

**TRANSCRIPT OF CHAIRMAN'S REMARKS
DURING
ANNUAL GENERAL MEETING OF SHAREHOLDERS
OF
CENTRAL PETROLEUM LIMITED
14 NOVEMBER 2018**

REMUNERATION

There will clearly be a strike on the remuneration report. This is usually intended to send some signal to the board, although it is a much clearer signal if a shareholder either rings me or writes in. Absent that, I have to guess.

As the remuneration for directors has not changed at all and the fixed remuneration level for executives is almost exactly the same as last year, I guess it is not remuneration levels which is the issue. That is not surprising. During the year we benchmarked the remuneration and the report of the advisors was that we were around the middle.

Half of our LTI scheme delivers shares 3 years in the future, but only if the company shares outperform other similar companies in the Oil and Gas sector. The other half begins to deliver additional shares only if the company shares exceed 10% compound growth over three years and the full amount of this tranche is achieved only if the rate exceeds 25% compound growth over the 3 years. It is completely aligned with shareholder interests – be a better choice in the sector and additional points if the growth is very large. It has been this system for some years, so I guess that is not the reason.

The STI is a very small amount and this year the senior managers were awarded none. So I am sure executive bonuses are not the reason.

There might be some unhappiness with the slowness of things such as the drilling, but can that really be it?

The voting against the directors, and in particular Dr Ryan - who was approved only last year, seems to suggest there is something else. I would be helped enormously in my role if those who are disaffected would tell me what the cause of that is.

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DIRECTORS

Dr Ryan and Dr Moore have each resigned as directors.

That leaves two non-executive directors Mr Gasteen and me. Given the imminent departure from the board of Mr Cottee, today the board will be offering to Mr Devaney, the acting CEO, the position of Executive Director, so that we can remain in compliance with the requirements of the constitution.

As I mentioned in my address, the board had already commenced a search for additional directors, firstly to add skills in the downstream aspect of our business and to cover additional skills in replacing Mr Woodall. The process of board renewal begun last year was also continuing as well.

The results of the votes and indicated votes from shareholders have achieved massive change at the board level. Shareholders have the right to do that.

We directors are the servants of the shareholders and serve at your pleasure. However, putting together a board is a harder task than going to Woolworths and selecting what one wants from the shelves stocking multiple choices. For the best results for shareholders, one needs a range of skills and backgrounds, but industry experience is a must – not in all directors, but in at least two. In addition, these folk need to know how to be a director, or be willing to learn. The role comes with great statutory responsibilities and obligations to the company. It is very different from being an executive or a shareholder.

It is unfortunate that shareholders have desired the departure of both the directors with the deepest working experience in our industry.

An important aspect of a board's work, which we do as representatives of the shareholders, is to ask the tough questions about proposals – to see they are well thought through and contingencies thought of and catered for. The risks taken need to be understood and sensible in the context. A board needs folk with industry knowledge from years working at the executive level to do that really well.

A board needs to make sure that a CEO's enthusiasm does not outstrip the company's ability to deliver as promised. Doing that requires real judgement. If we are too cautious, the company and shareholders lose great opportunities. If we are not cautious enough, the shareholders lose everything.

Mr Gasteen and I will endeavour to plug that gap as best we can until the cavalry arrive.

It is also important to record the important work which Dr Ryan and Dr Moore have done in the last year.

Dr Ryan

Dr Ryan has a doctorate in geology, specialising in mineralisation. It is the condition we encountered in WM 26 and Dr Ryan was able to help management in that regard.

She has worked in the oil and gas industry in Australia and overseas for many years, and spent several years as a field engineer across onshore Australia. In particular, 30 years ago she was an engineer working on the wellsite in the Mereenie field, when the wells were first being drilled.

Her time spent as an equity analyst has been very helpful in ensuring attention is paid to the things that matter to potential investors. It was at her insistence that the NSAI reserves update work was started as early as it was, in the face of some opposition.

Her experience in what can go wrong in oil and gas development projects (such as our plant upgrades) has helped to reinforce the need for the cold look at the possible outcomes, which led to management doing a full and extensive review of the projects and their risks – as seen in the presentations in October.

Dr Moore

Dr Moore is one of Australia's foremost Geoscientists. His expertise is sought by many. He has been involved with Central through the acquisition of Palm Valley, the development of Dingo, the expansion into CSG acreage in Queensland, the signing of GSAs with EDL and IPL, the recent appraisal drilling campaign, and the ongoing field redevelopments at Mereenie and Palm Valley.

His attention to the wide range of unknowns which face an explorer has been very valuable in testing the various exploration options and selecting the most promising. The regions in which we explore are not like most petroleum basins in Australia and such wide relevant experience is going to be hard to replicate.

In both of them shareholders had conscientious directors who contributed across the range of issues before the board. Dr Moore chaired the Remuneration Committee with great attention to the many compulsory facets of that. Dr Ryan was an energetic chair of the Audit Committee, bringing commercial judgement to an area of complex, ever changing rules, which make sense to accountants but frequently leave commercial people bemused.

I am sorry to lose their input, but the job Mr Gasteen and I now have is to work with what the shareholders permit.

Management and the board have made great progress since the end of July in shaping the company for execution of the plan and the results of that are in the market for the additional reserves and due for delivery under contract in a matter of weeks.

Dr Ryan and Dr Moore played major roles in achieving that.

Martin Kriewaldt

Chairman of the Board

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