Central Petroleum

CTP.AX

A research platform of MST Financial

26 November 2024

The Transformation Continues

NEED TO KNOW

- 1QFY25 – a good start to a new era
- Debt restructure adds more balance sheet flexibility
- New NT Government contracts kick off in January

1QFY25 – a strong base for a new era: Volumes were higher for Central Petroleum (CTP) as the Northern Territory (NT) gas market remains tight. Revenue was up 6.7% on the previous quarter, and positive operating cash flow of A$2.7m led to further improvement in the net cash position.

Debt restructure, further flexibility to deliver on strategy: CTP has extended and restructured its loan facility. The restructure facilitates investment in production increases and provides flexibility.

New gas contracts enhance cash flow, drive growth projects: CTP's next 6 years of production have been locked in with the NT Government **at higher prices with minimal transport costs and with the lowest-risk customer possible.** In FY26, the first full financial year of the new contracts, we estimate operating cash flow will be 3x FY24. The additional cash flow has allowed commitment to 2 new Mereenie development wells.

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 NT. CTP has the opportunity to expand production to take advantage of this situation and lock in further low-risk volumes in the NT at attractive market-based pricing, eliminating the exposure to unexpected NGP closures.

Mereenie sale implies assets are very undervalued by market, re-rating appears inevitable: Macquarie's sale of its Mereenie stake indicates the market is undervaluing CTP's assets. The transaction implies that just one of CTP's producing assets is worth A$0.07/share, vs the current price at A$0.05.

Balance sheet strong, cash flow focus, accelerate 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: Base case increase of 28% - CTP stacks up on every metric - a material re-rating due

We have increased our base case NPV valuation to A$0.19, up 28%. This is driven by our increase in gas prices from the new NT Government ⁄ Arafura contracts. Across all metrics CTP is cheap. Financial metrics show FY25 and FY26 P/OCF of 2.2 and 1.7, P/E of 3.5 and 2.5 and EV/EBITA of 1.8 and 1.5 respectively. The current share price implies a gas price of A$5.66/GJ vs our forecast of A$8.00 in FY25. On a EV/2P+2C resource based valuation, a market average multiple implies a share price of A$0.14.

Risks

Key risks include 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$0.190** *(from A$0.150)*
Current price	**A$0.053**
Market cap	**A$39m**
Net Cash	**A$1.9m**

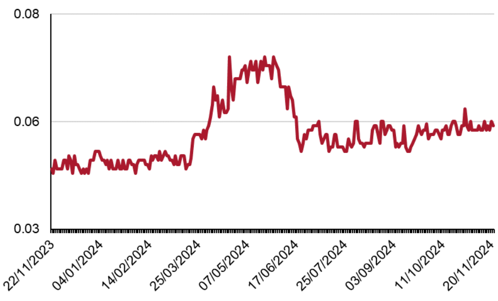
Additional Resources

Video - Catch up with CEO Leon Devaney

Upcoming Catalysts / Next News

Period	
4QCY24	Drill Mereenie development wells
4QCY24	Gas delivery to PWC contract
1QCY25	Commencement of NT Gas contract
1HCY25	Mereenie dev wells into production
1HCY25	JV partner subsalt exploration

Share Price (A$)



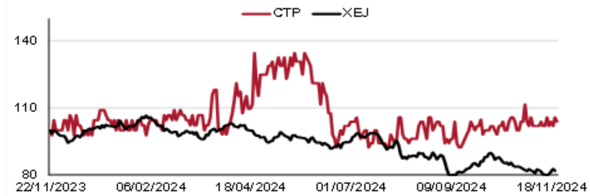
Source: FactSet, MST Access

Figure 1: Financial summary, year-end 30 June

Central Petroleum Limited (ASX:CTP)

Year-end 30 June		
Share Price	A$/sh	0.053
52 week high/low	A$/sh	0.071/0.04
Valuation	A$/sh	0.19
Market Cap (A$m)	A$m	39
Net Cash / (Debt) (A$m)	A$m	1.9
Enterprise Value (A$m)	A$m	37.3
Shares on Issue	m	740.15
Options/Performance shares	m	18.02
Potential Diluted Shares on Issue	m	758.17

CTP Relative to XEJ 12 months



Ratio Analysis	2023A	2024A	2025	2026	2027
EPS	(1.09)	1.68	1.54	2.14	3.29
P/E (x)	(4.8)	3.1	3.5	2.5	1.6
EPS Growth (%)	n/a	-254%	-9%	39%	54%
CFPS (A¢)	(0.28)	0.93	2.42	3.15	4.48
P/CF (x)	(18.8)	5.7	2.2	1.7	1.2
DPS	–	–	–	–	–
Dividend Yield (%)	–	–	–	–	–
EV / EBITDA (x)	2.8	2.2	1.8	1.4	1.0
EV / boe (x)	64.0	48.6	43.3	41.7	14.4
EV / PJe (x)	10.7	8.1	7.2	7.0	2.4

Assumptions (Yr end Jun)	2023A	2024A	2025	2026	2027
Brent Oil Price (US$/bbl)	84.87	83.88	76.5	78.0	79.6
Exchange Rate (A$1:US$)	0.673	0.656	0.656	0.656	0.656
Gas Price (A$/GJ)	7.76	7.25	8.16	8.58	9.02

Production	2023A	2024A	2025	2026	2027
Gas (TJ/d)	13	12	13	14	16
Gas (PJ)	4.7	4.4	4.9	5.1	6.0
LPG (kt)	–	–	–	–	–
Oil / Condensate (mmbbl)	0.03	0.03	0.03	0.03	0.03
Total (mmboe)	**0.82**	**0.76**	**0.84**	**0.88**	**1.03**
Gas (mmboe)	0.79	0.73	0.82	0.85	1.00
LPG (mmboe)	–	–	–	–	–
Oil / Condensate (mmboe)	0.03	0.03	0.03	0.03	0.03
Year End Reserves 2P (mmboe)	**12.9**	**12.6**	**11.8**	**10.9**	**9.9**

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

NET ASSET VALUE (WACC 10.0%)	1 Nov 24	A$m	Risking	A$m	A$ps
Mereenie - OL4 & OL5 (25%)		63	100%	63	0.09
Palm Valley - OL3 (50%)		24	100%	24	0.03
Dingo - L7 & PL30 (50%)		37	100%	37	0.05
Total Operations		**124**		**124**	**0.17**
Net Cash / (Debt)		3	100%	3	0.00
Admin / Corporate / Other		(24)	100%	(24)	(0.03)
Exploration (risk-adjusted)		24	50%	12	0.02
Mereenie & Palm Valley 2C gas (risked)		33	65%	22	0.03
TOTAL VALUATION		**161**		**137**	**0.19**

Profit & Loss (A$m)	2023A	2024A	2025	2026	2027
Oil / Condensate Revenue	3	3.2	3	3	3
LPG Revenue	–	–	–	–	–
Gas Revenue	36	31	40	44	55
Revenue	**39**	**34**	**43**	**47**	**58**
Operating Costs	(17)	(18)	(13)	(12)	(12)
Government Resource Taxes	(3)	(3)	(3)	(4)	(4)
Exploration & Development Expense	(13)	(4)	(3)	(3)	(3)
Other Net Income / Expense	(3)	14	(3)	(3)	(4)
EBITDA	**3**	**24**	**21**	**25**	**35**
EBITDAX	**15**	**14**	**23**	**28**	**38**
Depreciation & Amortisation	(7)	(8)	(7)	(7)	(9)
EBIT	(4)	16	14	18	26
Net Interest Expense	(4)	(3)	(1)	(1)	0
Net Profit before-tax	(8)	12	11	16	24
Tax Expense / Benefit	–	–	–	–	–
Underlying NPAT	**(8)**	**12**	**11**	**16**	**24**
Reported Profit	(8)	12	11	16	24

Cash Flow (A$m)	2023A	2024A	2025	2026	2027
Pretax Profit	(8)	12	11	16	24
D&A & Other Non-Cash Items	6	(6)	7	7	9
Tax Paid	–	–	–	–	–
Cash from Operating Activities	**(2)**	**7**	**18**	**23**	**33**
Development Capex	(3)	(3)	(18)	(23)	(11)
Exploration Capex	(10)	(3)	(3)	(3)	(3)
Acquisitions/Other (Net of Sales)	0	12	–	–	–
Dividends Paid	–	–	–	–	–
Free Cash Flow	**(4)**	**16**	**0**	**(0)**	**22**
Cash Provided by Financing	(4)	(5)	(4)	(4)	(4)
Net Change in Cash	**(8)**	**11**	**(3)**	**(4)**	**18**

Balance Sheet (A$m)	2023A	2024A	2025	2026	2027
Cash & short term deposits	14	25	22	18	36
Receivables	7	5	7	7	9
Inventories	4	4	6	8	11
Property, Plant and Equipment	60	56	68	85	90
Capitalised exploration	8	8	5	2	(1)
Intangibles and Goodwill	2	2	2	2	2
Other assets	4	4	4	4	4
Total assets	**98**	**104**	**113**	**127**	**151**
Creditors	3	3	7	8	9
Borrowings	28	23	14	10	6
Other liabilities	48	45	48	50	51
Total liabilities	**79**	**71**	**69**	**67**	**67**
Shareholder equity	19	33	44	60	84
Shareholder Equity + Total Liabilities	98	104	113	127	151

Source: CTP, MST estimates.

September 2024 Quarter: The Revival Continues

September-quarter (1QFY25) results showed improvement in volumes (despite some seasonal weakness), steady pricing and an increase in revenue over the prior quarter. Net cash continues to increase. With December-quarter sales covered by a short-term contract with NT's Power and Water Corp (PWC), and 6 years of production from January 2025 locked in with the NT Government and Arafura, this quarter represents the beginning of CTP's transformation to a low-risk, long-term cash-flow–generating business, with exploration upside.

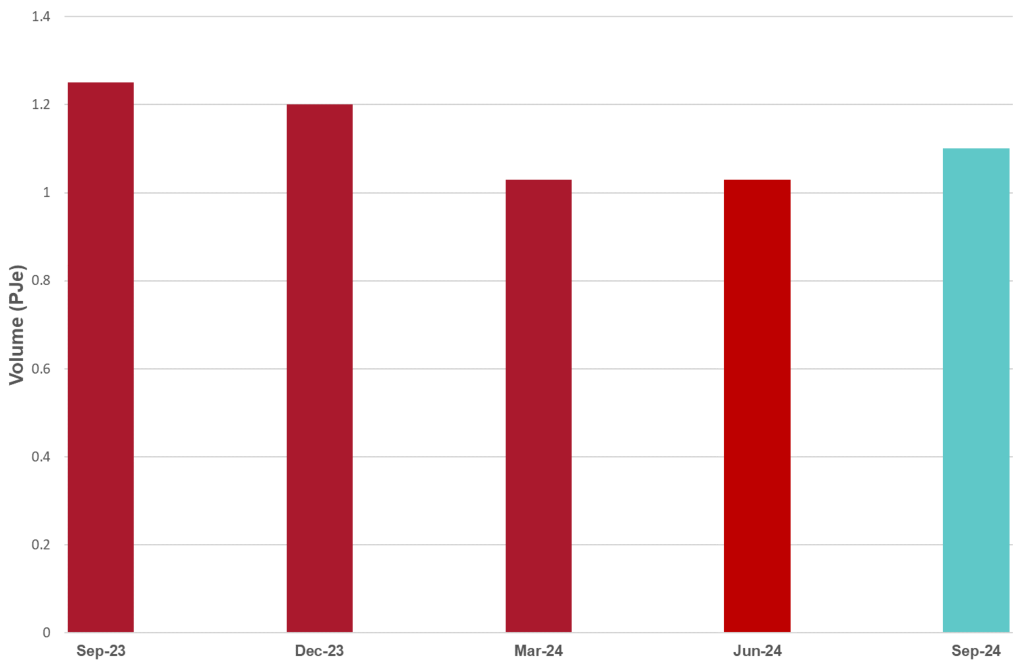
Sales volumes: expected to strengthen up 6% qoq – tightness in the NT market continues

Results: Sales from the Mereenie field were 14% higher than the previous quarter as gas deliveries continued under the new gas sale agreement with PWC. The field was producing at full capacity for much of the quarter, with some brief turndowns due to seasonal fluctuations, which were shared with Palm Valley.

Sales volumes across all field in the quarter were 1.1 PJe, 6% higher than the June quarter.

Outlook: Gas is now contracted on an as-available basis in the NT for the remainder of 2024, and with with more consistent demand expected as temperatures increase in the NT demand should remain strong. The new contracts with the NT Government commencing 1 January 2025, and we expect those contracts to provide more consistent, firm sales that will not be affected by Northern Gas Pipeline interruptions.

Figure 2: Quarterly sales – last 5 quarters



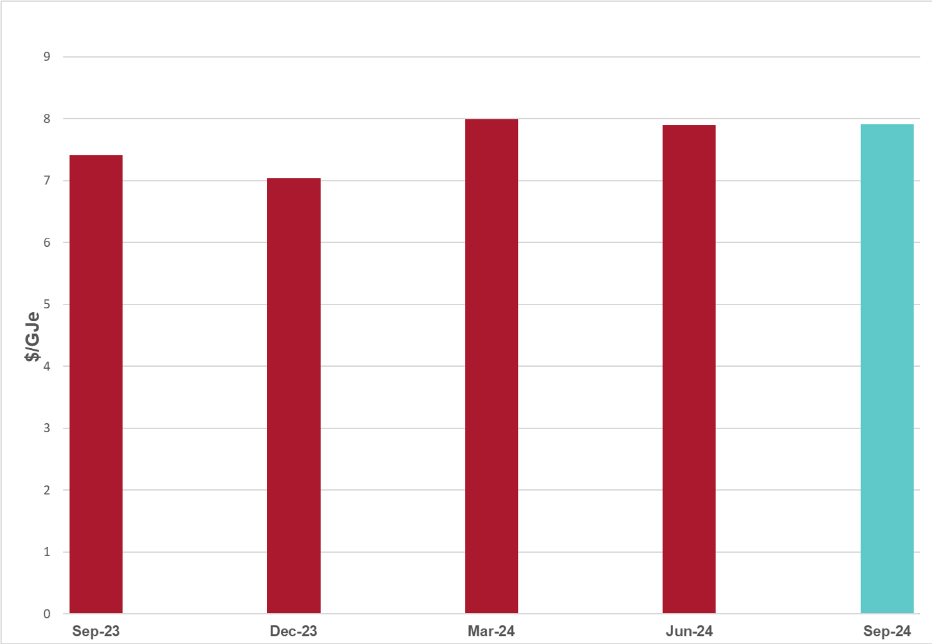
Source: CTP.

Sales price: expected to strengthen as NT gas shortages bite

Results: Average realised prices across the portfolio were $7.91/GJe for the quarter, consistent with the previous quarter.

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

Figure 3: Pricing received – last 5 quarters



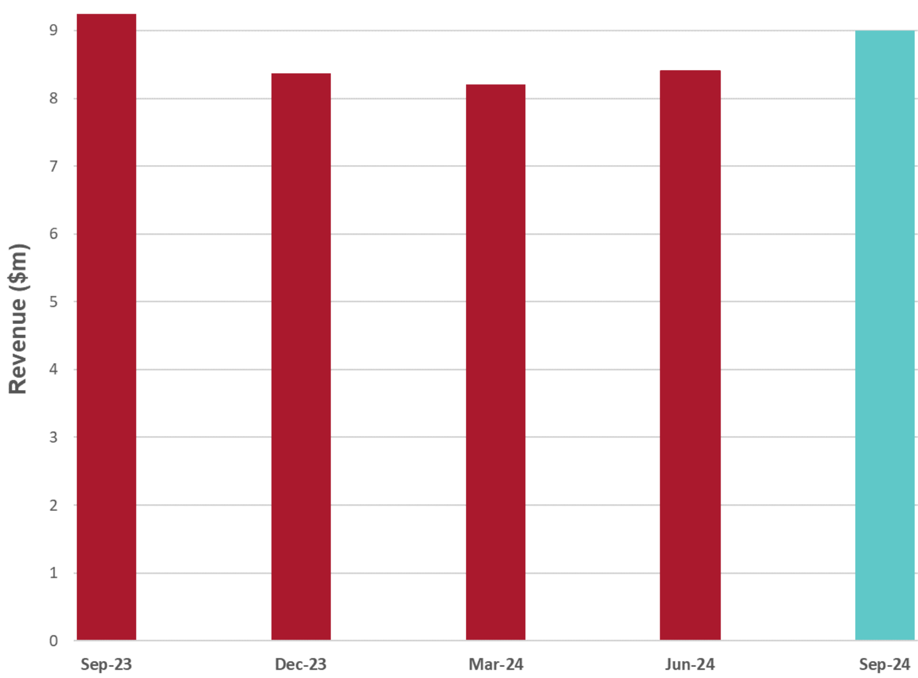
Source: CTP.

Revenues: higher volume + flat price = revenue up qoq

Results: The combination of higher volumes and flat pricing saw revenue of A$9.2m for the quarter, 6.9% higher than the prior quarter, including $0.3m of revenue from the release of deferred take-or-pay balances.

Outlook: Mereenie and Palm Valley have been selling at close to full capacity into the NT since late April, except for some seasonal downturns – but given the warmer months ahead, close to full sales should continue for the rest of CY2024. As mentioned above, the new NT Government contracts kick in on 1 January 2025, presenting CTP with a new paradigm of higher prices and locked-in volume.

Figure 4: Revenue – last 5 quarters



Source: CTP.

Funding: Net cash for the second consecutive quarter – a sign of things to come

Results: Net cash was A$1.9m (A$24.8m cash and A$22.9m debt) at 30 September 2024.

Operational cash flow was at $2.7m for the quarter, with $0.4m in exploration and a debt repayment of A$1.8m.

Outlook: In light of pricing and sales of this quarter and the continued PWC contract, we see a better December quarter for CTP.

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.

Increased Production from Mereenie and Palm Valley

One of the key outcomes of the debt restructuring 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 early debt retirement and future shareholder distributions.

Development wells for Mereenie to commence in December: CTP will commence the drilling of two new development wells at Mereenie in December 2024. We see these wells as low risk and consider the likelihood of these wells increasing production as high.

Additional drilling under consideration at Palm Valley: CTP is also in the process of looking to drill additional development wells at Palm Valley. These wells would be higher value to CTP as they have a higher ownership in the asset (50% vs 25% at Mereenie). The final decision to drill wells at Palm Valley has not been confirmed.

A Recap: The Transformational Transaction

Rock-Solid Gas Contracts Locked and Loaded

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 Blacktip 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 will likely increase 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.

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 has positive implications for its near-term outlook. The GSAs are perfectly timed as CTP has been able to both capitalise on, and play a key part in addressing, the looming gas supply shortfall in the NT. This signing 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.

CTP has capitalised on its competitive advantage and has now contracted most of its production capacity at vastly improved pricing within the NT for the remainder of CY24 and until 2030, mitigating the NGP risk.

Key advantages of GSAs with the NT Government

- **The GSAs de-risk CTP's future cash flows** (lowering potential volatility and eliminating exposure to NGP closures), which underwrites new infill development wells to access proven, undeveloped reserves. In other words, the NT Government GSAs allow CTP to better plan and budget for development and appraisal activities 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.

The 6-year gas supply deal (see Figure6):

- ensures that CTP's onshore gas molecules (Amadeus Basin) have a more certain commercial pathway irrespective of whether the NGP is open, i.e. negates reliance on the NGP to access the East Coast market, while simultaneously preserving the option to do so once the NGP is operational again

- is structured as a base-load supply, with high levels of take-or-pay. This means CTP's expected firm production is fully contracted (including any additional production from two new Mereenie wells to be drilled next year), and will benefit from more consistent, firm sales at higher average CPI-linked gas prices.

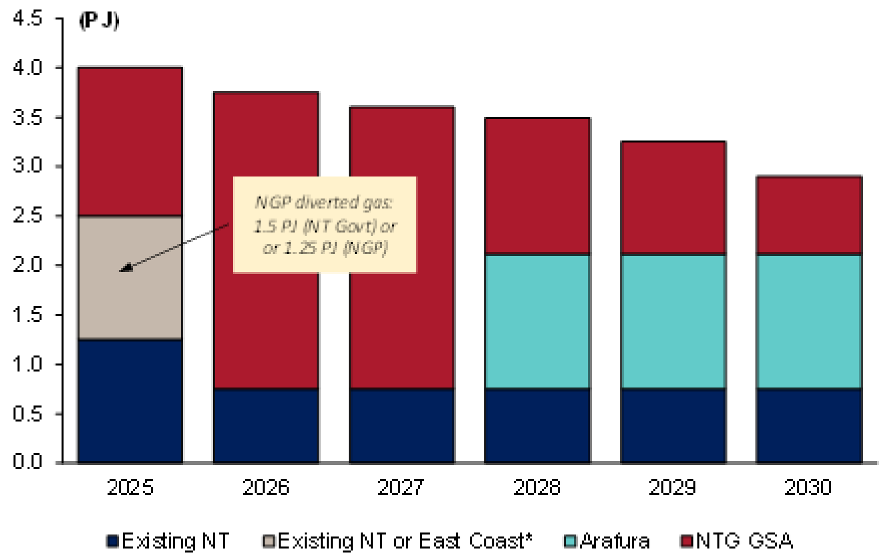
- there are significant volumes earmarked for the proposed Arafura rare earths mine from 2028. This is conditional on the mine reaching FID, but if it does not proceed, or is delayed, Central will look to re-contract this gas into a short-supplied market.

Flexibility: Importantly, in 2025 there is a volume of gas (~1.25-1.50 PJ) of 'NGP-diverted gas', which is essentially gas supply from Mereenie normally allocated for its East Coast customers in CY2025, but could be made available to the NT if there are ongoing interruptions to NGP operations in CY2025, i.e., the destination is flexible (Figure 6).

Pricing stronger: 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 price of ~A$7.90/GJe. The anticipated higher pricing is still very competitive compared to the high-priced emergency LNG tail gas the NT Government has been forced to buy, with short-term gas prices purportedly in the range of ~A$17–18/GJ. As CTP rolls off its legacy contracts, margins could increase by as much as $2/GJ from the ~$2.50/GJ previously attained.

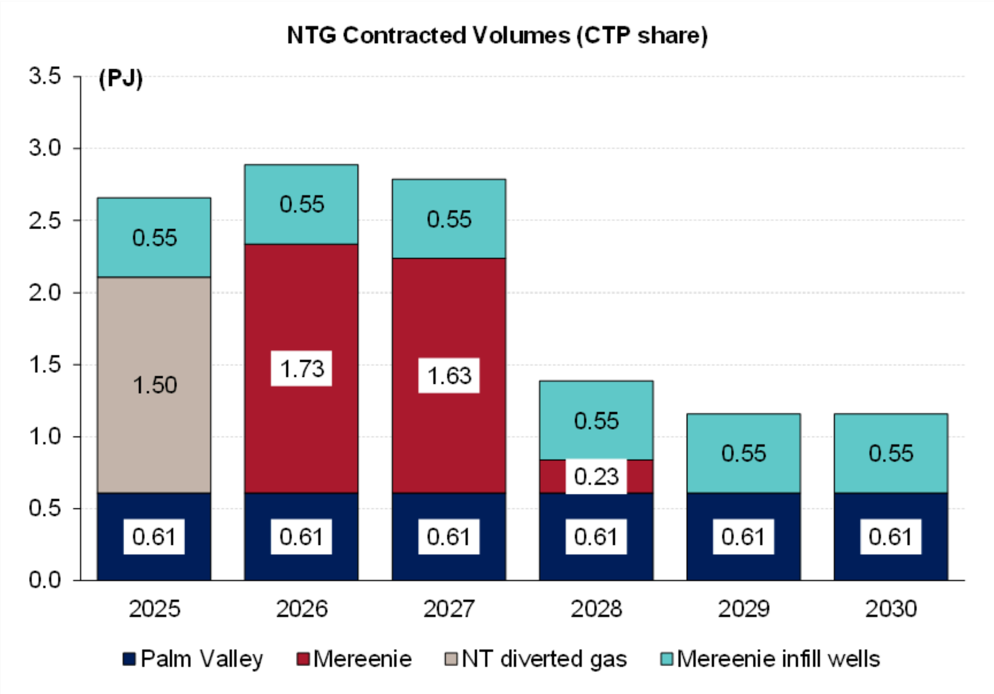
Details of the GSAs

Figure 5: CTP's firm contracted volumes



Source: CTP , MST, SHA Energy Consulting.

Figure 6: NTG contracted volumes



Source: CTP, MST, SHA Energy Consulting

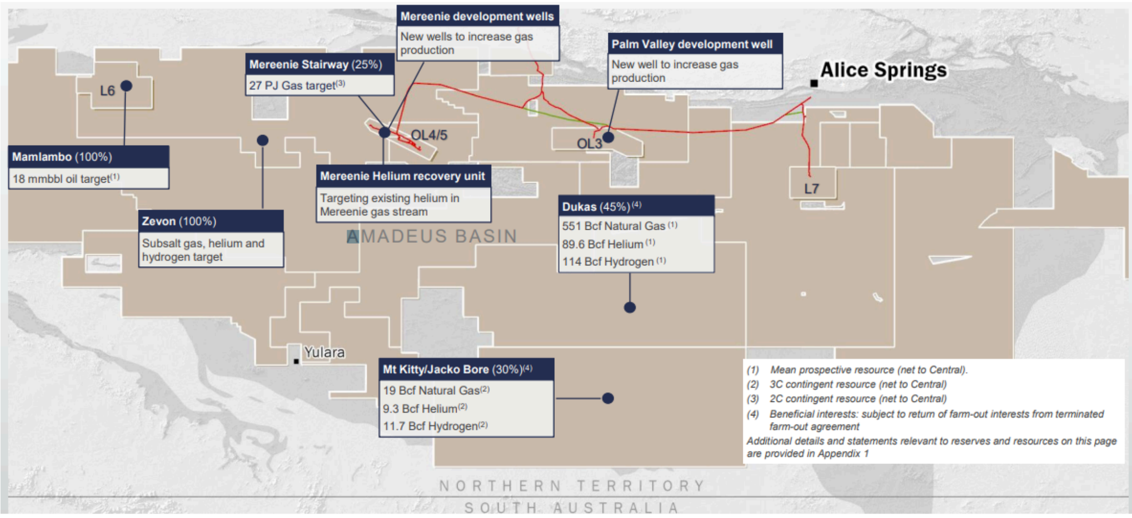
Exploration: Still a Key to CTP's Future

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). 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 7 highlights CTP's exploration portfolio.

Figure 7: Large potential resources of gas, oil, helium and hydrogen



Source: CTP.

FY2025 Forecasts: Better Pricing Kicking In

We have reviewed our forecasts for FY2025.

We have upgraded our gas price forecasts as a result of the NT government contracts. Although we note that 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 previous portfolio price forecast was for an average price of A$7.60/GJ received for FY2025. We have upgraded that to A$8.00/GJ in FY2025. We consider our forecasts to be conservative.

Figure 8: FY2025 forecast vs. FY2024 actual

Profit & Loss (A$m)	MST FY2025F	CTP Actual FY2024	Difference $	Difference %	Comment FY25 Forecast v FY 24 Actual
Oil / Condensate Revenue	3.2	3.2	–	–	
Gas Revenue	39.5	31.1	8.4	27%	Higher price assumptions, increase prodn from Mereenie
Total Sales Revenue	**42.7**	**34.3**	**8.4**	25%	
Operating Costs	(12.9)	(17.6)	4.7	(26%)	Included costs of operating Range in FY2024
Government Resource Taxes	(3.2)	(3.1)	(0.1)	3%	
Exploration & Development Expenses	(2.8)	(4.0)	1.2	(30%)	
Other Net Income / Expense	(3.4)	14.0	(17.4)	(124%)	FY2024 includes profit on sale of Range CSG project
EBITDA	**20.4**	**23.6**	**(3.2)**	(14%)	
EBITDAX	**23.3**	**13.7**	**9.6**	70%	
Depreciation & Amortisation	(6.6)	(7.8)	1.2	(16%)	
EBIT	16.7	15.8	1.0	6%	
Net Interest Expense	(0.8)	(3.3)	2.5	(76%)	Pay down of debt
Pretax Profit	15.9	12.4	3.5	28%	
Tax Expense / Benefit	–	–	–	–	
Net Attributable Profit	**15.9**	**12.4**	**3.5**	28%	

Source: CTP, MST estimates.

Valuation: Gas Price and Production Increases;

Valuation Upgrade by 28% – Material Re-rating Is Due

Base-case valuation of A$0.19 (previous A$0.15)

New gas contracts underpin increased 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 by 28% to A$0.19 per share.

The key driver for our valuation upgrade relates to the signing of 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 increase drives the upgrade – further increases likely

While precise details on the new NT Government gas offtakes are unclear given commercial in confidence, CTP have noted that the contracts will be at a higher price than current pricing,, and this 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 **increased our gas price assumption to A$8.00GJ from A$7.60 for FY25 and to A$8.50 for our long term price from A$7.60.** 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)

Potential Mereenie production increase not reflected in our forecast – further potential valuation upside on success of these wells

CTP will commence the drilling of two new development wells at Mereenie in December 2024. We see these wells as low risk and consider the likelihood of these wells increasing production as high.

We have once again taken a conservative approach and not yet included into our forecast the likely increased production from these wells if they are successful, but have included the capital cost of drilling these wells in FY25.

Core production assets contribute A$0.17 (previous A$0.13)

The core production assets make up A$0.17 of our A$0.19 valuation, **suggesting that the market is placing a significant discount on assets that have locked in contracts with one the lowest risk customers in the gas sector.**

Figure 9: Base-case valuation summary – fully diluted (A$ per share)

NPV 1 Nov 24	A$m Valuation Unrisked	Risking	A$m	Valuation A$ps	Previous Valuation	Change	% Change
Mereenie - OL4 & OL5 (25%)	63	100%	63	0.09	0.07	0.02	23%
Palm Valley - OL3 (50%)	24	100%	24	0.03	0.02	0.01	66%
Dingo - L7 & PL30 (50%)	37	100%	37	0.05	0.04	0.01	25%
Total Operations	**124**		**124**	**0.17**	**0.13**	**0.04**	**30%**
Net Cash / (Debt)	3	100%	3	0.00	0.00	0.00	0%
Admin / Corporate / Other	(24)	100%	(24)	(0.03)	(0.03)	(0.00)	9%
Exploration (risk-adjusted)	24	50%	12	0.02	0.02	(0.00)	0%
Mereenie & Palm Valley 2C gas (risked)	33	65%	22	0.03	0.03	(0.00)	0%
TOTAL VALUATION	**161**		**137**	**0.19**	**0.15**	**0.04**	**28%**

Source: MST estimates.

Valuation sensitivity analysis

We have looked at the sensitivity of the key financial metrics to changes in our gas price assumptions.

Figure 10: Sensitivity analysis - valuation, cash flow, earnings

Gas Price Sensitivity	FY25	FY26	FY27	Valuation (A$ps)	Valuation change (%)
Our forecast gas price (A$8.00)*					
Cash from Operating Activities (A$m)	17.9	23.3	33.1	$0.19	
EPS (A¢/ps)	1.5	2.1	3.3		
CFPS (A¢/ps)	2.4	3.1	4.5		
Gas price at A$8.50/GJ					
Cash from Operating Activities (A$m)	20.3	24.5	33.1	$0.192	*3%*
EPS (A¢/ps)	1.9	2.3	3.3		
CFPS (A¢/ps)	2.7	3.3	4.5		
Gas price at A$9.00/GJ					
Cash from Operating Activities (A$m)	22.6	27.0	36.0	$0.22	*16%*
EPS (A¢/ps)	2.7	3.3	4.5		
CFPS (A¢/ps)	3.1	3.6	4.9		
Gas price at A$10.00/GJ					
Cash from Operating Activities (A$m)	27.3	31.9	41.9	$0.26	*42%*
EPS (A¢/ps)	2.8	3.3	4.5		
CFPS (A¢/ps)	3.7	4.3	5.7		

**Base case assumes stepped profile: FY25 A$8.00/GJ, FY26 A$8.25/GJ and FY27+ A$8.50/GJ*

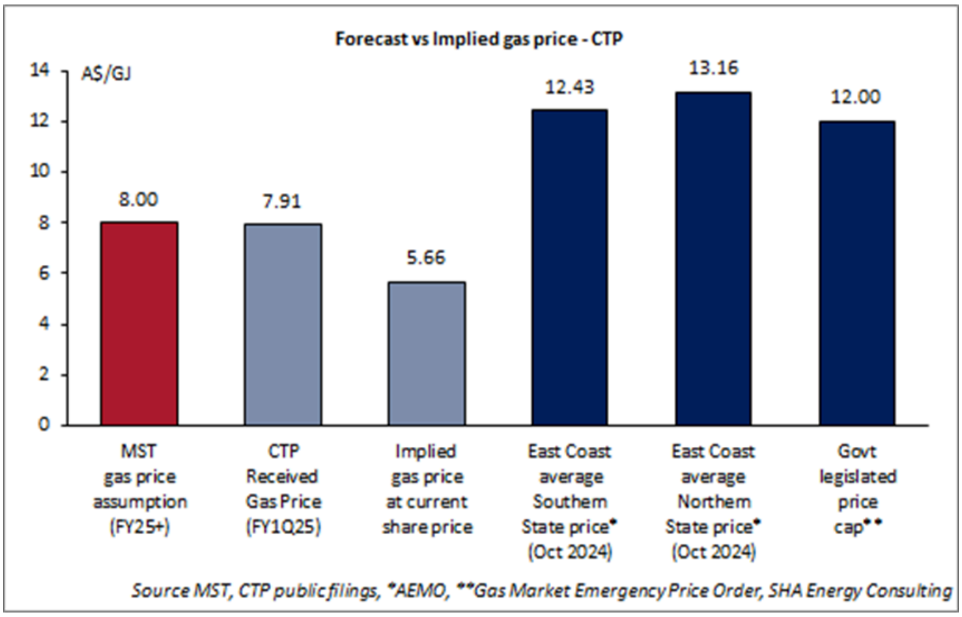
Source: MST Estimates／SHA Energy Consulting

Valuation cross-checks suggest CTP is undervalued

Gas price implied by current share price: A$5.66/GJ (vs. A$8.00 forecast)

The current share price implies a gas price of A$5.66/GJ. CTP received an average price of A$7.91/GJe in the last quarter, and our forecast is A$8.00 for FY25. 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 11: Share price–implied gas price vs forecast and East Coast prices



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

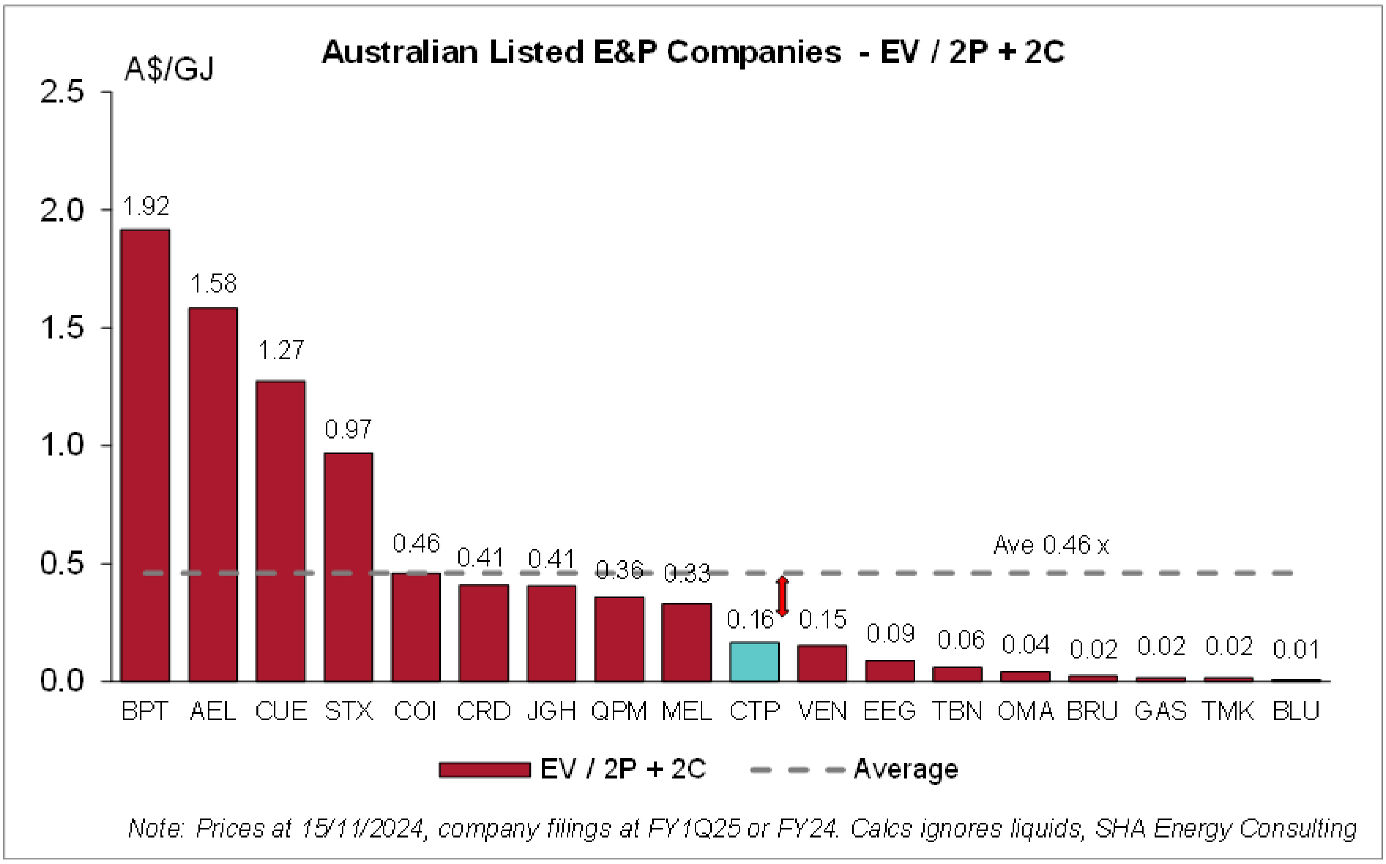
Enterprise Value to Resources suggests that CTP is undervalued: market average multiple implies A$0.14/share

An additional check on our valuation is to observe how the market values the reserves and resources of CTP and its ASX-listed peers (see Figure 1), 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 0.16 comparing to the average of 0.46. The peer average would see CTP valued at A$0.14 vs. the current share price of A$0.054 and our valuation of A$0.19.

The chart highlights the equity market is potentially mis-pricing of CTP gas molecules 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 12: Select Australian-listed energy stocks – EV/Resources



Source: SHA Energy Consulting, company filings, MST.

Catalysts: upside potential driven by multiple sources

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

- short-term delivery of uncontracted gas to PWC under the terms of the 'as-available' supply agreement may
- higher cash flow from new NT Government contracts than we currently have in our valuation
- potential capital returns via dividends or share buybacks, as we don't currently assume these will occur
- increased production from Mereenie development wells above our current estimations
- 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 taken the potential value of helium into our valuation due to its early stage. We await further information of costs and validity of extraction before taking this into our valuation
- further corporate activity in the energy sector.

Risks

- Mereenie development wells not being successful
- 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 NT
- government regulation affecting pricing
- the gas price, a key sensitivity for CTP's cash flow and valuation
- operational issues at existing assets

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.

Company disclosures

The companies and securities mentioned in this report, include:

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

Central Petroleum (CTP.AX) | Price A$0.053 | Valuation A$0.190;

Price, target price and rating as at 26 November 2024 (not covered)*

Additional disclosures

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

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