# Central Petroleum

**CTP.AX**

A research platform of MST Financial

20 September 2024

# Locks in NT Gas Sales

## NEED TO KNOW

- New gas contracts lock in medium-term cashflow
- Sub-salt exploration partner a priority
- 4QFY24 – all the gas stays in NT

**New gas contracts lock in medium-term cash flow:** Issues with the Northern Gas Pipeline (NGP) have curtailed CTP's ability to sell gas into the East Coast gas market. As a result, Mereenie (CTP: 25%) called for EOIs for up to 40 TJ/day (~2/3 of NT gas sales) over 6 years to end of CY2030. The process was successful; new contracts mean expected firm production is fully contracted, locking in stronger pricing with minimal transport risks or costs.

**Sub-salt exploration key to upside; partner being sought:** Farmout discussions are progressing to fund exploration targeting helium, naturally occurring hydrogen and hydrocarbons in the permits.

**Full-year result: NGP dampens price and volume; 4Q sees NT sales kick in:** CTP reported a statutory NPAT of $12.4m for FY24 (underlying loss of A$1.4m), including a $13.8m profit on the sale of its interest in the Range CSG, compared to an underlying loss of $8.0m for FY23. FY24 saw lower revenues due to NGP outages, however, volumes recovered from the June quarter with a new sales agreement into the NT. Higher exploration in FY23, predominantly drilling the successful Palm Valley 12 well was the key driver of the larger underlying loss. CTP ended the year in a net cash position for the first time in a decade at A$0.8m, a A$1.2m improvement on December.

## Investment Thesis

**New contracts demonstrate NT gas market tightness, opportunities for growth with new wells; a major de-risking and rerating event for CTP:** CTP's recent signing of new GSAs has shown the tight gas market in NT. CTP has the opportunity to expand production from both Mereenie and Palm Valley to take advantage of this situation and lock in further volumes in the NT at attractive market-based pricing. The strategy largely eliminates the risk of pipeline closures which impacted FY2024 revenues and also leaves the option of selling into the East Coast when and if the NGP is operational.

**Mereenie sale suggests assets are substantially undervalued by market:** Macquarie's sale of its Mereenie stake suggests the market is undervaluing CTP's assets. The sale highlights that just one of CTP's producing assets is worth A$0.07/share, vs the current price at A$0.05.

**Balance sheet strong, cash flow focus, exploration optionality:** CTP is focusing on maximising cash flow and delivering on exploration, plus future dividend potential, giving CTP a lot of 'option' value at its current price.

## Valuation: A$0.15

The recent sale of Mereenie highlights our view that the share price does not adequately reflect the value of the existing assets, the potential of increased production from existing assets and/or any exploration success.

## Risks

Key risks include production issues, continuing government gas policy uncertainty and gas competition in the NT.

**Equity Research Australia**

**Energy**


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Central Petroleum 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. www.centralpetroleum.com.au

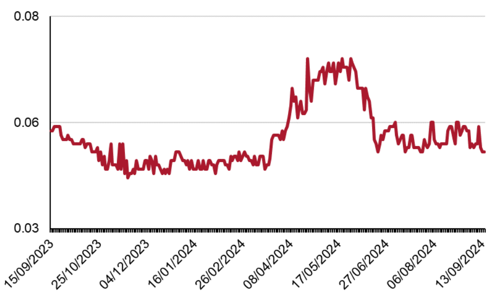
| | |
|---|---|
| Valuation | **A$0.150** *(unchanged)* |
| Current price | **A$0.051** |
| Market cap | **A$36m** |
| Net cash on hand | **A$0.8m** *(30 June 2024)* |

### Additional Resources

### Upcoming Catalysts / Next News

| Period | |
|---|---|
| 2HCY24 | Sub-salt farmout |
| 2HCY24 | Helium Unit FID |
| 2HCY24 | Stronger volumes – NT sales |
| 1HCY25 | NT Govt contract kicks in |

### Share Price (A$)




*Source: FactSet, MST Access*

## Figure 1: Financial summary, year-end 30 June

**Central Petroleum Limited (ASX:CTP)**

| Year-end 30 June | | |
|---|---|---|
| Share Price | A$/sh | 0.051 |
| 52 week high | A$/sh | 0.071 |
| 52 week low | A$/sh | 0.041 |
| Valuation | A$/sh | 0.15 |
| Market Cap (A$m) | A$m | 36 |
| Net Cash / (Debt) (A$m) | A$m | 0.8 |
| Enterprise Value (A$m) | A$m | 35.2 |
| Shares on Issue | m | 740.1 |
| Options/Performance shares | m | 23.5 |
| Potential Diluted Shares on Issue | m | 763.7 |

| Ratio Analysis | FY22A | FY23A | FY24A | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|---|
| EPS | 2.88 | (1.09) | 1.68 | 1.28 | 1.85 | 2.68 |
| P/E (x) | 3.8 | (4.8) | 3.1 | 3.9 | 2.7 | 1.9 |
| EPS Growth (%) | | n/a | -254% | -24% | 44% | 45% |
| CFPS (A¢) | 0.49 | (0.28) | 0.93 | 2.26 | 2.95 | 3.98 |
| P/CF (x) | 22.4 | (18.8) | 5.7 | 2.2 | 1.7 | 1.3 |
| DPS | – | – | – | – | – | – |
| Dividend Yield (%) | – | – | – | – | – | – |
| EV / EBITDA (x) | 2.8 | 16.5 | 1.6 | 1.8 | 0.0 | 0.0 |
| EV / boe (x) | 101.9 | 64.0 | 48.6 | 40.0 | 0.0 | 0.0 |
| EV / PJe (x) | 17.0 | 10.7 | 8.1 | 6.7 | 0.0 | 0.0 |

| Assumptions (Yr end Jun) | FY22A | FY23A | FY24A | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|---|
| Brent Oil Price (US$/bbl) | 87.17 | 84.87 | 83.88 | 76.5 | 78.0 | 79.6 |
| Exchange Rate (A$1:US$) | 0.725 | 0.673 | 0.656 | 0.656 | 0.656 | 0.656 |
| Gas Price (A$/GJ) | 7.47 | 7.76 | 7.25 | 7.75 | 7.91 | 8.07 |

| Production | FY22A | FY23A | FY24A | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|---|
| Gas (TJ/d) | 13 | 13 | 12 | 14 | 15 | 17 |
| Gas (PJ) | 5.0 | 4.7 | 4.4 | 5.2 | 5.3 | 6.2 |
| LPG (kt) | – | – | – | – | – | – |
| Oil / Condensate (mmbbl) | 0.04 | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 |
| **Total (mmboe)** | **0.87** | **0.82** | **0.76** | **0.89** | **0.92** | **1.07** |
| Gas (mmboe) | 0.84 | 0.79 | 0.73 | 0.86 | 0.89 | 1.04 |
| LPG (mmboe) | – | – | – | – | – | – |
| Oil / Condensate (mmboe) | 0.04 | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 |
| **Year End Reserves 2P (mmboe)** | **12.6** | **12.9** | **12.1** | **11.3** | **10.3** | **9.3** |

| 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) |
|---|---|---|---|---|---|---|
| Mereenie (OL 4 / OL 5) | 25% | 28.1 | 36.6 | 0.30 | 0.36 | 45.6 |
| Palm Valley (OL 3) | 50% | 10.9 | 11.7 | – | – | 4.6 |
| Dingo (L7) | 50% | 18.7 | 22.8 | – | – | – |
| **Total** | | **57.6** | **71.2** | **0.30** | **0.36** | **50.2** |

| NET ASSET VALUE (WACC 10.0%) | A$m | Risking | A$m | A$ps |
|---|---|---|---|---|
| Mereenie - OL4 & OL5 (25%) | 46 | 100% | 46 | 0.07 |
| Palm Valley - OL3 (50%) | 18 | 100% | 18 | 0.02 |
| Dingo - L7 & PL30 (50%) | 29 | 100% | 29 | 0.04 |
| **Total Operations** | **93** | | **93** | **0.13** |
| Net Cash / (Debt) | 1 | 100% | 1 | 0.00 |
| Admin / Corporate / Other | (20) | 100% | (20) | (0.03) |
| Exploration (risk-adjusted) | 23 | 50% | 11 | 0.02 |
| Mereenie & Palm Valley 2C gas (risked) | 32 | 65% | 21 | 0.03 |
| **TOTAL VALUATION** | **129** | | **107** | **0.15** |

**CTP Relative to XEJ 12 months**


| Profit & Loss (A$m) | FY22A | FY23A | FY24A | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|---|
| Oil / Condensate Revenue | 6 | 3 | 3.2 | 3 | 3 | 3 |
| LPG Revenue | – | – | – | – | – | – |
| Gas Revenue | 36 | 36 | 31 | 40 | 42 | 51 |
| **Revenue** | **42** | **39** | **34** | **43** | **46** | **54** |
| Operating Costs | (18) | (17) | (18) | (14) | (12) | (12) |
| Government Resource Taxes | (3) | (3) | (3) | (3) | (3) | (4) |
| Exploration & Development Expense | (21) | (13) | (4) | (3) | (3) | (3) |
| Other Net Income / Expense | 33 | (3) | 14 | (3) | (3) | (4) |
| **EBITDA** | **32** | **3** | **24** | **20** | **24** | **32** |
| **EBITDAX** | **16** | **15** | **14** | **22** | **27** | **34** |
| Depreciation & Amortisation | (7) | (7) | (8) | (7) | (8) | (10) |
| EBIT | 26 | (4) | 16 | 12 | 16 | 22 |
| Net Interest Expense | (4) | (4) | (3) | (1) | (0) | 0 |
| **Net Profit before-tax** | 21 | (8) | 12 | 9 | 14 | 20 |
| Tax Expense / Benefit | – | – | – | – | – | – |
| **Underlying NPAT** | **21** | **(8)** | **12** | **9** | **14** | **20** |
| Reported Profit | 21 | (8) | 12 | 9 | 14 | 20 |

| Cash Flow (A$m) | FY22A | FY23A | FY24A | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|---|
| **Pretax Profit** | 21 | (8) | 12 | 9 | 14 | 20 |
| D&A & Other Non-Cash Items | -18 | 6 | (6) | 7 | 8 | 10 |
| Tax Paid | – | – | – | – | – | – |
| **Cash from Operating Activities** | **4** | **(2)** | **7** | **17** | **22** | **29** |
| Development Capex | (11) | (3) | (3) | (18) | (23) | (11) |
| Exploration Capex | (10) | (10) | (3) | (3) | (3) | (3) |
| Acquisitions/Other (Net of Sales) | 28 | 0 | 12 | – | – | – |
| Dividends Paid | – | – | – | – | – | – |
| **Free Cash Flow** | **21** | **(4)** | **16** | **(1)** | **(1)** | **18** |
| Cash Provided by Financing | (37) | (4) | (5) | (4) | (4) | (4) |
| **Net Change in Cash** | **(16)** | **(8)** | **11** | **(5)** | **(5)** | **15** |

| Balance Sheet (A$m) | FY22A | FY23A | FY24A | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|---|
| Cash & short term deposits | 22 | 14 | 25 | 20 | 15 | 30 |
| Receivables | 27 | 7 | 5 | 7 | 7 | 9 |
| Inventories | 4 | 4 | 4 | 6 | 8 | 11 |
| Property, Plant and Equipment | 54 | 60 | 56 | 67 | 84 | 88 |
| Capitalised exploration | 8 | 8 | 8 | 5 | 2 | (1) |
| Intangibles and Goodwill | 2 | 2 | 2 | 2 | 2 | 2 |
| Other assets | 5 | 4 | 4 | 4 | 4 | 4 |
| **Total assets** | **122** | **98** | **104** | **111** | **123** | **142** |
| Creditors | 14 | 3 | 3 | 7 | 7 | 9 |
| Borrowings | 31 | 28 | 23 | 14 | 10 | 6 |
| Other liabilities | 51 | 48 | 45 | 48 | 50 | 51 |
| **Total liabilities** | **96** | **79** | **71** | **69** | **67** | **67** |
| Shareholder equity | 27 | 19 | 33 | 42 | 56 | 76 |
| Shareholder Equity + Total Liabilities | 122 | 98 | 104 | 111 | 123 | 142 |

*Source: CTP, MST estimates.*

# Major Milestone: Rock-Solid Gas Contracts Locked and Loaded;
# Cash Flow Generation to Fund Additional Production and Shareholder Returns

## Background to the new contracts

### CTP and partners called for expressions of interest

Central Petroleum (CTP) and its JV partners in the Mereenie gas field (CTP: 25%) issued calls for expressions of interest (EOIs) for the supply of up to 40 TJ/d or 90 PJs of gas (10 TJ/d or 22.5 PJs net to CTP) from mid-2024 to the end of 2030, approximately two-thirds of the gas requirements for the Northern Territory (NT).

The current deteriorating supply situation into the NT and closure of the Northern Gas Pipeline (NGP) were the key drivers of the decision to go to the market for long-term supply contracts. CTP also saw this as an opportunity to obtain sufficient certainty on cash flow and volume to support additional investment in drilling additional wells at Mereenie, facilitate debt extension and restructure and accelerate timing for future distributions.

From a customer point of view, most major energy users want future energy security as well.

### Near-term NT gas supply – offshore supply dwindling

The NT has historically had 2 key suppliers of gas:

- the Amadeus Basin (CTP and JV partners)
- the Blacktip offshore gas field.

Additional supply into the market has been periodically supplied by Darwin LNG 'tail (remnant) gas' and Inpex LNG.

**Blacktip field in decline:** The Blacktip field has been in steady decline since 2020 and has recently reached historic lows. Additional drilling is planned at the field later this year, but additional supply is not guaranteed.

**Darwin LNG tail gas reduced:** The Darwin LNG facility has produced its final LNG cargo and since late 2023 has been supplying some remnant 'tail gas' into the NT market from the offshore Bayu Undan field. Supply from this source appears to be exceeding expectations, but may be short lived.

**Other alternative supply not a long-term solution:** The alternative supply from other offshore sources, namely Darwin LNG (DLNG) and Inpex, appear to be expensive short-term fixes, as these options have a limited life and a relatively high cost, requiring higher prices.

CTP believe that engineering works have been completed to allow the NGP to be reverse-flowed (i.e. bring East Coast gas west to the NT), but emergency gas from the East Coast is likely to be significantly more expensive than local sources.

### Longer-term NT gas market – AEMO sees significant shortfall

The 2024 Gas Statement of Opportunities (GSOO) highlights an issue which, as described above, has been 12–18 months in the making: the stark gas supply shortfall now faced by the NT. The analysis highlights that, by 2026–2027, there will be a shortfall of approximately 8–13 PJ pa (~22–35 TJ/d), growing to ~15 PJ pa (~40 TJ/d) by 2031. The current NT gas market is around 80–90 TJ/d. Around mid-October 2021, supply from Blacktip peaked at ~92 TJ/d, but by May 2022the field was supplying only around 40–60 TJ/d. This has subsequently fallen further to around 15 TJ/d.

A key future supply risk is whether Blacktip gas production can ever be restored to previous historical levels. In the mid to longer term, gas from yet-to-be-developed fields in the onshore Beetaloo Basin could potentially fill this shortfall, although there is no certainty that these fields will reach FID.

### NT now short of supply after multiple NGP closures – silver lining for CTP

The outage of the NGP has once again highlighted a fundamental change in the gas market supply–demand balance in the NT. The Blacktip supply shortfall has meant that the minimum throughput threshold rate required for the Nitrogen Removal Unit (NRU) to operate (estimated at ~20 TJ/d) on the NGP is currently not being met, and therefore the NGP is shut-in for the foreseeable future.

There have been a number of NGP closures over the recent past, reducing CTP's capacity to supply gas into the East Coast market and obtain higher prices for its gas. CTP estimates that the closures cost it about $4m of lost revenue in FY2024. The current closure of the NGP also meant that CTP had to curtail its supply for a number of months, until new, alternative arrangements were secured, under which CTP has been redirecting gas to PWC in the NT since late April 2024.

The continued under-performance of the offshore Blacktip gas field, which supplies Darwin via a contract with NT Power and Water Corporation (PWC), has resulted in the NT gas marketsituation going from oversupply to undersupply . PWC is a government-owned corporation that effectively owns 100% of the capacity, but CTP has now, through this new deal, contracted directly with the NT Government for 6 years from January 2025.

CTP's ability to supply the East Coast market, and therefore access spot pricing for uncontracted gas, was curtailed (Mereenie and Palm Valley production reduced); however, the NGP outage has provided a silver lining: gas prices in the NT will likely increase and therefore provide an incentive to supply the NT with competitively priced onshore gas. Amadeus Basin gas not only have a transport cost advantage to Mt Isa compared to gas coming from Wallumbilla, but CTP's uncontracted gas volumes presented a competitive future source of relatively lower-risk, onshore gas supply.

Although details around the NTGovernment GSA pricing have not been disclosed, based on publicly available pipeline tariffs andthe Wallumbilla spot price, we expect a significant step-up from CTP's publicly disclosed current priceof ~A$7.90/GJe. The anticipated higher pricing is still very competitive compared to the high-priced emergency LNG tail gas the NT Government has been forced to buy, with short-term gas prices purportedly in the range of ~A$17–18/GJ. As CTP rolls off its legacy contracts, margins could increase by as much as $2/GJ from the ~$2.50/GJ previously attained.

## Gas contracts signed – perfect timing locks in volumes and secures cashflow; low counterparty risk

### A major catalyst for a re-rating

CTP's successful conversion of EOIs for gas sales into multi-year gas sales agreements (GSAs) with the NT Government has positive implications for its near-term outlook. The GSAs are perfectly timed as CTP has been able to both capitalise on, and play a key part in addressing, the looming gas supply shortfall in the NT.This signing ofGSAs with a low-risk offtake partner is a major achievement for CTP and represents a major milestone and de-risking event, which we believe should act as a major catalyst for a stock re-rating.

### Key advantages conferred by GSAs with the NT Government

- **The GSAs de-risk CTP's future cash flows** (lowering potential volatility and eliminating exposure to NGP closures), which underwrites new infill development wells to access proven, undeveloped reserves. In other words, the NT Government GSAs allow CTP to better plan and budget for development and appraisal activities, and field optimisation over the coming 12–18 months. Furthermore, they should help CTP to gradually mature its capital management initiatives.
- **CTP now has a greatly enhanced ability to confidently enter into a potential future debt extension and restructure** because the new GSAs do, in effect, underwrite the upcoming infill development drilling (FY25) at the producing Mereenie gas field, which subject to successful drilling outcomes, will strengthen its reserve position (i.e. convert existing discovered, non-producing reserves into producing reserves).
- **The deal is a major win for both parties.** The NT Government secures volumes of competitively priced gas (i.e. cheaper than emergency short-term re-routed LNG tail supply) from relatively lower-risk onshore supplies, while CTP gets to monetise a significant portion (~12 PJ) of its production over the next 6 years with low transportation risk at robust CPI-linked gas prices with a low-risk counterparty.

## Details of the GSAs

The 6-year gas supply deal (see Figure 2 for details):

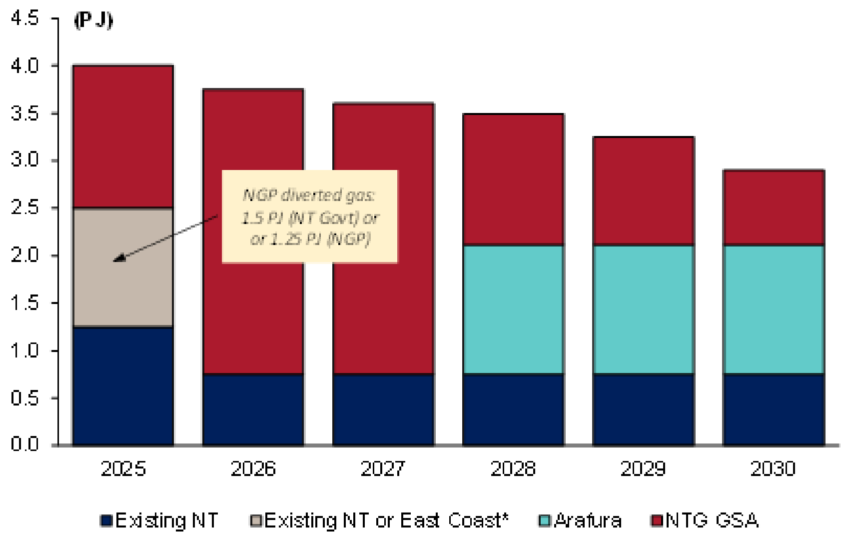
- ensures that CTP's onshore gas molecules (Amadeus Basin) have a more certain commercial pathway irrespective of whether the NGP is open, i.e. negates reliance on the NGP to access the East Coast market, while simultaneously preserving the option to do so once the NGP is operational again
- is structured as a base-load supply, with high levels of take-or-pay. This means CTP's expected firm production is fully contracted (including any additional production from two new Mereenie wells to be drilled next year), and will benefit from more consistent, firm sales at higher average CPI-linked gas prices
- importantly, in 2025 there is a volume of gas (~1.25-1.50 PJ) of 'NGP-diverted gas', which is essentially gas supply from Mereenie normally allocated for its East Coast customers in CY2025, but could be made available to the NT if there are ongoing interruptions to NGP operations in CY2025, i.e., the destination is flexible (Figure 3).

**Figure 2: CTP's firm contracted volumes**

| Firm Gas Contracts (PJ) | Total | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|---|
| Existing NT | 5.00 | 1.25 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 |
| Existing NT or East Coast* | 1.25 | 1.25 | | | | | |
| Arafura | 4.10 | | | | 1.37 | 1.37 | 1.37 |
| NTG GSA | 10.64 | 1.50 | 3.00 | 2.85 | 1.37 | 1.13 | 0.78 |
| Volume (PJ) | 20.99 | 4.00 | 3.75 | 3.60 | 3.49 | 3.25 | 2.90 |
| Indicative wgt gas price (A$/GJ) | 8.50 | 8.67 | 9.02 | 9.57 | 10.36 | 11.44 | 12.88 |
| Potential revenue (A$m) | 213.7 | 34.7 | 33.8 | 34.5 | 36.2 | 37.2 | 37.4 |
| Market cap (A$m) | | | 39.2 | | | | |
| NPV(10) of potential revenue (A$m) | | | 154.2 | | | | |
| Potential revenue as proportion of mkt cap (x) | | | 3.9x | | | | |

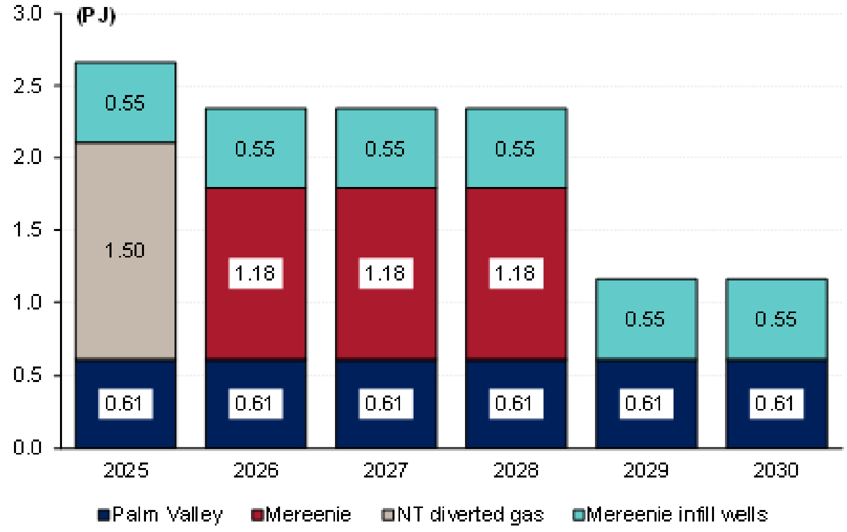
*Source: CTP, MST, SHA Energy Consulting. *NT diverted gas is subject to fuel (system use gas) if flowing on NGP*

**Figure 3: CTP's firm contracted volumes**




*Source: CTP – ASX release 29 July 2024, MST, SHA Energy Consulting.. *NT diverted gas is subject to fuel (system use gas) if flowing on NGP*

**Figure 4: NT Government contract profile**




*Source: CTP, ASX release – 29 July 2024, MST, SHA Energy Consulting. Note: *NT diverted gas is subject to fuel (system use gas) if flowing on NGP.*

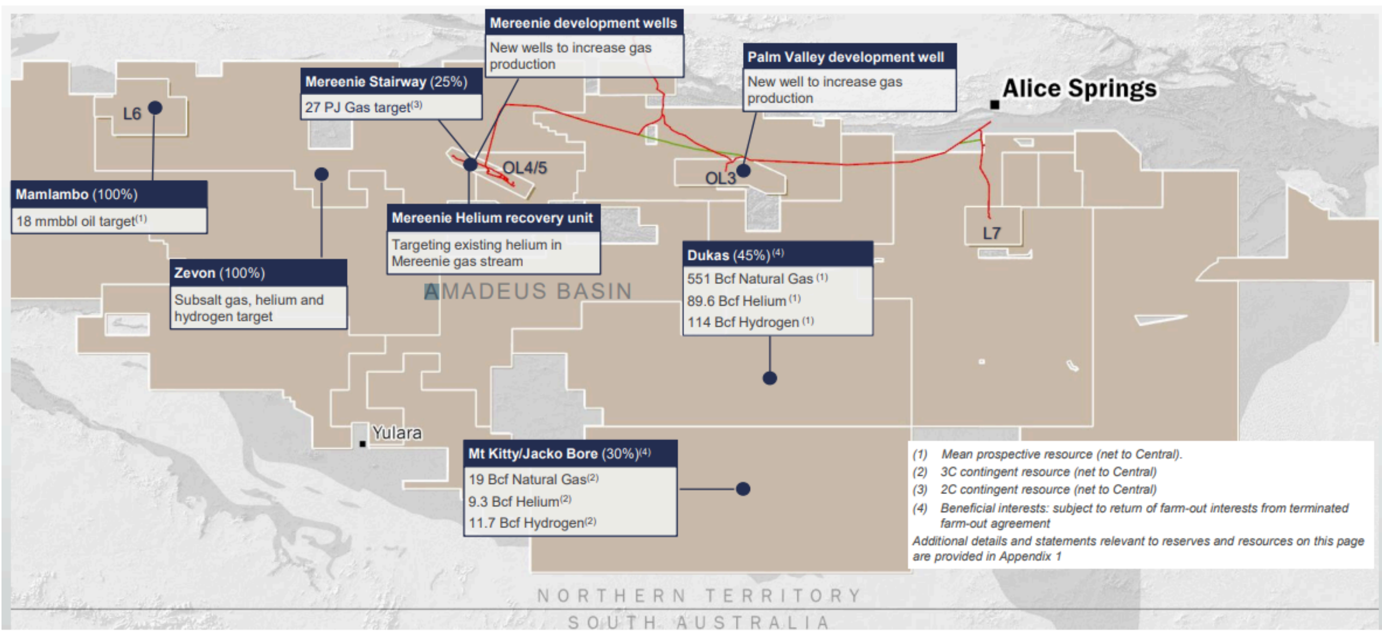
## Exploration: still a key to CTP's future

The CTP exploration portfolio remains a key platform of the company's growth of reserves and potential exposure to high-priced products such as helium and hydrogen.

The key to maximising the value to CTP of exploration and minimising cash outflows is engaging JV partners and obtaining free carry for the exploration, particularly for the high-cost sub-salt wells (targeting large reserves of gas, helium and hydrogen). CTP expect at least one well to be drilled in the next 12 months, targeting helium, subject to the introduction of a new partner to partially fund the well costs.

Figure 5 highlights CTP's exploration portfolio.

**Figure 5: Large potential resources of gas, oil, helium and hydrogen**




*Source: CTP.*

## FY2024 Full-Year Review: NGP Outages the Key Theme

CTP reported a statutory net profit after tax of $12.4m for FY24, including a $13.8m profit on the sale of its interest in the Range gas project, compared to a loss of $8.0m for FY2023.

Underlying EBITDAX for the year was down 13% from FY2023 at $13.8m.

FY24 did not have the political upheaval of FY23, where the Federal Government intervened on gas pricing. Prices and demand remained at reasonably strong levels. The key driver of CTP's results was the NGP outages, which limited the volumes that could be sold into the East Coast market and restricted the levels of higher East Coast pricing in the CTP portfolio.

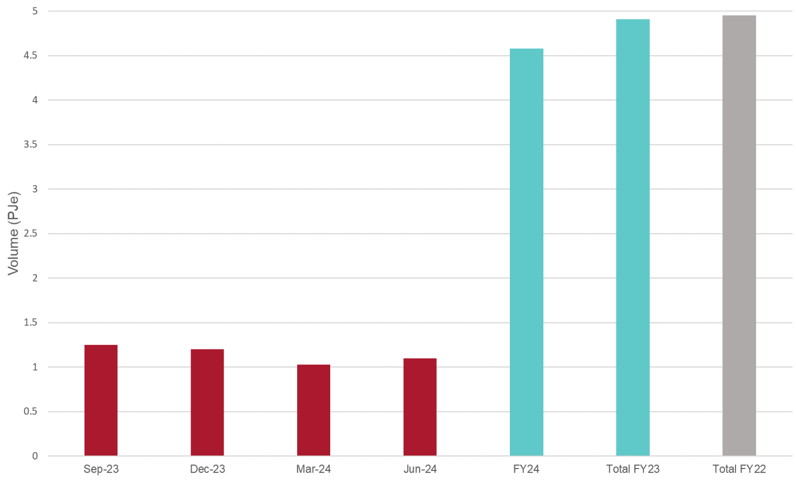
# Overview of FY2024 results

### Sales volume

**Full-year review:** Production for the full year was down 7% on FY2023 due to several interruptions to the NGP throughout the year.

**Outlook:** East Coast gas has now been re-contracted on an as-available basis in the NT for the remainder of 2024 from late April, and with the new NT Government contracts kicking inin CY2025, we would expect volumes and revenues to remain robust.

**Figure 6: Sales volume: FY24 vs. FY23 vs. FY22**




*Source: CTP.*

### Sales prices

**Full-year review:** Pricing for FY24 averaged A$7.58/GJe, vs. A$7.84GJ/e in FY23. Prices were marginally lower as there were some strong sales into the East Coast in the last quarter of FY23 which boostedthe average price.

**Outlook:** New contract prices are higher than maturing contracts.

### Revenue

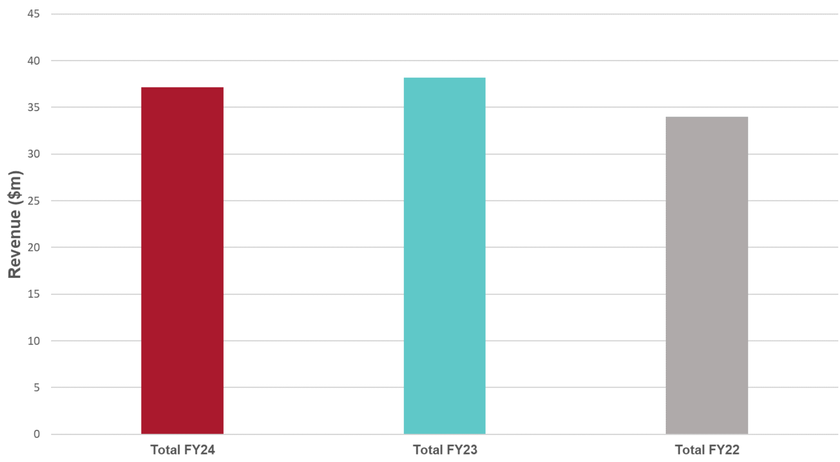
**Full-year review:** At $37.2m, revenue was down 5% on FY2023, primarily due to several interruptions to the NGP throughout the year. An additional $3m of deferred revenue is recognised upon release from take-or-pay provisions.

**Outlook:**

- Mereenie and Palm Valley have been selling at full capacity into NT since late April – this could continue for the remainder of CY2024, subject to seasonal demand fluctuations.
- We expect to see higher pricing for new contracts.
- Pre-sold gas is now fully delivered – this represents additional cash flow from the same production.

The June-quarter results showed a rebound in volumes as CTP took advantage of the tightness in the NT gas market and sold into a new contract with the NT Power and Water Corp. (PWC). This new strategy has seen CTP protect itself from continuous NGP closures which restrict volume sales into the East Coast gas market.

### Figure 7: Revenue, FY24 vs. FY23 vs. FY22




*Source: CTP.*

### Figure 8: Review of FY24 vs. FY23

| Profit & Loss (A$m) | MST 2024F | CTP Actual FY2024 | CTP Actual FY2023 | Comment FY24 v FY 23 |
|---|---|---|---|---|
| **Production** | | | | |
| Gas (TJ/d) | 12 | 12 | 13 | NGP outages reduced volumes |
| Gas (PJ) | 4.4 | 4.4 | 4.7 | |
| Oil / Condensate (mmbbl) | 0.03 | 0.03 | 0.03 | |
| **Total (mmboe)** | **0.76** | **0.76** | **0.82** | |
| Oil / Condensate Revenue | 3.2 | 3.2 | 3.5 | |
| LPG Revenue | – | – | – | |
| Gas Revenue | 31.1 | 31.1 | 35.8 | Prices relatively constatnt but volumes slightly down due to NGP |
| **Total Sales Revenue** | **34.3** | **34.3** | **39.3** | |
| Operating Costs | (18.5) | (17.6) | (17.2) | |
| Government Resource Taxes | (2.6) | (3.1) | (2.9) | |
| Exploration & Development Expenses | (4.6) | (4.0) | (13.1) | Higher exploration spend in FY23, predominantly Palm Valley 12 well. CTP seeking JV partner for sub salt exploration |
| Other Net Income / Expense | 14.0 | 14.0 | (2.9) | Profit on sale of Range CSG asset |
| **EBITDA** | **22.5** | **23.6** | **3.2** | |
| **EBITDAX** | **13.4** | **13.7** | **14.9** | |
| Depreciation & Amortisation | (6.8) | (7.8) | (6.9) | |
| **EBIT** | 15.7 | 15.8 | (3.7) | |
| Net Interest Expense | (2.3) | (3.3) | (4.3) | |
| **Pretax Profit** | 11.5 | 12.4 | (8.0) | |
| Tax Expense / Benefit | – | – | – | |
| **Net Attributable Profit** | **11.5** | **12.4** | **(8.0)** | |
| Reported Profit | 11.5 | 12.4 | (8.0) | |

*Source: MST, CTP.*

### Balance sheet: net cash for the first time in a decade

The cash balance at the end of the quarter was $25.0m, up from $24.2m at 31 March 2024.

Net cash was $0.8m at 30 June, CTP's first net cash position in a decade, an improvement from $0.4m net debt at the end of December as a result of the positive cash flows in the June quarter. Underlying debt outstanding was $23.9m, down from $24.6m at the end of March.

## June 2024 QuarterReview: NGP Still Out, but New NT Contract Kicks In

### Volumes: up 3% qoq – new PWC contract comes to the rescue

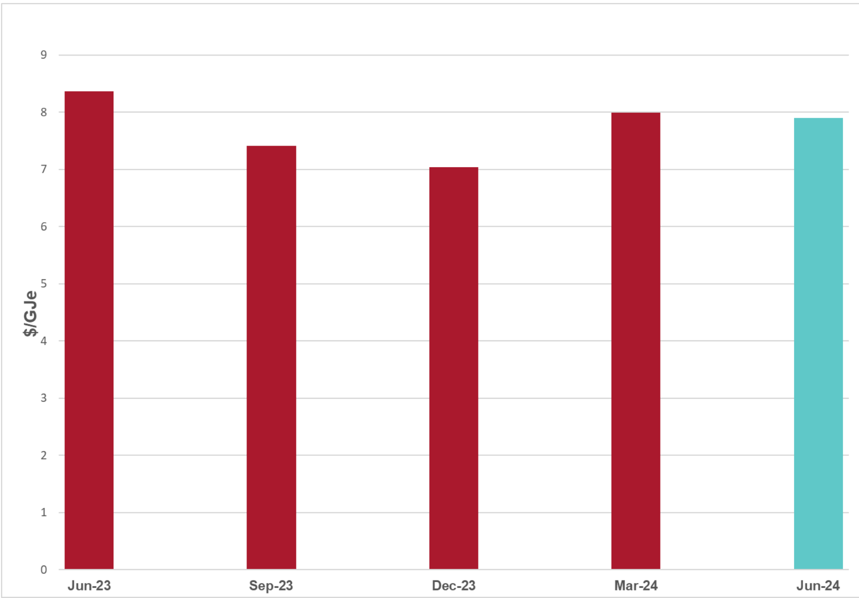
**Results:** Production at Mereenie and Palm Valley returned to full capacity from late April, with brief turndowns in June and July due to seasonal demand fluctuations. The new as-available supply agreement with PWC provides for the supply of up to 2.1 PJ of gas (CTP's share) until the end of 2024. Dingo field production decreased 18% from the previous quarter, reflecting lower seasonal demand.

Sales volumes in the quarter were 1.1PJe, 3% higher than the NGP-impacted December quarter.

### Sales price: just marginally lower than March (which was high)

**Results:** Average realised prices across the portfolio were $7.90 GJe for the June quarter, 1% lower than the March quarter of A$7.99/GJe (which had the benefit of higher-priced sales in eastern markets prior to the NGP closure).

**Figure 9: Quarterly prices: prices slightly lower in June (A$/GJe)**

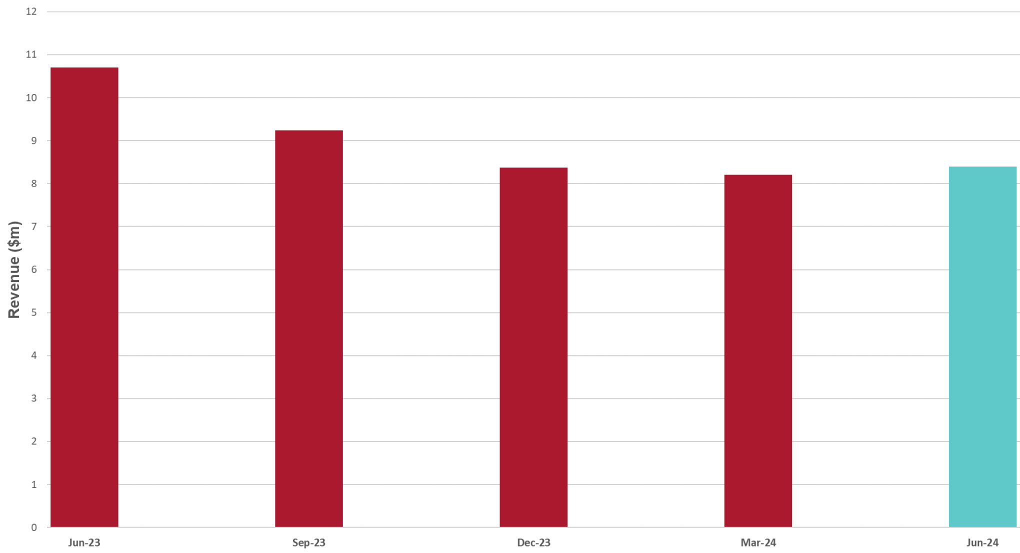



*Source: CTP.*

## Revenues: higher volume + steady price = revenue up qoq

**Results:** The combination of higher volumes and similar pricing saw revenue of A$8.4m, 3% higher than the prior quarter.

**Figure 10: Quarterly revenues**




*Source: CTP.*

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# Valuation: Mereenie Transaction Verifies Our Valuation; CTP Assets Undervalued by the Market

## Base-case valuation of A$0.15/share (unchanged)

### Our analysis – and that of market participants – suggest that CTP's assets are undervalued by the market

The Amadeus Basin assets provide underlying production, earnings and cash flow which we believe is fundamentally undervalued by the market.

Our valuation remains unchanged at A$0.15/share.

### Core production assets contribute A$0.13/share

The core production assets make up A$0.13 of our A$0.15 valuation, suggesting that the market is placing a significant discount on assets that are relatively low risk.

### HZN–NZOG acquisition of Mereenie verifies our valuation

The HZN and NZOG acquisition price provides a relevant look-through value for valuing CTP's 25% interest in the very same asset and for the rest of CTP's portfolio. The price paid validates our own valuation of CTP's interest in Mereenie (A$46m) and reinforces our view that the asset (and CTP) is well positioned to capture not only increasing gas demand via further offtakes, but also robust gas pricing dynamics in a tight NT market.

**Figure 11: Base-case valuation summary – fully diluted (A$ per share)**

| NPV | A$m Valuation Unrisked | Risking | A$m | Valuation A$ps |
|---|---|---|---|---|
| Mereenie - OL4 & OL5 (25%) | 46 | 100% | 46 | 0.07 |
| Palm Valley - OL3 (50%) | 18 | 100% | 18 | 0.02 |
| Dingo - L7 & PL30 (50%) | 29 | 100% | 29 | 0.04 |
| **Total Operations** | **93** | | **93** | **0.13** |
| Net Cash / (Debt) | 1 | 100% | 1 | 0.00 |
| Admin / Corporate / Other | (20) | 100% | (20) | (0.03) |
| Exploration (risk-adjusted) | 23 | 50% | 11 | 0.02 |
| Mereenie & Palm Valley 2C gas (risked) | 32 | 65% | 21 | 0.03 |
| **TOTAL VALUATION** | **129** | | **107** | **0.15** |

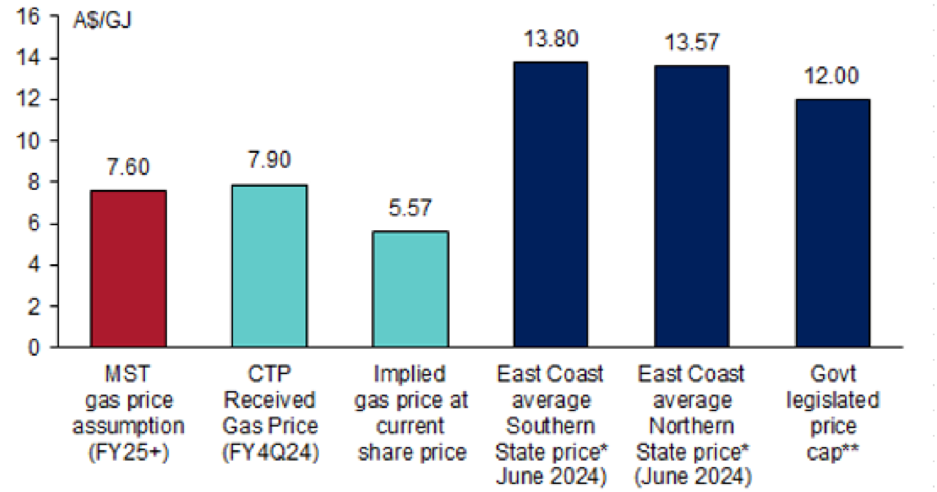
*Source: MST estimates.*

## Valuation cross-checks suggest CTP is undervalued

### Gas price implied by current share price: A$5.57/GJ (vs. A$7.90 received last quarter)

**The current share price implies a gas price of A$5.57/GJ. CTP received an average price of A$7.90/GJe in the last 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 12: Share price–implied gas price vs. forecast and East Coast prices**



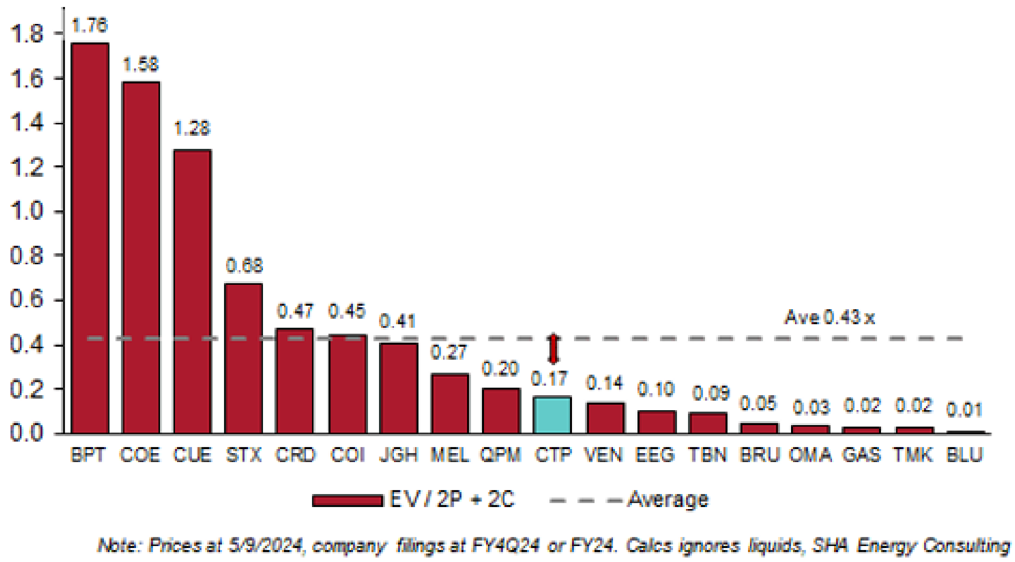

*Source: SHA Consulting, MST, CTP, *AEMO, **Gas Market Emergency Price Order.*

### Enterprise Value to Resources suggests that CTP is undervalued: market average multiple implies A$0.13/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 13), 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 at 0.17 comparing to the average of 0.43. **The peer average would see CTP valued at A$0.13 vs. the current share price of A$0.05 and our valuation of A$0.15.**

**Figure 13: Select Australian-listed energy stocks – EV/Resources A$/GJ**




*Source: SHA Consulting, company filings, MST.*

## Catalysts: upside potential driven by multiple sources

We see further upside potential to our share price and valuation from multiple sources, which include:

- short-term delivery of uncontracted gas to PWC under the terms of the 'as-available' supply agreement
- long-term delivery into the NT Government contract at higher prices without NGP risk
- exploration program – 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
- successful appraisal well drilling at Mereenie and increase in production
- 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
- further corporate activity in the energy sector.

## 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 assumes minor exploration-related upside.

Risks to our valuation include:

- disappointing appraisal well drilling at Mereenie
- government regulation affecting pricing
- the gas price, a key sensitivity for CTP's cash flow and valuation
- operational issues at existing assets
- sub-salt exploration not proceeding or disappointing
- 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 producer of fossil fuels, an industry which has been subject to particular scrutiny in recent years as a result of climate concerns, government regulation, extended 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.

# Personal disclosures

Michael Bentley received assistance from the subject company or companies in preparing this research report. The company provided them with communication with senior management and information on the company and industry. As part of due diligence, they have independently and critically reviewed the assistance and information provided by the company to form the opinions expressed in this report. They have taken care to maintain honest and fair objectivity in writing this report and making the recommendation. Where MST Financial Services or its affiliates has been commissioned to prepare content and receives fees for its preparation, please note that NO part of the fee, compensation or employee remuneration paid has, or will, directly or indirectly impact the content provided in this report.

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The companies and securities mentioned in this report, include:

Central Petroleum (CTP.AX) | Price A$0.051 | Valuation A$0.150;

*Price, target price and rating as at 20 September 2024 (* not covered)*

# Additional disclosures

This report has been prepared and issued by the named analyst of MST Access in consideration of a fee payable by: Central Petroleum (CTP.AX)

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