Central Petroleum

CTP.AX

MST Access
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20 February 2025

A New Era Dawns

NEED TO KNOW

- A new era for CTP – higher prices, guaranteed volume, low risk
- Site visit – looking good and more to come
- 2QFY25 – momentum continues

New gas contracts mark a new and substantially stronger era for Central Petroleum (CTP): From 1 January 2025, CTP's next 6 years of production have been locked in with the Northern Territory (NT) Government at higher prices. In FY26, the first full financial year of the contracts, we estimate operating cash flow will be 3x FY24.

Site visit – operations humming; drill rig spinning and options opening up: Our recent site visit to CTP's Mereenie and Palm Valley assets showed operations running smoothly, with excess plant capacity and strong options for further production wells to deliver into higher prices.

2QFY25 – momentum builds: The continued tight conditions in the NT gas market drove another good quarter for CTP. Volumes were up 3%, revenue up 4.6% and prices up 1.2% vs. the previous quarter, and positive operating cash flow of A$3.1m was higher than A$2.7m in 1QFY25.

Investment Thesis

New contracts demonstrate NT gas market tightness, 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.

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 was completed prior to CTP signing the NT Govt. contracts, and implies that just one of CTP's producing assets is worth A$0.07/share vs the current price at A$0.065.

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

Valuation: CTP Stacks Up on Every Metric

Our base case valuation is A$0.20 per share (ps). Across all metrics, CTP looks cheap. At the current share price, FY26 P/OCF is 1.8x, P/E 2.6x and EV/EBITDA 0.9x. The current share price also implies a gas price of A$5.84/GJ vs our forecast of A$8.50/GJ in FY25 and CTP's most recent 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$0.15 ps.

Risks

Key risks include potential production issues, lack of exploration success, unsuccessful development wells, 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. Its strategy is to unlock and commercialise the vast energy potential of the Central Australian basins to take advantage of a tight supply/demand balance in the domestic gas market. www.centralpetroleum.com.au

Valuation	**A$0.200** *(from A$0.190)*
Current price	**A$0.063**
Market cap	**A$48m**
Cash on hand	**A$1.6m** *(31 Dec 2024)*

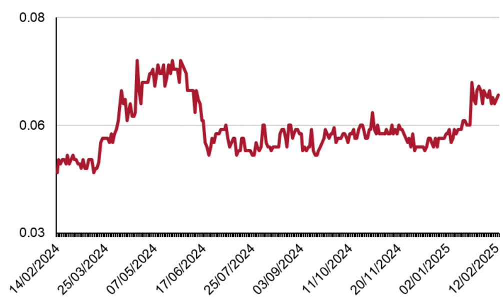
Additional Resources

Video catch-up with CEO Leon Devaney

Upcoming Catalysts / Next News

Period	
1QCY25	Mereenie WM30 production start
1QCY25	Commencement of NT Gas contract
1HCY25	JV partner subsalt exploration
1QCY25	Palm Valley development wells
1QCY25	Blacktip drilling results (ENI)

Share Price (A$)



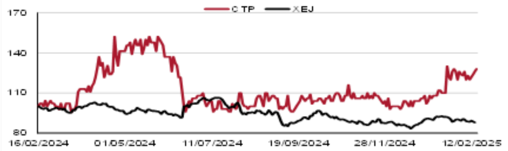
Source: FactSet, MST Access.

Figure 1: Financial summary, year-end 30 June

Central Petroleum Limited (ASX:CTP)

Year-end 30 June		
Share Price	A$/sh	0.063
52 week high/low	A$/sh	0.07 / 0.04
Valuation	A$/sh	0.20
Market Cap (A$m)	A$m	48
Net Cash / (Debt) (A$m)	A$m	1.6
Enterprise Value (A$m)	A$m	45.1
Shares on Issue	m	745.3
Options/Performance shares	m	42.5
Potential Diluted Shares on Issue	m	787.8

CTP Relative to XEJ 12 months



Ratio Analysis	2022A	2023A	2024A	2025	2026	2027
EPS	2.94	(1.09)	1.68	2.20	2.53	3.48
P/E (x)	3.7	(4.8)	3.1	3.0	2.6	1.9
EPS Growth (%)		n/a	-254%	31%	15%	38%
CFPS (A¢)	0.50	(0.28)	0.93	3.09	3.52	4.61
P/CF (x)	21.9	(18.8)	5.7	2.1	1.8	1.4
DPS	–	–	–	–	–	–
Dividend Yield (%)	–	–	–	–	–	–
EV / EBITDA (x)	2.8	16.5	1.6	1.4	0.9	0.0
EV / boe (x)	101.9	64.0	48.6	37.6	28.2	1.3
EV / PJe (x)	17.0	10.7	8.1	6.3	4.7	0.2
FCFPS						
FCF Yield (%)						

Assumptions (Yr end Jun)	2022A	2023A	2024A	2025	2026	2027
Brent Oil Price (US$/bbl)	85.46	83.20	82.24	77.0	78.5	78.0
Exchange Rate (A$1:US$)	0.725	0.673	0.656	0.656	0.656	0.656
Gas Price (A$/GJ)	7.33	7.61	7.11	8.50	8.93	9.10

Production	2022A	2023A	2024A	2025	2026	2027
Gas (TJ/d)	13	13	12	13.78	13.96	16
Gas (PJ)	5.0	4.7	4.4	5.03	5.10	6.0
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**	**0.87**	**0.88**	**1.03**
Gas (mmboe)	0.84	0.79	0.73	0.84	0.85	1.00
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**	**12.6**	**11.7**	**10.9**	**9.8**

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%)	1 Jan 25 A$m Unrisked	Risk Probability	A$m Risked	A$ps
Mereenie - OL4 & OL5 (25%)	64	100%	64	0.09
Palm Valley - OL3 (50%)	26	100%	26	0.04
Dingo - L7 & PL30 (50%)	40	100%	40	0.05
Total Operations	**131**		**131**	**0.18**
Net Cash / (Debt)	15	100%	15	0.01
Admin / Corporate / Other	(24)	100%	(24)	(0.03)
Exploration (risk-adjusted)	23	50%	12	0.01
Mereenie & Palm Valley 2C gas (risked)	38	65%	24	0.03
TOTAL VALUATION	**182**		**158**	**0.20**

Profit & Loss (A$m)	2023A	2024A	2025	2026	2027
Oil / Condensate Revenue	3.4	3.1	3.3	3.2	3.1
LPG Revenue	–	–	–	–	–
Gas Revenue	34.7	30.2	42.5	45.2	54.6
Revenue	**38.1**	**33.3**	**45.8**	**48.4**	**57.7**
Operating Costs	(17.3)	(17.7)	(13.5)	(12.0)	(11.9)
Government Resource Taxes	(2.9)	(3.0)	(3.4)	(3.6)	(4.3)
Exploration & Development Expense	(13.1)	(4.0)	(2.1)	(2.2)	(2.6)
Other Net Income / Expense	(1.8)	14.9	(3.4)	(3.4)	(3.6)
EBITDA	**3.2**	**23.6**	**23.4**	**27.2**	**35.2**
EBITDAX	**14.9**	**13.7**	**25.4**	**29.4**	**37.8**
Depreciation & Amortisation	(6.9)	(7.8)	(6.6)	(7.3)	(8.4)
EBIT	(3.7)	15.8	16.8	19.8	26.8
Net Interest Expense	(4.3)	(3.3)	(0.5)	(1.1)	(1.1)
Net Profit before-tax	(8.0)	12.4	16.3	18.7	25.8
Tax Expense / Benefit	–	–	–	–	–
Underlying NPAT	**(8.0)**	**12.4**	**16.3**	**18.7**	**25.8**
Reported Profit	(8.0)	12.4	16.3	18.7	25.8

Cash Flow (A$m)	2023A	2024A	2025	2026	2027
Pretax Profit	(8.0)	12.4	16.3	18.7	25.8
D&A & Other Non-Cash Items	5.9	(5.6)	6.6	7.3	8.4
Tax Paid	–	–	–	–	–
Cash from Operating Activities	**(2.1)**	**6.9**	**22.9**	**26.0**	**34.1**
Development Capex	(2.9)	(2.9)	(9.6)	(18.2)	(10.7)
Exploration Capex	(9.6)	(2.6)	(2.1)	(2.2)	(2.6)
Acquisitions/Other (Net of Sales)	0.0	12.2	–	–	–
Dividends Paid	–	–	–	–	–
Free Cash Flow	**(3.6)**	**16.3**	**13.2**	**7.8**	**23.4**
Cash Provided by Financing	(4.3)	(5.2)	–	–	(8.4)
Net Change in Cash	**(7.8)**	**11.2**	**13.2**	**7.8**	**15.0**

Balance Sheet (A$m)	2023A	2024A	2025	2026	2027
Cash & short term deposits	13.8	25.0	38.2	46.1	61.0
Receivables	6.7	5.5	7.4	7.9	9.4
Inventories	3.6	3.8	6.1	8.5	11.4
Property, Plant and Equipment	60.2	55.6	59.9	72.3	76.3
Capitalised exploration	8.0	7.7	5.6	5.4	2.8
Intangibles and Goodwill	2.3	2.3	2.3	2.3	2.3
Other assets	3.6	3.9	3.9	3.9	3.9
Total assets	**98.1**	**103.6**	**123.5**	**146.3**	**167.1**
Creditors	3.0	3.3	7.7	8.2	9.8
Borrowings	27.5	23.1	20.7	23.3	14.8
Other liabilities	48.2	44.7	46.2	47.3	49.2
Total liabilities	**78.7**	**71.1**	**74.6**	**78.7**	**73.8**
Shareholder equity	19.4	32.6	48.8	67.6	93.3
Shareholder Equity + Total Liabilities	98.1	103.6	123.5	146.3	167.1

Source: CTP, MST estimates.

The New and Improved CTP – Transformational Transaction; Rock-Solid Gas Contracts Locked and Loaded

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

A major catalyst for a re-rating

The multi-year gas sales agreements (GSAs) with the NT Government have positive implications for CTP's 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 current gas supply shortfall in the NT. This signing of GSAs 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. See Appendix 2 for the background to these GSAs.

CTP has capitalised on its competitive advantage and has now contracted most of its production capacity at vastly improved pricing within the NT from 1 January 2025 until 2030, mitigating the risk of further Northern Gas Pipeline (NGP) closures.

Recap of the terms of the GSAs

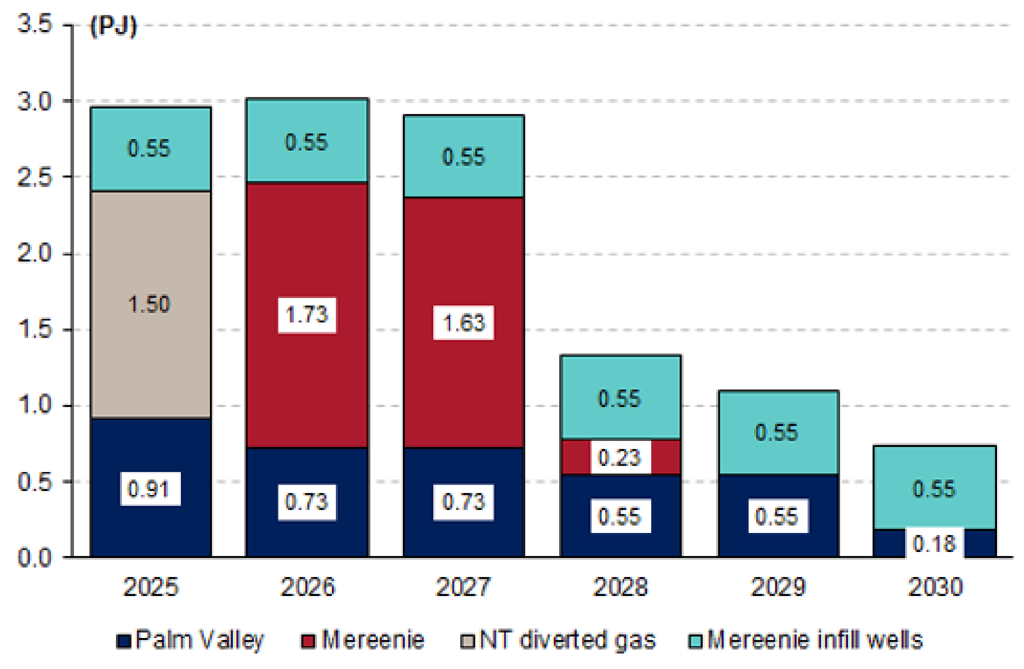
The 6-year gas supply deal (see Figure 2):

- ensures that CTP's onshore gas operations (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 the two new Mereenie wells which will both be on line by March), 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 2).

Figure 2: Northern Territory Govt. (NTG) contracted volumes



Source: CTP, MST, SHA Energy Consulting.

Increased Production from Mereenie and Palm Valley

One of the key outcomes of the new contracts and CTP's recent debt restructuring (see Appendix 1) is that CTP has sufficient flexible funding capacity to increase production through new wells at Mereenie and Palm Valley. Increased production will accelerate cash flow further and provides flexibility for investment in new wells, early debt retirement and future shareholder distributions.

Mereenie development well WM29 exceeds targets

WM29 – delivered significantly above expectations

The first of two new gas development wells at Mereenie was drilled (WM29) and commenced production in January . 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 at an initial rate of approximately 6 TJ/d, which is the capacity limit of the wellhead skid. The new well has increased aggregate Mereenie sales gas capacity to approximately 30 TJ/d, **achieving the primary objective of the two-well drilling program with the second well expected to be commissioned by early March.**

WM30 – drilled and being tied-in

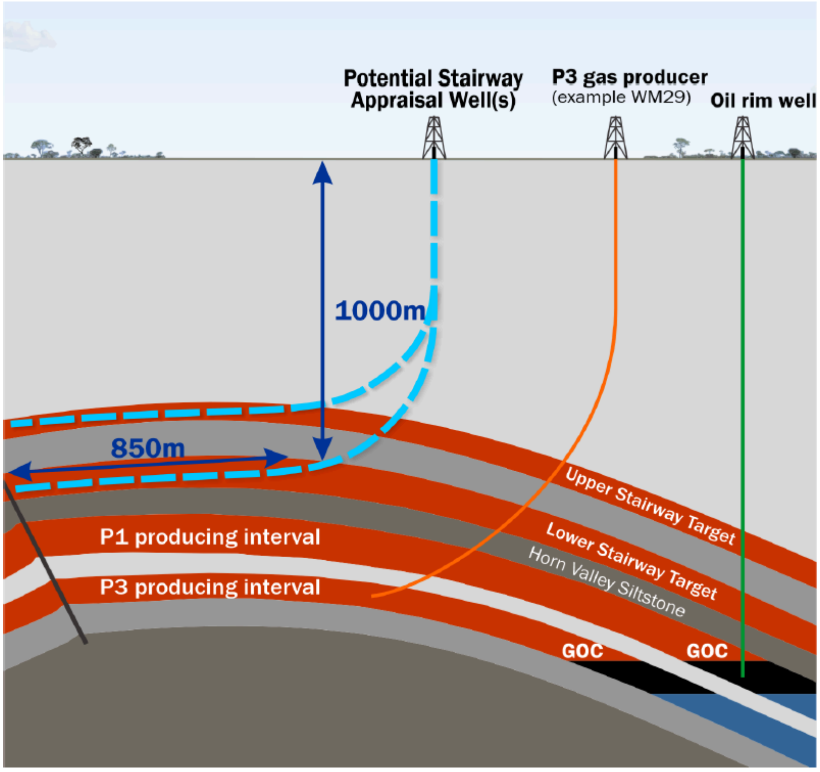
The second of the development wells WM30, has been drilled and is expected to be tied-in and producing by early March. The well has similar pre drill expectations as WM29, around 3TJ/d.

With the completion of WM30, daily production from Mereenie is expected to exceed 30TJ/day. CTP estimate the current plant capacity at Mereenie to be around 40TJ/day, giving more opportunity to drill further development wells.

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 have passed through the Stairway on the path to the target P3 producing interval and noted consistent high pressure gas shows. CTP will further assess the timing of a Stairway program on the completion and tie-in of WM30.

Figure 3: Mereenie potential Stairway appraisal



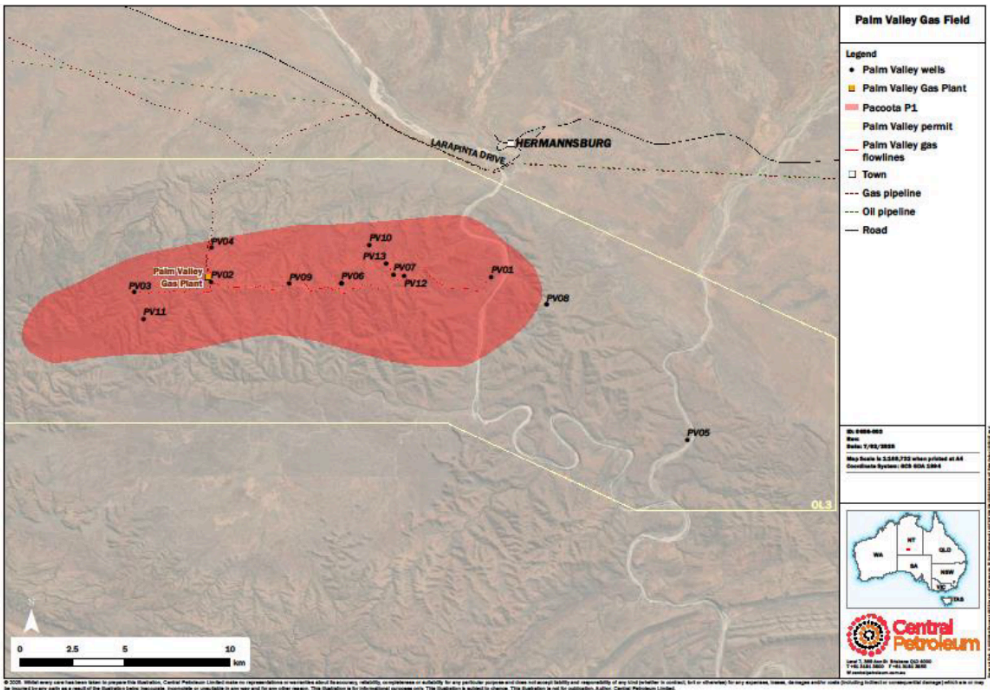
Source: CTP

Palm Valley potential

Palm Valley (PV) is a large field of 616km^2, 20km long and 6km wide.

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

Figure 4: Palm Valley field



Source: CTP

CTP Site Visit: Mereenie and Palm Valley –

Production, Drilling and Options Opening Up

MST visited the Mereenie and Palm Valley operations on 10–11 February, including a visit to the WM30 development well drill rig site.

The visit highlighted two very well-run operations which also have the potential to see increased production, improved efficiency and more drilling success.

Key notes from our visit are outlined below.

Mereenie – well established and efficient; capacity for more gas production; potential for more drilling success

Our visit to Mereenie noted a well-established operation with an efficiently operating plant, skilled staff and quality accommodation and good food (key to retaining skilled staff).

History and current operations

- Mereenie was discovered in 1963 and first produced in 1984.
- There have been 70 wells drilled over the total life of the project over a 40km length. The wells are widely spaced, leaving plenty of opportunity to drill at a tighter spacing.
- There is a 3-train plant with a nameplate capacity of 50 TJ/day. The plant operated at this capacity in 2019, when the wells were delivering at high pressures. Over time the pressure of the wells have dropped and CTP considers current capacity to be around 40 TJ/d. The gas-gathering system also has significant spare capacity.
- With the tie-in of WM29, the Mereenie plant is now operating at ~29–30 TJ/day, leaving plenty of capacity within the system for additional wells, including the WM30 well which is expected to be tied-in by early March.
- The new contracts with the NT Government at higher prices, as well as the renegotiated debt facility, have given CTP the ability to look to drill further wells and increase production.
- The cost of production at Mereenie is ~A$3/GJ (before CAPEX)
- Over time Mereenie efficiency has increased, with the flaring of hydrocarbons being reduced by two-thirds. The flare-reduction project increased gas production and reduced emissions. CTP is investigating the possibility of further reducing flaring and utilising it for fuel.
- Gas production from Mereenie is high quality with no mercury, low sulphur, low CO_2 and low water in the gas.
- The helium project is on hold at the moment as CTP and its JV partners await improvement in the Asian market. Currently helium 'leaks' from the system and is not recovered.

Logistics

- The gas is piped via a 120km spur line to the Amadeus Gas Pipeline, which runs 1,500km to Darwin.
- The operations are self sufficient in power and water, using gas-fired power with diesel backup and obtaining water from the Mereenie Aquifer, with the water being treated on site to Australian drinking standards.

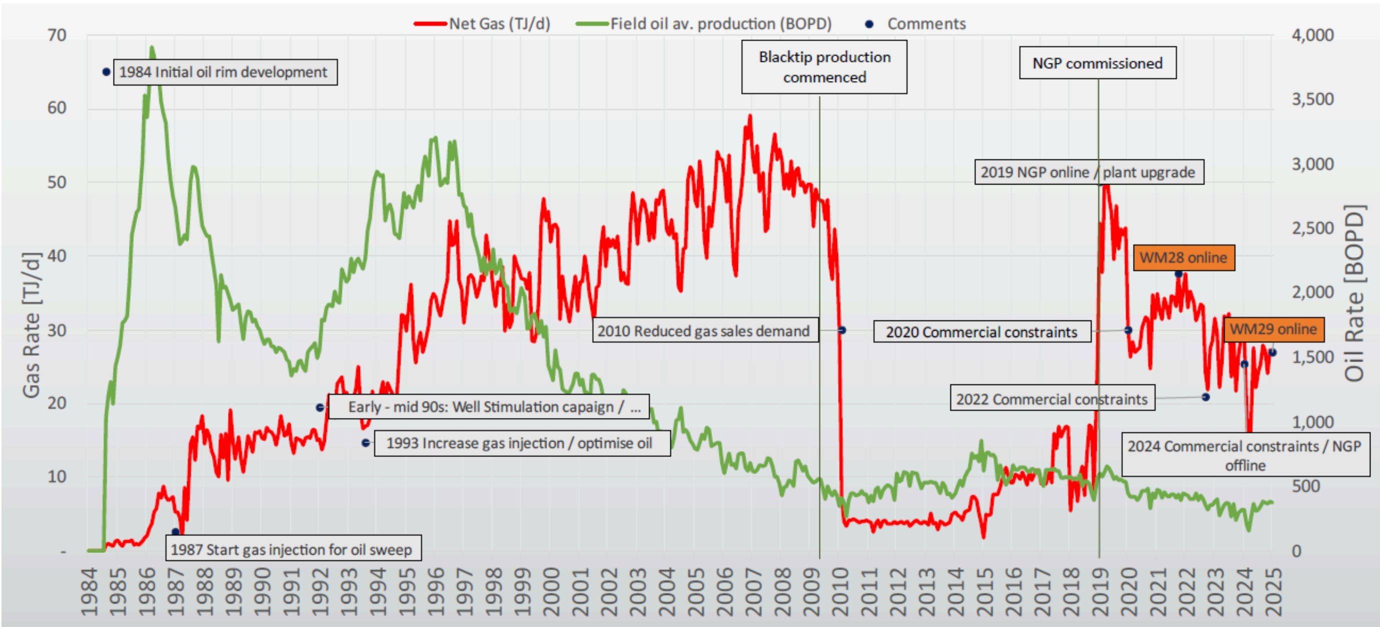
WM30 drill rig

- During our visit to the WM30 drill rig, it was noted that the hole was within 1 day of reaching the target depth in the Parcoota 3 formation at 1,400m. The well was just approaching the cap of the formation which is ~40m in height.
- The same drilling contractor was being used as for the successful WM30 well. CTP has senior staff on site supervising the operation.
- There are at least 2 spares of every component on site, as any breakdown without a spare could see a 3-day delay.
- Both the WM29 and WM30 wells have drilled through the Mereenie Stairway at 1200m on the way to target depth and noted gas flows while passing through

WM29 well head

- The WM29 well was a successful development well that was spudded in December 2024, and tied into the Mereenie gathering system in late January 2025. The well flowed at 7 TJ/day, more than double initial expectations.
- Production has stabilised at 5-6TJ/day
- The WM29 and WM30 pads have large approved footprints (120m x 120m) and can be utilised for Mereenie Stairway drilling and production with minimal approvals required
- The well head is completely automatic, can be controlled from any of CTP's locations and has a small footprint.
- Power is provided by solar and battery back up.

Figure 5: Mereenie – producing for over 40 years



Source: CTP

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Palm Valley – smaller scale, opportunity for more wells

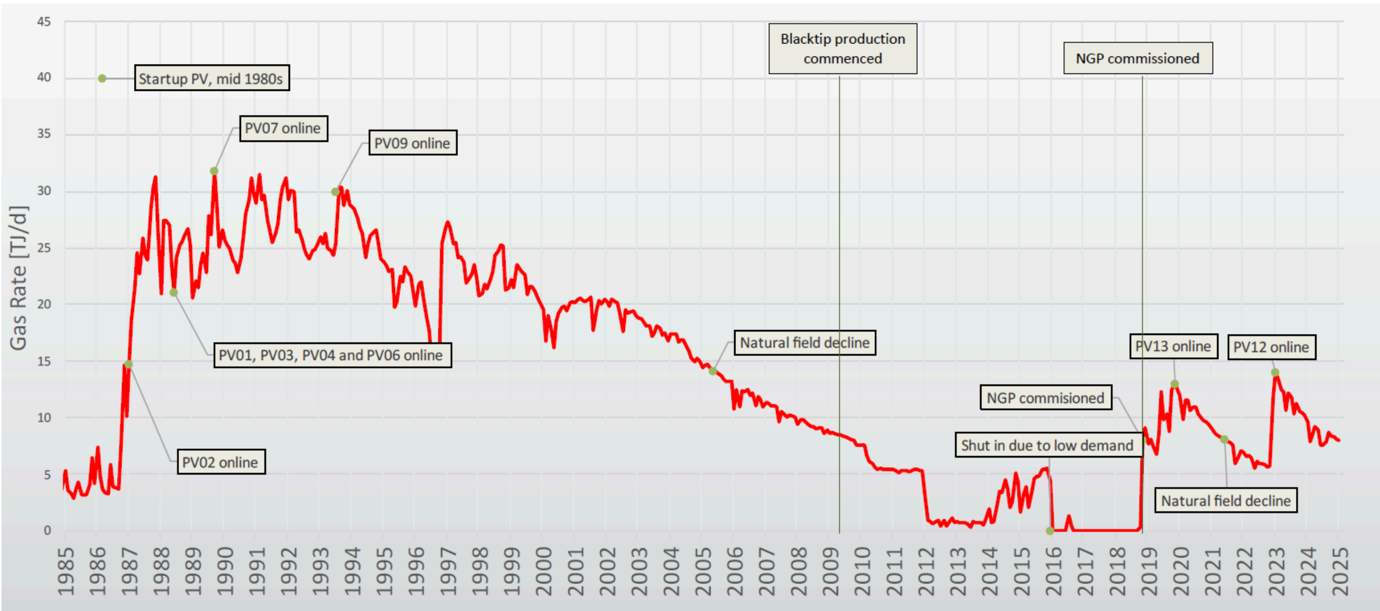
History and current operations

- Palm Valley (PV) was discovered in 1965 and first produced in 1983.
- The project is 20km long and 6km wide. Its fractured reservoir has been historically targeted by vertical wells. Current well designs are extended laterals.
- The plant is smaller than Mereenie with a capacity of 15 TJ/day, currently producing at 7.5 TJ/day.
- PV produces from 3 permanently producing wells and one part-time producing well.
- CTP sees this as an ideal time to drill new wells at PV, given the new contracts with the NT Government and the natural decline of the very successful PV12 well. The leverage to CTP is higher at 50% ownership, compared to 25% ownership at Mereenie.
- CTP sees the potential return from new wells as high now, and plans to drill PV14 and PV15 at 1,200m.
- Gas production from PV is high quality with no mercury, low sulphur, low CO_2 and low water in the gas.

Logistics

- The Amadeus Gas Pipeline begins at PV and runs 1,500km to Darwin.
- The operations are self sufficient in power, using gas fired power with diesel back up.

Figure 6: Palm Valley historical production



Source: CTP.

Figure 7: Mereenie gas plant

Source: MST, CTP.

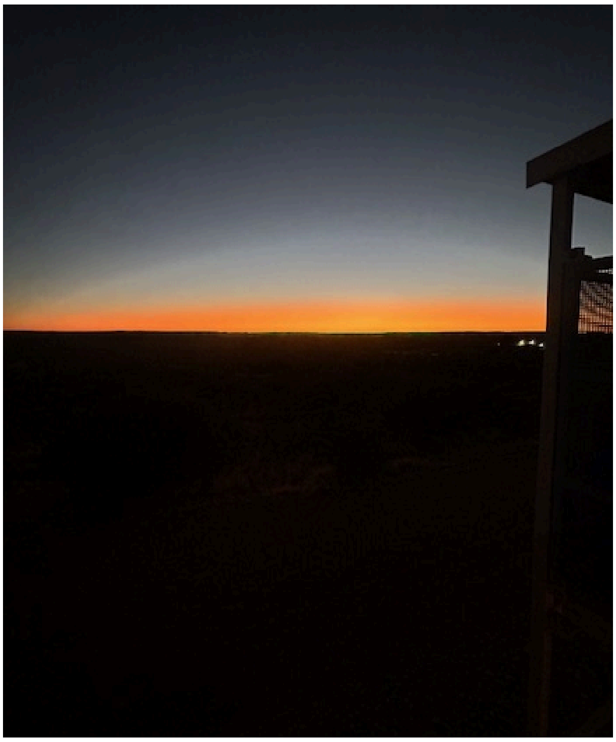
Figure 8: Mereenie gas plant

Source: MST, CTP.

Figure 9: Mereenie accommodation facilities

Source: MST, CTP.

Figure 10: A Mereenie sunrise



Source: MST, CTP.

Figure 11: Mereenie WM30 drill rig

Source: MST, CTP.

Figure 12: Mereenie WM30 showing the size of the pad

Source: MST. CTP.

Figure 13: WM29 well head

Source: MST, CTP.

Figure 14: WM29 well head solar power with battery

Source: MST, CTP.

Figure 15: Palm Valley gas plant

Source: MST, CTP.

Figure 16: Palm Valley well head

Source: MST, CTP.

Figure 17: Some spectacular NT scenery from Palm Valley

Source: MST, CTP.

December 2024 Quarter: Momentum Building

December-quarter (2QFY25) results showed improvement in volumes, better pricing and an increase in revenue over the prior quarter. With 6 years of production from January 2025 locked in with the NT Government and Arafura, this last quarter represents the beginning of CTP's transformation to a low-risk, long-term cash-flow–generating business, with exploration upside. Development drilling at Mereenie WM29 significantly exceeded expectations. The second of the development wells, WM30 has just been completed. Based on rig tests, the WM30 well is anticipated to perform in line with pre-drill expectations (3TJ/d). The online rate will be determined once the well is tied-in and producing, and a further update is expected in March.

Sales volumes: up 3% qoq – tightness in the NT market continues

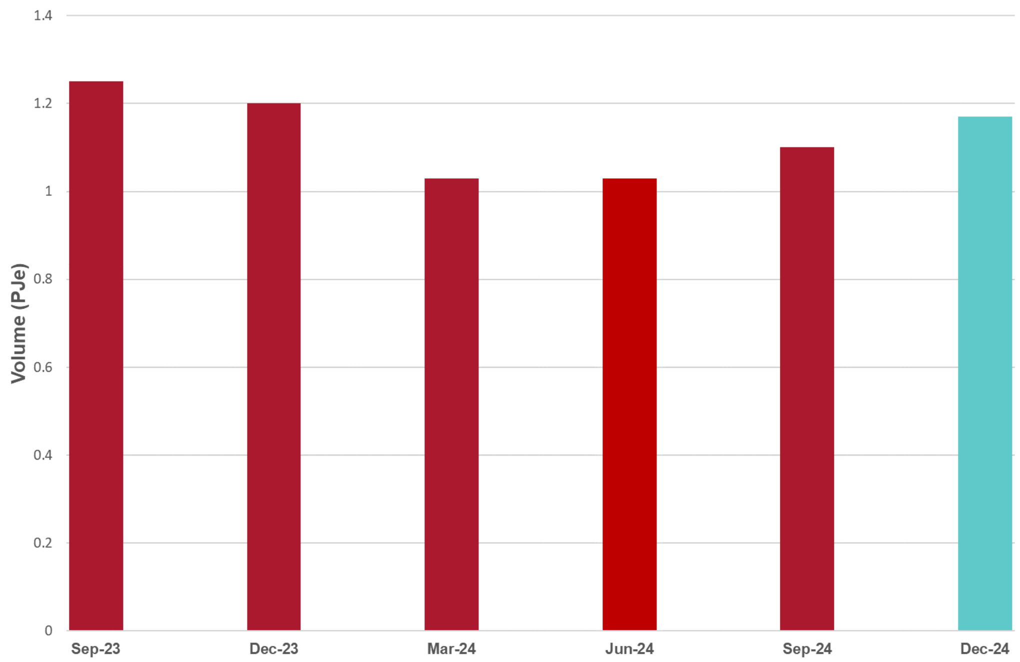
Results: Demand in the NT continued to be strong with warmer weather kicking in. Mereenie was down for a few days to connect WM29 and WM30 to the production system. There was also some pipeline maintenance.

For the 6 months ending December 2024, volumes were 10% higher than the June half which was impacted by NGP closures, driven by selling only to NT customers.

Sales volumes across all field in the quarter were 1.17 PJe, 3% higher than the June quarter.

Outlook: The new contracts with the NT Government commenced 1 January 2025, and we expect those contracts to provide more consistent, firm sales with no risk of NGP interruptions and a low-risk customer.

Figure 18: Quarterly sales – last 6 quarters



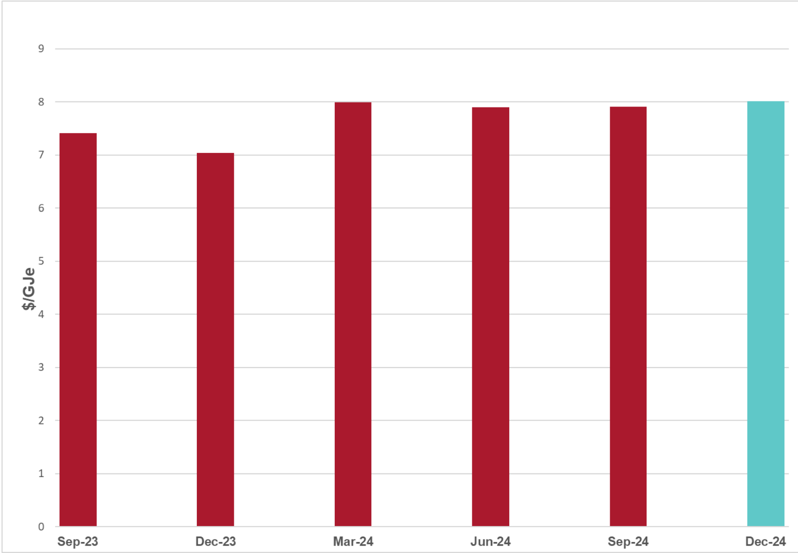
Source: CTP.

Sales price: expected to strengthen as NT gas shortages bite

Results: Average realised prices across the portfolio were A$8.01/GJe for the quarter, up 1.2% from the prior quarter ($7.91/GJe).

Outlook: We expect the new contracts with the NT Government commencing 1 January 2025 to see CTP receive higher average gas prices.

Figure 19: Pricing received – last 6 quarters



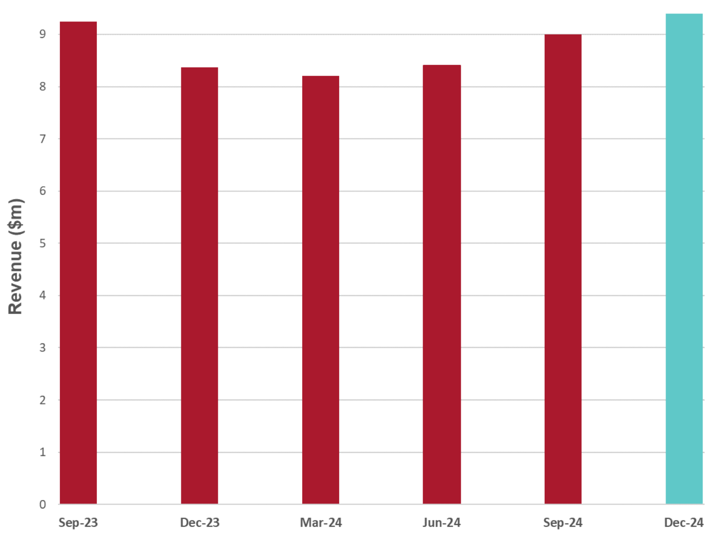
Source: CTP.

Revenues: higher volume + better price = revenue up qoq

Results: The combination of higher volumes and better pricing saw revenue of A$9.4m for the quarter, 4.6% higher than the prior quarter. Half-year revenues were 10% higher than the June half on better volumes.

Outlook: Mereenie and Palm Valley have been selling at close to full capacity into the NT since late April. As mentioned above, the new NT Government contracts kicked in on 1 January 2025, presenting CTP with a new paradigm of higher prices and locked-in volume.

Figure 20: Revenue – last 6 quarters



Source: CTP.

Funding: Net cash for the third consecutive quarter – new contracts to generate higher free cash

Results: Net cash was A$1.6m (A$23.4m cash and A$21.8m debt) at 31 December 2024.

Operational cash flow was at A$3.1m (vs $2.7m for the September quarter), with further expenditure of A$1m in exploration and A$1.5m for Mereenie development.

Outlook: In light of the new NT contracts, we see a further improvement in the net cash position for the March quarter.

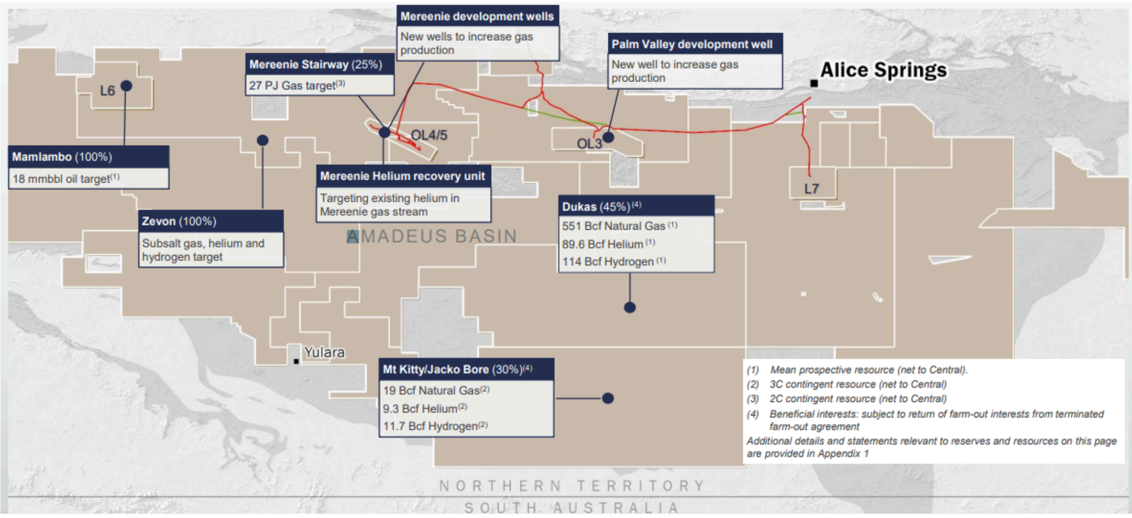
Exploration: Still a Key to CTP's Future

The CTP exploration portfolio remains a key platform for 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). The first well is largely drill-ready, but timing is subject to the introduction of a new partner to partially fund the well costs.

Figure 21 highlights CTP's growth opportunities.

Figure 21: Large potential resources of gas, oil, helium and hydrogen



Source: CTP.

FY2025 Forecasts: Better Pricing Kicking In

We have reviewed our forecasts for FY2025.

CTP has not disclosed the prices it is receiving under the contracts, we have assumed that the prices are higher than current average portfolio prices. Our portfolio price forecast is A$8.50/GJ in FY2025. We consider our forecasts to be conservative.

Figure 22: FY2025 forecasts vs. FY2024 actual

Profit & Loss (A$m)	MST 2025F	CTP Actual FY2024	Comment FY25 v FY 24
Production			
Gas (TJ/d)	14	12	
Gas (PJ)	5.0	4.4	
Oil / Condensate (mmbbl)	0.03	0.03	
Total (mmboe)	**0.87**	**0.76**	
Oil / Condensate Revenue	3.3	3.1	
LPG Revenue	–	–	
Gas Revenue	42.5	30.2	Higher price assumptions, increase prodn from Mereenie
Total Sales Revenue	**45.8**	**33.3**	
Operating Costs	(13.5)	(17.7)	Included costs of operating Range in FY2024
Government Resource Taxes	(3.4)	(3.0)	
Exploration & Development Expenses	(2.1)	(4.0)	
Other Net Income / Expense	(3.4)	14.9	FY2024 includes profit on sale of Range CSG project
EBITDA	**23.4**	**23.6**	
EBITDAX	**25.4**	**13.7**	
Depreciation & Amortisation	(6.6)	(7.8)	
EBIT	16.8	15.8	
Net Interest Expense	(0.5)	(3.3)	Pay down of debt
Pretax Profit	16.3	12.4	
Tax Expense / Benefit	–	–	
Net Attributable Profit	**16.3**	**12.4**	
Reported Profit	16.3	12.4	

Source: CTP, MST estimates.

Valuation: Base-case valuation of A$0.20 (previous A$0.19)

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.

We have increased our valuation marginally to A$0.20 per share based on minor changes to our modelling.

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 in the near term 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 the contracts will be at a higher price than current pricing and should dramatically improve margins over the near term.

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).

Mereenie W29 production reflected in our forecast but not WM30 – further potential valuation upside on success of the next Mereenie well

We have included the new Mereenie well WM29 in our forecasts but have taken a conservative approach and not yet included into our forecast the likely increased production from WM30, which has just been completed. We have included the capital cost of drilling these wells in FY25.

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

The core production assets make up A$0.18 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 23: 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%)	64	100%	64	0.09	0.09	–
Palm Valley - OL3 (50%)	26	100%	26	0.04	0.03	0.01
Dingo - L7 & PL30 (50%)	40	100%	40	0.05	0.05	–
Total Operations	**131**		**131**	**0.18**	**0.17**	**0.01**
Net Cash / (Debt)	15	100%	15	0.01	0.00	–
Admin / Corporate / Other	(24)	100%	(24)	(0.03)	(0.03)	–
Exploration (risk-adjusted)	23	50%	12	0.01	0.02	–
Mereenie & Palm Valley 2C gas (risked)	38	65%	24	0.03	0.03	–
TOTAL VALUATION	**182**		**158**	**0.20**	**0.19**	**0.01**

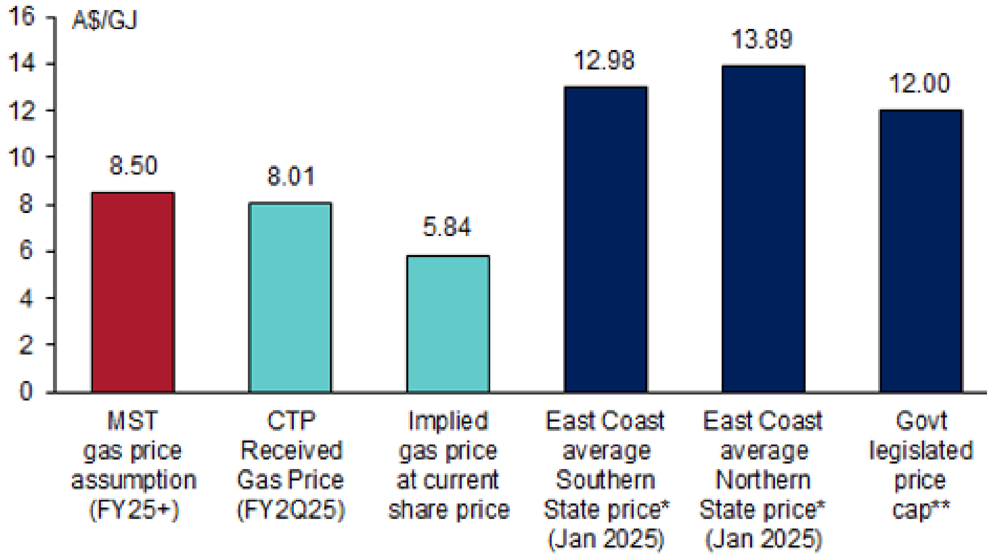
Source: MST estimates.

Valuation cross-checks suggest CTP is undervalued

Gas price implied by current share price: A$5.84/GJ (vs. A$8.50 forecast)

The current share price implies a gas price of A$5.84/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 27% less than the last quarter over the life of the assets.

Figure 24: Share price–implied gas price vs forecast and East Coast prices



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

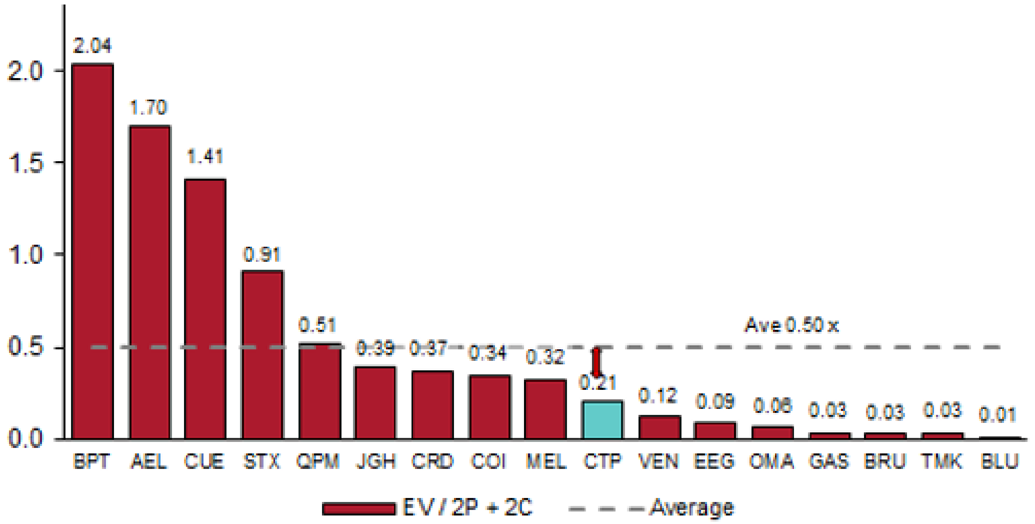
Enterprise Value to Resources suggests that CTP is undervalued: market average multiple implies A$0.15/share

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 25), 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 (64%) its peer average, with CTP's EV/2P+2C of A$0.20/PJ comparing to the average of A$0.50/PJ. The peer average multiple would see CTP valued at A$0.15 vs. the current share price of A$0.064 and our valuation of A$0.20.

Figure 25 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 25: 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 development well WM30
- 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
- government regulation affecting pricing
- the gas price, a key sensitivity for CTP’s cash flow and valuation
- operational issues at existing assets.

Appendix 1: Debt Restructure – More Flexibility

In October 2024, CTP extended and restructured its existing $22.8m loan facility. The revised loan facility has a 5-year term, by which time CTP expects the outstanding balance will have been fully repaid.

The new multi-year gas sales agreements with the NT Government have increased the certainty of future cash flows, supporting the extended loan term and allowing the restructuring of debt service payments to smooth out free cash flow.

Under the revised facility, CTP can make repayments at any time without penalty and can defer interest and principal repayments until 2027.

Appendix 2: 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 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 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. 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 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. 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$0.063 | Valuation A$0.200;

Price, target price and rating as at 20 February 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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