
CENTRAL PETROLEUM LIMITED**ACN 083 254 308****NOTICE OF GENERAL MEETING**

TIME: 2:00pm (Perth time)

DATE: 19 July 2012

PLACE: The Duxton Hotel Perth
No. 1 St Georges Terrace
Perth, Western Australia

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9474 1444.

CONTENTS PAGE

Business of the Meeting (setting out the proposed resolutions)	5
Explanatory Statement (explaining the proposed resolutions)	8
Glossary	23
Schedule 1 – Summary of the 2012 Share Option Plan	24
Schedule 2 – Terms and Conditions of Options	27
Schedule 3 – Valuation of Options	28
Schedule 4 - Reasons for voting against Resolutions 3 to 10	30
Voting Form	Enclosed

IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is given that the general meeting of the Shareholders to which this Notice of Meeting relates will be held at 2:00pm (Perth time) on 19 July 2012 at:

The Duxton Hotel Perth
No. 1 St Georges Terrace
Perth, Western Australia

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders at 5:00pm (Sydney time) on 17 July 2012.

VOTING IN PERSON

To vote in person, voting can be completed in one of the following ways:

- (a) Personal attendance: attend the General Meeting at the time, date and place set out above; and/or
- (b) Online: at www.investorvote.com.au

VOTING BY PROXY

Voting by proxy can be completed in one of the following ways:

- (a) Online: at www.investorvote.com.au

- (b) By mail: complete and sign the enclosed Voting Form and return to:
- Computershare Investor Services Pty Limited
GPO Box 242
Melbourne Vic 3001 Australia
- (c) By fax: complete and sign the enclosed Voting Form and fax to:
- Inside Australia: 1800 783 447
Outside Australia: +61 3 9473 2555
- (d) Custodian voting – for Intermediary Online subscribers only (custodians) visit www.intermediaryonline.com to submit your voting intentions.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this General Meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting;
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BOARD RECOMMENDATION ON HOW TO VOTE

The Board (excluding Mr John Heugh) recommends Shareholders vote in the following way as being in the best interests of the Company.

Resolution number	How to Vote
Resolution 1 – Approval of 2012 Share Option Plan	FOR
Resolution 2 – Issue of Options Pursuant to 2012 Share Option Plan to Related Party and Associate of Director	FOR
Resolution 3 – Removal of Dr Henry Askin as a Director	AGAINST
Resolution 4 – Election of William Matthew Schoch as a Director	AGAINST
Resolution 5 – Removal of Richard Faull as a Director	AGAINST
Resolution 6 – Election of Baljeet Singh as a Director	AGAINST
Resolution 7 – Removal of William Dunmore as a Director	AGAINST
Resolution 8 – Election of Tam Man Kin (Raymond) as a Director	AGAINST
Resolution 9 – Removal of Andrew Whittle as a Director	AGAINST
Resolution 10 – Removal of Bruce Elsholz as a Director	AGAINST

BUSINESS OF THE MEETING

Notice is given that the general meeting of Shareholders will be held at 2:00 pm (Perth time) on 19 July 2012 at the Duxton Hotel Perth, No. 1 St George's Terrace, Perth, Western Australia.

The Explanatory Statement provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Voting Form are part of this Notice of Meeting.

AGENDA

1. RESOLUTION 1 – APPROVAL OF 2012 SHARE OPTION PLAN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt an employee incentive scheme titled ‘2012 Share Option Plan for Directors and Employees’ on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Voting Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Voting Form to vote as the proxy decides.

2. RESOLUTION 2 – ISSUE OF OPTIONS PURSUANT TO 2012 SHARE OPTION PLAN TO RELATED PARTY AND ASSOCIATE OF DIRECTOR

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, subject to the appointment of Mr Richard Cottee as a director of the Company before the date of this General Meeting, for the purposes of Section 208 of the Corporations Act, ASX Listing Rules 10.11 and 10.14 and for all other purposes, approval is given for the Directors to allot and issue three tranches of Options totalling 172,922,033 Options under the employee incentive scheme titled ‘2012 Share Option Plan for Directors and Employees’ to Freestone Energy Partners Pty Ltd on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Voting Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Voting Form to vote as the proxy decides.

Voting Prohibition Statement: A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

3. RESOLUTION 3 – REMOVAL OF DR HENRY ASKIN AS A DIRECTOR

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That Dr Henry Askin be removed as Director of the Company.”

4. RESOLUTION 4 – ELECTION OF WILLIAM MATTHEW SCHOCH AS A DIRECTOR

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That subject to there being a vacancy on the Board of Directors and if appropriate the operation of clause 13.3 of the Constitution, William Matthew Schoch be elected as a Director of the Company.”

5. RESOLUTION 5 – REMOVAL OF RICHARD FAULL AS A DIRECTOR

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That Richard Faull be removed as Director of the Company.”

6. RESOLUTION 6 – ELECTION OF BALJEET SINGH AS A DIRECTOR

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That subject to there being a vacancy on the Board of Directors and if appropriate the operation of clause 13.3 of the Constitution, Baljeet Singh be elected as a Director of the Company.”

7. RESOLUTION 7 – REMOVAL OF WILLIAM DUNMORE AS A DIRECTOR

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That William Dunmore be removed as Director of the Company.”

8. RESOLUTION 8 – ELECTION OF TAM MAN KIN (RAYMOND) AS A DIRECTOR

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That subject to there being a vacancy on the Board of Directors and if appropriate the operation of clause 13.3 of the Constitution, Tam Man Kin (Raymond) be elected as a Director of the Company.”

9. RESOLUTION 9 – REMOVAL OF ANDREW WHITTLE AS A DIRECTOR

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That Andrew Whittle be removed as Director of the Company.”

10. RESOLUTION 10 – REMOVAL OF BRUCE ELSHOLZ AS A DIRECTOR

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That Bruce Elsholz be removed as Director of the Company.”

DATED: 14 JUNE 2012

BY ORDER OF THE BOARD

**DANIEL WHITE
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions which are the subject of the business of the Meeting.

Resolutions 3 to 10

Any statements contained in this Explanatory Statement relating to Resolutions 3 to 10, or any Schedule thereto, have been prepared by their indicated authors, and not by the Company.

A purpose of those statements is to provide shareholders with information that certain Directors of the Company believe to be material to Shareholders in deciding whether to vote for or against Resolutions 3 to 10. The Company makes no comment on any of those statements relating to Resolutions 3 to 10 and whether or not they individually or collectively give all the information necessary to enable Shareholders to determine how to vote on all or any of those Resolutions.

1. RESOLUTION 1 – APPROVAL OF 2012 SHARE OPTION PLAN

Resolution 1 seeks Shareholders approval for the adoption of the employee incentive scheme titled '2012 Share Option Plan for Directors and Employees' (**Plan**) in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12-month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period. ASX Listing Rule 7.2 (Exception 9(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

The Company has an existing employee share plan approved by Shareholders at a general meeting held on 8 June 2009. As referenced above, the approval for that plan will expire on 8 June 2012, and from that date the Company will be without an exempt employee share plan that it can rely upon as an exception to Listing Rule 7.1.

If Resolution 1 is passed, the Company will be able to issue Options under the Plan to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12-month period.

Shareholders should note that no Options have previously been issued under the Plan.

Eligible persons under the Plan include:

- (a) Directors and full or part time employees of the Company or any member of the Group who are declared by the Board in its sole and absolute discretion to be eligible to receive grants of Options under the Plan; or
- (b) any other person or entity that is declared by the Board in its sole discretion to be eligible to receive grants of Options under the Plan,

(Eligible Persons).

The objective of the Plan is to:

- (a) assist in the reward, retention and motivation of Eligible Persons;
- (b) align the interests of the Eligible Persons with Shareholders by providing an opportunity to Eligible Persons to receive an equity interest in the form of Options; and
- (c) link the reward of Eligible Persons to Shareholder value creation.

Any future issues of Options under the Plan to a Director, an associate of a Director or a person whose relationship with the Company or a Director or associate of a Director is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time. For this reason, the Company is also seeking approval under Resolution 2 for the issue of Options to Freestone, a company associated with a proposed director of the Company, Mr Richard Cottee.

A summary of the key terms and conditions of the Plan is set out in Schedule 1. In addition, a copy of the Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Plan can also be sent to Shareholders upon request to the Company Secretary (Mr Daniel White). Shareholders are invited to contact the Company if they have any queries or concerns.

2. RESOLUTION 2 – ISSUE OF OPTIONS PURSUANT TO 2012 SHARE OPTION PLAN TO RELATED PARTY AND ASSOCIATE OF DIRECTOR

2.1 General

On 15 May 2012, the Company announced to ASX that the Directors had agreed to appoint Mr Richard Cottee as a director, subject to the receipt of Shareholder approval. The resolution for the appointment of Mr Cottee as a director of the Company will be considered at a meeting of Shareholders to be convened at 12:00 noon (Perth time) on 22 June 2012.

Mr Cottee is a prominent figure in the Australian oil and gas industry, having taken Queensland Gas Company Limited from an early stage explorer to a major non-conventional gas supplier sold to BG Group for \$5.7 billion. Mr Cottee is a principal of Freestone.

It is a term of the agreement with Freestone for the provision of the services of Mr Cottee to act as director and Chief Executive Officer of the Company that the Company agree to issue to Freestone an incentive Option package.

Subject to the approval of Shareholders of the appointment of Mr Cottee as a Director, the purpose of Resolution 2 is to seek the approval of Shareholders for the issue of three tranches of Options totalling 172,922,033 Options to Freestone pursuant to the Plan on the terms and conditions outlined below.

The Company has requested an independent third party to value the Options, and the valuation for each tranche of Options, together with the assumptions underlying that valuation, is included in Schedule 3.

The Options the subject of Resolution 1 will only be issued to Freestone if Shareholders approve the resolution to appoint Mr Cottee as a director of the Company at the meeting of Shareholders to be held at 12:00 noon on 22 June 2012 (or any adjournment thereof).

The proposed issue of Options to Freestone does not represent a free grant of Options or Shares, but rather provides Freestone with the right to buy up to 172,922,033 Shares at \$0.09 (subject to certain conditions), which is approximately the market price of the Shares as at 15 May 2012. Freestone is also required to pay for the Options, with the price per Option payable equal to the value per tranche determined and outlined in Schedule 3. Payment for the Options is to be deferred until (and is conditional on) exercise of the Options.

Further, the proposed Options issue to Freestone is a one-off issue and no further short or long-term incentives are payable under the terms of the agreement with Freestone or Mr Cottee. Before each tranche of proposed Options issued to Freestone is able to vest, the market value of the Shares must increase by 66%, 122% and 222%, respectively. Further details on the vesting price hurdles are set out below.

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition:

- (a) ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party unless an exception in ASX Listing Rule 10.12 applies; and
- (b) ASX Listing Rule 10.14 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the issue of Options to Freestone.

2.2 Technical information required by Chapter 2E of the Corporations Act and ASX Listing Rules 10.11 and 10.14

Pursuant to and in accordance with the requirements of Sections 219 of the Corporations Act and ASX Listing Rules 10.13 and 10.15, the following information is provided in relation to Resolution 2:

- (a) the related party is Freestone, which is a related party by virtue of being an entity controlled by Mr Richard Cottee, a proposed director of the Company. Freestone is also an associate of Mr Cottee, a proposed director of the Company;
- (b) the maximum number of Options (being the nature of the financial benefit being provided) to be granted to Freestone under the Plan is 172,922,033 Options;
- (c) no Options have previously been issued under the Plan nor has the Plan previously been adopted by Shareholders;
- (d) the Options are being issued for the following cash consideration:

Tranche	No. of Options	Price per Option ¹	Total per Tranche
1	48,418,169	\$0.022	\$1,065,200
2	55,335,051	\$0.027	\$1,494,046
3	69,168,813	\$0.024	\$1,660,052
Total	172,922,033		\$4,219,298

The consideration payable shall be deferred until (and is conditional on) each tranche of Options are exercised, meaning at the time of exercise (assuming any relevant vesting hurdle has been satisfied), Freestone will be required to pay the consideration price for each tranche of Options plus the exercise price of those Options (\$0.09) in order to receive Shares.

If all of the Options are exercised, the Company will raise \$4,219,298 from the issue of Options to Freestone plus \$15,562,982 from the exercise of those Options. How those funds are used by the Company will be determined by the Board at the time, based on the prevailing circumstances of the Company occurring at that time. Shareholders should note that as at the date of this Notice, the price of the Company's Shares trading on ASX are trading below the price of any of the relevant vesting hurdles, and therefore there is no immediate ability for Freestone to exercise the Options or for the Company to receive any cash from Freestone from the issue or exercise of those Options;

- (e) the terms and conditions of the Options are as follows, and otherwise as set out in Schedule 2:

Tranche	No. of Options	Exercise Price	Vesting hurdle*	Expiry Date
1	48,418,169	\$0.09	\$0.15	15 November 2015
2	55,335,051	\$0.09	\$0.20	15 November 2017
3	69,168,813	\$0.09	\$0.29	15 November 2017
	172,922,033			

* In order to satisfy a vesting hurdle, the volume weighted average price of the Shares on ASX must be not less than the vesting hurdle price over a 30-day period. Following the satisfaction of the vesting hurdle, the Options will be considered vested and immediately exercisable.

Any Shares issued upon the exercise of the Options will rank pari passu with the Company's existing Shares on issue;

- (f) the indicative value of the Options and the pricing methodology is set out in Schedule 3;
- (g) neither Freestone nor Mr Cottee currently holds any interest in the securities of the Company;
- (h) the Options will be issued to Freestone no later than 12 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Options will be issued on one date;
- (i) Mr Cottee has not yet been appointed as a director of the Company and accordingly has not received any remuneration and emoluments from the Company to date. The earliest that Mr Cottee will be appointed as a director of the Company is 22 June 2012, which is the week prior to the end of the current financial year. If Mr Cottee is elected as a director of the Company on 22 June 2012, the proposed remuneration and emoluments for Mr Cottee for the next financial year will be \$500,000 per annum (plus superannuation at the statutory entitlement level). Freestone will also receive a sign-on fee of \$250,000 when all conditions have been met and approved by Shareholders;
- (j) if the vesting hurdles are satisfied and all of the Options granted to Freestone are exercised, a total of 172,922,033 Shares would be allotted and issued. This will increase the number of Shares on issue from 1,383,376,265 to 1,556,298,298 (assuming that no other Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by a total of 11.11%. However, the Company notes that it is also proposed that the Company will issue 65,000,000 Options to the subscribers of Shares in the placement undertaken by the Company in April 2012, announced to ASX on 4 April 2012. These Options shall be exercisable at \$0.125 per Share, which is below the lowest of the vesting hurdles of any of the Options to be issued to Freestone. If all of these Options are issued and subsequently exercised, the Company will have an additional 65,000,000 Shares on issue, taking the total number of Shares on issue prior to the exercise of the Freestone Options to 1,448,376,262, with the effect that the dilution of existing Shareholders would be reduced to 10.67% by the exercise of the Options the subject of this Resolution 2.

The market price for Shares during the term of the Options would normally determine (assuming satisfaction of the various vesting hurdles) whether or not the Options are exercised. If, at any time any of the Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Options, there may be a perceived cost to the Company.

As at the date of this Notice, the Shares are trading on ASX at a price equal to the exercise price of the Options and below the price of any of the three respective vesting hurdles. The Board considers that the vesting hurdles, being the price that must be achieved before a relevant tranche of the Options can be exercised, are a protection for Shareholders to ensure that Shareholders see a sustained appreciation in the value of their Shares in the Company before any of the Options can be exercised and their interest in the Company is diluted.

- (k) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price	Date
Highest	11 cents	30 March 2012 4, 12 and 13 April 2012
Lowest	4.2 cents	19 and 22 December 2011
Last	9 cents	14 June 2012

- (l) Dr Henry Askin recommends that Shareholders vote in favour of Resolution 2 for the following reasons:

- (i) the grant of the Options to Freestone, in particular given the vesting hurdles that must be achieved prior to the exercise of those Options, will align Mr Cottee's interests with those of existing Shareholders;
- (ii) it is a condition of the agreement with Freestone and Mr Cottee for Mr Cottee to agree to become a director and Chief Executive Officer of the Company that the Options the subject of Resolution 2 be issued to Freestone. Given Mr Cottee's commercial experience and background, the issue of the Options is reasonable;
- (iii) the grant of the Options is a reasonable and appropriate method to provide cost effective remuneration and incentive to Freestone for the provision of the services of Mr Cottee in his role as a director and Chief Executive Officer of the Company, and the form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were required to be paid;
- (iv) Freestone will be required to pay the consideration price for each tranche of Options outlined in Schedule 3 plus the exercise price of those Options (\$0.09) in order to receive Shares; and
- (v) it is not considered that there are any significant opportunity costs to the Company in granting the Options upon the terms proposed;

- (m) Mr Bruce Elsholz recommends that Shareholders vote in favour of Resolution 2 for the reasons set out in subparagraphs (l)(i) to (l)(v) above;

- (n) Mr Andrew Whittle recommends that Shareholders vote in favour of Resolution 2 for the reasons set out in subparagraphs (l)(i) to (l)(iv) above;

- (o) Mr William Dunmore recommends that Shareholders vote in favour of Resolution 2 for the reasons set out in subparagraphs (l)(i) to (l)(v) above;
- (p) Mr Richard Faull recommends that Shareholders vote in favour of Resolution 2 for the reasons set out in subparagraphs (l)(i) to (l)(v) above;
- (q) in forming their recommendations, each of the above Directors considered the proposals from Freestone and the experience of Mr Cottee, the current market price of Shares, the current market practices when determining the number of Options to be granted as well as the exercise price, vesting hurdles and expiry date of those Options;
- (r) Mr John Heugh recommends that Shareholders do not vote in favour of Resolution 2 on the basis that Mr Heugh does not support the appointment of Mr Cottee as a director of the Company. Mr Heugh notes for Shareholders that in his opinion that:
 - (i) such an appointment is not in the best interests of Shareholders; and
 - (ii) the Shareholders were not advised of all of the relevant conditions of Mr Cottee's proposed appointment before voting began on the General Meeting planned for 12 noon on 22 June 2012; and
- (s) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 2.

If Resolution 1 is not passed, approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Options to Freestone as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the Options to Freestone will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1 regardless of whether or not Resolution 1 is passed.

3. RESOLUTION 3 – REMOVAL OF DR HENRY ASKIN AS A DIRECTOR

3.1 General

Resolution 3, together with Resolution 4 to 10, is put to Shareholders following the receipt by the Company on 31 May 2012 of a requisition from Shareholders holding greater than 5% of the votes that may be cast at the General Meeting, pursuant to Section 249D of the Corporations Act (**Requisition**).

Resolution 3 is a resolution, proposed in the Requisition, seeking the removal of Dr Henry Askin as a Director of the Company.

3.2 Background on Henry Jan Askin

Dr Henry Askin has over 40 years of experience in the oil exploration industry, of which some 25 years were with the Shell Group of Companies, most recently as a consultant. From 1990 until his retirement in December 1997, he was exploration manager with Shell Development (Australia) Pty Ltd in Melbourne. Throughout this period he was Shell's representative on the APPEA Exploration Committee, and was a Director of the various Shell companies established pursuant to operations in the Indonesia Australia Zone of Cooperation. Dr Askin's previous appointments with the Shell Group were in Australia, Oman, Norway,

The Netherlands and India. During this time he held various positions including seismic interpreter, chief geophysicist, seismic processing manager, deputy head of new exploration ventures and, immediately prior to returning to Australia, general manager of Shell India.

He is a life member of the Society of Exploration Geophysicists, an active member of the European Association of Geoscientists and Engineers, and a member of the Petroleum Exploration Society of Australia.

Dr Askin is not currently a director of any other listed public company.

3.3 Joint letter from the Board (excluding Mr John Heugh)

A joint letter from the Board (excluding John Heugh) relating to Resolution 3 and the reasons to vote **AGAINST** their removal as Directors is contained in Schedule 4.

3.4 Directors' recommendations

- (a) Dr Henry Askin recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 3 for the reasons set out in section 3.3 of this Explanatory Statement;
- (b) Mr William Dunmore recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 3 for the reasons set out in section 3.3 of this Explanatory Statement;
- (c) Mr Richard Faull recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 3 for the reasons set out in section 3.3 of this Explanatory Statement;
- (d) Mr Andrew Whittle recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 3 for the reasons set out in section 3.3 of this Explanatory Statement;
- (e) Mr Bruce Elsholz recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 3 for the reasons set out in section 3.3 of this Explanatory Statement; and
- (f) Mr John Heugh recommends that Shareholders **VOTE IN FAVOUR** of Resolution 3.

4. RESOLUTION 4 – ELECTION OF WILLIAM MATTHEW SCHOCH AS A DIRECTOR

4.1 General

Resolution 4 is a resolution, proposed in the Requisition, seeking the approval for the appointment of William Matthew Schoch as a Director of the Company.

4.2 Statement from the Board (excluding Mr John Heugh)

We understand that Mr William Matthew Schoch is an executive for Clive Palmer associated companies.

Mr. Palmer has stated that Petroleum Nominees Pty Ltd (**PNPL**) is his company. Mr. Palmer and Mr Schoch have stated they are directors of PNPL.

Mr. Schoch, as a director of PNPL, is currently involved in a court action against the Company, the purpose of which, among other things, is to unwind the recent share placement to investors and have the placement be made solely to PNPL instead.

As at the date of this Notice, Mr. Schoch has provided no specific relevant information direct to the Company on his background, experience or independence, nor has he provided the Company with any indication of his plans for the Company.

4.3 Directors' recommendations

- (a) Dr Henry Askin recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 4 for the reasons set out in section 4.2 of this Explanatory Statement;
- (b) Mr William Dunmore recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 4 for the reasons set out in section 4.2 of this Explanatory Statement;
- (c) Mr Richard Faull recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 4 for the reasons set out in section 4.2 of this Explanatory Statement;
- (d) Mr Andrew Whittle recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 4 for the reasons set out in section 4.2 of this Explanatory Statement;
- (e) Mr Bruce Elsholz recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 4 for the reasons set out in section 4.2 of this Explanatory Statement; and
- (f) Mr John Heugh recommends that Shareholders **VOTE IN FAVOUR** of Resolution 4.

5. RESOLUTION 5 – REMOVAL OF RICHARD FAULL AS A DIRECTOR

5.1 General

Resolution 5 is a resolution, proposed in the Requisition, seeking the removal of Richard Faull as a Director of the Company.

5.2 Background on Richard Waddy Faull

Mr Richard Faull has had over 30 years' experience as a director, executive and company secretary in mineral and petroleum exploration companies. He is currently a director and company secretary of Barranco Resources NL. Mr Faull has a degree in Commerce from the University of Western Australia and is a member of CPA Australia.

Within the last three years, Mr Faull has not been a director of any other listed public company.

5.3 Joint letter from the Board (excluding Mr John Heugh)

A joint letter from the Board (excluding John Heugh) relating to Resolution 5 and the reasons to vote **AGAINST** their removal as Directors is contained in Schedule 4.

5.4 Directors' recommendations

- (a) Dr Henry Askin recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 5 for the reasons set out in section 5.3 of this Explanatory Statement;
- (b) Mr William Dunmore recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 5 for the reasons set out in section 5.3 of this Explanatory Statement;
- (c) Mr Richard Faull recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 5 for the reasons set out in section 5.3 of this Explanatory Statement;
- (d) Mr Andrew Whittle recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 5 for the reasons set out in section 5.3 of this Explanatory Statement;
- (e) Mr Bruce Elsholz recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 5 for the reasons set out in section 5.3 of this Explanatory Statement; and
- (f) Mr John Heugh recommends that Shareholders **VOTE IN FAVOUR** of Resolution 5.

6. RESOLUTION 6 – ELECTION OF BALJEET SINGH AS A DIRECTOR

6.1 General

Resolution 6 is a resolution, proposed in the Requisition, seeking the appointment of Baljeet Singh as a Director of the Company.

6.2 Statement from the Board (excluding Mr John Heugh)

We understand that Ms Baljeet Singh was appointed Legal Director of Mineralogy Pty Ltd (**Mineralogy**) in 2008, of which Clive Palmer is Chairman and founder. We understand that Ms Singh is legal counsel for Mineralogy's group company, Resourcehouse Limited (**Resourcehouse**). We understand she also acts for Mr. Palmer as spokeswoman for First China Pty Ltd who earlier this year announced an intention to sue QR National for \$8b damages.

As at the date of this Notice, Ms Singh has provided no specific relevant information direct to the Company on her background, experience or independence, nor has she provided the Company with any indication of her plans for the Company.

6.3 Directors' recommendations

- (a) Dr Henry Askin recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 6 for the reasons set out in section 6.2 of this Explanatory Statement;
- (b) Mr William Dunmore recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 6 for the reasons set out in section 6.2 of this Explanatory Statement;

- (c) Mr Richard Faull recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 6 for the reasons set out in section 6.2 of this Explanatory Statement;
- (d) Mr Andrew Whittle recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 6 for the reasons set out in section 6.2 of this Explanatory Statement;
- (e) Mr Bruce Elsholz recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 6 for the reasons set out in section 6.2 of this Explanatory Statement.
- (f) Mr John Heugh recommends that Shareholders **VOTE IN FAVOUR** of Resolution 6.

7. RESOLUTION 7 – REMOVAL OF WILLIAM DUNMORE AS A DIRECTOR

7.1 General

Resolution 7 is a resolution, proposed in the Requisition, seeking the removal of William Dunmore as a Director of the Company.

7.2 Background on William John Dunmore

Mr William Dunmore was awarded a B.Sc. in Physics and Chemistry from University College London and a Master's Degree in Petroleum Reservoir Engineering from Imperial College London. For the past 26 years he has been an independent consulting engineer for many of the industry's largest and best organisations from all over the globe including for many leading financial institutions and has appeared as an expert witness.

He has a strong understanding of the key geological and engineering parameters that determine the success or failure of projects and the need to visualise outcomes other than the obvious to both protect from downside outturns and yet capture the upside. This has been honed over many years and many conventional and unconventional projects from drilling, reservoir development, production and processing to downstream activities such as LNG and chemicals production.

7.3 Joint letter from the Board (excluding Mr John Heugh)

A joint letter from the Board (excluding John Heugh) relating to Resolution 7 and the reasons to vote **AGAINST** their removal as Directors is contained in Schedule 4.

7.4 Directors' recommendations

- (a) Dr Henry Askin recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 7 for the reasons set out in section 7.3 of this Explanatory Statement;
- (b) Mr William Dunmore recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 7 for the reasons set out in section 7.3 of this Explanatory Statement;
- (c) Mr Richard Faull recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 7 for the reasons set out in section 7.3 of this Explanatory Statement;

- (d) Mr Andrew Whittle recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 7 for the reasons set out in section 7.3 of this Explanatory Statement;
- (e) Mr Bruce Elsholz recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 7 for the reasons set out in section 7.3 of this Explanatory Statement.
- (f) Mr John Heugh recommends that Shareholders **VOTE IN FAVOUR** of Resolution 7.

8. RESOLUTION 8 – ELECTION OF TAM MAN KIN (RAYMOND) AS A DIRECTOR

8.1 General

Resolution 8 is a resolution, proposed in the Requisition, seeking the approval for the election of Tam Man Kin (Raymond) as a Director of the Company.

8.2 Statement from the Board (excluding Mr John Heugh)

We understand that Mr Raymond Tam was, and may still be, Chief Financial Officer of Resourcehouse Ltd, a Clive Palmer related company. Beyond the fact that Mr Tam is based in Hong Kong, we have no further relevant information and as such are unable to meaningfully assess any benefit Mr Tam could provide to the Company.

As at the date of this Notice, Mr Tam has provided no specific relevant information direct to the Company on his background, experience or independence, nor has he provided the Company with any indication of his plans for the Company.

8.3 Directors' recommendations

- (a) Dr Henry Askin recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 8 for the reasons set out in section 8.2 of this Explanatory Statement;
- (b) Mr William Dunmore recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 8 for the reasons set out in section 8.2 of this Explanatory Statement;
- (c) Mr Richard Faull recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 8 for the reasons set out in section 8.2 of this Explanatory Statement;
- (d) Mr Andrew Whittle recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 8 for the reasons set out in section 8.2 of this Explanatory Statement;
- (e) Mr Bruce Elsholz recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 8 for the reasons set out in section 8.2 of this Explanatory Statement.
- (f) Mr John Heugh recommends that Shareholders **VOTE IN FAVOUR** of Resolution 8.

9. RESOLUTION 9 – REMOVAL OF ANDREW WHITTLE AS A DIRECTOR

9.1 General

Resolution 9 is a resolution, proposed in the Requisition, seeking the removal of Andrew Whittle as a Director of the Company.

9.2 Background on Andrew Whittle

Mr Andrew Whittle holds a B.Sc. degree with First Class Honours in Geology from the University of Adelaide, South Australia, graduating in 1968. He has over 40 years of technical and managerial experience in the petroleum exploration and production industry worldwide with a focus on SE Asia / Australia.

This experience includes over 21 years with several affiliates of Exxon Corporation in Australia, Singapore, Malaysia, Canada and the USA, finally in the position of Geological Manager of Esso Australia. Thereafter, he was Exploration Manager for five years with GFE Resources Ltd

He is a founding director of PetroVal Australasia Pty Ltd, an unlisted petroleum consulting company that specializes in preparing independent technical reports and in evaluating exploration and production assets for a range of clients. He was intimately involved with Pexco N.V. in the exploration that led to the identification and discovery of the Thylacine gas field in the Otway Basin and in acquiring deepwater exploration blocks in Indonesia.

Mr Whittle is a director of Bumi Armada Berhad, a Malaysian based international offshore services provider to the oil and gas industry, which operates a fleet of over 40 support vessels worldwide in over 10 countries and is listed on the Kuala Lumpur Stock Exchange. He is also a Director of Bass Strait Oil Company Ltd and was appointed a Director of Central Petroleum in 2012.

He is a member of the American Association of Petroleum Geologists, the Society of Professional Well Log Analysts and the Petroleum Exploration Society of Australia.

9.3 Joint letter from the Board (excluding Mr John Heugh)

A joint letter from the Board (excluding John Heugh) relating to Resolution 9 and the reasons to vote **AGAINST** their removal as Directors is contained in Schedule 4.

9.4 Directors' recommendations

- (a) Dr Henry Askin recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 9 for the reasons set out in section 9.3 of this Explanatory Statement;
- (b) Mr William Dunmore recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 9 for the reasons set out in section 9.3 of this Explanatory Statement;
- (c) Mr Richard Faull recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 9 for the reasons set out in section 9.3 of this Explanatory Statement;

- (d) Mr Andrew Whittle recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 9 for the reasons set out in section 9.3 of this Explanatory Statement;
- (e) Mr Bruce Elsholz recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 9 for the reasons set out in section 9.3 of this Explanatory Statement; and
- (f) Mr John Heugh recommends that Shareholders **VOTE IN FAVOUR** of Resolution 9.

10. RESOLUTION 10 – REMOVAL OF BRUCE ELSHOLZ AS A DIRECTOR

10.1 General

Resolution 10 is a resolution, proposed in the Requisition, seeking the removal of Bruce Elsholz as a Director of the Company.

10.2 Background on Bruce Elsholz

Mr Bruce Elsholz is a chartered accountant and has around 30 years' experience in the upstream oil and gas sector. He has held senior financial roles with a number of exploration and production companies in Australia and Canada. He also has approximately ten years' experience as Company Secretary with a number of ASX listed entities.

10.3 Joint letter from the Board (excluding Mr John Heugh)

A joint letter from the Board (excluding John Heugh) relating to Resolution 10 and the reasons to vote **AGAINST** their removal as Directors is contained in Schedule 4.

10.4 Directors' recommendations

- (a) Dr Henry Askin recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 10 for the reasons set out in section 10.3 of this Explanatory Statement;
- (b) Mr William Dunmore recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 10 for the reasons set out in section 10.3 of this Explanatory Statement;
- (c) Mr Richard Faull recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 10 for the reasons set out in section 10.3 of this Explanatory Statement;
- (d) Mr Andrew Whittle recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 10 for the reasons set out in section 10.3 of this Explanatory Statement;
- (e) Mr Bruce Elsholz recommends that Shareholders **DO NOT VOTE IN FAVOUR** of Resolution 10 for the reasons set out in section 10.3 of this Explanatory Statement; and
- (f) Mr John Heugh recommends that Shareholders **VOTE IN FAVOUR** of Resolution 10.

11. ENQUIRIES

Shareholders are requested to contact the Company Secretary on (+ 61 8) 9474 1444 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Company means Central Petroleum Limited (ACN 083 254 308).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Freestone means Freestone Energy Partners Pty Ltd (ACN 158 309 614).

General Meeting or **Meeting** means the meeting convened by the Notice.

Group means the corporate group comprising the Company and its Related Bodies Corporate.

Notice or **Notice of Meeting** or **Notice of General Meeting** means this notice of general meeting including the Explanatory Statement and the Voting Form.

Option means an option to acquire a Share with the terms and conditions set out in this Notice.

Participant has the meaning given to that term in Schedule 1.

Plan means the 2012 Share Option Plan for Directors and Employees the subject of Resolution 1.

Plan Share means a Share issued or transferred to a Participant upon the exercise of an Option pursuant to the Plan.

Related Bodies Corporate has the meaning given to that term in Section 9 of the Corporations Act.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Voting Form means the voting/proxy form accompanying the Notice.

SCHEDULE 1 – SUMMARY OF 2012 SHARE OPTION PLAN

The key terms of the 2012 Share Option Plan are as follows:

- (a) **Eligibility:** Eligible persons under the Plan include:
- (i) Directors and full or part time employees of the Company or any member of the Group who are declared by the Board in its sole and absolute discretion to be eligible to receive grants of Options under the Plan; or
 - (ii) any other person or entity that is declared by the Board in its sole discretion to be eligible to receive grants of Options under the Plan,
- (Participants).**
- (b) **Objective:** The objective of the Plan is to:
- (a) assist in the reward, retention and motivation of Participants;
 - (b) align the interests of the Participants with Shareholders by providing an opportunity to Participants to receive an equity interest in the form of Options; and
 - (c) link the reward of Participants to Shareholder value creation.
- (c) **Administration of Plan:** The Board is responsible for the operation of the Plan and has a broad discretion to determine which Participants will be offered Options under the Plan.
- (d) **Offer:** The Board may issue an offer to a Participant to participate in the Plan, either directly or through a nominee. The offer:
- (i) will invite application for the number of Options specified in the offer;
 - (ii) will specify the date of grant, consideration payable for the Options (if any), exercise price, exercise period, vesting conditions, disposal restrictions, rights attaching to the Options or Shares issued upon exercise of the Option, and any fee that may be payable (at the discretion of the Board) to acquire the Options;
 - (iii) will specify an acceptance period; and
 - (iv) will specify any other terms and conditions attaching to the Options.
- (e) **Restriction on transfer:** Options issued under the Plan will be non-transferrable without the consent of the Board or otherwise by force of law.
- (f) **Restrictions on disposal:** The Board may, in its sole and absolute discretion, determine prior to making any invitation under the Plan whether there will be any restrictions on the disposal of, granting of any security interest in or over, or otherwise dealing with, any Plan Shares issued upon the exercise of the Options.
- (g) **Option of cashless exercise:** The Board may, in its sole and absolute discretion, determine that a Participant will not be required to provide payment on the exercise of any Options, but that on exercise the Company will allot and issue or transfer to that Participant that number of Plan Shares that are equal in value to the difference between the exercise price and the volume weighted average price of the Shares trading on ASX for the last five business days before the date of the exercise.

- (h) **Power of Attorney:** The Participant irrevocably appoints each of the Company and each director of the Company severally as his or her attorney to do all things necessary to give effect to the rules of the Plan.
- (i) **Trust:** The Board may, in its sole and absolute discretion, use an employee share trust or other mechanism for the purpose of holding any Plan Shares for Participants and/or delivering any Plan Shares to Participants upon the exercise of any Options.
- (j) **Plan limit:** Unless prior Shareholder approval is obtained, the number of Options which may be granted under the Plan which upon exercise may yield Plan Shares must not exceed 25% of the total issued capital of the Company at the time of grant of the particular Options.
- (k) **Quotation on ASX:** The Company will not apply for quotation of the Options issued under the Plan, however, upon exercise, the Participant will be entitled to receive Plan Shares that are tradeable on ASX, either by receiving Plan Shares from the trust (refer to paragraph (i) above), or by the Company applying for quotation on ASX of any new Plan Shares issued by the Company upon the exercise of the Options.
- (l) **Rights attaching to Shares:** Upon exercise of an Option, each Plan Share shall be issued on the same terms and conditions as the Company's issued Shares and it will rank equally with all other issued Shares from the issue date except for entitlements which have a record date before the issue date.
- (m) **Buy-back:** The Company may, with the consent of the Participant, buy-back Options or Plan Shares from that Participant in accordance with the procedure specified in the Plan.
- (n) **Vesting on change of control:** On the occurrence of any change of control event in the Company, all unvested Options on issue will immediately vest and become capable of exercise.
- (o) **Forfeiture:** A forfeiture event occurs where the Participant's office, engagement or consultancy with any member of the Group ceases in any of the following circumstances:
 - (i) the Participant's employment, engagement or consultancy is terminated, or the Participant is dismissed from office due to:
 - (A) serious and wilful misconduct;
 - (B) material or serious breach of the terms of any contract of employment, office, consultancy or engagement entered into by the Company (or any other member of the Group) which is incapable of remedy; or
 - (C) gross negligence;
 - (ii) the Participant resigns from employment or office, or terminates the Participant's engagement or consultancy (as the case may be) with the Company (or another member of the Group) within 12 months of the grant of the Options;
 - (iii) the Participant is ineligible to hold his office as director of the Company for the purposes of Part 2D.6 of the Corporations Act,

(each a **Forfeiture Event**).

Upon the occurrence of a Forfeiture Event, vested and unvested Options that have not been exercised will automatically lapse, unless the Board in its sole and absolute discretion determines otherwise.

SCHEDULE 2 – TERMS AND CONDITIONS OF OPTIONS

The Options entitle the holder (**Optionholder**) to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one Share.
- (b) Subject to paragraph (j), the amount payable upon exercise of each Option will be the designated exercise price (**Exercise Price**).
- (c) The Options held by the Optionholder may only be exercised, subject to the satisfaction of any vesting hurdle, in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (d) Assuming the satisfaction of any vesting hurdles, the Optionholder may exercise their Options in accordance with the specific terms for exercise outlined in the Plan.
- (e) An Exercise Notice is only effective when the Company and the Optionholder have complied with the exercise provisions outlined in the Plan.
- (f) Within 10 Business Days of the valid exercise of the Options, the Company will allot or transfer the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (g) The Options are not transferable except with the prior written consent of the board of directors of the Company.
- (h) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (i) The Company will not apply for quotation of the Options on ASX. However, the Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (j) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (k) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.
- (l) An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

SCHEDULE 3 – VALUATION OF OPTIONS

The Options to be issued to Freestone pursuant to Resolution 2 have been valued by an independent third party.

Using the Binomial Option Pricing Model and based on the assumptions set out below, the Options to be issued to Freestone were ascribed the following value range:

Key Terms	Tranche 1	Tranche 2	Tranche 3
Assumed grant Date ¹	15 May 2012	15 May 2012	15 May 2012
Underlying Share Price ²	\$0.089	\$0.089	\$0.089
Exercise Price (\$)	\$0.09	\$0.09	\$0.09
Legal Expiry	15 November 2015	15 November 2017	15 November 2017
Latest Exercise Date ³	14 November 2015	14 November 2017	14 November 2017
Vesting Date ⁴	The date (on or before the Latest Exercise Date) when the VWAP of the Company has remained at (or above) \$0.15 for 30 consecutive days	The date (on or before the Latest Exercise Date) when the VWAP of the Company has remained at (or above) \$0.20 for 30 consecutive days	The date (on or before the Latest Exercise Date) when the VWAP of the Company has remained at (or above) \$0.29 for 30 consecutive days
Risk Free Rate ⁵	2.6%	2.8%	2.8%
Volatility Factor ⁶	60% to 90%	60% to 90%	60% to 90%
Dividend Yield ⁷	Nil	Nil	Nil

Notes:

1. As the Options require Shareholder approval, Grant Date has not yet occurred. For the purpose of this indicative valuation an assumed Grant Date of 15 May 2012 has been employed.
2. The Company's underlying share price has been based on the five day VWAP of the Company to 15 May 2012.
3. For the purpose of this indicative valuation the exercise date is assumed to be the latest date allowable under the Plan as this corresponds to the theoretical maximum share price and therefore highest potential Option value.
4. The vesting date has been assumed to correspond with the Latest Exercise Date, and a probability of approximately 40% to 50% has been used for the probability of the vesting conditions being met based on the theoretical future share prices of the Company under the Binomial Option Pricing Model.
5. The risk free rate at the date of grant are the yields on an Australian Government Bonds with similar durations to the Options as at the assumed Grant Date.
6. Estimated future volatility of between 60% to 90% was based on our analysis of the Company's historical daily share price movement and an analysis of comparable companies.
7. The Company management has indicated that it does not intend to make dividend payments over the term of the Options.

Indicative Value Per Option¹	Tranche 1	Tranche 2	Tranche 3
Assessed Range (\$)	0.017 to 0.027	0.022 to 0.032	0.019 to 0.029
Preferred Value (\$) ²	0.022	0.027	0.024
Value per Tranche (Preferred Value) (\$)	1,065,200	1,494,047	1,660,051
Total Value (Preferred Value) (\$)	4,219,298		

Notes:

1. The valuation ranges noted are not necessarily the market prices that the Options to be issued to Freestone could be traded at and they are not automatically the market prices for taxation purposes.
2. The Preferred Value reflects all of the terms of the Options, including, for the avoidance of doubt, the absolute share price vesting hurdles applicable to each tranche of Options.

SCHEDULE 4 – REASONS FOR VOTING AGAINST RESOLUTIONS 3 TO 10 - JOINT LETTER FROM THE BOARD (EXCLUDING MR JOHN HEUGH)

12 June 2012

Dear Shareholder,

A group of seven shareholders led by Petroleum Nominees Pty. Ltd. (a Clive Palmer company), holding in aggregate 5.84% of the issued capital of Central Petroleum Limited have requested a General Meeting seeking the removal of five of the Company's six directors, namely Dr. Henry Askin (Chairman), Mr. Bruce Elsholz (Executive Director) and Mr. Richard Faull, Mr. William Dunmore and Mr. Andrew Whittle (Non-Executive Directors).

It is proposed to elect three directors to the board, these being Mr. William Schoch, Ms. Baljeet Singh and Mr. TAM Man Kin, while reinstating Mr. John Heugh as Managing Director. Very little information has been provided to suggest that these nominees have the necessary qualifications or experience to preside over the conversion of the huge potential of Central Petroleum into real value for the benefit of all shareholders. We understand that these nominees (other than Mr Heugh) are close associates of Clive Palmer who are directors or officers of other companies controlled by Mr Palmer. In the case of Mr Heugh, he is supported by Mr Palmer in opposing a motion placed before shareholders for Mr Heugh's removal as a director of Central Petroleum.

At present the current Board is implementing a process of renewal, and has appointed Mr. Richard Cottee as CEO and he will remain as CEO pending his election as director at the 12 noon 22 June 2012 General Meeting.

As we have previously advised, we have determined upon a business strategy that will emphasise co-operation with other capable industry participants, and our initiatives have resulted in an unprecedented level of interest being expressed by potential farmin partners. We firmly believe that the recent appointment of Mr. Richard Cottee will ensure the successful implementation of this strategy. The end result will be a greatly expanded exploration effort over our large acreage holdings, a spreading of exploration risk and a very much reduced expenditure of shareholder funds by Central Petroleum.

There is no need to remark further on the 3D seismic or the Extended Production Testing of the Surprise oil discovery, permitting of these activities is essentially complete and commencement of the field work is imminent.

The current Directors have set this strategy and approved the field activities mentioned, and we believe that their successful implementation requires stability and with the planned orderly renewal of the Board as an essential ingredient.

We, the directors proposed for removal, are all very experienced professionals in the industry, each with specific technical qualifications immediately relevant to the demands of our exploration and development projects. We are fully informed as to the merits of our exploration plays, and therefore are in the best possible position to progress these in the optimum way possible.

It has been the case that great merit has been placed upon the vast extent of the Company's exploration permits and areas of application. The other side of this of course is that these holdings have a ticking clock in the form of a relinquishment requirement, and to fulfil the work programmes to the extent necessary to manage these requirements requires quite massive expenditures beyond the normal capability of shareholders to sustain.

The current business plans described above are designed to address these issues, bypass the capital constraints which have been a continuous feature of our past and realise the inherent value in our holdings for all shareholders.

We therefore encourage you to complete the enclosed Voting/Proxy Form by voting for the board that has demonstrated its resilience and integrity in maintaining your Company's continuance in the face of on-going and unusual challenges.

VOTE FOR resolutions **1 and 2**

and

VOTE AGAINST resolutions **3 to 10**

We look forward to your ongoing support.

Yours faithfully

Henry Askin

Non-executive Chairman

Richard Faul

Non-executive Director

William Dunmore

Non-executive Director

Andrew Whittle

Non-executive Director


Bruce Elsholz

Executive Director



000001 000 CTP
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

 **Online:**
www.investorvote.com.au

 **By Mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Voting Form



Vote online 24 hours a day, 7 days a week:

www.investorvote.com.au

- Cast your vote or appoint a proxy**
- Review and update your securityholding**

Your secure access information is:

Control Number: 999999

SRN/HIN: I999999999

PIN: 99999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 2:00pm Tuesday 17 July 2012**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Vote Directly

Voting 100% of your holding: Mark either the For, Against or Abstain box opposite each item of business. Your vote will be invalid on an item if you do not mark any box OR you mark more than one box for that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement.

Appoint a Proxy to Vote on Your Behalf

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form →**

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise their broker of any changes.



I 9999999999

IND

Voting Form

Please mark to indicate your directions

STEP 1 Indicate How your Vote will be Cast *Select one option only*

At the General Meeting of Central Petroleum Limited to be held at the Duxton Hotel Perth, No. 1 St George's Terrace, Perth, Western Australia on Thursday, 19 July 2012 at 2:00pm and at any adjournment of that meeting, I/We being member/s of Central Petroleum Limited direct the following: **XX**

1. Vote Directly

Record my/our votes strictly in accordance with directions in Step 2.

2. Appoint a Proxy to Vote on Your Behalf: I/We hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

OR

PLEASE NOTE: A Direct Vote will take priority over the appointment of a Proxy. For a valid Direct Vote to be recorded you must mark FOR, AGAINST, or ABSTAIN on each item.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit).

STEP 2 Items of Business

PLEASE NOTE: If you mark the Abstain box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

ORDINARY BUSINESS

	For	Against	Abstain
Item 1 Approval of 2012 Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2 Issue of Options Pursuant to 2012 Share Option Plan to Related Party and Associate of Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 Removal of Dr Henry Askin as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 Election of William Matthew Schoch as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5 Removal of Richard Faull as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6 Election of Baljeet Singh as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 7 Removal of William Dunmore as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 8 Election of Tam Man Kin (Raymond) as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 9 Removal of Andrew Whittle as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 10 Removal of Bruce Elsholz as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /



central
PETROLEUM
LIMITED
ABN 72 083 254 308

Phone: 08 9474 1444
Fax: 08 9474 1555

Street Address:
Suite 3, Level 4
Southshore Centre
85 South Perth Esplanade
South Perth
Western Australia 6151

Postal Address:
PO Box 197
South Perth
Western Australia 6951

info@centralpetroleum.com.au

BOARD RECOMMENDATION ON HOW TO VOTE

The Board (excluding Mr John Heugh) recommends Shareholders vote in the following way as being in the best interests of the Company.

2.00pm General Meeting

Resolution number	How to Vote
Resolution 1 – Approval of 2012 Share Option Plan	FOR
Resolution 2 – Issue of Options Pursuant to 2012 Share Option Plan to Related Party and Associate of Director	FOR
Resolution 3 – Removal of Dr Henry Askin as a Director	AGAINST
Resolution 4 – Election of William Matthew Schoch as a Director	AGAINST
Resolution 5 – Removal of Richard Faull as a Director	AGAINST
Resolution 6 – Election of Baljeet Singh as a Director	AGAINST
Resolution 7 – Removal of William Dunmore as a Director	AGAINST
Resolution 8 – Election of Tam Man Kin (Raymond) as a Director	AGAINST
Resolution 9 – Removal of Andrew Whittle as a Director	AGAINST
Resolution 10 – Removal of Bruce Elsholz as a Director	AGAINST

Wholly owned subsidiaries:

merlin ENERGY
PTY LTD
ABN 95 081 592 734

merlin COAL
PTY LTD
ABN 81 134 409 471

ordiv PETROLEUM
PTY LTD
ABN 29 111 102 697

frontier OIL & GAS
PTY LTD
ABN 91 103 194 136

helium AUSTRALIA
PTY LTD
ABN 11 078 104 006

merlin WEST
PTY LTD
ABN 59 114 346 968

central GREEN
PTY LTD
ABN 84 128 245 876

central GEOTHERMAL
PTY LTD
ABN 86 128 245 885

central PETROLEUM SERVICES
PTY LTD
ABN 57 140 628 155