




Long Term Incentive Plan (LTIP)

Policy

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Prepared by: Jason Pennicott	Date: 23/8/19.	Signature: 
Supervised by: Damian Galvin	Date: 23/8/2019	Signature: 
Approved by: Leon Devaney	Date: 23/8/19.	Signature: 

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1.0 Purpose

Notwithstanding anything contained herein to the contrary the Board and not employees are responsible for setting the overall strategic direction of the Company its objectives and its priorities.

The purpose of this document is to outline the Plan Offer terms that apply to the Company's Long Term Incentive Plan (LTIP). The rules will be reviewed by the Chief Executive Officer in consultation with the Board on an annual basis. This LTIP may change so as to align with applicable practices in the marketplace to ensure they remain sustainable and relevant.

This LTIP must be read with, and is subject to, the ERP Rules.

2.0 Scope

The three (3) Year LTIP applies to Eligible Employees.

3.0 Responsibilities

3.1 Central Petroleum Board

It is the responsibility of the Board to annually review this LTIP and set the strategic direction priorities and objectives of the Company. The existence of this LTIP does not amend or take away that responsibility and as such the results of the LTIP form part of the Board's deliberation in its decision on the bonus recommendation to be awarded.

3.2 Chief Executive Officer

It is the responsibility of the Chief Executive Officer to extend a Plan Offer to an Eligible Employee to participate in this LTIP. The Chief Executive Officer is also responsible for reviewing this LTIP each year and setting objectives (including any changes to succeeding Plan Year criteria) in accordance with the Company's Remuneration Committee's guidelines.

3.3 Employees

Eligible employees are responsible for observing the rules of the LTIP.

4.0 Definitions

Unless expressly stated otherwise, if a word or term is defined in the ERP Rules and is used in this document, it has the meaning given to that term in the ERP Rules and, unless the context otherwise requires, the following definitions shall apply:

Absolute TSR: Total Shareholder Return as measured by an independent company chosen by the Board.

Change of Control Event means the occurrence of any of the following:

- (a) any person, either alone or together with any associate (as defined in the Corporations Act), acquires a relevant interest (as defined in the Corporations Act) in more than fifty percent (50%) of the issued Shares in the Company as a result of a takeover bid;
- (b) any person, either alone or together with any associate (as defined in the Corporations Act), acquires a relevant interest (as defined in the Corporations Act) in more than fifty percent (50%) of the issued Shares in the Company through a scheme of arrangement;
- (c) a material change in the composition of the Board, such change being initiated as a result of a change in ownership of the Company's securities and the purchaser of the securities requiring (or agreeing with other security holders to require) that change in Board composition; or
- (d) any other similar event (including a merger of the Company with another company, where a person, either alone or together with any associate (as defined in the Corporations Act), becomes a legal or beneficial owner of more than 50% of the issued Shares in the Company or where a person, either alone or together with any associate (as defined in the Corporations Act), becomes entitled to, acquires, holds or has an equitable interest in more than 50% of the issued Shares in the Company) which the Board determines, in its absolute discretion, to be a Change of Control Event.

EMT: Executive Management Team is made up of those employees that report directly to the Chief Executive Officer.

ERP Rules: Central Petroleum Limited Employee Rights Plan Rules approved by the Company's shareholders on 14 November 2018.

Future Share Rights means Share Rights which are not subject to any Performance Criteria, the number of which is determined by the Board within its sole and absolute discretion as stated in a Plan Offer.

Group Company: means any one of the Company or its Related Body Corporate from time to time.

LTIP Percentage: The percentage of Total Fixed Remuneration which is used each Plan Year to calculate the maximum Share Rights.

Performance Period: Is the three (3) year period commencing the start of the Plan Year and ending 30 June three (3) years later.

Plan Year: The year commencing July 1 and ending June 30 the following year.

Serious Misconduct: Such conduct which would permit the Company to terminate the Eligible Employee's employment with the Company, including (without limitation) any Gross Misconduct (as defined in the employment agreement).

Senior Manager: are those Eligible Employees that make, or participates in making decisions that affect the whole, or a substantial part, of the business or has the capacity to affect significantly the company's financial standing.

Total Fixed Remuneration (TFR): the salary package – which is the take home pay, PAYG tax deducted and all Superannuation payments made on your behalf by the Company (excludes bonuses and other incentives).

Trading Day: Has the meaning given to that term in the listing rules of the ASX.

Uncontrollable event: means death, Permanent Disablement, Retirement, redundancy, or such other circumstances which result in a Participant leaving the employment of the Group and which the Board determines is an Uncontrollable Event.

Unvested Share Right: means a Share Right in respect of which the conditions in clause 5.1 from the ERP Rules, have not been satisfied and have not been waived (Share Rights will become capable of exercise if the Performance Criteria prescribed in a Plan Offer in respect of those Share Rights have been satisfied or waived by the Board prior to the Expiry Date).

Vesting Percentage: The percentage of Share Rights which will vest as determined by the Performance Conditions.

Vesting Date: The effective date on which measurement of Performance Criteria is made and any applicable Unvested Share Rights vest into Share Rights. The Vesting date is the last day of the Performance Period.

VWAP: The arithmetic average rounded to the nearest full cent of the daily volume weighted average sale price of Company Shares sold on the ASX for the period of 20 Trading Days on which Company Shares are traded on the ASX ending on the Trading Day prior to 30 June, calculated using the Bloomberg page "AQR" or, if that page is unavailable or has been discontinued, calculated by ASX using its standard method of calculation.

5.0 Eligibility to Participate

Eligibility in the LTI Plan is by invitation at the discretion of the Chief Executive Officer for Employees consistent with the Company's Remuneration Committee guidelines. For new Eligible Employees invited to participate, they shall receive a Plan Offer separate to their employment contract indicating their involvement in the ERP Plan and LTIP Percentage allocation.

Existing Eligible Employees as at July 1st each year will have a start date in the Plan of July 1st for the current year's Plan.

An Employee who joins the Company in the months of April, May or June will not be eligible to receive a Plan Offer and may become an Eligible Employee in the following Plan Year. The

maximum Share Rights available for the following Plan Year will be adjusted on a pro-rata basis to take account of the Eligible Employee's start date.

The calculation would take account of the number of days from the start date until June 30 for that previous Plan Year and the number of days in the next full Plan Year.

An Employee joining the Company after July and before April, at Board discretion, may become an Eligible Employee and be provided with a pro-rata grant of Unvested Share Rights. The Performance Period of such pro-rata grant may, at Board discretion, exclude the period in which the Eligible Employee was not employed with the Company.

Eligible Employees must still be in the employment of the Company as at the Vesting Date (subject to a Change in Control Event or the Board determines in its absolute discretion that a Change of Control Event is likely to occur (see section 5.2.3 below) or Uncontrollable Event (see section 7.0 below)), otherwise the Unvested Share Rights will not vest and as such will be forfeited (i.e. all of an Eligible Employee's Unvested Share Rights which have not vested as at the Vesting Date shall be forfeited upon the Employee ceasing employment with the Company).

5.1 Changes to the LTI Plan

Neither the Board nor the Company guarantee any payment from this LTIP nor do they guarantee any performance level of the Company in future years. If there is a change as a result of this, Eligible Employees participating in the LTIP will be notified.

5.2 Changes to Employee circumstances

There are a number of circumstances which may arise which will affect the LTIP calculation at the end of the Plan Year. These include but are not limited to:

5.2.1 Leave

Where periods of leave during a Plan Year, including paid or unpaid leave, exceed eight (8) weeks the Share Rights for that year will be pro-rated to take account the absence from work.

5.2.2 Change of Salary

Where there is a change of TFR during a Plan Year the Unvested Share Rights calculated for that year will be made taking into account the relevant TFR and LTIP Percentage. This applies whether the TFR increases or decreases. In this event a pro-rated approach will be adopted to determine the Plan Year's benefit.

5.2.3 Change of Control

In circumstances the Company is subject to a Change of Control Event, or the Board determines in its absolute discretion that a Change of Control Event is likely to occur:

- (a) all of a Participant's Unvested Share Rights (for the current and any previous Plan Year) will have any and all Performance Criteria waived and will immediately vest at 100% in which case Share will be allocated subject to the valid exercise of those Share Rights in accordance with clause 5.2 of the ERP Rules;
- (b) if a Plan Offer expressly states that Future Share Rights applies to the Eligible Employee for the purposes of this section 5.2.3(b), it will be subject to the sole and absolute discretion of a majority of the existing Directors of the Board (being those Directors of the Board prior to: (i) the commencement of the Change of Control Event; or (ii) the time of the Board's determination that a Change in Control Event is likely to occur (and in the case of a tied vote of such Directors, the Chairman appointed among them shall have a casting vote)), to approve to issue the Future Share Rights. Any Future Share Rights will have any and all Performance Criteria waived and will immediately vest at 100% in which case Share will be allocated subject to the valid exercise of those Share Rights in accordance with clause 5.2 of the ERP Rules; and
- (c) Unexercised Share Rights will not be replaced and will not lapse.

In circumstance the Company is subject to a Change of Control Event, or the Board determines in its absolute discretion that a change of Control Event is likely to occur, subject to the approval of a majority of the existing Directors of the Board (being those Directors of the Board prior to: (i) the commencement of the Change of Control Event; or (ii) the time of the Board's determination that a change of Control Event is likely to occur (and in the case of a tied vote of such Directors, the Chairman appointed among them shall have a casting vote)), the cash value of the Share Rights (which for the avoidance of doubt may include, without limitation, Future Share Rights) which have not been exercised in accordance with clause 5.2 of the ERP Rules will be payable to the Participant in cash the earlier of 30 days from the Change of Control Event, or the Board's determination that a change of Control Event is likely to occur or 31st August in the current Plan Year.

6.0 Disqualification of LTIP Benefit

In addition to clause 6 of the ERP Rules, if you are terminated by the Company for Serious Misconduct then all Unvested Share Rights will be immediately forfeited.

If you cease to be an Eligible Employee through being demoted, transfer to, or choose a role in the Company not eligible to participate in an LTIP then your benefit to Unvested Share Rights previously granted will be managed as follows:

- Unvested Share Rights granted in the previous Plan Year(s) will be available; and
- Unvested Share Rights granted in the current Plan Year will be forfeited.

Where an Eligible Employee is underperforming, as determined by their Manager, the Eligible Employee may be suspended from the LTIP for such periods as the Manager determines in consultation with Human Resources and the Chief Executive Officer. Where this occurs the Share Rights for that Plan Year will be adjusted downwards on a pro-rated basis to take account of the period under suspension.

Where an Eligible Employee contravenes the Company's Code of Conduct or commits Serious Misconduct to an extent that is deemed significant by the Board but does not warrant, or did not result in termination, then the Board may disqualify some or all Share Rights for that Plan Year. The decision of how many Share Rights to disqualify is at the sole and absolute discretion of the Board.

7.0 Unexpected Situations

Where an Eligible Employee ceases to be an Employee due to an Uncontrollable Event, then the number of Unvested Share Rights that have been granted but not vested at the time of the Uncontrollable Event will be adjusted downwards on a pro-rata basis based on the commencement of the Plan year in respect of which Unvested Share Rights were granted to the date the Eligible Employee ceased to be an Employee. No other terms and conditions of the Unvested Share Rights will be affected including when and the number of the Unvested Share Rights which may be due to vest at the end of the Performance Period in accordance with this LTIP with all other LTIP calculations.

8.0 Financial Advice

Nothing in this document should be construed as financial or tax advice.

Please be aware that any advice given by the Company in relation to Share Rights offered under the ERP with LTIP coverage does not take into account your personal objectives, financial situation and needs. Acquiring and holding Share Rights or Shares in the Company is subject to a number of investment risks. Some of these risks, including market, liquidity, credit, operational, legal and regulatory risks, could be substantial and are inherent in investing in the business of the Company. You should consider obtaining your own financial product advice from a person who is licensed by ASIC to give such advice.

9.0 Rights Granted

Effective 1 July of the Plan Year, Eligible Employees will have their Unvested Share Rights calculated and granted based on the LTIP Percentage multiplied by the TFR then divided by the VWAP.

An Eligible Employee must duly complete, sign and return to the Company a Plan Acceptance Form in respect of the Plan Offer by no later than 14 days after receipt of the offer by the Eligible Employee (being the Plan Acceptance Date).

Eligible Employee Unvested Share Rights under this LTIP will typically be granted on an annual basis on the Company's receipt of completed Plan Acceptance Form, in the first quarter following the commencement of the Plan Year.

10.0 Coverage and LTIP Percentage

This LTIP provides coverage for various levels of Eligible Employees which include:

- (a) EMT Eligible Employees are those in roles which influence and drive the strategic direction of the Company's business. EMT Eligible Employees receive an LTIP Percentage up to 30%;
- (b) (b) Eligible Employees who are Senior Managers' that are charged with one or more defined functions, departments or outcomes. They are more likely to be involved in a balance of strategic and operational aspects of management. Some decision-making at this level would require approval from the Executive Management Team. These Eligible Employees receive an LTIP Percentage up to 20%;
- (c) Eligible Employees who are not part of the EMT or are not a Senior Manager, but are in roles which are focused on the key drivers of the operational parts of the Company's business. These Eligible Employees receive an LTIP Percentage up to 10%; and
- (d) All other Eligible Employees' are integral to the success of the Company obtaining its goals and objectives will participate in Central Petroleum \$1,000 Exempt Plan.

Conditions of the Central Petroleum \$1,000.00 Exempt Plan include:

- (a) Share Rights can only be dealt with the earlier of 3 years or on termination of employment; and
- (b) No performance conditions apply

Individual LTIP Percentages will be outlined in a Plan Offer.

The Board makes its decision on the bonus after taking into consideration the results of the relevant KPI hurdles.

11.0 Vesting of Unvested Share Rights and Vesting Percentage

The following table details the Vesting Percentage:

Hurdle	Definition	Hurdle banding	Vesting Percentage
Absolute TSR ₁ growth (50% weighting)	Company's Absolute TSR calculated as at Vesting Date. This looks to align Eligible Employee's rewards to shareholder superior returns	<u>Company's Absolute TSR over 3 years</u> Below 10% pa 10% to <15% pa 15% to <20% pa 20% to <25% pa 25% pa plus	<u>% of Share Rights vesting</u> 0% 25% 50% 75% 100%
Relative TSR – E&P ₂ (50% weighting)	Company's TSR relative to a specific group of E&P companies (determined by Board within its discretion) calculated as at Vesting Date.	<u>Company's Relative TSR</u> Below 51 st percentile 51 st percentile 52 nd to 75 th percentile 76 th percentile and above	<u>% of Share Rights vesting</u> 0% 50% 51% to 99% 100%

¹ Total shareholder return (ie. growth in share price plus dividends reinvested), ² Exploration & Production

For the purposes of determining the maximum number of Unvested Share Rights available for vesting the Company will calculate the Company's Absolute TSR and Relative TSR effective as at the Vesting Date in accordance with the above table to determine the relative hurdle band and Vesting Percentage met. The Unvested Share Rights for the applicable hurdle met for the Performance Period are then multiplied by the Vesting Percentage achieved for that hurdle to determine the total number of Unvested Share Rights vested to become Share Rights on the Vesting Date which may then be exercised in accordance with clause 5.2 of the ERP Rules.

Subject to the vesting of Unvested Share Rights on the Vesting Date, the Unvested Share Rights vest at the rate of one Share Right for one Unvested Share Right.

12.0 Retesting

In circumstances where the Board deems appropriate, where the performance in any Performance Period is not 100% the Board may determine to perform one retest of the performance as at 31st December of the same year as the original performance measure. The retesting Performance Period will be the same as the original period plus the six months to the end of December. This applies to both the Absolute TSR and Relative TSR.

To the extent that the retest results in a better performance than the original then additional Share Rights as determined by the increase in Vesting Percentage will be available for vesting.

13.0 Example of LTIP working (indicative only)

Assume the Eligible Employee joins the Company on 1 July 2015 with a TFR of \$100,000.00 and an LTIP Percentage of 10%.

<p>1st July 2015 (Plan Year 1)</p>	<p>TFR is \$100,000.00 per annum VWAP is \$0.40 (30 day VWAP for June) Unvested Share Rights calculated (Plan Year 1) = 100,000 * 10% / \$0.40 = 25,000</p>
<p>1st July 2016 (Plan Year 2)</p>	<p>TFR increased to \$110,000.00 VWAP is \$0.50 (30 day VWAP for June) Unvested Share Rights calculated (Plan Year 2) = 110,000 * 10% / \$0.50 = 22,000</p>
<p>1st July 2017 (Plan Year 3)</p>	<p>TFR increased to \$140,000 VWAP is \$0.70 (30 day VWAP for June) Unvested Share Rights calculated (Plan Year 3) = 140,000 * 10% / \$0.70 = 20,000</p>
<p>30th June 2018</p>	<p>Measure Period for Plan Year 1 Hurdle 1 - Assume Company Absolute TSR is rated at 22% pa which gives a Vesting Percentage of 75% Unvested Share Rights available for vesting = 12,500 * 75% = 9,375 Hurdle 2 – Assume Company Relative TSR is rated at 51st Percentile which gives a Vesting Percentage of 50% Unvested Share Rights available for vesting = 12,500 * 50% = 6,250 Total Share Rights vested and available for exercise = 9,375 + 6,250 = 15,625</p>
<p>1st July 2018 (Plan Year 4)</p>	<p>TFR increased to \$150,000 VWAP is \$0.80 (30 day VWAP for June) Unvested Share Rights calculated (Plan Year 4) = 150,000 * 10% / \$0.80 = 18,750</p>
<p>31st December 2018</p>	<p>Retest for Plan Year 1 Hurdle 1 - Assume Company Absolute TSR is rated 28% pa which gives a Vesting Percentage of 100% Unvested Share Rights for Absolute TSR available for vesting = 12,500 * 100% = 12,500 Hurdle 2 – Assume Company Relative TSR is rated at 75th percentile which gives a Vesting Percentage of 99% Unvested Share Rights for Relative TSR available for vesting = 12,500 * 99% = 12,375 Total Share Rights vested and available for exercise for the Performance Period starting 1st July 2015. = 12,500 + 12,375 = 24,875</p>

30 th June 2019	Measure Period for Plan Year 2 Hurdle 1 - Assume Company Absolute TSR is rated at 24% pa which gives a Vesting Percentage of 75% Unvested Share Rights available for vesting = 11,000 * 75% = 8,250 Hurdle 2 – Assume Company Relative TSR is rated at 80 th Percentile which gives a Vesting Percentage of 100% Unvested Share Rights available for vesting = 11,000 * 100% = 11,000 Total Share Rights vested and available for exercise = 8,250 + 11,000 = 19,250
1 st July 2019 (Plan Year 5)	TFR increased to \$175,000 VWAP is \$0.95 (30 day VWAP for June) Unvested Share Rights calculated (Plan Year 5) = 175,000 * 10% /\$0.95 = 18,421
31 st December 2019	Retest for Plan Year 2 Hurdle 1 - Assume Company Absolute TSR remains at 24% pa Unvested Share Rights for Absolute TSR available for vesting = 0 Hurdle 2 – No retesting for Hurdle 2 as all Unvested Share Rights for that year vested. Total Share Rights vested and available for exercise = 0
20 th February 2020	Employee Resigns Unvested Share Rights for Plan Years 3, 4 and 5 are forfeited

14.0 Miscellaneous

14.1 Bound by Rules and Constitution

Participants provided Company Unvested Share Rights or Share Rights under this LTIP are bound by this LTIP, the ERP Rules and the Constitution of the Company.

14.2 Compliance with law

Despite the terms of this LTIP, nothing is required to be done under this LTIP if it would contravene the *Corporations Act 2001* (Cth) and its associated regulations, the Listing Rules (if applicable) or any law or regulation of any applicable jurisdiction.

14.3 Waivers, remedies and enforceability

No failure or delay by the Company in exercising any right, power or remedy under this LTIP operates as a waiver. The rights, powers and remedies of the Company under this LTIP are cumulative and do not exclude those provided by law.

If at any time any provision of this LTIP is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, the legality, validity and enforceability of that provision under the law of any other jurisdiction, and of the remaining provisions of this LTIP, are not affected or impaired thereby.

14.4 Governing law

This LTIP is governed by and construed in accordance with the laws of Queensland.

14.5 Assignment

Eligible Employees or Participants must not assign any of its rights or transfer any of its obligations under this LTIP (unless the Board otherwise determines).

14.6 Notices

Any notice required to be given by the Company to an Eligible Employee or Participant or any correspondence to be made between the Company and an Eligible Employee or Participant may be given or made by the Board or its delegate on behalf of the Company.

14.7 Effect on employment and other acknowledgements

- a) Participation in this LTIP does not affect an Eligible Employee's or Participant's terms of employment or appointment with any Group Company. In particular, participation in this LTIP does not detract from any right any Group Company may have to terminate the employment or appointment of an Eligible Employee or Participant.
- b) Participation in this LTIP, or the provision of any Company security, does not form part of an Eligible Employee's or Participant's remuneration for the purposes of determining payments in lieu of notice of termination of employment, severance payments, leave entitlements, or any other compensation payable to an Eligible Employee or Participant upon the termination of employment (unless the Board otherwise determines).
- c) By accepting an Plan Offer, the Eligible Employee or Participant also acknowledges that:
 - i) it is employed by a company which has a Board who (and not employees) is responsible for corporate governance oversight, setting strategic direction of the Company its objectives and priorities;
 - ii) this LTIP is established voluntarily by the Company, it is discretionary in nature. It may be modified, suspended or terminated by the Company at any time;
 - iii) participation in this LTIP is voluntary and occasional and does not create any contractual or other right to future participation in this LTIP, or benefits in lieu of participation in this LTIP, even if participation is offered repeatedly;
 - iv) all decisions with respect to future participation in this LTIP, if any, will be at the sole and absolute discretion of the Company;
 - v) an Eligible Employee's or Participant's participation in this LTIP shall not create a right to further employment with his or her employer;
 - vi) Company securities acquired pursuant to this LTIP are extraordinary items that do not constitute compensation of any kind for services of any kind

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- rendered to any Group Company, and which are outside the scope of the an Eligible Employee's or Participant's employee's employment contract, if any;
- vii) the future value of the underlying Company securities is unknown and cannot be predicted with certainty and the Company securities may increase or decrease in value, even below the issue or exercise price; and
 - viii) the participating employee will have no entitlement to compensation or damages as a result of any loss or diminution in value of Company securities or any other rights acquired pursuant to this LTIP, including, without limitation, as a result of the termination of the an Eligible Employee's or Participant's employment by the Company or any Group Company or other affiliate for any reason whatsoever and whether or not in breach of contract, and, upon commencing participation in this LTIP, the an Eligible Employee or Participant will be deemed irrevocably to have waived any such entitlement as might arise.

14.8 Overseas requirements

The Board may impose any other requirements in respect of any Company securities provided under this LTIP to any an Eligible Employee or Participant who is situated outside of Australia as it thinks necessary or desirable to comply with applicable laws, regulations or otherwise from time to time.