following year.

Central consider that Mt Kitty has potential as a source for helium which is a valuable commodity. RISC has not assessed the commercial potential of Mt Kitty for helium production, but notes that extraction costs may be high and the location is remote, which will make development more challenging.

#### 5.3.2. Volumetric estimates and risking

Mt Kitty is delineated by a grid of 2D seismic lines acquired in 2006. The interpretation shows a 4-way dip closure at levels above the basement. The basement pick is unclear on the NW flank and could be a major fault. Central are proposing a Mt Kitty-2 horizontal well targeting the crest of the anticline where crestal fracturing may provide permeability in the basement. The well cost will be at least A\$16million.

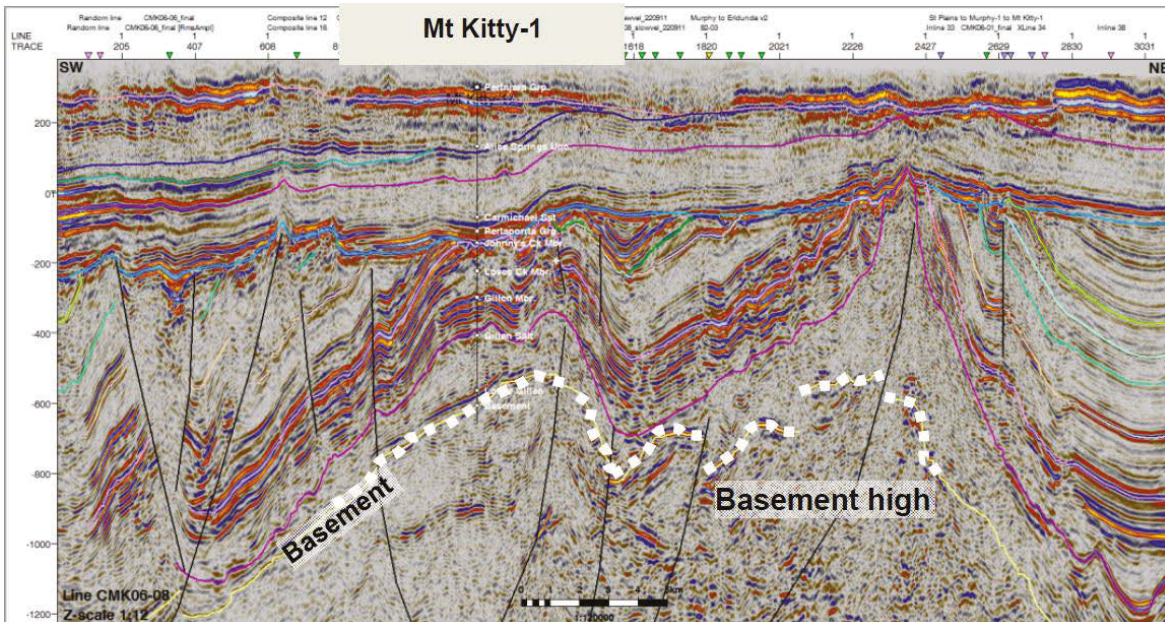


Figure 5-5: Seismic Line across Mt Kitty Prospect

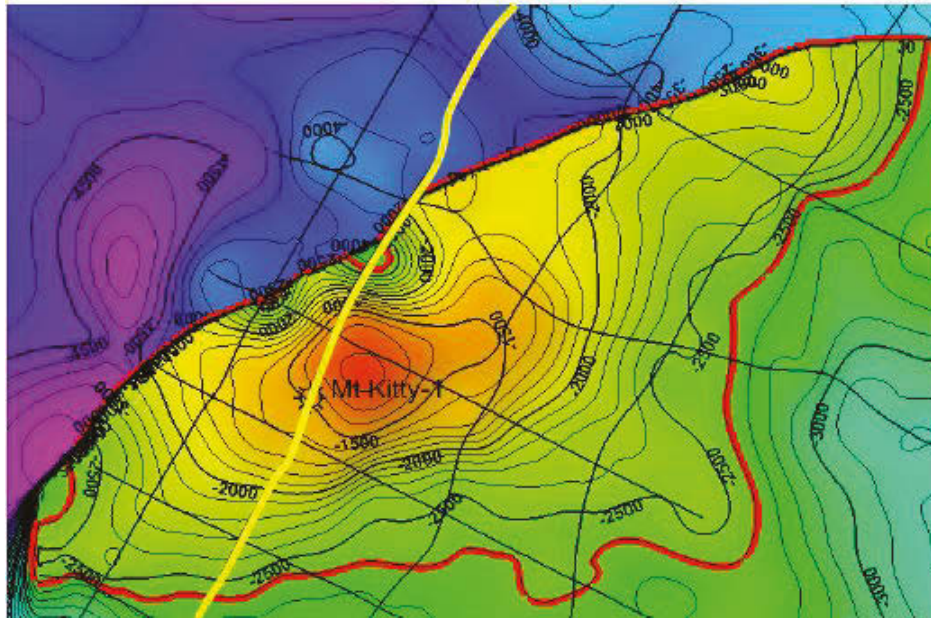


Figure 5-6: Mt Kitty prospect depth map (faulted scenario)

The accumulation limits have been defined by the lowest closing contour at the top of the basement of - 2300mSS. Two volumetric scenarios were produced, RISC has adopted the fault dependent scenario which is more conservative. Gas analysis from Mt Kitty -1 of 70% N<sub>2</sub>, 14% hydrocarbons and 6.6% Helium was used to provide volumes of hydrocarbons.

Table 5-5: Mt Kitty Contingent Resource estimates (Central Petroleum, March 2017)

Parameter	P90	P50	P10
GIIP (Bcf)	71	322	1159
EUR (Bcf)	60	274	985
EUR (Bcf) - Helium	4	18	65
EUR (Bcf) Hydrocarbons	8	38	138

The geological chance of success in Mt Kitty is 100% because Mt Kitty-1 has already established a natural gas and helium resource. The chance of commercial success is dependent on Mt Kitty-2 proving that an economic gas flow rate can be achieved on test and establishing a commercially viable development of either natural gas and/or helium. We believe that the gas processing required to produce pipeline quality natural gas will be prohibitive unless an upside resource outcome eventuates and have not evaluated the commercial potential of the helium. Based on current information, we estimate the chance of commercial success to be negligible at this stage.

## 5.4. Southern Amadeus Farmout Area

### 5.4.1. Introduction

The Southern Amadeus Farmout area encompasses all of EP112 and EP105 and most of area EP82 excluding the graticular blocks around the Dingo Field. EP125 was also included but the commitments were met with the drilling of Mt Kitty-1. A series of 5 leads have been reviewed by RISC in EP112 and EP82, no leads exist in EP105 which is poorly covered by seismic. Santos is farming into these permits in a staged farmin deal.

1. Stage 1 Drill Mt Kitty-1 and 1500km seismic completed to earn 25% (70% in EP125)
2. Stage-2 1300km 2D seismic to increase equity to 40% is currently being acquired
3. Stage 3 Elect to drill a well in each permit to increase to 70% equity (Central 30%)

The largest of the leads is Dukas in EP112 where the bulk of the new seismic is being acquired, hence the most likely to be drilled. The most mature lead at this point is Mahler in EP 82 and is a follow up to the Magee-1 gas and helium sub-commercial discovery.

EP82 expires in 29<sup>th</sup> January 2020, EP105 expires 27 November 2018 and EP112 20 November 2020. Once the current round of seismic acquisition is completed there is the option to enter the final years of each of these permits which have a one well commitment in the case of EP105 and EP112 and two wells in EP82.

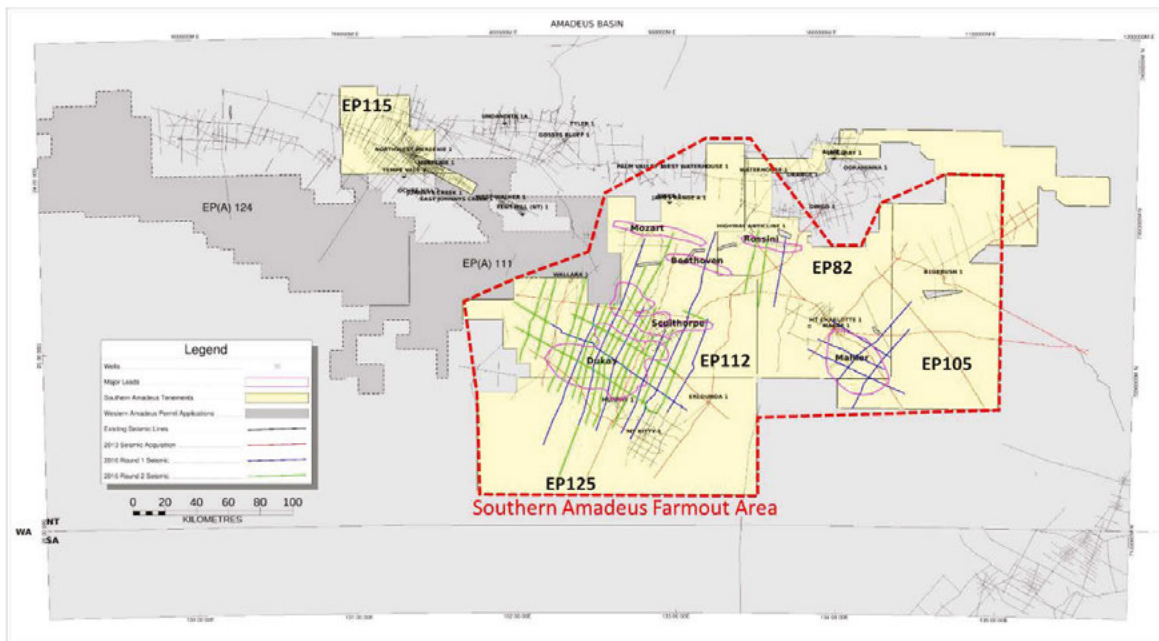


Figure 5-7: Southern Amadeus Farmout area and lead locations

RISC has reviewed the prospective resources and geological probability of success (GPOS) of the leads. The nature of the leads and the sparsity of the current seismic data set means there is a wide uncertainty on prospective resources and the current GPOS is very low. RISC has found that by studying a couple of leads in detail that the methodologies used to derive the prospective resources is reasonable at this time.

#### 5.4.2. Volumetric estimates and risking

Central Petroleum supplied probabilistic volumetric models that RISC requested, it represents the combination of fractured and matrix contribution to gas resources. The plays chosen to represent the relative sizes of the leads are all fractured basement as in the discovery at Mt Kitty-1. Central have calculated resources in the Heavitree Quartzite, which has only been present in Magee-1 (net sand 5-9m thick, 5% porosity). The seismic interpretation is of such a low level of certainty that in most of the leads the calculated resources in the Heavitree and Fractured Basement are mutually exclusive. The exception is Mahler which is updip from Magee-1 and has a P50 EUR of 2.1Bcf Helium and 10.1 Bcf hydrocarbons which is not significant as an unrisks resource. A P50 EUR of 24 Bcf of hydrocarbon gas was also assigned to the shallower Areyonga reservoir in Mahler but with a very high risk on reservoir quality.

The percentage of helium and hydrocarbon gas present in the modelled volumes is based on an average of the compositions of the two discoveries, Mt Kitty-1 and Magee-1 being 6.4% Helium and 31.3% hydrocarbons. The bulk of the remaining gas is Nitrogen 57% and Hydrogen 5.3%.

**Table 5-6: Southern Amadeus Prospective Resource estimates (Central Petroleum, March 2017)**

Lead	Permit	Play Level	Parameter	P90	P50	P10
Dukas	EP112	Fractured Basement	GIIP (Bcf)	1019	4688	17154
			EUR (Bcf)	886	3985	14581
			EUR (Bcf) - Helium	57	255	933
			EUR (Bcf) Hydrocarbons	277	1247	4563
Sculthorpe	EP112	Fractured Basement	GIIP (Bcf)	142	663	2429
			EUR (Bcf)	121	563	2065
			EUR (Bcf) - Helium	8	36	132
			EUR (Bcf) Hydrocarbons	38	176	646
Mahler	EP82	Fractured Basement	GIIP (Bcf)	18	84	297
			EUR (Bcf)	16	71	253
			EUR (Bcf) - Helium	1	5	16
			EUR (Bcf) Hydrocarbons	5	22	79
Jackalope North/Rossini	EP82	Fractured Basement	GIIP (Bcf)	303	1391	5055
			EUR (Bcf)	258	1182	4297
			EUR (Bcf) - Helium	17	76	275
			EUR (Bcf) Hydrocarbons	81	370	1345
Wallara East	EP112	Arumbera Sandstone	GIIP (Bcf)	3	5	7
			EUR (Bcf)	2	3	4



The chance of commercial success is dependent on discovering appreciable quantities of gas, proving that an economic flow rate of either natural gas or helium can be achieved on test and establishing a commercially viable development. We believe that the gas processing required to produce pipeline quality natural gas will be prohibitive for all but the largest of the leads. We have not evaluated the commercial potential of the helium. Based on current information, we estimate the chance of commercial success of these to be below 5%. The smaller leads are not currently viable. The chance of success may increase or decrease as the new seismic data interpretation becomes available.

## 5.5. Value of Permits in CVN Area

### 5.5.1. CVN Economically Recoverable Resources

The Contingent Value Note (CVN) is an unsecured note issued under a trust deed that after a period of four years from Central's acquisition can be redeemed for a part of the total contingent value which is determined by the Economically Recoverable Resources in Bcf in the Relevant Assets. The Economically Recoverable Resources are determined at the 50% confidence level at the equity level held by Central at the time of determination by an Independent Resource Assessor.

In order to assist EYTAS with valuing the CVN, RISC has been instructed to prepare an estimate of potential future Economically Recoverable Resources an assume the effective date of the transaction will be mid-2017.

The Relevant Assets discussed in Sections 5.1 to 5.3 above are contained within:

- The Southern Amadeus Farmout Area comprising permits EP82 (part), EP105 and EP112 operated by Santos (Central 60% which will be reduced to 30% upon completion of the Farmout);
- Ooraminna discovery located in RL3 and RL4 (Central 100% and operator);
- Mt Kitty discovery located in EP125 (Central 30% operated by Santos); and
- Palm Valley Deep Prospect, located under the Palm Valley Field in OL3 (Central 100% and operator).

In order to estimate the Economically Recoverable Resources, it is necessary to form a view on:

- the forward drilling program over the four year period of interest
- the permits in which that drilling will be carried out and the prospects which will be the target of that drilling
- the success case Economically Recoverable Resources of the drilling and the chance that the outcome will be achieved

The drilling program adopted by RISC is as follows:

Low Case 1 well:

- drilling of one well in RL3 and RL4 (Ooraminna)

Best Case 2 wells:

- drilling of one well in RL3 and RL4 (Ooraminna)
- one well in OL3 (Palm Valley Deep)

High Case 4 wells:

- drilling of one well in RL3 and RL4 (Ooraminna)
- one well in OL3 (Palm Valley Deep)
- two wells in the Southern Amadeus farmout Area (Dukas and Jackalope North leads)



Using the range of resource outcomes described in this report and the estimated chances of commercialization, RISC has stochastically estimated the following Economically Recoverable Resources shown in Table 5-7.

**Table 5-7: Estimated Potential Future Contingent Value Note Economically Recoverable Resources**

	Low (Bcf)	Best (Bcf)	High (Bcf)
Estimate of potential future Economically Recoverable Resources in the success case, net to Central	109	125	147
Number of wells drilled	1	2	4
Probability of at least 1 discovery generating Economically Recoverable Resources	20%	30%	40%
Probability of no Economically Recoverable Resources	80%	70%	60%

It should be noted that the Economically Recoverable Resources shown in Table 5-7 have not yet been determined. They are RISC's estimates based on the information currently available to us for a notional drilling program which may or may not eventuate. Based on the drilling program we have adopted, we estimate that there is a 20% to 40% chance that Economically Recoverable Resources will eventuate and there is 60% to 80% chance that no Economically Recoverable Resources will occur.

### 5.5.2. Exploration Valuation of CVN Tenements

The methodology of assessing the current value changes with the maturity of the asset. Ooraminna contains discovered resources contingent on successful appraisal and flow testing and can be valued on a discounted cashflow (DCF) basis with the appropriate commercial risk applied. The Palm Valley Deep prospect can also be valued on a risked DCF basis as an extension of the Palm Valley Field production. RISC has provided production and cost schedules along with estimated risk factors to EYTAS for evaluation of the expected monetary value of these opportunities.

An alternative method is to value the tenements using farmin promotes. Central has the option of choosing to farmout the exploration and appraisal drilling to estimate an alternative farmout value. Aour apporqach is described below.

#### Ooraminna, Palm Valley Deep and Mount Kitty

RISC considers it likely that in the current depressed market conditions, Central either would not find a farminee, or may find one with farmin promotes in the range 1.25 to 1.75 for 1. The permits have been valued based on a notional one well program in each permit with a range of promotes from 1.25 to 1.75 in the mid and high cases (Table 5-8).

### Southern Amadeus Farmout Area

The current 1300km seismic program is costing \$12million to earn Santos an extra 15% equity in the Southern Amadeus Farmout area. Santos already has a 25% equity earned from the first round of seismic. In this second stage Santos is carrying Central's 75% equity cost of \$9million. This equates to a farmin ratio of 5 to 1 which creates a value to Central that is unrealistically high because in our opinion:

- The deal was struck at the height of the market;
- With Santos's capital constraints, we consider it a realistic possibility that Santos may withdraw or seek to modify agreements as they are so far out of the current market;
- Market conditions are very depressed and a farminee would not be able to attract similar terms today.

Santos can elect not to drill and remain at the 40% equity it will hold on the completion of the seismic acquisition in stage 2. Currently, if Santos drills a well at its 100% cost in a permit it earns another 30% equity in that permit which is a 2 for 1 promote at current equity levels.

RISC is of the opinion that the values generated by the Southern Amadeus Farmout terms should not be used to derive value in the current market. Instead a notional program of up to 2 wells with a renegotiated promote of 1.25 for 1 in the third stage has been adopted (Table 5-8).

### Aggregate Value

The values of the assets have been determined at low, mid and high values. As the low and high values of the exploration assets portfolio are derived by the arithmetic addition of the individual assets low and high values, respectively, they represent the possible extremes of the exploration value envelop. While farminees into the individual permits could value the assets at either end of the value range assessed, it is unlikely that potential buyers of the exploration asset portfolio would value all of the assets at either all of the low or all of the high estimated extremes. Their own assessments of individual permits will span the low, mid or high outcomes based on factors including: their strategic objectives and region or geological basin focus; assessment of an asset's prospectivity and associated geological risks; the fiscal and regulatory framework applicable to the asset; accessibility of commercialisation routes, including markets and infrastructure, for each asset; equity interests, operator capability and joint venture partners in each asset.

RISC has determined the low and high values of the portfolio of exploration assets at an estimated one standard deviation from the total mid value of the portfolio resulting in a range in value for the portfolio of A\$2million to A\$6million rounded to the nearest \$million (Table 5-8).

Table 5-8: CVN Relevant Assets potential value of farmin drilling program

Permit	Gross Drilling Cost Estimate A\$million	Equity earned (%)	Central residual Equity (%)	Value to Central at 1.25 for 1 A\$million	Value to Central at 1.75 for 1 A\$million	Minimum Value to Central A\$million	Most Likely Value to Central A\$million	Maximum Value to Central A\$million
RL3/RL4 Ooraminna	\$5	50%	50%	\$0.63	\$1.88	\$0.00	\$0.63	\$1.88
OL3 Palm Valley Deep	\$15	50%	50%	\$1.88	\$5.63	\$0.00	\$1.88	\$5.63
EP125 Mt Kitty	\$16	15%	15%	\$0.60	\$1.80	\$0.00	\$0.60	\$1.80
EP82	\$14	30%	30%	\$1.05	\$3.15	\$0.00	\$0.00	\$1.05
EP105	\$12	30%	30%	\$0.90	\$2.70	\$0.00	\$0.00	\$0.00
EP112	\$16	30%	30%	\$1.20	\$3.60	\$0.00	\$1.20	\$1.20
Total	\$78			\$6.25	\$18.75	\$0.00	\$4.30	\$11.55
<b>Value Range of CVN Relevant Assets A\$ million</b>						<b>\$2.0</b>	<b>\$4.0</b>	<b>\$6.0</b>

## 6. Other Exploration Properties

The “Other Exploration Properties” includes all Central’s acreage outside the Relevant Assets of the CVN. They include the parts of EP82 that form the Dingo Satellite Area, the Western Amadeus, the Georgina Basin Permits, the Pedirka Basin and the Wiso Basin.

### 6.1. Dingo Satellite Prospects EP82DSA

#### 6.1.1. Introduction

The Dingo leads are located in permit EP82 (Dingo Satellite Area) which consists of two areas northwest and southeast of L7, in the Eastern Amadeus Basin. These areas are not included in the Santos Farmin to EP82 and are held 100% by Central.

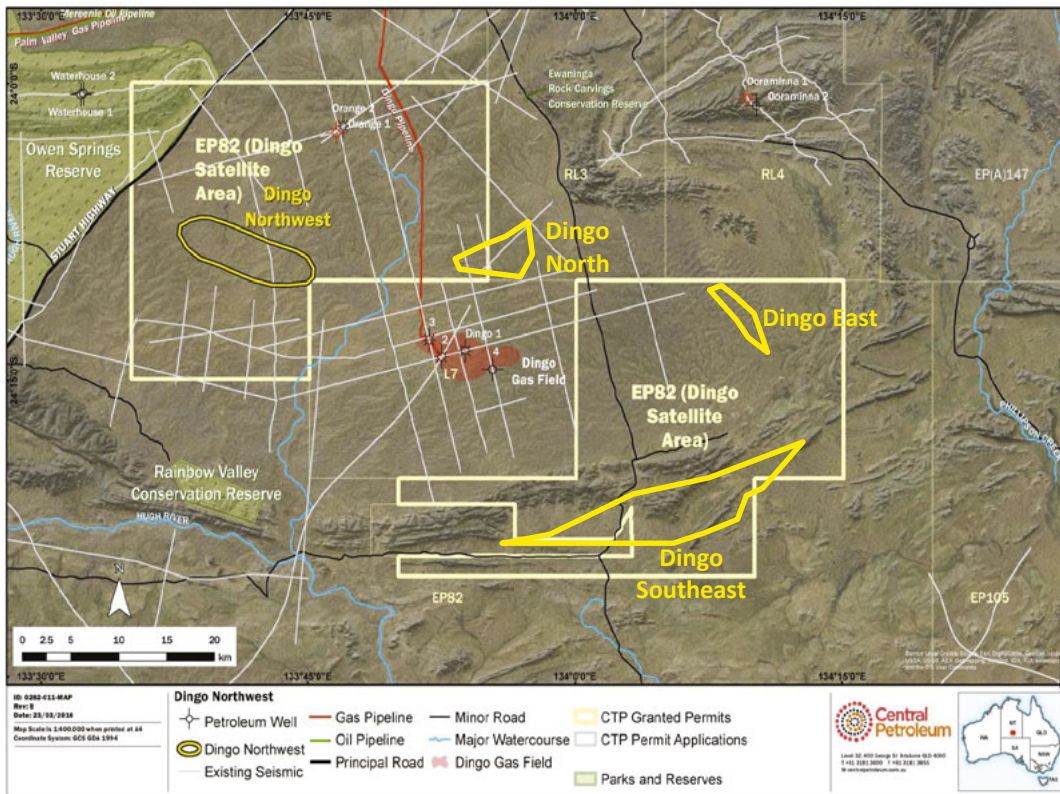


Figure 6-1: Location map for Dingo Prospects

All of the leads target structures in the Arumbera Sandstone, the gas reservoir in the Dingo Field. The target depth varies from 1700m to 3200mGL TVD. There is a requirement for one well to be drilled in EP82 by 29<sup>th</sup> January 2019 and a second well in the following year if those years are entered. These can be drilled in the Santos farmin areas instead. There has been limited seismic acquisition undertaken by Central Petroleum and further acquisition is required to delineate and de-risk the leads.

### 6.1.2. Volumetric estimates and risking

RISC has reviewed Central's probabilistic volumetric models . RISC has found that by studying a couple of leads in detail that the methodologies used to derive the prospective resources is reasonable for this level of lead.

**Table 6-1: Dingo Satellite Area Prospective Resource estimates (Central Petroleum, March 2017)**

Lead	Parameter	P90	P50	P10
Dingo Northwest	GIIP (Bcf)	138	188	255
	EUR (Bcf)	83	113	153
Dingo North	GIIP (Bcf)	18	24	33
	EUR (Bcf)	11	15	20
Dingo East	GIIP (Bcf)	29	39	53
	EUR (Bcf)	17	23	32
Dingo Southeast	GIIP (Bcf)	120	163	221
	EUR (Bcf)	72	97	133

Due to the nature of the leads and the sparsity of the current seismic data set, we are of the opinion that these are currently relatively high risk opportunities and have assessed the geological probability of success (GPOS) in the range 10% to 20% for Dingo Northwest and Dingo North and less than 10% for Dingo East and Dingo Southeast. Further 2D seismic has been planned before drilling which will increase the GPOS by confirming the trap configurations and possibly detecting reservoir gas with direct hydrocarbon indicators.

## 6.2. Western Amadeus

### 6.2.1. Introduction

The Western Amadeus includes EP115, EP 115(North Mereenie Block) and production license L6 over the Surprise Field.

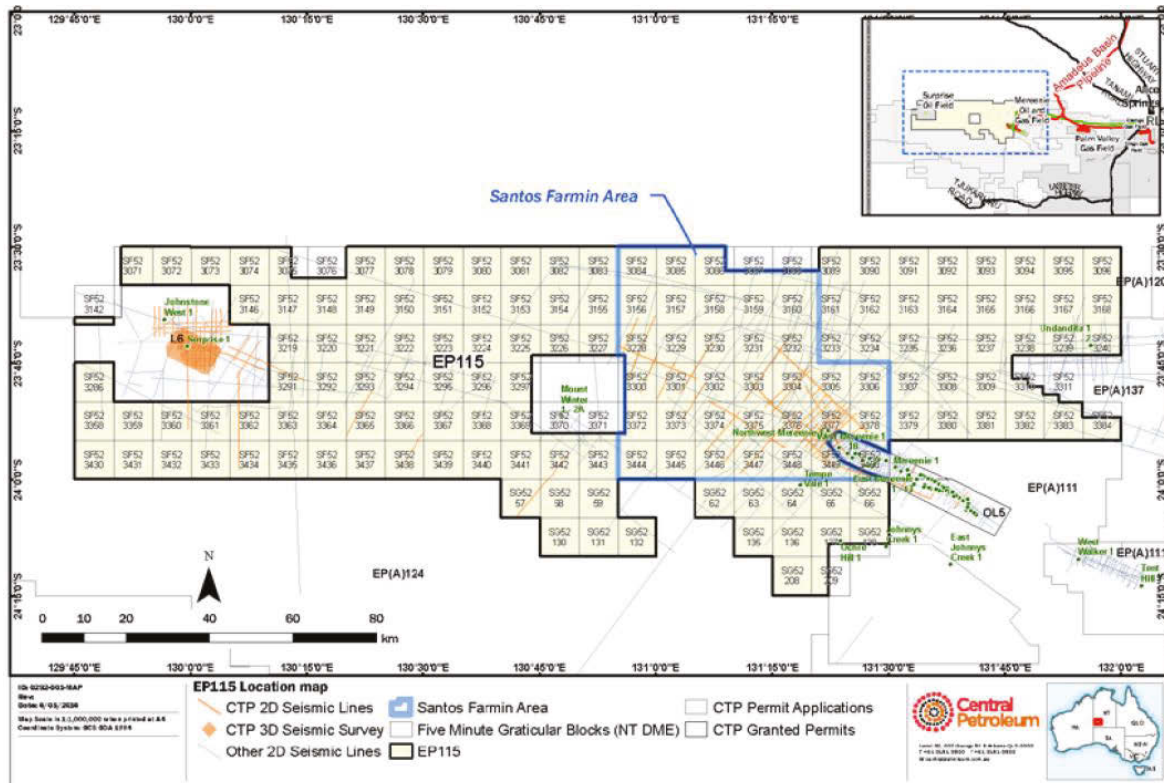


Figure 6-2: Location map for Dingo Prospects

The Santos Farmin area, EP115NMB, is part of the greater Santos Farmin agreement including the Southern Amadeus Permits and EP93 and EP97. Santos acquired 300km 2D in the first permit term for 40% equity and has the option to drill a well in the second term for a further 30% equity. EP115 as a whole is in year 2 of the 5 year renewal term and has a committed work program that includes 500km of 2D reprocessing and 500km of 2D acquisition and one well. EP115 expires on 16/04/2020.

Santos are the operator of EP115NMB and were interested in extensions to the Mereenie Field. The other prospectivity is considered by Central to be low.

The Surprise oil field in L6 is a very small accumulation (EUR 0.8 MMbbl P50) that was put on extended production test until the oil price fell making it uneconomic. The oil is reservoir in the Ordovician Lower Stairway Sandstone at 2600m GL TVD. A small 3D seismic grid covers the field and there is a proposed location for a second well on Surprise East. There is no obligation to drill and it is unlikely that Central would drill it.

### 6.3. Pedirka Basin

Central have recently applied to relinquished EP93, EP 97 and EP107. Central have two application areas, EP(A)130 and EP(A)131 which they have been slowly processing through the approvals process since 2006.

RISC assigns no value to the application areas as there is no immediate certainty to them being granted.

### 6.4. Georgina Basin

#### 6.4.1. Introduction

Central hold three permits in the Toko Syncline of the Georgina Basin; ATP909, ATP911 and ATP912 and an application block EP(A)132. Following Total's withdrawal from the Basin, Central have 100% equity in these blocks. The only remaining potential is in the appraisal of Ethabuka gas discovery which is located in ATP909 in the Southern Georgina Basin approximately 175km SW of Boulia, QLD. The trap is a fault dependent 3-way dip anticline. The primary objective is gas in the Lower Ordovician, Coolibah Formation at 1730mGL TVD. The secondary objective is gas in the Hagen/Steamboat at 2690/2750mGL TVD. The Reservoir lithology is carbonate.

Ethabuka 1 (1973) flowed dry gas at approximately 0.2 MMcfd from 1793m MD in the Coolibah formation. The well was abandoned prematurely due to mechanical difficulties. The Coolibah was mud logged but not wireline logged.

ATP909 is in its 4<sup>th</sup> year which has been extended by 2 years to 10/3/2019;. The commitment is to drill 2 wells to 2500m or 4 wells to between 1000m and 1500m. RISC believes it will be difficult to justify meeting the drilling commitment.

#### 6.4.2. Volumetric estimates and risking

RISC has reviewed Central's probabilistic volumetric models and has found the assumptions and methodology to be reasonable. The resources are split into the Coolibah formation where gas has been established and the Steamboat and Hagen reservoirs.

Table 6-2: Ethabuka Prospective Resource estimates (Central Petroleum, March 2017)

Reservoir	Parameter	P90	P50	P10
Ethabuka (Coolibah)	GIIP (Bcf)	60	86	122
	EUR (Bcf)	36	52	73
Ethabuka (Steamboat/Hagen)	GIIP (Bcf)	176	260	380
	EUR (Bcf)	105	156	228

RISC estimates the GPOS for Coolibah to be approximately 30% and around 20% for Steamboat/Hagen.

## 6.5. Wiso Basin

Central have applied for 4 permits in the Wiso Basin; EP(A)92, EP(A)129, EP(A)160 and EP(A)296. The applications are stalled in the approval process since 2008 or, in the case of EP(A)296, is in a total moratorium. RISC assigns no value to the application areas as there is no immediate certainty to them being granted.

## 6.6. Value of Other Exploration Properties

RISC has assessed the value of the other exploration properties on the same farmout value basis as the CVN properties. RISC considers it likely that in the current depressed market conditions Central either would not find a farminee (zero value), or in the high case find a farminee at a farmin ratio of 1.75 for 1 or a Most Likely case of 1.25 for 1. Using the well and seismic costs provided by Central and after adjusting for the portfolio effect, RISC estimates an aggregate value range \$1million to \$4million (Table 6-3).

Table 6-3: Value of exploration permits outside CVN areas (RISC, March 2017)

Area	Work Program	Gross Exploration Cost Estimate A\$million	Equity earned (%)	Central residual Equity (%)	Value to Central at 1.25 for 1 A\$million	Value to Central at 1.75 for 1 A\$million	Minimum Value to Central A\$million	Most Likely Value to Central A\$million	Maximum Value to Central A\$million
Dingo Satellites	1 well on a Dingo prospect	\$5	50%	50%	\$0.63	\$1.88	\$0.00	\$0.63	\$1.88
Western Amadeus	500km of 2D seismic	\$5	50%	50%	\$0.63	\$1.88	\$0.00	\$0.63	\$1.88
Georgina Basin, Ethabuka	1 well on Ethabuka	\$10	50%	50%	\$1.25	\$3.75	\$0.00	\$1.25	\$3.75
Total		\$20.00			\$2.50	\$7.50	\$0.00	\$2.50	\$7.50
<b>Value Range for Other Exploration Properties A\$ million</b>							<b>\$1</b>	<b>\$3</b>	<b>\$4</b>

## 7. Declarations

### 7.1. Qualifications

RISC is an independent oil and gas advisory firm. The RISC staff engaged in this assignment include qualified petroleum reserves and resources evaluators as specified in ASX listing rules, engineers, geoscientists and commercial analysts, each with many years of relevant experience and most have in excess of 20 years.

RISC was founded in 1994 to provide independent advice to companies associated with the oil and gas industry. Today the company has approximately 40 highly experienced professional staff at offices in Perth and Brisbane, Jakarta and London. Our services cover the entire range of the oil and gas business lifecycle and include:

- Oil and gas asset valuations, expert advice to banks for debt or equity finance;
- Exploration/Portfolio management;
- Field development studies and operations planning;
- Reserves assessment and certification, peer reviews;
- Gas market advice;
- Independent Expert/Expert Witness;
- Strategy and corporate planning.

The preparation of this report has been supervised by Mr Geoffrey Barker, RISC Partner. He has thirty-five years of global experience in the upstream hydrocarbon industry, with extensive expertise in the areas of asset valuation, business strategies, evaluation of conventional and non-conventional petroleum (coal seam gas and tight gas), due diligence assessment for mergers, acquisitions and project finance requirements and reserves assessment/certification and preparation of Independent Technical Specialist reports. Mr. Barker is a Past Chairman of the SPE WA Section, a past member of the SPE International's Oil and Gas Reserves Committee 2007-2009, and is a co-author of the Guidelines for Application of the Petroleum Resources Management System published by the SPE in November 2011 (Chapter 8.5 Coal Bed Methane). Mr Barker is a Member of the Society of Petroleum Engineers (SPE), and holds a BSc (Chemistry), Melbourne University, 1980 and a M.Eng.Sc. (Pet. Eng.), Sydney University, 1989, a member of the Australian Institute of Company Directors and is a qualified petroleum reserves and resources evaluator (QPPRE) as defined by ASX listing rules.

The summary of experience of other staff contributing to this report follows:

Bruce Gunn, Principal Advisor has over 35 years' experience in Australia, Southeast Asia and Holland, particularly in the assessment and reporting of hydrocarbon reserves. Mr Gunn has undertaken various studies of a reservoir/petroleum engineering and planning nature including CSG resource assessments and valuations in Europe, India, Indonesia and Australia, conventional gas and oil resource assessments and forecasts in Azerbaijan, Australia, Brunei, Holland, Indonesia, PNG, the Philippines and New Zealand. His experience includes co-ordination of multi-disciplinary studies and report preparation, preparation of Expert Witness Statements, data room attendance, peer and gate reviews and preparation of Independent Technical Expert's reports. Mr Gunn is a Member of the SPE, holds a BSc Hons 1st Class (Earth Sciences), Flinders University of SA, 1975 and a MSc cum laude (Oceanography), University of Cape Town, 1977 and is a qualified petroleum reserves and resources evaluator (QPPRE) as defined by ASX listing rules



David Cliff, Head of Geoscience is a Petroleum Geologist with over 30 years of upstream experience focused mainly on exploration in technical and management roles. He has worked for Australian and international companies, both large and small, from Woodside Petroleum to Bridge Oil. More recently he has held the position of Exploration Manager at Hardman Resources and Neon Energy giving him exposure to exploration in Africa and Southeast Asia respectively. Mr Cliff has also had experience as a resource stock analyst at BBY and held the role of Managing Director at Gas Link Global. David is a past President of and current member of the Petroleum Exploration Society of Australia, a member of American Association of Petroleum Geologists and a graduate of the Australian Institute of Company Directors.

Nick Hall, Principal Advisor has 35 years of international experience as a geoscientist, gained from operating, consulting and service company environments. He has extensive experience with clastic and CSG sequences in the UK, North Sea, South America, Middle East, Africa, China, India and Australia. He has held various technical and leadership positions in multiple disciplinary project teams involved in development planning, reservoir management plus equity and reserves determination. He was Subsurface Development Manager for Santos' Scotia CSG Project; the Mereenie oil and gas field and Chief Geologist for ZeroGen's CO2 Sequestration Project. Mr Hall has a specialisation in development geology with extensive experience of tight gas reservoir characterisation, geomechanics and 3D reservoir modelling. He holds a BSc (Hons) Geology, University of Durham, UK, 1981 and is a member of the SPE and a member of American Association of Petroleum Geologists.

Antony Corrie-Keilig, Principal Consultant has over 19 years of worldwide experience in petroleum operations, completions and production and reservoir engineering, reservoir surveillance and management, asset evaluation, competent persons reports (CPR) and reserves reporting. His experience comes from working in numerous assignments around the world for Gaffney Cline & Associates, Senegy and RISC. Where he has prepared Competent Person Reports for the ASX, SGX, KLSE and TSX and performed production and reservoir engineering, integrated production modelling, production data analysis and commercial analysis as part of multi-disciplinary teams. Mr Corrie-Keilig is a registered Petroleum Engineer on the National Engineering Register (NER), a Fellow of the Institution of Engineers Australia (FIE Aust) and Chartered Professional Engineer (CPEng), a SPE Certified Petroleum Engineer (SPEC), APEC International Registration in Petroleum Engineering (IntPE Aus), Registered Professional Engineer Board of Professional Engineers Queensland (RPEQ) a member of the SPE and Society of Petroleum Evaluation Engineers (SPEE) and is a qualified petroleum reserves and resources evaluator (QPPRE) as defined by ASX listing rules.

Simon Whitaker, RISC Partner has over 30 years of experience in the petroleum industry in UK, Egypt, South East Asia and Australia. He has a background in petroleum engineering including reservoir and production engineering, well evaluation and varied operational experience. His subsequent career development has involved an MBA, asset management, field development planning and implementation and commercial roles. Mr Whitaker currently leads the Development Engineering function in RISC. This involves taking responsibility for Drilling & Completions, Facilities, Project performance, Operations and HSE aspects of RISC assignments. Mr Whitaker is a member of the SPE and holds an MBA – International Business & Export Management, City University Business School, 1991, and MSc Petroleum Engineering, Imperial College of Science and Technology, 1981 and a BSc (Hons) Engineering Geology, University of Newcastle Upon Tyne, 1980

Gareth Lee, Senior Consultant has nine years' upstream oil and gas experience, covering both hands-on site supervision as a field engineer with Schlumberger, and upstream project consulting and analysis for global E&P companies. After four years with Schlumberger, Mr Lee spent nearly four years as a consultant

performing evaluations of capital projects for the upstream oil and gas industry. This involved critical analysis and review of project cost, schedule, production, risk, technology, and business strategy, with a strong focus on the front-end practices that drive investment success in E&P developments. Mr Lee is a member of the SPE, holds a Graduate Certificate of Business Administration (Oil and Gas), Curtin Business School, 2015, a Graduate Diploma Project Management (High Distinction), Curtin University of Technology, 2013 and a Bachelor of Chemical & Process Engineering (Honours), Canterbury University, 2006.

## **7.2. VALMIN Code and ASIC Regulatory Guides**

This Report has been prepared by RISC. This Report has been prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2015 Edition (“The VALMIN Code”) as well as the Australian Securities and Investment Commission (ASIC) Regulatory Guides 111 and 112.

## **7.3. Petroleum Resources Management System**

In the preparation of this Report, RISC has complied with the guidelines and definitions of the Petroleum Resources Management System approved by the Board of the Society of Petroleum Engineers in 2007 (PRMS).

## **7.4. Report to be presented in its entirety**

RISC has been advised by Central that this report will be presented in its entirety without summarisation.

## **7.5. Independence**

This report does not give and must not be interpreted as giving, an opinion, recommendation or advice on a financial product within the meaning of section 766B of the Corporations Act 2001 or section 12BAB of the Australian Securities and Investments Commission Act 2001.

RISC is not operating under an Australian financial services licence in providing this report.

In accordance with regulation 7.6.01(1)(u) of the Corporations Regulation 2001. RISC makes the following disclosures:

- RISC is independent with respect to Central and confirms that there is no conflict of interest with any party involved in the assignment;
- Under the terms of engagement between RISC and Central for the provision of this report RISC will receive a time-based fee, with no part of the fee contingent on the conclusions reached, or the content or future use of this report. Except for these fees, RISC has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report;
- Neither RISC nor any of its personnel involved in the preparation of this report have any material interest in Central or in any of the properties described herein;
- RISC not provided professional services to Central in the past two years.
- RISC has not provided advice to Central specifically in relation to the Transaction.

## 7.6. Limitations

The assessment of petroleum assets is subject to uncertainty because it involves judgments on many variables that cannot be precisely assessed, including reserves, future oil and gas production rates, the costs associated with producing these volumes, access to product markets, product prices and the potential impact of fiscal/regulatory changes.

The statements and opinions attributable to RISC are given in good faith and in the belief that such statements are neither false nor misleading. In carrying out its tasks, RISC has considered and relied upon information obtained from Central as well as information in the public domain.

The information provided to RISC has included both hard copy and electronic information supplemented with discussions between RISC and senior Central staff.

Whilst every effort has been made to verify data and resolve apparent inconsistencies, we believe our review and conclusions are sound, but neither RISC nor its servants accept any liability, except any liability which cannot be excluded by law, for its accuracy, nor do we warrant that our enquiries have revealed all of the matters, which an extensive examination may disclose.

RISC has not audited the opening balances at the economic evaluation date of past recovered and unrecovered development and exploration costs, undepreciated past development costs and tax losses or property titles.

We believe our review and conclusions are sound but no warranty of accuracy or reliability is given to our conclusions.

Our review was carried out only for the purpose referred to above and may not have relevance in other contexts.

This report was substantially completed by 27 March 2017. We are not aware of any changes since that date that would have a material impact on the values and opinions contained within this report.

## 7.7. Consent

RISC has consented to this report, in the form and context in which it appears, being included in the Prospectus. Neither the whole nor any part of this report nor any reference to it may be included in or attached to any other document, circular, resolution, letter or statement without the prior consent of RISC.

This Report is authorised for release by Mr. Geoffrey Barker, RISC Partner dated 27 April 2017.



**Geoffrey J Barker**

**Partner**

## 8. Tabulation of petroleum tenement terms

Table 8-1: Discovered asset summary

Asset		Operator	Central working interest %	Status	Licence expiry date	Licence area km <sup>2</sup>	Comments
Basin	Block						
Amadeus	L6	Central	100	Production Licence	24/02/2039	932.5	Surprise
	L7	Central	100	Production Licence	6/07/2039	470.2	Dingo
	OL3	Central	100	Production Licence	5/11/2024	631.1	Palm Valley
	OL4	Central	50	Production Licence	17/11/2023	124	West Mereenie
	OL5	Central	50	Production Licence	17/11/2023	158.2	East Mereenie
	RL3	Central	100	Retention Licence	5/03/2018	471	Ooraminna
	RL4	Central	100	Retention Licence	5/03/2018	536.4	Ooraminna

Table 8-2: Amadeus Basin exploration asset summary

Basin	Asset		Central working interest %	Status	Licence expiry date	Licence area km <sup>2</sup>	Comments
	Block	Operator					
Amadeus	EP105	Santos	60	Granted	27/11/2018	9,786.7	
	EP106	Santos	60	Granted	27/12/2016	4,102.6	
	EP111	Central	100	Under Application		9,094.7	
	EP112	Santos	60	Granted	21/08/2021	14,127.8	
	EP115	Central	100	Granted	16/04/2020	8,825.5	
	EP115 NM	Santos	60	Granted	16/04/2020	2,651	North Mereenie
	EP120	Central	100	Under Application		601.8	
	EP124	Central	100	Under Application		14,027.1	
	EP125	Santos	30	Granted	6/6/21	12,815.4	
	EP133	Central	100	Under Application		8,839.7	In Moratorium
	EP137	Central	100	Under Application		5,140.1	In Moratorium
	EP147	Central	100	Under Application		1,251.6	
	EP149	Central	100	Under Application		2,168.2	
	EP152	Central	100	Under Application		4,307.7	
	EP82	Santos	60	Granted	29/01/2020	11,447.2	
	EP82 DSA	Central	100	Granted	29/01/2018	11,447.2	Dingo Satellite Area

Table 8-3 Georgina, Pedirka and Wiso basins asset summary

Asset		Operator	Central working interest %	Status	Licence expiry date	Licence area km <sup>2</sup>	Comments
Basin	Block						
Georgina	ATP 909	Central	90	Granted	10/03/2019	2,672.1	
	ATP 911	Central	90	Granted	10/03/2019	4,329.7	
	ATP 912	Central	90	Granted	10/03/2019	7,362.2	
	EP132	Central	100	Under Application		9,554	
Pedirka	EP107	Central	100	Granted	27/09/2018	6,952.9	
	EP130	Central	100	Under Application		14,551.1	
	EP131	Central	100	Under Application		2,244.5	
	EP93	Central	100	Granted	29/01/2019	9,080.4	Conventional and CSG
	EP97	Central	100	Relinquishing	22/06/2018	11,406.1	Conventional and CSG
Wiso	EP129	Central	100	Under Application		11,774.9	
	EP160	Central	100	Under Application		15,374.9	
	EP296	Central	100	Under Application		7,579.3	
	EP92	Central	100	Under Application		8,549.3	

## 9. List of terms

### 9.1. Abbreviations

The following table lists abbreviations commonly used in the oil and gas industry and which may be used in this report.

Term	Definition
1P	Equivalent to Proved reserves or Proved in-place quantities, depending on the context.
1Q	1st Quarter
2P	The sum of Proved and Probable reserves or in-place quantities, depending on the context.
2Q	2nd Quarter
2D	Two dimensional
3D	Three dimensional
4D	Four dimensional
3P	The sum of Proved, Probable and Possible reserves or in-place quantities, depending on the context.
3Q	3rd Quarter
4Q	4th Quarter
AFE	Authority for expenditure
bbl	US barrel
bbl/d	US barrels per day
Bcf	Billion (10 <sup>9</sup> ) cubic feet
Bcm	Billion (10 <sup>9</sup> ) cubic meters
BFPD	Barrels of fluid per day
BOPD	Barrels of oil per day
BTU	British thermal units
BOEPD	US barrels of oil equivalent per day
BWPD	Barrels of water per day
°C	Degrees Celsius
Capex	Capital expenditure
CAPM	Capital asset pricing model
CGR	Condensate gas ratio
CO <sub>2</sub>	Carbon dioxide
cP	Centipoise
CPI	Consumer price index
DEG	Degrees
DHI	Direct hydrocarbon indicator
DST	Drill stem test
E&P	Exploration and production
EMV	Expected monetary value
EOR	Enhanced oil recovery
ESMA	European Securities and Markets Authority
ESP	Electric submersible pump

Term	Definition
EUR	Estimated ultimate recovery
F	Degrees Fahrenheit
FDP	Field development plan
FEED	Front end engineering and design
FID	Final investment decision
FM	Formation
FPSO	Floating production, storage and offtake unit
FWL	Free water level
FVF	Formation volume factor
GIIP	Gas initially in place
GJ	Gigajoules ( $10^9$ J)
GOC	Gas-oil contact
GOR	Gas oil ratio
GRV	Gross rock volume
GSA	Gas sales agreement
GTL	Gas to liquid(s)
GWC	Gas water contact
H <sub>2</sub> S	Hydrogen sulphide
HHV	Higher heating value
ID	Internal diameter
IRR	Internal rate of return
JV(P)	Joint venture (parties)
Kh	Horizontal permeability
km <sup>2</sup>	Square kilometres
Krw	Relative permeability to water
Kv	Vertical permeability
kPa	Kilopascals (thousand Pascal)
Mstb/d	Thousand stock tank barrels per day
LIBOR	London inter-bank offered rate
LNG	Liquefied natural gas
LTBR	Long-term bond rate
m	Metres
MDT	Modular dynamic (formation) tester
mD	Millidarcies
MJ	Megajoules ( $10^6$ J)
MMbbl	Million US barrels
MMscf(/d)	Million standard cubic feet (per day)
MMstb	Million US stock tank barrels
MOD	Money of the day (nominal dollars)
MOU	Memorandum of understanding
Mscf	Thousand standard cubic feet
Mstb	Thousand US stock tank barrels

Term	Definition
MPa	Megapascal (10 <sup>6</sup> Pa)
mss	Metres subsea
MSV	Mean success volume
mTVDss	Metres true vertical depth subsea
MW	Megawatt
NPV	Net present value
NTG	Net to gross
ODT	Oil down to
OGIP	Original gas in place
OOIP	Original oil in place
Opex	Operating expenditure
OWC	Oil-water contact
PBU	Pressure build-up
PJ	Petajoules (10 <sup>15</sup> J)
POS	Probability of success
PRMS	Petroleum Resources Management System
PSC	Production sharing contract
PSDM	Pre-stack depth migration
PSTM	Pre-stack time migration
psia	Pounds per square inch pressure absolute
p.u.	Porosity unit
PVT	Pressure, volume and temperature
QA/QC	Quality assurance/ control
rb/stb	Reservoir barrels per stock tank barrel (at standard conditions)
RFT	Repeat formation tester
RT	Rotary table or real terms, depending on context
SC	Service contract
scf	Standard cubic feet (measured at 60 degrees F and 14.7 psia)
Sg	Gas saturation
Sgr	Residual gas saturation
SRD	Seismic reference datum lake level
SPE	Society of Petroleum Engineers
s.u.	Fluid saturation unit
stb	Stock tank barrels
STOIIP	Stock tank oil initially in place
Sw	Water saturation
TCM	Technical committee meeting
Tcf	Trillion (10 <sup>12</sup> ) cubic feet
TJ	Terajoules (10 <sup>12</sup> J)
TLP	Tension leg platform
TRSSV	Tubing retrievable subsurface safety valve
TVD	True vertical depth

Term	Definition
US\$	United States dollar
US\$ million	Million United States dollars
WACC	Weighted average cost of capital
WHFP	Well head flowing pressure
WPC	World Petroleum Council
WTI	West Texas Intermediate

## 9.2. Definitions

The following table lists some definitions for terms commonly used in the oil and gas industry and which may be used in this report.

Term	Definition
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources as defined in the SPE-PRMS.
Discount Rate	The interest rate used to discount future cash flows into a dollars of a reference date
EG	Gas expansion factor. Gas volume at standard (surface) conditions/gas volume at reservoir conditions (pressure and temperature)
Expectation	The mean of a probability distribution.
P90, P50, P10	90%, 50% & 10% probabilities respectively that the stated quantities will be equalled or exceeded. The P90, P50 and P10 quantities correspond to the Proved (1P), Proved + Probable (2P) and Proved + Probable + Possible (3P) confidence levels respectively if probabilistic techniques are used.
Possible Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.
Probable Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Probable Reserves are those additional Reserves that are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
Prospective Resources	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations as defined in the SPE-PRMS.
Proved Reserves	As defined in the PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used,

Term	Definition
	there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. Often referred to as 1P, also as “Proven”.
Reserves	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.
Working interest	A company’s equity interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms.

## Part 2 – Financial Services Guide

**THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT EXPERT'S REPORT**

28 April 2017

### 1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited (“EY Transaction Advisory Services” or “we,” or “us” or “our”) has been engaged to provide general financial product advice in the form of an Independent Expert’s Report (“Report”) in connection with a financial product of another person. The Report is set out in Part 1.

### 2. Financial Services Guide

This Financial Services Guide (“FSG”) provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

### 3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- ▶ Financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- ▶ Arranging to deal in securities.

### 4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

### 5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is \$143,000 (inclusive of GST).

EY Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.



Except for the fees and benefits referred to above, EY Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

**6. Associations with product issuers**

EY Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

**7. Responsibility**

The liability of EY Transaction Advisory Services, if any, is limited to the contents of this Financial Services Guide and the Report.

**8. Complaints process**

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

**9. Compensation Arrangements**

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act 2001.

<p><b>Contacting Ernst &amp; Young Transaction Advisory Services</b></p> <p>AFS Compliance Manager Ernst &amp; Young 200 George Street Sydney NSW 2000</p> <p>Telephone: (02) 9248 5555</p>	<p><b>Contacting the Independent Dispute Resolution Scheme:</b></p> <p>Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08</p>
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This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

# **ATTACHMENT B DEED POLL**

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8-12 Chifley Square, Sydney NSW 2000, Australia  
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**CORRS  
CHAMBERS  
WESTGARTH**  
lawyers

Sydney  
Melbourne  
Brisbane  
Perth

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Macquarie MPVD Pty Ltd

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Macquarie Amadeus Pty Limited

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# Deed Poll

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## This Deed Poll is made on 26 April 2017

By **Macquarie MPVD Pty Ltd** ACN 616 486 983 of Level 6, 50 Martin Place, Sydney, New South Wales (**BidCo**) and **Macquarie Amadeus Pty Limited**, ACN 617 817 893 of Level 6, 50 Martin Place, Sydney, New South Wales (**Note Issuer**)

In favour of each Scheme Shareholder.

---

## Background

- A The directors of Central consider that it is in the interests of Central that Scheme Shareholders should consider approving the Scheme.
  - B Accordingly, the directors of Central have resolved that Central should propose the Scheme.
  - C The effect of the Scheme will be to transfer all Scheme Shares to BidCo in return for the Scheme Consideration.
  - D On 9 March 2017, Central and Bidco entered into the Central Scheme Deed to provide for, subject to the satisfaction of Conditions Precedent, (among other matters) the implementation of the Scheme.
  - E Each of the BidCo Parties are entering into this deed poll to covenant in favour of Scheme Shareholders to perform their obligations under the Scheme, including in respect of the provision of the Scheme Consideration to Scheme Shareholders.
- 

## Agreed terms

### 1 Definitions and interpretation

#### 1.1 Definitions

In this document:

<b>BidCo Parties</b>	means BidCo and the Note Issuer.
<b>Central</b>	means Central Petroleum Limited ACN 083 254 308 of Level 7, 369 Ann Street, Brisbane, QLD 4000 as trustee for the Scheme Shareholders
<b>Central Scheme Deed</b>	means the Central Scheme Deed dated 9 March 2017 between Central and Bidco, as amended by the Variation Deed, and otherwise amended from time to time.
<b>Variation Deed</b>	the deed so entitled between Central and Macquarie MPVD dated 26 April 2017 amending

the Central Scheme Deed.

## **1.2 Terms defined in Scheme**

Words and phrases defined in the Scheme have the same meaning in this deed poll unless the context requires otherwise.

## **1.3 Incorporation by reference**

The provisions of clauses 1.2, 1.3 and 1.4 of the Scheme form part of this deed poll as if set out at length in this deed poll but with 'deed poll' substituted for 'document' and with any reference to 'party' being taken to include BidCo and the Note Issuer.

## **2 Nature of this deed poll**

The BidCo Parties agree that this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not a party to it.

## **3 Conditions**

### **3.1 Conditions**

The obligations of each of the BidCo Parties under this deed poll are subject to the Scheme becoming Effective.

### **3.2 Termination**

Subject to clause 6, this deed poll and the obligations of each of the BidCo Parties will automatically terminate and this deed poll will be of no further force or effect if:

- (a) the Central Scheme Deed is terminated in accordance with its terms before the Scheme becomes Effective, or
- (b) the Scheme is not Effective on or before the End Date or any later date as the Court, with the consent of Central and BidCo, may order.

### **3.3 Consequences of termination**

If this deed poll terminates under clause 3.2, in addition and without prejudice to any other rights, powers or remedies available to them:

- (a) each of the BidCo Parties are released from their respective obligations to further perform this deed poll;
- (b) each Scheme Shareholder retains the rights they have against BidCo in respect of any breach of this deed poll by BidCo which occurred before it terminated; and
- (c) each Scheme Shareholder retains the rights they have against the Note Issuer in respect of any breach of this deed poll by the Note Issuer which occurred before it terminated.

## 4 Performance of obligations

### 4.1 Generally

- (a) Subject to clause 3, BidCo undertakes in favour of Scheme Shareholders to:
  - (i) perform the actions attributed to it under the Scheme and otherwise comply with the Scheme as if it was a party to the Scheme; and
  - (ii) comply with its obligations under the Central Scheme Deed in so far as that agreement relates to the Scheme, and do all things necessary or expedient on its part to implement the Scheme.
- (b) Subject to clause 3, the Note Issuer undertakes in favour of Scheme Shareholders to:
  - (i) perform the actions attributed to it under the Scheme and otherwise comply with the Scheme as if it was a party to the Scheme; and
  - (ii) do all things necessary or expedient on its part to implement the Scheme.

### 4.2 Provision of Scheme Consideration

- (a) Subject to clause 3:
  - (i) BidCo undertakes in favour of each Scheme Shareholder to provide or procure the provision of the Cash Component of the Scheme Consideration, as determined under clause 5.2 of the Scheme, to each Scheme Shareholder in accordance with the terms of the Scheme; and
  - (ii) the Note Issuer undertakes in favour of each Scheme Shareholder to provide or procure the provision of the Contingent Value Note Component of the Scheme Consideration, as determined under clause 5.3 of the Scheme, in accordance with the terms of the Scheme.

## 5 Warranties

Each of the BidCo Parties represents and warrants to each Scheme Shareholder that:

- (a) **(status)** it is a corporation duly incorporated and validly existing under the laws of the place of its incorporation;
- (b) **(power)** it has the power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;

- (c) **(corporate authorisations)** it has taken all necessary corporate action to authorise the entry into and performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) **(documents binding)** this deed poll is valid and binding on it and enforceable against it in accordance with its terms.

## 6 Continuing Obligations

### 6.1 Deed poll irrevocable

This deed poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

- (a) each of the BidCo Parties having fully performed its obligation under this deed poll; and
- (b) termination of this deed poll under clause 3.2.

### 6.2 Variation

A provision of this deed poll may not be varied by the BidCo Parties unless:

- (a) before the Delivery Time on the Second Court Date, the variation is agreed to in writing by Central; or
- (b) on or after the Delivery Time on the Second Court Date, the variation is agreed to in writing by Central and is approved by the Court,

in which event the BidCo Parties will enter into a further deed poll in favour of each Scheme Shareholder giving effect to the amendment.

## 7 Notices

Any communication to the BidCo Parties under or in connection with this deed poll:

- (a) must be in writing;
- (b) must be addressed as shown below:

#### **BidCo**

Address: Level 1, 50 Martin Place  
Facsimile: + 612 8232 4540  
Email: margot.branson@macquarie.com  
matthew.palmer@macquarie.com  
For the attention of: Margot Branson/Matthew Palmer  
with a copy to: Sandy Mak (sandy.mak@corrs.com.au)

**Note Issuer**

Address: Level 1, 50 Martin Place

Facsimile: + 612 8232 4540

Email: margot.branson@macquarie.com  
matthew.palmer@macquarie.com

For the attention of: Margot Branson/Matthew Palmer

with a copy to: Sandy Mak (sandy.mak@corrs.com.au)

- (c) must be signed or sent by the party making the communication or by a person duly authorised by that party;
- (d) must be delivered to the address, or sent by fax or email to the number or email address, of the addressee, in accordance with clause 7(b);
- (e) will be deemed to be received by the addressee:
  - (i) **(in the case of email)** four hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered;
  - (ii) **(in the case of fax)** at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which confirms transmission of that fax in its entirety, unless that local time is not a Business Day, or is after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day; and
  - (iii) **(in the case of delivery by hand)** on delivery at the address of the addressee as provided in clause 7(b), unless that delivery is not made on a Business Day, or after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day.

## 8 General Provisions

### 8.1 Assignment

- (a) The rights and obligations of each of the BidCo Parties and each Scheme Shareholder under this deed poll are personal. They cannot be assigned, charged, encumbered or otherwise dealt with at law or in equity without the prior written consent of Central, BidCo and the Note Issuer.
- (b) Any purported dealing in contravention of clause 8.1(a) is invalid.

## **8.2 Cumulative rights**

The rights, powers and remedies of each of the BidCo Parties and each Scheme Shareholder under this deed poll are cumulative with and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

## **8.3 No waiver**

A provision of, or a right under, this deed poll may not be waived except in writing signed by the person granting the waiver.

## **8.4 Stamp duty**

BidCo:

- (a) must pay or procure the payment of stamp duty (if any) and any related fines, penalties and interest in respect of the Scheme and this deed poll (including the acquisition or transfer of Scheme Shares pursuant to the Scheme), the performance of this deed poll and each transaction effected by or made under or pursuant to the Scheme and this deed poll; and
- (b) indemnifies and undertakes to keep indemnified each Scheme Shareholder against any liability arising from its failure to comply with clause 8.4(a).

## **8.5 Further assurances**

The BidCo Parties will, at their own expense, do all things reasonably required of them to give full effect to this deed poll.

## **8.6 Counterparts**

This deed poll may be executed in any number of counterparts and by the parties on separate counterparts. All counterparts, taken together, constitute one instrument.


## **8.7 Governing law and jurisdiction**

This deed poll is governed by the laws of Queensland. In relation to it and related non-contractual matters, each of the BidCo Parties irrevocably submit to the non-exclusive jurisdiction of courts with jurisdiction there, and waive any right to object to the venue on any ground.

### Executed as a deed poll


Signed, sealed and delivered by )  
Macquarie MPVD Pty Ltd by the )  
party's attorneys pursuant to power of )  
attorney dated 11 January 2017 who )  
state that no notice of revocation of the )  
power of attorney has been received in )  
the presence of: )

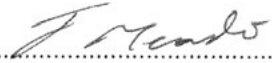
  
.....  
Witness  
Fernanda Archie  
.....  
Name of Witness (print)

  
.....  
Witness  
ASHA KUMAR  
.....  
Name of Witness (print)  
Document Controller  
Legal Risk Management

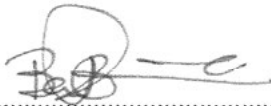
Signed, sealed and delivered by )  
Macquarie Amadeus Pty Ltd by the )  
party's attorneys pursuant to power of )  
attorney dated 14 March 2017 who )  
state that no notice of revocation of the )  
power of attorney has been received in )  
the presence of: )

  
.....  
Witness  
Fernanda Archie  
.....  
Name of Witness (print)

  
.....  
Witness  
ASHA KUMAR  
.....  
Name of Witness (print)  
Document Controller  
Legal Risk Management

  
.....  
Attorney  
JERRY MEADES  
.....  
Name of Attorney (print)

  
.....  
Attorney Margot Branson  
Division Director  
Name of Attorney (print) Legal Risk Management

  
.....  
Attorney  
BEN DERRIN  
.....  
Name of Attorney (print)

  
.....  
Attorney Margot Branson  
Division Director  
Name of Attorney (print) Legal Risk Management

# **ATTACHMENT C**

## **NOTE TRUST DEED**

## Contingent Value Note Trust Deed

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**This Deed** is made on 2017

### **Parties**

- 1 Macquarie Amadeus Pty Limited (ACN 617 817 893) incorporated in Victoria of Level 6, 50 Martin Place, Sydney NSW 2000 (**Note Issuer**).
- 2 Macquarie MPVD Pty Limited (ACN 616 486 983) incorporated in Victoria, of Level 6, 50 Martin Place, Sydney NSW 2000 (**BidCo**).
- 3 Macquarie Financial Holdings Pty Limited (ACN 124 071 398) incorporated in Victoria of Level 6, 50 Martin Place, Sydney NSW 2000 (**Note Guarantor**)
- 4 Equity Trustees Limited (ACN 004 031 298) incorporated in Victoria of Level 2, 575 Bourke Street, Melbourne VIC 3000 (**Note Trustee**).

### **Recitals**

- A The Note Issuer wishes to issue Contingent Value Notes in accordance with the terms of this document.
- B The Note Issuer appoints the Note Trustee and the Note Trustee accepts the appointment as trustee for the Noteholders on the terms contained in this document.
- C The obligations of the Note Issuer to the Noteholders and the Note Trustee, under this document will be guaranteed by the Note Guarantor.
- D The obligations of each party under this document are subject to and conditional upon the Scheme becoming Effective.

**It is agreed** as follows.

## **1 Definitions and Interpretation**

### **1.1 Definitions**

In this document these terms have the following meanings:

**Accounts** means profit and loss accounts, balance sheets and cashflow statements together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them.

**ASIC** means the Australian Securities and Investments Commission.

**Auditors** means the independent auditors of the Note Issuer from time to time.

**Authorisation** means:

- (a) an authorisation, consent, approval, resolution, licence, exemption, filing, lodgement or registration required by any Government Agency or any law; or
- (b) in relation to anything which will be fully or partly prohibited or restricted by law if a Government Agency intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.

**Bcf** has the meaning given in **Schedule 4**.

**Business Day** means a day on which banks are open for business in Sydney, Australia and Brisbane, Australia.

**Central** means Central Petroleum Limited ACN 083 254 308 of level 7, 369 Ann Street, Brisbane, Qld 4000.

**Central Parties** means each of Helium Australia Pty Ltd, Merlin Energy Pty Ltd, Frontier Oil & Gas Pty Ltd, Ordiv Petroleum Pty Ltd and Central Petroleum (NT) Pty Ltd, being owners of the Relevant Assets.

**Central Scheme Deed** means the Central Scheme Deed dated on or about 9 March 2017 between BidCo and Central.

**Central Share** means an issued fully paid ordinary share in the capital of Central.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Contingent Value Note** means an unsecured note issued by the Note Issuer under this document and for the time being outstanding, and a reference to a Contingent Value Note that is outstanding as at a particular date means a Contingent Value Note that has not been redeemed, or otherwise cancelled, prior to that date.

**Court** means the Supreme Court of Queensland or such other court of competent jurisdiction determined by Central (after consultation, in good faith, with BidCo).

**Custodian** means Equity Trustees Limited (ACN 004 031 298) in its capacity as custodian under the Custody Agreement.

**Custody Agreement** means the Custody Agreement executed by BidCo, the Custodian and the Note Issuer.

**Cut-Off Date** means the date that is 12 months after the Determination Date.

**Data** means data as described in the Resource Determination Instruction Letter.

**Deed Poll** means the deed poll executed by BidCo and the Note Issuer in the form set out in Schedule 3 of the Central Scheme Deed.

**Defined Resource** means for a given Relevant Asset, the quantum of Economically Recoverable Resources (expressed in Bcf) as determined pursuant to the Resource Determination Instruction Letter.

**Determination Date** means the date that is the fourth anniversary of the Implementation Date, or if that date falls on a day which is not a Business Day, the next Business Day thereafter.

**Director** means a person appointed to the office of director of the Note Issuer and includes any alternate director duly appointed and acting as director.

**Economically Recoverable Resources** has the meaning given in **Schedule 4**.

**Effective** means, when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

**Effective Date** means the date on which the Scheme becomes Effective.

**Enforcement Action** means:

- (a) taking action in relation to the enforcement of an Event of Default;
- (b) requiring the Note Issuer to take action in relation to an Event of Default, including steps to remedy such Event of Default;
- (c) bringing a claim against the Note Issuer in relation to an Event of Default;
- (d) entering into any agreement or arrangement with the Note Issuer in relation to an Event of Default; or
- (e) petitioning, applying or voting for, or taking any steps (including the appointment of any liquidator, receiver, administrator or similar officer) in relation to the winding up, dissolution, administration or reorganisation of the Note Issuer.

**Event of Default** means each of the events set out in clause 8.

**Farmout Agreement** means the Santos Central Petroleum Joint Operations Farmout Agreement entered into between Helium Australia Pty Ltd, Merlin Energy Pty Ltd, Frontier Oil & Gas Pty Ltd, Ordiv Petroleum Pty Ltd, Santos QNT Pty Ltd and Central Petroleum Limited on 28 September 2012 .

**Financial Half Year** means a financial half year of the Note Issuer beginning on 1 April in each year and ending on the following 30 September or beginning on 1 October in each year and ending on the following 31 March.

**Financial Year** means a financial year of the Note Issuer beginning on 1 April in each year and ending on the following 31 March.

**Government Agency** means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any State, and any other federal, state, provincial, or local government, whether foreign or Australian.

**GST** has the meaning given in **clause 28.1**.

**Implementation Date** means the fifth Business Day after the Scheme Record Date or such other date after the Scheme Record Date agreed to in writing between the parties to the Central Scheme Deed.

**Independent Resource Assessor** means the (or, if more than one, each) Independent Resource Assessor appointed to carry out the Resource Determination in accordance with the terms of this document.

**Ineligible Foreign Shareholder** has the meaning given in the Scheme.

**Insolvency Event** means in relation to a person:

- (a) **insolvency official:** the appointment of a liquidator, provisional liquidator, administrator, statutory manager, controller, receiver, receiver and manager or other insolvency official (whether under an Australian law or a foreign law) to the person or to the whole or a substantial part of the property or assets of the person and the action is not stayed, withdrawn or dismissed within 14 days;
- (b) **arrangements:** the entry by the person into a compromise or arrangement with its creditors generally;
- (c) **winding up:** the calling of a meeting to consider a resolution to wind up the person (other than where the resolution is frivolous or cannot reasonably be considered to be likely to lead to the actual winding up of the person) or the making of an application or order for the winding up or deregistration of the person other than where the application or order (as the case may be) is set aside or withdrawn within 14 days;
- (d) **suspends payments:** the person suspends or threatens to suspend payment of its debts as and when they become due;
- (e) **ceasing business:** the person ceases or threatens to cease to carry on business;
- (f) **insolvency:** the person is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act;
- (g) **deregistration:** if the person is a company, the person being deregistered as a company or otherwise dissolved;
- (h) **deed of company arrangement:** the person executing a deed of company arrangement;
- (i) **person as trustee or partner:** the person incurs a liability while acting or purporting to act as trustee (or co-trustee) or general partner of a trust or partnership (including a limited partnership) and the person is not entitled to be fully indemnified against the liability out of trust or partnership assets because of one or more of the following:
  - (i) a breach of trust or obligation as partner by the person;
  - (ii) the person acting outside the scope of its powers as trustee or partner;
  - (iii) a term of the trust or partnership denying, or limiting, the person's right to be indemnified against the liability; or
  - (iv) the assets of the trust or partnership being insufficient to discharge the liability,

which results in a material adverse change to the person's financial position; or

- (j) **analogous events:** anything analogous to those set out in any of paragraphs (a) to (i) inclusive occurs in relation to the person under the laws of a foreign jurisdiction.

**Instruction Materials** means the terms in this document, the Terms of Issue, the Resource Determination Instruction Letter and the pro-forma Redemption Determination Notice.

**IRA Redemption Amount** means the amount calculated by the Independent Resource Assessor or Independent Resource Assessors (as the case may be) in accordance with the following formula:

$$\text{IRA Redemption Amount} = \left[ \frac{\text{Total Contingent Value}}{\text{the total number of Central Shares on issue as at the Scheme Record Date}} \right],$$

rounded up or down to the nearest five decimal places.

**Issue Date** means the date on which a Contingent Value Note is issued and the Noteholder's name is entered into the Register.

**Joint Operating Agreements** means collectively, the Joint Operating Agreement in respect of EP82 entered into between Helium Australia Pty Ltd and Santos QNT Pty Ltd on 1 September 2015, the Joint Operating Agreement in respect of EP105 entered into between Merlin Energy Pty Ltd and Santos QNT Pty Ltd on 1 September 2015, the Joint Operating Agreement in respect of EP112 entered into between Frontier Oil & Gas Pty Ltd and Santos QNT Pty Ltd on 1 September 2015 and the Joint Operating Agreement in respect of EP125 entered into between Ordiv Petroleum Pty Ltd and Santos QNT Pty Ltd dated 1 September 2015, and includes any agreement entered into in replacement of, or substitution for, any of them.

**Mount Kitty Discovery** means the assets of the Mount Kitty discovery, contained within graticular blocks SG53 1162, SG53 1163, SG53 1164, SG53 1233, SG53 1234, SG53 1235, SG53 1236, SG53 1305, SG53 1306, SG53 1307, SG53 1308 within EP125.

**Note Trust** means the trusts declared in this document.

**Noteholder** in relation to a Contingent Value Note, means, at any time, the person whose name is entered into the Register as the holder of that Contingent Value Note.

**Noteholder Record Date** means 5.00 pm Sydney time on the Determination Date.

**Ooramina Permits** means each of RL3 and RL4.

**Palm Valley Deep Prospect** means the hydrocarbon prospect located in the Arumbera Sandstone Formation within OL3.

**Petroleum Tenement** means for any Relevant Asset:

- (a) any petroleum title applied for or granted under the Petroleum Legislation; and

- (b) any extension, renewal, modification, substitution or variation of any such title.

**Petroleum Legislation** means (as applicable):

- (a) the *Petroleum Act 1984* (NT);
- (b) the *Petroleum (Prospecting and Mining) Act 1954* (NT); and
- (c) the *Energy Pipelines Act 1982* (NT).

**Recovered Moneys** means the aggregate amount received or recovered by the Note Trustee under the Transaction Documents in its capacity as trustee for Noteholders.

**Redemption Amount** means the amount determined as follows:

- (a) if there is one Independent Resource Assessor, the IRA Redemption Amount set out in the Redemption Determination Notice; and
- (b) if there are two Independent Resource Assessors, the sum of the IRA Redemption Amounts set out in each Redemption Determination Notice divided by two, rounded up or down to the nearest five decimal places.

**Redemption Conditions** means each of the following:

- (a) by no later than 14 days prior to the Cut-Off Date, the Independent Resource Assessor (or, if more than one Independent Resource Assessor has been appointed by BidCo in accordance with clause 11.1(b), each Independent Resource Assessor) has completed the Resource Determination and provided the Redemption Determination Notice to the Note Issuer; and
- (b) the Redemption Amount is greater than \$0.

**Redemption Determination Notice** means the notice given by the or each (as the case may be) Independent Resource Assessor to the Note Issuer substantially in the form of **Schedule 5** which sets out the IRA Redemption Amount.

**Register** means the register of persons who hold Contingent Value Notes required to be kept and updated by or on behalf the Note Issuer in accordance with clause 6, **Schedule 2**, and the Corporations Act, and includes any branch register, provided that, in the event of any inconsistency, the principal register will prevail over any sub-register or branch register.

**Related Body Corporate** has the meaning given in the Corporations Act.

**Relevant Asset** means each of the assets within the following located in the Amadeus Basin of the Northern Territory, Australia:

- (a) the Southern Amadeus Farmout;
- (b) the Mount Kitty Discovery;
- (c) the Ooraminna Permits; and
- (d) the Palm Valley Deep Prospect.

**Relevant Equity Interest** for any given Relevant Asset, subject to paragraphs (d) to (h) in this definition, will be (in each case expressed as a percentage):

- (a) for each of the Ooramina Permits and the Palm Valley Deep Prospect, Central's current net working interest in the Relevant Asset, as at the date of the Central Scheme Deed, being 100%;
- (b) for the Mount Kitty Discovery, Central's net working interest in the Relevant Asset as at the Determination Date, and being 30% as at the date of the Central Scheme Deed, provided that where BidCo (or any of its subsidiaries) elects not to participate in a development proposal proposed by the operator (which is subsequently developed as a sole risk development) then the relevant net working interest will be that applicable as at the Determination Date; and
- (c) for each of the Relevant Assets within the Southern Amadeus Farmout, Central's current net working interest in the Relevant Asset as at the Determination Date, but assessed as if the terms of the Farmout Agreement are as they are drafted as at the date of the Central Scheme Deed, and disregarding any amendments to the Farmout Agreement or any new agreements entered into after the date of the Central Scheme Deed which would have the effect of altering Central's net interest in the Relevant Asset,

where:

- (d) Relevant Equity Interest cannot be less than zero;
- (e) if before the Determination Date any Petroleum Tenement or Petroleum Tenement area with respect to a Relevant Asset is relinquished to the government for nil or nominal consideration, the Relevant Equity Interest for that Petroleum Tenement or Petroleum Tenement area will be zero;
- (f) for any Relevant Asset which is subject to a Joint Operating Agreement, if before the Determination Date a Central Party withdraws from the Joint Operating Agreement for nil or nominal consideration, the Relevant Equity Interest for the Relevant Asset will be zero;
- (g) if before the Determination Date any Petroleum Tenement or Petroleum Tenement area with respect to a Relevant Asset is disposed of, for nil or nominal consideration, the Relevant Equity Interest for that Petroleum Tenement or Petroleum Tenement area will be zero; and
- (h) if before the Determination Date any Petroleum Tenement or Petroleum Tenement area with respect to a Relevant Asset is disposed of for valuable consideration, the Relevant Equity Interest for that Petroleum Tenement or Petroleum Tenement area will be the interest of the Central Party immediately prior to the disposal.

**Resource Determination** means the determination by the Independent Resource Assessor of the Defined Resource in accordance with the Instruction Materials and other relevant terms of the Independent Resource Assessor's engagement.

**Resource Determination Instruction Letter** means the Resource Determination Instruction Letter set out in **Schedule 4**.

**Scheme** means the proposed scheme of arrangement pursuant to Part 5.1 of the Corporations Act as contemplated by the Central Scheme Deed.

**Scheme Record Date** means 7:00pm on the fifth Business Day after the Effective Date or such other time and date agreed to in writing between the parties to the Central Scheme Deed.

**Settled Sum** means \$10.

**Secured Money** means all money which the Note Issuer (whether alone or not) is or at any time may become actually or contingently liable to pay to or for the account of the Note Trustee or a Noteholder (whether alone or not) for any reason whatever under or in connection with a Contingent Value Note. It includes money by way of principal, interest, fees, costs, indemnities, charges, duties or expenses or payment of liquidated or unliquidated damages:

- (a) under or in connection with a Contingent Value Note; or
- (b) as a result of a breach of or default under or in connection with a Contingent Value Note.

Where the Note Issuer would have been liable but for an Insolvency Event occurring in relation to it, the Note Issuer will be taken still to be liable.

**Southern Amadeus Farmout** means the following assets:

- (a) EP82 (excluding the EP 82 sub-blocks, being graticular blocks SG53-20, SG53-21, SG53-22, SG53-23, SG53-92, SG53-93, SG53-94, SG53-95, SG53-164, SG53-165, SG53-169, SG53-170, SG53-171, SG53-241, SG53-242, SG53-243, SG53-311, SG53-312, SG53-313 and SG53-314);
- (b) EP105; and
- (c) EP112.

**Subsidiary** has the meaning given in the Corporations Act.

**Target Date** has the meaning given in **Schedule 4**.

**Tax** includes any tax, levy, impost, deduction, charge, rate, duty, compulsory loan or withholding which is levied or imposed by a Government Agency, and any related interest, penalty, charge, fee or other amount. It includes income tax, withholding tax, GST and other similar Taxes.

**Terms of Issue** means the terms of issue of the Contingent Value Notes, as set out in **Schedule 1**.

**Total Contingent Value** will be the lesser of:

- (a) A\$90 million; and
- (b) the amount calculated according to the following formula:

$$\text{Total Contingent Value} = (A \times \sum B), \text{ where:}$$

A = A\$150,000; and

B = the Defined Resource x Relevant Equity Interest; where B is calculated individually for each Relevant Asset.

**Transaction Document** means:

- (a) any Contingent Value Note;
- (b) this document;
- (c) any document or agreement which the Note Issuer and the Note Trustee (acting on the instructions of all Noteholders) at any time agree is to be a Transaction Document for the purposes of this document; or
- (d) any document or agreement entered into under, or for the purposes of amending or novating, any of the documents referred to in paragraphs (a) to (c) above.

**Trustee Company** means a corporation which satisfies the requirements of section 283AC of the Corporations Act.

**Yearly Asset Report** has the meaning given in clause 12.2(i).

## 1.2 Interpretation

Unless expressed to the contrary, in this document:

- (a) words in the singular include the plural and vice versa;
- (b) any gender includes the other genders;
- (c) if a word or phrase is defined its other grammatical forms have corresponding meanings;
- (d) 'includes' means includes without limitation;
- (e) no rule of construction will apply to a clause to the disadvantage of a party merely because that party put forward the clause or would otherwise benefit from it;
- (f) a reference to:
  - (i) a person includes a partnership, joint venture, unincorporated association, corporation and a government or statutory body or authority;
  - (ii) a person includes the person's legal personal representatives, successors, assigns and persons substituted by novation;
  - (iii) any legislation includes subordinate legislation under it and includes that legislation and subordinate legislation as modified or replaced;
  - (iv) an obligation includes a warranty or representation and a reference to a failure to comply with an obligation includes a breach of warranty or representation;
  - (v) a right includes a benefit, remedy, discretion or power;

- (vi) time is to local time in Sydney;
- (vii) '\$' or 'dollars' is a reference to Australian currency;
- (viii) this or any other document includes the document as novated, varied or replaced and despite any change in the identity of the parties;
- (ix) writing includes any mode of representing or reproducing words in tangible and permanently visible form, and includes fax transmissions;
- (x) this document includes all schedules and annexures to it; and
- (xi) a clause, schedule or annexure is a reference to a clause, schedule or annexure, as the case may be, of this document;
- (g) if the date on or by which any act must be done under this document is not a Business Day, the act must be done on or by the next Business Day;
- (h) where time is to be calculated by reference to a day or event, that day or the day of that event is excluded; and
- (i) if a word or phrase is defined in a schedule or elsewhere in this document, the definition is deemed to be included in clause 1.1, for the purposes of the whole document.

### **1.3 Terms of Issue**

To the extent of any inconsistency, the provisions of this document (excluding the Schedules) will prevail over the provisions in **Schedule 1**.

### **1.4 Headings**

Headings do not affect the interpretation of this document.

## **2 Obligations conditional**

The provisions of this document (except for this clause 2) are subject to and conditional upon the Scheme becoming Effective.

## **3 Issue, Status and Voting**

### **3.1 Issue**

The Note Issuer must create and issue Contingent Value Notes in accordance with the terms of the Scheme, the Deed Poll, this document and the Terms of Issue.

### **3.2 Status**

The Contingent Value Notes will:

- (a) rank equally in all respects (including as to payment) as between themselves;
- (b) be unsecured;

- (c) be issued in accordance with the Scheme; and
- (d) be created and issued under and subject to the terms set out in this document.

### **3.3 Voting**

Noteholders are not entitled (in their capacity as Noteholders) to:

- (a) receive notice of a general meeting of the Note Issuer;
- (b) attend a general meeting of the Note Issuer; or
- (c) vote at a general meeting of the Note Issuer or otherwise on a matter on which an ordinary shareholder of the Note Issuer is entitled to vote.

## **4 Form and Title**

### **4.1 Form**

- (a) The Note Issuer's and the Note Trustee's obligations in relation to the Contingent Value Notes are constituted by, and specified in, this document and become effective on entry in the Register of the details of those Contingent Value Notes.
- (b) The Contingent Value Notes are 'unsecured notes' for the purposes of section 283BH of the Corporations Act.

### **4.2 Title**

The Register is conclusive evidence of ownership of Contingent Value Notes, subject to correction for fraud or error. Except as required by law, the Note Issuer and the Note Trustee must treat the person entered in the Register as the holder of a Contingent Value Note as the absolute owner of that Contingent Value Note. This clause 4.2 applies despite any notice of ownership, trust or interest in the Contingent Value Note.

### **4.3 No certificates**

No certificates will be issued to Noteholders unless the Note Issuer determines that certificates should be available or are required by any applicable law.

## **5 Redemption**

### **5.1 Conditions precedent**

- (a) The Contingent Value Notes will only be redeemable if each of the Redemption Conditions is satisfied. If either or both of the Redemption Conditions are not satisfied, no obligation to pay the Redemption Amount in respect of any Contingent Value Note will arise.
- (b) In respect of the Redemption Condition referred to at paragraph (a) of that definition, time is of the essence.

### **5.2 Indebtedness of Note Issuer**

The Note Issuer acknowledges that upon each Redemption Condition being satisfied, the Note Issuer will be indebted to each Noteholder in respect of the

Redemption Amount for each Contingent Value Note held by the Noteholder as at 5.00pm on the Noteholder Record Date, and must redeem the Contingent Value Notes in accordance with the Terms of Issue and this document in satisfaction of its obligation to pay the Redemption Amount in respect of each Contingent Value Note.

### **5.3 Redemption**

If each of the Redemption Conditions is satisfied, the Note Issuer must:

- (a) as soon as practicable (and in any event not later than five Business Days) after the date on which the last of the Redemption Conditions was satisfied:
  - (i) notify the Note Trustee in writing that the Redemption Conditions have been satisfied;
  - (ii) give to the Note Trustee (if not already provided) a copy of the or each Redemption Determination Notice; and
- (b) redeem the Contingent Value Notes by paying to each Noteholder, who is a Noteholder on the Noteholder Record Date, the aggregate total Redemption Amount for all Contingent Value Notes held by the Noteholder on the Noteholder Record Date, rounded up or down to the nearest whole cent, within 14 days of receiving the, or the second to be received (as appropriate) Redemption Determination Notice.

The Note Issuer must notify the Note Trustee in writing when the Note Issuer has made all of the payments in accordance with clause 5.3(b).

### **5.4 Cancellation of Contingent Value Notes**

All Contingent Value Notes will be cancelled where:

- (a) all of the Contingent Value Notes have been redeemed;
- (b) the Redemption Amount has been paid in respect of each outstanding Contingent Value Note;
- (c) no Redemption Amount is payable because the Redemption Amount is not greater than \$0;
- (d) where no Redemption Amount is payable because the Redemption Conditions have not been satisfied; or
- (e) this document is terminated in accordance with its terms.

### **5.5 Interest**

No interest is payable on the Contingent Value Notes.

## **6 The Register**

The Note Issuer must establish and maintain or cause to be established and maintained a register in accordance with **Schedule 2**.

## 7 Meetings

**Schedule 3** will apply in respect of meetings of Noteholders.

## 8 Events of Default

Subject to any waiver by the Note Trustee, each of the following is an Event of Default (whether or not it is in the control of the Note Issuer):

- (a) **(Failure to pay Redemption Amount)**: if following satisfaction of both Redemption Conditions, the Note Issuer fails to pay the Redemption Amount in respect of any Contingent Value Note in accordance with this document and such failure continues unremedied for a period of 5 Business Days;
- (b) **(Administration, winding up, insolvency etc)** an Insolvency Event occurs in respect of the Note Issuer prior to payment of the Redemption Amount; and
- (c) **(Breach)** the Note Issuer is in breach of any material undertaking under this document or the Terms of Issue (other than those referred to elsewhere in this clause 8), which breach is not rectified to the reasonable satisfaction of the Note Trustee within 20 Business Days of notice by the Note Trustee to do so.

## 9 Enforcement

### 9.1 Enforcement by Note Trustee

The Note Trustee may take any Enforcement Action in relation to an Event of Default or otherwise enforce this document in any other circumstances and in its absolute discretion.

### 9.2 Enforcement on direction of Noteholders

At any time after the occurrence of an Event of Default the Note Trustee must, subject to clauses 9.3 and 9.6, take Enforcement Action or proceedings against the Note Issuer, where all the following conditions are satisfied:

- (a) the Note Trustee has convened a meeting of Noteholders, in accordance with clause 1 of **Schedule 3**;
- (b) a resolution of Noteholders passed in accordance with clause 13(b) of **Schedule 3** directing the Note Trustee to take the Enforcement Action, commence proceedings or to join in proceedings, as the case may be; and
- (c) the Note Trustee is not of the view that such enforcement is inconsistent with the Terms of Issue, this document or the Corporations Act or is otherwise objectionable.

### 9.3 Indemnification of Note Trustee

The Note Trustee is not required to take any action as contemplated by clause 9.2, unless it has a satisfactory indemnity or protection from the Noteholders against:

- (a) all actions, proceedings, claims and demands to which the Note Trustee may render itself liable by taking such Enforcement Action; and
- (b) all costs, charges, damages and expenses which the Note Trustee may thereby incur.

### 9.4 Enforcement by Noteholders

A Noteholder can only take action or proceedings against the Note Issuer or enforce any provision of this document following the making of a binding direction in accordance with clause 9.2, if 15 Business Days have lapsed since the date on which the Noteholder gave written notice to the Note Trustee that it intended to commence such action or proceedings (with such notice to specify the details of its claim and the basis of its claim) and the Note Trustee has not commenced such action or proceedings as a result of the binding direction of the Noteholders made in accordance with clause 9.2.

### 9.5 Invalid resolution

The Note Trustee is entitled to act on, and will not be in any way responsible for acting on, a resolution purporting to have been passed at any meeting of Noteholders where minutes of the relevant meeting have been made, signed and provided to the Note Trustee even though it may subsequently be found that there was some defect in the constitution of the meeting or that the passing of the resolution was not valid or binding on any of those Noteholders whom it purports to bind or on the Note Trustee.

### 9.6 No proceedings

Notwithstanding any other provisions of this clause 9, the Note Trustee may not institute any proceedings against the Note Issuer or the Note Guarantor during any period during which the Note Issuer fails or refuses to redeem the Contingent Value Notes in order to comply with:

- (a) any law; or
- (b) any order of any court of competent jurisdiction.

## 10 Note Issuer Representations and Warranties

### 10.1 Representations and warranties

The Note Issuer makes the following representations and warranties for the benefit of the Note Trustee and the Noteholders on the date of this document and repeats them on the date of issue of the Contingent Value Notes:

- (a) **(status)** it is a corporation validly existing under the laws of the place of its incorporation;

- (b) **(power)** it has the power to enter into and perform its obligations under this document and to issue and perform its obligations under the Contingent Value Notes;
- (c) **(corporate authorisations)** it has taken all necessary corporate action to authorise the entry into and performance of this document and the issue and performance of the Contingent Value Notes;
- (d) **(documents binding)** each Transaction Document to which it is party is its valid and binding obligation enforceable in accordance with its terms;
- (e) **(solvency)** no Insolvency Event has occurred in relation to it;
- (f) **(no contravention or exceeding power)** the Transaction Documents and the transactions under them which involve it do not contravene its constituent documents or any law or obligation to which it is bound or to which any of its assets are subject or cause a limitation on its powers or the powers of its directors to be exceeded; and
- (g) **(adequate funds)** it has adequate funds (or access to such funds) to meet payments that fall due under each Transaction Document.

## 10.2 No other representation or warranty

Other than as set out in clause 10.1 or as otherwise expressly contained in this document or the Terms of Issue, the Note Issuer does not make any representation or warranty, express or implied, in relation to or in connection with the Contingent Value Notes.

## 10.3 Exclusion

To the maximum extent permitted by law, the Note Trustee agrees on behalf of each Noteholder not to make and to waive any right it may have to make a claim against the Note Issuer under sections 1041H or 1041I of the Corporations Act, or any corresponding provision of any enactment in another jurisdiction (including any state or territory of Australia), in relation or in connection with the Contingent Value Notes.

## 11 Independent Resource Assessment

### 11.1 Appointment of Independent Resource Assessor

- (a) No later than three months before the Determination Date, BidCo must appoint and must procure that the Central Parties jointly appoint, an Independent Resource Assessor who must be from the list of entities set out below, to be appointed in the following order of preference:
  - (i) Netherland Sewell and Associates (**NSAI**); or
  - (ii) if NSAI declines the appointment or is unable to undertake the work - RISC; or
  - (iii) if RISC declines the appointment or is unable to undertake the work - Ryder Scott; or

- (iv) if Ryder Scott declines the appointment or is unable to undertake the work - Gaffney Cline and Associates; or
  - (v) if all of the above decline the appointment or are unable to undertake the work, another Independent Resource Assessor globally recognised for their capability in the field of petroleum resource assessment.
- (b) At BidCo's sole election and no later than two months before the Determination Date, BidCo may appoint and, if so, must procure that the Central Parties jointly appoint, a second Independent Resource Assessor (from any of those listed in clause 11.1(a) who has not already been appointed).
- (c) If, during the course of an Independent Resource Assessor's engagement, BidCo, acting reasonably, determines that the Independent Resource Assessor is not likely to deliver its Resource Determination by the Target Date (**Defaulting IRA**), then:
- (i) if there is only one Independent Resource Assessor:
    - (A) BidCo must appoint and must procure that the Central Parties jointly appoint, another Independent Resource Assessor who must be appointed from the list in clause 11.1(a) (but cannot be the already appointed Independent Resource Assessor); and
    - (B) all dates and times for the provision of the Resource Determination and the Redemption Determination Notice, and for the payment of the Redemption Amount will be adjusted by the addition of a period of time equal to the period of time that has elapsed since the appointment of the Defaulting IRA to the appointment of the further Independent Resource Assessor, but in all circumstances the Independent Resource Assessor must provide the Redemption Determination Notice no later than 14 days prior to the Cut-Off Date;
  - (ii) if there are two Independent Resource Assessors, and one is a Defaulting IRA, then, at the time the non-Defaulting IRA issues a Redemption Determination Notice, the Redemption Amount will be determined in accordance with paragraph (a) of the definition of Redemption Amount as if the Defaulting IRA was never appointed and the payment of such Redemption Amount by the Note Issuer, will be deemed sufficient under this document; and
  - (iii) if there are two Independent Resource Assessors and both are Defaulting IRAs, then:
    - (A) BidCo must appoint and must procure that the Central Parties jointly appoint, another Independent Resource Assessor who must be appointed from the list in in clause

- 11.1(a) (but cannot be one of the already appointed Independent Resource Assessors); and
- (B) all dates and times for the provision of the Resource Determination and the Redemption Determination Notice, and for the payment of the Redemption Amount will be adjusted by the addition of a period of time equal to the period of time that has elapsed since the appointment of the Defaulting IRAs to the appointment of the further Independent Resource Assessor but in all circumstances the Independent Resource Assessor must provide the Redemption Determination Notice no later than 14 days prior to the Cut-Off Date.
- (d) The terms of appointment of an Independent Resource Assessor must include the following:
- (i) the Independent Resource Assessor must be provided with, and instructed to make the Resource Determination substantially in accordance with, the Instruction Materials.
  - (ii) BidCo must take all reasonable steps to procure that, within one month of the Determination Date, the Independent Resource Assessor is provided with the Data required to complete the Resource Determination.
  - (iii) the Independent Resource Assessor must be provided with access to and must be able to consult with representatives of BidCo and its affiliates as is reasonably required in order to make the Resource Determination;
  - (iv) the Independent Resource Assessor must be obliged to deliver to BidCo its draft report and final report outlining the Resource Determination within the time frame set out in the Resource Determination Instruction Letter;
  - (v) if the Independent Resource Assessor notifies BidCo of any circumstances that may lead to any delay of delivery of its report on the Resource Determination, BidCo must, acting reasonably and having regard to the circumstances surrounding the delay, agree an extended period of time for the Independent Resource Assessor to provide its final report on the Resource Determination, provided that BidCo will not be obliged to extend the period of time to beyond the date that is 14 days prior to the Cut-Off Date; and
  - (vi) the Independent Resource Assessor must be obliged to determine the IRA Redemption Amount and provide the Redemption Determination Notice to the Note Issuer at the same time it gives its final report outlining the Resource Determination to BidCo.

## 11.2 Redemption Determination Notice final and binding

- (a) Absent any manifest error or fraud, the determination of the or each (as the case may be) Independent Resource Assessor as set out in the Redemption Determination Notice(s) will be final and binding on all parties.
- (b) The Note Trustee's obligations in relation to the Resource Determination will be discharged when the Note Issuer confirms to the Note Trustee that each Independent Resource Assessor has completed its assessment in accordance with the terms of its engagement and delivered the Redemption Determination Notice.
- (c) The Note Trustee and the Noteholders agree that nothing in this document implies a right for the Note Trustee or the Noteholders to receive confidential information about the Relevant Assets or the Resource Determination.

## 12 Undertakings

### 12.1 Note Issuer undertakings

The Note Issuer undertakes to the Note Trustee and each Noteholder that it will:

- (a) **(no further issues)** not issue any additional or new Contingent Value Notes without the consent of the Noteholders by special resolution at a meeting of Noteholders;
- (b) **(conduct business)** carry on and conduct its business (if any) in a proper and efficient manner;
- (c) **(keep accounts)** keep or cause to be kept proper books of account and enter into those books full particulars of all dealings and transactions in relation to its business;
- (d) **(allow inspection)** make available for inspection by:
  - (i) the Note Trustee;
  - (ii) an officer or employee of the Note Trustee authorised by the Note Trustee to carry out the inspection; or
  - (iii) a registered company auditor appointed by the Note Trustee to carry out the inspection, the whole of its financial and other records and will give to them any information, explanation or other assistance as they require with respect to any matters relating to those records;
- (e) **(provide accounts)** provide the following:
  - (i) without charge, to the Note Trustee, to each Noteholder who requests it in accordance with section 318(2) of the Corporations Act, and to each Ineligible Foreign Shareholder who requests it, a copy of the Note Issuer's consolidated audited Accounts in respect

- of each Financial Year and a copy of the Note Issuer's annual report for that Financial Year, at the time required by the Corporations Act;
- (ii) without charge, to the Note Trustee, a copy of the Note Issuer's consolidated Accounts in respect of each Financial Half Year at the time required by the Corporations Act; and
  - (iii) whenever requested by the Note Trustee, to the Note Trustee or any person authorised by the Note Trustee to receive it, such information as the Note Trustee reasonably considers necessary in relation to all matters necessary for the purposes of the discharge of the duties, trusts and powers vested in the Note Trustee under this document or imposed upon it by law;
- (f) **(provide quarterly reports)** provide to the Note Trustee within one month after the end of each calendar quarter the report required by section 283BF(4) of the Corporations Act;
- (g) **(give notices)** notify the Note Trustee:
- (i) if it creates a security interest, within 21 days after the charge is created, and if the total amount to be advanced on the security of the security interest is indeterminate and the advances are not merged in a current account with bankers, trade creditors or anyone else, the notice must contain written details of the amount of each advance within seven days after it is made;
  - (ii) as soon as reasonably practical after it becomes aware that the Central Scheme Deed has been terminated or will be terminated;
  - (iii) as soon as it becomes aware of any Event of Default;
  - (iv) as soon as it becomes aware that any provision of this document or a Contingent Value Note is not being, or cannot be, complied with by the Note Issuer, together with details of that breach; and
  - (v) as soon as reasonably practicable if the Note Issuer intends to redeem or acquire any Contingent Value Note;
- (h) **(provide documents)** promptly give the Note Trustee copies of all documents and notices received by it from any Noteholder or which it gives to a Noteholder;
- (i) **(provide copy of this document)** without charge, provide a copy of this document to the Note Trustee, a Noteholder or an Ineligible Foreign Shareholder if they request a copy;
- (j) **(further assurances)** do all things and execute all deeds, instruments and other documents as may be necessary or desirable to give full effect to this document and the Terms of Issue in favour of the Note Trustee and the Noteholders; and

- (k) otherwise comply with all statutory and regulatory requirements applicable to it (including under Chapter 2L of the Corporations Act) to the extent they relate to its obligations under this document.

## **12.2 Additional obligations in relation to Relevant Assets**

- (a) BidCo must procure that each Central Party:
  - (i) performs its obligations as is currently contemplated under the Farmout Agreement;
  - (ii) does not do anything to obstruct the work program and schedule currently provided for under the Farmout Agreement; and
  - (iii) does not agree to amend the Farmout Agreement, acting reasonably, if the amendment would have an adverse impact on the Contingent Value Notes.
- (b) The Note Trustee on behalf of the Noteholders agrees that Bidco and its subsidiaries, may at their sole discretion elect to conduct exploration or appraisal activities with respect to the Mount Kitty Discovery, or a subsequent Petroleum Tenement issued over substantially the same area, but are not obliged to do so and may elect not to participate in the appraisal of the discovery.
- (c) The Note Trustee on behalf of the Noteholders agrees that BidCo and its subsidiaries may at their sole discretion elect to conduct exploration or appraisal activities with respect to the Ooraminna Tenements but are not obliged to do so.
- (d) The Note Trustee on behalf of the Noteholders agrees that BidCo and its subsidiaries may at their sole discretion elect to conduct exploration or appraisal activities with respect to the Palm Valley Deep Prospect but are not obliged to do so.
- (e) For any Relevant Asset that is the subject of a Joint Operating Agreement, BidCo and its subsidiaries may elect to withdraw from the Joint Operating Agreement and thereby assign its interest for nil or nominal consideration to the other participant(s) under the Joint Operating Agreement.
- (f) BidCo and its subsidiaries may elect to relinquish for nil or nominal consideration the whole or any part of any Petroleum Tenement forming part of a Relevant Asset to the relevant issuing government.
- (g) If prior to the termination of this document, BidCo or one of its subsidiaries elects to relinquish for nil or nominal consideration to the government any Petroleum Tenement or area within a Petroleum Tenement with respect to the Relevant Assets, or withdraws from a joint venture in respect of a Relevant Asset, BidCo must not (and must procure that its subsidiaries do not) for a period of three years following such relinquishment or withdrawal apply for a new Petroleum Tenement or participate in any joint venture or similar relationship covering all or part of the same area.

- (h) Any decision by BidCo or its subsidiaries to relinquish all or any part of a Petroleum Tenement to the government, to withdraw from any Joint Operating Agreement in which a Central Party is a participant, or otherwise dispose of all or any part of a Petroleum Tenement must be made in good faith based on bona fide commercial considerations and may not be made with the intention to circumvent the obligation to pay the Redemption Amount.
- (i) Subject to clause 12.2(j), BidCo must use its reasonable endeavours to procure that the Central Parties:
  - (i) prepare a report on the activities undertaken during the 12 months prior to the anniversary of the Implementation Date, in respect of the Relevant Assets and the results thereof relevant to the Resource Determination (**Yearly Asset Report**); and
  - (ii) provide the Yearly Asset Report to the Note Issuer and the Note Trustee within one month of each anniversary of the Implementation Date,

and BidCo and the Note Issuer must ensure that a copy of the Yearly Asset Report is sent by email to such of the Noteholders and Ineligible Foreign Shareholders as have provided an email address for contact within one month of each anniversary of the Implementation Date.
- (j) The Noteholders and the Note Trustee acknowledge that nothing in this clause 12.2(j) requires a Central Party to disclose any information in the Yearly Asset Report which would be reasonably likely to result in a breach by that Central Party of a confidentiality obligation with a third party, or any applicable law.

## **13 Note Trustee Covenants**

### **13.1 General**

The provisions contained in this clause 13 are for the benefit of the Noteholders.

### **13.2 To act continuously as trustee**

The Note Trustee must act continuously as trustee of the Note Trust until the Note Trust is terminated as provided by this document or the Note Trustee has retired or been removed from office in the manner provided under this document or, if applicable, the Corporations Act.

### **13.3 Note Trustee's Duties**

- (a) The Note Trustee must comply with the duties imposed on it under the Corporations Act and will observe and perform the covenants and obligations of this document.
- (b) On receipt of a written request from a Noteholder, the Note Trustee must make available a copy of any reports provided to it under clause 12 to that Noteholder.

### 13.4 No dispositions of assets except in accordance with Transaction Documents

Except as provided or permitted in any Transaction Document, the Note Trustee must not, nor will it permit any of its officers to, sell, mortgage, charge or otherwise encumber or part with possession of any asset of the Note Trust.

### 13.5 Perform Transaction Documents

The Note Trustee must properly perform the functions which are required of it under all Transaction Documents in respect of the Note Trust.

## 14 Note Trustee Powers and Discretions

### 14.1 Powers of the Note Trustee

Subject to this document, the Note Trustee may exercise any of the following powers (in addition to those powers of trustees arising under any law):

- (a) **(delegate)** delegate to any person the trusts, powers or discretions vested in the Note Trustee by this document, including this right of delegation, on such terms and conditions as the Note Trustee, in the interests of Noteholders, thinks fit;
- (b) **(waive as instructed)** on the instructions of the Noteholders by special resolution, waive any breach by the Note Issuer of any of the covenants or obligations binding on it under this document on such terms as the Noteholders instruct;
- (c) **(waive without instruction)** waive any minor breach of a formal, technical or administrative nature by the Note Issuer of any of the covenants or obligations binding on it under this document on such terms as the Note Trustee thinks fit, provided that the Note Trustee believes on reasonable grounds that the Noteholders will not be materially prejudiced as a result of granting such waiver;
- (d) **(rely on advice)** rely on the advice of any barrister, solicitor or accountant or any other expert obtained by the Note Trustee or by the Note Issuer; and
- (e) **(interpret this document)** determine all questions and matters of doubt arising in relation to any of the provisions of this document, and every such determination whether made on a question actually raised or implied in the acts or proceedings under this document is conclusive and binding on the Noteholders, the Note Issuer, and all persons claiming through them.

### 14.2 Enforcement

Subject to the other terms of this document, at any time after any Contingent Value Notes have become payable, the Note Trustee, acting on the instructions of Noteholders by ordinary resolution and without further notice to the Note Issuer, may institute such proceedings against any person as it may think fit to enforce payment of the Contingent Value Notes and recover any

other moneys owing under this document, but need not and must not take any action other than as specified in clause 9.

#### **14.3 Legal Proceedings**

The Note Trustee may apply to any court for directions in relation to any question and may assent to and approve or oppose any application to any court made by or at the instance of any Noteholder.

#### **14.4 Provision of information**

Nothing contained in this document will impose on the Note Trustee an obligation to inform any Noteholders of any breach by the Note Issuer of any provision of this document.

#### **14.5 Discretion of Note Trustee absolute**

Subject to clause 9, the Note Trustee will, as regards all the powers, authorities and discretions vested in it by this document, have absolute and uncontrolled discretion as to the exercise of them in all respects.

#### **14.6 Note Trustee may be a Noteholder**

- (a) Nothing in this document will prohibit the Note Trustee from being a Noteholder or from acting in any representative capacity for a Noteholder, including so acting on its own account or as executor, administrator, trustee, receiver, committee, guardian, attorney or agent or in any other fiduciary, vicarious or professional capacity, nor will acting in any such capacity be deemed a breach of the obligations arising out of the fiduciary relationship between the Note Trustee on the one hand and the Noteholders on the other which is established under this document or otherwise imposed or applied by law.
- (b) The Note Trustee will not by reason of its fiduciary capacity be prevented from making any contracts or entering into any transactions with the Note Issuer or any of its Related Bodies Corporate.

#### **14.7 Note Trustee reliance on information**

The Note Trustee is:

- (a) entitled to accept a certificate signed by any two Directors as to any factual matter as conclusive evidence of the matter;
- (b) entitled to accept and act on any information, statements, certificates, report, balance sheet or account supplied by the Note Issuer or any Director, secretary, Auditors or duly authorised officer of the Note Issuer; and
- (c) entitled to accept and act upon the statements and opinions contained in any statement, certificate, report, balance sheet, or account given pursuant to the provisions of this document as conclusive evidence of the contents of it.

#### **14.8 Note Trustee not obliged to notify or investigate**

Subject to section 283DA of the Corporations Act, the Note Trustee need not:

- (a) notify any person of the execution of this document; or
- (b) take any steps to ascertain whether there has occurred any:
  - (i) Event of Default; or
  - (ii) event which constitutes or which, with the giving of notice or the lapse time or the issue of a certificate would constitute an Event of Default; or
- (c) enquire as to whether the provisions of any Transaction Document have been complied with; or
- (d) request information or otherwise keep itself informed about the circumstances of the Note Issuer or consider or provide to any Noteholder any information with respect to the Note Issuer (whenever coming into its possession).

This clause 14.8 in no way limits the Note Trustee's obligations under clause 13.

#### **14.9 Note Trustee may assume**

Until it has actual knowledge or express notice to the contrary, the Note Trustee may assume that no condition, event or act of the kind described in clause 14.8(a) has occurred and that the Note Issuer and other parties to the Transaction Documents are observing and performing all their obligations contained in this Deed, the Contingent Value Notes and other Transaction Documents and need not enquire whether that is, in fact, the case.

#### **14.10 No interference**

The Note Trustee must not interfere with the conduct of the business of the Note Issuer.

#### **14.11 Consents etc may be conditional**

Any consent, authority, determination or waiver given by the Note Trustee for the purpose of this document may be given on terms and subject to conditions (if any) the Note Trustee thinks fit.

#### **14.12 Note Trustee's responsibility for information**

The Note Trustee is not concerned with or responsible for any omission from or statement or information contained in a prospectus, information memorandum, any advertisement, circular or other document relating to Contingent Value Notes.

#### **14.13 Deemed approval**

The Note Trustee is to provide its approval, or reasonable grounds for withholding its approval, to any document provided to the Note Trustee as contemplated by clause 14.11 within 5 Business Days of request by the Note Issuer (or such other period as the Note Trustee and the Note Issuer may agree). The Note Trustee will not be liable to the Note Issuer if it does not provide such approval or grounds within that period, but if the Note Trustee does not provide its approval, or reasonable grounds for withholding its

approval, before such a time, the Note Trustee will be deemed to have approved the document.

## **15 Note Trustee Limitation of Liability and Indemnity**

### **15.1 Exclusion of liability**

Subject to clause 15.3 and any applicable law, including Chapter 2L of the Corporations Act, the Note Trustee will not:

- (a) be under any liability whatsoever in its role as Note Trustee under the Transaction Documents;
- (b) be under any liability for anything done or omitted to be done in accordance with a direction given to it by the Noteholders at a meeting of Noteholders;
- (c) without limiting the generality of paragraph (a), be in any way responsible or liable for the payment of any stamp duty payable on or in respect of the issue of the Contingent Value Notes or on their redemption; and
- (d) without limiting the generality of paragraph (a), be in any way responsible for any loss, costs, damages or inconvenience that may result from the exercise or non-exercise of any authority, discretion or power which the Note Trustee exercises or fails to exercise in connection with this document or any Contingent Value Notes issued in connection with this document.

### **15.2 Indemnity from the Note Issuer**

Without prejudice to any indemnity allowed by law and subject to clause 15.3, the Note Issuer will indemnify the Note Trustee for all costs, charges, expenses and liabilities incurred and payments made in or about the execution, administration or enforcement of this document or the exercise of any right under any Transaction Document and the remuneration payable by the Note Issuer to the Note Trustee.

### **15.3 Limitation of liability**

- (a) This document applies to the Note Trustee only in its capacity as trustee of the Note Trust and in no other capacity. A liability arising under or in connection with this document is limited to and can be enforced against the Note Trustee only to the extent to which it can be satisfied out of property of the Note Trust out of which the Note Trustee is actually indemnified for the liability. This limitation of the Note Trustee's liability applies despite any other provision of this document and extends to all liabilities and obligations of the Note Trustee in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to this document.
- (b) No party may sue the Note Trustee in any capacity other than as trustee of the Note Trust, including seek the appointment of a receiver (except in relation to property of the Note Trust), a liquidator, an administrator or any similar person to the Note Trustee or prove in any liquidation,

administration or arrangement of or affecting the Note Trustee (except in relation to property of the Note Trust).

- (c) The provisions of this clause 15.3 will not apply to any obligation or liability of the Note Trustee to the extent that it is not satisfied because under this document or by operation of law there is a reduction in the extent of the Note Trustee's indemnification out of the assets of the Note Trust, as a result of the Note Trustee's fraud, gross negligence or breach of trust.
- (d) It is acknowledged that the Note Issuer is responsible under the Transaction Documents for performing a variety of obligations relating to the Note Trust, including under this document. No act or omission of the Note Trustee (including any related failure to satisfy its obligations or breach of representation or warranty under this document) will be considered fraud, gross negligence or breach of trust of the Note Trustee for the purpose of clause 15.3(b) to the extent to which the act or omission was caused or contributed to by any failure by the Note Issuer or any other person to fulfil its obligations relating to the Note Trust or by any other act or omission of the Note Issuer or any other person.
- (e) No attorney, agent, receiver or receiver and manager appointed in accordance with this document has authority to act on behalf of the Note Trustee in a way which exposes the Note Trustee to any personal liability and no act or omission of any such person will be considered fraud, gross negligence or breach of trust of the Note Trustee for the purpose of clause 15.3(b).
- (f) The Note Trustee is not obliged to do or refrain from doing anything under this document (including incur any liability) unless the Note Trustee's liability is limited in the same manner as set out in paragraphs (a) to (c) of this clause.

#### **15.4 Release**

Where clause 15.1 is not effective to absolve the Note Trustee from any liability mentioned in clause 15.1 the Noteholders may release the Note Trustee in respect of any such liability to the extent and in the manner contemplated by section 283DB of the Corporations Act.

#### **15.5 Insurance**

The Note Trustee covenants that while it is trustee under this document it will maintain adequate professional indemnity insurance and will produce to the Note Issuer evidence of compliance with this covenant on request by the Note Issuer.

## **16 Remuneration of Note Trustee**

### **16.1 Fees**

BidCo must pay to the Note Trustee by way of remuneration for its services as Trustee a fee or such other remuneration as from time to time is mutually agreed.

### **16.2 Reimbursement of costs**

On demand, without limiting the generality of the other provisions of this document, and without prejudice to any other right of indemnity given by law to trustees but subject to any agreement to the contrary, BidCo will reimburse or pay to the Note Trustee all costs, charges and expenses and other liabilities including solicitor and client as well as party and party costs and any stamp or other duty reasonably and properly incurred or payable by the Note Trustee in connection with the execution or purported execution of the trusts hereof or (without limiting the generality of the foregoing):

- (a) in or about or in connection with the preparation and execution of this document or the Transaction Documents;
- (b) in or in connection with the carrying out by the Note Trustee of any right, power, privilege, authority or discretion by this document or any Transaction Document conferred expressly or impliedly on the Note Trustee or on any Noteholder;
- (c) in or in connection with any breach or default in the observance or performance by the Note Issuer of any of the covenants, obligations and conditions of this document or any Transaction Document; or
- (d) in or in connection with the convening and holding of any meeting of Noteholders or the carrying out of any directions or resolutions of such meeting, provided that such costs, charges and expenses are reasonable and properly incurred.

### **16.3 Priority of payments**

All the remuneration and payments mentioned above must be paid in priority to any claim by any Noteholder and, subject to the terms provided above, will continue to be payable until the later of:

- (a) the termination of the Note Trust; and
- (b) the date on which the Note Trustee ceases to have any duties under this deed.

This priority of the Note Trustee will subsist whether or not a receiver is appointed or the Note Trust is in the course of administration by or under the order of any court.

### **16.4 Funds before acting**

- (a) If the Note Trustee proposes to exercise a right, power or remedy or take any action in its capacity as Note Trustee in connection with the Transaction Documents (including as a result of a direction or instruction of Noteholders pursuant to a resolution of Noteholders), and the Note

Trustee reasonably considers this could result in BidCo becoming obliged to pay an amount under clause 16.2, then the Note Trustee may require BidCo to pay the Note Trustee before exercising that right, power or remedy or taking that action an amount equal to the amount the Note Trustee reasonably determines BidCo would be liable to pay under clause 16.2.

- (b) Despite any other provisions of any Transaction Document, the Note Trustee is not obliged to so act until that amount is paid.

## **17 Retirement and Appointment of Note Trustee**

### **17.1 Right of Note Trustee to retire**

Subject to any statutory provisions for the time being relating to the retirement of trustees, the Note Trustee may retire at any time (with or without giving any reason for its retirement) after the expiration of not less than 2 months' notice in writing to the Note Issuer of its intention to do so, provided that such retirement will not take effect until a new trustee who is willing to act and who is a Trustee Company has been appointed by the Note Issuer in accordance with the provisions of this clause 17.

### **17.2 Power of Note Issuer to appoint a new note trustee**

Subject to the other provisions of this document, the power under this document of appointing a new trustee of the Note Trust is vested in the Note Issuer and the Note Issuer may at any time remove the Note Trustee and appoint a new trustee of the Note Trust (who must be a Trustee Company and may be a Related Body Corporate of the Note Trustee):

- (a) on not less than 2 months' notice; or
- (b) immediately if:
  - (i) any of the events referred to in section 283BD of the Corporations Act occur in relation to the Note Trustee;
  - (ii) an Insolvency Event occurs in relation to the Note Trustee;
  - (iii) a resolution to remove the Note Trustee is passed at a meeting of the Noteholders; or
  - (iv) the Note Trustee is in breach of any of its obligations under this document or any other Transaction Document and the breach has not been remedied by the Note Trustee within 14 Business Days of receipt of notice in writing from the Note Issuer specifying the breach.

### **17.3 Power of existing Note Trustee to appoint a new note trustee**

If:

- (a) when the period of notice referred to in clause 17.1 expires, a new note trustee (who must be a Trustee Company) has not been appointed;

- (b) the Note Issuer removes the Note Trustee under clause 17.2 but does not appoint a new note trustee within 10 Business Days of the removal becoming effective; or
- (c) the Noteholders remove the Note Trustee under clause 14 of **Schedule 3** but do not appoint a new note trustee within 10 Business Days of the removal becoming effective,

the Note Trustee may at any time thereafter and so long as an appointment has not been made by the Note Issuer or the Noteholders, appoint in writing another person to act as the new trustee of the Note Trust (who must be a Trustee Company) and any such appointment will be effective without the further approval of the Note Issuer or of the Noteholders.

#### **17.4 Retirement, death or removal of Note Trustee**

On the retirement, death or removal of the Note Trustee, the retiring or departing Note Trustee must at the cost of the Note Issuer do all such things and execute all such deeds and assurances as are necessary for the purpose of vesting in the new trustee or new trustees all money, property, rights, powers, authorities and discretions vested in the Note Trustee under this document.

#### **17.5 Release of Note Trustee**

Upon the appointment of the new trustee, the retiring or departing Note Trustee will be released from all further obligations and liabilities in respect of the Note Trust arising after the date it retires or is removed. The retirement, removal or departure of the Note Trustee will not be effective unless and until a replacement Note Trustee has been appointed in accordance with this clause 17.

### **18 Acknowledgement of Trust**

#### **18.1 Trust**

The Note Trustee acknowledges receipt of the Settled Sum from the Note Guarantor and agrees with the Note Guarantor and Note Issuer that it must hold:

- (a) the Settled Sum;
- (b) all Recovered Moneys;
- (c) the right of Noteholders to enforce the Note Issuer's duty to pay the Redemption Amount in respect of any Contingent Value Note;
- (d) the right of Noteholders to enforce any other duties and obligations of the Note Issuer, Note Guarantor and BidCo under this document, the Terms of Issue or the Corporations Act;
- (e) the right of Noteholders to enforce the guarantee in clause 20 against the Note Guarantor; and
- (f) the benefit of this document and the Transaction Documents,

on trust for persons who hold Contingent Value Notes from time to time subject to the terms and conditions of this document.

## **18.2 Order of Priority**

All Recovered Moneys will be applied for the following purposes and, subject to the Terms of Issue, in the following order of priority:

- (a) first, unless otherwise paid by BidCo, all costs, charges, expenses and liabilities incurred and payments made in or about the execution, administration or enforcement of the trusts of this document including all remuneration payable to the Note Trustee (including any interest payable on any of those amounts);
- (b) second, the Redemption Amount and all other amounts due and payable on each Contingent Value Note *pari passu* and without preference or priority amongst Noteholders, subject to any necessary rounding; and
- (c) third, in payment of the surplus (if any) without interest to the Note Issuer. The Note Trustee may pay the surplus to the credit of an account in the name of the Note Issuer in the books of any bank carrying on business within Australia and having done so is under no further liability in respect of that surplus.

Any amount required by law to be paid in priority to any amount specified in clauses 18.2(a) to (c) (inclusive) must be paid before any money is applied in payment of the amounts specified in clauses 18.2(a) to (c) (inclusive).

## **19 Termination of Note Trust**

### **19.1 Termination events**

The Note Trust will terminate on the earliest to occur of the following:

- (a) the date on which the Note Trustee is notified of the termination of the Central Scheme Deed;
- (b) the date immediately following:
  - (i) redemption of all of the Contingent Value Notes;
  - (ii) payment of all monies owing in respect of the Contingent Value Notes; and
  - (iii) payment of all costs, charges and expenses properly incurred by the Note Trustee under or in connection with this document or the Transaction Documents;
- (c) the date immediately following the cancellation of all of the Contingent Value Notes in accordance with clause 5.4;
- (d) where:
  - (i) there is one Independent Resource Assessor appointed, the date on which the Independent Resource Assessor notifies the Note Issuer that the IRA Redemption Amount is \$0; or

- (ii) there are two independent Resource Assessors and both notify the Note Issuer that the IRA Redemption Amount is \$0, the date on which the second Independent Resource Assessor notifies the Note Issuer that the IRA Redemption Amount is \$0; and

(e) the Cut-Off Date.

## **19.2 Disposal and distribution of trust assets on termination**

If the Note Trust is terminated in accordance with clause 19.1, the Note Trustee must distribute the balance of the capital and income of the Note Trust (including, without limitation, cash, if any) to the Note Issuer.

## **19.3 Untraceable Noteholders**

(a) Subject to applicable law:

- (i) where the Note Issuer has made reasonable efforts to locate a Noteholder to effect the payment of monies but is unable to do so; and
- (ii) the monies owing have not been claimed by the Noteholder or any legal personal representative of the Noteholder for a period of 12 months after first becoming payable,

then those monies:

- (iii) must be paid by the Note Trustee to the Note Issuer, if the Note Trustee has actual possession and control of such monies; and
- (iv) will be held by the Note Issuer, until such time as the moneys are dealt with in accordance with the applicable legislation relating to unclaimed monies.

(b) The Note Trustee is not liable to any Noteholder for any moneys paid to the Note Issuer in accordance with this clause.

## **19.4 Release**

Subject to clauses 19.2 and 19.3, upon termination of the Note Trust under clause 19.1, the Note Trustee and the Note Issuer are discharged and released from all their obligations under this document.

## **20 Note Guarantee**

### **20.1 Interpretation**

Unless the context requires otherwise, in clauses 20, 21, 22, 23 and 24 a reference to:

- (a) any “**person**” includes the Note Issuer; and
- (b) any “**document**” or “**agreement**” refers to each Transaction Document.

### **20.2 Guarantee**

(a) The Note Guarantor unconditionally and irrevocably guarantees to the Note Trustee (for the benefit of itself and each Noteholder) the due and

punctual payment of the Secured Money and the other obligations of the Note Issuer under this document.

- (b) The Note Guarantor gives this guarantee for valuable consideration from, amongst others, each Noteholder (including each Noteholder agreeing to accept each Contingent Value Note issued to it) and acknowledges receipt of that consideration.

### **20.3 Payment**

- (a) If any Secured Money is not paid when due, then on demand by the Note Trustee, the Note Guarantor must, if unpaid, pay an amount equal to that Secured Money in the same manner and currency which the Note Issuer is required to pay the Secured Money.
- (b) A demand need only specify the amount owing. It need not specify the basis of calculation of that amount.
- (c) The Note Trustee will not be obliged before exercising any of the rights, powers or remedies conferred upon it by this document or by law:
  - (i) to make any demand on the Note Issuer;
  - (ii) to take any action or obtain judgment in any court against the Note Issuer; or
  - (iii) to make or file any claim or proof in a winding up or dissolution of the Note Issuer.
- (d) The Note Guarantor expressly waives any presentment, demand and protest in respect of each Contingent Value Note which may be or become payable.

### **20.4 Unconditional nature of obligation**

The liability of the Note Guarantor under this clause 20 will not be affected by anything which but for this provision might operate to release, prejudicially affect or discharge them or in any way relieve the Note Guarantor from any obligation. This includes the following:

- (a) the grant to any person of any time, waiver or other indulgence, or the discharge or release of any person;
- (b) any transaction or arrangement that may take place between a Noteholder and any person;
- (c) where an Insolvency Event occurs in respect of any person;
- (d) the Note Trustee or a Noteholder becoming a party to or bound by any compromise, moratorium, assignment of property, scheme of arrangement, deed of company arrangement, composition of debts or scheme of reconstruction by or relating to any person;
- (e) the Note Trustee or a Noteholder exercising or delaying or refraining from exercising or enforcing any document or agreement or any right, power or remedy conferred on it by law or by any document or agreement;

- (f) all or any part of any document or agreement held by the Note Trustee or a Noteholder at any time or of any right, obligation, power or remedy changing, ceasing or being transferred (this includes amendment, variation, novation, replacement, rescission, invalidity, extinguishment, repudiation, avoidance, unenforceability, frustration, failure, expiry, termination, loss, release, discharge, abandonment or assignment);
- (g) the failure by any person or the Note Trustee or a Noteholder to notify the Note Guarantor of any default by any person under any document or agreement or other circumstance;
- (h) the Note Trustee or a Noteholder obtaining a judgment against any person for the payment of any Secured Money;
- (i) any legal limitation, disability, incapacity or other circumstance relating to any person; or
- (j) any document or agreement is not executed by any person, or is not valid or binding on any person;

whether with or without the consent of the Note Guarantor. None of the above paragraphs limits the generality of any other.

#### **20.5 Principal and independent obligation**

This clause 20 is a principal and independent obligation. Except for stamp duty purposes, it is not ancillary or collateral to another document, agreement, right or obligation.

#### **20.6 No marshalling**

Neither the Note Trustee nor any Noteholder is obliged to marshal or appropriate in favour of the Note Guarantor or to exercise, apply or recover:

- (a) any security interest, guarantee, document or agreement (including any Transaction Document) held by the Note Trustee or that Noteholder at any time; or
- (b) any of the funds or assets that the Note Trustee or that Noteholder may be entitled to receive or have a claim on.

#### **20.7 No competition**

Until the Secured Money has been irrevocably paid and discharged in full the Note Guarantor is not entitled to:

- (a) be subrogated to the Note Trustee or any Noteholder or claim the benefit of any security interest or guarantee held by the Note Trustee or any Noteholder at any time;
- (b) either directly or indirectly prove in, claim or receive the benefit of, any distribution, dividend or payment where the Note Issuer undergoes an Insolvency Event, or any person who gives a guarantee or security interest in respect of any Secured Money; or

- (c) have or claim any right of contribution or indemnity from the Note Issuer, or any person who gives a guarantee or security interest in respect of any Secured Money.

The receipt of any distribution, dividend or other payment by the Note Trustee or a Noteholder (in a capacity other than as the Note Trustee or a Noteholder) out of or relating to any Insolvency Event will not prejudice the right of a Noteholder to recover the Secured Money by enforcement.

#### **20.8 Suspense account**

If an Insolvency Event occurs in respect of any person, the Note Guarantor authorises the Note Trustee to do the following until the Note Trustee and each Noteholder has been paid the Secured Money in full:

- (a) prove in respect of all moneys which the Note Guarantor has paid the Note Trustee or that Noteholder under this document; and
- (b) (i) retain and carry to a suspense account; and
  - (ii) appropriate at the discretion of the Note Trustee or that Noteholder,

any dividend received where an Insolvency Event occurs in respect of the Note Issuer or Note Guarantor and any other money received in respect of the Secured Money.

Any amount received by the Note Trustee or the relevant Noteholder in excess of the Secured Money will be repaid by the Note Trustee or that Noteholder (as applicable) to the Note Guarantor.

#### **20.9 Rescission of payment**

Whenever any of the following occurs for any reason (including under any law relating to insolvency, fiduciary obligations or the protection of creditors):

- (a) all or part of any transaction of any nature (including any payment or transfer) made under this document which affects or relates in any way to the payment of the Secured Money is void, set aside or voidable (including but not limited to a claim under laws relating to liquidation, administration, insolvency or protection of creditors);
- (b) any claim that anything contemplated by paragraph (a) is so upheld, conceded or compromised; or
- (c) the Note Trustee or a Noteholder is required to return or repay any money or asset received by it in payment of the Secured Money or the equivalent in value of that money or asset,

the Note Trustee or that Noteholder (as applicable) will immediately become entitled against the Note Guarantor to all rights in respect of the Secured Money which it would have had if all or the relevant part of the transaction or receipt had not taken place. The Note Guarantor will indemnify the Note Trustee or that Noteholder on demand against any resulting loss, cost or

expense. This clause 20.9 continues after the guarantee constituted by this document is discharged.

#### **20.10 Indemnity**

If any Secured Money (including moneys which would have been Secured Money if they were recoverable) is not recoverable from the Note Issuer for any reason the Note Guarantor will unconditionally and irrevocably indemnify the Note Trustee and each relevant Noteholder and will pay that money to the Note Trustee or the relevant Noteholder on demand. The reason may include any legal limitation, disability, incapacity or thing affecting the Note Issuer or any failure to execute properly an agreement or document.

This applies whether or not:

- (a) any transaction relating to the Secured Money was void or illegal or has been subsequently avoided;
- (b) any matter or fact relating to that transaction was or ought to have been within the knowledge of the Note Trustee or the relevant Noteholder; or
- (c) the Note Trustee or that Noteholder has incurred expense or made payment before enforcing that right of indemnity.

#### **20.11 Continuing guarantee and indemnity**

This clause 20:

- (a) is a continuing guarantee and indemnity;
- (b) will not be taken to be wholly or partially discharged by the payment at any time of any Secured Money or by any settlement of account or other matter or thing; and
- (c) remains in full force until the Secured Money has been paid in full and each of the Note Guarantor and the Note Issuer has completely performed its obligations under this document.

#### **20.12 Variations**

This clause 20 covers the Secured Money as varied from time to time including as a result of:

- (a) any amendment to, or waiver under, any Transaction Document; or
- (b) the provision of further accommodation to the Note Issuer,

and whether or not with the consent of or notice to the Note Guarantor. This does not limit any other provision.

#### **20.13 Judgment**

A judgment obtained against the Note Issuer will be conclusive against Note Guarantor.

#### **20.14 Conditions precedent**

Any condition or condition precedent to the provision of financial accommodation is for the benefit of the Note Trustee and the relevant Noteholder and not the Note Guarantor. Any waiver of or failure to satisfy such

a condition or condition precedent will be disregarded in determining whether an amount is part of the Secured Money.

## 21 **Costs**

The Note Guarantor will bear and where applicable, pay or reimburse the Note Trustee and each Noteholder on demand for the reasonable costs, charges and expenses of the Note Trustee or that Noteholder in connection with the enforcement of or preservation of rights under this guarantee and indemnity (including, reasonable legal costs and expenses on a full indemnity basis).

## 22 **Acknowledgement by Note Guarantor**

The Note Guarantor confirms that it has not entered into any Transaction Document in reliance on, or as a result of, any conduct of any kind of or on behalf of the Note Trustee or any Noteholder or any Related Body Corporate of the Note Trustee or any Noteholder (including any advice, warranty, representation or undertaking).

## 23 **Note Guarantor's representations and warranties**

The Note Guarantor makes the following representations and warranties for the benefit of the Note Trustee and the Noteholders on the date of this document and repeats them on the date of issue of the Contingent Value Notes:

- (a) **(status)** it is a corporation validly existing under the laws of the place of its incorporation;
- (b) **(power)** it has the power to enter into and perform its obligations under this document;
- (c) **(corporate authority)** it has taken all necessary corporate action to authorise the entry into and performance of this document;
- (d) **(document binding)** this document is valid and binding and enforceable against it in accordance with its terms;
- (e) **(solvency)** no Insolvency Event has occurred in relation to it;
- (f) **(no contravention or exceeding powers)** this document does not contravene its constituent documents or any law or obligation to which it is bound or to which any of its assets are subject or cause a limitation on its powers or the powers of its directors to be exceeded; and
- (g) **(adequate funds)** it has adequate funds (or access to such funds) to meet payments that fall due under this document and Contingent Value Notes.

## 24 Note Guarantor's additional obligations

The Note Guarantor will, for so long as the Contingent Value Notes remain outstanding:

- (a) **(conduct business)** carry on and conduct its business in a proper and efficient manner; and
- (b) **(allow inspections)** make all of its financial and other records available for inspection by:
  - (i) the Note Trustee; or
  - (ii) an officer or employee of the Note Trustee authorised by the Note Trustee to carry out the inspection; or
  - (iii) a registered company auditor appointed by the Note Trustee to carry out the inspection,and give them any information, explanations, or other assistance that they require about matters relating to those records;
- (c) **(notice of security interest)** if the Note Guarantor creates a security interest, provide the Note Trustee with written details of the security interest within 21 days after it is created and, if the total amount to be advanced on the security of the security interest is indeterminate, give the Note Trustee written details of:
  - (i) the amount of each advance made within seven days after it is made; or
  - (ii) where the advances are merged in a current account with bankers, trade creditors or anyone else, the net amount outstanding on the advances at the end of every three months;
- (d) **(compliance with this document)** comply with this document; and
- (e) **(compliance with laws)** otherwise comply with all statutory and regulatory requirements applicable to it, including under Chapter 2L of the Corporations Act, to the extent they relate to its obligations under this document.

## 25 Notices

Any notice, demand, consent or other communication (a **Notice**) given or made under this document by the Note Issuer, the Note Trustee or the Note Guarantor to any other party:

- (a) must be in writing and signed by a person duly authorised by the sender (or, in the case of email, set out the full name and position or title of the sender);
- (b) must be delivered to the intended recipient by prepaid post (if posted to an address in another country, by registered airmail) or by hand, fax or email to the address, fax number or email address below or the address,

fax number or email address last notified by the intended recipient to the sender after the date of this document:

to the **Note Issuer:** Macquarie Amadeus Pty Limited  
Level 1, 50 Martin Place, Sydney, NSW 2000  
Attention Legal Risk Management, Commodities  
and Global Markets;  
Email: amadeus@macquarie.com

to **BidCo:** Macquarie MPVD Pty Limited  
Level 1, 50 Martin Place, Sydney, NSW 2000  
Attention: Legal Risk Management,  
Commodities and Global Markets;  
Email: mpvd@macquarie.com

to the **Note Trustee:** Equity Trustees Limited  
Level 2, 575 Bourke Street, Melbourne, VIC  
3000  
Attention: Sten Silavecky;  
Fax No: +613 8623 5200;  
Email: ssilavecky@eqt.com.au;  
aobrien@eqt.com.au and

to the **Note Guarantor:** Macquarie Financial Holdings Pty Limited  
Level 1, 50 Martin Place, Sydney, NSW 2000  
Attention: Legal Risk Management,  
Commodities and Global Markets Email:  
amadeus@macquarie.com

to a **Noteholder:** To the address of that Noteholder specified in  
the Register

- (c) will be taken to be duly given or made:
- (i) in the case of delivery in person, when delivered;
  - (ii) in the case of delivery by post, two Business Days after the date of posting; and
  - (iii) in the case of email, on the earlier of:

- (A) when the sender receives an automated message from the email system of the intended recipient confirming delivery; and
- (B) three hours after the time the email is sent (as recorded on the device from which the sender sent the email) unless the sender receives, within that three hour period, an automated message that the email has not been delivered,

but if the result is that a Notice would be taken to be given or made on a day that is not a business day in the place to which the Notice is sent or is later than 5pm (local time) it will be taken to have been duly given or made at the commencement of business on the next business day in that place.

## **26 Amendments**

### **26.1 Amendments with Noteholder approval**

At any time, and from time to time, but subject to compliance with applicable laws, the Note Issuer may amend this document or the Terms of Issue if such amendment:

- (a) is authorised by a special resolution of Noteholders in accordance with clause 13(a) of **Schedule 3**, or if otherwise permitted by clause 26.2;
- (b) has the consent of BidCo which may be granted or withheld in its absolute discretion; and
- (c) has the consent of the Note Issuer which may be granted or withheld in its absolute discretion.

### **26.2 Amendments without Noteholder approval**

At any time, but subject to compliance with applicable laws, the Note Issuer may, without the consent or approval of BidCo, the Noteholders or the Note Trustee, amend this document or the Terms of Issue if the Note Issuer is of the opinion that such amendment is:

- (a) made to cure any ambiguity or correct a manifest error;
- (b) of a formal, minor or technical nature;
- (c) necessary to comply with the provisions of any statute or the requirements of any statutory authority; or
- (d) required to give effect to the terms of this document for the benefit of the Noteholders as a result of a change in circumstances after the date of this document.

provided that:

- (e) any amendments which will have an adverse effect of the Note Trustee's rights and obligations under the Transaction Documents must be approved by the Note Trustee; and

- (f) the terms of any amendment are promptly notified to the Note Trustee and to each Noteholder.

## 27 Lodgement of documents by Noteholders

Where in this document provision is made for or reference is made to the production, surrender, lodgement or delivery of documents or the giving of notice in each case by Noteholders to the Note Issuer, the same will be deemed not to have been produced, surrendered, lodged, delivered or given to the Note Issuer by any Noteholder unless and until it is actually received by the Note Issuer at the place where the Register is kept or such other place as the Note Issuer may reasonably nominate for the purposes of this clause.

## 28 Taxes

### 28.1 Definitions

In this clause, the following definitions apply:

**Adjustment Note** has the meaning given by the GST Law.

**Consideration** has the meaning given by the GST Law.

**GST** has the meaning given by the GST Law.

**GST Amount** means in relation to a Taxable Supply the amount of GST payable in respect of that Taxable Supply.

**GST Group** has the meaning given by the GST Law.

**GST Law** has the meaning given by the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) and/or the Goods and Services Tax Act (2003) in Papua New Guinea (as the context requires).

**Input Tax Credit** has the meaning given by the GST Law and a reference to an Input Tax Credit entitlement of a party includes an Input Tax Credit for an acquisition made by that party but to which another member of the same GST Group is entitled under the GST Law.

**Margin Scheme** has the meaning given by the GST Law.

**Tax Invoice** has the meaning given by the GST Law.

**Taxable Supply** has the meaning given by the GST Law excluding the reference to section 84-5 of the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) and (except where expressly agreed otherwise) excluding a supply in respect of which the supplier chooses to apply the Margin Scheme in working out the amount of GST on that supply.

### 28.2 General

- (a) The Note Issuer will pay all stamp, transaction, registration and similar Taxes (including fines and penalties but not including income taxes) for which the Note Issuer is liable and which may be payable in relation to the execution, delivery, performance or enforcement of any Transaction

Document or any payment or receipt or any other transaction contemplated by any Transaction Document.

- (b) The Note Issuer is not liable for any Tax or other charge arising from the ownership or maturity of the Contingent Value Notes. The holder of the Contingent Value Notes must pay all Tax and other charges, if any, payable in connection with the ownership and maturity of the Contingent Value Notes.

### 28.3 GST

- (a) GST is not payable on the issue and the redemption of Contingent Value Notes by the Note Issuer, unless there is a change of law such that the issue or the redemption of Contingent Value Notes is considered a Taxable Supply.
- (b) Subject to paragraph (a) above, if GST is payable on a Taxable Supply made under, by reference to or in connection with this document, the party providing the Consideration for that Taxable Supply must also pay the GST Amount as additional Consideration. This clause does not apply to the extent that the Consideration for the Taxable Supply is expressly agreed to be GST inclusive.
- (c) The liability of the Note Issuer under this clause is limited to the amount of the benefit of any Input Tax Credit that the Note Issuer receives in respect of that Taxable Supply.
- (d) No payment of any amount pursuant to paragraphs (a) and (b), and no payment of the GST Amount where the Consideration for a Taxable Supply is expressly agreed to be GST inclusive, is required until the supplier has provided a Tax Invoice or Adjustment Note as the case may be to the recipient.
- (e) Any reference in the calculation of Consideration or of any indemnity, reimbursement or similar amount to a cost, expense or other liability incurred by a party, must exclude the amount of any Input Tax Credit entitlement of that party in relation to the relevant cost, expense or other liability. A party will be assumed to have an entitlement to a full Input Tax Credit unless it demonstrates otherwise prior to the date on which the Consideration must be provided.
- (f) Any reference in this document to price, value, sales, revenue or a similar amount (**Revenue**), is a reference to that Revenue exclusive of GST.
- (g) Any reference in this document (other than in the calculation of Consideration) to cost, expense or other similar amount (**Cost**), is a reference to that Cost exclusive of GST.
- (h) This clause 28 will continue to apply after expiration or termination of this document.

## **29 General Provisions**

### **29.1 Deemed terms**

Any terms required by law from time to time to be in this document are deemed to be set out in this document.

### **29.2 No liability for loss**

Subject to clause 15.3, neither the Note Trustee nor a Noteholder is liable for loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising, a right or remedy.

### **29.3 Waivers, remedies cumulative**

Except as provided in this document, no failure to exercise and no delay in exercising on the part of any party of any right, power or privilege under this document will operate as a waiver. Nor will any single or partial exercise of any right, power or privilege preclude any other or further exercise of that or any other right, power or privilege.

### **29.4 Indemnities**

The indemnities in this document are continuing obligations, independent of the Note Issuer's other obligations under this document and continuing after the Note Trust ends. It is not necessary for the Note Issuer, Note Trustee or a Noteholder to incur expense or make payment before enforcing a right of indemnity under this document.

### **29.5 Rights and obligations unaffected**

To the extent permitted by law, rights given to the Note Trustee or any Noteholder under this document and the Note Issuer's liability under it are not affected by anything which might otherwise affect them at law.

### **29.6 Inconsistent law**

To the extent permitted by law, this document prevails to the extent it is inconsistent with any law.

### **29.7 Severability of provisions**

Any provision of this document which is prohibited or unenforceable in any jurisdiction is, as to that jurisdiction, ineffective to the extent of that prohibition or unenforceability. This does not invalidate the remaining provisions of this document nor affect the validity or enforceability of that provision in any other jurisdiction.

### **29.8 Entire agreement**

This document contains the entire agreement of the parties with respect to its subject matter. It constitutes the only conduct relied on by the parties (and supersedes all earlier conduct by the parties) with respect to its subject matter.

### **29.9 Counterparts**

This document may be executed in any number of counterparts. All counterparts together will be taken to constitute one instrument.

**29.10 Inspection of this document and copies of this document**

The Noteholders may inspect a copy of this document at the office of the Note Issuer during normal business hours, and will be entitled to a copy of it on payment of the prescribed fee within 15 Business Days of receipt of such payment by the Note Issuer.

**29.11 Governing law, jurisdiction and service of process**

This document is governed by the laws of New South Wales. Each person taking benefit of or bound by this document submits to the non-exclusive jurisdiction of courts exercising jurisdiction there and waives any right it has to an action being brought in those courts, to claim that the action has been brought in an inconvenient forum, or to claim that those courts do not have jurisdiction. Without preventing any other mode of service, any document in an action (including, without limitation, any writ of summons or other originating process or any third or other party notice) may be served on the Note Issuer by being delivered to or left for the Note Issuer at its address as stated in this document.

**29.12 Noteholders bound**

Each Noteholder and any person claiming through each Noteholder who asserts an interest in a Contingent Value Note under this document is bound by this document.

**29.13 Liability**

An obligation of two or more persons binds them separately and together.

**29.14 Entitlement to enforce**

Subject to this document, each Noteholder has the benefit of and is entitled to enforce this document even though it is not a party to, or is not in existence at the time of execution and delivery of, this document.

**29.15 Independent enforcement**

Subject to this document, each Noteholder may enforce its rights under this document independently from each other Noteholder.

**29.16 Accounting procedures**

Without limiting any other provision of this document, any calculations or classifications to be made by the Note Trustee for the purposes of the Note Trust must be made in accordance with generally accepted accounting principles and procedures for trusts in Australia.

**29.17 Deed**

This document is a deed. Factors which might suggest otherwise are to be disregarded.

## Schedule 1 - Terms of Issue

### 1 General

#### 1.1 Definitions

Words and expressions defined in the Contingent Value Note Trust Deed, between Macquarie Amadeus Pty Limited (ACN 617 817 893), Equity Trustees Limited (ABN 46 004 031 298) and others (**Deed**) have the same meaning in these Terms of Issue, unless the context otherwise requires.

#### 1.2 Terms of issue

The Contingent Value Notes will:

- (a) not be transferable, except in accordance with clauses 7 and 8 of this Schedule;
- (b) subject to clause 2.1 of this Schedule, be redeemable by the Note Issuer in accordance with clause 2.2 of this Schedule; and

are otherwise issued subject to the provisions of the Deed.

#### 1.3 Enforcement

The obligations of the Note Issuer in respect of each Contingent Value Note constitute separate and independent obligations which the Note Trustee and, subject to the Terms of Issue, the Noteholder to which those obligations are owed are each entitled to enforce independently from each other Noteholder.

#### 1.4 Status

The Contingent Value Notes will constitute unsecured obligations of the Note Issuer.

### 2 Redemption of Contingent Value Notes

#### 2.1 Conditions precedent

The Contingent Value Notes will only be redeemable if each of the Redemption Conditions is satisfied. If either or both of the Redemption Conditions are not satisfied, no obligation to pay the Redemption Amount in respect of any Contingent Value Note will arise.

#### 2.2 Redemption

If each of the Redemption Conditions is satisfied, the Note Issuer must, in accordance with the Terms of Issue, redeem the Contingent Value Notes by:

- (a) notifying the Note Trustee in writing that the Redemption Conditions have been satisfied providing a copy of the Redemption Determination Notice(s) to the Note Trustee (if not already provided) as soon as practicable (and in any event not later than five Business Days) after the date on which the last of the Redemption Conditions was satisfied; and
- (b) paying to each Noteholder, who is a Noteholder on the Noteholder Record Date, the aggregate total Redemption Amount for all Contingent

Value Notes held by the Noteholder on the Noteholder Record Date, rounded up or down to the nearest whole cent:

- (A) within 14 days of receiving the Redemption Determination Notice; or
- (B) if there are two Independent Resource Assessors, within 14 days of receiving the second Redemption Determination Notice.

The Note Issuer must notify the Note Trustee in writing when the Note Issuer has made such payments.

### **2.3 Interest**

No interest is payable on the Contingent Value Notes.

## **3 Payment**

### **3.1 Noteholder Record Date**

The payment of the Redemption Amount in respect of each Contingent Value Note will be made to the person whose name is entered in the Register as the Noteholder in respect of that Contingent Value Note as at 5pm on the Noteholder Record Date.

### **3.2 Payment to Noteholders**

Subject to clause 5.3 of this Schedule, any amount (including the Redemption Amount) payable under or in respect of a Note must be paid in Australian dollars only:

- (a) by payment of cheque marked “not negotiable” and sent through the post to the address of the Noteholder on the Register or other person entitled thereto, or where the Contingent Value Notes are held by joint Noteholders to the address of the Noteholder whose name stands first on the Register in respect of those Contingent Value Notes; or
- (b) by direct credit to a nominated account denominated in Australian dollars at a financial institution notified by the relevant Noteholder (or, where the Contingent Value Notes are held by joint Noteholders, the Noteholder whose name stands first on the Register) to the Note Issuer; or
- (c) by any other method of transferring money approved by the Note Trustee and the board of directors of the Note Issuer from time to time.

Every cheque referred to in this clause will be sent at the risk of the person entitled to the money represented by the cheque and payment will be deemed to have been made when the cheque is posted or the deposit is made in accordance with this clause.

### **3.3 Payment constitutes release**

Any payment made by the Note Issuer or the Note Trustee for the account of a person whose name is, on the Noteholder Record Date, entered in the Register as the holder of a Contingent Value Note constitutes for all purposes an absolute and unconditional release and discharge of the Note Issuer and the

Note Trustee, to the extent of such payment, of all obligations and indebtedness in respect of the Contingent Value Note under or in respect of which the payment was made.

### **3.4 Time limit for claims**

A claim against the Note Issuer for a payment under or in respect of a Contingent Value Note is void unless made within one year of the due date for that payment.

### **3.5 No set-off**

All payments under or in respect of a Contingent Value Note will be made without any set off, counterclaim or condition.

## **4 Power of the Noteholders to direct Note Trustee**

Upon the occurrence of an Event of Default, the Noteholders will have the following powers exercisable by ordinary resolution:

- (a) to direct the Note Trustee to take any particular action under the Deed or the Contingent Value Notes;
- (b) to direct the Note Trustee to commence legal proceedings against the Note Issuer to recover any outstanding Redemption Amount, owing in respect of the Contingent Value Notes; and
- (c) to direct the Note Trustee to take such other action as the Noteholders deem appropriate to recover any outstanding Redemption Amount owing in respect of the Contingent Value Notes,

and the Note Trustee must comply with those directions subject to any applicable law (including Chapter 2L of the Corporations Act), the terms of the Deed and these Terms of Issue.

## **5 Joint Noteholders**

### **5.1 Nature of interest**

Where two or more persons are registered as the holders of any Contingent Value Notes, they are considered to hold the Contingent Value Notes as joint tenants with benefits of survivorship, subject to the terms of this clause 5.

### **5.2 Limit on number of joint Noteholders**

The Note Issuer is not bound to register more than three persons as the holders of any Contingent Value Note.

### **5.3 Payment to joint Noteholders**

Any one of the joint Noteholders in respect of a Contingent Value Note may give a receipt for any amount (including the Redemption Amount) payable to the joint Noteholders, and the payment of any such amount to any one of the joint Noteholders will be an effective discharge by the Note Issuer of its obligations in relation to that Contingent Value Note.

#### **5.4 Death of joint Noteholder**

On the death of any one of the joint Noteholders in respect of any Contingent Value Note, the remaining joint Noteholders will be the only persons recognised by the Note Issuer as having any title to the Contingent Value Note, but the board of directors of the Note Issuer may require evidence of death and the estate of the deceased joint Noteholder is not released from any liability in respect of the Note.

#### **5.5 Notices and Note Certificates**

Only the person whose name stands first in the Register as one of the joint Noteholders in respect of any Contingent Value Note is entitled, subject to the Terms of Issue, to receive notices from the Note Issuer, and any notice given to that person is considered notice to all the joint Noteholders.

#### **5.6 Joint action by joint Noteholders**

Subject to the Terms of Issue, all of the joint Noteholders in respect of any Contingent Value Note must join in any application for the replacement of a note certificate which has been lost or destroyed.

### **6 No transfer of Contingent Value Notes**

The Contingent Value Notes are non-transferrable, other than as a result of operation of law or devolution.

### **7 Transmission according to Custody Agreement**

#### **7.1 Transmission on termination**

If the Custody Agreement is terminated in accordance with clause 10.2 of the Custody Agreement, all (but not some only) of the Contingent Value Notes then held by the Custodian may be transferred by the Custodian to a person nominated by BidCo in accordance with clause 10.4 of the Custody Agreement.

#### **7.2 Transmission to Sub-Custodian**

If the Custodian appoints the Sub-Custodian (as that term is defined in the Custody Agreement) to act as sub-custodian in accordance with clause 9 of the Custody Agreement, the Custodian may transfer all (but not part only) of the Contingent Value Notes then held by the Custodian to the Sub-Custodian.

### **8 Transmission on Death or by Law**

#### **8.1 Transmission on death**

The personal representative of a deceased Noteholder (which Noteholder is not a joint Noteholder) is the only person recognised by the Note Issuer as having any title to Contingent Value Notes registered in the name of the deceased Noteholder. Subject to compliance by the transferee with the Terms of Issue, the board of directors of the Note Issuer may register any transfer

signed by a Noteholder prior to the Noteholder's death, despite the Note Issuer having notice of the Noteholder's death.

## 8.2 Transmission by operation of law

A person (a **transmittee**) who establishes to the satisfaction of the Note Issuer Board that the right to any Contingent Value Notes has devolved on the transmittee by will or by operation of law may be registered as a holder in respect of the Contingent Value Notes or may (subject to the provisions of the Terms of Issue relating to transfers) transfer the Contingent Value Notes.

## 9 Non-resident Noteholders

Despite anything to the contrary contained in or implied by the Terms of Issue, it is a condition precedent to any right of the Noteholder:

- (a) to receive payment of the Redemption Amount for each of those Contingent Value Notes; and
- (b) to receive payment of any other amount under or in respect of those Contingent Value Notes,

that all necessary Authorisations are obtained or made, and all other applicable regulatory requirements are satisfied, at the cost of the Noteholder.

## 10 Indemnity to the Note Issuer

Whenever in consequence of:

- (a) the death of a Noteholder;
- (b) the non-payment of any income Tax or other Tax payable by a Noteholder;
- (c) the non-payment of any stamp or other duty by the legal personal representatives of a Noteholder or his estate; or
- (d) any other act or thing in relation to a Contingent Value Note or a Noteholder,

any law for the time being of any other country or place, in respect of that Contingent Value Note, imposes or purports to impose any liability of any nature whatever on the Note Issuer to make any payments to any Government Agency, the Note Issuer will in respect of that liability be indemnified by that Noteholder and the Noteholder's legal personal representatives and any monies paid by the Note Issuer in respect of that liability may be recovered by action from that Noteholder and/or the Noteholder's legal personal representatives as a debt due to the Note Issuer and the Note Issuer will have a lien in respect of those monies upon the Contingent Value Notes held by that Noteholder or his legal personal representatives and upon the Redemption Amount payable in respect thereof. Nothing in this clause 10 will prejudice or affect any right or remedy which any such law may confer or purport to confer on the Note Issuer.

## **11 Deceased or Insolvent Noteholders**

The legal personal representatives of a deceased Noteholder (not being one of joint Noteholders) will be the only persons recognised by the Note Issuer as having any title to that Noteholder's Contingent Value Notes. Any person becoming entitled to Contingent Value Notes in consequence of the death or liquidation of any Noteholder may, on producing such evidence of that person's title as the Note Trustee thinks sufficient, be registered as the holder of the Contingent Value Notes or, subject to the preceding clauses relating to transfer, may transfer those Contingent Value Notes. The Note Trustee will be at liberty to retain the principal and interest and any other monies payable in respect of any Contingent Value Notes which any person under this clause is entitled to or to transfer until such person is registered or has duly transferred the Contingent Value Notes in accordance with these Terms of Issue.

## **12 Title to Contingent Value Notes**

- (a) Subject to the Deed and these Terms of Issue, the Note Issuer and the Note Trustee will recognise only the Noteholder whose name appears in the Register as the absolute owner of the Contingent Value Note in respect of which the Noteholder is entered in the Register, and the Note Issuer and Note Trustee may act accordingly. The Note Issuer will not, except as provided by the Deed and these Terms of Issue or as ordered by a court of competent jurisdiction or as by statute required, be bound to take notice of or see to the executions of any trust or equity to which a Contingent Value Note may be subject or otherwise affecting the ownership of a Contingent Value Note or rights incidental thereto. The receipt of a Noteholder or one of the joint Noteholders of any monies payable upon the redemption of a Contingent Value Note will be a good discharge to the Note Issuer despite any notice the Note Issuer may have, whether express or otherwise, of the right, title or interest of any person to or in that Contingent Value Note or monies. No details of any such equity or trust, express or implied, will be entered in any Register.
- (b) No person who has previously been registered as the owner of a Contingent Value Note has or is entitled to assert against the Note Issuer, the Note Trustee or the registered owner of that Contingent Value Note for the time being and from time-to-time any rights, benefits or entitlements in respect of any Contingent Value Notes.

## **13 Terms of Issue**

These Terms of Issue are binding on the Note Issuer, the Note Trustee and the Noteholders and all persons claiming through or under them respectively.

## Schedule 2 - The Register

### 1 Details to be kept on Register

The following information must be entered on the Register:

- (a) **(date of issue of Contingent Value Notes)** the date on which the Contingent Value Notes are issued;
- (b) **(details of Noteholders)** the name, address, email and fax number of each Noteholder;
- (c) **(number of Contingent Value Notes)** the number of Contingent Value Notes held by each Noteholder;
- (d) **(date of entry)** the date on which a person was entered as the holder of Contingent Value Notes;
- (e) **(date of cessation)** the date on which a person ceased to be a Noteholder;
- (f) **(account)** the account to which any payments due to a Noteholder are to be made (if applicable);
- (g) **(payments)** a record of each payment in respect of the Contingent Value Notes;
- (h) **(tax file number/Australian Business Number)** a record that the Note Issuer has (or has not) received the tax file number or Australian Business Number of each Noteholder and, if applicable, the grounds for exemption from the requirement of a Noteholder to hold a tax file number;
- (i) **(additional information)** such other information as:
  - (i) is required by the Terms of Issue;
  - (ii) the Note Issuer considers necessary or desirable or
  - (iii) required by the Corporations Act.

### 2 Place of keeping Register, copies and access

The Register will be:

- (a) **(place kept)** kept in Queensland;
- (b) **(access to Note Trustee and Auditors)** open to the Note Trustee and the Auditors to inspect during normal business hours who will be provided with a copy upon request and without charge; and
- (c) **(inspection by Noteholder)** open for inspection by Noteholders during normal business hours without charge.

Noteholders will be entitled to a copy of the Register on payment of the prescribed fee and will be provided with a copy within 5 Business Days of the

Note Issuer's receipt of such payment (or if the Register is maintained by a third party on the Note Issuer's behalf, on receipt by that person).

### **3 Closure of the Register**

The Note Issuer may from time to time close the Register for any period or periods not exceeding 20 Business Days in any year.

### **4 Details on Register conclusive**

- (a) **(Reliance on Register)** The Note Issuer and the Note Trustee will be entitled to rely on a Register as being a correct, complete and conclusive record of the matters set out in it at any time and whether or not the information shown in that Register is inconsistent with any other document, matter or thing.
- (b) **(No trusts etc)** The Note Issuer will not be obliged to enter on a Register notice of any trust, security interest or other interest whatsoever in respect of any Contingent Value Notes and the Note Issuer and the Note Trustee will be entitled to recognise a Noteholder as the absolute owner of Contingent Value Notes and the Note Issuer and the Note Trustee will not be bound or affected by any trust affecting the ownership of any Contingent Value Notes unless ordered by a court or required by statute.
- (c) **(Register not to be signed)** The Note Issuer must ensure that it does not sign or otherwise execute any entry in the Register.

### **5 Alteration of details on Register**

On the Note Issuer being notified of any change of name or address or payment or other details of a Noteholder by the Noteholder, the Note Issuer must alter or cause to be altered the relevant Register accordingly.

### **6 Rectification of Register**

If:

- (a) an entry is omitted from the Register;
- (b) an entry is made in the Register otherwise than in accordance with the Deed;
- (c) an entry wrongly exists in the Register;
- (d) there is an error or defect in any entry in the Register; or
- (e) default is made or unnecessary delay takes place in entering in the Register that any person has ceased to be the holder of Contingent Value Notes,

the Note Issuer must rectify or cause to be rectified the same.

**7 Correctness of Register**

The Note Issuer, or any person appointed by the Note Issuer to establish and maintain the Register, will not be liable for any mistake in a Register except to the extent that the mistake is attributable to its fraud, negligence or wilful default.

**8 Third party registrar**

The Note Issuer may cause the Register to be maintained by a third party on its behalf and require that person to discharge the Note Issuer's obligations under the Deed in relation to that Register.

**9 Audit of Register**

If and when required by the Note Trustee (acting reasonably), the Note Issuer will procure that its auditors conduct an audit of, and certify to the Note Trustee, the proper maintenance of the Register in accordance with this Schedule.

## **Schedule 3 - Meetings**

### **1 Note Trustee or Note Issuer may convene a Meeting**

The Note Trustee or the Note Issuer may at any time convene a meeting of the Noteholders and either must do so if required by the Corporations Act or the Note Trustee must do so upon the occurrence of an Event of Default.

### **2 Power of Noteholders to direct Note Issuer to convene a Meeting**

- (a) The Note Issuer undertakes to hold a meeting of Noteholders if required to do so on application in writing from the holders of not less than 10% of the total number of Contingent Value Notes on issue, delivered to its registered office with a copy of the application delivered to the Note Trustee.
- (b) Subject to the Noteholders meeting the requirements in paragraph (a), the Note Issuer (by giving notice to each of the Noteholders at the Noteholder's address as specified in the Register) will summon a meeting of Noteholders:
  - (i) to consider the financial statements that were laid before the last annual general meeting of the Note Issuer; and
  - (ii) to give the Note Trustee directions in relation to the exercise of its powers.
- (c) A requisition of a meeting called under paragraph (a) must state the general nature of the business proposed to be dealt with at the meeting. Meetings of Noteholders must be held at such place as the Note Trustee and the Note Issuer from time to time reasonably determine or approve.
- (d) In the event that the Note Issuer does not issue a notice of meeting in accordance with paragraph (a) within 15 Business Days of receipt of the application delivered under that paragraph, the Note Trustee must convene the meeting forthwith.

### **3 Right of Attendance**

The following persons have the right to attend and to address any meeting of Noteholders:

- (a) the Note Trustee, its solicitors and such other experts or advisors as the Note Trustee may engage;
- (b) the Noteholders, their solicitors, and such experts or advisors as the Noteholders may engage; and
- (c) the Note Issuer's Directors, solicitors, the Auditors and such other experts or advisors as the Note Issuer may engage.

#### 4 Notice

- (a) At least 15 Business Days' prior notice of a meeting of Noteholders must be given by the Note Issuer to the Noteholders, the Note Trustee and the Auditors. The notice of meeting must specify:
  - (i) who convened the meeting;
  - (ii) the place, day and hour of the meeting; and
  - (iii) the nature of the business to be transacted at the meeting.
- (b) Any accidental omission to give any notice of any meeting or the non-receipt by any Noteholder of any notice will not invalidate the proceedings of any meeting, but where notice of a meeting convened by the Note Issuer is not received by the Note Trustee or notice of a meeting convened by the Note Trustee is not received by the Note Issuer, all business transacted and all resolutions passed at the meeting will (unless the party who did not receive the notice otherwise agrees) be void and of no effect.

#### 5 Quorum

- (a) At any meeting of Noteholders there will be quorum if:
  - (i) 2 or more Noteholders present in person or by proxy or attorney are present and entitled to vote; and
  - (ii) the Noteholders who are so present hold more than 10% of the total number of Contingent Value Notes on issue at the time of the meeting.

No business will (subject to clause 5(b) below) be transacted at any meeting unless the requisite quorum is present at the commencement of business.

- (b) If, within half an hour from the time appointed for any meeting of the Noteholders, a quorum is not present the meeting will stand adjourned to such day and time of not less than 10 Business Days' or, if the meeting was to consider a special resolution, 15 Business Days' later and at a place announced by the chair at the time of the adjournment.

#### 6 Chair

- (a) A person nominated by the Note Trustee is entitled to take the chair at every meeting of Noteholders.
- (b) In case of an equality of votes the chair will both on a show of hands and at a poll have a casting vote in addition to the vote or votes (if any) to which the chair may be entitled as a Noteholder.

## **7 Voting**

- (a) At every meeting of Noteholders each voter is:
- (i) on a show of hands, entitled to one vote; and
  - (ii) on a poll, entitled to one vote in respect of each Contingent Value Note held by the Noteholder or by the person for whom he is the proxy or attorney.
- (b) At any meeting of Noteholders, a matter will be decided by a show of hands unless a poll is demanded by:
- (i) the chair or the Note Trustee; or
  - (ii) at least 5 Noteholders present in person or by proxy or by attorney; or
  - (iii) Noteholders present in person or by proxy or by attorney who together hold at least 5% of the total number of Contingent Value Notes on issue at the time of the meeting; or
  - (iv) the Note Issuer, where the Note Issuer holds Contingent Value Notes, in which case it is entitled to vote in its capacity as Noteholder,
- a declaration by the chair that a resolution has been carried by a particular majority or lost or not carried by a particular majority is conclusive evidence of the fact.
- (c) Where a poll is demanded under clause 7(b) of this Schedule it will be taken either at once or after an interval of adjournment. If the poll is to be taken on an adjournment, the poll will be taken as the chair directs, but in no case will the date on which the poll is taken be a date more than 30 days from the date of the adjournment. The result of such poll will be deemed to be the resolution of the meeting at which the poll was demanded.
- (d) In the case of joint Noteholders, the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the Register in respect of the joint holding.

## **8 Voting by Note Issuer**

The Note Issuer and its associates are not entitled to vote their interest on a resolution at a meeting of Noteholders if they have an interest in the resolution or matter other than as a Noteholder.

## **9 Adjournment**

The chair may with the consent of such meeting and must if directed by the meeting adjourn the same from time to time and from place to place.

## 10 Right to Vote

A Noteholder or, in the case of joint Noteholders, the Noteholder whose name stands first on the Register, will be entitled to vote in respect of such Contingent Value Notes either in person or by proxy or attorney.

## 11 Proxy

- (a) An instrument appointing a proxy must be in writing under the hand of the appointer or of its attorney duly authorised in writing, and in the case of a corporation, under its common seal or under the hand of an officer or attorney so authorised. Every such proxy will enable the Noteholder to vote for or against any resolution and will be in any usual or common form or in any other form which the Note Trustee may approve.
- (b) Any person may be appointed a proxy whether or not that person is a Noteholder.
- (c) An instrument appointing an attorney and an instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed must be deposited at such place as the Note Issuer or Note Trustee (as relevant) sets out in the notice convening the meeting, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) and in default, the power of attorney or instrument of proxy, as the case may be, may at the discretion of the Note Issuer or Note Trustee be invalid.
- (d) The Noteholders as recorded in the Register 48 hours before the time appointed for the holding of the meeting and no other person or persons will be recognised and treated as the legal holders of the Contingent Value Notes for any purpose associated with any meeting of Noteholders.
- (e) A vote given in accordance with the terms of an instrument of proxy will be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or the authority under which the proxy was executed or the transfer of the Contingent Value Notes in respect of which the proxy is given provided that no intimation in writing of such death, insanity, revocation or transfer has been received by the Note Issuer at its registered office before the commencement of the meeting or adjourned meeting at which the proxy is used.

## 12 Resolution binding

A resolution passed at a meeting of Noteholders duly convened and held is binding on all the Noteholders whether present or not present at such meeting, whether they are in favour or opposed to the resolution and each of the Noteholders is bound to give effect to any resolutions passed at such meeting.

### **13 Resolution is passed**

- (a) A resolution will be deemed duly passed as a special resolution if it is approved in either of the following ways:
  - (i) by a resolution in writing signed by Noteholders that represent not less than 75% of the total number of Contingent Value Notes then on issue, which resolution may be contained in one document or in several documents in like form each signed by one or more Noteholders; or
  - (ii) at a meeting of Noteholders, by not less than 75% of the votes cast.
- (b) Any resolution (other than a special resolution) of the Noteholders will be duly passed if it is approved in any one of the following ways:
  - (i) by a resolution in writing signed by Noteholders who represent more than 50% of the total number of Contingent Value Notes then on issue, which resolution may be contained in one document or in several documents in like form each signed by one or more Noteholders; or
  - (ii) at a meeting of Noteholders, if carried by a simple majority of the votes cast.
- (c) For the purpose of clauses 13(a)(ii) and 13(b)(ii) of this Schedule, the Noteholders as recorded in the Register 48 hours before the time appointed for the holding of the meeting will be the only Noteholders entitled to vote on or sign any such resolution and the Contingent Value Notes so recorded at such time are the only Contingent Value Notes taken into account in determining whether the requisite majority has been obtained.
- (d) Minutes of all resolutions and proceedings at every such meeting of Noteholders will be made and duly entered in books to be from time to time provided for that purpose by the Note Issuer. Any minutes purporting to be signed by the chair of the meeting at which such resolutions were passed, or proceedings taken, or by the chair of the next succeeding meeting of Noteholders, will be conclusive evidence of the matters contained in those minutes and, until the contrary is proved, every such meeting in respect of the proceedings of which minutes have been made will be deemed to have been duly held and convened and all resolutions passed or proceedings taken to have been duly passed and taken.

### **14 Referral to Noteholders**

The Note Trustee or the Note Issuer may, at its discretion, refer any question arising under or in connection with this document to a meeting of Noteholders and may if it thinks fit act in accordance with any resolution passed in relation

to such question. This clause 14 does not curtail or limit in any way any power of the Note Issuer or the Note Trustee under this document.

## **15 General Powers of Meeting of Noteholders**

Subject to other provisions of this Deed, a meeting of Noteholders will in addition to all other powers have the following powers exercisable:

- (a) by special resolution:
  - (i) to sanction the release of the Note Issuer from all or part of its liability to pay the Redemption Amount on any Contingent Value Notes;
  - (ii) to sanction any modification or compromise or arrangement in respect of the rights of Noteholders against the Note Issuer; and
  - (iii) to give any sanction, direction or request which under any of the provisions of this Deed is required to be given by a special resolution of Noteholders; and
- (b) by ordinary resolution:
  - (i) to remove the Note Trustee; and
  - (ii) to direct the Note Trustee to take Enforcement Action.

## Schedule 4 - Resource Certification Instruction Letter

### Resource Determination Instruction Letter

[date]

[Independent Resource Assessor and address]

Dear Sirs/Madams

#### **Determination of Economically Recoverable Resources within Relevant Assets, Northern Territory, Australia.**

[Macquarie MPVD Pty Limited, Helium Australia Pty Ltd, Merlin Energy Pty Ltd, Frontier Oil & Gas Pty Ltd, Ordiv Petroleum Pty Ltd and Central Petroleum (NT) Pty Ltd,] (together the **Instructor**), hereby request you to determine the Economically Recoverable Resources within the Relevant Assets located in the Northern Territory of Australia, and provide the Redemption Determination Notice, as set out in this Resource Determination Instruction Letter.

#### **1 Standards and definitions**

Your determination should be conducted in accordance with:

- (a) The Petroleum Resources Management System sponsored by Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council and Society of Petroleum Evaluation Engineers (**PRMS**); and
- (b) The Guidelines for Application of the Petroleum Resources Management System November 2011 sponsored by the Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council, Society of Petroleum Evaluation Engineers and Society of Exploration Geophysicists (**PRMS Guidelines**); and
- (c) Additional instructions (**Additional Instructions**) as included in this Resource Determination Instruction Letter. To the extent that there is any conflict between the Additional Instructions and PRMS or PRMS Guidelines, the Additional Instructions will take priority.

Definitions that apply in the PRMS, as defined in Appendix A: Glossary of Terms Used in Resource Evaluations, or the PRMS, also apply in this Resource Determination Instruction Letter.

In addition, the following definitions apply (in priority to the PRMS to the extent of any inconsistency) in this Resource Determination Instruction Letter unless the context requires otherwise:

**As of Date** means the Determination Date. All estimated cashflows will be discounted to the As of Date.

**Bcf** means billions of standard cubic feet.

**CVN Payment** means any payment that would be made by the Note Issuer to Noteholders as a result of a Resource Determination.

**Discovery** means a subsurface accumulation of hydrocarbons and/or helium with demonstrated deliverability and fluid composition by means of a production test. At a minimum, before being considered a Discovery, the discovery well will require a production test and fluid sample of some description to be available to quantify at least (a) the composition of any resource discovered (including potentially helium) and (b) provide sufficient data on the reservoir quality (i.e. permeability or permeability height) that can be used to make estimates of future well deliverability for a notional development plan. It is recognised long-term flow tests are unlikely to be available therefore a short-term drill stem test will be sufficient to demonstrate a discovery.

**Economic Discovery** means a Discovery the development of which is feasible having regard to the prevailing legal, regulatory, land access, market and infrastructure conditions, and which would deliver a nominal internal rate of return (**IRR**) of greater than 15.00% rounded to the nearest 2 decimal places as at the As of Date having regard to the Economically Recoverable Resources and using Product Price(s), capital costs, operating costs, taxes, royalties (including the government royalty, private royalties and any royalty likely to be payable to the Central Land Council, or equivalent), and the CVN Payment that would notionally be triggered by your Resource Determination, all as estimated as at the As of Date.

Discoveries may be aggregated for the purpose of achieving an Economic Discovery provided that as a result of the aggregation each Discovery achieves a nominal IRR of greater than 15%. For example, in the case where two small fields are discovered in the Southern Amadeus Farmout each with individual IRR of 14%; if by virtue of sharing common facilities (including pipelines) the combined IRR of both fields were to exceed 15% then such projects would jointly be considered to satisfy the test for an Economic Discovery. However in a case of one field (e.g., the Southern Amadeus Farmout) having an IRR greater than 15% and another field (e.g., a discovery at Palm Valley Deep Prospect) having an IRR less than 15%, if there is no infrastructure sharing or logical reason to consider the developments linked, the Palm Valley Deep Prospect discovery will not be considered an Economic Discovery simply by virtue of combining the economic evaluation with that of the Southern Amadeus Farmout discovery.

To the extent helium or any other non-hydrocarbon component is present and any capital costs required to separate such components and/or to realise revenue from such components are included in cost estimates, the corresponding revenue from the non-hydrocarbon component will be included in the determination of whether a discovery qualifies as an Economic Discovery.

No costs prior to the As of Date will be included in the economic evaluation, except in the case of a Discovery where development costs have been incurred after a final investment decision has been made to develop the Discovery but before the As of Date, and then only to the extent that those development costs contribute to an optimised development plan having regard to maximising the nominal IRR, in which case those development costs will be included in the economic evaluation.

Costs and revenues will be calculated exclusive of GST.

Whether a Discovery qualifies as an Economic Discovery is to be determined using the 50% probability level (which, for the avoidance of doubt, means that there should be a 50% probability that the quantities actually recovered will equal or exceed the best estimate, and a 50% probability that the quantities actually recovered will equal or be less than the best estimate). No risking for chance of development will be applied.

**Economically Recoverable Resources** means economically recoverable hydrocarbon and non-hydrocarbon resources including, without limitation, helium, contained within an Economic Discovery, plus any resource volume that has been produced and is or could have been sold prior to the Determination Date

The determination of Economically Recoverable Resources will be determined at the 50% probability level (which, for the avoidance of doubt, means that there should be a 50% probability that the quantities actually recovered will equal or exceed the best estimate, and a 50% probability that the quantities actually recovered will equal or be less than the best estimate). If a Discovery has not been fully appraised at the Determination Date, the determination of Economically Recoverable Resources will have regard to the full aerial extent of the structure (without the arbitrary confinement of notional well spacing) and the anticipated gas composition and reservoir characteristics based on all information available at the Determination Date.

Some reasonable extrapolation of measured well performance to modelled performance of future development wells is acceptable (i.e. alternative well orientations, fracture stimulation to enhance producibility, or other techniques that have been demonstrated within the basin to result in commercial production rates). For the avoidance of doubt, production forecasts for development wells completed with multiple large hydraulic fractures will require an analogue within the basin demonstrating performance that can be expected from such completions.

The determination of Economically Recoverable Resources will take account of economically recoverable hydrocarbon liquids contained in the resource and any non-hydrocarbon gaseous components that are saleable under an optimised development plan having regard to maximising the nominal IRR. Hydrocarbon liquids will be converted to gas equivalence with 1bbl of liquids being equivalent to 6,000 scf, gaseous non-hydrocarbon components will be included at their actual volume.

Economically Recoverable Resources will exclude:

- (a) an allowance for hydrocarbons which would normally be lost, flared or used in operations in the ordinary course except as used to offset operating costs;
- (b) the volumetric contribution of non-hydrocarbon substances (except as otherwise expressly noted in this Resource Determination Instruction Letter);

**Product Price(s)** means, for each product stream (e.g. natural gas, oil, LPGs, and/or helium) that is saleable under an optimised development plan, the price expected to be received at the point of sale.

**scf** means standard cubic foot at standard atmospheric conditions of an absolute pressure of 14.73 pound-force per square inch and 60 degrees Fahrenheit.

**Relevant Asset** means each of the following located in the Amadeus Basin of the Northern Territory, Australia:

- (a) EP82 (excluding the EP 82 sub-blocks, being graticular blocks SG53-20, SG53-21, SG53-22, SG53-23, SG53-92, SG53-93, SG53-94, SG53-95, SG53-164, SG53-165, SG53-169, SG53-170, SG53-171, SG53-241, SG53-242, SG53-243, SG53-311, SG53-312, SG53-313 and SG53-314);
- (b) EP105; and
- (c) EP112,  
(together the **Southern Amadeus Farmout**);
- (d) the Mount Kitty discovery, contained within graticular blocks SG53 1162, SG53 1163, SG53 1164, SG53 1233, SG53 1234, SG53 1235, SG53 1236, SG53 1305, SG53 1306, SG53 1307, SG53 1308 within EP125 (the **Mount Kitty Discovery**);
- (e) RL3 and RL4 (the **Ooraminna Permits**); and
- (f) the hydrocarbon prospect located in the Arumbera Sandstone Formation within OL3 (the **Palm Valley Deep Prospect**).

## 2 Resource Determination

You are instructed to give your Resource Determination in writing addressed to the [Instructor], showing as at the As of Date:

- (a) The Economically Recoverable Resources from each Economic Discovery in the Relevant Assets, in Bcf rounded to two decimal places; and
- (b) For each Economic Discovery, the supporting estimates and calculations including the volumetric extent of the limit of the accumulation, the assumed reservoir characteristics, recovery factors, the notional development plan for development of the Discovery including details of the processing facilities required, Cash flow forecasts showing assumed production rates, taxes, capital costs, operating costs (including operator allocation of G&A), transportation costs, and Product Prices used to determine Economically Recoverable Resources.

In giving your Resource Determination, you are instructed:

- (c) when determining the notional development plan, you should consider the operator's development plan if available. Notwithstanding, your best judgement should be used to define an optimized development plan of a prudent operator having regard to maximising the nominal IRR of the Discovery;
- (d) when determining the relevant costs, including development costs, operating expenses and escalation parameters, you should consider the operator's cost assumptions and other reliable sources of information, if available, and apply your own best judgment to the interpretation of the available forecasts and information;
- (e) when determining the relevant Product Prices, you should consider the operator's assumptions for Product Prices, and other reliable sources of information if available, and apply your own best judgment to the interpretation of the available forecasts and information; and
- (f) to employ a deterministic methodology. With this deterministic approach you are to use the most suitable dataset of parameters, taking into account the nature and amount of reliable geological, geophysical and engineering data, and also your own judgement and experience by applying the most appropriate methodologies and workflows. Data that may be considered in the evaluation includes all data provided by the Instructor as well as relevant publically available data pertaining to the Amadeus Basin.

You must also calculate the Total Contingent Value and provide the Redemption Determination Notice.

### **3 Assumptions**

In undertaking your Resource Determination, you may make such assumptions as are reasonable and supportable by the available data at the Determination Date and consistent with the practices and standards normally adopted by persons applying the PRMS, and consistent with the terms of, and Additional Instructions within, this Resource Determination Instruction Letter. These should be described in your Resource Determination.

### **4 Relationship with the Instructor**

The Instructor must assist you by providing such data or information (including raw, analysed and processed data and interpretive data and assessments) as you may reasonably require, and in any event may provide to you such data or information (including raw, analysed and processed data and interpretive data and assessments) as they believe will assist you whether or not requested or required by you.

The Instructor will be responsible for your fees.

### **5 Timing**

You are asked to provide your draft Resource Determination and Redemption Determination Notice as soon as reasonably practicable, and in any event within 90 days, after you receive the data.

It is of importance to the Instructor that your Resource Determination and Redemption Determination Notice are received within 90 days, however it is recognised that circumstances out of your control may cause delays that prevent this being achieved.

You are asked to immediately inform the Instructor of any circumstances that may lead to any delay, including the expected period of delay, in the completion of your Resource Determination and delivery of your Resource Determination and Redemption Determination Notice outside the time period above.

## 6 Issue of final Resource Determination

You are instructed:

- (a) To provide the Instructor near final drafts of your Resource Determination and Redemption Determination Notice before your final Resource Determination is given.
- (b) To allow the Instructor a period of fourteen days to review the draft Resource Determination and Redemption Determination Notice and make submissions to you in respect of the draft Resource Determination and Redemption Determination Notice.
- (c) To consider and take into account any submissions you have received from the Instructor and to amend the draft Resource Determination as you consider appropriate giving regard to any submissions.
- (d) To provide your final Resource Determination and Redemption Determination Notice as soon as practicable, and in any case within fourteen days following submissions from the Instructor on your draft Resource Determination and Redemption Determination Notice (**Target Date**).

Yours faithfully

[Macquarie MPVD Pty Limited]

[Helium Australia Pty Ltd]

[Merlin Energy Pty Ltd]

[Frontier Oil & Gas Pty Ltd]

[Ordiv Petroleum Pty Ltd]

[Central Petroleum (NT) Pty Ltd]

## Schedule 5 - Redemption Determination Notice

*Redemption Determination Notice*

*[On Independent Resource Assessor's letterhead]*

[date]

Macquarie Amadeus Pty Ltd  
Level 1, 50 Martin Place  
Sydney NSW 2000

Dear Sirs/Madams

### **Completion of Resource Determination – IRA Redemption Amount**

We refer to the Note Trust Deed between the Note Issuer, the Note Trustee, BidCo, the Note Guarantor dated [insert]. Unless otherwise specified, capitalised terms used in this letter have the meaning given to them in the Note Trust Deed

We confirm that we have completed the Resource Determination in accordance with the terms of our engagement.

Based on the Resource Determination, the Total Contingent Value is A\$[insert].

Based on the total number of Central Shares on issue at the Scheme Record Date, being [insert], the IRA Redemption Amount is A\$[insert].

Yours faithfully



[insert]



**EXECUTED** and **DELIVERED** as a deed.

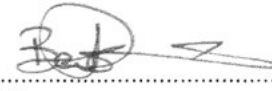

Each attorney executing this document states and declares that he has no notice of revocation or suspension of his power of attorney.

**Note Issuer**

Signed, sealed and delivered by )  
**Macquarie Amadeus Pty Ltd** by the )  
party's attorneys pursuant to power of )  
attorney dated 14 March 2017 who )  
state that no notice of revocation of the )  
power of attorney has been received in )  
the presence of: )  
)

  
.....  
Witness  
  
.....  
Name of Witness (print)

  
.....  
Witness  
  
.....  
Name of Witness (print) **Sarah K S Danne**

  
.....  
Attorney  
  
.....  
Name of Attorney (print)

  
.....  
Attorney  
**Margot Branson**  
Division Director  
Legal Risk Management  
.....  
Name of Attorney (print)

**BidCo**

Signed, sealed and delivered by )  
**Macquarie MPVD Pty Ltd** by the )  
party's attorneys pursuant to power of )  
attorney dated 11 January 2017 who )  
state that no notice of revocation of the )  
power of attorney has been received in )  
the presence of: )  
)

.....  
*Samantha Bellie*

Witness

.....  
*Fernanda Artis*

Name of Witness (print)

.....  
*Sarah K S Danne*

Witness

.....  
**Sarah K S Danne**

Name of Witness (print)

.....  
*J Meades*

Attorney

.....  
*JERRY MEADES*

Name of Attorney (print)

.....  
*Margot Branson*

Attorney

.....  
**Margot Branson**

Name of Attorney (print)

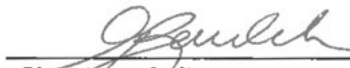
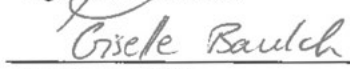
.....  
**Division Director**

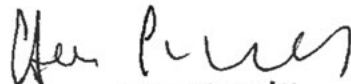
Name of Attorney (print)

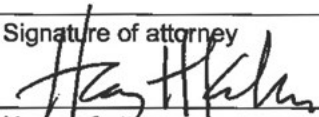
.....  
**Equity Risk Management**

**Note Trustee**

**Executed by Equity Trustees Limited** by its attorneys under power of attorney dated 27 May 2016 in the presence of:


  
\_\_\_\_\_  
Signature of witness  
  
\_\_\_\_\_  
Name of witness

  
\_\_\_\_\_  
**Stan Silavecky**  
Authorised Person - Schedule III  
Equity Trustees Limited  
ACN 004 031 298  
\_\_\_\_\_  
Signature of attorney  
\_\_\_\_\_  
Name of attorney

\_\_\_\_\_  
Signature of attorney  
  
\_\_\_\_\_  
Name of attorney  
**Harvey Hillary Kalman**  
Authorised Person - Schedule II  
Equity Trustees Limited  
ACN 004 031 298

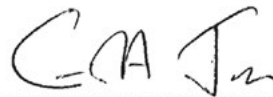
**Note Guarantor**

The Common Seal of **Macquarie Financial Holdings Pty Ltd** was affixed in accordance with its constitution:



.....  
Signature of Secretary

.....**DENNIS LEONG**.....  
Name of Secretary (print)



.....  
Signature of Director

.....**GEOFFREY JONES**.....  
Name of Director (print)

# **ATTACHMENT D**

## **SCHEME OF ARRANGEMENT**

8 Chifley  
8-12 Chifley Square, Sydney NSW 2000, Australia  
GPO Box 9925, Sydney NSW 2001, Australia  
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**CORRS  
CHAMBERS  
WESTGARTH**  
lawyers

Sydney  
Melbourne  
Brisbane  
Perth

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Central Petroleum Limited

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Scheme Shareholders

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# Scheme of Arrangement

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## Parties

**Central Petroleum Limited** ACN 083 254 308 of Level 7, 369 Ann Street, Brisbane, QLD 4000 (**Central**)

**Each Scheme Shareholder**

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## Background

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth) between the parties.

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## Agreed terms

### 1 Definitions and interpretation

#### 1.1 Definitions

In this Scheme, unless the context requires otherwise:

<b>Aggregate Cash Component</b>	means the aggregate of the Cash Component of the Scheme Consideration to be paid by BidCo to all Scheme Shareholders.
<b>ASIC</b>	means the Australian Securities and Investments Commission.
<b>ASX</b>	means ASX Limited ABN 98 008 624 691 or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.
<b>BidCo</b>	means Macquarie MPVD Pty Limited ACN 616 486 983 of Level 6, 50 Martin Place, Sydney, New South Wales.
<b>Business Day</b>	means a business day as defined in the Listing Rules, other than any day on which banks are not open for business in Sydney or Brisbane
<b>Cash Component</b>	means, in respect of each Scheme Share held by a Scheme Shareholder, \$0.20 per Scheme Share, forming part of the Scheme Consideration.
<b>Central Future Share Rights</b>	means rights to be issued Share Rights if the Central Board determines in its absolute discretion that a change of control event is likely to occur and which have been

granted by Central as at the date of the Central Scheme Deed pursuant to:

- (a) the Central Long Term Incentive Plan Policy approved on 23 March 2015; or
- (b) the Central Long Term Incentive Plan Policy approved on 16 December 2015.

<b>Central Options</b>	means options which have been issued by Central as at the date of the Central Scheme Deed to subscribe for Shares.
<b>Central Registry</b>	means Computershare Investor Services Pty Limited ABN 48 078 279 277.
<b>Central Scheme Deed</b>	means the Central Scheme Deed dated 9 March 2017 between Central and BidCo as amended from time to time.
<b>Central Share Rights</b>	means rights to be issued or allocated Shares which have been granted by Central as at the date of the Central Scheme Deed pursuant to: <ul style="list-style-type: none"><li>(a) the Central Long Term Incentive Plan Policy approved on 23 March 2015; or</li><li>(b) the Central Long Term Incentive Plan Policy approved on 16 December 2015.</li></ul>
<b>Central Shareholder</b>	means each person who is registered in the register maintained by Central under section 168(1) of the Corporations Act as a holder of one or more Shares.
<b>CHESS</b>	means the clearing house electronic subregister system of share transfers operated by ASX Settlement Pty Limited ABN 49 008 504 532.
<b>Contingent Value Note</b>	means an unlisted unsecured note to be issued by the Note Issuer, pursuant to the Note Trust Deed.
<b>Contingent Value Note Component</b>	means, subject to clause 5.3 in respect of each Scheme Share held by a Scheme Shareholder, one Contingent Value Note per Scheme Share, forming part of the Scheme Consideration.
<b>Contingent Value Note Register</b>	means register of persons who hold Contingent Value Notes required to be kept and updated by or on behalf of the Note Issuer in accordance with the Corporations Act.
<b>Corporations Act</b>	means the <i>Corporations Act 2001</i> (Cth).
<b>Court</b>	means the Supreme Court of Queensland or such other court of competent jurisdiction determined by Central (after consultation, in good faith, with BidCo).

<b>Custodian</b>	means a custodian to be appointed to hold the Contingent Value Notes issued in accordance with clause 5.3(b)(ii).
<b>Custodian CVNs</b>	has the meaning given to that term in clause 5.3(d).
<b>Deed Poll</b>	means the deed poll dated 26 April 2017 executed by BidCo and Note Issuer under which each of BidCo and the Note Issuer covenants in favour of the Scheme Shareholders to perform the actions attributed to it under this Scheme.
<b>Delivery Time</b>	means in relation to the Second Court Date not later than 2 hours before the commencement of the hearing or if the commencement of the hearing is adjourned, the commencement of the adjourned hearing, of the Court to approve this Scheme in accordance with section 411(4)(b) of the Corporations Act.
<b>Effective</b>	means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme.
<b>Effective Date</b>	means the date on which this Scheme becomes Effective.
<b>End Date</b>	means the 'End Date' determined in accordance with the Central Scheme Deed.
<b>Excluded Share</b>	a Share held by an Excluded Shareholder as at the Record Date.
<b>Excluded Shareholder</b>	when used in relation to the Scheme, Macquarie MPVD and its associates, but excluding Macquarie Investment Management Ltd ACN 002 867 003, acting in its capacity as: <ul style="list-style-type: none"><li>(a) trustee for a superannuation fund known as the Macquarie Superannuation Plan; and</li><li>(b) bare trustee for third party investors as part of an Investor Directed Portfolio Service.</li></ul>
<b>Implementation Date</b>	means the fifth Business Day after the Record Date or such other date after the Record Date agreed to in writing between Central and BidCo.
<b>Ineligible Foreign Shareholder</b>	means a Scheme Shareholder whose address shown in the Share Register is a place outside Australia and its external territories unless BidCo determines it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with Contingent Value Notes when the Scheme becomes Effective.
<b>Listing Rules</b>	means the official listing rules of ASX as amended from time to time.

<b>Note Guarantor</b>	means Macquarie Financial Holdings Pty Limited ACN 124 071 398.
<b>Note Issuer</b>	means Macquarie Amadeus Pty Limited ACN 617 817 893.
<b>Note Trust Deed</b>	means the deed to be entered into between BidCo, the Note Issuer, the Note Trustee, and the Note Guarantor pursuant to clause 4.2 of the Central Scheme Deed.
<b>Note Trustee</b>	means an entity appointed by the Note Issuer to be the trustee for the holders of the Contingent Value Notes under the Note Trust Deed.
<b>Record Date</b>	means 7.00pm on the fifth Business Day after the Effective Date or such other time and date agreed to in writing between Central and BidCo.
<b>Redemption Amount</b>	has the meaning given to that term under the Note Trust Deed.
<b>Registered Address</b>	means, in relation to a Central Shareholder, the address shown in the Share Register as at the Record Date.
<b>Related Body Corporate</b>	of a person, means a related body corporate of that person under section 50 of the Corporations Act.
<b>Scheme</b>	means this scheme of arrangement under Part 5.1 of the Corporations Act between Central and the Scheme Shareholders in respect of all Scheme Shares, subject to any alterations or conditions agreed between Central and BidCo and approved by the Court or any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to by Central and BidCo.
<b>Scheme Consideration</b>	means, in respect of each Scheme Share held by a Scheme Shareholder: <ul style="list-style-type: none"><li>(a) \$0.20 per Scheme Share; and</li><li>(b) subject to clause 5.3 one Contingent Value Note per Scheme Share.</li></ul>
<b>Scheme Meeting</b>	means the meeting of Central Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
<b>Scheme Share</b>	means a Share on issue as at the Record Date, other than an Excluded Share.
<b>Scheme Shareholder</b>	means a person who holds one or more Scheme Shares.

<b>Second Court Date</b>	means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.
<b>Settlement Rules</b>	means the ASX Settlement Operating Rules.
<b>Share</b>	means an issued fully paid ordinary share in the capital of Central.
<b>Share Register</b>	means the register of members of Central maintained in accordance with the Corporations Act.
<b>Trust Account</b>	means an Australian dollar denominated trust account operated by Central as trustee for the benefit of Scheme Shareholders.
<b>Unclaimed Consideration</b>	has the meaning given to that term in clause 5.6.

## 1.2 Interpretation

In this document, except where the context otherwise requires:

- (a) the singular includes the plural, and the converse also applies;
- (b) gender includes other genders;
- (c) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (d) a reference to a clause, paragraph, schedule or annexure is to a clause or paragraph of, or schedule or annexure to, this document, and a reference to this document includes any schedule or annexure;
- (e) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- (f) a reference to **A\$, \$A, dollar** or **\$** is to Australian currency;
- (g) a reference to time is to Brisbane, Australia time;
- (h) a reference to a party is to a party to this document, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;
- (i) a reference to a person includes a natural person, partnership, body corporate, unincorporated body, trust, association, governmental or local authority or agency or other entity;
- (j) a reference to legislation or to a provision of legislation (including a listing rule or operating rule of a financial market or of a clearing and settlement facility) includes a modification or re-enactment of it, a legislative

provision substituted for it and a regulation or statutory instrument issued under it;

- (k) a word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act;
- (l) a reference to conduct includes an omission, statement or undertaking, whether or not in writing;
- (m) the meaning of general words is not limited by specific examples introduced by **including, for example** or similar expressions;
- (n) a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this document or any part of it;
- (o) if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day.

### **1.3 Headings**

Headings are for ease of reference only and do not affect interpretation.

### **1.4 Listing requirements included in law**

A listing rule or business rule of a financial market will be regarded as a law, and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

## **2 Preliminary**

### **2.1 Central**

Central is a public company limited by shares, registered in Queensland, Australia, and admitted to the official list of ASX.

### **2.2 BidCo**

BidCo is a proprietary company limited by shares registered in Victoria, Australia.

### **2.3 General**

- (a) Central and BidCo have agreed by executing the Central Scheme Deed to implement this Scheme.
- (b) This Scheme attributes actions to BidCo and the Note Issuer but does not itself impose an obligation on them to perform those actions, as they are not parties to this Scheme. BidCo and the Note Issuer have agreed, by executing the Deed Poll, to perform the actions attributed to each of them under this Scheme, including in respect of the provision of the Scheme Consideration to the Scheme Shareholders.

### **2.4 Consequences of this Scheme becoming Effective**

If this Scheme becomes Effective:

- (a) BidCo will provide or procure the provision of the Cash Component and the Note Issuer will provide or procure the provision of the Contingent Value Note Component in accordance with this Scheme; and
- (b) all the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares, will be transferred to BidCo, and Central will enter BidCo in the Share Register as the holder of the Scheme Shares (in the numbers or proportions set out in clause 4.2(a)) with the result that all of the Shares will become owned by BidCo and its Related Bodies Corporate (and no other person).

## 3 Conditions

### 3.1 Scheme conditions

- (a) This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:
  - (i) all the conditions precedent in clause 3.1 of the Central Scheme Deed (other than the condition in clause 3.1(k) of the Central Scheme Deed (Court approval)) having been satisfied or waived in accordance with the terms of the Central Scheme Deed by no later than the Delivery Time on the Second Court Date;
  - (ii) neither the Central Scheme Deed nor the Deed Poll having been terminated in accordance with their terms as at the Delivery Time on the Second Court Date;
  - (iii) approval of this Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act;
  - (iv) such other conditions imposed by the Court under section 411(6) of the Corporations Act, as are acceptable to the parties, having been satisfied; and
  - (v) the orders of the Court made under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving the Scheme coming into effect, pursuant to section 411(10) of the Corporations Act, on or before the End Date (or any later date Central and BidCo agree in writing).
- (b) The satisfaction of the conditions referred to in this clause 3.1 is a condition precedent to the operation of clauses 4.2 and 5.

### 3.2 Certificate in relation to conditions

BidCo and Central will each provide to the Court on the Second Court Date a certificate confirming (in respect of matters within their knowledge) whether or not the conditions precedent in clauses 3.1(a)(i) and 3.1(a)(ii) of this Scheme have been satisfied as at the Delivery Time on the Second Court Date.

### **3.3 Termination of Central Scheme Deed**

Without limiting rights under the Central Scheme Deed, in the event that the Central Scheme Deed is terminated in accordance with its terms before the Delivery Time on the Second Court Date, Central, BidCo and the Note Issuer are each released from:

- (a) any further obligation to take steps to implement the Scheme; and
- (b) any liability with respect to the Scheme.

### **3.4 End dates**

The Scheme will lapse and be of no further force or effect if the Scheme has not become Effective on or before the later of:

- (a) six months from the date of the Central Scheme Deed; and
- (b) such other date and time agreed in writing between Central and BidCo.

## **4 Implementation**

### **4.1 Lodgement of Court orders**

Central must lodge with ASIC office copies of any Court orders under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving this Scheme as soon as possible and in any event no later than by 5.00pm on the first Business Day after the Court approves this Scheme.

### **4.2 Transfer of Scheme Shares**

On the Implementation Date:

- (a) in consideration for:
  - (i) BidCo depositing the Aggregate Cash Component into the Trust Account by no later than the Business Day before the Implementation Date, in accordance with clause 5.2(a); and
  - (ii) the Note Issuer issuing the Contingent Value Notes, in accordance with clause 5.3(b)

the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to BidCo with the transfers to be sourced from Scheme Shareholders in the order that they appear in the Share Register;

- (b) the transfers of the Scheme Shares described in clause 4.2(a) shall be effected without the need for any further act by any Scheme Shareholder (other than acts performed by Central or its officers as agent and attorney of the Scheme Shareholders under clause 8.6 or otherwise), by:
  - (i) Central delivering to BidCo a duly completed and executed share transfer form, executed on behalf of the Scheme Shareholders by Central as attorney for each Scheme Shareholder as authorised under clause 8.6, to transfer all the Scheme Shares to BidCo; and

- (ii) BidCo duly executing such transfer form and delivering it to Central for registration; and
- (c) immediately after receipt of the share transfer form in accordance with clause 4.2(b)(ii) Central must enter, or procure the entry of, the name of BidCo in the Share Register in respect of the Scheme Shares transferred to it in accordance with this Scheme.

## 5 Scheme Consideration

### 5.1 Amount of Scheme Consideration

Subject to clause 5.3, each Scheme Shareholder is entitled to receive the Scheme Consideration.

### 5.2 Payment of the Cash Component of the Scheme Consideration

- (a) BidCo will, by no later than the Business Day before the Implementation Date, deposit in cleared funds into the Trust Account an amount equal to the Aggregate Cash Component of the Scheme Consideration payable to Scheme Shareholders, to be held by Central on trust for the Scheme Shareholders and for the purpose of sending the Cash Component of the Scheme Consideration to the Scheme Shareholders (except that any interest on the amount will be for the account of BidCo).
- (b) On the Implementation Date and subject to funds having been deposited in accordance with clause 5.2(a), Central must pay or procure the payment of the Cash Component of the Scheme Consideration to each Scheme Shareholder from the Trust Account by doing any of the following at its election:
  - (i) sending (or procuring the Central Registry to send) it to the Scheme Shareholder's Registered Address by cheque in Australian currency drawn out of the Trust Account; or
  - (ii) depositing (or procuring the Central Registry to deposit) it into an account with any Australian ADI (as defined in the Corporations Act) notified to Central (or the Central Registry) by an appropriate authority from the Scheme Shareholders.
- (c) To the extent that, following satisfaction of Central's obligations under clause 5.2(b), there is a surplus in the amount held in the Trust Account, that surplus may be paid by Central to BidCo.

### 5.3 Payment of the Contingent Value Note Component of the Scheme Consideration

- (a) The Note Issuer has no obligation under this Scheme to issue Contingent Value Notes to an Ineligible Foreign Shareholder.
- (b) The Note Issuer will on the Implementation Date issue to:

- (i) each Scheme Shareholder (other than Ineligible Foreign Shareholders) one Contingent Value Note for each Scheme Share held by the Scheme Shareholder on the Record Date; and
- (ii) the Custodian the total number of Contingent Value Notes that would otherwise have been issued to the Ineligible Foreign Shareholders, if those Ineligible Foreign Shareholders were Scheme Shareholders to whom Contingent Value Notes were permitted to be issued,

in accordance with and subject to the terms of this Scheme and the Note Trust Deed.

- (c) The obligations of the Note Issuer under clause 5.3(b)(i) will be satisfied by the Note Issuer registering or procuring the registration of the name and address of each Scheme Shareholder (other than an Ineligible Foreign Shareholder) on the Contingent Value Note Register as the holder of the Contingent Value Notes to which the Scheme Shareholder (other than an Ineligible Foreign Shareholder) is entitled.
- (d) The obligations of the Note Issuer under clause 5.3(b)(ii) will be satisfied by the Note Issuer registering or procuring the registration of the name and address of the Custodian on the Contingent Value Note Register as the holder of the Contingent Value Notes to which the Custodian is entitled (**Custodian CVNs**) and procuring that the Custodian:
  - (i) holds the Custodian CVNs until the earlier of:
    - (A) the termination of the Note Trust Deed; and
    - (B) the redemption or cancellation of the Custodian CVNs in accordance with the terms of the Note Trust Deed; and
  - (ii) promptly following receipt of the aggregate Redemption Amount for the Custodian CVNs, remits to each Ineligible Foreign Shareholder a cash amount determined in accordance with the following formula:  
  
$$\text{Cash amount to be paid to each Ineligible Foreign Shareholder} = \text{Redemption Amount} \times A$$
  
Where:  
A = total number of Scheme Shares held by that Ineligible Foreign Shareholder at the Record Date.
- (e) The Note Issuer must, within 5 Business Days after the Implementation Date, dispatch a certificate to each Scheme Shareholder (other than an Ineligible Foreign Shareholder) and the Custodian for the Contingent Value Notes which that Scheme Shareholder (other than an Ineligible Foreign Shareholder) and the Custodian are entitled to.

#### 5.4 Joint holders

In the case of Scheme Shares held in joint names:

- (a) with respect to the Cash Component:
  - (i) any deposit of the Cash Component into a bank account required to be made under this Scheme will be made to the bank account notified to Central as set out in clause 5.2(b)(ii);
  - (ii) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent at the sole discretion of Central, either to the holder whose name appears first in the Share Register as at the Record Date or to the joint holders;
- (b) with respect to the Contingent Value Note Component, any certificate in relation to a Contingent Value Note required to be sent under this Scheme will be sent at the sole discretion of the Note Issuer, either to the holder whose name appears first in the Share Register as at the Record Date or to the joint holders; and
- (c) with respect to any other document required to be sent under this Scheme, will be forwarded, at the sole discretion of Central, either to the holder whose name appears first in the Share Register as at the Record Date or to the joint holders.

## 5.5 Fractional entitlements

Where the calculation of the Cash Component of the Scheme Consideration to be paid to a Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, that fractional entitlement will be rounded down to the nearest whole cent.

## 5.6 Unclaimed monies

With respect to the Cash Component of the Scheme Consideration, to the extent that a cheque properly dispatched by or on behalf of Central pursuant to this clause 5 is returned to Central as undelivered, or the cheque is not presented by a Scheme Shareholder within six months after the Implementation Date (**Unclaimed Consideration**):

- (a) Central must deal with the Unclaimed Consideration in accordance with any applicable unclaimed moneys legislation; and
- (b) subject to Central complying with its obligations under clause 5.6(a), Central and BidCo are discharged from liability to any Scheme Shareholder in respect of the Unclaimed Consideration.

## 5.7 Order of a court

- (a) If written notice is given to Central (or the Central Registry), BidCo, or Note Issuer of an order or direction made by a court of competent jurisdiction that:
  - (i) requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder by Central in accordance with this clause 5, then Central may procure that payment is made in accordance with that order or direction; or

- (ii) prevents Central from making a payment to any particular Scheme Shareholder in accordance with clause 5.2(b), or such payment is otherwise prohibited by applicable law, Central may retain an amount equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Cash Component of the Scheme Consideration until such time as payment in accordance with this clause 5 is permitted by that order or direction or otherwise by law; or
  - (iii) requires the issue of Contingent Value Notes to a third party in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be issued to that Scheme Shareholder by the Note Issuer in accordance with this clause 5, then the Note Issuer may issue those Contingent Value Notes in accordance with that order or direction; or
  - (iv) prevents the Note Issuer from issuing Contingent Value Notes to:
    - (A) any particular Scheme Shareholder in accordance with clause 5.3(b)(i); or
    - (B) to the Custodian in accordance with clause 5.3(b)(ii),  
or such issue is otherwise prohibited by applicable law, the Note Issuer shall be entitled to not issue, or issue to a trustee or nominee, such number of Contingent Value Notes as that particular Scheme Shareholder or Custodian (as applicable) would otherwise be entitled to under clause 5.3(b), until such time as the issue in accordance with this clause 5 is permitted by that order or direction or otherwise by law.
- (b) If Central (or the Central Registry):
- (i) makes a payment to a third party under clause 5.7(a)(i); or
  - (ii) retains an amount under clause 5.7(a)(ii),
- Central's obligations under clause 5.2(b) will be fully discharged with respect to the amount so paid or retained until, in the case of clause 5.7(a)(ii), such amount is no longer required to be retained.
- (c) If the Note Issuer:
- (i) issues Contingent Value Notes to a third party under clause 5.7(a)(iii), or
  - (ii) does not issue, or issues to a trustee or nominee, Contingent Value Notes under clause 5.7(a)(iv),
- the Note Issuer's obligations under clause 5.3(b) with respect to those Contingent Value Notes will be fully discharged until, in the case of clause 5.7(a)(iv), such Contingent Value Notes are able to be issued to the particular Scheme Shareholder or the Custodian (as applicable).

## 5.8 Definition of 'sending'

For the purposes of clause 5, the expression **sending** means, in relation to each Scheme Shareholder:

- (a) sending by ordinary pre-paid post or courier to the Registered Address of that Scheme Shareholder as at the Record Date; or
- (b) delivery to the Registered Address of that Scheme Shareholder as at the Record Date by any other means at no cost to the recipient.

## 6 Dealings in Shares

### 6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESSE, the transferee is registered in the Share Register as the holder of the relevant Shares on or before the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in respect of those dealings are received at the place where the Share Register is kept on or before the Record Date,

and Central will not accept for registration, nor recognise for any purpose (except a transfer to BidCo under this Scheme and any subsequent transfer by BidCo or its Related Bodies Corporate or their respective successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

### 6.2 Register

- (a) **(Registration of transfers)** Central must register registrable transmission applications or transfers of the kind referred to in clause 6.1(b) by or as soon as reasonably practicable after the Record Date (provided that for the avoidance of doubt nothing in this clause 6.2 requires Central to register a transfer that would result in a Central Shareholder holding a parcel of Shares that is less than a 'marketable parcel' (as defined in the Settlement Rules)).
- (b) **(No registration after Record Date)** Central will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Shares received after the Record Date, other than to BidCo in accordance with this Scheme and any subsequent transfer by BidCo or its Related Body Corporates or their respective successors in title.
- (c) **(Maintenance of Share Register)** For the purpose of determining entitlements to the Scheme Consideration, Central must maintain the Share Register in accordance with the provisions of this clause until the

Scheme Consideration has been delivered to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.

- (d) **(No disposal after Record Date)** From the Record Date until registration of BidCo in respect of all Scheme Shares under clause 4.2, no Central Shareholder may dispose or otherwise deal with Shares in any way except as set out in this Scheme and any attempt to do so will have no effect and Central shall be entitled to disregard any such disposal or dealing.
- (e) **(Statements of holding from Record Date)** All statements of holding for Shares will cease to have effect from the Record Date as documents of title in respect of those shares. As from the Record Date, each entry current at that date on the Share Register will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Shares relating to that entry.
- (f) **(Provision of Scheme Shareholder details)** As soon as practicable after the Record Date and in any event within one Business Day after the Record Date, Central will ensure that details of the names, Registered Addresses and holdings of Shares for each Scheme Shareholder are available to BidCo and the Note Issuer in the form they reasonably require.

## 7 Quotation of Shares

- (a) Central will apply to ASX to suspend trading on the ASX in Shares with effect from the close of trading on the Effective Date.
- (b) On a date after the Implementation Date to be determined by BidCo, and only after the transfer of the Scheme Shares has been registered in accordance with clause 4.2(c), Central will apply:
  - (i) for termination of the official quotation of Shares on ASX; and
  - (ii) to have itself removed from the official list of ASX.

## 8 General Scheme Provisions

### 8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) Central may, by its counsel or solicitors, consent on behalf of all persons concerned to those alterations or conditions to which BidCo has consented in writing; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions to which counsel for Central has consented.

## 8.2 Binding effect of Scheme

This Scheme binds Central and all Scheme Shareholders (including those who did not attend the Scheme Meeting, those who did not vote at that meeting, or voted against this Scheme at that meeting) and, to the extent of any inconsistency, overrides the constitution of Central.

## 8.3 Scheme Shareholders' agreements and acknowledgment

Each Scheme Shareholder:

- (a) agrees to the transfer of their Shares together with all rights and entitlements attaching to those Shares in accordance with this Scheme;
- (b) agrees to any variation, cancellation or modification of the rights attached to their Shares constituted by or resulting from this Scheme;
- (c) agrees to, on the direction of BidCo, destroy any share certificates relating to their Shares;
- (d) acknowledges and agrees that this Scheme binds Central and all Scheme Shareholders (including those who did not attend the Scheme Meeting or did not vote at that meeting or voted against this Scheme at that Scheme Meeting); and
- (e) (other than an Ineligible Foreign Shareholder) agrees to become a holder of the Contingent Value Notes issued to it pursuant to this Scheme and to have its name entered on the Contingent Value Note Register, and accepts the Contingent Value Notes issued to it pursuant to this Scheme on the terms and conditions of the Note Trust Deed, without the need for any further act by the Scheme Shareholder;
- (f) who is an Ineligible Foreign Shareholder, acknowledges and agrees that they do not have any rights as a Noteholder under the Note Trust Deed and will only be entitled to receive the Redemption Amount as remitted by the Custodian in accordance with clause 5.3(d)(ii).

## 8.4 Warranties by Scheme Shareholders

- (a) Each Scheme Shareholder is deemed to have warranted to Central, in its own right and for the benefit of BidCo, that as at the Implementation Date:
  - (i) all of its Shares which are transferred to BidCo under this Scheme, including any rights and entitlements attaching to those Shares, will, at the time of transfer, be free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any "security interests" within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;
  - (ii) all of its Shares which are transferred to BidCo under this Scheme will, on the date on which they are transferred to BidCo, be fully paid;

- (iii) it has full power and capacity to transfer its Shares to BidCo together with any rights attaching to those shares; and
  - (iv) it has no existing right to be issued any Shares, Central options, Central performance rights, Central convertible notes or any other Central securities including Central Options, Central Share Rights and Central Future Share Rights.
- (b) Central undertakes that it will provide the warranties in clause 8.4(a) to BidCo as agent and attorney of each Scheme Shareholder.

### **8.5 Title to and rights in Scheme Shares**

- (a) To the extent permitted by law, the Scheme Shares transferred under this Scheme will be transferred free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any “security interests” within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind.
- (b) On and from the Implementation Date, subject to payment by BidCo of the Cash Component in accordance with clause 5.2(a) and immediately after the Note Issuer satisfies its obligations under clause 5.3(b) in accordance with clause 5.3(c), BidCo will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by Central of it in the Share Register as the holder of the Scheme Shares.

### **8.6 Authority given to Central**

- (a) Scheme Shareholders will be deemed to have authorised Central to do and execute all acts, matters, things and documents on the part of each Scheme Shareholder necessary for or incidental to the implementation of this Scheme, including executing, as agent and attorney of each Scheme Shareholder, a share transfer or transfers in relation to Scheme Shares as contemplated by clause 4.2.
- (b) Each Scheme Shareholder, without the need for any further act, irrevocably appoints Central and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of executing any document necessary to give effect to this Scheme including, a proper instrument of transfer of its Scheme Shares for the purposes of section 1071B of the Corporations Act which may be a master transfer of all the Scheme Shares.

### **8.7 Appointment of sole proxy**

On and from the Implementation Date, subject to payment by BidCo of the Cash Component in accordance with clause 5.2(a) and immediately after the Note Issuer satisfies its obligations under clause 5.3(b) in accordance with clause 5.3(c), until Central registers BidCo as the holder of all Shares in the Share Register, each Scheme Shareholder:

- (a) is deemed to have irrevocably appointed BidCo as its attorney and agent (and directed each of them in such capacity) to appoint an agent nominated by them as its sole proxy and, where applicable, corporate representative to attend shareholders' meetings of Central, exercise the votes attaching to the Scheme Shares registered in its name and sign any shareholders' resolution;
- (b) undertakes not to otherwise attend shareholders' meetings, exercise the votes attaching to Scheme Shares registered in its name or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than as under clause 8.7(a);
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as BidCo reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.7(a), BidCo and any agent nominated by them under clause 8.7(a) may act in the best interests of BidCo as the intended registered holders of the Scheme Shares.

## **8.8 Instructions and elections**

If not prohibited by law, all instructions, notifications or elections by a Scheme Shareholder to Central binding or deemed binding between the Scheme Shareholder and Central relating to Central or Shares (including any email addresses, instructions relating to communications from Central, whether dividends are to be paid by cheque or into a specific bank account, notices of meetings or other communications from Central) will be deemed from the Implementation Date (except to the extent determined otherwise by BidCo in its sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to BidCo until that instruction, notification or election is revoked or amended in writing addressed to BidCo at their registry.

## **9 General**

### **9.1 Stamp duty**

BidCo must pay any stamp duty payable in connection with the transfer of the Scheme Shares under the Scheme.

### **9.2 Notices**

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this document is sent by post to Central, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Central's registered office or at the office of the Central Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Central Shareholder may not, unless

so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

**9.3 Further assurances**

- (a) Central must do anything necessary (including executing agreements and documents) or incidental to give full effect to this Scheme and the transactions contemplated by it.
- (b) Each Scheme Shareholder consents to Central doing all things necessary or incidental to give full effect to this Scheme and the transactions contemplated by it.

**9.4 Governing law and jurisdiction**

- (a) This Scheme is governed by the laws of Queensland.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in Queensland and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme.

# **ATTACHMENT E**

## **NOTICE OF SCHEME MEETING**

## NOTICE OF SCHEME MEETING

Central Petroleum Limited ACN 083 254 308 (**Central**)

Notice is hereby given that, by an order of the Supreme Court of Queensland made on 28 April 2017, pursuant to subsection 411(1) of the Corporations Act, a meeting of Central Shareholders (other than the Excluded Shareholders) will be held at Christie Conference Centre, The Caribbean Room, Level 1, 320 Adelaide Street, Brisbane, QLD 4000 on 5 June 2017, commencing at 10.30am (AEST) (**Scheme Meeting**).

### PURPOSE OF THE MEETING

The purpose of the meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without amendment or any alterations or conditions required by the Court to which Central and Macquarie MPVD Pty Limited (**Macquarie MPVD**) agree) proposed to be made between Central and Central Shareholders (other than the Excluded Shareholders) (the **Scheme**).

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Scheme Booklet, of which this notice forms part

### SCHEME RESOLUTION

The meeting will be asked to consider and, if thought fit, pass (with or without amendment) the following resolution (the **Scheme Resolution**):

'That, pursuant to and in accordance with the provisions of section 411 of the *Corporations Act 2001* (Cth), the scheme of arrangement proposed between Central Petroleum Limited and the holders of its ordinary shares (other than the Excluded Shareholders), as contained in and more particularly described in the Scheme Booklet of which the notice convening this meeting forms part, is agreed to, with or without alterations or conditions as approved by the Supreme Court of Queensland to which Central Petroleum Limited and Macquarie MPVD Pty Limited agree.'

Note: The Excluded Shareholders are not eligible to vote its Central Shares at the Scheme Meeting.

### CHAIR

The Court has directed that Mr Robert Hubbard is to act as chair of the meeting (and that, if Mr Robert Hubbard is unable or unwilling to attend, Mr Wrixon Gasteen is to act as chair of the meeting) and has directed the chair to report the result of the Scheme Resolution to the Court.

Dated 5 May 2017

By order of the Court and the Central Board

sign here ►



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Company Secretary

print name

**Joseph Morfea**

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## NOTICE OF SCHEME MEETING

### 1. GENERAL

This notice of meeting relates to the Scheme and should be read in conjunction with Central's Scheme Booklet dated 28 April 2017 (the **Scheme Booklet**) of which this notice forms part. The Scheme Booklet contains important information to assist you in determining how to vote on the Scheme Resolution.

A copy of the Scheme is set out in Attachment D of the Scheme Booklet.

Capitalised terms used but not defined in this notice have the defined meanings set out in section 9 of the Scheme Booklet, unless the context otherwise requires.

### 2. CENTRAL BOARD RECOMMENDATION AND VOTING INTENTIONS

As noted in the Scheme Booklet, the Central Board unanimously recommends that Central Shareholders (other than the Excluded Shareholders) vote in favour of the Scheme Resolution and each member of the Central Board intends to vote in favour of the Scheme Resolution, in the absence of a Superior Proposal.

### 3. SHAREHOLDER APPROVAL

For the proposed Scheme to be binding in accordance with section 411 of the Corporations Act, the Resolution must be agreed to by:

- unless the Court orders otherwise, a majority in number of Central Shareholders (other than the Excluded Shareholders) present and voting (either in person or by proxy, attorney or, in the case of corporate Central Shareholders, body corporate representative) at the Scheme Meeting; and
- at least 75% of the votes cast on the Scheme Resolution (either in person or by proxy, attorney or, in the case of corporate Central Shareholders, body corporate representative).

### 4. COURT APPROVAL

Under paragraph 411(4)(b) of the Corporations Act, the Scheme (with or without amendment or any alteration or condition required by the Court) is subject to the approval of the Court. If the Scheme Resolution is agreed to by the Requisite Majority and the Conditions Precedent to the Scheme (other than approval by the Court) are satisfied or waived (if applicable) by the time required under the Scheme, Central intends to apply to the Court for the necessary orders to give effect to the Scheme.

In order for the Scheme to become Effective, it must be approved by the Court and an office copy of the orders of the Court approving the Scheme must be lodged with ASIC.

### 5. ENTITLEMENT TO VOTE

The time for determining eligibility to vote at the Scheme Meeting is 7.00pm (AEST) on 2 June 2017. Only those Central Shareholders (other than the Excluded Shareholders) entered on the Central Share Register at that time will be entitled to attend and vote at the meeting, either in person, by proxy or attorney, or in the case of a corporate Central Shareholder, by a body corporate representative. The remaining comments in these explanatory notes are addressed to Central Shareholders entitled to attend and vote at the meeting. An Excluded Shareholder (as defined in the Scheme Booklet and also described in section 6 below) is not entitled to vote at the Scheme Meeting.

### 6. VOTING EXCLUSIONS

Central will disregard any votes cast on the Scheme Resolution by an Excluded Shareholder, unless the vote is cast by such persons as proxy for a person who is entitled to vote, in accordance with the directions on their proxy form.

### 7. HOW TO VOTE

Voting will be conducted by poll.

If you are a Central Shareholder entitled to vote at the meeting, you may vote by:

- attending and voting in person;
- appointing one or two proxies to attend and vote on your behalf, using the Scheme Voting Form that accompanied the Scheme Booklet (which may be lodged online);
- appointing an attorney to attend and vote on your behalf, using a power of attorney;
- in the case of a body corporate, appointing a body corporate representative to attend the meeting and vote on your behalf, using a certificate of appointment of body corporate representative; or
- voting directly, using the Scheme Voting Form that accompanied the Scheme Booklet (which may be lodged online).

## **8. ATTENDANCE**

If you or your proxies, attorneys or representative(s) plan to attend the meeting, please arrive at the venue at least 30 minutes before the scheduled time for commencement of the meeting, so that your shareholding can be checked against the Central Share Register, any power of attorney or certificate of appointment of body corporate representative verified, and your attendance noted.

## **9. JOINTLY HELD SECURITIES**

If you hold Central Shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote in person at the meeting, only the vote of the holder whose name appears first on the Central Share Register will be counted.

See also the comments in paragraph 10.2 below regarding the appointment of a proxy by persons who jointly hold Central Shares.

## **10. VOTING**

### **10.1 Voting in person**

To vote in person, you must attend the meeting.

Eligible Central Shareholders who wish to attend and vote at the meeting in person will be admitted and given a voting card at the point of entry to the meeting, once they have disclosed their name and address.

### **10.2 Voting by proxy or voting directly**

#### **Appointing a proxy**

You may appoint one or two proxies by using the Scheme Voting Form. Your proxy need not be another Central Shareholder. Each proxy will have the right to vote on the poll and also to speak at the meeting.

A vote given in accordance with the terms of a proxy appointment is valid despite the revocation of that appointment, unless notice in writing of the revocation has been received by the Central Share Registry by 10.30am (AEST) on Saturday, 3 June 2017 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the three ways described in paragraphs 10.2(a), 10.2(b) or 10.2(c) above. A proxy is not revoked by the principal attending and taking part in the meeting, unless the principal actually votes at the meeting on the resolution for which the proxy was proposed to be used. If you wish to appoint a second proxy, a second proxy form should be used and you should clearly indicate on the second proxy form that it is a second proxy and not a revocation of your first proxy. You can obtain a second proxy form from the Central Share Registry. Replacement proxy forms can also be obtained from the Central Share Registry.

If you appoint two proxies, each proxy should be appointed to represent a specified proportion of your voting rights. If you do not specify the proportions in the proxy forms, each proxy may exercise half of your votes with any fractions of votes disregarded.

You should consider how you wish your proxy to vote. That is, whether you want your proxy to vote 'for' or 'against', or abstain from voting on, the Scheme Resolution, or whether to leave the decision to the proxy after he or she has considered the matters discussed at the meeting.

If you do not direct your proxy how to vote on an item of business, the proxy may vote, or abstain from voting, as he or she thinks fit. If you instruct your proxy to abstain from voting on an item of business, he or she is directed not to vote on your behalf, and the shares the subject of the proxy appointment will not be counted in computing the required majority.

If you return your proxy form:

- without identifying a proxy on it, you will be taken to have appointed the chair of the meeting as your proxy to vote on your behalf; or
- with a proxy identified on it but your proxy does not attend the meeting, the chair of the meeting will act in place of your nominated proxy and vote in accordance with any directions on your proxy form.

The chair of the meeting intends to vote all valid undirected proxies which nominate the chair in favour of the Scheme Resolution, in the absence of a Superior Proposal.

In accordance with Central's constitution, any duly signed proxy which is incomplete may be completed by Central's company secretary on authority from the Central Board and the Central Board may authorise completion of the proxy by the insertion of the name of any member of the Central Board as the person in whose favour the proxy is given.

Proxies of eligible Central Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting, written evidence of their name and address.

Your appointment of a proxy does not preclude you from attending in person, revoking the proxy and voting at the meeting.

### Voting directly

You may vote directly on the Scheme Resolution without attending the meeting or appointing a proxy by completing the Scheme Voting Form.

Your direct vote does not preclude you from attending in person. However, unless you advise the Central Share Registry otherwise, your attendance will have the effect of revoking your direct vote.

### Completing and returning the Scheme Voting Form

To appoint a proxy or to vote directly, you should complete and return the Scheme Voting Form that accompanied the Scheme Booklet in accordance with the instructions on that form. You must deliver the signed and completed Scheme Voting Form to the Central Share Registry by 10.30am (AEST) on Saturday, 3 June 2017 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

a. **Online:**

- at [www.investorvote.com.au](http://www.investorvote.com.au) by following the instructions on the secure website to vote and logging in using the control number found on the front of your accompanying voting form; or
- for Intermediary Online subscribers (Institutions/Custodians) by visiting [www.intermediaryonline.com](http://www.intermediaryonline.com)

b. **by post in the provided envelope to the Central Share Registry:**

Computershare Investor Services Pty Limited  
GPO Box 242  
Melbourne VIC 3001  
Australia

c. **by fax to the Central Share Registry** on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia)

Voting forms received after this time will be invalid.

If a voting form is completed under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed voting form unless the power of attorney or other authority has previously been noted by the Central Share Registry.

If you hold Central Shares jointly with one or more other persons, in order for your direct vote or proxy appointment to be valid, each of you must sign the voting form.

### 10.3 Voting by attorney

You may appoint an attorney to attend and vote at the meeting on your behalf. Your attorney need not be another Central Shareholder. Each attorney will have the right to vote on the poll and also to speak at the meeting.

The power of attorney appointing your attorney to attend and vote at the meeting must be duly executed by you and specify your name, the company (that is, Central), and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.

The power of attorney, or a certified copy of the power of attorney, should be lodged at the registration desk on the day of the meeting or with the Central Registry before 10.30am (AEST) on Saturday, 3 June 2017 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

a. **by post in the provided envelope to the Central Share Registry:**

Computershare Investor Services Pty Limited  
GPO Box 242  
Melbourne VIC 3001  
Australia

b. **by fax to the Central Share Registry** on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia)

Attorneys of eligible Central Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting, written evidence of their appointment, their name and address, and the name of their appointors.

Your appointment of an attorney does not preclude you from attending in person and voting at the meeting.

#### 10.4 Voting by corporate representative

If you are a body corporate, you may appoint an individual to act as your body corporate representative. The appointment must comply with the requirements of section 250D of the Corporations Act, meaning that Central will require a certificate of appointment of body corporate representative to be executed by you in accordance with the Corporations Act. A form of certificate may be obtained from the Central Share Registry by calling 1300 650 871 (within Australia) or +61 3 9415 4278 (outside Australia). The certificate of appointment may set out restrictions on the representative's powers.

The certificate should be lodged at the registration desk on the day of the meeting or with the Central Share Registry before 10.30am (AEST) on Saturday, 3 June 2017 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

a. **by post in the provided envelope to the Central Share Registry:**

Computershare Investor Services Pty Limited  
GPO Box 242  
Melbourne VIC 3001  
Australia

b. **by fax to the Central Share Registry** on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

If a certificate is completed under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed certificate unless the power of attorney or other authority has previously been noted by the Central Share Registry.

Body corporate representatives of eligible Central Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting, written evidence of their appointment, their name and address and the name of their appointors.

#### 11. ADVERTISEMENT

Where this notice of meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone entitled to attend the meeting from the ASX website ([www.asx.com.au](http://www.asx.com.au)) or by contacting the Company Secretary of Central or the Central Share Registry

# **ATTACHMENT F RECOMMENDATIONS OF VERTIGAN REPORT**

# **Examination of the current test for the regulation of gas pipelines**

***Report***

***14 December 2016***

Dr Michael Vertigan AC

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Content contained herein should be attributed as the Examination of the current test for the regulation of pipelines: Report.

### Other uses

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COAG Energy Council Secretariat  
GPO Box 787  
Canberra ACT 2601  
Email: [energycouncil@environment.gov.au](mailto:energycouncil@environment.gov.au)

The views contained in this document should not be considered as representing the COAG Energy Council or its jurisdictions.

14 December 2016

The Hon Josh Frydenberg MP, Australian Government Minister for the Environment and Energy

The Hon Anthony Roberts MP, New South Wales Minister for Industry, Resources and Energy

The Hon Lily D'Ambrosio MP, Victorian Minister for Energy, Environment and Climate Change

The Hon Mark Bailey MP, Queensland Minister for Energy and Water Supply

The Hon Dr Michael Nahan MLA, Western Australian Minister for Energy

The Hon Tom Koutsantonis MP, South Australian Minister for Mineral Resources and Energy

The Hon Matthew Groom MP, Tasmanian Minister for Energy

Mr Shane Rattenbury, Australian Capital Territory Minister for Climate Change and Sustainability

The Hon Kenneth Vowles MLA, Northern Territory Minister for Primary Industry and Resources

The Hon Simon Bridges, New Zealand Minister for Energy and Resources

I am pleased to present the Report of the examination of the current test for the regulation of gas pipelines to the COAG Energy Council. The findings in this report are based on extensive consultation undertaken with relevant stakeholders, through a series of roundtable discussions and bi-lateral meetings. Further, a consultation paper was released seeking stakeholder feedback. This report considers the evidence presented by the ACCC, the effectiveness of the existing regulatory test, the relationship of this examination to other proposed reforms and outlines five potential solutions.

It is clear that pipeline owners do have market power and, based on submissions by, and discussions with, pipeline customers on their experiences in negotiations, the examination concludes that the existing regulatory arrangements require modification.

There is not widespread support for increasing the extent of regulation of the pipeline industry and, in fact, significant doubt exists whether such a resolution would address the real concerns of pipeline customers.

Two principal issues have been identified: the information asymmetry between the parties in negotiations, and the superior negotiating position of

the pipeline operators. While any solution to address the power imbalance should be backed by a credible threat of regulation, the coverage test is not the focus of the resolution.

The report recommends that the disclosure and transparency of pipeline service costs, pricing and contract terms and conditions be greatly enhanced and a framework for binding arbitration be introduced to the National Gas Law. This approach has the potential to facilitate efficient commercial solutions while avoiding unnecessary regulatory burden.

I would like to thank all of the parties who participated in the examination's consultation processes. The examination has been characterised by a very high level of engagement with industry participants which has materially assisted in arriving at the Report's recommendations. Further, I would like to thank the Consultative Panel, consisting of Professor Ian Harper, Mr Antony Cohen, Dr Byron Pirola, Mr Rob Heferen and Professor Paul Simshauser, for their valuable insights and advice. As always, the views and recommendations contained in the report are my own.

Throughout the course of the examination, I was supported by a small secretariat provided by the Department of the Environment and Energy. I wish to acknowledge that support and to thank the members of the secretariat for their commitment and contributions.

Yours sincerely



Dr Michael Vertigan AC  
Independent Chair  
Gas Market Reform Group

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## Abbreviations and acronyms

ACCC	Australian Competition and Consumer Commission
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
AGP	Amadeus Gas Pipeline
APGA	Australian Pipeline and Gas Association
APLNG	Australia Pacific LNG
APPEA	Australian Petroleum Production and Exploration Association
ASX	Australian Securities Exchange
CCA	Competition and Consumer Act 2010 (Cth)
CGP	Carpentaria Gas Pipeline
COAG	Council of Australian Governments
CWP	Central West Pipeline
DBP	DBP Transmission
DBNGP	Dampier to Bunbury Natural Gas Pipeline
DTS	Declared Transmission System
DVP	Dawson Valley Pipeline
DWGM	Declared Wholesale Gas Market
EGP	Eastern Gas Pipeline
Gas Code	National Third Party Access Code for Natural Gas Pipeline Systems
GLNG	Gladstone Pacific Liquefied Natural Gas
GMRG	Gas Market Reform Group
GPG	Gas Powered Generation
GSH	Gas Supply Hub
HSF	Herbert Smith Freehills
IPA	Infrastructure Partnerships Australia
LMR	Limited Merits Review
LNG	Liquefied Natural Gas
MAPS	Moomba to Adelaide Pipeline System
MEU	Major Energy Users Inc.
MSP	Moomba to Sydney Pipeline
NAR	National Access Regime
NCC	National Competition Council
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
NGP	Northern Gas Pipeline

PIAC	Public Interest Advocacy Centre
PNO	Port of Newcastle Operations
QCLNG	Queensland Curtis Liquefied Natural Gas
QGP	Queensland Gas Pipeline
RBP	Roma to Brisbane Pipeline
RIS	Regulation Impact Statement
SCO	Senior Committee of Officials
SEPS	South East Pipeline System
STTM	Short-Term Trading Market
SWQP	South West Queensland Pipeline
TGP	Tasmanian Gas Pipeline
TPA	Trade Practices Act 1974 (Cth)
VTS	Victorian Transmission System

## Executive Summary

The development of the Liquefied Natural Gas (LNG) export industry in Queensland has fundamentally shifted supply and demand dynamics in the domestic gas market. With the significant growth in demand, a low oil price and restrictions on unconventional gas development, a potential supply shortfall is emerging.

Since 2000, the gas transmission pipeline industry has invested or committed over \$10 billion in new pipelines, interconnections and enhancements of existing pipelines.<sup>1</sup>

Pipeline infrastructure is evolving into an interconnected network, providing a larger range of services and supporting a series of increasingly interlinked wholesale gas markets. Pipeline operators no longer simply provide for the transportation of gas from a source of supply to a source of demand. Today the services offered by the interconnected pipeline network are more complex, with changing directions of gas flows and increased demand for more flexible services. As the market continues to transition, gas customers require more flexible transport arrangements such as bidirectional and backhaul shipping, park and loan services and some capacity expansion of existing pipelines.

Getting the regulatory settings for gas transmission pipelines right is important to promote an efficient transportation sector with competitive prices and more efficient gas trading markets. In a tighter gas market, continued investment in pipelines and related services will be needed to provide flexibility and choice for consumers. Gas also has an important role to play in the transition to a lower carbon economy. More flexible and efficient pipeline services are an essential consideration in energy security planning and ensuring gas power generation is able to provide capacity when required to balance the intermittent nature of renewable electricity sources.

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<sup>1</sup> Australian Pipelines and Gas Association (APGA), submission to the Examination of the current test for the regulation of gas pipelines: Consultation Paper, October 2016, p 4.

## **Background**

On 19 August 2016, the Council of Australian Governments (COAG) Energy Council (the Council) released a comprehensive Gas Market Reform Package responding to the findings and recommendations of the Australian Competition and Consumer Commission's (ACCC) *Inquiry into the East Coast Gas Market* and the Australian Energy Market Commission's (AEMC) *Eastern Australian Wholesale Gas Market and Pipelines Framework Review: Stage 2 Final Report*.

This Report is in response to Reform Measure 4 as agreed by the COAG Energy Council which directed that the Independent Chair of the Gas Market Reform Group '*Examine the current regulatory test for the regulation of gas pipelines, in consultation with stakeholders, and provide recommendations on any further actions to the Energy Council, including potentially replacing the test*'.

Consultations commenced on 19 September 2016. On 4 October 2016, a consultation paper was released seeking stakeholder feedback in response to the relevant findings of the ACCC Inquiry, the effectiveness of the existing regulatory test, the appropriateness of the ACCC's proposed market power test and, if stakeholders deemed a change in regulatory arrangements warranted, an alternate means of achieving this. Thirty submissions were received and submissions are published on the COAG Energy Council website - [www.coagenergycouncil.gov.au](http://www.coagenergycouncil.gov.au).

During the week of 24 October 2016, a series of sector based roundtable discussions were conducted with gas producers, pipeline owners, retailers, large users, industry associations and economic consultants. Further bilateral meetings were held with a range of stakeholders in relation to specific issues.

## **Identifying the problem**

The examination has not attempted to validate the evidence and conclusions of the ACCC in respect to monopoly pricing. It is clear that gas pipelines have natural monopoly characteristics creating a high barrier to entry for prospective competitors. This lack of competitive constraint on most existing pipelines translates into market power.

Pipeline customers ('shippers') have made clear in this examination their belief that pipeline operators are exercising market power during negotiations for pipeline services. This results in prices that are higher than would be the case in a fully competitive or fully regulated environment. Further, smaller shippers have indicated that the absence of adequate publicly available information on prices and terms, as well as the methodology used to determine these and costs incurred by pipeline operators, mean it is difficult to assess what a reasonable offering would be.

An analysis of total shareholder return to a pipeline operator was commissioned through JP Morgan's Equity Research Team. The analysis examined returns over a ten-year period and compared them directly with aggregated returns to regulated electricity asset owners and with the ASX 200. The results show that the total return on the pipeline business was double that of the average regulated electricity network operator. A difference in returns is to be expected when comparing regulated assets with those of an unregulated monopoly, and while the respective businesses will have different risk characteristics, that is not sufficient to explain the difference in returns.

The analysis was not commissioned to target specific companies, rather to further highlight in a business environment where market power exists, higher than average returns are being generated. As noted by the ACCC, this does not mean there is any improper behaviour under the *Competition and Consumer Act 2010* (CCA).

However, there is also evidence that in some instances the exercise of market power is resulting in inefficient outcomes that do not promote the *National Gas Objective*<sup>2</sup> or facilitate the achievement of the COAG Energy Council's Australian Gas Market Vision for the '*establishment of a liquid wholesale gas market that provides market signals for investment and supply*'.<sup>3</sup> Enabling new gas supply and developing liquid trading markets requires the ability to readily move gas between trading locations. For instance, a number of market participants have reported a significant level of bilateral, off market trading around the Wallumbilla Gas Supply Hub, with one of the principal reasons

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<sup>2</sup> As prescribed in section 23 of the *National Gas Law*, the National Gas Objective is: '*to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas*'.

<sup>3</sup> COAG Energy Council, *Australian Gas Market Vision*, 11 December 2014.

being to avoid the transportation cost associated with physically moving gas to Wallumbilla. Continuation of this behaviour would be a significant inhibitor to achieving the policy objective to develop a deeper and more liquid trading market.

### **Concurrent policy considerations**

It is recognised that a range of relevant policies are currently subject to review or being reformed, generating considerable uncertainty across the pipeline industry.

The Council's Gas Market Reform Package comprises 15 reform measures in four priority areas: gas supply, market operation, gas transportation and market transparency. A number of these reform measures, including the establishment of a capacity trading platform(s), day-ahead auction of contracted but un-nominated capacity, standardisation of key capacity contractual terms, and the publication of information on capacity trades, are being progressed through the Gas Market Reform Group (GMRG). The GMRG will commence design work of these reforms in early 2017.

Another component of the reform package is the AEMC's review of Parts 8-12 of the National Gas Rules (NGR), which will examine whether there are any gaps in the current regulatory framework that may be allowing pipelines subject to full regulation to exercise market power to the detriment of consumers and economic efficiency. This review will commence in early 2017.

There is also a range of amendments being made to the *Competition and Consumer Act 2010* (Cth) (CCA) in response to the Competition Policy Review (the Harper Review). These amendments include changes to the declaration criteria (which are currently largely reflected in the coverage criteria in the National Gas Law) and reframing the misuse of market power provision (section 46). The proper construction of criterion (a) is also being reviewed by the Federal Court in relation to the Port of Newcastle case.

Concurrently with this examination, the Senior Committee of Officials (SCO) has been reviewing the effectiveness of the Limited Merits Review (LMR) regime under the National Electricity Law and NGL. The Review team worked with the examination secretariat to ensure the respective recommendations would not be inconsistent. The Review report was provided to Energy Ministers

for their consideration and decision at the COAG Energy Council meeting on 14 December 2016.

### **The commercial environment**

The unambiguous conclusion resulting from consideration of the ACCC and AEMC reports, along with the material provided to this examination through submissions and consultations, is that there is a significant difference in the relative strength of the parties to commercial negotiations for pipeline services on existing pipelines. This differential is ascribed principally to the information asymmetry between the parties and the lack of a credible threat of regulation.

The majority of stakeholders do not believe the gas access regime poses a credible threat of regulation, nor is it constraining pipeline operator's behaviour. The reason the coverage test does not provide a credible threat is twofold:

- There is a perception, and/or reality, that criterion (a) is too difficult to satisfy and consequentially it is near impossible for pipelines to become covered and subject to either full or light regulation; and
- For covered pipelines, the regulatory regime generally only regulates forward haul tariffs and does not sufficiently deal with the range of other services that are increasingly being sought by market participants.

### **Problem requiring addressing**

The initial presumption and widespread expectation of the industry was that the focus of the examination would be on the appropriateness of the existing regulatory test and whether, and how, it should be changed. However, submissions and consultations have highlighted that the principal problem is that parties negotiating for pipeline services have unequal levels of bargaining power and information. Consequently, the examination has focused on the most effective and least onerous ways to address these factors.

The first of the issues contributing to the imbalance, information asymmetry, is already on the reform agenda and will be progressed as part of the gas market reforms.

Experience with the existing regulatory test confirmed that it is difficult to satisfy, especially in relation to criterion (a), and in any event, is ineffective for many services as generally only a single reference service (usually forward

haul) is specified. In its current form, the test does not therefore constitute a credible threat to the market power of a pipeline owner.

While the test for pipeline coverage could be amended to introduce a market power criterion, it is concluded that the objective of addressing the negotiating imbalance could more effectively be addressed by requiring binding arbitration where commercial negotiations fail.

The introduction of binding arbitration to the commercial framework for pipeline negotiation would retain negotiation between parties as the focus for the industry rather than regulatory solutions and would provide the credible threat to address the existence of market power which is required. This approach is consistent with the substantial alignment of interests between the parties and the fact that denial of access is not a significant issue.

This form of resolution is also consistent with the views of the majority of market participants. The pipeline industry and most shippers have little appetite for more onerous regulatory solutions. Rather, it provides shippers with increased negotiating power through the introduction of a credible threat of arbitration that when actioned, can be quickly resolved.

It is a time of serious uncertainty for Australian competition policy, resulting from judicial interpretation of the proper interpretation of criterion (a), the amendments being progressed to the declaration criteria and section 46 of the CCA, and from the review of the LMR regime. This uncertainty reinforces the undesirability of changing the regulatory test for pipeline access if an alternative solution is available.

## **Recommendations**

The recommendations developed as a result of this examination are directed at the two principal issues: the information asymmetry between the parties in negotiations; and the superior negotiating position of the pipeline operators.

### **Recommendation 1**

**That the disclosure and transparency of pipeline service pricing and contract terms and conditions be enhanced, including requiring the provision of information on the full range of pipeline services which are available or sought (not solely focused on forward haul services).**

As highlighted by the ACCC, there is little publicly available information on the costs incurred by pipeline operators in providing services and the relationship between these costs and the prices charged for services. Increased transparency provides parties seeking pipeline services with an improved ability to undertake timely and effective negotiations.

Pricing principles, and/or information on the methodology used to determine prices, including costs incurred, should be published to enable shippers, or potential shippers, to better assess the reasonableness of the tariffs and terms offered. These principles should also make transparent the process for expanding the capacity of a pipeline.

This recommendation could be implemented using a range of mechanisms and consideration will need to be given to the need for information to be subject to appropriate validation and/or compliance processes.

## **Recommendation 2**

**That a framework for binding arbitration, available to all open access pipelines in the event parties are unable to reach a commercial agreement, be introduced into the National Gas Law (NGL).**

This arbitration would be activated where parties to a negotiation are unable to reach a commercial resolution.

The existing dispute resolution framework under the NGL is only available to those shippers experiencing difficulty accessing pipeline services on a light or full regulation pipeline. Thus, as recognised by the ACCC, the existing threat of arbitration is unlikely to be a constraint on the behaviour of pipeline operators.<sup>4</sup> It is not appropriate that access to dispute resolution be predicated on whether or not the pipeline is covered.

Where commercial processes are working effectively, the resort to arbitration should rarely be required.

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<sup>4</sup> ACCC, *Inquiry into the East Coast Gas Market Report*, April 2016, p 135.

On an indicative basis, the arbitration framework would encompass the following characteristics:

- 1) Commercial negotiation between parties would occur whenever any party sought pipeline services on an open access pipeline.
- 2) The existing provision for a fifteen year 'no-coverage period' would be retained and during that period any negotiations on services which are contained in the foundation contracts would be governed by the provisions of those contracts. However, negotiations involving parties to foundation contracts relating to services not covered in those contracts, or involving a new party, would be subject to the arbitration framework.
- 3) After negotiations had commenced either party could signal a breakdown which would trigger the arbitral process.
- 4) Arbitration would be commercially-based (as distinct from judicial or regulator based), with the arbitrator appointed by mutual agreement of the parties, but with provision for imposition of an arbitrator where there is no agreement. The framework would be designed for expeditious resolution of the dispute with provisions to avoid delay and gaming. Structures such as 'final offer arbitration' would be considered for inclusion.
- 5) The decision of the arbitrator would be binding on both parties.
- 6) Oversight and maintenance of the framework will be required, including in relation to procedural rules, pricing principles and the power to appoint an arbitrator to a dispute in the absence of agreement between the parties. The Australian Energy Regulator (AER) is the logical institution to undertake this role.

### **Recommendation 3**

**That the GMRG be tasked with developing a detailed design of the disclosure and transparency requirements and of the arbitration framework, after consultation with industry, other stakeholders, the ACCC, the AER and the AEMC, with recommendations to be considered by the COAG Energy Council in mid-2017.**

Proposals received from market participants, including the Australian Pipeline and Gas Association (APGA), will provide a valuable basis for this consideration.

During the development of the arbitration framework consideration will need to be given to whether amendments to the existing regulatory structure will be required. For example, if the arbitration framework is to operate in the way it is envisaged then there may be no need to retain the light regulation option.

To avoid duplication, the COAG Energy Council's existing reform measure 6, the review of information disclosure requirements in the NGL, would be consolidated within the GMRG's detailed design for the transparency and arbitration framework.

#### **Recommendation 4**

**That no change be made to the current coverage test at this stage. The appropriateness of amending the coverage test should be reviewed within five years after the arbitration framework is operational.**

This recognises that the gas market is changing very quickly and any changes to the test should occur only after the effects of introducing binding arbitration, the capacity trading and transparency reforms, and the CCA amendments are known. Should the proposed amendments to the CCA declaration criteria be implemented, the NGL should also be amended to reflect these changes.

The form of the test should be reviewed within five years after the arbitration framework becomes operational. At this stage, it is envisioned that the AEMC would likely undertake the review.

#### **Conclusion**

The aim of the recommendations is to achieve commercial outcomes and therefore sustain investment. Contrary to the implementation of an altered coverage test that would likely lead to increased regulation of the pipeline industry, investment would still be in response to market signals rather than regulation. The reforms are not designed to damage the ability of the pipeline industry to generate appropriate commercial returns, but rather to limit excessive returns. The proposed solution should avoid any 'chilling' effect on investment. This approach has the potential to facilitate efficient commercial outcomes while avoiding the time, cost and uncertainty associated with regulatory processes.

The recommendations seek to reduce the imbalance in negotiating power, constrain the exercise of market power and encourage downward pressure on

gas transportation prices. This could see a minor reduction in delivered gas prices for Australian users and slightly higher ex-plant prices for producers, encouraging investment upstream and downstream.

The conclusions and recommendations arising from this examination are consistent with the views of the majority of industry participants that the specification of the coverage test itself is not the major issue at this time. Rather the existing imbalance between parties in gas transportation needs to be addressed in a manner which avoids the time delays and the high costs usually associated with formal regulatory processes. The recommended approach should address industry concerns relating to regulatory uncertainty.

# **ATTACHMENT G VARIATION DEED**

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Central Petroleum Limited

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Macquarie MPVD Pty Limited

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# Variation Deed

3450-7430-4773v1

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Date 26 April 2017

## Parties

**Central Petroleum Limited** ACN 083 254 308 of Level 7, 369 Ann Street, Brisbane, QLD 4000 (**Central**)

**Macquarie MPVD Pty Limited** ACN 616 486 983 of Level 6, 50 Martin Place, Sydney, New South Wales (**BidCo**)

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## Agreed terms

### 1 Definitions

#### 1.1 This document

In this document these terms have the following meanings:

**Central Scheme Deed** the deed so entitled entered into between the parties, dated 9 March 2017, setting out the terms on which BidCo will acquire Central by way of a scheme of arrangement to be implemented between Central and its shareholders.

**Variation Date** the date on which the last party executes this document.

#### 1.2 Definitions in Central Scheme Deed

Unless the context otherwise requires, terms defined in the Central Scheme Deed have the same meanings in this document.

### 2 Variation of Central Scheme Deed

#### 2.1 Variations

On and from the Variation Date, the Central Scheme Deed is varied as follows:

- (a) In clause 1.1, the definition of "Excluded Shares" be amended by deleting the words "*a share held by BidCo or any of its Related Bodies Corporate at the Record Date*" and replacing them with the words: "*a Share held by an Excluded Shareholder as at the Record Date*";
- (b) In clause 1.1, the following new definition of "Excluded Shareholders" be inserted: "*when used in relation to the Scheme, Macquarie MPVD and its associates, but excluding Macquarie Investment Management Ltd ACN 002 867 003, acting in its capacity as:*

- (a) trustee for a superannuation fund known as the Macquarie Superannuation Plan; and
- (b) bare trustee for third party investors as part of an Investor Directed Portfolio Service.”;
- (c) Clause 3.1(g) (Central Share Rights and Central Future Share Rights) be deleted in its entirety, and replaced with the following:

“(Central Share Rights and Central Future Share Rights): prior to the date of the Scheme Meeting, Central and each holder of Central Share Rights and Central Future Share Rights have entered into binding and irrevocable agreements conditional only upon the Scheme becoming Effective, in a form and on terms acceptable to BidCo (in its absolute discretion), for such Central Share Rights and Central Future Share Rights to be:

  - (i) cancelled and extinguished, in consideration for a cash payment equal to the cash portion of the Scheme Consideration (being \$0.20 per Central Share Right and \$0.20 per Central Future Share Right); or
  - (ii) exercised and the Shares underlying those Central Share Rights or Central Future Share Rights (as relevant) to be issued and allotted, in each case prior to the Record Date, such that no Central Share Rights or Central Future Share Rights will be on issue or in existence at the Record Date”;
- (d) the definition of “Central Scheme Deed” in clause 1.1 of Schedule 3 (Deed Poll) be amended by deleting the words “means the Central Scheme Deed dated [DATE] between Central and BidCo” and replacing it with the words “means the Central Scheme Deed dated 9 March 2017 between Central and BidCo, as amended from time to time”; and
- (e) Schedule 4 be deleted in its entirety, and replaced with the document attached at Schedule 1.

## 2.2 Central Scheme Deed continues

BidCo and Central acknowledge and agree that the Central Scheme Deed as varied by this document continues in full force on and from the Variation Date.

## 3 Warranties and representations

### 3.1 Warranties

Each party represents and warrants that at the Variation Date:

- (a) it has capacity unconditionally to execute, deliver and comply with its obligations under this document;

- (b) it has taken all necessary action to authorise the unconditional execution and delivery of, and the compliance with, its obligations under this document;
- (c) this document is its valid and legally binding obligation and is enforceable against it by each other party in accordance with its terms, subject to principles of equity and rules affecting creditors' rights generally; and
- (d) its unconditional execution and delivery of, and compliance with its obligations under, this document do not contravene:
  - (i) any law or directive from a government entity;
  - (ii) its constituent documents;
  - (iii) any agreement or instrument to which it is a party; or
  - (iv) any obligation of it to any other person.

### **3.2 Survival of warranties**

The warranties and representations in **clause 3.1** survive the execution of this document and the variation of the Central Scheme Deed.

## **4 General**

### **4.1 Amendment**

This document may only be varied or replaced by a document executed by the parties.

### **4.2 Legal costs**

Except as expressly stated otherwise in this document, each party must pay its own legal and other costs and expenses of negotiating, preparing, executing and performing its obligations under this document.

### **4.3 Further steps**

Each party must promptly do whatever any other party reasonably requires of it to give effect to this document and to perform its obligations under it.

### **4.4 Governing law and jurisdiction**

- (a) This document is governed by and is to be construed in accordance with the laws applicable in Queensland.
- (b) Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in Queensland and any courts which have jurisdiction to hear appeals from any of those courts and waives any right to object to any proceedings being brought in those courts.

#### 4.5 Counterparts

This document may consist of a number of counterparts and, if so, the counterparts taken together constitute one document.

#### 4.6 Construction

Unless expressed to the contrary, in this document:

- (a) words in the singular include the plural and vice versa;
- (b) any gender includes the other genders;
- (c) if a word or phrase is defined its other grammatical forms have corresponding meanings;
- (d) 'includes' means includes without limitation;
- (e) no rule of construction will apply to a clause to the disadvantage of a party merely because that party put forward the clause or would otherwise benefit from it;
- (f) a reference to:
  - (i) a person includes a partnership, joint venture, unincorporated association, corporation and a government or statutory body or authority;
  - (ii) a person includes the person's legal personal representatives, successors, assigns and persons substituted by novation;
  - (iii) any legislation includes subordinate legislation under it and includes that legislation and subordinate legislation as modified or replaced;
  - (iv) an obligation includes a warranty or representation and a reference to a failure to comply with an obligation includes a breach of warranty or representation;
  - (v) a right includes a benefit, remedy, discretion or power;
  - (vi) '\$' or 'dollars' is a reference to Australian currency;
  - (vii) this or any other document includes the document as novated, varied or replaced and despite any change in the identity of the parties; and
  - (viii) a clause, schedule or annexure is a reference to a clause, schedule or annexure, as the case may be, of this document.
- (g) where time is to be calculated by reference to a day or event, that day or the day of that event is excluded.

#### 4.7 Headings

Headings do not affect the interpretation of this document.

# Schedule 1

## Scheme

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**CORRS  
CHAMBERS  
WESTGARTH**  
lawyers

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Brisbane  
Perth

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Central Petroleum Limited

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Scheme Shareholders

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# Scheme of Arrangement

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## Parties

**Central Petroleum Limited** ACN 083 254 308 of Level 7, 369 Ann Street, Brisbane, QLD 4000 (**Central**)

**Each Scheme Shareholder**

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## Background

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth) between the parties.

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## Agreed terms

### 1 Definitions and interpretation

#### 1.1 Definitions

In this Scheme, unless the context requires otherwise:

<b>Aggregate Cash Component</b>	means the aggregate of the Cash Component of the Scheme Consideration to be paid by BidCo to all Scheme Shareholders.
<b>ASIC</b>	means the Australian Securities and Investments Commission.
<b>ASX</b>	means ASX Limited ABN 98 008 624 691 or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.
<b>BidCo</b>	means Macquarie MPVD Pty Limited ACN 616 486 983 of Level 6, 50 Martin Place, Sydney, New South Wales.
<b>Business Day</b>	means a business day as defined in the Listing Rules, other than any day on which banks are not open for business in Sydney or Brisbane
<b>Cash Component</b>	means, in respect of each Scheme Share held by a Scheme Shareholder, \$0.20 per Scheme Share, forming part of the Scheme Consideration.
<b>Central Future Share Rights</b>	means rights to be issued Share Rights if the Central Board determines in its absolute discretion that a change of control event is likely to occur and which have been

granted by Central as at the date of the Central Scheme Deed pursuant to:

- (a) the Central Long Term Incentive Plan Policy approved on 23 March 2015; or
- (b) the Central Long Term Incentive Plan Policy approved on 16 December 2015.

<b>Central Options</b>	means options which have been issued by Central as at the date of the Central Scheme Deed to subscribe for Shares.
<b>Central Registry</b>	means Computershare Investor Services Pty Limited ABN 48 078 279 277.
<b>Central Scheme Deed</b>	means the Central Scheme Deed dated 9 March 2017 between Central and BidCo as amended from time to time.
<b>Central Share Rights</b>	means rights to be issued or allocated Shares which have been granted by Central as at the date of the Central Scheme Deed pursuant to: <ul style="list-style-type: none"><li>(a) the Central Long Term Incentive Plan Policy approved on 23 March 2015; or</li><li>(b) the Central Long Term Incentive Plan Policy approved on 16 December 2015.</li></ul>
<b>Central Shareholder</b>	means each person who is registered in the register maintained by Central under section 168(1) of the Corporations Act as a holder of one or more Shares.
<b>CHESS</b>	means the clearing house electronic subregister system of share transfers operated by ASX Settlement Pty Limited ABN 49 008 504 532.
<b>Contingent Value Note</b>	means an unlisted unsecured note to be issued by the Note Issuer, pursuant to the Note Trust Deed.
<b>Contingent Value Note Component</b>	means, subject to clause 5.3 in respect of each Scheme Share held by a Scheme Shareholder, one Contingent Value Note per Scheme Share, forming part of the Scheme Consideration.
<b>Contingent Value Note Register</b>	means register of persons who hold Contingent Value Notes required to be kept and updated by or on behalf of the Note Issuer in accordance with the Corporations Act.
<b>Corporations Act</b>	means the <i>Corporations Act 2001</i> (Cth).
<b>Court</b>	means the Supreme Court of Queensland or such other court of competent jurisdiction determined by Central (after consultation, in good faith, with BidCo).

<b>Custodian</b>	means a custodian to be appointed to hold the Contingent Value Notes issued in accordance with clause 5.3(b)(ii).
<b>Custodian CVNs</b>	has the meaning given to that term in clause 5.3(d).
<b>Deed Poll</b>	means the deed poll dated 26 April 2017 executed by BidCo and Note Issuer under which each of BidCo and the Note Issuer covenants in favour of the Scheme Shareholders to perform the actions attributed to it under this Scheme.
<b>Delivery Time</b>	means in relation to the Second Court Date not later than 2 hours before the commencement of the hearing or if the commencement of the hearing is adjourned, the commencement of the adjourned hearing, of the Court to approve this Scheme in accordance with section 411(4)(b) of the Corporations Act.
<b>Effective</b>	means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme.
<b>Effective Date</b>	means the date on which this Scheme becomes Effective.
<b>End Date</b>	means the 'End Date' determined in accordance with the Central Scheme Deed.
<b>Excluded Share</b>	a Share held by an Excluded Shareholder as at the Record Date.
<b>Excluded Shareholder</b>	when used in relation to the Scheme, Macquarie MPVD and its associates, but excluding Macquarie Investment Management Ltd ACN 002 867 003, acting in its capacity as:  (a) trustee for a superannuation fund known as the Macquarie Superannuation Plan; and  (b) bare trustee for third party investors as part of an Investor Directed Portfolio Service.
<b>Implementation Date</b>	means the fifth Business Day after the Record Date or such other date after the Record Date agreed to in writing between Central and BidCo.
<b>Ineligible Foreign Shareholder</b>	means a Scheme Shareholder whose address shown in the Share Register is a place outside Australia and its external territories unless BidCo determines it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with Contingent Value Notes when the Scheme becomes Effective.
<b>Listing Rules</b>	means the official listing rules of ASX as amended from time to time.

<b>Note Guarantor</b>	means Macquarie Financial Holdings Pty Limited ACN 124 071 398.
<b>Note Issuer</b>	means Macquarie Amadeus Pty Limited ACN 617 817 893.
<b>Note Trust Deed</b>	means the deed to be entered into between BidCo, the Note Issuer, the Note Trustee, and the Note Guarantor pursuant to clause 4.2 of the Central Scheme Deed.
<b>Note Trustee</b>	means an entity appointed by the Note Issuer to be the trustee for the holders of the Contingent Value Notes under the Note Trust Deed.
<b>Record Date</b>	means 7.00pm on the fifth Business Day after the Effective Date or such other time and date agreed to in writing between Central and BidCo.
<b>Redemption Amount</b>	has the meaning given to that term under the Note Trust Deed.
<b>Registered Address</b>	means, in relation to a Central Shareholder, the address shown in the Share Register as at the Record Date.
<b>Related Body Corporate</b>	of a person, means a related body corporate of that person under section 50 of the Corporations Act.
<b>Scheme</b>	means this scheme of arrangement under Part 5.1 of the Corporations Act between Central and the Scheme Shareholders in respect of all Scheme Shares, subject to any alterations or conditions agreed between Central and BidCo and approved by the Court or any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to by Central and BidCo.
<b>Scheme Consideration</b>	means, in respect of each Scheme Share held by a Scheme Shareholder: <ul style="list-style-type: none"><li>(a) \$0.20 per Scheme Share; and</li><li>(b) subject to clause 5.3 one Contingent Value Note per Scheme Share.</li></ul>
<b>Scheme Meeting</b>	means the meeting of Central Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
<b>Scheme Share</b>	means a Share on issue as at the Record Date, other than an Excluded Share.
<b>Scheme Shareholder</b>	means a person who holds one or more Scheme Shares.

<b>Second Court Date</b>	means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.
<b>Settlement Rules</b>	means the ASX Settlement Operating Rules.
<b>Share</b>	means an issued fully paid ordinary share in the capital of Central.
<b>Share Register</b>	means the register of members of Central maintained in accordance with the Corporations Act.
<b>Trust Account</b>	means an Australian dollar denominated trust account operated by Central as trustee for the benefit of Scheme Shareholders.
<b>Unclaimed Consideration</b>	has the meaning given to that term in clause 5.6.

## 1.2 Interpretation

In this document, except where the context otherwise requires:

- (a) the singular includes the plural, and the converse also applies;
- (b) gender includes other genders;
- (c) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (d) a reference to a clause, paragraph, schedule or annexure is to a clause or paragraph of, or schedule or annexure to, this document, and a reference to this document includes any schedule or annexure;
- (e) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- (f) a reference to **A\$, \$A, dollar** or **\$** is to Australian currency;
- (g) a reference to time is to Brisbane, Australia time;
- (h) a reference to a party is to a party to this document, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;
- (i) a reference to a person includes a natural person, partnership, body corporate, unincorporated body, trust, association, governmental or local authority or agency or other entity;
- (j) a reference to legislation or to a provision of legislation (including a listing rule or operating rule of a financial market or of a clearing and settlement facility) includes a modification or re-enactment of it, a legislative

provision substituted for it and a regulation or statutory instrument issued under it;

- (k) a word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act;
- (l) a reference to conduct includes an omission, statement or undertaking, whether or not in writing;
- (m) the meaning of general words is not limited by specific examples introduced by **including, for example** or similar expressions;
- (n) a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this document or any part of it;
- (o) if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day.

### **1.3 Headings**

Headings are for ease of reference only and do not affect interpretation.

### **1.4 Listing requirements included in law**

A listing rule or business rule of a financial market will be regarded as a law, and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

## **2 Preliminary**

### **2.1 Central**

Central is a public company limited by shares, registered in Queensland, Australia, and admitted to the official list of ASX.

### **2.2 BidCo**

BidCo is a proprietary company limited by shares registered in Victoria, Australia.

### **2.3 General**

- (a) Central and BidCo have agreed by executing the Central Scheme Deed to implement this Scheme.
- (b) This Scheme attributes actions to BidCo and the Note Issuer but does not itself impose an obligation on them to perform those actions, as they are not parties to this Scheme. BidCo and the Note Issuer have agreed, by executing the Deed Poll, to perform the actions attributed to each of them under this Scheme, including in respect of the provision of the Scheme Consideration to the Scheme Shareholders.

### **2.4 Consequences of this Scheme becoming Effective**

If this Scheme becomes Effective:

- (a) BidCo will provide or procure the provision of the Cash Component and the Note Issuer will provide or procure the provision of the Contingent Value Note Component in accordance with this Scheme; and
- (b) all the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares, will be transferred to BidCo, and Central will enter BidCo in the Share Register as the holder of the Scheme Shares (in the numbers or proportions set out in clause 4.2(a)) with the result that all of the Shares will become owned by BidCo and its Related Bodies Corporate (and no other person).

## 3 Conditions

### 3.1 Scheme conditions

- (a) This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:
  - (i) all the conditions precedent in clause 3.1 of the Central Scheme Deed (other than the condition in clause 3.1(k) of the Central Scheme Deed (Court approval)) having been satisfied or waived in accordance with the terms of the Central Scheme Deed by no later than the Delivery Time on the Second Court Date;
  - (ii) neither the Central Scheme Deed nor the Deed Poll having been terminated in accordance with their terms as at the Delivery Time on the Second Court Date;
  - (iii) approval of this Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act;
  - (iv) such other conditions imposed by the Court under section 411(6) of the Corporations Act, as are acceptable to the parties, having been satisfied; and
  - (v) the orders of the Court made under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving the Scheme coming into effect, pursuant to section 411(10) of the Corporations Act, on or before the End Date (or any later date Central and BidCo agree in writing).
- (b) The satisfaction of the conditions referred to in this clause 3.1 is a condition precedent to the operation of clauses 4.2 and 5.

### 3.2 Certificate in relation to conditions

BidCo and Central will each provide to the Court on the Second Court Date a certificate confirming (in respect of matters within their knowledge) whether or not the conditions precedent in clauses 3.1(a)(i) and 3.1(a)(ii) of this Scheme have been satisfied as at the Delivery Time on the Second Court Date.

### **3.3 Termination of Central Scheme Deed**

Without limiting rights under the Central Scheme Deed, in the event that the Central Scheme Deed is terminated in accordance with its terms before the Delivery Time on the Second Court Date, Central, BidCo and the Note Issuer are each released from:

- (a) any further obligation to take steps to implement the Scheme; and
- (b) any liability with respect to the Scheme.

### **3.4 End dates**

The Scheme will lapse and be of no further force or effect if the Scheme has not become Effective on or before the later of:

- (a) six months from the date of the Central Scheme Deed; and
- (b) such other date and time agreed in writing between Central and BidCo.

## **4 Implementation**

### **4.1 Lodgement of Court orders**

Central must lodge with ASIC office copies of any Court orders under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving this Scheme as soon as possible and in any event no later than by 5.00pm on the first Business Day after the Court approves this Scheme.

### **4.2 Transfer of Scheme Shares**

On the Implementation Date:

- (a) in consideration for:
  - (i) BidCo depositing the Aggregate Cash Component into the Trust Account by no later than the Business Day before the Implementation Date, in accordance with clause 5.2(a); and
  - (ii) the Note Issuer issuing the Contingent Value Notes, in accordance with clause 5.3(b)

the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to BidCo with the transfers to be sourced from Scheme Shareholders in the order that they appear in the Share Register;

- (b) the transfers of the Scheme Shares described in clause 4.2(a) shall be effected without the need for any further act by any Scheme Shareholder (other than acts performed by Central or its officers as agent and attorney of the Scheme Shareholders under clause 8.6 or otherwise), by:
  - (i) Central delivering to BidCo a duly completed and executed share transfer form, executed on behalf of the Scheme Shareholders by Central as attorney for each Scheme Shareholder as authorised under clause 8.6, to transfer all the Scheme Shares to BidCo; and

- (ii) BidCo duly executing such transfer form and delivering it to Central for registration; and
- (c) immediately after receipt of the share transfer form in accordance with clause 4.2(b)(ii) Central must enter, or procure the entry of, the name of BidCo in the Share Register in respect of the Scheme Shares transferred to it in accordance with this Scheme.

## 5 Scheme Consideration

### 5.1 Amount of Scheme Consideration

Subject to clause 5.3, each Scheme Shareholder is entitled to receive the Scheme Consideration.

### 5.2 Payment of the Cash Component of the Scheme Consideration

- (a) BidCo will, by no later than the Business Day before the Implementation Date, deposit in cleared funds into the Trust Account an amount equal to the Aggregate Cash Component of the Scheme Consideration payable to Scheme Shareholders, to be held by Central on trust for the Scheme Shareholders and for the purpose of sending the Cash Component of the Scheme Consideration to the Scheme Shareholders (except that any interest on the amount will be for the account of BidCo).
- (b) On the Implementation Date and subject to funds having been deposited in accordance with clause 5.2(a), Central must pay or procure the payment of the Cash Component of the Scheme Consideration to each Scheme Shareholder from the Trust Account by doing any of the following at its election:
  - (i) sending (or procuring the Central Registry to send) it to the Scheme Shareholder's Registered Address by cheque in Australian currency drawn out of the Trust Account; or
  - (ii) depositing (or procuring the Central Registry to deposit) it into an account with any Australian ADI (as defined in the Corporations Act) notified to Central (or the Central Registry) by an appropriate authority from the Scheme Shareholders.
- (c) To the extent that, following satisfaction of Central's obligations under clause 5.2(b), there is a surplus in the amount held in the Trust Account, that surplus may be paid by Central to BidCo.

### 5.3 Payment of the Contingent Value Note Component of the Scheme Consideration

- (a) The Note Issuer has no obligation under this Scheme to issue Contingent Value Notes to an Ineligible Foreign Shareholder.
- (b) The Note Issuer will on the Implementation Date issue to:

- (i) each Scheme Shareholder (other than Ineligible Foreign Shareholders) one Contingent Value Note for each Scheme Share held by the Scheme Shareholder on the Record Date; and
- (ii) the Custodian the total number of Contingent Value Notes that would otherwise have been issued to the Ineligible Foreign Shareholders, if those Ineligible Foreign Shareholders were Scheme Shareholders to whom Contingent Value Notes were permitted to be issued,

in accordance with and subject to the terms of this Scheme and the Note Trust Deed.

- (c) The obligations of the Note Issuer under clause 5.3(b)(i) will be satisfied by the Note Issuer registering or procuring the registration of the name and address of each Scheme Shareholder (other than an Ineligible Foreign Shareholder) on the Contingent Value Note Register as the holder of the Contingent Value Notes to which the Scheme Shareholder (other than an Ineligible Foreign Shareholder) is entitled.
- (d) The obligations of the Note Issuer under clause 5.3(b)(ii) will be satisfied by the Note Issuer registering or procuring the registration of the name and address of the Custodian on the Contingent Value Note Register as the holder of the Contingent Value Notes to which the Custodian is entitled (**Custodian CVNs**) and procuring that the Custodian:
  - (i) holds the Custodian CVNs until the earlier of:
    - (A) the termination of the Note Trust Deed; and
    - (B) the redemption or cancellation of the Custodian CVNs in accordance with the terms of the Note Trust Deed; and
  - (ii) promptly following receipt of the aggregate Redemption Amount for the Custodian CVNs, remits to each Ineligible Foreign Shareholder a cash amount determined in accordance with the following formula:

*Cash amount to be paid to each Ineligible Foreign Shareholder =  
Redemption Amount x A*

Where:

A = total number of Scheme Shares held by that Ineligible Foreign Shareholder at the Record Date.

- (e) The Note Issuer must, within 5 Business Days after the Implementation Date, dispatch a certificate to each Scheme Shareholder (other than an Ineligible Foreign Shareholder) and the Custodian for the Contingent Value Notes which that Scheme Shareholder (other than an Ineligible Foreign Shareholder) and the Custodian are entitled to.

#### 5.4 Joint holders

In the case of Scheme Shares held in joint names:

- (a) with respect to the Cash Component:
  - (i) any deposit of the Cash Component into a bank account required to be made under this Scheme will be made to the bank account notified to Central as set out in clause 5.2(b)(ii);
  - (ii) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent at the sole discretion of Central, either to the holder whose name appears first in the Share Register as at the Record Date or to the joint holders;
- (b) with respect to the Contingent Value Note Component, any certificate in relation to a Contingent Value Note required to be sent under this Scheme will be sent at the sole discretion of the Note Issuer, either to the holder whose name appears first in the Share Register as at the Record Date or to the joint holders; and
- (c) with respect to any other document required to be sent under this Scheme, will be forwarded, at the sole discretion of Central, either to the holder whose name appears first in the Share Register as at the Record Date or to the joint holders.

## 5.5 Fractional entitlements

Where the calculation of the Cash Component of the Scheme Consideration to be paid to a Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, that fractional entitlement will be rounded down to the nearest whole cent.

## 5.6 Unclaimed monies

With respect to the Cash Component of the Scheme Consideration, to the extent that a cheque properly dispatched by or on behalf of Central pursuant to this clause 5 is returned to Central as undelivered, or the cheque is not presented by a Scheme Shareholder within six months after the Implementation Date (**Unclaimed Consideration**):

- (a) Central must deal with the Unclaimed Consideration in accordance with any applicable unclaimed moneys legislation; and
- (b) subject to Central complying with its obligations under clause 5.6(a), Central and BidCo are discharged from liability to any Scheme Shareholder in respect of the Unclaimed Consideration.

## 5.7 Order of a court

- (a) If written notice is given to Central (or the Central Registry), BidCo, or Note Issuer of an order or direction made by a court of competent jurisdiction that:
  - (i) requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder by Central in accordance with this clause 5, then Central may procure that payment is made in accordance with that order or direction; or

- (ii) prevents Central from making a payment to any particular Scheme Shareholder in accordance with clause 5.2(b), or such payment is otherwise prohibited by applicable law, Central may retain an amount equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Cash Component of the Scheme Consideration until such time as payment in accordance with this clause 5 is permitted by that order or direction or otherwise by law; or
  - (iii) requires the issue of Contingent Value Notes to a third party in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be issued to that Scheme Shareholder by the Note Issuer in accordance with this clause 5, then the Note Issuer may issue those Contingent Value Notes in accordance with that order or direction; or
  - (iv) prevents the Note Issuer from issuing Contingent Value Notes to:
    - (A) any particular Scheme Shareholder in accordance with clause 5.3(b)(i); or
    - (B) to the Custodian in accordance with clause 5.3(b)(ii),  
or such issue is otherwise prohibited by applicable law, the Note Issuer shall be entitled to not issue, or issue to a trustee or nominee, such number of Contingent Value Notes as that particular Scheme Shareholder or Custodian (as applicable) would otherwise be entitled to under clause 5.3(b), until such time as the issue in accordance with this clause 5 is permitted by that order or direction or otherwise by law.
- (b) If Central (or the Central Registry):
- (i) makes a payment to a third party under clause 5.7(a)(i); or
  - (ii) retains an amount under clause 5.7(a)(ii),
- Central's obligations under clause 5.2(b) will be fully discharged with respect to the amount so paid or retained until, in the case of clause 5.7(a)(ii), such amount is no longer required to be retained.
- (c) If the Note Issuer:
- (i) issues Contingent Value Notes to a third party under clause 5.7(a)(iii), or
  - (ii) does not issue, or issues to a trustee or nominee, Contingent Value Notes under clause 5.7(a)(iv),

the Note Issuer's obligations under clause 5.3(b) with respect to those Contingent Value Notes will be fully discharged until, in the case of clause 5.7(a)(iv), such Contingent Value Notes are able to be issued to the particular Scheme Shareholder or the Custodian (as applicable).

## 5.8 Definition of 'sending'

For the purposes of clause 5, the expression **sending** means, in relation to each Scheme Shareholder:

- (a) sending by ordinary pre-paid post or courier to the Registered Address of that Scheme Shareholder as at the Record Date; or
- (b) delivery to the Registered Address of that Scheme Shareholder as at the Record Date by any other means at no cost to the recipient.

## 6 Dealings in Shares

### 6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESSE, the transferee is registered in the Share Register as the holder of the relevant Shares on or before the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in respect of those dealings are received at the place where the Share Register is kept on or before the Record Date,

and Central will not accept for registration, nor recognise for any purpose (except a transfer to BidCo under this Scheme and any subsequent transfer by BidCo or its Related Bodies Corporate or their respective successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

### 6.2 Register

- (a) **(Registration of transfers)** Central must register registrable transmission applications or transfers of the kind referred to in clause 6.1(b) by or as soon as reasonably practicable after the Record Date (provided that for the avoidance of doubt nothing in this clause 6.2 requires Central to register a transfer that would result in a Central Shareholder holding a parcel of Shares that is less than a 'marketable parcel' (as defined in the Settlement Rules)).
- (b) **(No registration after Record Date)** Central will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Shares received after the Record Date, other than to BidCo in accordance with this Scheme and any subsequent transfer by BidCo or its Related Body Corporates or their respective successors in title.
- (c) **(Maintenance of Share Register)** For the purpose of determining entitlements to the Scheme Consideration, Central must maintain the Share Register in accordance with the provisions of this clause until the

Scheme Consideration has been delivered to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.

- (d) **(No disposal after Record Date)** From the Record Date until registration of BidCo in respect of all Scheme Shares under clause 4.2, no Central Shareholder may dispose or otherwise deal with Shares in any way except as set out in this Scheme and any attempt to do so will have no effect and Central shall be entitled to disregard any such disposal or dealing.
- (e) **(Statements of holding from Record Date)** All statements of holding for Shares will cease to have effect from the Record Date as documents of title in respect of those shares. As from the Record Date, each entry current at that date on the Share Register will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Shares relating to that entry.
- (f) **(Provision of Scheme Shareholder details)** As soon as practicable after the Record Date and in any event within one Business Day after the Record Date, Central will ensure that details of the names, Registered Addresses and holdings of Shares for each Scheme Shareholder are available to BidCo and the Note Issuer in the form they reasonably require.

## 7 Quotation of Shares

- (a) Central will apply to ASX to suspend trading on the ASX in Shares with effect from the close of trading on the Effective Date.
- (b) On a date after the Implementation Date to be determined by BidCo, and only after the transfer of the Scheme Shares has been registered in accordance with clause 4.2(c), Central will apply:
  - (i) for termination of the official quotation of Shares on ASX; and
  - (ii) to have itself removed from the official list of ASX.

## 8 General Scheme Provisions

### 8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) Central may, by its counsel or solicitors, consent on behalf of all persons concerned to those alterations or conditions to which BidCo has consented in writing; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions to which counsel for Central has consented.

## 8.2 Binding effect of Scheme

This Scheme binds Central and all Scheme Shareholders (including those who did not attend the Scheme Meeting, those who did not vote at that meeting, or voted against this Scheme at that meeting) and, to the extent of any inconsistency, overrides the constitution of Central.

## 8.3 Scheme Shareholders' agreements and acknowledgment

Each Scheme Shareholder:

- (a) agrees to the transfer of their Shares together with all rights and entitlements attaching to those Shares in accordance with this Scheme;
- (b) agrees to any variation, cancellation or modification of the rights attached to their Shares constituted by or resulting from this Scheme;
- (c) agrees to, on the direction of BidCo, destroy any share certificates relating to their Shares;
- (d) acknowledges and agrees that this Scheme binds Central and all Scheme Shareholders (including those who did not attend the Scheme Meeting or did not vote at that meeting or voted against this Scheme at that Scheme Meeting); and
- (e) (other than an Ineligible Foreign Shareholder) agrees to become a holder of the Contingent Value Notes issued to it pursuant to this Scheme and to have its name entered on the Contingent Value Note Register, and accepts the Contingent Value Notes issued to it pursuant to this Scheme on the terms and conditions of the Note Trust Deed, without the need for any further act by the Scheme Shareholder;
- (f) who is an Ineligible Foreign Shareholder, acknowledges and agrees that they do not have any rights as a Noteholder under the Note Trust Deed and will only be entitled to receive the Redemption Amount as remitted by the Custodian in accordance with clause 5.3(d)(ii).

## 8.4 Warranties by Scheme Shareholders

- (a) Each Scheme Shareholder is deemed to have warranted to Central, in its own right and for the benefit of BidCo, that as at the Implementation Date:
  - (i) all of its Shares which are transferred to BidCo under this Scheme, including any rights and entitlements attaching to those Shares, will, at the time of transfer, be free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any "security interests" within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;
  - (ii) all of its Shares which are transferred to BidCo under this Scheme will, on the date on which they are transferred to BidCo, be fully paid;

- (iii) it has full power and capacity to transfer its Shares to BidCo together with any rights attaching to those shares; and
  - (iv) it has no existing right to be issued any Shares, Central options, Central performance rights, Central convertible notes or any other Central securities including Central Options, Central Share Rights and Central Future Share Rights.
- (b) Central undertakes that it will provide the warranties in clause 8.4(a) to BidCo as agent and attorney of each Scheme Shareholder.

### **8.5 Title to and rights in Scheme Shares**

- (a) To the extent permitted by law, the Scheme Shares transferred under this Scheme will be transferred free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any “security interests” within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind.
- (b) On and from the Implementation Date, subject to payment by BidCo of the Cash Component in accordance with clause 5.2(a) and immediately after the Note Issuer satisfies its obligations under clause 5.3(b) in accordance with clause 5.3(c), BidCo will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by Central of it in the Share Register as the holder of the Scheme Shares.

### **8.6 Authority given to Central**

- (a) Scheme Shareholders will be deemed to have authorised Central to do and execute all acts, matters, things and documents on the part of each Scheme Shareholder necessary for or incidental to the implementation of this Scheme, including executing, as agent and attorney of each Scheme Shareholder, a share transfer or transfers in relation to Scheme Shares as contemplated by clause 4.2.
- (b) Each Scheme Shareholder, without the need for any further act, irrevocably appoints Central and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of executing any document necessary to give effect to this Scheme including, a proper instrument of transfer of its Scheme Shares for the purposes of section 1071B of the Corporations Act which may be a master transfer of all the Scheme Shares.

### **8.7 Appointment of sole proxy**

On and from the Implementation Date, subject to payment by BidCo of the Cash Component in accordance with clause 5.2(a) and immediately after the Note Issuer satisfies its obligations under clause 5.3(b) in accordance with clause 5.3(c), until Central registers BidCo as the holder of all Shares in the Share Register, each Scheme Shareholder:

- (a) is deemed to have irrevocably appointed BidCo as its attorney and agent (and directed each of them in such capacity) to appoint an agent nominated by them as its sole proxy and, where applicable, corporate representative to attend shareholders' meetings of Central, exercise the votes attaching to the Scheme Shares registered in its name and sign any shareholders' resolution;
- (b) undertakes not to otherwise attend shareholders' meetings, exercise the votes attaching to Scheme Shares registered in its name or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than as under clause 8.7(a);
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as BidCo reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.7(a), BidCo and any agent nominated by them under clause 8.7(a) may act in the best interests of BidCo as the intended registered holders of the Scheme Shares.

## **8.8 Instructions and elections**

If not prohibited by law, all instructions, notifications or elections by a Scheme Shareholder to Central binding or deemed binding between the Scheme Shareholder and Central relating to Central or Shares (including any email addresses, instructions relating to communications from Central, whether dividends are to be paid by cheque or into a specific bank account, notices of meetings or other communications from Central) will be deemed from the Implementation Date (except to the extent determined otherwise by BidCo in its sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to BidCo until that instruction, notification or election is revoked or amended in writing addressed to BidCo at their registry.

## **9 General**

### **9.1 Stamp duty**

BidCo must pay any stamp duty payable in connection with the transfer of the Scheme Shares under the Scheme.

### **9.2 Notices**

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this document is sent by post to Central, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Central's registered office or at the office of the Central Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Central Shareholder may not, unless

so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

### **9.3 Further assurances**

- (a) Central must do anything necessary (including executing agreements and documents) or incidental to give full effect to this Scheme and the transactions contemplated by it.
- (b) Each Scheme Shareholder consents to Central doing all things necessary or incidental to give full effect to this Scheme and the transactions contemplated by it.

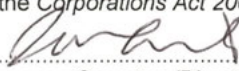
### **9.4 Governing law and jurisdiction**

- (a) This Scheme is governed by the laws of Queensland.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in Queensland and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme.

# Execution

## Executed as a deed

Executed by **Central Petroleum Limited** in accordance with Section 127 of the *Corporations Act 2001* )  
)


  
.....  
Company Secretary/Director


Daniel White  
.....  
Name of Company Secretary/Director  
(print)


  
.....  
Director

Richard Cottee  
.....  
Name of Director (print)

Signed, sealed and delivered by **Macquarie MPVD Pty Limited** by the party's attorneys pursuant to power of attorney dated 11 January 2017 who state that no notice of revocation of the power of attorney has been received in the presence of: )  
)  
)  
)  
)  
)  
)  
)

  
.....  
Witness Margot Branson  
Division Director  
Name of Witness (print) Management

  
.....  
Witness  
ASHA KUHAR  
.....  
Name of Witness (print)  
DOCUMENT CONTROLLER  
Legal Risk Management

  
.....  
Attorney  
JEREMY MEADOWS  
.....  
Name of Attorney (print)

  
.....  
Attorney  
Margot Branson  
Division Director  
Name of Attorney (print) Management  
Signed in Sydney, NSW

# CORPORATE DIRECTORY

## **Central Petroleum Limited**

Level 7, 369 Ann Street  
Brisbane QLD 4000  
Australia

## **Central Share Registry**

Computershare Investor Services Pty Limited  
117 Victoria Street  
West End QLD 4101  
Australia

## **Financial Adviser**

Origin Securities Pty Limited  
Level 29  
Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000  
Australia

## **Legal Adviser**

Jones Day  
Level 28, Waterfront Place  
1 Eagle Street  
Brisbane QLD 4000  
Australia

## **ASX Listing**

Central ordinary shares are quoted by the ASX (ASX: CTP)

