20 November 2023

Range Sale adds Financial Flex

NEED TO KNOW

- Range Gas Project sale adds financial flexibility
- September 2023 quarterly and FY23 review
- Studying helium recovery unit at Mereenie
- Sub-salt exploration program hits a snag

Range Gas Project sold for A$12.5m, net debt near zero: Central Petroleum (CTP) has announced the sale of the Range Gas Project for A$12.5m. The sale reduces net debt to near zero, adds financial flexibility and begins the rationalisation of the portfolio as CTP continues its strategic review.

September-quarter and full-year results: Northern Gas Pipeline (NGP) disruption dampened volumes and softer East Coast prices drove a weaker September quarter. Full-year results were a net loss of $8m (including A$13.1m exploration expense). FY23 results captured 17% increased pricing offset by lower volumes due to NGP disruptions.

Mereenie looks to helium: CTP is working with US-based helium developer and producer, Twin Bridges, to evaluate a helium recovery unit at Mereenie, targeting production of up to 60,000 scf/d of compressed helium gas.

Sub-salt exploration delayed by Peak default: There is large potential for helium and hydrogen, plus natural gas, in the 'sub-salt' plays. While CTP had negotiated farmout arrangements with Peak Helium for costs for two of the new sub-salt exploration wells, Peak is in default and this will not proceed. CTP will work with Santos as operator regarding the future of the exploration program.

Investment Thesis

Cashflow from existing production assets, gas prices strong, high-priced helium potential: CTP's existing production assets generate a solid base of cashflow. PV12 provides increased supply capacity into the East Coast spot gas market, adding higher-priced gas into the portfolio. The Mereenie helium option adds the potential for a high-priced commodity to the portfolio. Gas supply issues continue, with gas buyers prepared to pay higher prices for certainty of supply.

Exploration still appealing once sub-salt issues resolved: Amadeus Basin, with its large sub-salt targets, has gas, helium and hydrogen potential.

Strategic review – assessing future options: With gas supply tight and demand and prices likely to remain strong, CTP still has several options for unlocking undervalued assets.

Base-Case Valuation: A$0.15 (Previous A$0.22)

We have decreased our risked valuation to A$0.15/share after we reduced our FY2024 forecasts, increased our risk weighting on the operational assets and pushed out the exploration upside. **We note the current share price of A$0.042 implies a gas price of A$5.22 per GJ compared to CTP's last average quarterly price of A$7.41/GJ, thus implying a significant discount to current operations.** We believe that the share price does not adequately reflect the value of the existing assets alone and also does not reflect the potential of increased production from existing assets and any exploration success.

Risks

Key risks include production issues, NGP availability, continuing government gas policy uncertainty, outcomes of the company's ongoing strategic review, and exploration disappointment.

Equities Research Australia

Energy

Michael Bentley, Senior Analyst
michael.bentley@mstaccess.com.au

Central Petroleum (CTP) is the NT's largest onshore gas operator, with a portfolio of gas and oil assets focused on the Amadeus Basin and a significant coal seam gas (CSG) project in Queensland's Surat Basin. Its strategy is to unlock and commercialise the vast energy potential of the Central Australian basins to take advantage of a predicted tight supply/demand balance in the domestic gas market.

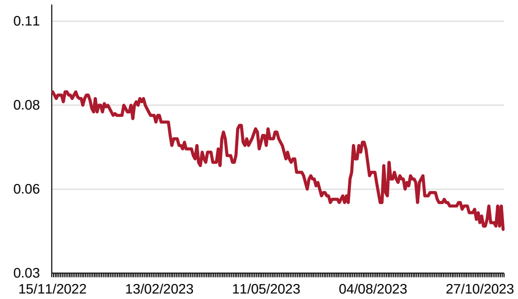
https://centralpetroleum.com.au/

Valuation	**A$0.15** *(previous 0.22)*
Current price	**A$0.042**
Market cap	**A$33m**
Cash (Net Debt)	**A$(14.5m)** *(30 September 2023)*

Upcoming Catalysts and Newsflow

Period	
End-CY23	Strategic review outcome
Late CY23	Sub-salt exploration JV restructure

Share Price (A$)

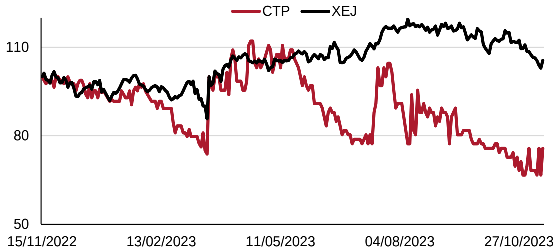


Source: FactSet, MST Access.

Central Petroleum Limited (ASX:CTP) A$0.048ps

Share Price	A$/sh	0.04
52 week high/low	A$/sh	0.08/0.04
Valuation	A$/sh	0.15
Market Cap (A$m)	A$m	30.6348
Net Cash / (Debt) (A$m)	A$m	(2) (After Range Sale)
Enterprise Value (A$m)	A$m	33
Shares on Issue	m	729.4
Options/Performance shares	m	22.8
Potential Diluted Shares on Issue	m	752.2

CTP Relative to XEJ 12 months



Ratio Analysis	2021A	2022A	2023A	2024	2025	2026	2027
EPS (A¢)	0.03	2.88	(1.09)	2.61	2.17	2.39	2.29
P/E (x)	345.4	3.8	(4.8)	1.8	2.2	2.0	2.1
EPS Growth (%)		8398%	n/a	-339%	-17%	10%	-4%
CFPS (A¢)	3.26	0.49	(0.28)	3.61	3.34	3.70	3.74
P/CF (x)	3.6	22.4	(18.8)	1.3	1.4	1.3	1.3
DPS (A¢)	–	–	–	–	–	–	–
Dividend Yield (%)	–	–	–	–	–	–	–
EV / EBITDA (x)	6.2	2.8	16.5	0.8	0.6	0.0	0.0
EV / boe (x)	66.6	101.9	64.0	23.6	15.4	0.0	0.0
EV / PJe (x)	11.1	17.0	10.7	3.9	2.6	0.0	0.0
FCFPS							
FCF Yield (%)							

Assumptions (Yr end Jun)	2021A	2022A	2023A	2024	2025	2026	2027
Brent Oil Price (US$/bbl)	52.80	88.76	85.00	79.1	78.0	79.6	81.2
Exchange Rate (A$1:US$)	0.747	0.725	0.700	0.700	0.700	0.700	0.700
Gas Price (A$/GJ)	5.81	7.39	7.46	7.65	7.80	7.96	8.12

Production	2021A	2022A	2023A	2024	2025	2026	2027
Gas (TJ/d)	27	13	13	15	18	18	18
Gas (PJ)	9.8	5.0	4.7	5.5	6.4	6.5	6.4
LPG (kt)	–	–	–	–	–	–	–
Oil / Condensate (mmbbl)	0.08	0.04	0.03	0.03	0.03	0.03	0.03
Total (mmboe)	**1.72**	**0.87**	**0.82**	**0.94**	**1.09**	**1.11**	**1.10**
Gas (mmboe)	1.64	0.84	0.79	0.91	1.06	1.08	1.07
LPG (mmboe)	–	–	–	–	–	–	–
Oil / Condensate (mmboe)	0.08	0.04	0.03	0.03	0.03	0.03	0.03
Year End Reserves 2P (mmboe)	**26.1**	**12.6**	**12.9**	**12.0**	**10.9**	**9.8**	**8.7**

Reserves and Resources As at 30 June 2023	Working Interest	1P Gas (PJ)	2P Gas (PJ)	1P Liquids (mmbbl)	2P Liquids (mmbbl)	2C Gas (PJ)	2C Liquids (mmbbl)
Mereenie (OL 4 / OL 5)	25%	28.7	37.5	0.37	0.41	45.6	0.05
Palm Valley (OL 3)	50%	12.6	13.4	–	–	4.6	
Dingo (L7)	50%	19.4	21.9	–	–	–	
Total		**60.8**	**72.8**	**0.37**	**0.41**	**50.2**	**0.05**

NET ASSET VALUE (WACC 10.0%) 1 Nov 23	A$m	Risking	A$m	A$ps
Mereenie - OL4 & OL5 (25%)	49	90%	44	0.06
Palm Valley - OL3 (50%)	23	90%	21	0.03
Dingo - L7 & PL30 (50%)	34	90%	30	0.04
Total Operations	**105**		**95**	**0.13**
Net Cash / (Debt)	13	100%	13	0.02
Admin / Corporate / Other	(17)	100%	(17)	(0.02)
Exploration (risk-adjusted)	26	50%	13	0.02
Mereenie & Palm Valley 2C gas (risked)	18	50%	9	0.01
TOTAL VALUATION	**144**		**112**	**0.15**

Source: CTP, MST Estimates

Profit & Loss (A$m)	2021A	2022A	2023A	2024	2025	2026	2027
Oil / Condensate Revenue	5	6	3.5	3	3	3	3
LPG Revenue	–	–	–	–	–	–	–
Gas Revenue	54	36	35	41	50	52	53
Total Sales	**60**	**42**	**38**	**45**	**53**	**55**	**56**
Operating Costs	(24)	(18)	(17)	(13)	(12)	(12)	(12)
Government Resource Taxes	(4)	(3)	(3)	(3)	(4)	(4)	(4)
Exploration & Development Expenses	(8)	(21)	(13)	(6)	(3)	(3)	(2)
Other Net Income / Expense	(5)	33	(1)	6	(7)	(7)	(7)
EBITDA	**18**	**32**	**3**	**29**	**27**	**29**	**30**
EBITDAX	**26**	**16**	**12**	**35**	**30**	**31**	**33**
Depreciation & Amortisation	(13)	(7)	(7)	(7)	(9)	(10)	(11)
EBIT	6	26	(4)	22	18	19	20
Net Interest Expense	(6)	(4)	(4)	(1)	0	2	3
Pretax Profit	0	21	(8)	19	16	18	17
Tax Expense / Benefit	–	–	–	–	–	–	–
Net Attributable Profit	**0**	**21**	**(8)**	**19**	**16**	**18**	**17**
Reported Profit	0	21	(8)	19	16	18	17

Cash Flow (A$m)	2021A	2022A	2023A	2024	2025	2026	2027
Pretax Profit	0	21	(8)	19	16	18	17
D&A & Other Non-Cash Items	24	-18	6	7	9	10	11
Tax Paid	–	–	–	–	–	–	–
Cash from Operating Activities	**24**	**4**	**(2)**	**27**	**25**	**27**	**28**
Development Capex	(6)	(11)	(3)	(12)	(19)	(9)	(1)
Exploration Capex	(5)	(10)	(10)	(6)	(3)	(3)	(2)
Acquisitions/Other (Net of Sales)	0	28	0	13	–	–	–
Dividends Paid	–	–	–	–	–	–	–
Free Cash Flow	**16**	**21**	**(4)**	**27**	**5**	**18**	**26**
Cash Provided by Financing	(5)	(37)	(4)	(12)	(12)	–	–
Net Change in Cash	**11**	**(16)**	**(8)**	**15**	**(6)**	**18**	**26**

Balance Sheet (A$m)	2021A	2022A	2023A	2024	2025	2026	2027
Cash & short term deposits	37	22	14	29	23	41	67
Receivables	7	27	7	6	8	8	8
Inventories	2	4	4	7	10	14	18
Property, Plant and Equipment	54	54	60	66	79	80	73
Capitalised exploration	8	8	8	6	3	1	(2)
Intangibles and Goodwill	2	2	2	2	2	2	2
Other assets	64	5	4	4	4	4	4
Total assets	**174**	**122**	**98**	**121**	**129**	**150**	**171**
Creditors	10	14	3	9	10	11	11
Borrowings	67	31	28	12	–	–	–
Other liabilities	93	51	48	62	64	67	71
Total liabilities	**170**	**96**	**79**	**82**	**74**	**78**	**81**
Shareholder equity	4	27	19	39	55	72	89
Shareholder Equity + Total Liabilities	174	122	98	121	129	150	171

Range Gas Project Sold – Generates A$12.5m, Increases Financial Flexibility

CTP announced the sale of the Range Gas Project in November – the first outcome under the company's current strategic review. On completion of the sale (end of November), CTP will receive $12.5m.

Sensible decision with lots of pluses – net debt now near zero

We consider the decision to sell Range a sensible one for CTP, and see several positive outcomes from this sale. The sale of Range:

- reduces net debt to around zero
- will not require any cash tax to be paid
- increases CTP's financial flexibility and capacity to invest in the portfolio
- removes uncertainty about Range's long-term viability and potentially large capital development cost
- removes any further funding requirements for Range
- reduces CTP's environmental liability
- allows the company to focus on its Amadeus Basin expertise and growth.

Good progress at Range – but first cashflow was years away

The asset was progressing well, but CTP faced a number of years of capital outlay before first cashflow.

Production testing of 3 pilot wells at the asset continued over the previous quarter, providing key information regarding reservoir productivity, gas desorption, zonal contribution and the initial production profiles of gas and water ramp-up. Range 6, 9 and 10 have been on pump for over 1.5 years.

Gas production had been increasing steadily, with rates averaging 112,000 scfd for the September quarter, up from 87,000 scfd in the March quarter. Rates had reached 130,000 scfd by the end of the quarter.

Post the sale of Range, the new owner Senex is planning to drill new pilot wells in the northeast of the permit.

Figure 1: Range pilot testing

Source: CTP.

September 2023 Quarter: NGP Disruptions and Softer Prices, but Cashflow Generation Solid

The September-quarter outcomes represented a reasonable result following on from strong June and March quarters. The PV12 well continued to perform strongly, and CTP's entire production base experienced 98% availability. CTP's safety record is exceptional – its Total Recordable Injury Frequency Rate (TRIFR) over the past 12 months was zero, a clear achievement.

In the past year, it has become increasingly clear that the Northern Territory and Mt Isa now face significant gas supply challenges and that going forward, demand is strong and supply challenged in the East Coast market. The supply–demand dynamic has provided a strong gas market for CTP, with robust demand and stronger term gas prices driving the result for the quarter.

September quarter a bit weaker on NGP issues, softer pricing; December quarter looks better

Volumes: down 2.5% qoq – small NGP disruption, strong PV12 production

CTP's Mereenie field was producing at close to capacity during the quarter, with some disruption from a temporary outage of the Northern Gas Pipeline (NGP). There was some natural decline in the Palm Valley field.

Sales volumes in the quarter were 1.25 PJe, 2.5% lower than the June quarter, but 7.5% higher than the corresponding September quarter in CY2022 due to the successful PV12 well.

Sales price takes a breather – 11.5% lower than June

The average price received decreased 11.5% qoq, with CTP realising A$7.41/GJe vs. A$8.37/GJe. East Coast winter demand conditions were softer but demand for gas in northern Australia remains strong due to declining gas supply from offshore fields.

Lower volume + lower price = revenue down 14% qoq

The combination of lower volumes and lower pricing saw revenue of A$9.24m for the quarter, 14% lower than the prior quarter.

Gas pricing took a break in September Quarter

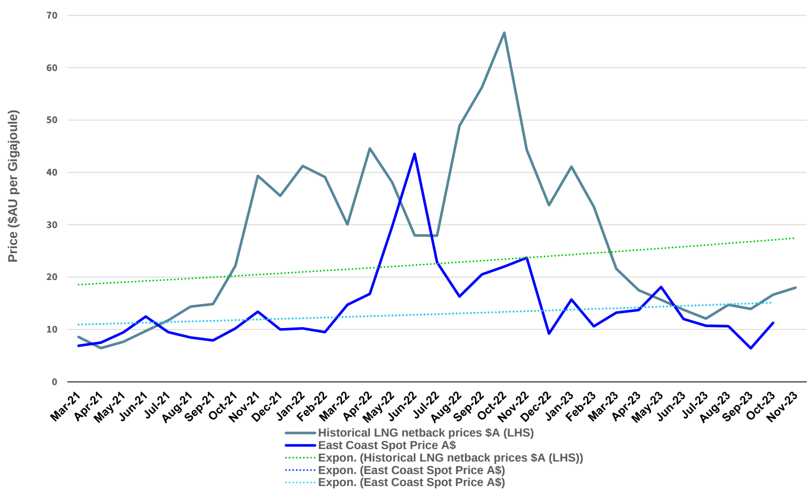
The East Coast gas prices took a break during the September quarter, with prices hitting a low in September of A$6.40/GJ (the lowest price since January 2021).

The December quarter has seen prices recover, with October closing at A$11.25/GJ. The Sydney gas price at 14 November was trading at $13.55/GJ.

The LNG netback price has averaged A$20.13 for 2023, with forward CY2024 prices trading higher at around A$24/GJ.

Assuming minimal NGP disruptions, and in light of improved pricing, we see a better December quarter for CTP.

Figure 2: East Coast gas prices and LNG netback



Source: ACCC, AEMO.

Funding: Range sale moves CTP close to net zero debt

Net debt position close to zero post Range sale: Net debt was $14.5m at 30 September 2023, compared to $14.3m at 30 June 2023. CTP expects to receive $12.5m from the sale of the Range CSG Project in Queensland by late November 2023, moving net debt close to zero.

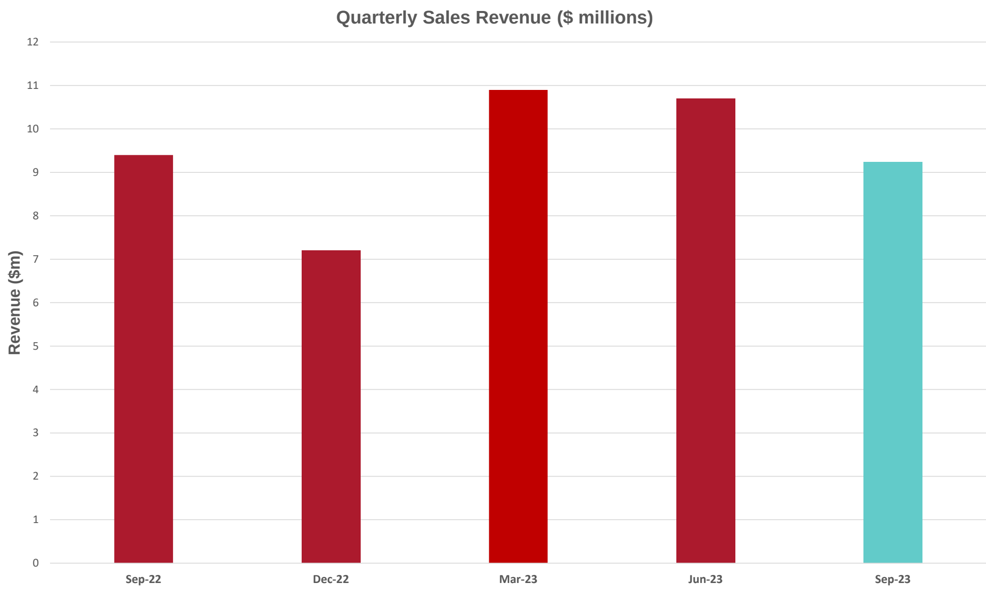
Despite lower price and volume, strong operational cash flow of $2.7m for the quarter was posted. The cash balance decreased $1.3m as there was $1.2m in exploration, $1.0m in capex for the Mereenie Flare project, and a debt repayment of A$1.7m.

Free carry position: Under the carry arrangements relating to the partial asset sale, the new joint venture partners at Mereenie, Palm Valley and Dingo agreed to pay $40m of CTP's share of certain future exploration and development costs in those fields. At the end of September 2023, $0.3m remained available for future use, which will be invested in Mereenie well recompletions and the flare gas recovery project.

Figure 3: Quarterly sales volume: despite NGP outage, volumes still third best of last 5 quarters (PJe)

Source: CTP.

Figure 4: Quarterly revenues: softer pricing and lower volumes ($m)



Source: CTP.

FY2023 Full-Year Review: Revenue Up on Pricing But NGP Outages Reduce East Coast Volumes

The context – a turbulent year with government intervention

FY23 was an interesting year both for the domestic gas markets in Australia and for CTP. Government intervention into the gas market saw an initial price cap of A$12/GJ placed on uncontracted volumes, only for this to be revised later, with smaller producers such as CTP exempted from the cap from late 2023. Such intervention from the government did little to help equity market confidence in domestic gas stocks, particularly those at the smaller end. The net effect of the government's actions has been to slow investment in the sector and create even more supply issues in the domestic gas markets.

Overview of FY2023 results

FY23 results are not directly comparable to FY22, as CTP farmed out 50% of its producing assets in FY22, meaning that for one quarter of FY22 ownership levels were higher than for full-year FY22. We have reviewed the key components of the FY23 results below and, where relevant, have compared them to FY22 on a 'like-for-like' basis.

Figure 5: Full-year results table (2023 actual and forecast; 2022 actual)

Profit & Loss (A$m)	MST 2023F	CTP Actual FY2023	Comment FY23 v FY 22
Production			
Gas (PJ)	4.9	4.7	FY22 includes part year at higher ownership levels
Oil / Condensate (mmbbl)	0.03	0.03	
Oil / Condensate Revenue	3.5	3.5	
LPG Revenue	–	–	
Gas Revenue	34.7	34.7	
Total Sales Revenue	**38.2**	**38.2**	FY22 includes higher ownership. Higher prices FY23.
Operating Costs	(10.2)	(17.2)	
Government Resource Taxes	(2.9)	(2.9)	
Exploration & Development Expenses	(14.3)	(13.5)	
Other Net Income / Expense	(7.7)	(1.4)	FY22 profit on sale of ownership.
EBITDA	**3.2**	**3.2**	
EBITDAX	**17.1**	**12.2**	
Depreciation & Amortisation	(6.5)	(6.9)	
EBIT	(3.4)	(3.7)	
Net Interest Expense	(3.0)	(4.3)	
Pretax Profit	(6.4)	(8.0)	
Tax Expense / Benefit	–	–	
Net Attributable Profit	**(6.4)**	**(8.0)**	
Reported Profit	(6.4)	(8.0)	

Source: CTP, MST estimates.

Production volumes – FY23 was 3% lower than FY22, like for like – NGP outage

The slight decrease in volumes occurred despite the successful commissioning of the new well, Palm Valley 12 (PV12). The key to the lower volumes was the significant outage of the NGP in 2Q and a minor outage in 4Q, restricting volumes that could be sold into the East Coast spot markets. 3Q saw the first full quarter of PV12 production and no outages from the NGP, resulting in the highest level of production for CTP in the last 5 quarters.

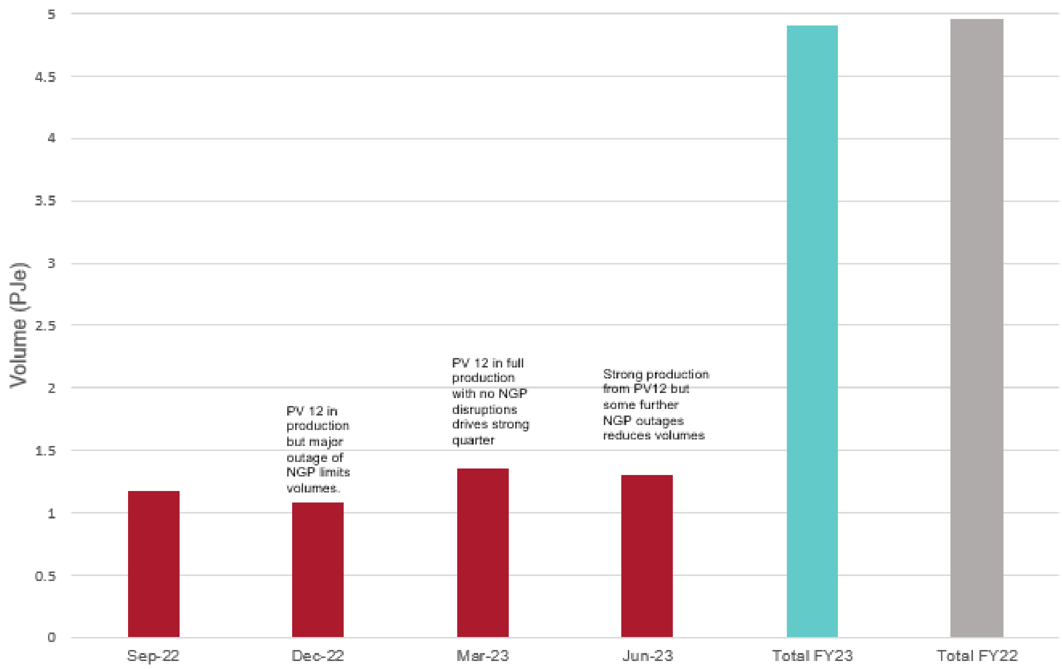
Sales price strong: up 17% yoy

Average price received increased 2.8% in 4Q, realising A$8.37/GJe vs. A$8.15/GJe in 3Q, supported by continued buoyant East Coast demand and strong market conditions for gas in northern Australia due to declining gas supply from offshore fields.

Despite a year of disruption from government policy uncertainties, the full-year average price received was 17% higher than FY22, at A$7.90/GJe in FY23 compared to A$6.73/GJe in FY22, reflecting tightening market conditions in Northern Australia and the East Coast.

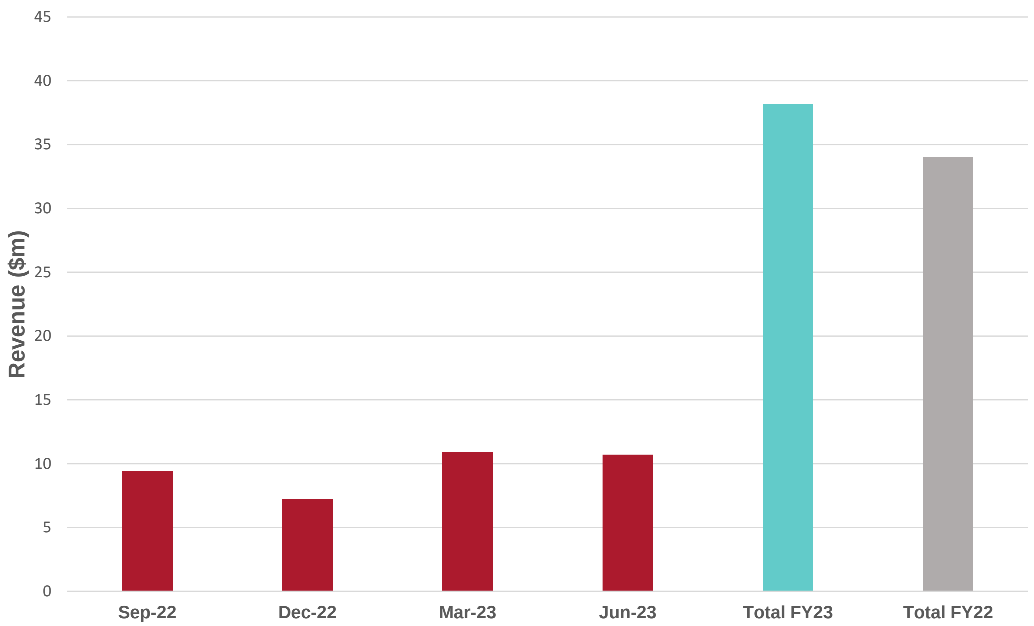
In the past year, it has become increasingly clear that the Northern Territory and Mt Isa are now facing significant gas supply challenges and that demand is very strong in the East Coast market. The supply–demand dynamic has provided a strong gas market for CTP.

Figure 6: Sales volumes, FY23 and FY22 (PJe)



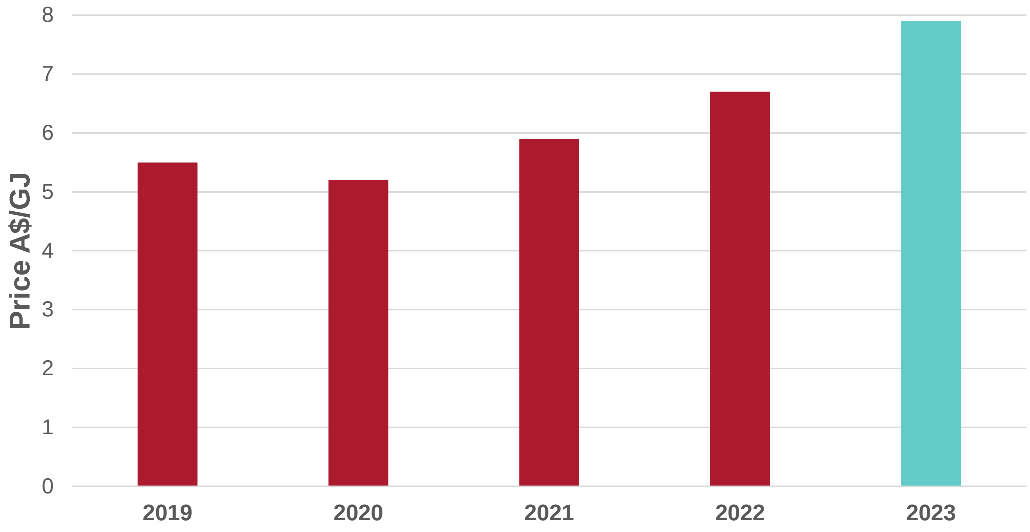
Source: CTP.

Figure 7: Sales revenue, FY23 and FY22 – like for like ($m)



Source: CTP.

Figure 8: Increasing sales price trend continues in FY23 (sales price portfolio average, A$/GJ)

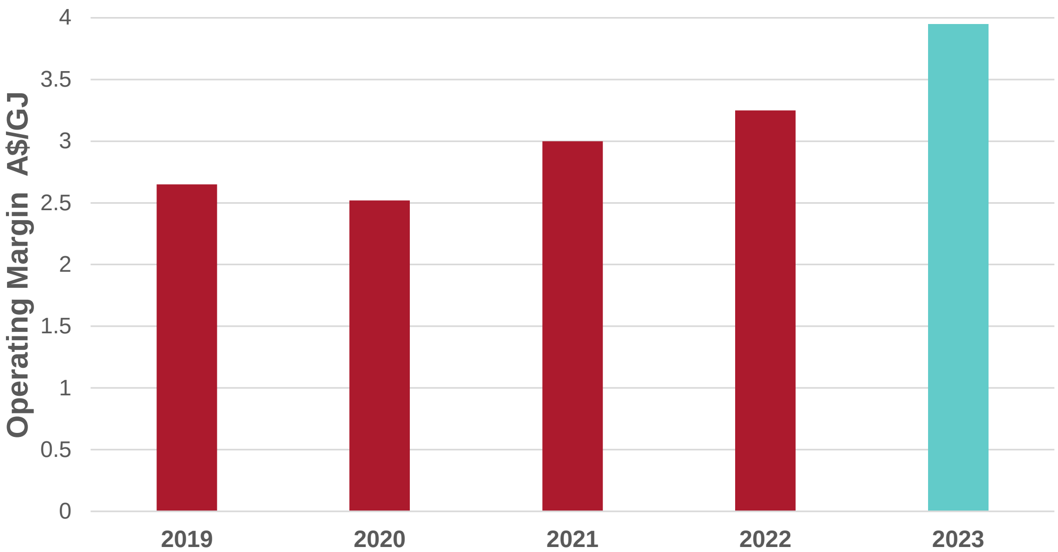


Source: CTP.

Operating margins continued to improve in FY23

FY23 saw operating margins continue to improve, driven by higher prices combined with good cost control.

Figure 9: Operating margin kept trending up in FY23 (A$/GJ)



Source: CTP.

Amadeus production assets: Mereenie and Palm Valley JVs

A recompletion program was undertaken at the Mereenie gas field in May–June, increasing gas production from the field by approximately 1.4 TJ/d (0.35 TJ/d net to CTP). Five existing wells which had previously produced from deeper zones were perforated to access gas in the shallower Pacoota 1 interval. The program was completed safely, under budget and faster than scheduled.

The sales capacity of the Mereenie field was approximately 30 TJ/d (100%) at the end of the quarter.

Planning is continuing to drill two new production wells in the next 12 months, subject to joint venture approval.

At Palm Valley 2 new production well locations have been identified and CTP is looking to build on the success at PV12 and PV13.

FY24 forecasts – Mereenie provides upside

We see FY24 returning to profitability as Mereenie production increases as a result of the recompletion and drilling program in CY2023.

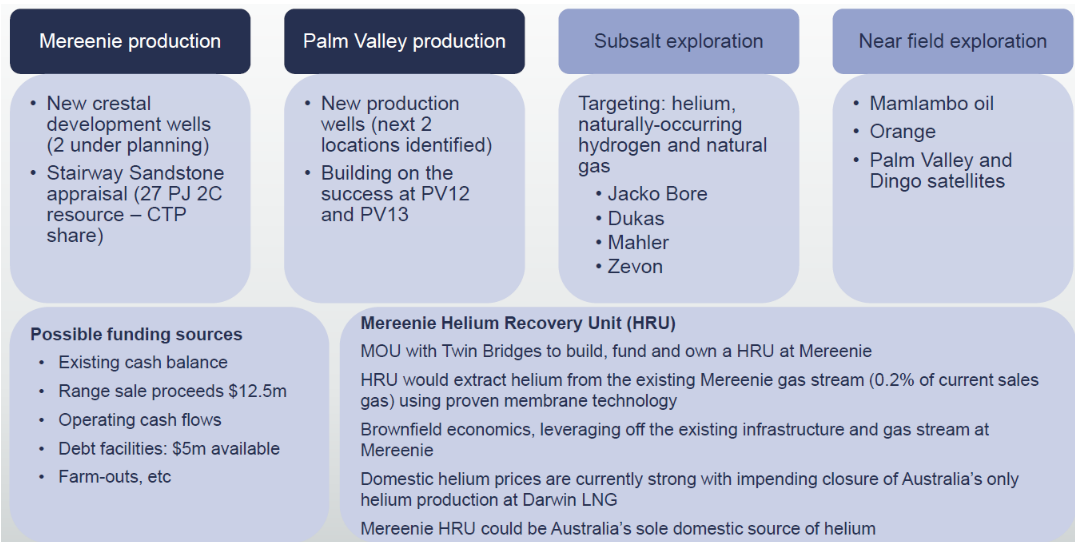
Figure 10: FY2024 forecast – potential upside to FY23*

Profit & Loss (A$m)	CTP Actual FY2023	MST Forecast FY2024
Production		
Gas (TJ/d)	13	15
Gas (PJ)	4.7	5.5
Oil / Condensate (mmbbl)	0.03	0.03
Total (mmboe)	**0.82**	**0.94**
Total Sales Revenue	**39.2**	**41.2**
Operating Costs	(17.2)	(12.6)
Government Resource Taxes	(2.9)	(3.4)
Exploration & Development Expenses	(13.5)	(5.7)
Other Net Income / Expense	(2.4)	9.9
EBITDA	**3.2**	**29.5**
EBITDAX	**12.2**	**35.2**
Depreciation & Amortisation	(6.9)	(7.3)
EBIT	(3.7)	22.1
Net Interest Expense	(4.3)	(0.8)
Pretax Profit	(8.0)	19.2
Tax Expense / Benefit	–	–
Net Attributable Profit	**(8.0)**	**19.2**

Note: *FY24 profit includes A$13,6m profit on sale of Range Gas Project.

Source: CTP, MST estimates.

Figure 11: CTP's key growth opportunities



Source: CTP.

Reserves Update – PV12 and Dingo Performance More than Replaced Production

CTP has added an additional 5.9 PJ of Proved and Probable (2P) gas reserves at 30 June 2023, an increase to 75 PJe (+8% before production, +2% after), to reflect recent drilling and production results at Palm Valley and updated reservoir modelling at the Dingo field. Upside potential at these fields includes contingent gas resources of 4.6 PJ at Palm Valley and 45.6 PJ at Mereenie, including gas contained within the Mereenie Stairway Sandstones.

Palm Valley

The successful Palm Valley 12 production well, which was brought online in late November 2022, has resulted in a 140% replacement (2P) of gas production in the last 12 months:

- 1P (proved) gas reserves were adjusted up 27% to 12.6 PJ (an increase of 3.0 PJ)
- 2P gas reserves were adjusted up 19% to 13.4 PJ (an increase of 2.4 PJ).

Dingo

Modelling of the Dingo field, updated to reflect strong ongoing field production performance, has significantly increased gas reserves, representing several additional years of gas production from Dingo:

- 1P gas reserves were adjusted up by 3.8 PJ (23%) to 19.4 PJ
- 2P gas reserves were adjusted up by 3.5 PJ (18%) to 21.9 PJ.

Mereenie Helium – Strong Market Dynamics

CTP has entered into a MOU with Twin Bridges, a private US company specialising in helium appraisal and production, to progress a helium recovery unit (HRU) at its Mereenie field towards a final investment decision (FID). The proposed HRU project will target production of up to 60,000 scf of compressed helium gas per day, separating helium from the existing natural gas produced at Mereenie.

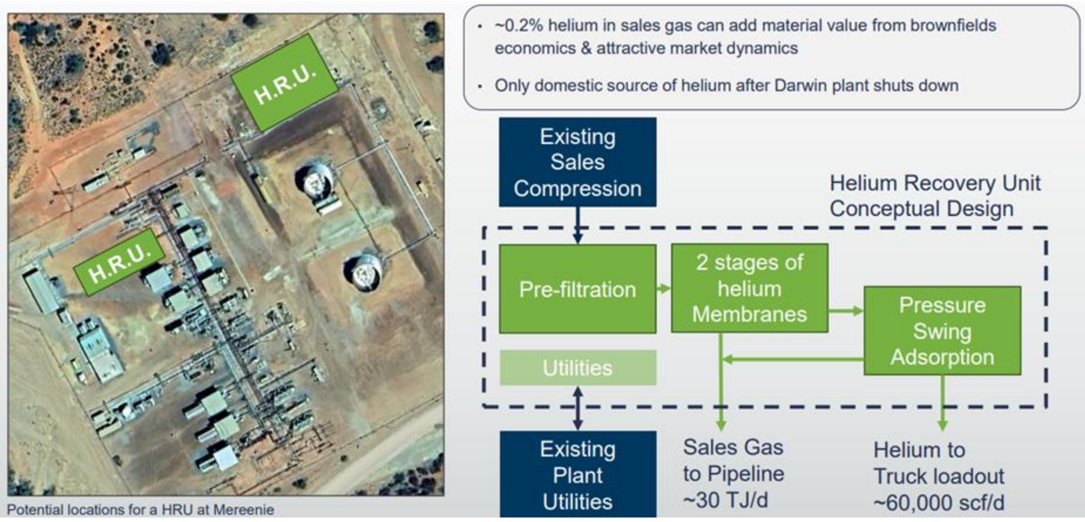
Preliminary technical studies and helium offtake negotiations have been completed indicating solid project economics, leveraging on the existing gas stream and infrastructure at Mereenie.

Under the proposed arrangements, Twin Bridges will design, build, fund and own the HRU, accelerating commencement of helium production and increasing project value through access to its proven helium processing and marketing expertise. Operating profit from the HRU project will be shared 50/50 between Twin Bridges and the Mereenie JV.

Helium pricing is currently very strong, with the impending closure of the Darwin LNG plant making the proposed Mereenie HRU Australia's sole source of domestically produced helium.

Successful production of helium at Mereenie would also demonstrate the potential of the Amadeus Basin as a world-class helium resource. CTP has a material position in several large sub-salt prospects in the basin where relatively-high helium content has previously been measured.

Figure 12: Considerations for potential HRU at Mereenie



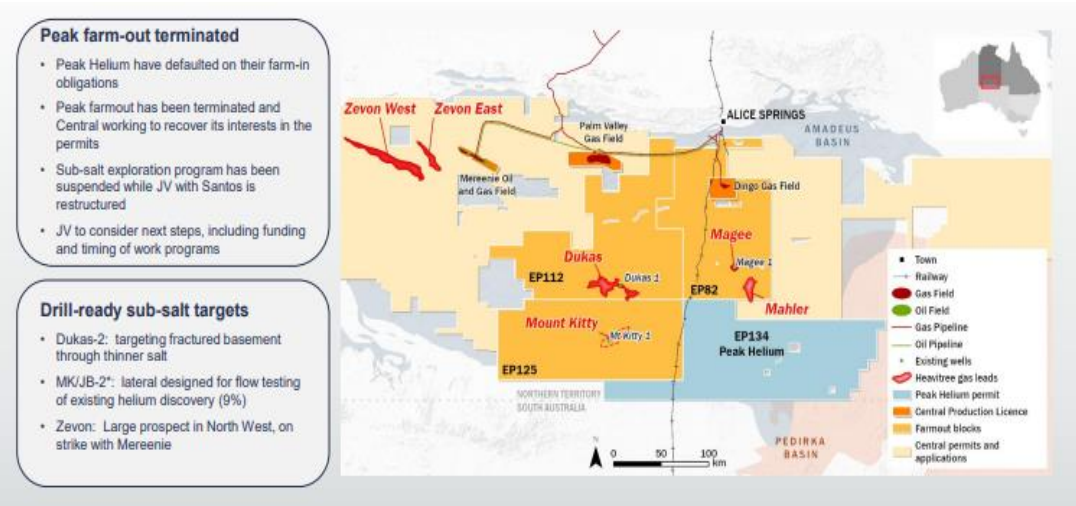
Source: CTP.

Amadeus Sub-Salt – Hits a Snag

What is the sub-salt? – a quick recap

CTP's key exploration play is the 3 sub-salt exploration wells which were planned for late 2023, targeting hydrocarbons, helium and naturally occurring hydrogen. Santos, as operator, has begun key activities for the 3-well program, including rig contracting, ordering long-lead items and environmental and land access approvals.

Figure 13: Southern Amadeus sub-salt exploration deferred after Peak Helium default



Source: CTP.

The original farmout plan: how sub-salt was to be funded for CTP

CTP was to be free carried (i.e., funded) by Peak Helium for 2 of the new sub-salt exploration wells (capped at $20m gross cost per well): at the Jacko Bore/Mt Kitty prospect (24% CTP, 56% Peak and 20% STO post-farmout) and at the Mahler prospect (29% CTP, 51% Peak and 20% STO post-farmout). A re-drill of the Dukas sub-salt prospect (35% CTP) was expected after these wells, in CY2024.

The current situation: Peak Helium – financial issues see exploration program delayed; CTP working with Santos for a solution

Planning for the drilling of a sub-salt exploration well in each of the 3 permits continued through the June quarter, but has now been postponed, as CTP has determined that Peak Helium is in default. Overdue payments of over $3m are owing to CTP from Peak Helium. CTP will continue to pursue Peak to recoup the monies owed.

The Peak farmout has been terminated, and CTP is working to recover its interests in the permits. The sub-salt exploration program has been suspended while the JV with Santos is restructured.

The JV will now consider its next steps, including funding and timing of work programs. CTP will now work with Santos as the operator regarding options that may be available to the exploration program and the structure of the joint venture.

Another possibility at Zevon: CTP having an initial look – 2D seismic

A 12-month permit extension has been granted at Zevon, with CTP holding a 100% interest.

A current 30km seismic program is underway with the results expected to help interpret previous seismic data and help define target drilling location.

The seismic represents a potential catalyst for a farmout transaction and CTP is actively seeking a farmout partner to help fund the Zevon sub-salt exploration well.

Strategic Review Due for Completion Shortly: Range Gas Sale First Major Decision

Following last year's Palm Valley 'deeps' exploration failures and cost overruns, a strategic review of CTP's portfolio commenced in September 2022, with CTP stated objective being 'to assess options for the Company's extensive portfolio of exploration, appraisal and production assets and examine further opportunities in the context of the current market and capital landscape'.

The strategic review began in the context of historically high global and East Coast spot gas prices as well as supply constraints, driven predominantly by Russia's invasion of Ukraine and disruptions to domestic coal-fired power generation capacity. Since this time, the market has had to reset given the government's market intervention – and the resulting investment uncertainty – and then a subsequent change to that policy, which looks favourable to the smaller producers such as CTP.

The sale of the Range CSG Project, announced on 13 November, is the first major portfolio rationalisation decision from the strategic review. The sale has generated A$12.5m cash and CTP's net debt position is now close to zero.

The Range sale indicates that CTP is focusing its attention on the Amadeus Basin where its expertise lies and beginning the process of simplifying the company. The cash generated significantly improves CTP's financial flexibility, further improving the base on which to build the strategic review.

CTP is aiming to complete the strategic review will be complete by the end of CY2023 or early CY2024.

Parameters of the strategic review

CTP has stated the strategic review will involve an extensive review of the portfolio and that it would include assessment of:

- the structure of the portfolio and potential sales of assets
- opportunities given the current gas markets
- optimisation of hydrogen and helium prospects
- expansion into other basins
- the Range Gas Project (which has now been sold).

Potential outcomes of the strategic review

What are the options for changes to CTP's portfolio?

The CTP portfolio has a range of production, appraisal and exploration assets predominantly in the Amadeus Basin (Northern Territory) and the Surat Basin (Queensland). CTP has options to restructure the portfolio in a number of ways. The options are outlined below.

Asset spinoff into new vehicle: There is significant shareholder interest in being paid dividends. As the operating assets are performing strongly and generating positive cash flow, there may be the opportunity to spin off the operating assets into a separate company and having the exploration assets in a separate vehicle.

Outright sale of the company: CTP may determine that the most rational action is to put the company as it exists up for sale.

Outright sale of certain assets: The strong global and local gas markets of 2022 have led to a number of transactions in the listed and trade markets. CTP may seek the opportunity to sell parts of the portfolio at valuations that are higher than the market is currently attributing to them. This process has commenced with the sale of Range.

Other corporate activity, which could include:

- a corporate merger with another industry participant
- the introduction of new joint ventures through sale or farmout of certain assets.

Relinquishing assets: After analysing past exploration results and taking into consideration the potential future costs and risks of exploration, appraisal and development, increasing regulatory hurdles and costs and recent government intervention in gas markets, CTP intends to surrender its interests in the Georgina Basin (Qld titles ATP 909, ATP 911 and ATP 912) and the Ooraminna Retention Licences (NT titles RL 3 and RL 4). Further review of assets may lead to further relinquishments.

What other strategic opportunities may arise from the review?

Opportunities in the current gas market: The strong gas markets of the last year have led to opportunities for CTP to deliver into the spot market and increase the average price received for its gas.

The company has signed new gas contracts including Shell and South 32.

Given the government's recent U-turn on its intervention in the gas markets, there may well be further opportunities to enhance the average gas price received through spot sales and as old contracts roll over or new gas is discovered.

Optimisation of hydrogen and helium prospects: CTP has exciting opportunities with potential hydrogen and helium assets. Hydrogen and helium represent critical elements in the development of clean energy and technology.

The Amadeus Basin is well recognised as a potential source for 'gold' hydrogen (naturally occurring and trapped within the earth) in sub-salt prospects. Sub-salt prospects are very complex, high risk, and have high exploration, appraisal and development costs. Hydrogen can be commercial on its own, or add significant value to a hydrocarbon play.

Expansion into other basins: There may be other assets in the relevant basins that would fit with the current portfolio or opportunities in other basins where CTP see its skills as being appropriate.

Government Policy: U-Turn Favourable for CTP

Recap: government review modifies rules, improving the situation for smaller domestic gas producers – including CTP

Since the Federal Government's 'intervention' into the gas market in 2022, the broader oil and gas industry has led a push with key regulatory agencies to resolve a myriad of uncertainties as to the rules of engagement for domestic gas market participants.

As a result of this engagement between industry and regulators, a consultation paper was released by the ACCC, which is newly empowered to set and control domestic gas prices. The paper outlines exemptions to price caps and 'reasonable price' tests for companies which are both:

- developing to supply the domestic markets
- small producers delivering <100 PJ pa.

On both tests, CTP would qualify for an exemption to the proposed 'code of conduct'.

The practical outcome is that CTP will be able to sell its gas to East Coast gas customers, on mutually agreeable terms, and is particularly relevant for increased gas production from the PV12 well which is available for sale into the spot ECGM.

The caveat is that the industry is apprehensive about the possibility of further government action by either party.

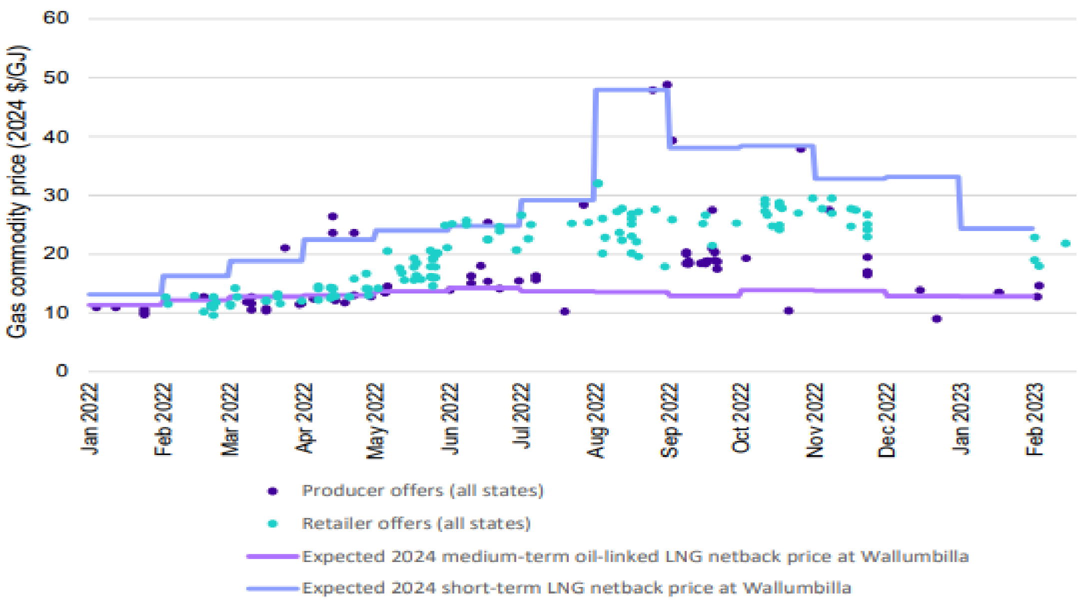
Industry response to new rules is cautious

Seven months after the initial Federal Government intervention, the ACCC's 'Industry Code of Conduct' is final. Some earlier draconian inclusions have been watered down or removed, following consultation which producers, consumers, and other stakeholders.

The final version of the Code appears to be a workable blueprint for the industry, and some industry participants that paused activities 7 months ago look set to resume development planning.

However, the industry mood appears to be one of cautious optimism, rather than exuberance, and producers looking to sink money into long-duration projects remain concerned about the regulatory process and the prospect of ongoing government intervention. As recently as 28 July, the Victorian Government announced its decision to ban gas installations in new residential construction from 1 January 2024. In our view, this is yet another example of unilateral action that will not help stimulate long-term supply in the regions where it is needed most.

Figure 14: East Coast gas prices



Source: ACCC Gas Inquiry 2017-2030: Interim update on east coast gas market (p. 42), June 2023.

Implications for CTP of these expected rule changes

Business implications: PV12 prices uncapped, potential for Mereenie

Practically all of CTP's gas production has been contracted before the date of 'intervention'. However, the PV12 well and the reopened NGP has enabled CTP to access high prices for 'spot' gas, which drove higher prices and revenue in the March quarter.

In the December 2022 quarter, CTP's average price achieved across all its volume was A$6.78/GJe; the PV12 contribution drove the average price to A$8.37GJe in the June 2023 quarter.

With the proposed change of rules, any spot gas CTP generates will effectively have an uncapped price. This includes PV12, as well as further production enhancements from Mereenie later in CY2023.

Strategic review implications: more time needed

CTP's strategic review began in September 2022. The market had anticipated a faster conclusion to the review, and it has taken longer than the company originally guided.

Strategic review timings are difficult to estimate, given their long-term implications and, in this case, CTP's broad range of assets (covering established production assets, exploration permits, sub-salt exploration targets and a coal seam gas project), which provides additional complexity.

The changes in government policy added some uncertainty to the gas market, with the result adding further time to the strategic review process. The strategic review is now set to be completed end of CY2023 / early CY2024.

Key fundamentals driving gas prices

The underlying fundamentals for CTP's gas market suggest continued robust pricing, mainly driven by:

- reduced offshore NT supply strengthening the Mt Isa and NT term markets
- forward term gas portfolio prices anticipated to increase as lower-priced legacy contracts end
- uncertain supply–demand dynamics going forward, with potential domestic shortfalls in the next few years.

Valuation: Operational Assets Show Value; Current Share Price Implies Significant Discount to Gas Prices Being Received

Base-case valuation of A$0.15 (previous A$0.22)

New valuation still suggests assets are undervalued and implies significant upside

We have reviewed our valuation considering the changed risk profile around both production and exploration. Our valuation is A$0.15 (previous A$0.22), suggesting that the market is placing a significant discount on assets that are cash generating operational assets. Our valuation also reflects the sale of Range for A$12.5m (our previous valuation was A$20m).

Our valuation is still significantly above the current share price of A$0.05.

Figure 15: Base-case valuation summary – fully diluted (A$ per share)

NPV	A$m Valuation Unrisked	Risking	A$m	Valuation A$ps	Previous Valuation	Change
Mereenie - OL4 & OL5 (25%)	49	90%	44	0.06	0.08	(0.02)
Palm Valley - OL3 (50%)	23	90%	21	0.03	0.04	(0.01)
Dingo - L7 & PL30 (50%)	34	90%	30	0.04	0.05	(0.01)
Project Range - ATP 2031 (50%)	–	–	–	–	0.04	(0.04)
Total Operations	**105**		**95**	**0.13**	**0.21**	**-0.08**
Net Cash / (Debt)	13	100%	13	0.02	(0.02)	0.03
Admin / Corporate / Other	(17)	100%	(17)	(0.02)	(0.05)	0.02
Exploration (risk-adjusted)	26	50%	13	0.02	0.02	(0.00)
Mereenie & Palm Valley 2C gas (risked)	18	50%	9	0.01	0.02	(0.01)
Dingo Deep & Palm Valley Deep (Prospective, Best)	–	–	–	–	0.04	(0.04)
TOTAL VALUATION	**144**		**112**	**0.15**	**0.22**	**-0.07**

Source: MST estimates.

Drivers of our valuation change

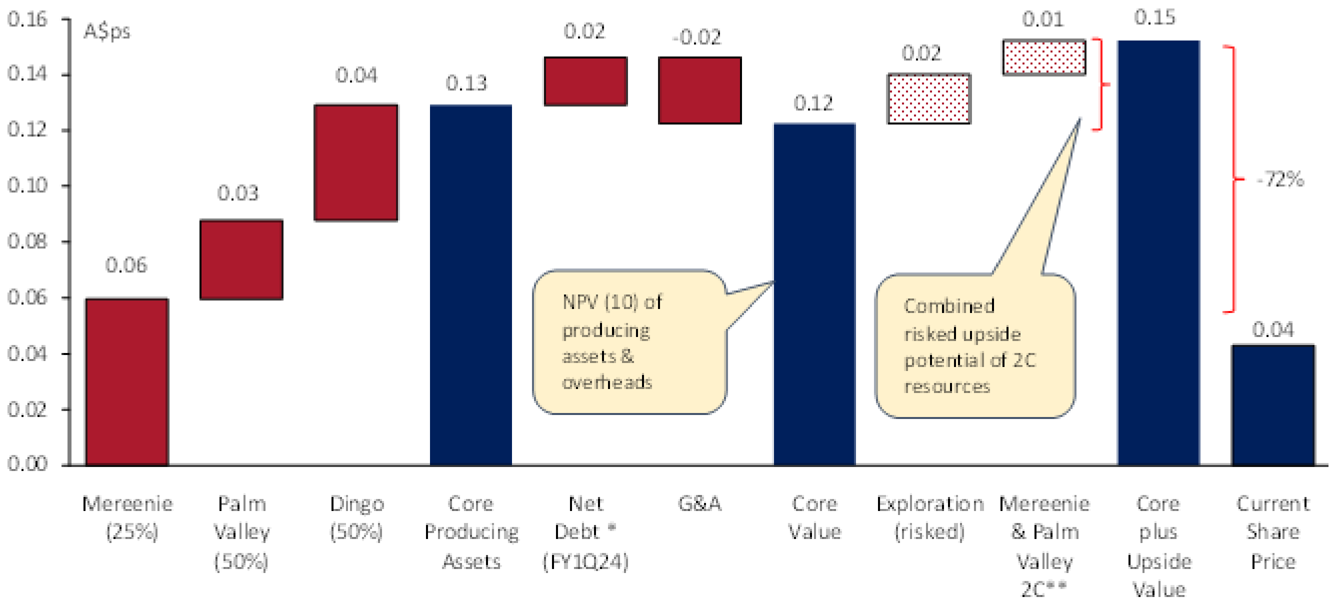
The decrease in valuation is driven by the following factors.

Increased risk profile for the operating assets. The Amadeus Basin assets provide underlying production, earnings and cash flow which we believe is fundamentally undervalued by the market. We have previously given the operating assets a risk probability weighting of 100%, but have changed this to 90%. This is because we consider there is some risk to our cashflow projections, given:

- *NGP disruptions:* Over the previous quarters the NGP has suffered several disruptions due to lack of sufficient gas in the pipeline or maintenance issues. Given the recent history of performance, we consider that there is some risk to our forecast sales into the East Coast market.
- *the government intervention in the gas market, which increased uncertainty on the gas price:* The market is uncertain whether the A$12/GJ price cap for large producers is a floor or a ceiling. Despite significant supply issues in the East Coast market, and our view that prices will remain elevated over the medium term, we consider it prudent to risk our pricing profile.
- *more difficult equity and debt market funding and an increased cost environment.*

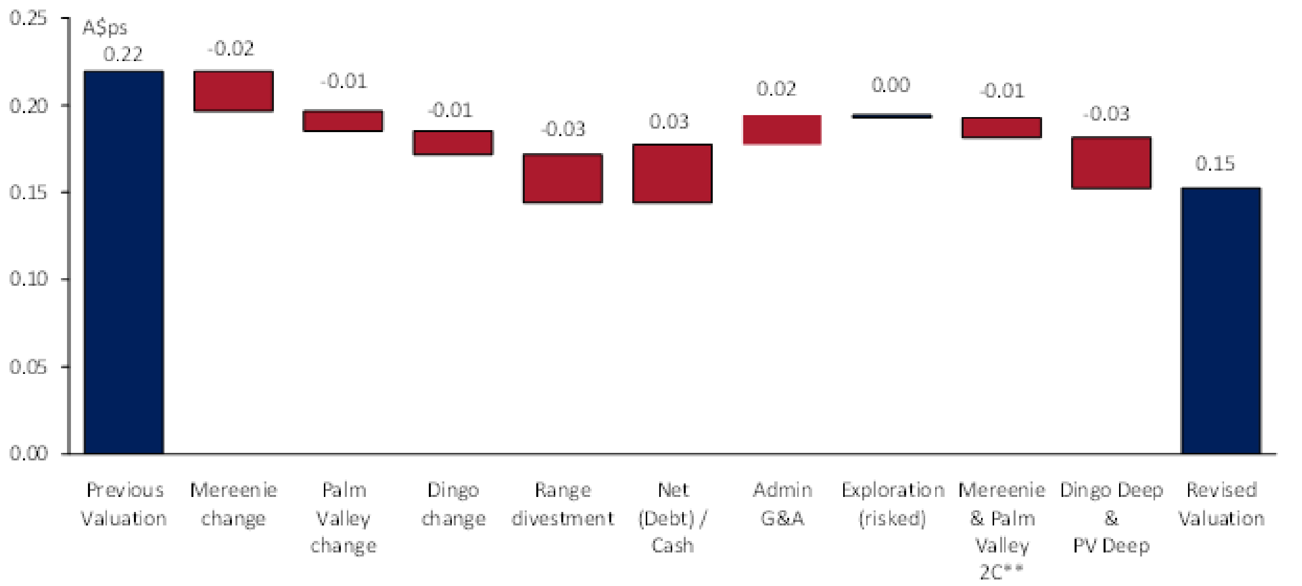
Increased risk profile of exploration and 2C Resources. We have downgraded the 'blue sky' part of our valuation – the exploration assets and Contingent Resources (Mereenie and Palm Valley). The deferral of exploration in the sub-salt prospects and the results of deep drilling has increased our risk weighting on the assets. We do, however, see some stronger probability in the shallow regions of PV due to the success of PV12.

Figure 16: Composition of valuation



*Source: CTP, MST estimates, SHA Energy Consulting. Note: * assumes Range sale proceeds. ** 2C risked at 50%.*

Figure 17: Change from previous valuation



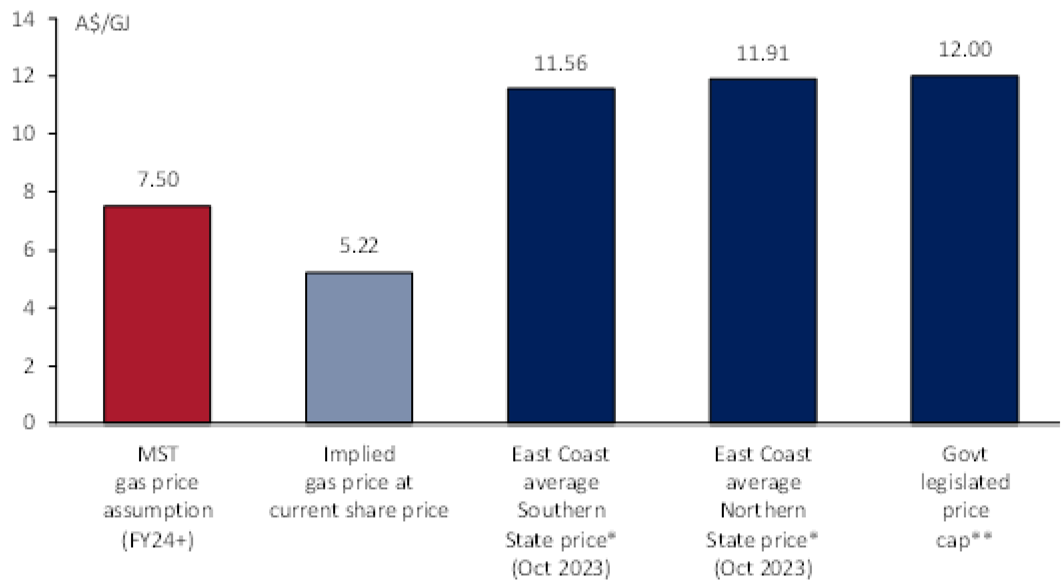
*Source: CTP, MST estimates, SHA Energy Consulting. Note: * assumes Range sale proceeds. ** 2C risked at 50%.*

Valuation cross-checks suggest CTP is undervalued

Gas price implied by current share price: A$5.22/GJ (vs A$7.41 received last quarter)

The current share price implies a gas price of A$5.22/GJ. CTP received an average price of A$7.41/GJe in the last quarter and A$8.37/GJe in the June quarter. The current share price assumes that CTP's average gas price received will be some 25% less than the last quarter over the life of the assets.

Figure 18: Share price–implied gas price vs forecast and East Coast prices



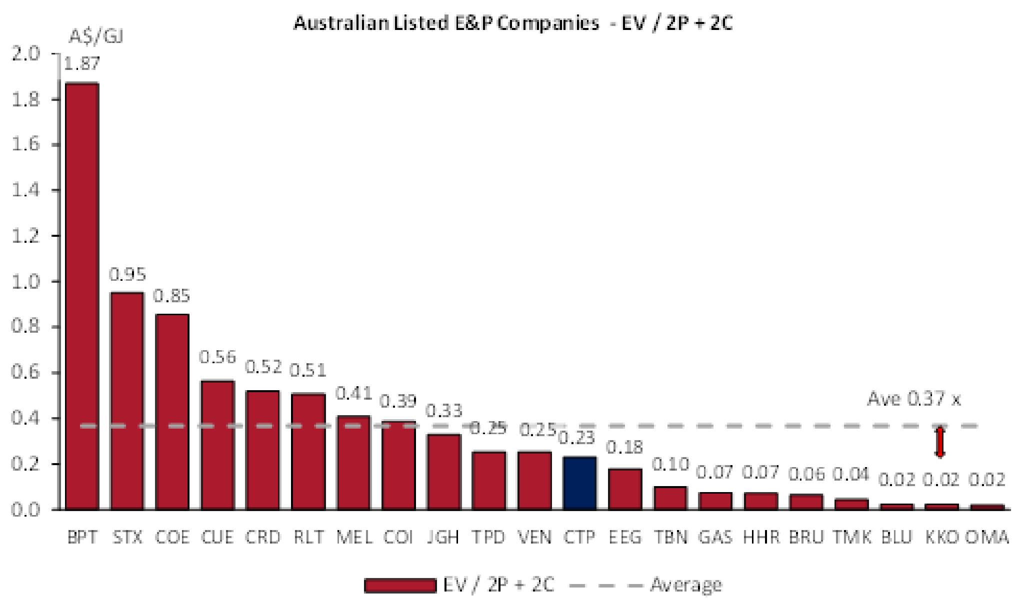
*Source: SHA Energy Consulting, MST estimates, CTP. Note: * AEMO, ** Gas Market Emergency Price Order.*

Enterprise Value to Resources suggests that CTP is undervalued: market average multiple implies A$0.074/share

An additional check on our valuation is to observe how the market values the Reserves and Resources of CTP and its ASX-listed peers (see Figure 19), using EV/2P+2C. This yields a lower alternative valuation than our NPV-based method, but it still reflects upside to the current share price, particularly if the 2P reserves base can be expanded.

This valuation metric shows the relative value the market attributes to the company's Reserve and Resource base. CTP is valued significantly below its peer average, with CTP's EV/2P+2C of 0.23 comparing to the average of 0.37. The peer average would see CTP valued at A$0.074 vs. the current share price of A$0.049 and our valuation of A$0.15.

Figure 19: Select Australian-listed energy stocks – EV/Resources



Source: SHA Energy Consulting, company filings. Note: Prices at 15/11/23, company filings at 1QFY24 or FY23. Calcs ignore liquids.

Upside potential to our valuation, driven by multiple sources

We see further upside potential to our base-case valuation from multiple sources, which include:

- exploration program – despite the disappointing results from the PV exploration deeps program last year, exploration and appraisal remains a source of potential value upside within CTP via the potential to increase Reserves and thus increase production and/or the life of the assets. We are particularly focused on the sub-salt exploration program, once the JV has a program established post the Peak Helium default. Our valuation reflects minor upside from exploration.
- establishment of helium production at Mereenie – we have not taken the potential value of helium into our valuation due to its early stage. We await further information of costs and validity of extraction before taking this into our valuation
- results of the strategic review
- higher level of sales into the spot market
- corporate activity in the energy sector.

Key risks

The disappointing exploration results at PV have shown the risk in exploration, and this remains a key risk to share price appreciation. As noted above our valuation only has minor upside valuation for exploration. upside. Other risks include to our valuation include:

- further outages to the Northern Gas Pipeline (NGP) and volume decreases
- government regulation affecting pricing
- the gas price, a key sensitivity for CTP's cash flow and valuation
- operational issues at existing assets, which would reflect poorly on management and decrease cash flow and valuation
- sub-salt exploration not proceeding due to further JV issues
- the strategic review failing to deliver value accretive actions
- difficulty accessing licence areas to acquire seismic and drill exploration and development wells, which may lead to delays. Despite having exploration tenure granted by the state/territory, CTP must negotiate access with various stakeholders and deal with rising regulatory compliance requirements. In recent years, this has impeded activity in the field, and contributed to rising costs
- social licence: CTP is a fossil fuel producer, an industry which has been subject to particular scrutiny in recent years as a result of climate concerns, government regulation, approval times and funding sources. A short-term consequence of this is its impact on investor sentiment, which flows through to CTP's ability to attract investors and capital providers.

Appendix 1: Resources and Reserves

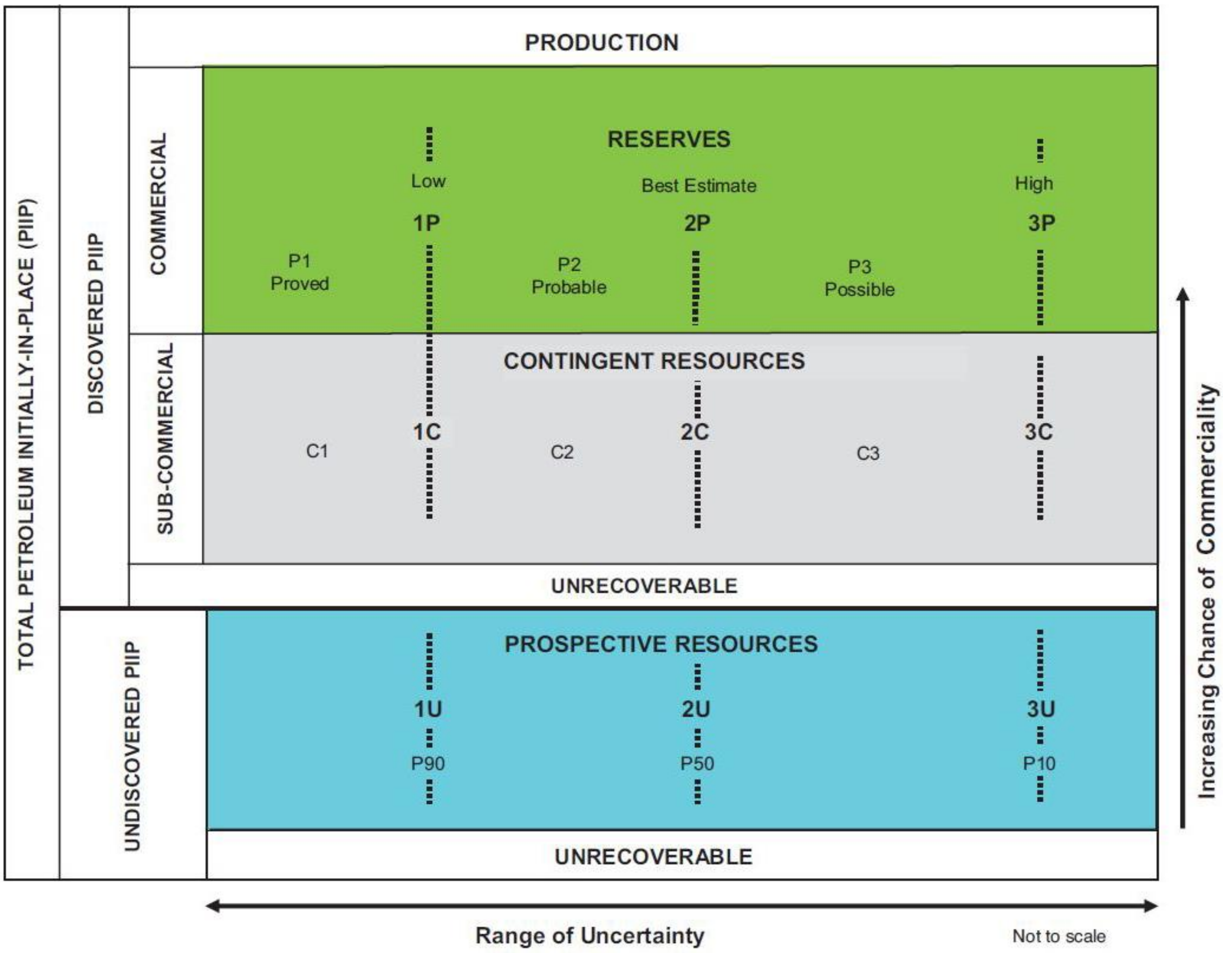
Figure 20 shows the three categories into which estimated quantities of potentially recoverable petroleum can be placed: Prospective Resources, Contingent Resources and Reserves. Within each category, three estimates are designated to describe the range, with greater certainty at the low end and less certainty at the high end.

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future projects.

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations but where the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies.

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. The categories within Reserves, in decreasing certainty, are Proved, Probable and Possible.

Figure 20: Resources and Reserves



Source: CTP.

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