

29 June 2017

Scheme Meeting – Chairman’s Address to Shareholders

Collectively 26.5% of shareholders representing 64.1% of shares on issue participated in the vote. This is an outstanding turnout. I remind shareholders that for the Scheme Resolution to pass more than 50% of shareholders and 75% of shares voting and eligible to vote must vote in favour.

The results of the resolution before the meeting are as follows:

Shareholder numbers:

For the Resolution	1,394 or 67.6%
Against the Resolution	668 or 32.4%

Shares:

For the Resolution	186,708,017 or 67.2%
Against the Resolution	91,041,661 or 32.8%

More than 67% of the shareholders agreed with the Board’s recommendations, however, as the number of shares has not met the threshold of 75% the Scheme Resolution has not passed.

Whilst I am comforted that the majority of shareholders and shares supported the resolution, it would be disingenuous of me not to say that I am disappointed with this outcome since we recommended in favour of the Scheme. However, I have no disappointment with providing shareholders the opportunity to vote on this offer. It would have been a sign of great arrogance and poor governance for the board to withhold this offer from shareholders. Rest assured, faced with the circumstances of an offer exceeding our assessment of current fair value in the future I would do the same again. This was, at all times, a matter where the shareholders should decide.

We all now need to move forward, focused on the best interests of Central Petroleum. Central continues as an independent ASX listed company and we must all continue with our efforts to maximise the value of the Company to all shareholders. I make the point that this process of advancing the Company’s interests has continued over the last 7 months in parallel to the consideration of the Macquarie MVPD proposal. The Company has been active in maximizing gas sales including the EDL contract. We have pursued new equity and debt options, we have actively promoted pipeline tariff and gas market reform and preparation for orderly succession planning.

In the Scheme booklets (including the supplementary) the Company outlined the complexities the Company now faces as an independent operator. Many of those arise as a result of Macquarie acquiring a 50% stake in Mereenie from Santos. The Company has been able to maintain a solid professional relationship with Macquarie and we are confident it will be able to navigate a pathway around those complexities which will enable us to continue building the value of the Company, leading an expeditious and profitable development of Mereenie and our other gas fields. First among these will be to negotiate an appropriate long-term marketing arrangement, including the gas balancing from Mereenie. After months spent investigating funding options, we need to embark on a new direction on funding. The Board must now recognize that the much needed capital to further develop the Company’s potential won’t be covered by the debt market. To date, the Company has been able to preserve shareholder value by the prudent use of debt enabling it to outperform the ASX300 Energy Index despite the

dramatic and no longer temporary fall in the oil price. It should be noted that, following the EDL GSA, cash flow from operations after debt service generates sufficient free cash to fund our baseline corporate and exploration activities (Central is for the first time cash flow positive at a Group level). The present debt is appropriately sized for the acquired operating assets and has been structured such that there are no penalties on refinancing should we ever decide to refinance.

In the lead-up to the Scheme vote there have been media reports that some prominent shareholders have access to substantial sources for funds, in the event that the Scheme was unsuccessful. If so, now is the time for any such proposals to be brought to the table, to see if they are a genuine commercial opportunity that could benefit all shareholders.

The need for equity capital

That said, it remains a reality of the current market that to progress its reserve growth agenda Central needs to raise equity capital. I am confident that this is well understood by all shareholders. The capital is necessary to enable Central to develop its gas resources with a view to positioning itself as best as possible to exploit the current market demand for gas. We will also continue to investigate other opportunities for development such as LPG and helium.

The amount of capital required, and the form and timing of its raising should be promptly developed and implemented following the outcome of the upcoming shareholders meeting on the composition of the board. However, as a matter of principle, I believe that given our circumstances all shareholders should be given the opportunity to participate, its necessity would warrant the issue to be underwritten if commercially possible, and timing should be sooner rather than later. Clearly, where our share price settles once the results of the Scheme Resolution have been digested by the market will be a key factor.

Pipeline tariff reform

Given the tyranny of distance Central's campaign for meaningful pipeline tariff reform must continue. Our sometimes outspoken views have already raised the issue to national prominence and garnered some reform, particularly in the provision of access to information. However, for small companies such as Central, greater certainty on the process of tariff setting is key since we cannot compete with either the resources or the armies of paid consultants employed by the incumbent owners of pipeline capacity. Central's CFO is currently participating as part of the Gas Market Reform Group's Day-Ahead Auction project team that is providing industry input and consultation for the design and implementation of the Day-Ahead Auction of pipeline capacity. This campaign for transparent asset valuation and internationally comparable pipeline pricing needs to continue.

The gas market

We will continue to explore opportunities in the Northern Territory market, as we did with the recent EDL contract. However, this is a limited market and the opportunity of the east coast gas market must also be our priority. To say the situation on the east coast is dynamic would be the understatement of the year. Amongst other things we have fracking bans, the Finkel review, LNG export restrictions, a partially completed Gas Market Reform process, the role of storage, and perhaps most importantly commercial customers seeking reasonably priced gas to stay in business, all in an environment of confusing political leadership. To date this has stagnated development and frustrated investment.

Central will look to extract opportunity from this imbroglio, however this cannot be done by Central alone. Central will need to continue to work collaboratively with Macquarie as a joint venture partner, customer and banker. Success will require a collaborative working relationship with alignment of goals given our mutual need to develop the resources at Mereenie, the gas prepayment agreement and the current form of the gas balancing agreement. These relationships are critical to the future success of Central. Importantly, Central's management team have been able to preserve a productive relationship with Macquarie through the Scheme process. This enables us to now move forward with creating value through our joint venture and commercial arrangements as effectively and efficiently as possible.

Orderly succession planning

I have previously indicated that I believe the upcoming general meeting to consider the composition of the Central board, and other less formal proposals for board renewal, is not in the best interests of Central shareholders. The uncertainty that ensues during this process necessarily tempers the actions that can be taken in the areas of focus I have just covered. However, should your current board be retained we will recommence the process of seeking to add new board members with the skills and experience to contribute to the next phase of the Company. We had previously partly completed this process prior to the original Macquarie offer, understanding the needs of the business and the skills required of future directors. We will therefore recommence the process, including consultation with major shareholders, with a target date of the next AGM.

I now thank you for your attendance and declare the meeting closed.

Robert Hubbard,
Chairman

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