

8 February 2024

## Strategic Review Concludes; 2QFY24 – NGP Wobbles

### NEED TO KNOW

- Strategic review concludes – focus on operational efficiency and sub-salt exploration
- 2QFY24 results – impacted by NGP outages
- Search for sub-salt partners resumes

#### Strategic review done; focus on operating efficiency, sub-salt partners:

After ~18 months, CTP has concluded a strategic review of the business that resulted in the sale of its Range CSG project in Queensland. CTP had engaged Royal Bank of Canada (RBC) to review all sections of the business, with several alternatives considered. Post-review, it was decided that CTP will continue in its current structure, focused on maximising cash flow from its operating assets through operational efficiency and seeking potential partners in the sub-salt exploration assets.

**2QFY24 softer on NGP outages and lower pricing:** CTP's sales volumes and revenues were softer in 2Q as an unplanned 8-week outage of the Northern Gas Pipeline (NGP) restricted deliveries to only NT customers. As a result, volumes and average prices were 5% lower than 1Q, but revenues for the half year were up 6% on the prior year, courtesy of continuing strong volumes from the PV12 well, drilled in late 2022.

**Search for sub-salt exploration resumes:** The sub-salt plays in the Amadeus Basin are highly prospective for valuable helium and hydrogen and represent a large potential upside for CTP. Attracting a farm-in partner is key to progressing these wells due to the high cost. CTP and the wells operator, Santos, are advancing the search for a farm-in partner after losing Peak Helium as an option last year.

### Investment Thesis

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

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

**Strategic review finished; renewed focus on business:** With the strategic review completed, CTP can focus on its core capabilities. Maximising cash flow from operations and delivering on exploration options mixed with the potential for future dividends gives CTP a lot of 'option' value at its current price, in our view.

### Base-Case Valuation: A\$0.15 (Unchanged)

Our risked valuation is A\$0.15/share. **The current share price of A\$0.046 implies a gas price of A\$5.37/GJ compared to CTP's last average quarterly price of A\$7.03/GJ, implying a significant discount to current operations.** We believe that the share price does not adequately reflect the value of the existing assets alone and also does not reflect the potential of increased production from existing assets and any exploration success.

### Risks

Key risks include production issues, NGP availability, continuing government gas policy uncertainty and exploration disappointment.

### Equities Research Australia

#### Energy

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

<https://centralpetroleum.com.au/>

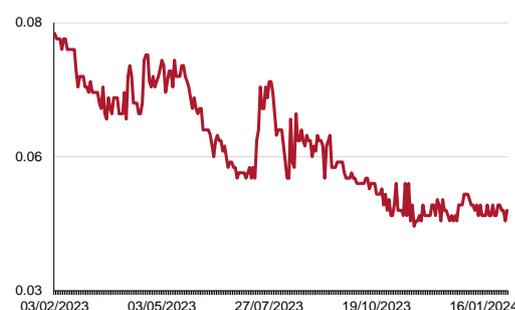
Valuation	<b>A\$0.15</b> (unchanged)
Current price	<b>A\$0.046</b>
Market cap	<b>A\$33m</b>
Cash (Net Debt)	<b>(A\$4.4m)</b> (31 December 2023)

### Upcoming Catalysts and Newsflow

#### Period

1HCY24	Farm-in sub-salt assets
1HCY24	Zevon seismic results
2HCY24	Sub-salt exploration drilling

### Share Price (A\$)



Source: FactSet, MST Access.

# Central Petroleum Limited (ASX:CTP)

Year End 30 June

Share Price	A\$/sh	0.046
52 week high/low	A\$/sh	0.08/0.04
Valuation	A\$/sh	0.14
Market Cap (A\$m)	A\$m	34.05
Net Cash / (Debt) (A\$m)	A\$m	(4)
Enterprise Value (A\$m)	A\$m	38
Shares on Issue	m	740.12
Options/Performance shares	m	18.66
Potential Diluted Shares on Issue	m	758.78



Ratio Analysis	2021A	2022A	2023A	2024	2025	2026	2027
EPS (A¢)	0.03	2.88	(1.09)	2.79	1.58	2.01	2.05
P/E (x)	345.4	3.8	(4.8)	1.6	2.8	2.2	2.2
EPS Growth (%)		8398%	n/a	-355%	-43%	27%	2%
CFPS (A¢)	3.26	0.49	(0.28)	3.74	2.75	3.33	3.50
P/CF (x)	3.6	22.4	(18.8)	1.2	1.6	1.4	1.3
DPS (A¢)	-	-	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-	-	-
EV / EBITDA (x)	6.2	2.8	16.5	0.6	0.8	0.0	0.0
EV / boe (x)	66.6	101.9	64.0	22.0	16.4	0.0	0.0
EV / PJe (x)	11.1	17.0	10.7	3.7	2.7	0.0	0.0
FCFPS							
FCF Yield (%)							

Assumptions (Yr end Jun)	2021A	2022A	2023A	2024	2025	2026	2027
Brent Oil Price (US\$/bbl)	51.87	87.02	83.33	77.5	76.5	78.0	79.6
Exchange Rate (A\$1:US\$)	0.747	0.725	0.700	0.700	0.700	0.700	0.700
Gas Price (A\$/GJ)	5.92	7.47	7.76	7.25	7.40	7.80	7.96

Production	2021A	2022A	2023A	2024	2025	2026	2027
Gas (TJ/d)	27	13	13	14	18	18	18
Gas (PJ)	9.8	5.0	4.7	5.0	6.4	6.5	6.4
LPG (kt)	-	-	-	-	-	-	-
Oil / Condensate (mmbbl)	0.08	0.04	0.03	0.03	0.03	0.03	0.03
<b>Total (mmboe)</b>	<b>1.72</b>	<b>0.87</b>	<b>0.82</b>	<b>0.86</b>	<b>1.09</b>	<b>1.11</b>	<b>1.10</b>
Gas (mmboe)	1.64	0.84	0.79	0.83	1.06	1.08	1.07
LPG (mmboe)	-	-	-	-	-	-	-
Oil / Condensate (mmboe)	0.08	0.04	0.03	0.03	0.03	0.03	0.03
<b>Year End Reserves 2P (mmboe)</b>	<b>26.1</b>	<b>12.6</b>	<b>12.9</b>	<b>12.0</b>	<b>11.0</b>	<b>9.8</b>	<b>8.7</b>

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

NET ASSET VALUE (WACC 10.0%)	A\$m	Risking	A\$m	A\$ps
Mereenie - OL4 & OL5 (25%)	44	90%	39	0.05
Palm Valley - OL3 (50%)	22	90%	20	0.03
Dingo - L7 & PL30 (50%)	31	90%	28	0.04
<b>Total Operations</b>	<b>97</b>		<b>87</b>	<b>0.12</b>
Net Cash / (Debt)	14	100%	14	0.02
Admin / Corporate / Other	(16)	100%	(16)	(0.02)
Exploration (risk-adjusted)	26	50%	13	0.02
Mereenie & Palm Valley 2C gas (risked)	18	50%	9	0.01
<b>TOTAL VALUATION</b>	<b>139</b>		<b>107</b>	<b>0.15</b>

Source: MST Estimates; CTP

Profit & Loss (A\$m)	2021A	2022A	2023A	2024	2025	2026	2027
Oil / Condensate Revenue	5	6	3.5	3	3	3	3
LPG Revenue	-	-	-	-	-	-	-
Gas Revenue	54	36	36	35	46	50	51
<b>Total Sales</b>	<b>60</b>	<b>42</b>	<b>39</b>	<b>39</b>	<b>50</b>	<b>53</b>	<b>54</b>
Operating Costs	(24)	(18)	(17)	(12)	(12)	(12)	(12)
Government Resource Taxes	(4)	(3)	(3)	(3)	(4)	(4)	(4)
Exploration & Development Expenses	(8)	(21)	(13)	(5)	(3)	(3)	(2)
Other Net Income / Expense	(5)	33	(2)	12	(7)	(7)	(7)
<b>EBITDA</b>	<b>18</b>	<b>32</b>	<b>3</b>	<b>31</b>	<b>24</b>	<b>28</b>	<b>29</b>
<b>EBITDAX</b>	<b>26</b>	<b>16</b>	<b>16</b>	<b>36</b>	<b>27</b>	<b>30</b>	<b>32</b>
Depreciation & Amortisation	(13)	(7)	(7)	(7)	(9)	(10)	(11)
EBIT	6	26	(4)	24	15	18	18
Net Interest Expense	(6)	(4)	(4)	(1)	(0)	0	1
<b>Pretax Profit</b>	<b>0</b>	<b>21</b>	<b>(8)</b>	<b>21</b>	<b>12</b>	<b>15</b>	<b>15</b>
Tax Expense / Benefit	-	-	-	-	-	-	-
<b>Net Attributable Profit</b>	<b>0</b>	<b>21</b>	<b>(8)</b>	<b>21</b>	<b>12</b>	<b>15</b>	<b>15</b>
Reported Profit	0	21	(8)	21	12	15	15

Cash Flow (A\$m)	2021A	2022A	2023A	2024	2025	2026	2027
<b>Pretax Profit</b>	<b>0</b>	<b>21</b>	<b>(8)</b>	<b>21</b>	<b>12</b>	<b>15</b>	<b>15</b>
D&A & Other Non-Cash Items	24	-18	6	7	9	10	11
Tax Paid	-	-	-	-	-	-	-
<b>Cash from Operating Activities</b>	<b>24</b>	<b>4</b>	<b>(2)</b>	<b>27</b>	<b>20</b>	<b>25</b>	<b>26</b>
Development Capex	(6)	(11)	(3)	(12)	(19)	(14)	(9)
Exploration Capex	(5)	(10)	(10)	(5)	(3)	(3)	(2)
Acquisitions/Other (Net of Sales)	0	28	0	13	-	-	-
Dividends Paid	-	-	-	-	-	-	-
<b>Free Cash Flow</b>	<b>16</b>	<b>21</b>	<b>(4)</b>	<b>28</b>	<b>1</b>	<b>10</b>	<b>16</b>
Cash Provided by Financing	(5)	(37)	(4)	(4)	(4)	(4)	(4)
<b>Net Change in Cash</b>	<b>11</b>	<b>(16)</b>	<b>(8)</b>	<b>24</b>	<b>(3)</b>	<b>6</b>	<b>12</b>

Balance Sheet (A\$m)	2021A	2022A	2023A	2024	2025	2026	2027
Cash & short term deposits	37	22	14	38	34	41	53
Receivables	7	27	7	6	7	8	8
Inventories	2	4	4	6	10	13	17
Property, Plant and Equipment	54	54	60	66	79	85	86
Capitalised exploration	8	8	8	6	3	0	(2)
Intangibles and Goodwill	2	2	2	2	2	2	2
Other assets	64	5	4	4	4	4	4
<b>Total assets</b>	<b>174</b>	<b>122</b>	<b>98</b>	<b>128</b>	<b>139</b>	<b>154</b>	<b>169</b>
Creditors	10	14	3	7	9	10	10
Borrowings	67	31	28	19	15	11	7
Other liabilities	93	51	48	62	63	66	69
<b>Total liabilities</b>	<b>170</b>	<b>96</b>	<b>79</b>	<b>88</b>	<b>88</b>	<b>87</b>	<b>87</b>
Shareholder equity	4	27	19	40	52	67	82
<b>Shareholder Equity + Total Liabilities</b>	<b>174</b>	<b>122</b>	<b>98</b>	<b>128</b>	<b>139</b>	<b>154</b>	<b>169</b>

# Strategic Review Complete – Focus on Operational Efficiency and Sub-Salt Upside

CTP has concluded the strategic review of its portfolio.

## Why the strategic review was conducted

The strategic review was first announced in August 2022 and was implemented 'to assess options for the Company's extensive portfolio of exploration, appraisal and production assets and examine further opportunities in the context of the current market and capital landscape'.

The strategic review began in the context of historically high global and East Coast spot gas prices as well as supply constraints, driven predominantly by Russia's invasion of Ukraine and disruptions to domestic coal-fired power generation capacity. The strategic review took longer than expected as market conditions changed significantly, particularly as the market had to reset given the government's market intervention – and the resulting investment uncertainty – and then a subsequent change to that policy.

The strategic review involved an extensive review of the portfolio and assessed:

- the structure of the portfolio and potential sales of assets
- opportunities given the conditions in the gas markets
- optimisation of hydrogen and helium prospects
- expansion into other basins
- the Range Gas Project.

## Highlights of the strategic review

CTP's strategic review of its assets highlighted a number of points:

- the successful sale of the interest in the Range Project for \$12.5m, with the proceeds being used to reduce net debt and strengthen the balance sheet
- interest from parties wanting to participate in the exploration and appraisal of subsalt acreage – the termination of farm-out arrangements with Peak Helium increasing this interest
- confirmation that the producing assets are performing well and are of interest to the market
- receipt of a number of expressions of interest to purchase operating assets, none of which were considered sufficiently attractive to warrant a transaction proposal to shareholders for approval.

## Outcome of the strategic review – Range sold; plans to optimise operational assets and pursue partners for sub-salt exploration

The success of the Range sale strengthened CTP's balance sheet, providing financial flexibility.

- CTP will now focus on cost and production efficiency from the producing assets. CTP considers the gas environment to be strong over the medium term.
- CTP will advance discussions with interested parties to progress activities in the exploration acreage, particularly as it relates to the sub-salt plays, where there was strong interest from outside parties to farm-in to the assets.

## Resignation of Director – Troy Harry

With the conclusion of the strategic review, Troy Harry has resigned from the Board. Mr Harry was a key driver of the review. Mr Harry has control of 53.3m shares in CTP or approximately 7% of the issued capital.

## Conclusion – somewhat mixed; now it's up to CTP to deliver

We see the conclusion of the strategic review as somewhat mixed. The market has waited 18 months or so for the company to sell one asset and then maintain the status quo, which many in the market may see as a negative outcome.

However, on the positive side, the outcome is that CTP have close to zero net debt and are well positioned to take the company forward.

The operational assets are performing well, and with a strong gas environment and minimal disruptions from the NGP, we see potential for some strong cash flow generation and the potential for the company to return to paying dividends.

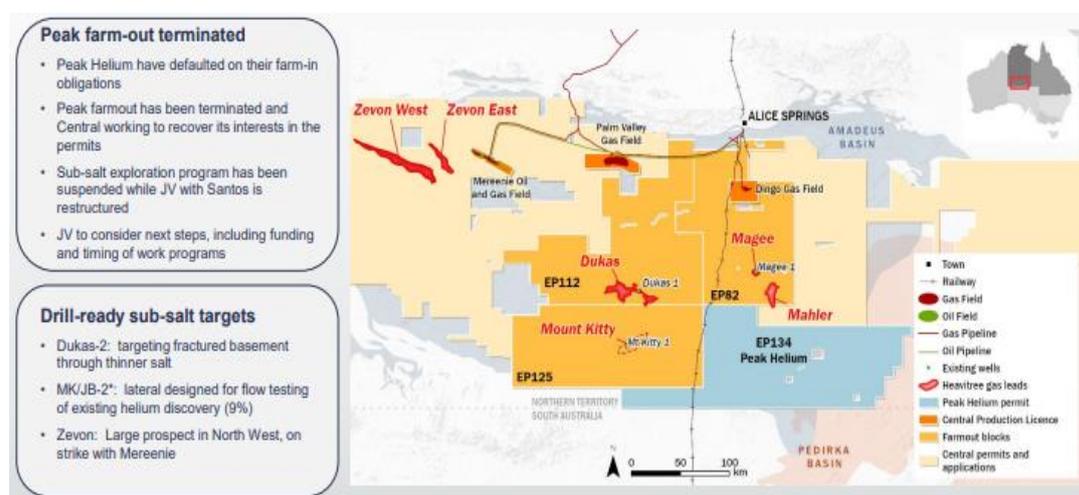
The sub-salt exploration plays have huge potential and need to be drilled ASAP, in our view. The inclusion of a credible partner in to the targets to help pay for as much of the drilling cost as possible would add strong exploration attractiveness to the CTP story.

# Amadeus Sub-Salt – The Key Exploration Play from the Strategic Review: A Recap

## What is the sub-salt? – a quick recap

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

**Figure 1: Southern Amadeus sub-salt exploration deferred after Peak Helium default**



Source: CTP.

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

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

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

Planning for the drilling of a sub-salt exploration well in each of the 3 permits continued through the June 2023 quarter, but has been postponed, as CTP determined that Peak Helium was in default.

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

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

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

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

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

# December 2023 Quarter: The NGP Lets CTP Down

The December quarter results represented a softer quarter, which was affected by an unplanned 8-week outage of the Northern Gas Pipeline (NGP) restricted deliveries to only NT customers and reducing the volume of gas that CTP can sell into the spot East Coast Gas Market.

## December quarter a bit weaker on NGP issues, softer pricing in East Coast Market

### Volumes: down 5% qoq – NGP disruption, strong PV12 production

CTP's Mereenie field produced less in the December quarter, with disruption from an unplanned outage of the NGP. There was some natural decline in the Palm Valley field.

Sales volumes in the quarter were 1.2 PJe, 5% lower than the September quarter, but cumulatively 9.3% higher than the corresponding December half in CY2022 due to the successful PV12 well.

### Sales price takes a breather – 5% lower than September

The average price received decreased 5% qoq, with CTP realising A\$7.04/GJe vs. A\$7.23/GJe. East Coast spot prices were softer, but demand for gas in northern Australia remains strong due to declining gas supply from offshore fields.

### Lower volume + lower price = revenue down 9% qoq

The combination of lower volumes and lower pricing saw revenue of A\$8.4m for the quarter, 9% lower than the prior quarter.

Aggregate sales revenues for the six months to December were \$17.6m, 6% higher than the corresponding period in FY2023, as contributions from PV12 more than offset softer pricing and NGP outages.

### Gas pricing remained soft in December quarter

The East Coast gas prices remained soft during the December quarter, with prices closing at ~A\$9.24G/J at 31 December.

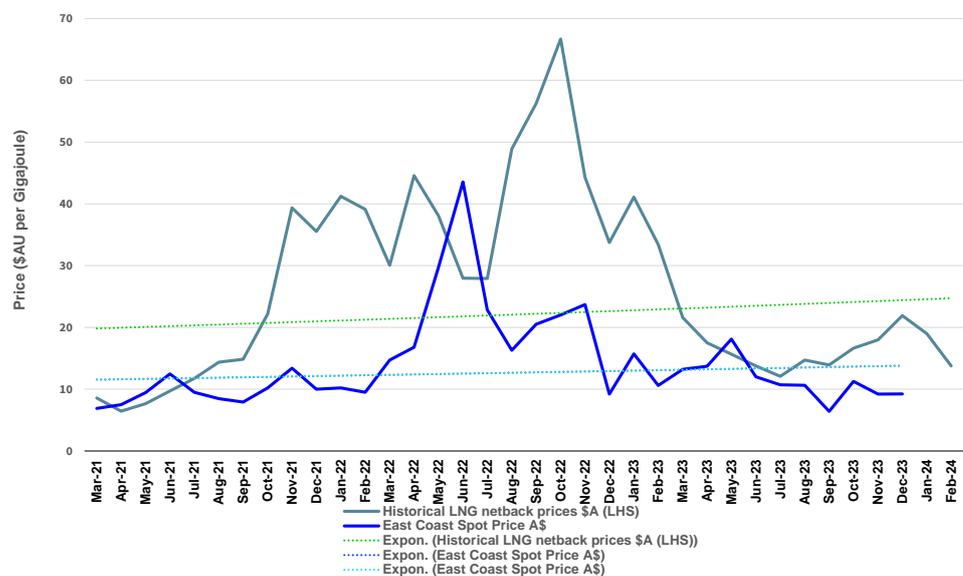
January has seen prices recover, with January closing at A\$12.75/GJ.

The LNG netback price averaged A\$20.03 for 2023, with forward CY2024 prices trading higher at around A\$15/GJ.

CTP continues to secure new fixed-price contracts, with a new 1-year supply agreement inked with Incitec Pivot for supply of 0.87PJ through CY2024.

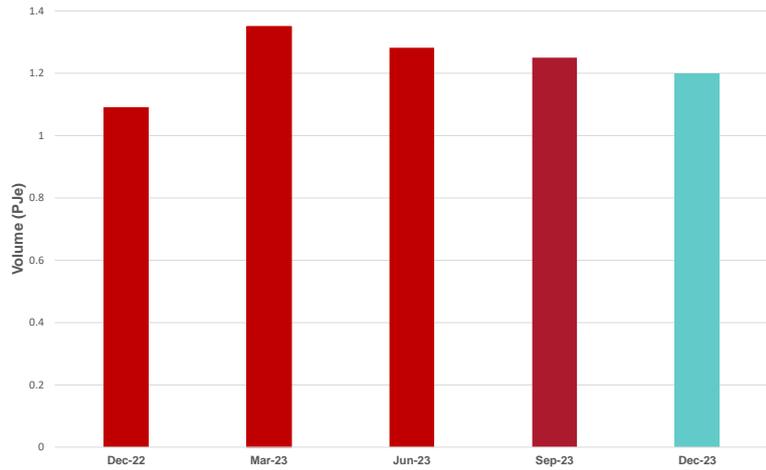
Assuming minimal NGP disruptions, and in light of improved pricing, we see a better March quarter for CTP.

**Figure 2: East Coast gas prices and LNG netback**



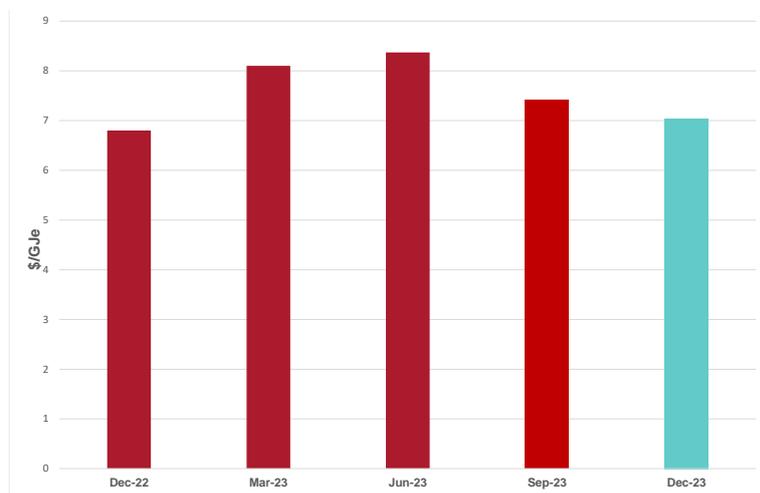
Source: ACCC, AEMO.

**Figure 3: Quarterly sales volume: NGP outage drives softer quarter**



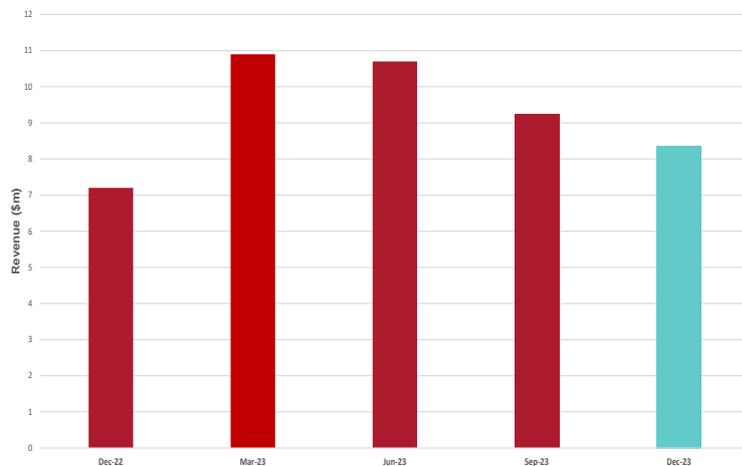
Source: CTP.

**Figure 4: Quarterly prices: softer pricing driven by lower East Coast pices**



Source: CTP.

**Figure 5: Quarterly revenues: softer pricing and lower volumes (\$m)**



Source: CTP.

## Range Gas Project sold – generates A\$12.5m, increases financial flexibility

CTP announced the sale of the Range Gas Project in November – the first outcome under the company's current strategic review, receiving \$12.5m.

### Sensible decision with lots of gains

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

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

### Funding: Range sale lowers net debt to A\$4.4m

Net debt was A\$4.4m (A\$21.4m cash and A\$25.9m debt) at 31 December 2023 compared to \$14.5m at 30 September 2023. The \$12.5m from the sale of the Range CSG Project in Queensland in November 2023 significantly decreased net debt.

Operational cash flow was weaker at \$0.4m for the quarter. There was \$0.8m in exploration, \$1.0m in capex for the Mereenie Flare project, and a debt repayment of A\$1.9m.

**Free carry position:** Under the carry arrangements relating to the partial asset sale, the new joint venture partners at Mereenie, Palm Valley and Dingo agreed to pay \$40m of CTP's share of certain future exploration and development costs in those fields. At the end of December 2023, \$0.2m remained available for future use, which will be invested in Mereenie well recompletions and the flare gas recovery project.

**Debt facility – funding increased production and exploration:** With cash balances boosted by \$12.5m of proceeds from the Range sale, CTP has not drawn any additional funds from the additional \$11m loan facility and has allowed it to lapse.

CTP is considering a smaller extension to this facility for additional working capital flexibility.

**Funding of Dukas –** At this stage CTP has not farmed down any of its position in Dukas and will have to fund its share of the well. Although there is no indication of the cost of the well, we expect it to be relatively expensive.

## FY24 forecasts – Mereenie provides upside

We see FY24 returning to profitability as Mereenie production increases as a result of the recompletion and drilling program in CY2023. Our forecast includes the profit on sale from Range CSG.

We have made minor downgrades to our forecast due to the weaker-than-expected 2QFY24.

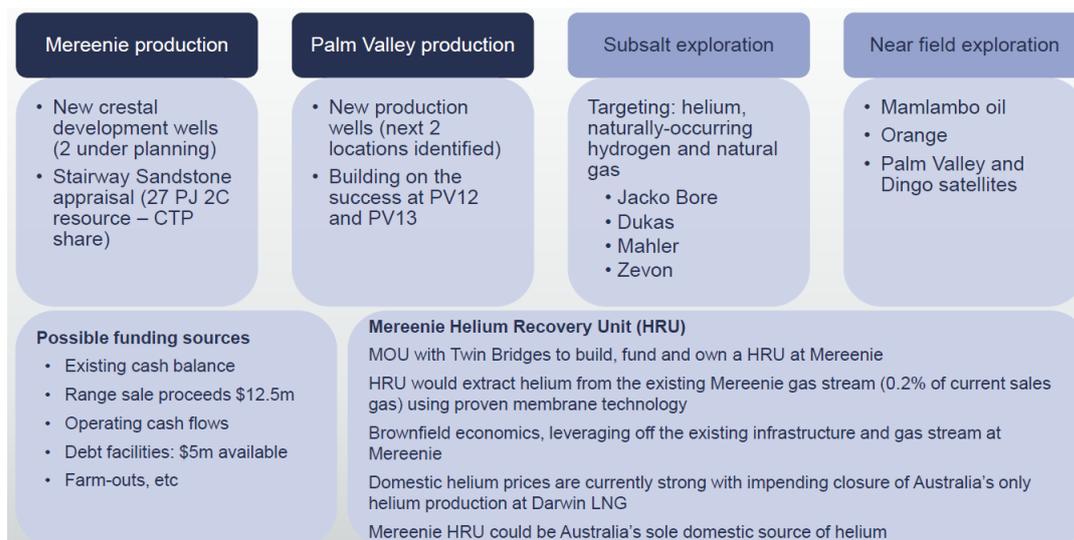
**Figure 6: FY2024 forecasts – some minor changes**

Profit & Loss (A\$m)	Previous Forecast FY2024	MST Forecast FY2024	Change
<b>Production</b>			
Gas (TJ/d)	14.9	13.6	(1.3)
Gas (PJ)	5.5	5.0	(0.5)
Oil / Condensate (mmbbl)	0.0	0.0	0.0
<b>Total (mmboe)</b>	<b>0.94</b>	<b>0.86</b>	<b>(0.08)</b>
<b>Total Sales Revenue</b>	<b>41.2</b>	<b>41.2</b>	<b>–</b>
Operating Costs	(12.6)	(12.1)	0.5
Government Resource Taxes	(3.4)	(2.9)	0.5
Exploration & Development Expenses	(5.7)	(5.2)	0.5
Other Net Income / Expense	9.9	9.9	(0.0)
<b>EBITDA</b>	<b>29.4</b>	<b>30.8</b>	<b>1.4</b>
<b>EBITDAX</b>	<b>35.1</b>	<b>36.1</b>	<b>1.0</b>
Depreciation & Amortisation	(7.3)	(7.0)	0.4
EBIT	22.0	23.8	1.8
Net Interest Expense	(0.8)	(1.1)	(0.3)
<b>Pretax Profit</b>	<b>21.2</b>	<b>20.5</b>	<b>(0.7)</b>
Tax Expense / Benefit	–	–	–
<b>Net Attributable Profit</b>	<b>21.2</b>	<b>20.5</b>	<b>(0.7)</b>

Note: \*FY24 profit includes accounting profit of A\$13.6m profit on sale of Range Gas Project.

Source: CTP, MST estimates.

**Figure 7: CTP's key growth opportunities**



Source: CTP.

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

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

### Assets undervalued by the market, in our view

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

### Core production assets contribute A\$0.12

Our valuation is A\$0.15. The core production assets make up A\$0.12 of this valuation, suggesting that the market is placing a significant discount on assets that are relatively low risk.

**Figure 8: Base-case valuation summary – fully diluted (A\$ per share)**

NPV	A\$m Valuation Unrisked	Risking	A\$m	Valuation A\$ps
Mereenie - OL4 & OL5 (25%)	44	90%	39	0.05
Palm Valley - OL3 (50%)	22	90%	20	0.03
Dingo - L7 & PL30 (50%)	31	90%	28	0.04
<b>Total Operations</b>	<b>97</b>		<b>87</b>	<b>0.12</b>
Net Cash / (Debt)	14	100%	14	0.02
Admin / Corporate / Other	(16)	100%	(16)	(0.02)
Exploration (risk-adjusted)	26	50%	13	0.02
Mereenie & Palm Valley 2C gas (risked)	18	50%	9	0.01
Dingo Deep & Palm Valley Deep (Prospective, Best)	–	–	–	–
<b>TOTAL VALUATION</b>	<b>139</b>		<b>107</b>	<b>0.15</b>

Source: MST estimates.

## Upside potential to our valuation, driven by multiple sources

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

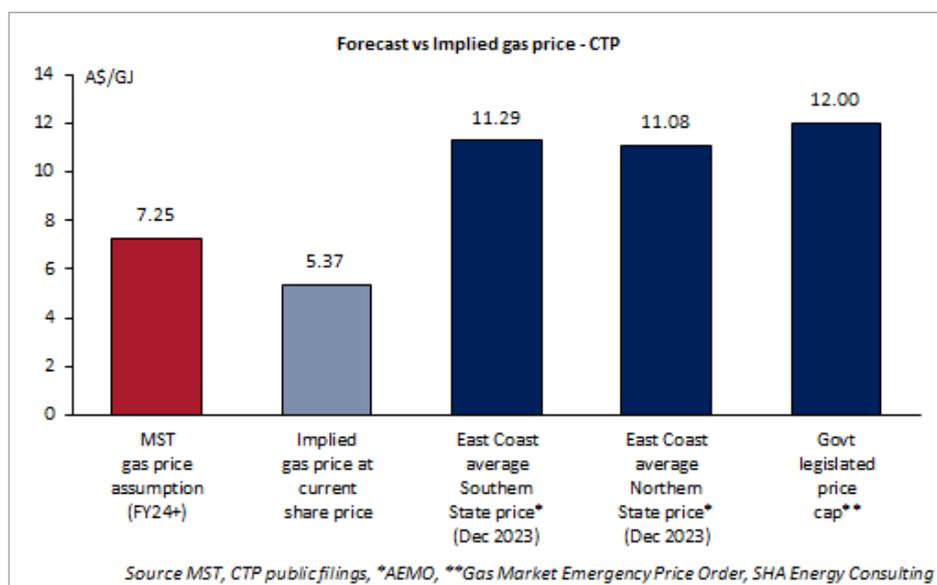
- exploration program – despite the disappointing results from the PV exploration deeps program last year, exploration and appraisal remains a source of potential value upside within CTP via the potential to increase Reserves and thus increase production and/or the life of the assets. We are particularly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

## Valuation cross-checks suggest CTP is undervalued

### Gas price implied by current share price: A\$5.37/GJ (vs A\$7.03 received last quarter)

The current share price implies a gas price of A\$5.37/GJ. CTP received an average price of A\$7.03/GJ in the last quarter and A\$7.43/GJ in the September 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 9: Share price–implied gas price vs forecast and East Coast prices**



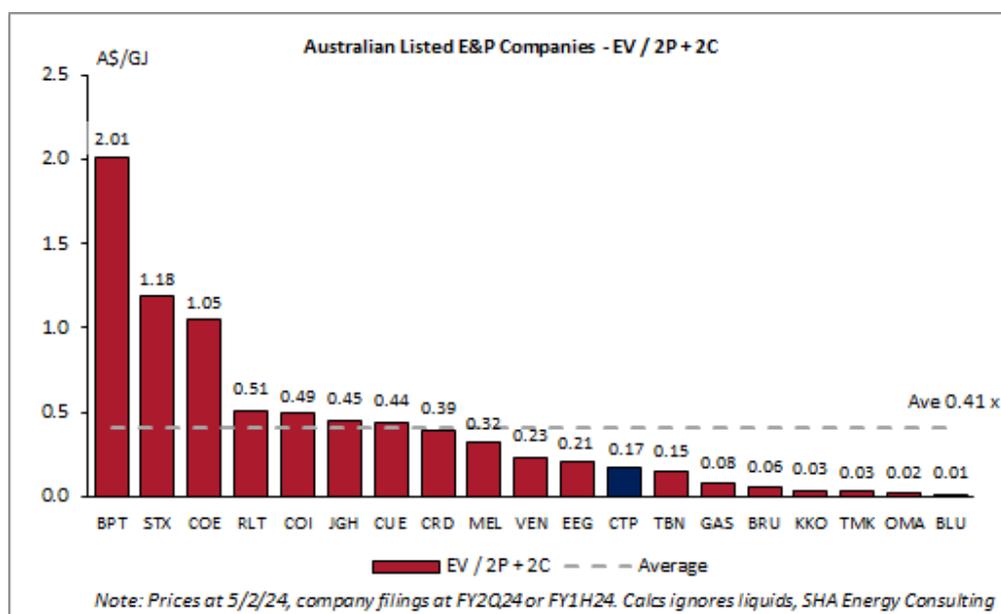
Source: SHA Energy Consulting, MST estimates, CTP. Note: \* AEMO, \*\* Gas Market Emergency Price Order.

### Enterprise Value to Resources suggests that CTP is undervalued: market average multiple implies A\$0.11/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 10), using EV/2P+2C. This yields a lower alternative valuation than our NPV-based method, but it still reflects upside to the current share price, particularly if the 2P reserves base can be expanded.

This valuation metric shows the relative value the market attributes to the company's Reserve and Resource base. CTP is valued significantly below its peer average, with CTP's EV/2P+2C of 0.17 comparing to the average of 0.41. The peer average would see CTP valued at A\$0.11 vs. the current share price of A\$0.046 and our valuation of A\$0.15.

**Figure 10: Select Australian-listed energy stocks – EV/Resources**



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

## Key risks

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

- further outages to the Northern Gas Pipeline (NGP) and volume decreases
- government regulation affecting pricing
- the gas price, a key sensitivity for CTP's cash flow and valuation
- operational issues at existing assets, which would reflect poorly on management and decrease cash flow and valuation
- sub-salt exploration not proceeding due to further JV issues
- potential share overhang – with the recent resignation of director Troy Harry, a risk exists that he may sell his shares. Mr Harry controls 53,340,268 shares with a value of A\$2.45m. This represents 7% of the issued capital
- difficulty accessing licence areas to acquire seismic and drill exploration and development wells, which may lead to delays. Despite having exploration tenure granted by the state/territory, CTP must negotiate access with various stakeholders and deal with rising regulatory compliance requirements. In recent years, this has impeded activity in the field, and contributed to rising costs
- social licence: CTP is a fossil fuel producer, an industry which has been subject to particular scrutiny in recent years as a result of climate concerns, government regulation, approval times and funding sources. A short-term consequence of this is its impact on investor sentiment, which flows through to CTP's ability to attract investors and capital providers.

# Appendix 1: Resources and Reserves

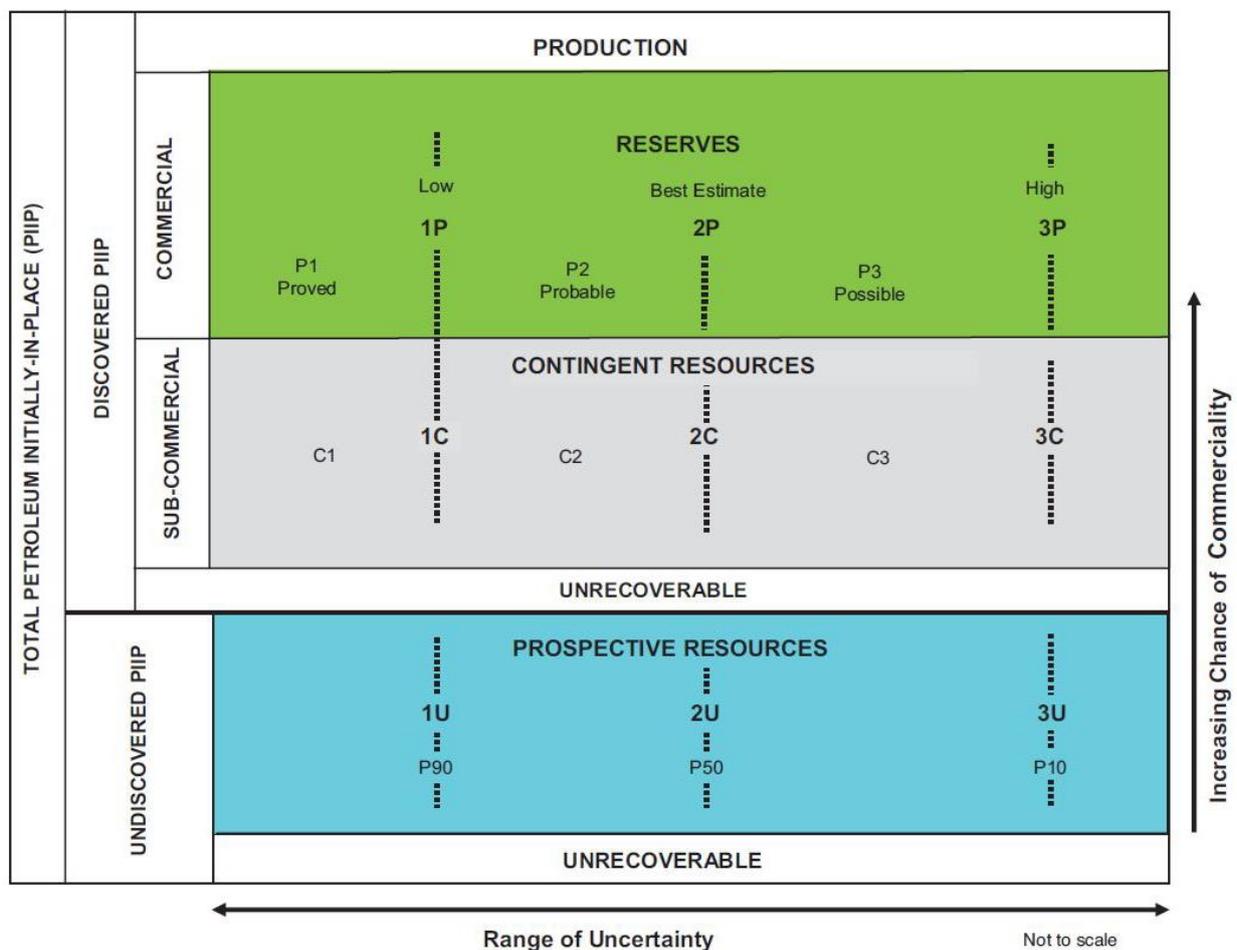
Figure 11 shows the three categories into which estimated quantities of potentially recoverable petroleum can be placed: Prospective Resources, Contingent Resources and Reserves. Within each category, three estimates are designated to describe the range, with greater certainty at the low end and less certainty at the high end.

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

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

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

Figure 11: Resources and Reserves



Source: CTP.

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