

17 May 2017

CPSA Members
c/- Central Petroleum Shareholders Association

By E-mail only*info@ctpshareholders.org***Subject: Response to CTP Chairman's Letter to Shareholders dated 16 May 2017**

Fellow Shareholders

In reference to the subject correspondence OptionCo offers the following response to the commentary made by Central Petroleum's Chairman on our proposal.

OptionCo was created because we felt the current board had not provided a meaningful option to shareholders, other than to accept the Takeover by the Macquarie Group. Both the Central Scheme Deed and the recently released Explanatory Booklet appear very limited on details of what alternative shareholders have if they do not agree with Macquarie purchasing the company, which for many is at a share price significantly lower than what they had originally purchased in at. The choice provided by the present Board is clear; either accept Macquarie's offer, otherwise we are not sure what will happen to your company, but it is likely the share price will drop.

OptionCo also notes the Independent Experts Report (IER) confirms what many shareholders believe, and what the market has confirmed, that the CVN's will provide negligible value. This also serves to deny shareholders the chance to participate in the future potential the company may have.

OptionCo has at least now provided shareholders with an alternate and credible plan if they don't wish to accept the Macquarie offer. While OptionCo accepts that the current board believe the Macquarie offer was worth presenting to shareholders for their consideration, we believe they also had a duty to provide shareholders details of how they intended to manage the company successfully if the Scheme was voted down.

To this end, a No vote at the Scheme Meeting will be a vote of no confidence in the current board. OptionCo has the resources to step in, and has proven it is willing and able to act.

OptionCo Supports the Gas Strategy & the Current Management Team

It is interesting to note Mr Hubbard now believes the current board "delivered the pivot to the gas strategy". In last year's Annual Report message he noted that "Richard (Cottee) and his team pivoted our strategy from oil exploration to a gas focused business."

Similarly it is interesting to note that the Scheme Booklet mentions in Section 6.4 (b) [Page 77] that Macquarie also sees no value in retaining the current board.

OptionCo appreciates Mr Cottee's foresight in turning the company to focus on gas production since taking the position of CEO in 2012. We firmly believe that had this not occurred, the Oil focused

strategy of the previous CEO Mr. John Heugh and then board of directors would most likely have resulted in irreparable damage to the company as the international oil price sank from late 2014. We believe with the right level of support, the current management team will be able to take full advantage of the potential Mr Cottee has so often advised shareholders the company has.

Capital Requirements

Prior to late 2016, shareholders were not informed of the potentially significant capital requirements that would be required to take advantage of the Northern Gas Pipeline. While cognoscente of how information is released to the market, we remain perplexed as to why this issue was not previously presented.

OptionCo accepts capital may be required, but exactly how much and when is subject to speculation, without further information. Are the figures presented in the IER the lowest capital required, based on a rigorous capital efficiency review, or are they inflated figures based on providing a gold plated facility via a vast source of readily available (Investment Bank) cash? Our own valuation study supports a much lower capital program in the coming few years than what the IER proposes.

It would be premature to confirm what approach OptionCo proposes for obtaining the required capital until after a detailed review has been undertaken, albeit we are mindful of repeating the significant dilution the company experienced in the early years under Mr Heugh and the previous board. It is an issue OptionCo are investigating however it is too early to provide details at this stage.

Conclusion

OptionCo members are large shareholders, and like you we are mindful of our investments. We believe the company is on the cusp of realising the success which the Northern Gas Pipeline (NGP) will most likely bring. We also have faith in ongoing NT based gas sales, the increased likelihood of the Moomba pipeline now that a study has been included in the federal budget, and are heartened by comments made yesterday by NT Resources Minister Ken Vowles about the potential for lifting of the NT fracking moratorium in certain areas.

Like many shareholders we also understand why the Macquarie Group are interested in our company. With the press recently noting a potential IPO for Quadrant Energy that suggests a significant upside after Macquarie's few short years of involvement, Central's potential is also ripe for exploitation. That said, OptionCo remains open to communicate with Macquarie if they are interested in discussing a takeover price which more closely aligns with our assessment of the true value of the company. If not, OptionCo continues to prepare for the company remaining listed and encourages all shareholders to vote in whichever way they feel will provide the best outcome for them.

Yours faithfully



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