

02 July 2024

## The Good Gas Story for CTP in NT

### NEED TO KNOW

- CTP calls for expressions of interest (EOIs) for long-term gas sales – goal is to sell in the NT and /or keep the NGP flowing
- All gas produced currently being sold in the NT
- 3QFY2024 – NGP outage crunches volumes but prices bounce

**Calls for EOIs to shore up longer-term gas sales:** Mereenie (CTP: 25%) has called for EOIs for up to 40 TJ/day (~2/3 of NT gas sales) over 6 years to the end of CY2030. CTP is looking to sell the gas into the NT (and therefore not require the NGP) and/or to sell to the East Coast in sufficient volumes (20TJ/d) to ensure the NGP remains open at all times.

**Offtake agreement with NT's Power and Water Corp (PWC) sees 100% of production selling in the NT until end-2024:** CTP has mitigated the closure of the NGP by selling all remaining production to PWC since the end of April. The contract demonstrates the tight gas market balance in the NT given the decline of offshore field supply.

**3QFY2024: lower volumes due to NGP closure but improved pricing:** The closure of the NGP in the March quarter saw volumes down 13%, but a significant increase in pricing saw revenue flat with the prior quarter.

### Investment Thesis

**NT and East Coast gas markets provide opportunities:** Both the NT and East Coast gas markets are suffering from gas supply shortages. This presents CTP with a strong opportunity to increase volumes and receive higher prices for its gas.

**EOI process a strong near-term catalyst:** The conversion of EOIs into long-term gas contracts beckons as a strong near-term catalyst, increasing cash flow certainty and mitigating the risk of NGP outages.

**Corporate transaction suggests assets are substantially undervalued by market:** The sale of Macquarie's Mereenie stake suggests that CTP's assets are undervalued by the market. The sale highlights that just one of CTP's producing assets is worth A\$0.07 per share, vs the current share price at A\$0.053.

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

### Valuation: A\$0.15

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

### Risks

Key risks include production issues, continuing government gas policy uncertainty, further short-term NGP outages, and gas competition in the NT.

### Equity Research Australia Energy

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

Valuation	<b>A\$0.150</b> (unchanged)
Current price	<b>A\$0.054</b>
Market cap	<b>A\$40m</b>
Net Debt	<b>A\$0.4m</b> (31st March 2024)

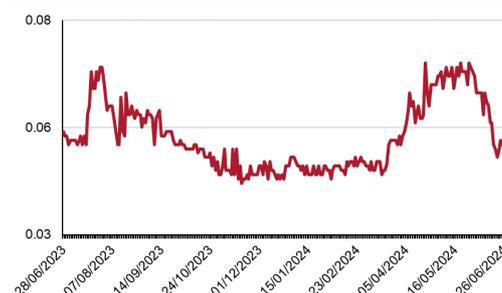
### Additional Resources

[Click Here - CTP Update Video - CEO and CFO](#)

### Upcoming Catalysts / Next News

Period	
2HCY24	Major contracts from EOI
2HCY24	Drilling new Mereenie wells
2HCY24	Sub-salt farmout
2HCY24	Helium Unit FID

### Share Price (A\$)



Source: FactSet, MST Access

Figure 1: Financial summary, year-end 30 June

Central Petroleum Limited (ASX:CTP)					
<b>Year-end 30 June</b>					
Share Price	A\$/sh	0.054			
52 week high/low	A\$/sh	0.07/0.04			
Valuation	A\$/sh	0.15			
Market Cap (A\$m)	A\$m	40.0			
Net Cash / (Debt) (A\$m)	A\$m	0.4			
Enterprise Value (A\$m)	A\$m	40.4			
Shares on Issue	m	740			
Options/Performance shares	m	24			
Potential Diluted Shares on Issue	m	764			
<b>Ratio Analysis</b>					
EPS	2022A	2023A	2024	2025	2026
EPS (x)	2.88	(1.09)	1.61	1.18	2.00
P/E (x)	3.8	(4.8)	3.2	4.3	2.6
EPS Growth (%)		n/a	-247%	-27%	69%
CFPS (A¢)	0.49	(0.28)	2.53	2.30	3.26
P/CF (x)	22.4	(18.8)	2.0	2.2	1.6
DPS	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-
EV / EBITDA (x)	2.8	16.5	1.2	1.6	1.5
EV / boe (x)	101.9	64.0	36.4	28.7	36.5
EV / PJe (x)	17.0	10.7	6.1	4.8	6.1
FCFPS					
FCF Yield (%)					
<b>Assumptions (Yr end Jun)</b>					
Brent Oil Price (US\$/bbl)	2022A	2023A	2024	2025	2026
Exchange Rate (A\$:US\$)	87.02	83.33	77.50	76.5	78.0
Gas Price (A\$/GJ)	0.725	0.700	0.700	0.700	0.700
Gas Price (A\$/GJ)	7.47	7.76	7.46	7.40	7.80
<b>Production</b>					
Gas (TJ/d)	2022A	2023A	2024	2025	2026
Gas (PJ)	13	13	12	18	18
LPG (kt)	5.0	4.7	4.3	6.4	6.5
Oil / Condensate (mmbbl)	-	-	-	-	-
Oil / Condensate (mmbbl)	0.04	0.03	0.03	0.03	0.03
<b>Total (mmboe)</b>	<b>0.87</b>	<b>0.82</b>	<b>0.75</b>	<b>1.09</b>	<b>1.11</b>
Gas (mmboe)	0.84	0.79	0.72	1.06	1.08
LPG (mmboe)	-	-	-	-	-
Oil / Condensate (mmboe)	0.04	0.03	0.03	0.03	0.03
<b>Year End Reserves 2P (mmboe)</b>	<b>12.6</b>	<b>12.9</b>	<b>12.2</b>	<b>11.1</b>	<b>10.0</b>
<b>Reserves and Resources</b>					
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%	28.7	37.5	0.37	0.41
Palm Valley (OL 3)	50%	12.6	13.4	-	-
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>NET ASSET VALUE (WACC 10.0%) 1 Jun 24</b>					
	A\$m	Risking	A\$m	A\$ps	
Mereenie - OL4 & OL5 (25%)	43	100%	43	0.06	
Palm Valley - OL3 (50%)	23	100%	23	0.03	
Dingo - L7 & PL30 (50%)	31	100%	31	0.04	
<b>Total Operations</b>	<b>96</b>		<b>96</b>	<b>0.13</b>	
Net Cash / (Debt)	10	100%	10	0.01	
Admin / Corporate / Other	(18)	100%	(18)	(0.02)	
Exploration (risk-adjusted)	27	50%	13	0.02	
Mereenie & Palm Valley 2C gas (risked)	18	50%	9	0.01	
<b>TOTAL VALUATION</b>	<b>133</b>		<b>111</b>	<b>0.15</b>	
<b>CTP Relative to XEJ 12 months</b>					
<b>Profit &amp; Loss (A\$m)</b>					
Oil / Condensate Revenue	2022A	2023A	2024	2025	2026
LPG Revenue	6	3	3.1	3	3
Gas Revenue	-	-	-	-	-
<b>Revenue</b>	<b>42</b>	<b>39</b>	<b>35</b>	<b>50</b>	<b>53</b>
Operating Costs	(18)	(17)	(10)	(14)	(12)
Government Resource Taxes	(3)	(3)	(3)	(4)	(4)
Exploration & Development Expenses	(21)	(13)	(5)	(4)	(3)
Other Net Income / Expense	33	(2)	6	(8)	(8)
<b>EBITDA</b>	<b>32</b>	<b>3</b>	<b>23</b>	<b>20</b>	<b>27</b>
<b>EBITDAX</b>	<b>16</b>	<b>16</b>	<b>28</b>	<b>24</b>	<b>29</b>
Depreciation & Amortisation	(7)	(7)	(7)	(8)	(9)
<b>EBIT</b>	<b>26</b>	<b>(4)</b>	<b>16</b>	<b>12</b>	<b>17</b>
Net Interest Expense	(4)	(4)	(2)	(0)	(0)
<b>Net Profit before-tax</b>	<b>21</b>	<b>(8)</b>	<b>12</b>	<b>9</b>	<b>15</b>
Tax Expense / Benefit	-	-	-	-	-
<b>Underlying NPAT</b>	<b>21</b>	<b>(8)</b>	<b>12</b>	<b>9</b>	<b>15</b>
Reported Profit	21	(8)	12	9	15
<b>Cash Flow (A\$m)</b>					
Pretax Profit	2022A	2023A	2024	2025	2026
D&A & Other Non-Cash Items	21	(8)	12	9	15
Tax Paid	(18)	6	7	8	9
<b>Cash from Operating Activities</b>	<b>4</b>	<b>(2)</b>	<b>19</b>	<b>17</b>	<b>24</b>
Development Capex	(11)	(3)	(7)	(21)	(22)
Exploration Capex	(10)	(10)	(5)	(4)	(3)
Acquisitions/Other (Net of Sales)	28	0	12	-	-
Dividends Paid	-	-	-	-	-
<b>Free Cash Flow</b>	<b>21</b>	<b>(4)</b>	<b>24</b>	<b>(4)</b>	<b>2</b>
Cash Provided by Financing	(37)	(4)	(5)	(4)	(4)
<b>Net Change in Cash</b>	<b>(16)</b>	<b>(8)</b>	<b>19</b>	<b>(8)</b>	<b>(2)</b>
<b>Balance Sheet (A\$m)</b>					
Cash & short term deposits	2022A	2023A	2024A	2025	2026
Receivables	22	14	33	25	24
Inventories	27	7	5	7	8
Property, Plant and Equipment	4	4	5	6	8
Capitalised exploration	54	60	61	76	91
Intangibles and Goodwill	8	8	6	3	0
Other assets	2	2	2	2	2
<b>Total assets</b>	<b>122</b>	<b>98</b>	<b>117</b>	<b>124</b>	<b>136</b>
Creditors	14	3	7	9	10
Borrowings	31	28	18	14	10
Other liabilities	51	48	61	60	61
<b>Total liabilities</b>	<b>96</b>	<b>79</b>	<b>86</b>	<b>84</b>	<b>82</b>
Shareholder equity	27	19	31	40	55
<b>Shareholder Equity + Total Liabilities</b>	<b>122</b>	<b>98</b>	<b>117</b>	<b>124</b>	<b>136</b>

Source: CTP, MST estimates.

## EOI Process to Secure Contracts at Higher Market Prices

Central Petroleum (CTP) and its JV partners in the Mereenie gas field (CTP: 25%) have 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. This represents approximately two-thirds of the gas requirements for the Northern Territory (NT).

The closing date for EOIs was 18 June 2024.

### The background to the EOI process

The current supply situation into the NT and into the Northern Gas Pipeline (NGP) have been the key drivers of the decision to go to the market for long-term supply contracts. CTP also sees this as an opportunity to obtain sufficient certainty on cash flow and volume to support additional investment in drilling additional wells at Mereenie.

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

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

The NT has historically had 2 key suppliers of gas:

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

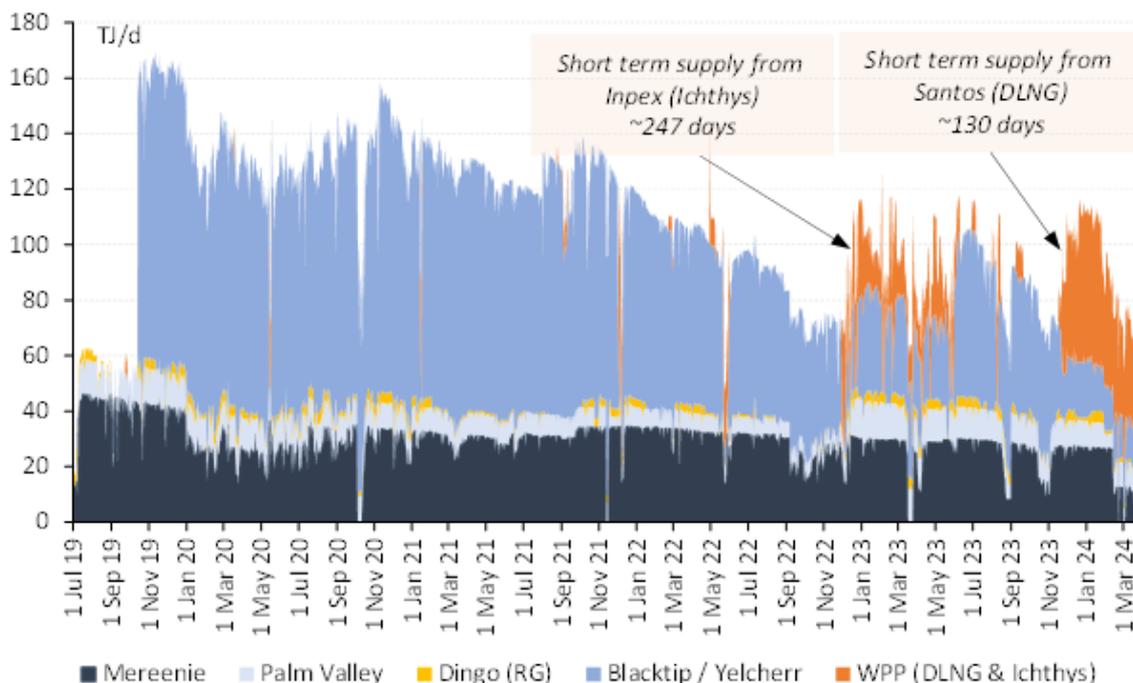
Additional supply into the market has been periodically supplied by Darwin LNG 'tail (remnant) gas' and Inpex LNG.

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

**Darwin LNG tail gas reduced:** The Darwin LNG facility has produced its final LNG cargo and since late 2023 has been supplying some remnant "tail gas" into the NT market from the offshore Bayu Undan field. Since April, the supply has significantly reduced and indications appear to be that the supply from this source may be short lived.

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

Figure 2: Northern Territory gas supply



Source: AEMO SHA Energy Consulting

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

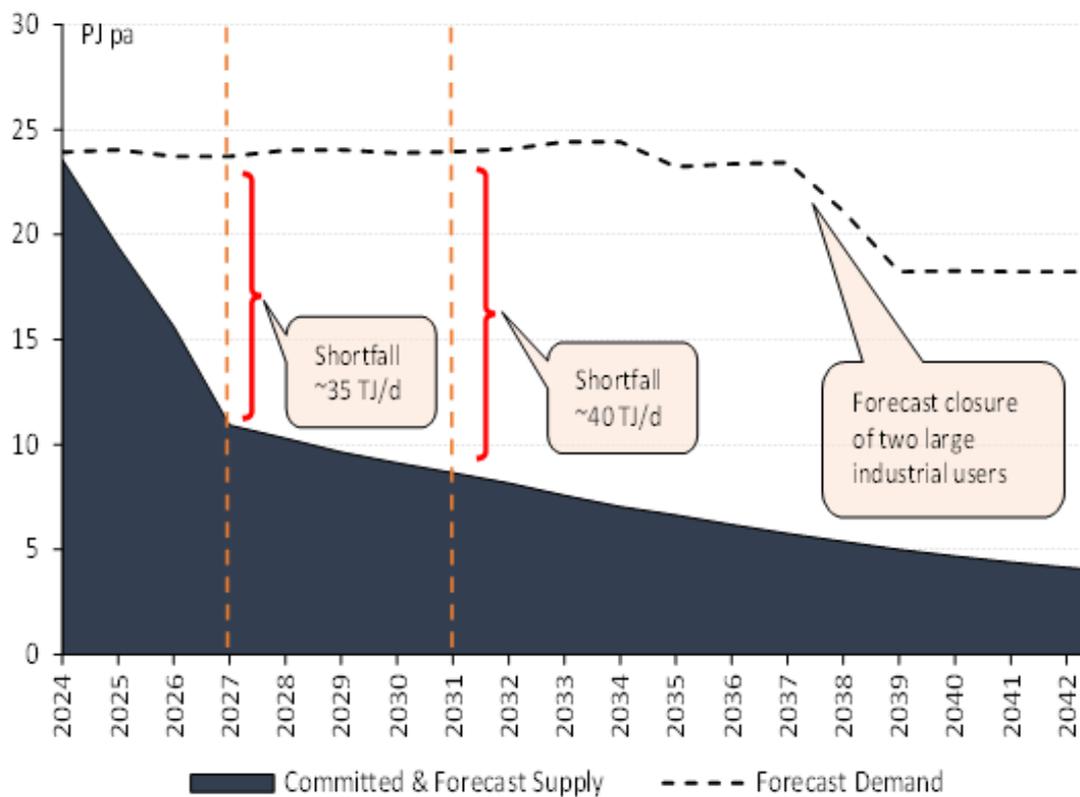
The 2024 Gas Statement of Opportunities (GSOO) highlights an issue which, as described above, has been 12–18 months in the making: the stark gas supply shortfall now faced by the NT (see Figure 3). The analysis highlights that, by 2026–2027, there will be a shortfall of approximately 8–13 PJ pa (~22–35 TJ/d), growing to ~15 PJ pa (~40 TJ/d) by 2031.

The current NT gas market is around 80–90 TJ/d. Around mid-October 2021, supply from Blacktip peaked at ~92 TJ/d, but by May 2022 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. This will depend entirely on the pace and scope of further well interventions and new development wells being permitted, drilled and successfully tied in within the next 12–18 months.

In the mid to longer term, gas from yet-to-be-developed fields in the onshore Beetaloo Basin could potentially fill this shortfall, although there is no certainty that these fields will reach FID.

**Figure 3: AEMO 20-year forecast Northern Territory gas consumption per annum highlights supply shortfall**



Source: AEMO, SHA Consulting.

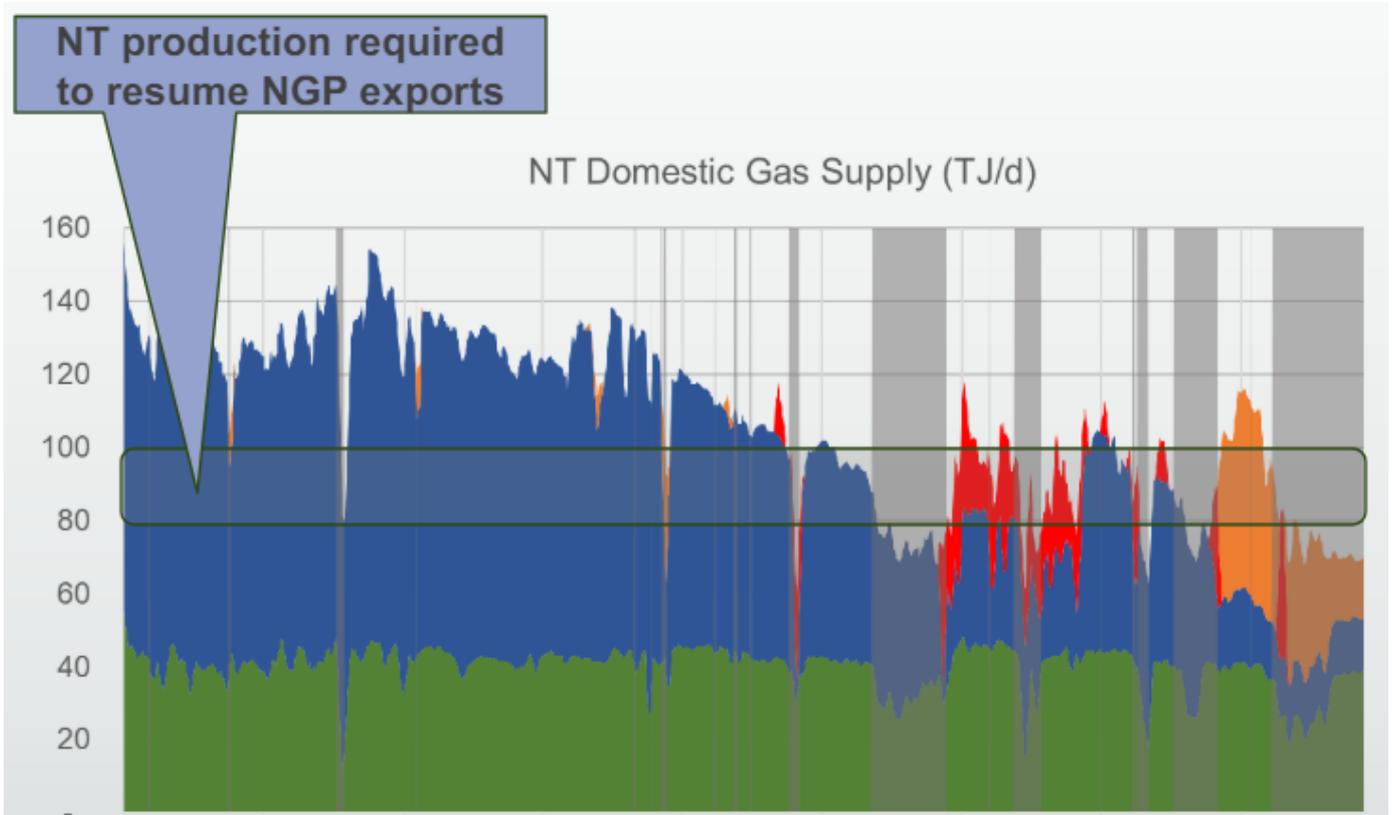
## The Northern Gas Pipeline conundrum

The outage of the NGP has once again highlighted a fundamental change in the gas market supply–demand balance in the NT. The continued under-performance of the offshore Blacktip gas field, which supplies Darwin via a contract with the NT's Power and Water Corporation (PWC), has meant that the NT gas market is now short of supply, compared with the previous oversupply situation.

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 remainder of FY2024 at least.

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

Figure 4: NT gas supply highlighting production required for NGP operation



Source: AEMO, CTP.

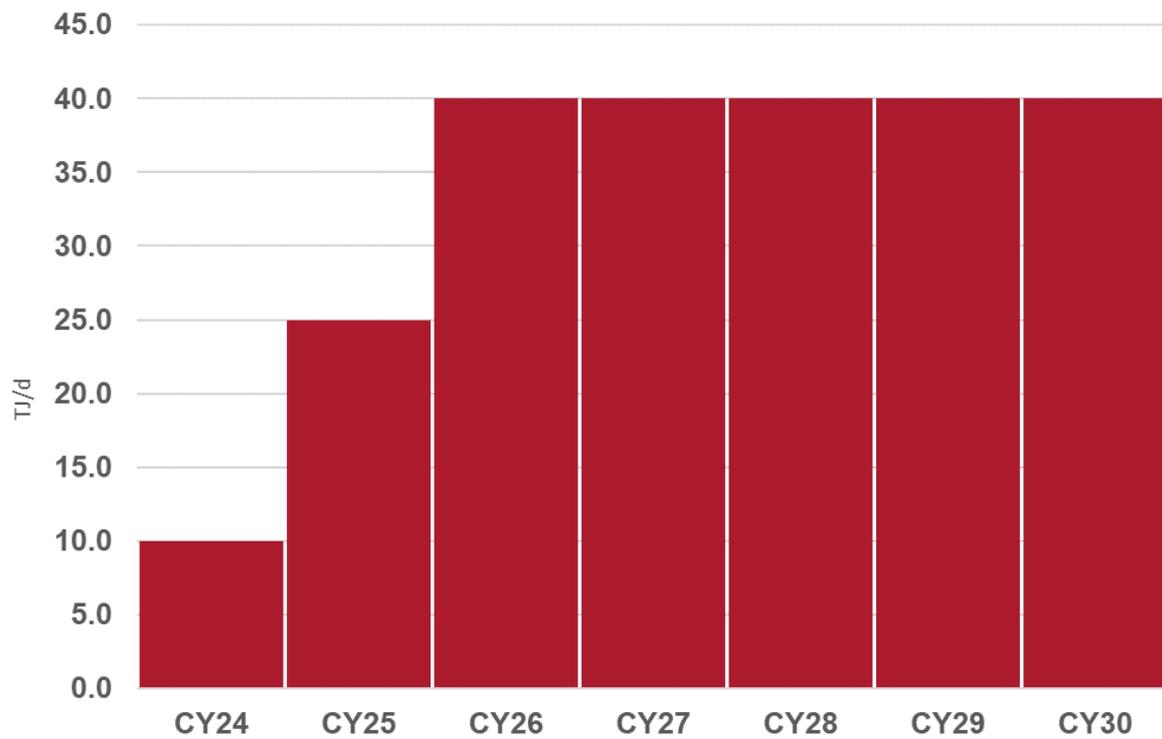
## EOI process targeting secure volumes at market prices

### Key objective of the EOI process

The key objective of the EOI process is to secure gas contract volumes at market prices. The outcomes of this process will be to:

- mitigate the risk of sales interruptions by closures of the NGP
- quickly facilitate drilling new wells (when volumes in addition to current production capacity are secured)
- facilitate debt extension and restructure
- accelerate timing for future distributions.

Figure 5: Targeted EOI volumes – significant increase (TJ/d)

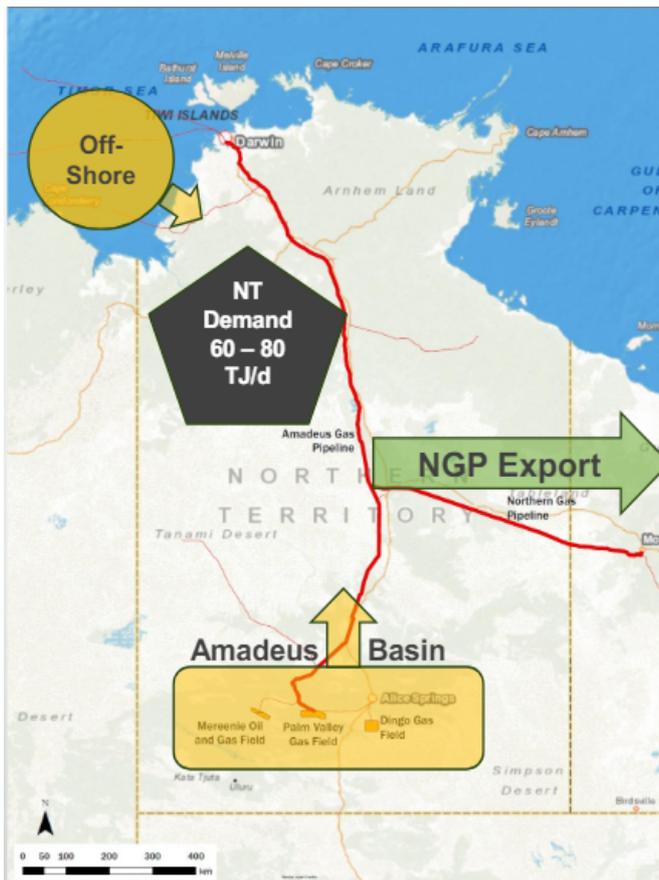


Source: CTP.

## Covering low NT supply and high NT supply outcomes

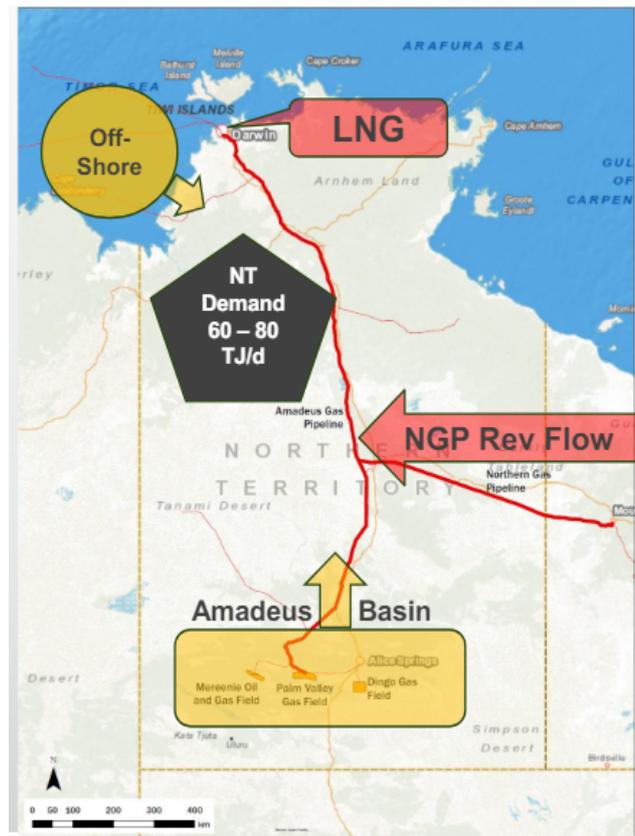
The EOI process intends to cover CTP's volumes and pricing no matter whether the eventual outcome of the NT gas supply situation is a shortage or an oversupply. Figures 6 and 7 demonstrate the outcome of these 2 situations.

Figure 6: High NT production scenario



Source: CTP.

Figure 7: Low NT production scenario



Source: CTP.

## Potential market outcomes from the EOI process

- Central secures firm supply contracts to east coast customers with volumes greater than the minimum 20 TJ/d required to keep the NGP open. This would provide ultimate flexibility to supply into both the NT and east coast markets and provide access to east coast 'spot' markets for excess gas.
- Central secures firm contracts within the NT for all of its gas supply. This would remove any risk associated with the NGP as access to the pipeline would not be required. This may mean that the NGP remains closed, in which case Central would not be able to supply any excess gas to east coast spot markets.
- Central is unable to secure sufficient firm contracts in either market. In the worst case, Central has insufficient east coast customers to keep the NGP open on its own and is at risk of being confined to NT markets, with possible curtailment of production where the NT market is adequately supplied from other sources. This scenario appears less likely, given the absence of alternative supply sources for NT customers in the short term.

## The Northern Gas Pipeline (NGP) Outage: Short-Term Pain Cured with New Contract Signed

### Revenues have taken a hit on NGP closure

The NGP will be closed until at least mid 2024. This means that CTP's ability to supply the East Coast market – and therefore access spot pricing – was temporarily curtailed (Mereenie production reduced), leaving a short-term decrease in earnings.

The reduced revenues in FY2024 from NGP outages have been estimated at approximately A\$4m.

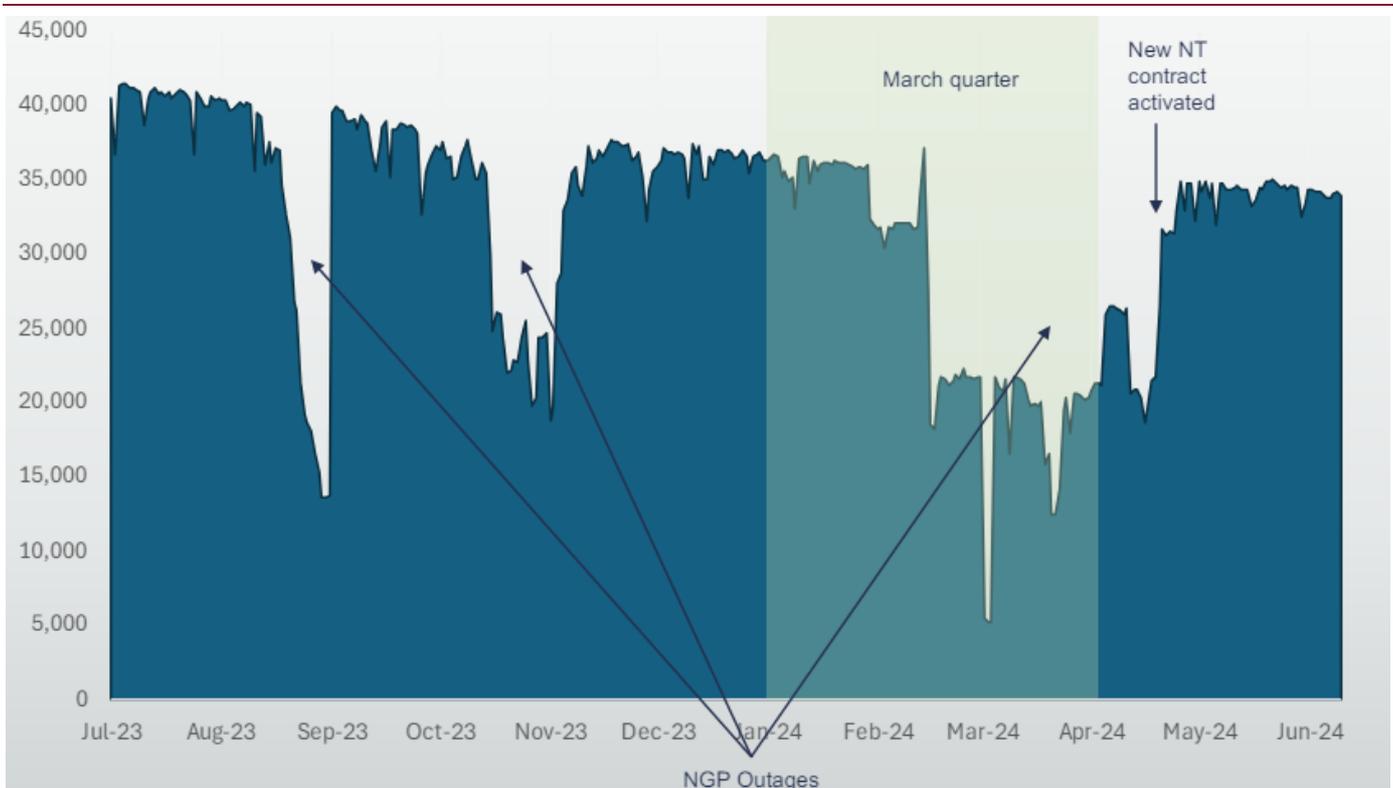
### Gas agreement with NT's Power and Water Corp mitigates the short-term damage – all production being sold

CTP has a new agreement in the NT to supply all of its available uncontracted gas to Power & Water Corporation (PWC) for the remainder of , if required by PWC. CTP expects that PWC will take this gas in increasing quantities as the diverted Darwin LNG supply tails off.

The supply contract is up to 8.6PJ of gas to the end of 2024, and will be supplied “as available”.

CTP has been selling 100% of production since the end of April and, subject to seasonal demand fluctuations, expects this to continue until the end of CY2024.

Figure 8: Daily production, Mereenie and Palm Valley – effects of NGP closure and new contract



Source: CTP.

# March 2024 Quarter: The NGP Lets CTP Down Again, Prices Rescue Revenue

The March quarter results represented a softer quarter for sales, which was affected by an unplanned outage of the NGP, restricting deliveries to only NT customers and reducing the volume of gas that CTP could sell into the spot East Coast gas market over the course of the quarter.

## March-quarter review

### Volumes: down 13% qoq – NGP disruption

**Results:** CTP's Mereenie field produced less in the March quarter, with disruption from an unplanned outage of the NGP from mid-February.

Sales volumes in the quarter were 1.03 PJe, 13% lower than the December quarter.

**Outlook:** East coast gas has now been re-contracted on an as-available basis in the NT for remainder of 2024 from late April, so we would expect to see volumes and revenues rebound accordingly in the June quarter, subject to sufficient demand continuing during the softer winter season.

### Sales price: much better as East Coast gas shortages bite – 13% higher than December

**Results:** The average price received increased 13% qoq, with CTP realising A\$7.99/GJe vs. A\$7.04/GJe in the previous quarter. East Coast spot prices were stronger, and demand for gas in northern Australia remained strong due to declining gas supply from offshore fields.

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

### Revenues: lower volume + higher price = revenue flat qoq

**Results:** The combination of lower volumes and higher pricing saw revenue of A\$8.2m for the quarter, just 1% lower than the prior quarter.

#### Outlook:

- Mereenie and Palm Valley have been selling at full capacity into NT since late April – this could continue for the remainder of 2024, subject to seasonal demand fluctuations
- We expect to see higher pricing for new contracts.
- Pre-sold gas is now fully delivered – this represents additional cash flow from the same production.

### Funding: net debt now near zero

Net debt was A\$0.4m (A\$24.2m cash and A\$24.6m debt) at 31 March 2024.

Operational cash flow was weaker at \$5.5m for the quarter, with \$0.2m in exploration, \$0.9m in capex for the Mereenie Flare project, and a debt repayment of A\$1.7m.

The term of the unused \$5m portion of CTP's loan facility was extended to 30 September 2024.

Gas which was pre-sold in 2020 was fully delivered by December 2023, releasing additional gas volumes for sale on usual cash terms from the March quarter, boosting cash flows by more than \$6m per year.

### June-quarter outlook: gas prices picked up in the March quarter and are now above A\$12/GJ

East Coast gas prices were soft during the December quarter, with prices closing at ~A\$9.24/GJ at 31 December.

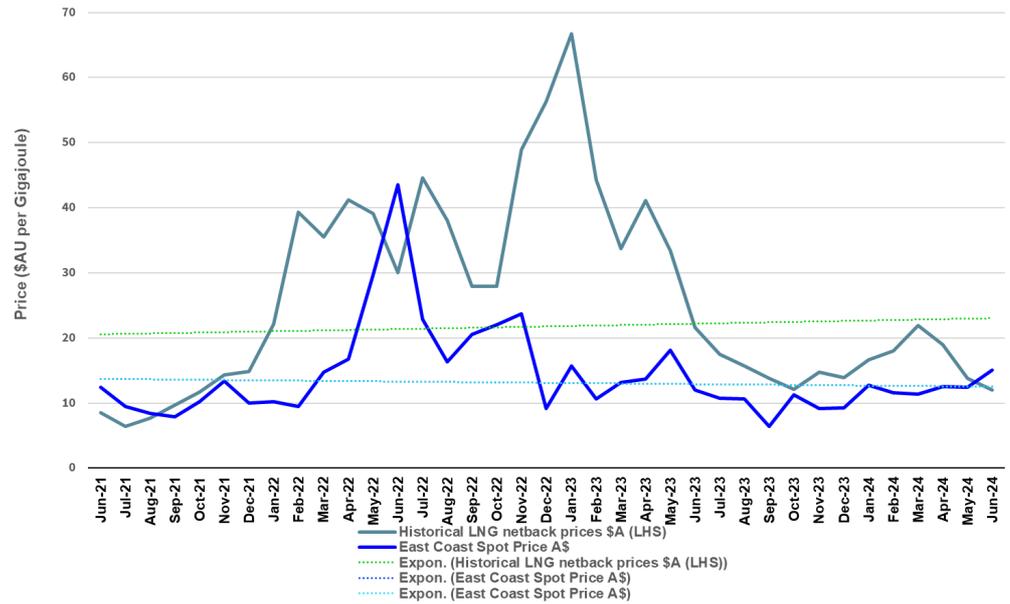
Prices recovered in the March quarter, closing at A\$11.35/GJ, and have increased further to be trading at times at ~A\$20/GJ in June.

The LNG netback price averaged A\$20.03 for 2023, with June 2024 prices trading higher at around A\$13.06/GJ and 1 year forward at A\$15.46/GJ.

While the NGP remains closed, CTP won't have access to these spot prices, but these provide a useful benchmark for the wider market and CTP's pricing prospects from the EOI process currently in progress.

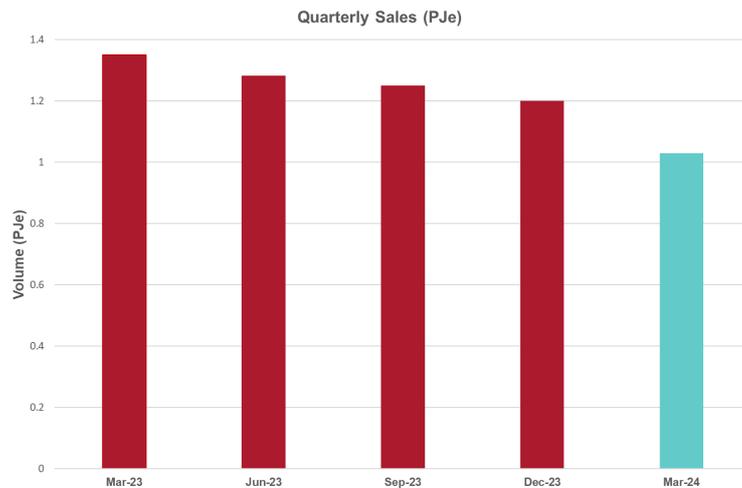
In light of improved pricing and sales into the PWC contract, we see a better June quarter for CTP.

**Figure 9: East Coast gas prices and LNG netback (A\$/GJ)**



Source: AEMO, ACCC

**Figure 10: Quarterly sales volume: NGP outage drives softer quarter (PJe)**



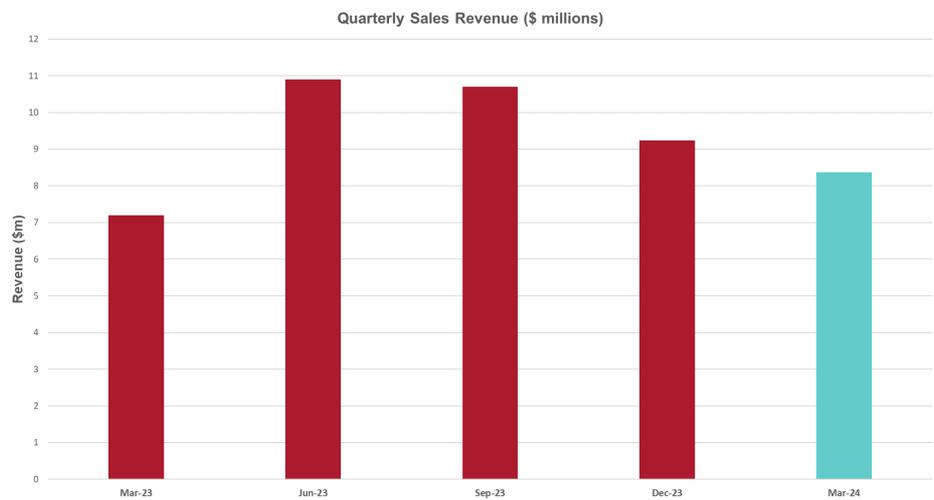
Source: CTP.

**Figure 11: Quarterly prices: softer pricing driven by lower East Coast prices (A\$/GJe)**



Source: CTP.

**Figure 12: Quarterly revenues: softer pricing and lower volumes (\$m)**



Source: CTP.

## Recap: Business Strategy Turns to Maximising Cash Generation; Dividends Back on the Agenda

Post the completion of the strategic review, CTP has announced a revised business strategy. The key to the strategy is simple: maximise cash generation from its production assets in order to position the company to commence dividend payments. CTP has given no firm indication as to when they expect to start paying dividends; however, given the program CTP has set out, we see FY26 as the first year of potential dividend payments. The key components of CTP's cash flow maximisation strategy are as follows:

The key components of CTP's cash flow maximisation strategy are as follows:

- reducing costs
- repaying debt and liabilities
- gas marketing
- prioritising growth through joint venture and 'free carry' transactions.

### Cost reduction

The company will focus on minimising costs on both the operational and corporate level, while prioritising safety and the environment.

While focusing on costs, CTP aims to ensure that the operations are not compromised in any way and that the company is operating at maximum efficiency, ensuring a 'fit-for-purpose' model.

### Debt and liability repayment

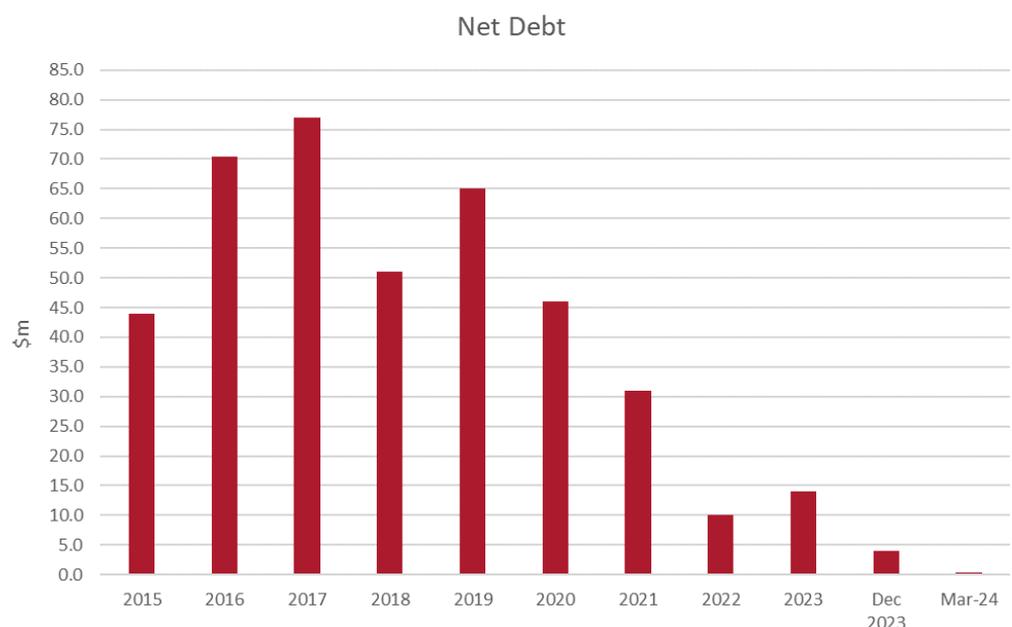
#### Net debt reduction

At 31 March 2024, CTP had net debt of A\$0.4m (A\$24.2m cash and A\$24.6m debt).

Improving cash flows from higher gas prices could return CTP to a net cash balance, which will enhance its capacity to pay dividends to shareholders.

CTP has instigated a comprehensive cost review throughout the entire organisation.

**Figure 13: CTP debt repayment significantly reduces net debt**



Source: CTP.

## Pre-sold gas and gas overlift reduction

### Pre-sold gas

CTP has, since 2019, had a portion of pre-sold gas within its portfolio. This means that the cash for the gas has previously been received for gas yet to be produced (with proceeds used to fund new production wells), thus reducing the actual cash received in the current period for the gas.

The last of the pre-sold gas was delivered in December 2023. This will result in free cash flow being boosted by over A\$6m per year, from 1 January 2024.

The additional cash flow can be used to reduce debt, returning CTP to a net cash position more rapidly.

### Overlift

Overlift occurs when a JV partner sells more gas to its customers than it is entitled to under the joint venture (JV) arrangements (i.e. sells a higher proportion of gas than its JV holding percentage). The cash received for this overlift (or in this case, the 'borrowed' gas) is then payable to the other JV partners, effectively creating a liability, similar to that of a loan.

CTP is scheduled to repay all of its overlift liability by mid-CY2026, freeing a further A\$5m per year of free cashflow.

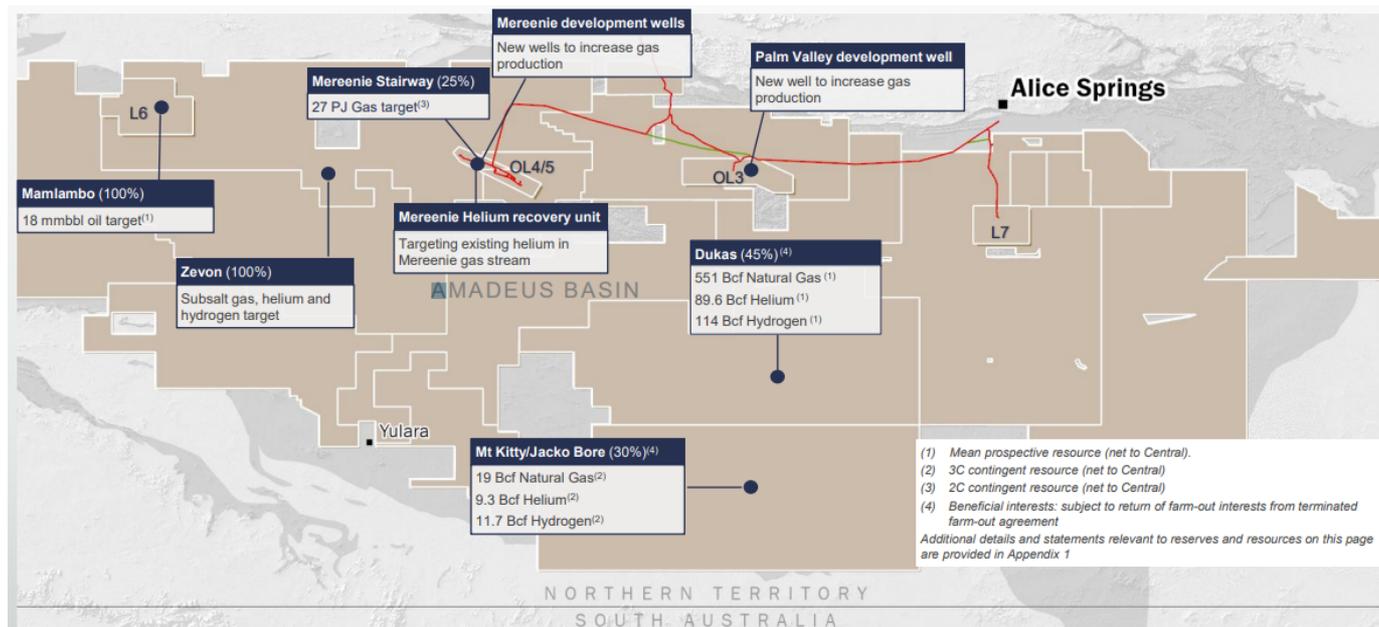
## Exploration: still a key to CTP's future

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

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

Figure 14 highlights CTP's exploration portfolio.

Figure 14: Large potential resources of gas, oil, helium and hydrogen



Source: CTP.

## Recap: Macquarie Sells 50% in Mereenie;

## NZOG, HZN Each Pay A\$42.5m (+A\$9m Potential) for 25%

New Zealand Oil and Gas (NZOG) and Horizon Energy (HZN) announced the purchase of Macquarie's 50% share of Mereenie in February 2024, with each company buying a 25% stake. After completion of the sale, Mereenie ownership is NZOG 42.5%, HZN 25%, Cue Energy 7.5% and CTP 25% and operator. Macquarie had owned a 50% share in the field since 2016, when it purchased the stake from Santos.

### Details of the transaction

For their 25% stakes in Mereenie, NZOG have made an upfront payment of A\$42.5m and HZN a US\$27.6m upfront payment. Further contingent payments of A\$9m (NZOG) and US\$5.8m (HZN) may be made over the next 24 months, subject to certain conditions being met.

### NZOG and HZN rationale for the transaction and the value of Mereenie

#### NZOG sees consistent asset, strong gas prices and upside potential

NZOG's acquisition of Mereenie has significantly increased its gas reserves.

Per the ASX announcement, NZOG's rationale behind buying the asset includes the following:

- The Mereenie asset has been a consistent performer with development upside.
- Gas prices in Australia's East Coast markets are strong because natural gas is needed for the low-carbon energy transition, and Mereenie increases NZOG's exposure to secured gas sales agreements directly into that market.
- Re-completions increased production from Mereenie by 1.5TJ per day.
- A campaign of in-field data acquisition, which commenced late in 3QCY23, will optimise infill drilling at Mereenie. Future activity includes two proposed infill wells in 2HCY24, with the Stairway appraisal and further infill wells commencing thereafter.
- Installing a flare gas recovery compressor will further boost production and reduce emissions.

#### HZN sees acquisition providing exposure to attractive domestic gas markets

Per HZN's ASX announcement, the rationale behind buying the asset includes the following:

- entry into a Tier-1 oil and gas jurisdiction with strong market demand
- cash-accretive producing asset, with 2P reserves forecast generating over 20% IRR at modest gas prices
- several significant infrastructure-led opportunities – for example, the recent offtake agreement with Arafura Rare Earths Ltd demonstrates Mereenie's strategic value in supporting the energy transition
- significant near-term contracted offtake which underpins the purchase price and debt facility
- substantial long-term uncontracted capacity to take advantage of market conditions.

## FY2024 Forecast Changes

We have reviewed our forecasts marginally for FY2024. Figure 15 summarises the changes.

Key changes are as follows:

- Revenue has increased as we have accounted for the new contract sales to PWC from April.
- We have made marginal adjustments to operating and other expenses and depreciation.

**Figure 15: FY2024 forecast changes**

Profit & Loss (A\$m)	Previous Forecast FY24	Revised Forecast FY24	Change
<b>Production</b>			
Gas (TJ/d)	11	12	8.6%
Gas (PJ)	4.0	4.3	8.3%
Oil / Condensate (mmbbl)	0.032	0.028	(12.8%)
<b>Total (mmboe)</b>	<b>0.86</b>	<b>0.75</b>	<b>(12.6%)</b>
<b>Total Sales Revenue</b>	<b>31.3</b>	<b>34.8</b>	<b>11.1%</b>
Operating Costs	(9.5)	(10.4)	9.3%
Government Resource Taxes	(2.3)	(2.6)	13.3%
Exploration & Development Expenses	(4.3)	(4.6)	6.8%
Other Net Income / Expense	7.0	6.0	(14.7%)
<b>EBITDA</b>	<b>22.3</b>	<b>23.1</b>	<b>3.8%</b>
<b>EBITDAX</b>	<b>26.5</b>	<b>27.7</b>	<b>4.7%</b>
Depreciation & Amortisation	(6.2)	(6.8)	9.8%
<b>EBIT</b>	<b>16.0</b>	<b>16.3</b>	<b>2.1%</b>
Net Interest Expense	(1.3)	(2.1)	60.2%
<b>Pretax Profit</b>	<b>12.2</b>	<b>11.8</b>	<b>(3.1%)</b>
Tax Expense / Benefit	–	–	–
<b>Net Attributable Profit</b>	<b>12.2</b>	<b>11.8</b>	<b>(3.1%)</b>

Source: MST estimates.

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

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

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

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

Our valuation remains unchanged at A\$0.15/share.

### Core production assets contribute A\$0.13

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

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

The HZN and NZOG acquisition price provides a relevant look-through value for valuing CTP's 25% interest in the very same asset and for the rest of CTP's portfolio. The price paid validates our own valuation of CTP's interest in Mereenie (A\$43m) and reinforces our view that the asset (and CTP) is well positioned to capture not only increasing gas demand via further offtakes, but also robust gas pricing dynamics in a tight NT market.

Figure 16: 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%)	43	100%	43	0.06	0.05	0.01
Palm Valley - OL3 (50%)	23	100%	23	0.03	0.03	0.00
Dingo - L7 & PL30 (50%)	31	100%	31	0.04	0.04	0.00
<b>Total Operations</b>	<b>96</b>		<b>96</b>	<b>0.13</b>	<b>0.12</b>	<b>0.01</b>
Net Cash / (Debt)	10	100%	10	0.01	0.02	(0.01)
Admin / Corporate / Other	(18)	100%	(18)	(0.02)	(0.02)	0.00
Exploration (risk-adjusted)	27	50%	13	0.02	0.02	(0.00)
Mereenie & Palm Valley 2C gas (risked)	18	50%	9	0.01	0.01	0.00
<b>TOTAL VALUATION</b>	<b>133</b>		<b>111</b>	<b>0.15</b>	<b>0.15</b>	<b>0.00</b>

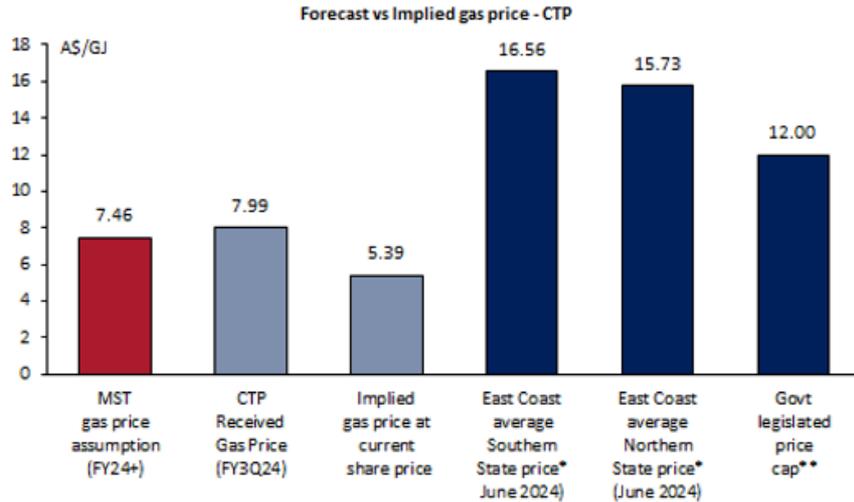
Source: MST estimates.

## Valuation cross-checks suggest CTP is undervalued

### Gas price implied by current share price: A\$5.39/GJ (vs. A\$7.99 received last quarter)

The current share price implies a gas price of A\$5.39/GJ. CTP received an average price of A\$7.99/GJ in the last quarter. The current share price assumes that CTP's average gas price received will be some 25% less than the last quarter over the life of the assets.

Figure 17: Share price–implied gas price vs forecast and East Coast prices



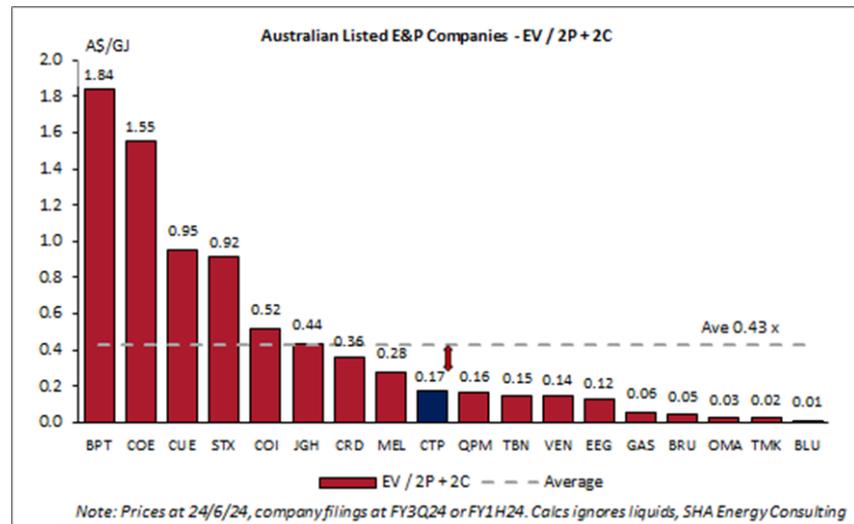
Source: SHA Consulting, MST, CTP, \*AEMO, \*\*Gas N=Market Emergency Price Order.

### Enterprise Value to Resources suggests that CTP is undervalued: market average multiple implies A\$0.13/share

An additional check on our valuation is to observe how the market values the Reserves and Resources of CTP and its ASX-listed peers (see Figure 18), 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 0.43. The peer average would see CTP valued at A\$0.13 vs. the current share price of A\$0.053 and our valuation of A\$0.15.

Figure 18: Select Australian-listed energy stocks – EV/Resources



Source: SHA Consulting, Company Filings, MST

## Catalysts: upside potential driven by multiple sources

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

- short-term delivery of uncontracted gas to PWC under the terms of the 'as-available' supply agreement
- conversion of EOIs into long-term gas contracts at higher prices
- exploration program – exploration and appraisal remains a source of potential value upside within CTP via the potential to increase reserves and thus increase production and/or the life of the assets. We are particularly focused on the sub-salt exploration program, once the JV has a program established post the Peak Helium default. Our valuation reflects minor upside from exploration
- 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
- further corporate activity in the energy sector.

## Risks

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

Risks to our valuation include:

- non-conversion of EOIs into gas contracts
- further outages to the NGP and volume decreases
- longer-term potential reversal of the NGP to accept East Coast gas into NT
- government regulation affecting pricing
- the gas price, a key sensitivity for CTP's cash flow and valuation
- operational issues at existing assets
- sub-salt exploration not proceeding
- difficulty accessing licence areas to acquire seismic and drill exploration and development wells, which may lead to delays. Despite having exploration tenure granted by the state/territory, CTP must negotiate access with various stakeholders and deal with rising regulatory compliance requirements. In recent years, this has impeded activity in the field, and contributed to rising costs
- social licence: CTP is a producer of fossil fuels, an industry which has been subject to particular scrutiny in recent years as a result of climate concerns, government regulation, extended approval times and funding sources. A short-term consequence of this is its impact on investor sentiment, which flows through to CTP's ability to attract investors and capital providers.

# Personal disclosures

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

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The companies and securities mentioned in this report, include:

Central Petroleum (CTP.AX) | Price A\$0.054 | Valuation A\$0.150

*Price, target price and rating as at 02 July 2024 (\* not covered)*

# Additional disclosures

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