Central Petroleum

CTP.AX

A research platform of MST Financial

26 March 2025

Central to Success

NEED TO KNOW

- New Northern Territory Govt. contracts drive 21% increase in pricing
- Half-year results show strong base to build on, with focus on production and reserves increase, asset optimisation, exploration and sustainable capital management

New NT Govt. gas contracts drive 21% price increase: January 2025 saw the first month of the new NT Govt. contracts. CTP's average price received was A$9.70/GJe, up 21% from the 1HFY25 average price of A$7.96/GJe. The new pricing is set to drive operating margins from A$3.98/GJe towards ~A$5.50/GJe on a run-rate basis, an increase of 38%. CTP's next 6 years of production have largely been locked in, primarily with the NT Government.

December 2024 half-year results – a strong financial base to build on: CTP's balance sheet strength has continued, showing a net cash position for the second consecutive half. Along with a restructured debt facility allowing greater financial flexibility, CTP has a strong financial base to build upon.

Grow, improve, explore and return: With a strong foundation set, higher margins locked in with new offtake contracts and successful new wells at Mereenie, CTP will focus on continued production increases, reserve additions, asset optimisation and sustainable capital management, which could see the start of shareholder returns this calendar year.

Investment Thesis

Opportunities for growth with new wells; a major de-risking and re-rating event for CTP: CTP's new gas sales agreements have shown the gas market tightness in the NT. CTP has the financial firepower and opportunity to expand production to take advantage of this situation and lock in low-risk volumes in the NT at attractive market-based pricing and higher margins.

Mereenie sale implies assets are very undervalued by market, re-rating looks inevitable: Macquarie's sale of its Mereenie stake indicates the market is undervaluing CTP's assets. The transaction, which was completed prior to CTP signing the NT Govt. contracts, implies that just one of CTP's producing assets is worth A$0.07/share vs the current price at A$0.07.

Balance sheet strong; focus on cash flow generation, sustainable returns to shareholders, exploration optionality: CTP is focusing on maximising cash flow and delivering on exploration, plus future sustainable capital management potential, giving CTP 'option' value at its current price.

Valuation: CTP Stacks Up on Every Metric

Our base-case NPV valuation is A$0.20 per share. Across all metrics, CTP looks cheap. At the current share price, FY26 P/OCF is 2.3x, P/E 3.6x and EV/EBITDA 1.5x. The current share price also implies a gas price of A$6.17/GJ vs our forecast of A$8.50/GJ in FY25 and CTP's most recent quarterly portfolio pricing of A$8.01/GJ. On a EV/2P+2C resource-based valuation, a market average multiple implies a share price of A$0.14.

Risks

Key risks include potential production issues, lack of exploration success, unsuccessful development wells, and increased gas supply 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. 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$0.200** *(unchanged)*
Current price	**A$0.070**
Market cap	**A$52mn**
Cash on hand	**A$1.6m** *(31 Dec 2024)*

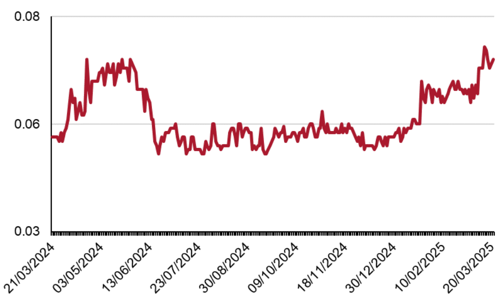
Additional Resources

Video - Catch up with CEO Leon Devaney

Upcoming Catalysts / Next News

Period	
1QCY25	First full qtr of new gas contracts
CY25	JV partner subsalt exploration
CY25	Decision on capital management
1HCY26	Palm Valley production drilling

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$/sh	0.07
52 week high/low	A$/sh	0.07 / 0.05
Valuation	A$/sh	0.20
Market Cap (A$m)	A$m	52.0
Net Cash / (Debt) (A$m)	A$m	1.6
Enterprise Value (A$m)	A$m	50.4
Shares on Issue	m	745.3
Options/Performance shares	m	42.5
Potential Diluted Shares on Issue	m	787.8

Ratio Analysis	2023A	2024A	2025E	2026E	2027E
EPS	(1.09)	1.68	1.50	1.93	3.12
P/E (x)	(4.8)	3.1	4.7	3.6	2.2
EPS Growth (%)		-254%	-11%	28%	62%
CFPS (A¢)	(0.28)	0.93	2.53	3.04	4.40
P/CF (x)	(18.8)	5.7	2.8	2.3	1.6
DPS	–	–	–	–	–
Dividend Yield (%)	–	–	–	–	–
EV / EBITDA (x)	16.5	1.6	2.0	1.5	0.4
EV / boe (x)	64.0	48.6	48.6	41.3	13.8
EV / PJe (x)	10.7	8.1	8.1	6.9	2.3

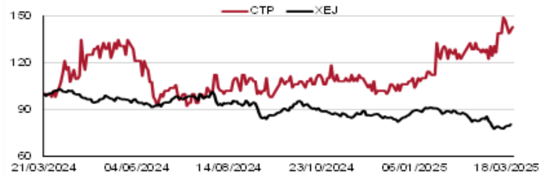
Assumptions (Yr end Jun)	2023A	2024A	2025E	2026E	2027E
Brent Oil Price (US$/bbl)	83.20	82.24	77.00	78.5	78.0
Exchange Rate (A$1:US$)	0.673	0.656	0.656	0.656	0.656
Gas Price (A$/GJ)	7.61	7.11	8.50	8.93	9.10

Production	2023A	2024A	2025E	2026E	2027E
Gas (TJ/d)	13	12	13	13.96	16.45
Gas (PJ)	4.7	4.4	4.9	5.10	6.00
LPG (kt)	–	–	–	–	–
Oil / Condensate (mmbbl)	0.03	0.03	0.03	0.03	0.03
Total (mmboe)	**0.82**	**0.76**	**0.84**	**0.88**	**1.03**
Gas (mmboe)	0.79	0.73	0.81	0.85	1.00
LPG (mmboe)	–	–	–	–	–
Oil / Condensate (mmboe)	0.03	0.03	0.03	0.03	0.03
Year End Reserves 2P (mmboe)	**12.9**	**12.6**	**11.8**	**10.9**	**9.9**

Reserves and Resources As at 30 June 2023	Working Interest	1P Gas (PJ)	2P Gas (PJ)	1P Liquids (mmbbl)	2P Liquids (mmbbl)
Mereenie (OL 4 / OL 5)	25%	28.1	36.6	0.30	0.36
Palm Valley (OL 3)	50%	10.9	11.7	–	–
Dingo (L7)	50%	18.7	22.8	–	–
Total		**57.6**	**71.2**	**0.30**	**0.36**

NET ASSET VALUE (WACC 10.0%)	1 Apr 25	A$m	Risking	A$m	A$ps
Mereenie - OL4 & OL5 (25%)		56	100%	56	0.08
Palm Valley - OL3 (50%)		24	100%	24	0.04
Dingo - L7 & PL30 (50%)		41	100%	41	0.05
Total Operations		**121**		**121**	**0.17**
Net Cash / (Debt)		11	100%	11	0.01
Admin / Corporate / Other		(26)	100%	(26)	(0.03)
Exploration (risk-adjusted)		24	50%	12	0.02
Mereenie & Palm Valley 2C gas (risked)		38	65%	24	0.03
TOTAL VALUATION		**168**		**143**	**0.20**

CTP Relative to XEJ 12 months



Profit & Loss (A$m)	2023A	2024A	2025E	2026E	2027E
Oil / Condensate Revenue	3	3	3.3	3	3
LPG Revenue	–	–	–	–	–
Gas Revenue	35	30	41	45	55
Revenue	**38**	**33**	**44**	**48**	**58**
Operating Costs	(17)	(18)	(15)	(15)	(13)
Government Resource Taxes	(3)	(3)	(3)	(4)	(4)
Exploration & Development Expenses	(13)	(4)	(2)	(2)	(3)
Other Net Income / Expense	(2)	15	(3)	(4)	(4)
EBITDA	**3**	**24**	**20**	**24**	**34**
EBITDAX	**14**	**11**	**22**	**26**	**36**
Depreciation & Amortisation	(7)	(8)	(7)	(8)	(9)
EBIT	(4)	16	13	16	24
Net Interest Expense	(4)	(3)	(2)	(1)	(1)
Net Profit before-tax	(8)	12	11	14	23
Tax Expense / Benefit	–	–	–	–	–
Underlying NPAT	**(8)**	**12**	**11**	**14**	**23**
Reported Profit	(8)	12	11	14	23

Cash Flow (A$m)	2023A	2024A	2025E	2026E	2027E
Pretax Profit	(8)	12	11	14.36	23.28
D&A & Other Non-Cash Items	6	-6	8	8.33	9.48
Tax Paid	–	–	–	–	–
Cash from Operating Activities	**(2)**	**7**	**19**	**22.69**	**32.76**
Development Capex	(3)	(3)	(10)	(18.20)	(10.71)
Exploration Capex	(10)	(3)	(2)	(2.30)	(2.58)
Acquisitions/Other (Net of Sales)	0	12	–	–	–
Dividends Paid	–	–	–	–	–
Free Cash Flow	**(4)**	**16**	**9**	**4.49**	**22.06**
Cash Provided by Financing	(4)	(5)	–	–	(7.45)
Net Change in Cash	**(8)**	**11**	**9**	**4.49**	**14.61**

Balance Sheet (A$m)	2023A	2024A	2025E	2026E	2027E
Cash & short term deposits	14	25	34	39	53
Receivables	7	5	7	8	9
Inventories	4	4	6	8	11
Property, Plant and Equipment	60	56	59	71	74
Capitalised exploration	8	8	6	5	5
Intangibles and Goodwill	2	2	2	2	2
Other assets	4	4	4	4	4
Total assets	**98**	**104**	**119**	**137**	**159**
Creditors	3	3	7	8	10
Borrowings	28	23	21	21	13
Other liabilities	48	45	47	50	55
Total liabilities	**79**	**71**	**75**	**79**	**77**
Shareholder equity	19	33	44	58	81
Shareholder Equity + Total Liabilities	98	104	119	137	159

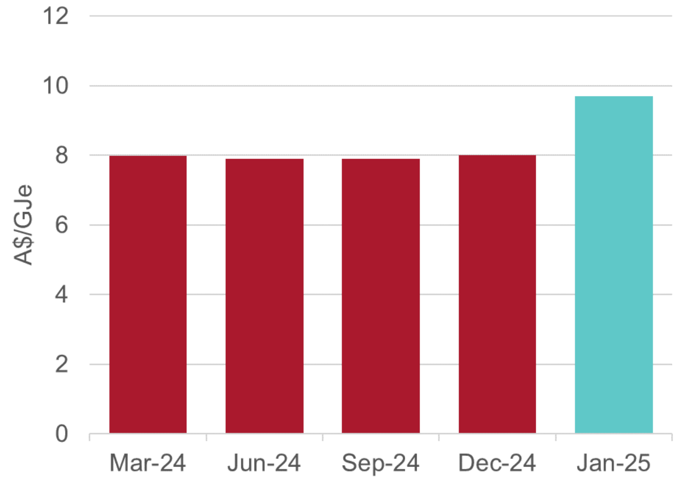
Source: CTP, MST estimates.

First Month of New Contracts: 21% Price Increases

Pricing takes a significant jump

New contracts with NT Government kicked in in January 2025, leading to the average portfolio price increasing to $9.70/GJe vs A$7.96/GJe in the December 2024 half. The price includes oil (which is a small part of the portfolio but does get the equivalent of A$20/GJ), but the healthy 21% increase in the portfolio price is largely due to new contracts.

Figure 2: CTP gas pricing for CY24 vs. January 25



Source: CTP.

Legacy contracts decreasing – will drive further average price increase

CTP's current portfolio of gas contracts includes 34% legacy contracts, which are priced at lower levels than the new NT Govt. contracts. This proportion of legacy contracts will decrease to 21% in FY26. 93% of last year's volume equivalent is tied up in firm contracts for CY2025, with ample demand for the balance in the NT.

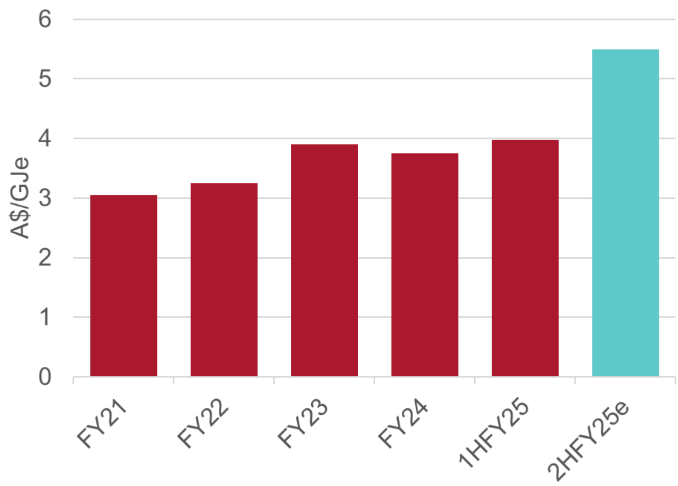
Operating margins see a significant kick up

Higher prices drop straight through to the bottom line

Operating margins for the December half were A$3.98/GJe.

CTP has indicated that it estimates that 2HFY25 margins will be around A$1.50 higher at approximately A$5.50/GJe, an increase of 38%.

Figure 3: Operating margins, FY21–2HFY25E



Source: CTP.

Recap of the terms of the NT Govt. gas contracts

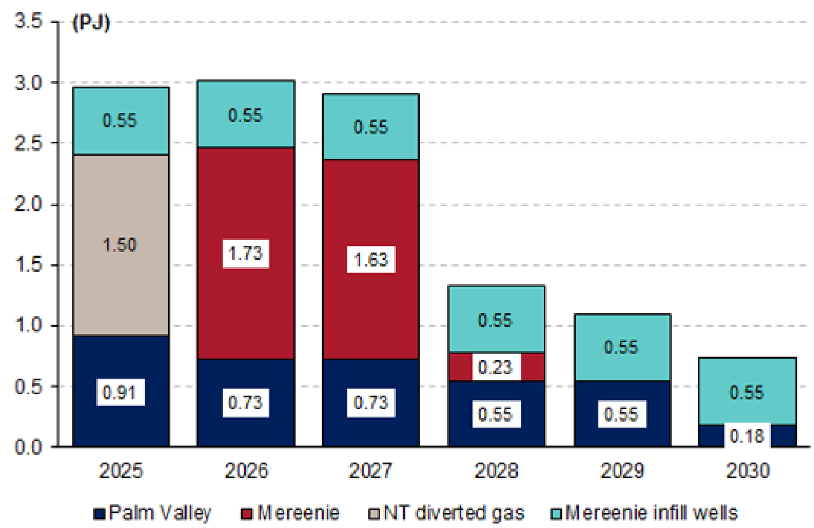
The 6-year gas supply deal (see Figure 4):

- ensures that CTP's onshore gas operations (Amadeus Basin) have a more certain commercial pathway irrespective of whether the NGP is open, i.e. it 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 the two new Mereenie wells which are both on line), and will benefit from more consistent, firm sales at higher average CPI-linked gas prices
- has significant volumes earmarked for the proposed Arafura rare earths mine from 2028. This is conditional on the mine reaching FID, but if it does not proceed or is delayed, CTP has indicated that it will look to re-contract this gas into a short-supplied market.

Key advantages of GSAs with the NT Government

- **The GSAs de-risk CTP's future cash flows** (lowering potential volatility and eliminating its 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 as well as field optimisation over the coming 12–18 months. Furthermore, they should help CTP to gradually mature its capital management initiatives.
- **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. Although details around the NT Government GSA pricing have not been disclosed, based on publicly available pipeline tariffs and the Wallumbilla spot price, we expect a significant step-up from CTP's publicly disclosed current portfolio price of ~A$8.01/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.
- **The GSAs offer flexibility to CTP.** Importantly, in CY2025 there is a volume of 'NGP-diverted gas' (~1.25–1.50 PJ). This is essentially gas supply from Mereenie that has been allocated to CTP's East Coast customers in CY2025, but can only be sold if the NGP is operational. If the NGP does not operate and the gas cannot be delivered to East Coast customers, it can be made available to the NT Govt, i.e., the destination is flexible (Figure 4).This has been the case already for the first two months of CY2025.

Figure 4: Northern Territory Govt. (NTG) contracted volumes



Source: CTP, MST, SHA Energy Consulting.

Balance Sheet Strength and Financial Flexibility

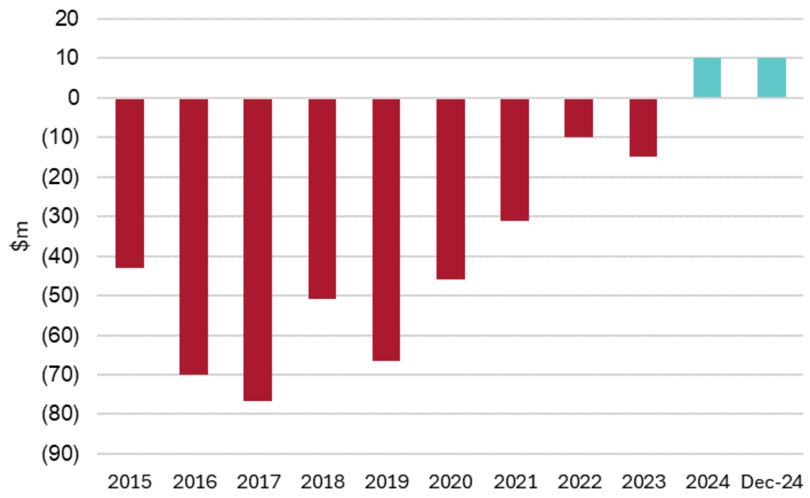
Results from the December half 2024 reflect the strong financial position of CTP. The company is in a net cash position for the second half year in a row.

CTP's recent refinanced loan has also given the company increased financial flexibility, allowing financial headroom to fund increased production and reserves, exploration, debt repayment and potential capital management.

The highlights of the refinanced debt package include:

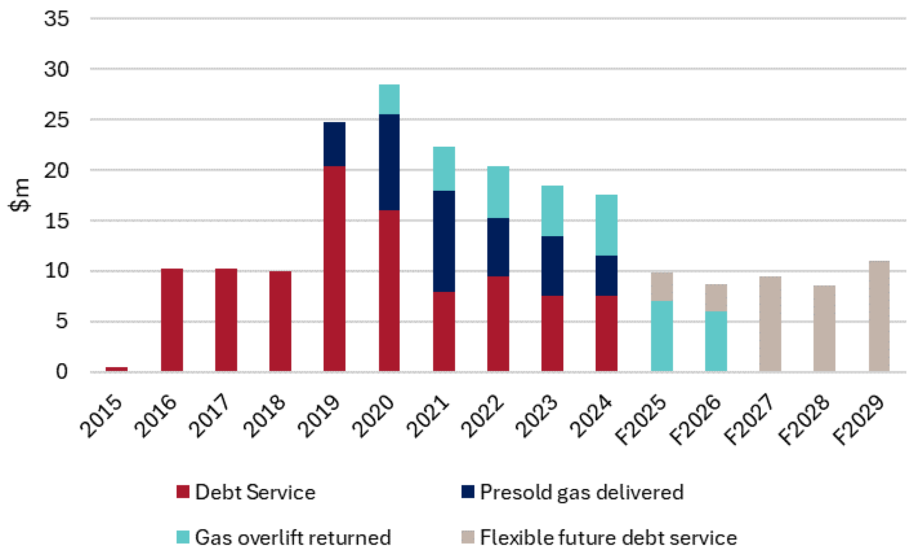
- full refinanced over a 5-year term removes refinancing risk
- no principal repayments required in first 2 years
- allows smoothing of free cash flow with debt repayment reshaped with no early repayment penalties
- option to capitalise interest if required over first 2 years, effectively providing access to up to $4.6m of additional capital.

Figure 5: CTP: balance sheet strength – net debt profile



Source: CTP.

Figure 6: Flexible debt repayment from refinancing



Source: CTP.

Set Up Perfectly – Grow, Improve, Explore and Return!

CTP's sound balance sheet, significantly increased cash flow and financial flexibility has set the company up perfectly to grow, improve, explore and return (capital management/dividends).

Grow: Mereenie success and tight NT market sets CTP up for production growth

Mereenie WM29 and WM30 delivered above expectations

WM29 – delivered significantly above expectations

The first of two new gas development wells at Mereenie was drilled (WM29) and commenced production in January 2025. The well flowed gas at ~7 TJ/d (100%) over a 2-hour test period, more than double the pre-drill expectation of 3 TJ/d. Production from WM29 commenced on 20 January 2025 and has been producing at a stabilised rate of approximately 5 TJ/d.

WM30 – like WM29, better than expected

WM30 was tied-in and brought online on 26 February 2025 and is expected to stabilise at between 4 TJ/d and 4.5 TJ/d, exceeding the pre-drill expectation of circa 3 TJ/d. Combined, WM29 and WM30 have increased Mereenie sales gas capacity by circa 9 TJ/d, meaning the two-well development program has significantly exceeded expectations.

With the completion of WM30, daily production from Mereenie has been exceeding 30 TJ/day. The additional Mereenie gas is being sold on an as-available basis into the Northern Territory market under recently executed GSAs. Firm gas under those contracts can be expanded by up to 6 TJ/d (100% JV) to generate further firm cash flow from this development well program.

CTP production growth options

CTP is looking across its portfolio at growth options.

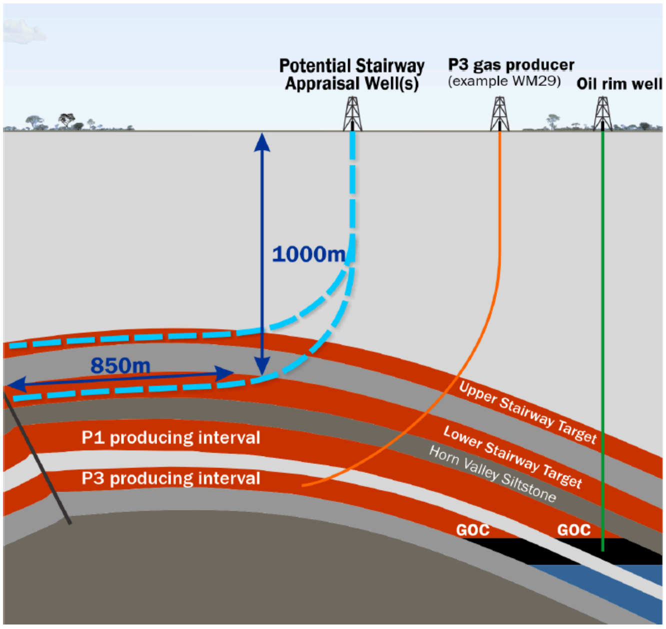
Mereenie Stairway – the next Mereenie focus for drilling

CTP has been considering drilling the shallower Mereenie Stairway Sandstones for some time. The recent drilling of WM29 and WM30 has shown very encouraging signs for the Mereenie Stairway. The 2 wells were drilled through the Stairway on the path to the target P3 producing interval and noted consistent high pressure gas shows.

CTP is assessing the timing of a Stairway program.

The Mereenie Stairway program aims to increase Mereenie reserves to enable CTP to both grow production and extent the asset life.

Figure 7: Mereenie potential Stairway appraisal



Source: CTP.

Report prepared by MST Access, a registered business name of MST Financial services ABN 617 475 180 AFSL 500 557.

Palm Valley potential

Palm Valley (PV) is a large field of 616km^2

The PV gas plant is currently running at around half its capacity (7TJ/day v 15TJ/day). CTP sees further opportunity to drill more production wells at PV and increase capacity (PV12 and PV13 were very successful wells) and deliver into the NT market.

Dingo – worth looking at as well

The Dingo gas field supplies gas through a dedicated 50-km gas pipeline to Brewer Estate in Alice Springs for use in the Owen Springs Power Station at around 3.9TJ/d.

Additional development wells can be drilled at Dingo to maintain contracted gas volumes when warranted by natural field decline as well as to look at opportunities to expend Dingo's production to sell into the NT market.

CTP has begun analysis to look into drilling production wells, expanding the Dingo plant capacity and connecting it to the Alice Springs pipeline in order to reach the broader NT market.

Improve: Mereenie optimisation

CTP sees an opportunity to optimise the performance of Mereenie.

CTP estimates the current plant capacity at Mereenie to be around 40TJ/day, and given current production is ~30TJ/d there is opportunity to look at low-cost improvement opportunities. These include:

- 3D seismic to maximise gas recovery
- further development wells
- above-mentioned Mereenie Stairway
- examining fraccing to enhance recovery and flow rates.

Explore: near and far

CTP has strong exploration opportunities within the portfolio.

Existing assets

Mereenie, Palm Valley and Dingo have large acreage, much of which remains underexplored. Given the current market conditions, CTP will look at near field exploration opportunities to expand the reserves and resource base, including the EP115 permit which is immediately to the north west of the Mereenie field, with little exploration conducted to date.

Sub-salt opportunities

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). The first well is largely drill-ready, but timing is subject to the introduction of a new partner to partially fund the well costs.

Return: capital management – sustainable and market driven

With increasing margins and decreasing debt service, CTP is considering capital allocation alternatives, including new wells, debt retirement and returns to shareholders.

CTP has expressed that, if the cash generation of the business and the NT gas market conditions remain favourable, then the company will consider returning capital to shareholders.

The investment into the business as mentioned above is of key importance and will look to increase cash flows.

CTP has emphasised that any capital management (dividends/buybacks) must be sustainable and not 'one-off' in nature.

CTP's Key Competitive Advantages in the Northern Territory Gas Market

There are a number of potential and existing competitive suppliers into the NT gas market. However, we believe that CTP has a number of competitive advantages over these suppliers.

Existing/past suppliers

Blacktip – test volumes coming through, too early to determine sustainable volumes and decline rates

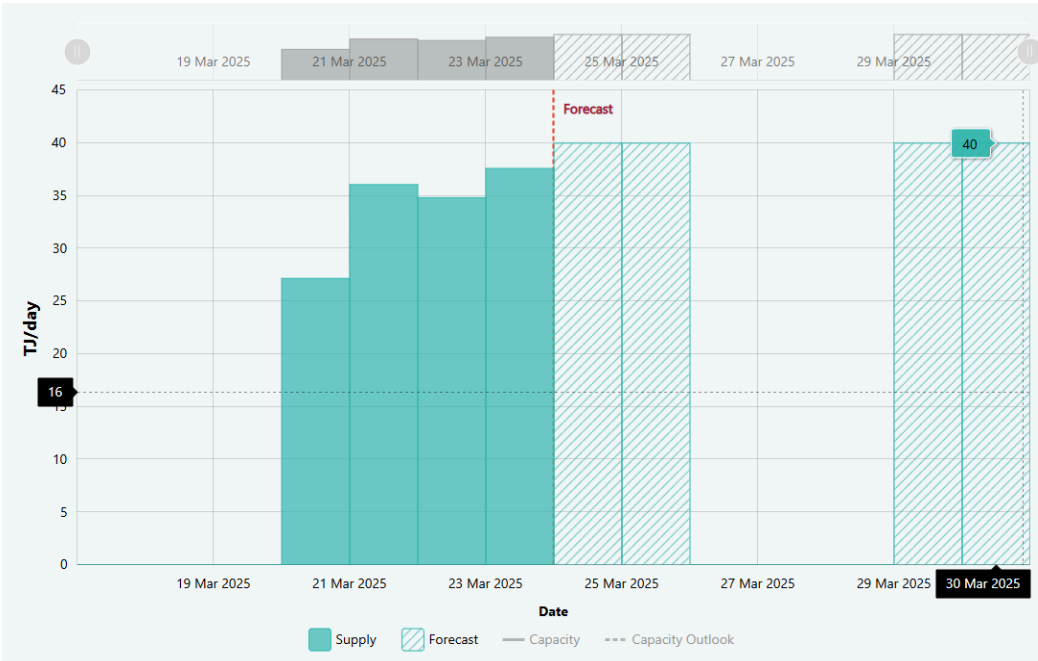
The Blacktip field has faced significant production declines, and of 2024 had effectively stopped supplying the Northern Territory gas market. This has prompted the owner, ENI, to initiate a new drilling campaign. This campaign is drilling new development wells and intervening in existing ones to boost output.

There have been no official announcements from ENI as to the progress of the wells; however, some test volumes have been delivered into the NT market from mid-March. The volumes that have occurred over the last few days have been 27–36TJ/d.

There is no certainty that production can be maintained at previous levels. Any production from the Blacktip well(s) will assist in relieving the tight supply situation in the Northern Territory and in the short term will allow the NT to reduce its expensive purchases of LNG tail gas.

The Blacktip production will not have any effect on CTP's contracts with the NT Govt.

Figure 8: Recent Blacktip production



Source: AEMO.

Darwin LNG

There is limited gas remaining at Bayu Undan with the NT market being supplied by tail gas before the project is taken offline for the Barossa development.

Inpex LNG

Any LNG piped to the NT market from Inpex competes against global LNG markets and is therefore priced at higher international prices.

New suppliers

Beetaloo

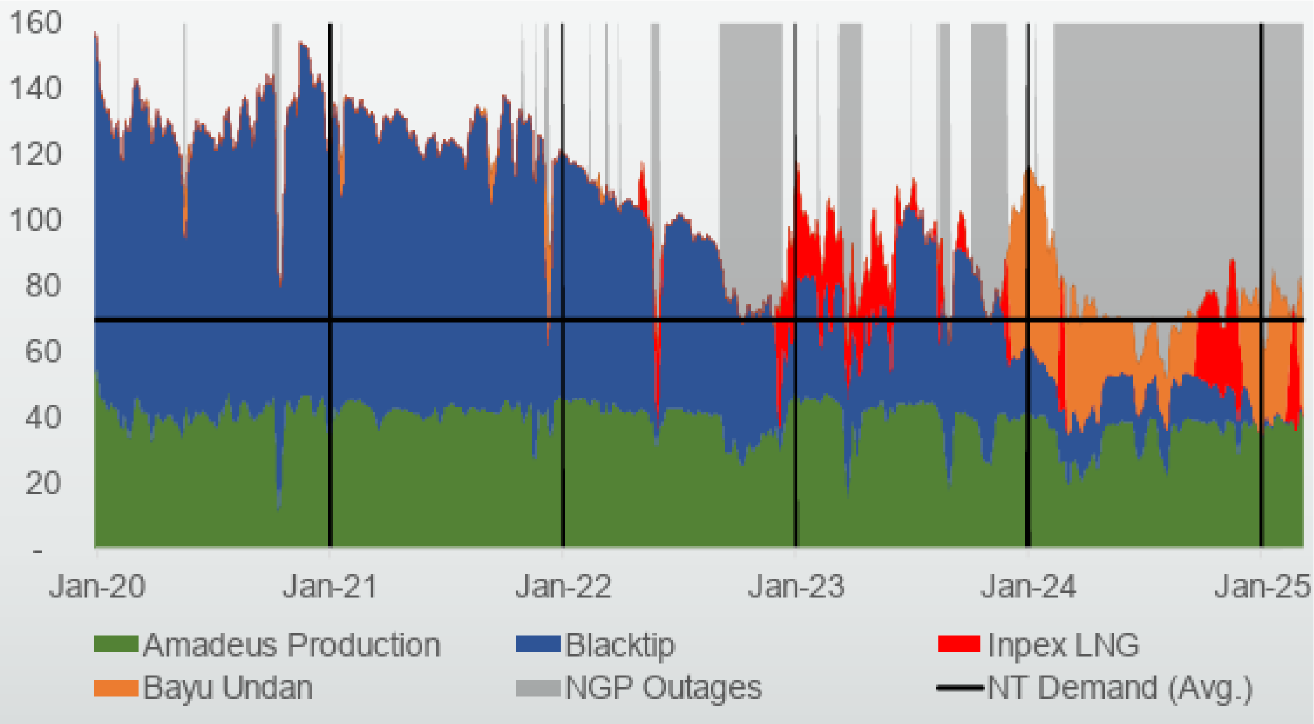
The Beetaloo Basin is a potential large supplier into the market. However, these projects have not yet reached FID, are yet to demonstrate commercial flow rates and are much more technically demanding than CTP's assets, requiring fraccing, and will likely be at a much higher cost. The region also lacks the infrastructure and environmental approvals of the Amadeus Basin fields and would be anticipated to have significant, as yet unfunded, development costs.

There exists the potential for both capital and schedule overruns as well.

East Coast Gas (Northern Gas Pipeline reversal)

Pipeline tariffs would give CTP a significant cost advantage (~A$4/GJ on top of Wallumbilla pricing).

Figure 9: NT gas supply TJ/d



Source: AEMO.

2025 Gas Statement of Opportunities:

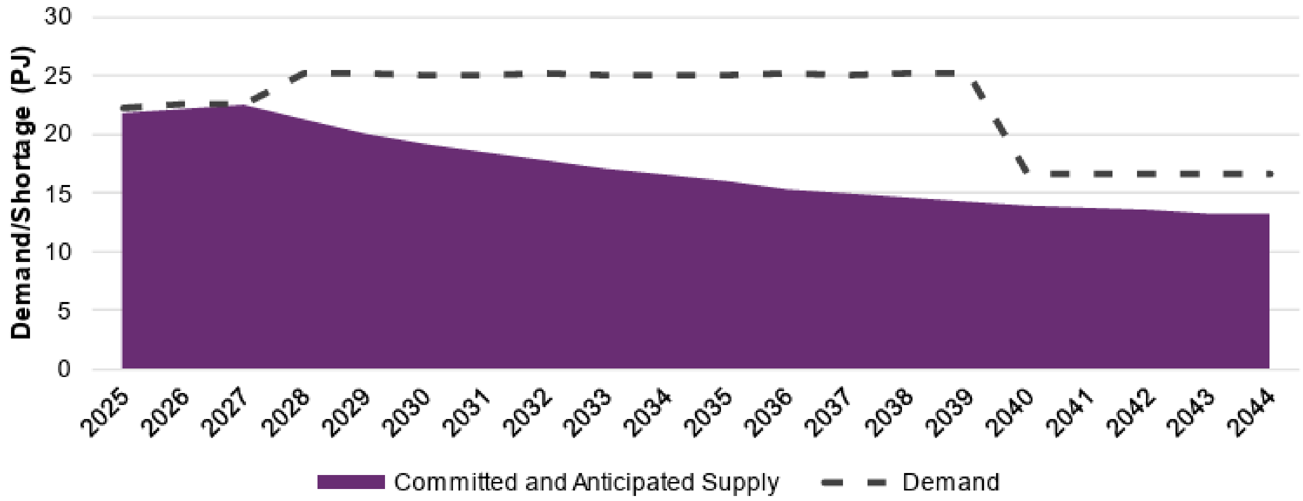
Continued Tightness in Northern Territory Gas Market

The Australian Energy Market Operator (AEMO) releases an annual Gas Statement of Opportunities (GSOO). The 2025 version continues to emphasise the tight gas market situation in the NT, stating:

"Reliance on alternative and interim gas arrangements may persist in the Northern Territory. The Northern Territory presently relies on alternative and interim gas arrangements, including with Darwin LNG exporters. There is currently reduced production from the Blacktip field, and it is not clear when production levels will be fully restored. Carpentaria Gas Field from Beetaloo Basin in Northern Territory has progressed from uncertain to anticipated status with expected production of 10 terajoules a day (TJ/d) from 2026 which will increase to 25 TJ/d or 9 PJ/y from 2027. **However, this is still not enough to supply the increasing industrial demand and ongoing reliance on GPG for electricity generation in the Northern Territory.**

"The Northern Gas Pipeline (NGP) which transports gas eastward to Mount Isa from the Northern Territory is currently not flowing, and the resumption of these flows is not forecast in the 2025 GSOO. In August 2024, Jemena completed the NGP Reversal Capability project, which enables gas to flow towards the Northern Territory from Queensland. Reversal of the NGP provides a backup solution to address forecast supply gaps in the Northern Territory if gas supply is not available from alternative arrangements."

Figure 10: Forecast annual demand and shortage in the Northern Territory, step change, 2025-44 (PJ)



Source: AEMO GSOO.

Report prepared by MST Access, a registered business name of MST Financial services ABN 617 475 180 AFSL 500 557.

Valuation: Base-Case Valuation of A$0.20 (Unchanged)

New gas contracts underpin valuation

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

The key underpinning of our valuation relates to the NT Government contracts for the next 6 years. We see further upside from increases in production at Mereenie and at a later date at Palm Valley. CTP's 6 years of locked-in production contracts are the lowest risk possible. The stock is trading at a significant discount and is due a material re-rating, in our view.

Gas price – further increases likely in our assumptions

While precise details on the new NT Government gas offtakes are unclear for commercial-in-confidence reasons, CTP has noted that its January average portfolio price increased to A$9.70/PJ or an increase of 21% from the December 2024 half.

Our view is that the pricing will work its way towards around A$10/GJ for the NT Government contracts. We have decided to take a more conservative approach and have **our gas price assumption at A$8.50/GJ for FY25 and A$8.75 for our long-term price.** We consider this gas price forecast to be conservative and see further potential upgrades as the effects of this pricing come through over the coming quarters (i.e. an FY25 impact).

We have revised some of our cash and non-cash cost assumptions and completed some minor production refinements which has lead to some immaterial adjustments to our valuation. We have made some adjustments to our FY25 forecasts; however, we will await the first full quarter of the new contracts to revise our gas price assumptions (expecting that they will increase) and will fully revise our full-year forecasts then.

Core production assets contribute A$0.17 (previous A$0.18)

The core production assets make up A$0.17 of our A$0.20 valuation, **suggesting that the market is placing a significant discount on assets that have locked-in contracts with one of the lowest-risk customers in the gas sector.**

Figure 11: 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%)	56	100%	56	0.08	0.09	(0.01)
Palm Valley - OL3 (50%)	24	100%	24	0.04	0.04	–
Dingo - L7 & PL30 (50%)	41	100%	41	0.05	0.05	–
Total Operations	**121**		**121**	**0.17**	**0.18**	**(0.01)**
Net Cash / (Debt)	11	100%	11	0.01	0.00	0.01
Admin / Corporate / Other	(26)	100%	(26)	(0.03)	(0.03)	–
Exploration (risk-adjusted)	24	50%	12	0.02	0.02	–
Mereenie & Palm Valley 2C gas (risked)	38	65%	24	0.03	0.03	–
TOTAL VALUATION	**168**		**143**	**0.20**	**0.20**	-

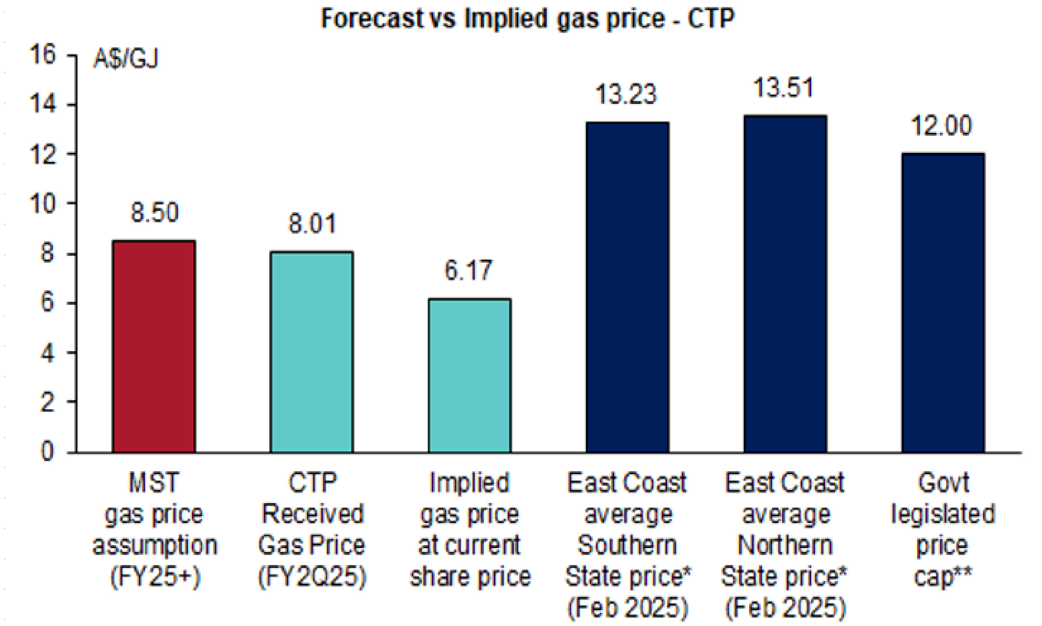
Source: MST estimates.

Valuation cross-checks suggest CTP is undervalued

Gas price implied by current share price: A$6.17/GJ (vs. A$8.50 forecast)

The current share price implies a gas price of A$6.17/GJ. CTP received an average price of A$8.01/GJe in the last quarter, and our forecast is A$8.50 for FY25. The current share price assumes that CTP's average gas price received will be some 23% 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 Energy Consulting, MST, CTP, *AEMO, **Gas Market Emergency Price Order.*

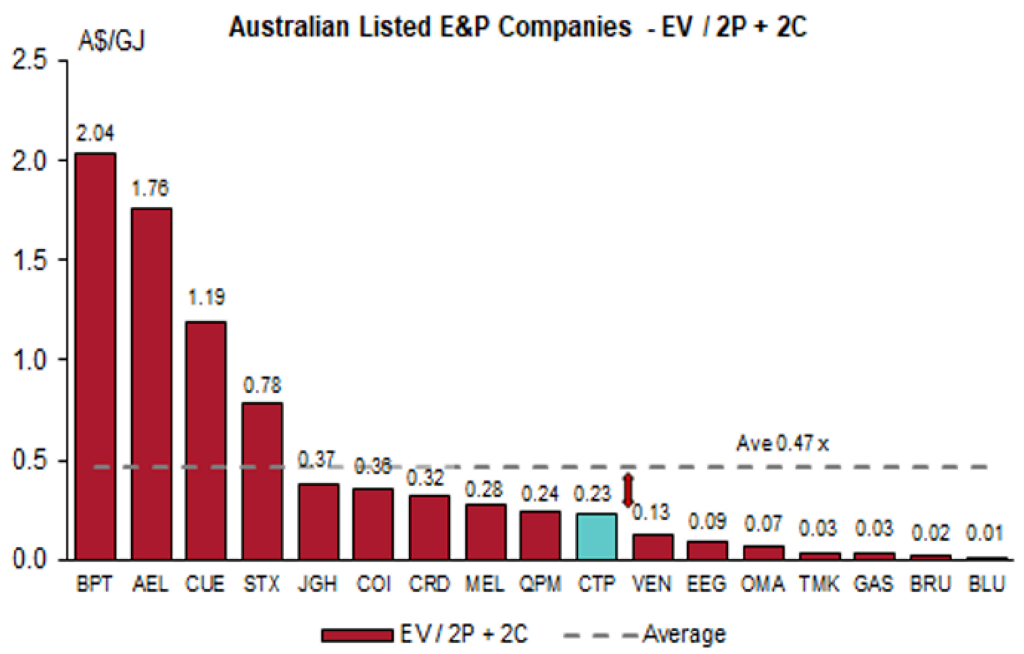
Enterprise Value to Resources suggests that CTP is undervalued: market average multiple implies A$0.14/share

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 (50%) its peer average, with CTP's EV/2P+2C of A$0.20/PJ comparing to the average of A$0.47/PJ. The peer average multiple would see CTP valued at A$0.14 vs. the current share price of A$0.07 and our valuation of A$0.20.

Figure 13 highlights that the equity market is potentially mis-pricing CTP's gas given the existing production and cash flow, and clear path to market in the NT via quality customer offtake, i.e. significant commercial de-risking.

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



Source: SHA Energy Consulting, company filings, MST. Prices at 14/2/2025

Catalysts: upside potential driven by multiple sources

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

- higher cash flow from new NT Government contracts than we currently assume in our valuation
- potential capital returns via dividends or share buybacks, as we do not currently assume these will occur
- increased production from Mereenie, Palm Valley and Dingo
- exploration program – exploration and appraisal remains a source of potential valuation 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 considered the potential value of helium in our valuation due to its early stage. The project is on hold and we await further information of costs and validity of extraction before taking this into our valuation
- further corporate activity in the energy sector.

Risks

Key risks to our valuation include:

- Mereenie Stairway development not proceeding
- Palm Valley development wells not proceeding
- lack of capital management
- sub-salt exploration not proceeding or lack of success
- longer-term potential reversal of the NGP to accept East Coast gas into the NT, significant increases in NT supply form Blacktip and Betaloo
- government regulation affecting pricing
- the gas price, a key sensitivity for CTP's cash flow and valuation
- operational issues at existing assets.

Appendix 1: Background to the New Contracts

CTP and partners called for expressions of interest

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 NT.

The deteriorating supply situation in 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 new 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.

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 ENI's offshore Blacktip field peaked at ~92 TJ/d, but by May 2022, the field was supplying only around 40–60 TJ/d, falling further to around 15 TJ/d for most of 2024. New drilling re-established production at about 35 TJ/d in late March 2025, but is uncertain how long this production rate can be sustained.

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 final investment decision.

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

Outages of the NGP highlight 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.

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), costing CTP about $4m in lost revenues in FY24. However, the NGP outage has provided a silver lining: gas prices in the NT have increased and therefore provide an incentive to supply the NT with competitively priced onshore gas. CTP has taken advantage of the market dislocation to invest in new production wells and lock in most of its production for several years at attractive, improved pricing. Amadeus Basin gas not only has 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.

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$0.070 | Valuation A$0.200;

Price, target price and rating as at 26 March 2025 (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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