Breakaway Research

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CENTRAL PETROLEUM LIMITED (ASX CTP)

Quality cash flow to build a substantial company

Recommendation: *BUY*

Key Points

- ***Central Petroleum is just entering a period of sustained positive cash flow as the strategy, started in 2014, delivers, with the connection of the Amadeus Gas Field to the Australian East Coast gas markets.***
- ***That cash flow should drive value adding exploration, and the recent share price move on the announcement of Project Range 2C Resources (up 13%) is evidence that the market will reward success, and a successful Dukas could add the same again.***
- ***Base Case Net Present Value is A$0.34/sh:***
  - ***50% of Project Range at A$0.18/sh***
  - ***The existing Amadeus Field production is forecast to generate 1.2cps worth 16-20cps on peer PERs***
  - ***Santos and Woodside on PER 16.5-17.4x yield of 2.3-3.6%.***
- ***Upside drivers include exploration success, higher average selling prices as the IPL contract ends in December 2019, and Dingo moving from minimum to maximum gas sales. Positive operating cash flow and debt refinancing should further derisk company.***

The connection to the East Coast gas market in January 2019, and has resulted in a strong lift in gas sales evident in the June half 2019. Until now, the company has been at risk of issuance, as it funded expanding production on debt and limited cash flow. That risk has reduced very significantly. The Northern Gas Pipeline has spare capacity and can be expanded with compression, providing a platform for continued growth in CTP sales volumes. Exploration success is just starting to impact valuations, and will increase in significance in the future.

*Hence, Breakaway Research has a **BUY** recommendation on **CENTRAL PETROLEUM LIMITED** with a 12 month price target of A$0.34/sh.*

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Company Information

ASX Code	CTP
Share Price (21 Aug 2019)	A$0.19
Ord Shares	713.4m
Market Cap	**A$135.5m**
Options	52.5m
Market Cap (fully diluted)	**A$145.5m**
Cash (30 June 2019)	A$17.8m
Total Debt	A$82.36m
Enterprise Value	**A$169.8m**

Directors

NED Chairman	Martin Kriewaldt
M.D & CEO	Leon Devaney
Director (Non-Exec)	Wrixon Gasteen
Director (Non-Exec)	Katherine Hirschfeld
Director (Non-Exec)	Stuart Baker
Director (Non-Exec)	Julian Fowles

Significant Shareholders

Top 20 Shareholders own	28.3%
No substantial shareholders	

Source: Company 19 May 2019

Company Details

Address	Level 7, 369 Ann Street Brisbane, Queensland
Phone	+61 7 3181 3800
Web	www.centralpetroleum.com.au

Price Chart

Source: ASX

CENTRAL PETROLEUM LIMITED **CTP-ASX**

Share Price A$/sh				0.190
Price Target A$/sh				0.340
Profit and Loss A$M	**FY19F**	**FY20F**	**FY21F**	**FY22F**
Operating Revenue	59.4	75.3	76.3	82.0
COGS	-56.4	-65.3	-63.5	-67.0
Corporate	-4.5	-4.6	-4.7	-4.8
Share Based Payments	-1.0	0.0	0.0	-1.4
EBITDAX	24.5	36.0	37.7	40.6
Exploration	-18.0	-5.0	-5.1	-5.2
D&A	-14.7	-17.9	-18.2	-19.4
EBIT - Reported	-8.2	13.1	14.4	16.0
Total Financial Income	-7.6	-6.0	-4.9	-3.2
PBT	-15.8	7.1	9.5	12.8
Tax Expense	0.0	0.0	0.0	0.0
NPAT	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0
Earned for Ordinary	-15.8	7.1	9.5	12.8
EPS A cps	-2.2	0.9	1.2	1.7
Ordinary shares M	713	766	766	771
Dividend A cps	0.0	0.0	0.0	1.0
EBITDAX Margin %	41.3%	47.9%	49.4%	49.5%
Div Yield	na	0.0%	0.0%	5.2%
ROIC	na	-5.9%	-6.8%	-7.7%
PER	-8.55	20.42	15.30	11.46
Price/Book	-0.59	-0.65	-0.68	-0.70
Book value A$/sh	-0.32	-0.29	-0.28	-0.27
VALUATION (NPV)	**FY19F**	**FY20F**	**FY21F**	**FY22F**
Op. Cash Flow Post Tax	131.2	129.2	127.1	121.7
Tax Benefit	44.1	42.0	39.1	35.3
Cash on hand	17.8	23.5	21.9	27.2
Debt	-81.8	-69.1	-56.8	-44.8
Net Working Capital	2.1	2.1	2.1	2.1
Valuation A$M	249.7	264.0	269.7	277.9
Valuation A$/sh	0.35	0.34	0.35	0.36
OPERATING DATA	**FY19F**	**FY20F**	**FY21F**	**FY22F**
Sales by Field TJ/d				
Mereenie 50%	14.61	23.00	23.00	23.00
Overlift	1.64	0.00	0.00	0.00
Palm Valley TJ/d	5.88	9.50	6.00	6.00
Dingo	2.61	3.02	3.44	3.85
Sales by Contract PJ				
Mereenie (PAWA)	1.40	1.40	1.40	0.00
Palm Valley (PAWA)	1.51	1.51	1.51	1.51
Dingo	0.95	1.10	1.25	1.40
EDL NGD (NT) PL	1.90	1.97	1.97	1.97
Macquarie Prepay	0.43	1.73	1.73	1.30
IPL	3.65	3.65	0.00	0.00
Makeup	0.35	1.63	3.97	5.80
Total	10.19	13.00	11.84	11.99
Dingo Take or Pay	0.60	0.45	0.30	0.15
Sales Volumes				
Oil Sales MMbbl	0.10	0.09	0.09	0.08
Total Gas Sales PJ	10.19	13.00	11.84	11.99
Revenue A$M				
Oil Sales	9.2	8.8	7.9	7.3
Gas Sales	51.3	66.4	68.3	74.7

CASH FLOW YE June	FY19F	FY20F	FY21F	FY22F
Revenue from P&L	59.4	75.3	76.3	82.0
Add Dingo ToP	3.9	3.0	2.0	1.0
Less MBL Prepay	-1.9	-7.7	-7.7	-5.8
Receipts From Customers	58.9	70.5	70.5	77.2
Payments to Suppliers	-32.3	-39.2	-38.6	-41.4
Cash Flow from Operations	26.6	31.3	32.0	35.8
Exploration	-18.1	-5.0	-5.1	-5.2
Interest Received	0.4	0.2	0.3	0.3
Financing Costs	-6.5	-6.2	-5.2	-3.5
Taxes Paid	0.0	0.0	0.0	0.0
Net Cash from Operations	2.5	20.3	22.0	27.4
PP&E	-17.5	-11.0	-11.2	-11.4
Investing Activity	-15.4	-11.0	-11.2	-11.4
Free Cash Flow	-12.9	9.3	10.7	16.0
Issues	0.0	9.2	0.0	1.4
Dividends	0.0	0.0	0.0	0.0
Net Borrowings	3.5	-12.8	-12.3	-12.0
Financing Activity	3.5	-3.6	-12.3	-10.6
FX Difference	0.0	0.0	0.0	0.0
Net Increase in Cash	-9.4	5.7	-1.6	5.3
YE Cash on Hand	17.8	23.5	21.9	27.2
BALANCE SHEET YE June	**FY19F**	**FY20F**	**FY21F**	**FY22F**
Cash	17.8	23.5	21.9	27.2
Receivables	6.6	6.6	6.6	6.6
Inventories	3.6	3.6	3.6	3.6
Financial Assets	2.3	2.3	2.3	2.3
Total Current Assets	30.4	36.1	34.5	39.8
PP&E	106.6	99.7	92.8	84.8
Intangibles	4.1	4.1	4.1	4.1
Expln & Mine Devt	8.9	8.9	8.9	8.9
Total Non Current Assets	122.1	115.2	108.3	100.3
Total Assets	152.5	151.3	142.7	140.1
Trade Payables	8.1	8.1	8.1	8.1
Prepaid & Other	38.4	33.6	27.9	23.1
Borrowings	81.8	69.1	56.8	44.8
Provisions	29.3	29.3	29.3	37.0
Total Liabilities	157.6	140.1	122.0	112.9
Net Assets	-5.1	11.2	20.7	27.2
Issued Capital	197.8	206.9	206.9	208.3
Reserves	23.5	23.5	23.5	23.5
Retained Profits	-230.0	-222.9	-213.4	-208.3
Shareholder Equity	-8.8	7.5	17.0	23.5
ASSUMPTIONS	**FY19F**	**FY20F**	**FY21F**	**FY22F**
Sydney Gas Price A$/GJ	9.98	10.18	10.67	11.42
Oil Price US$/bbl	67.87	66.37	64.16	63.58
AUDUSD	0.72	0.70	0.72	0.73
Tariff to Sydney A$/GJ	4.45	4.54	4.63	4.72
NT Pipeline Tariff A$/GJ	0.55	0.56	0.57	0.58
Netback to Central A$/GJ	5.53	5.64	6.04	6.70
Average Realized Prices				
Ave Gas Price A$/GL	5.03	5.11	5.77	6.23
Oil Price A$/bbl	94.86	95.19	89.61	86.74
Inflation	2.05%	2.00%	2.00%	2.00%
Tax Rate	30%	30%	30%	30%
Macquarie Rate	7.70%	6.70%	6.70%	6.70%

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Company Overview & Investment Case

Earnings are surging now as strategy of last 5 years delivers

A three-fold gas sales increase on a largely fixed operating cost base has been driven by the opening of the Northern Gas Pipeline linking Central Australian gas to the Australian East Coast, with spend on plant and equipment and on exploration to reduce. Central Petroleum today is at a point where the strategy that the company put in place in 2014 is delivering, and yet to be recognised by the market.

That strategy should continue to drive earnings growth above our estimates in the medium term as additional exploration, plus available capacity in the Northern Gas Pipeline allows additional sales volumes of Central gas into the East Coast gas markets.

Forecast cash flow will reduce debt, lower risk, and fund exploration

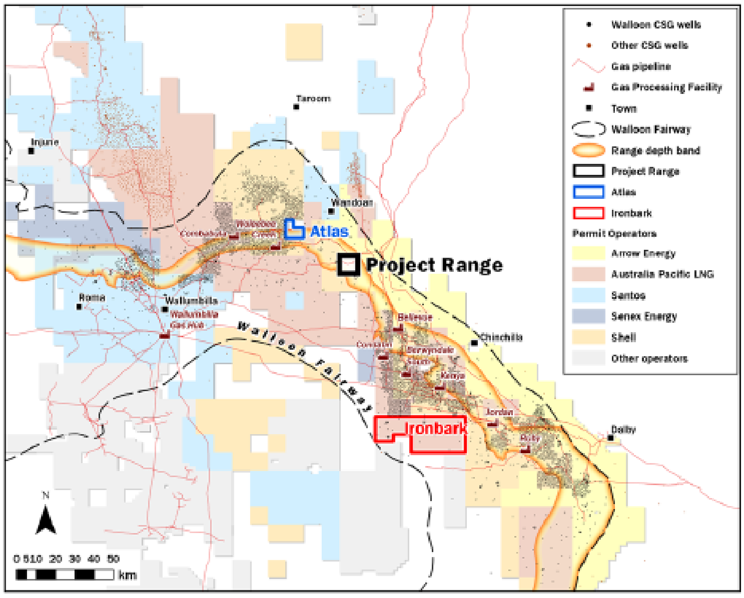
Central is entering a period of positive operating cash flow for the first time in years. The difference this will make to this company as an investment is profound. Forecast cash flows of over A$26M pa will derisk the company by repaying debt, funding increased exploration activity and news flow, and, down the road, payment of dividends.

Funding exploration without asking shareholders for equity injections will be of benefit in the event of success, but is likely to generate earlier recognition of the exploration potential by investors, once they see that the company is able to start spending to unlock that potential.

Free carried exploration a company changer with the Range Project first up

Project Range (ATP 2031) is a Queensland coal seam gas target. Central is free carried until partner Incitec Pivot has spent A$20M. A 4-5 well commitment commenced on 21 June 2019 and on 21 August 2019, the company announced 2C resources of 270PJ (135PJ Central share).

Figure 1 Location of Range vs Comps Atlas and Ironbark



Source: Central release 21 August 2019

Table 1 Valuation of Project Range 2C Resources at A$0.18/sh (effectively 52% risked)

Stage	Range Concept	Atlas Pre-development	Ironbark Pre-development
Valuation A$M	250	258	231
Acreage Km2	77	58	
OGIP PJ	270	278	
OGIP PJ/Km2	5.61	7.36	
Recovery Factor	63%	Up to 65%	
Resource PJ	270	278	
Resource Category	2C	EUR	
2P Reserve PJ		144	129
A$/GJ 2P value		1.79	1.79
A$/GJ 2C/EUR	0.93	0.93	

Source: Project Range data from Central release 12 August 2019, Atlas data excluding valuation from Senex reserve release 31 July 2018, Ironbark data from AFR article on sale to Australia Pacific LNG on 20 Feb 2019.

In Table 1 above, we start the valuation process with the reported sale price of Ironbark of A$231M, setting a price on 2P Reserves of A$1.79/GJ. On this metric, the Atlas 2P Reserves would be worth A$258M. This valuation in turn generates value of A$0.93/GJ EUR, which if applied to the Range 2C Resource generated a value of A$250M for 100% or A$125Mfor Central's share (A$0.18/sh).

The A$250M valuation on 2C, when divided by the Ironbark A$1.79/GJ 2P implies that Project Range will have 140PJ of 2P Reserves. The reality is that in this part of the Surat coal seam gas fairway, close to 100% of the 2C will convert to 2P, and if that happens, we would be valuing Central's share of Project Range at 135PJ x A$1.79/GJ or A$240M (A$0.34/sh). Effectively, the valuation pathway in Table 1 represents a 52% risked valuation.

In the Central release, the independent experts, Netherland, Sewell and Associates, indicated that the technical risks relating to coal properties or the application of extraction technologies are considered small, As a result, conversion to 2P requires the paperwork associated with finalisation of development plans, and marketing terms/offtake contracts, rather than any additional drilling.

Medium term growth potential from existing assets

- Expansion of Mereenie using 2C resources
- Expansion of Dingo and Palm Valley
- Repricing existing contracts as they renew over next three years

Valuation: A$0.34/sh valuation at June 2020

Our valuation is based on the NPV of the discounted cash flow of the existing operations producing from 2P reserves only and assuming full taxation, plus the value of Range (A$125M), 10% of the value of 2C resources near existing production (A$11.2M), and an allowance for the benefit of existing tax losses.

Table 2 Net Present Value A$0.34/sh

	Jun-19	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26
Op. Cash Flow Post Tax	131.2	129.2	127.1	121.7	111.0	97.0	81.7	66.2
Exploration	136.4	136.4	136.4	136.4	136.4	136.4	136.4	136.4
Tax Benefit	44.1	42.0	39.1	35.3	31.5	26.8	22.1	17.9
Cash on hand	17.8	23.5	21.9	27.2	33.2	39.3	44.5	50.7
Debt	-81.8	-69.1	-56.8	-44.8	-32.8	-20.8	-8.8	1.2
Net Working Capital	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Valuation A$M	249.7	264.0	269.7	277.9	281.4	280.8	277.9	274.4
Valuation A$/sh	0.35	0.34	0.35	0.36	0.36	0.36	0.35	0.35
Discount Rate	7.1%							
Issued Shares m	713.4	765.9	765.9	771.4	788.1	788.1	788.1	788.1

Source: Breakaway estimates

The increase in shares is the result of exercise on options at 14cps and 20cps. If these options are not exercised by the end of CY2019, the cash on hand will be A$9.15M less, the shares on issue will be unchanged at 713M, and the NPV at June 2020 would be A$0.04/sh higher.

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Table 3 Upside potential from Mereenie and Palm Valley 2C resources and exploration at Dukas and Range

	Mereenie 2C	Palm Valley 2C	Total
Production PJ	255.0	13.6	
Capex A$M	212.5	5.0	
Sustaining A$Mpa	10.0	1.0	
Opex A$M pa	20.3	5.0	
NPV A$M	168.0	27.8	
Central Share of NPV A$M	84.0	27.8	
Central Share of NPV A$/sh	0.12	0.04	
Risked	10%	10%	
Risked Value A$M	8.4	2.8	11.2
Risked Value A$/sh	0.011	0.004	0.015

Source: RISC report in Scheme IM April 2017 for Mereenie, , Breakaway estimates

Table 4 Sensitivity of base case

Sensitivity	A$M	A$/sh
Gas Price + A$1/GJ	36.4	0.048
Expand Prodn by 3TJ/d	24.3	0.034
Reduce Discount by 1%	6.9	0.009
Add 20% of 2C	24.6	0.032

Source: Breakaway estimates

Our East Coast Gas price formation model assumes that LNG and crude oil prices move in tandem longer term, so the forecast earnings are sensitive to changes in the long term oil price and AUDUSD once the existing contracts roll off. However, Central in in the process of setting its new contracts, and over the next 12 months, will lock in more of its 2P Reserve. Once the current round of contracting is completed, the company will have less exposure to US$ oil price, US$ LNG price or AUDUSD. At present, +US$10/bbl increase in crude oil adds A$0.085/sh and a 0.10 increase in the AUDUSD decreases NPV by A$0.065/sh.

Table 5 Existing operations worth around half our A$0.34/sh valuation, with exploration/new projects the rest

Final A$/sh	Jun-19	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26
EPS A$/sh	-0.022	0.009	0.012	0.017	0.016	0.020	0.020	0.018
PER at A$0.19/sh	-8.55	20.42	15.30	11.46	11.99	9.57	9.47	10.71
PER at A$0.34/sh	-15.30	36.53	27.38	20.51	21.46	17.13	16.94	19.16
Free Cash Flow A$/sh	-0.018	0.012	0.014	0.021	0.027	0.032	0.034	0.033
CF/sh at A$0.19/sh	-10.49	15.68	13.56	9.18	6.97	5.87	5.63	5.83
CF/sh at A$0.34/sh	-18.78	28.05	24.26	16.43	12.48	10.50	10.08	10.43
Dividend A$/sh	0.000	0.000	0.000	0.010	0.010	0.012	0.012	0.011
Yield at A$0.19/sh	0.0%	0.0%	0.0%	5.2%	5.0%	6.3%	6.3%	5.6%
Yield at A$0.34/sh	0.0%	0.0%	0.0%	2.9%	2.8%	3.5%	3.5%	3.1%

Source: Breakaway estimates

Our FY21 earnings of A$0.012/sh puts the company on a PER of 15.3x vs the ASX 200 one year forward PER of 16x (per Reserve Bank of Australia June 2019 Chartbook), so the current A$0.19/sh price is supported by the existing earnings, with Project Range and other exploration largely unrecognised.

The Central earnings for the medium term will be untaxed due to tax losses of over A$166M (2018 annual report p54 Note 4E Unutilised Loss Asset of $49.74M grossed up by tax rate). If the PER was notionally adjusted for tax, it would be 22x in FY21 and 16.4x in FY22, which is comparable to its peers.

Major peers Woodside trades on a PER of 17.4x and yield of 3.6%, and Santos trades on a PER 16.6x and yield of 2.3%.

Table 6 Calculation of WACC - Could be lower

Cost of Equity	Central	Low debt rate
Beta Range	1.60	1.05
Risk free rate (Rf)	1.8%	1.8%
Market Risk over Rf	4.8%	4.8%
Market premium (Rm)	6.6%	6.6%
Cost of Equity	9.5%	6.8%
Gearing		
Gearing D/(D+E)	50.0%	15.0%
Gearing E/(D+E)	50.0%	85.0%
Nominal WACC		
Cost of Equity Ke	9.5%	6.8%
Cost of Debt Kd	6.8%	6.8%
Tax Rate	30.0%	30.0%
Weighted Average Cost of Capital	7.12%	6.53%
Real WACC		
Expected Inflation	0.9%	0.9%
(1+real) = (1+Ke)*(1+I)	1.06	1.06
Therefore Real WACC	6.2%	5.6%
Inflation linked Bond	0.9%	0.9%

Source: Breakaway estimates

Our discount rate of 7.12% is a function of a high cost of equity and a lower cost of debt. The availability of debt at such a low interest rate (ie ~7%) is a reflection of how the banks see the gas business, and if Central continues to demonstrate its operation capability, and if the City Gas Prices hold at around current levels, we would expect that the company would be able to access main street bank debt at lower rates, and the company beta would fall to something closer to other gas and oil producers, ie close to 1.0.

Table 7 Assumptions

ASSUMPTIONS	Jun-19	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26
Sydney Gas Price A$/GJ	9.98	10.18	10.67	11.42	11.41	11.42	11.56	11.60
Sydney Prem to LNG	0.00	0.00	2.00	3.00	3.00	3.00	3.00	3.00
LNG Netback Price A$/GJ	9.84	8.12	8.67	8.42	8.41	8.42	8.56	8.60
Oil Price A$/bbl	94.86	95.19	89.61	86.74	86.67	86.71	88.15	88.60
Oil Price US$/bbl	67.87	66.37	64.16	63.58	64.48	65.25	66.02	66.81
AUDUSD	0.72	0.70	0.72	0.73	0.74	0.75	0.75	0.75
Amadeus to Sydney TariffA$/GJ	4.45	4.54	4.63	4.72	4.82	4.91	5.01	5.11
NT Pipeline Tariff A$/GJ	0.55	0.56	0.57	0.58	0.60	0.61	0.62	0.63
Sydney net to Amadeus A$/GJ	5.53	5.64	6.04	6.70	6.60	6.51	6.55	6.49
Oil Sales MMbbl	0.10	0.09	0.09	0.08	0.08	0.08	0.07	0.07
Total Gas Sales PJ	10.19	13.00	11.84	11.99	12.08	12.01	11.89	11.80
Ave Gas Price A$/GL	5.03	5.11	5.77	6.23	6.51	6.50	6.66	6.63
Revenue A$M								
Oil Sales	9.24	8.83	7.92	7.30	6.94	6.62	6.41	6.13
Gas Sales	51.25	66.43	68.34	74.74	78.59	78.00	79.18	78.25
Other Customer	-1.14	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Revenue	59.35	75.26	76.25	82.03	85.54	84.62	85.58	84.39

Source: Consensus Economics for forecast AUDUSD and oil price, Breakaway estimates

The relationship between City Gas Price, LNG Netback and the price netback to the Amadeus Basin are discussed in detail later in this report.

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Table 8 Profit and Loss

Accounts in A$M	Jun-19	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26
Operating Revenue	59.35	75.26	76.25	82.03	85.54	84.62	85.58	84.39
Other Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Site Opex	-24.96	-29.53	-28.48	-29.26	-29.98	-30.48	-30.90	-31.37
Transport Cost	-1.05	-1.11	-1.13	-1.15	-0.54	0.00	0.00	0.00
Gas Purchases	-0.65	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Costs	**-26.66**	**-30.64**	**-29.60**	**-30.41**	**-30.53**	**-30.48**	**-30.90**	**-31.37**
Corporate OH	-4.50	-4.59	-4.68	-4.78	-4.87	-4.97	-5.07	-5.17
Share Based Payments	-1.00	0.00	0.00	-1.38	-4.18	0.00	0.00	0.00
Royalty	-2.70	-4.01	-4.27	-4.83	-5.15	-4.85	-4.77	-4.34
Palm Valley Bonus	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBITDAX	24.50	36.03	37.69	40.63	40.80	44.32	44.85	43.50
Exploration	-18.00	-5.00	-5.10	-5.20	-5.31	-5.41	-5.52	-5.63
Unusual Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBITDA	6.50	31.03	32.59	35.43	35.50	38.91	39.33	37.87
Depreciation	-14.71	-17.91	-18.16	-19.42	-20.66	-21.79	-22.92	-24.09
EBIT	-8.21	13.12	14.43	16.01	14.84	17.12	16.42	13.79
Interest Costs	-6.74	-5.09	-4.02	-3.22	-2.35	-1.48	-0.60	0.20
Financing Costs	-0.90	-0.90	-0.90	0.00	0.00	0.00	0.00	0.00
PBT	-15.85	7.13	9.51	12.79	12.49	15.64	15.82	13.98
Tax Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Earned for Ordinary	**-15.85**	**7.13**	**9.51**	**12.79**	**12.49**	**15.64**	**15.82**	**13.98**
EPS A$/sh	-0.02	0.01	0.01	0.02	0.02	0.02	0.02	0.02
Dividend $M	0.00	0.00	0.00	7.67	7.49	9.38	9.49	8.39
Dividend A$/sh	0.000	0.000	0.000	0.010	0.010	0.012	0.012	0.011
Franking	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Payout Ratio	0%	0%	0%	60%	60%	60%	60%	60%
Shares on Issue	713.4	765.9	765.9	771.4	788.1	788.1	788.1	788.1
Options on Issue M	52.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: Breakaway estimates

Table 9 Cash Flow

CASH FLOW	Jun-19	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26
Revenue from P&L	59.35	75.26	76.25	82.03	85.54	84.62	85.58	84.39
Add Dingo ToP	3.91	2.99	2.02	1.02	0.00	0.00	0.00	0.00
Less MBL Prepay	-1.92	-7.74	-7.74	-5.82	0.00	0.00	0.00	0.00
Receipts From Customers	58.92	70.51	70.53	77.23	85.54	84.62	85.58	84.39
Payments to Suppliers	-32.30	-39.23	-38.56	-41.40	-44.73	-40.30	-40.73	-40.88
Cash Flow from Operations	26.62	31.27	31.97	35.83	40.80	44.32	44.85	43.50
Exploration	-18.11	-5.00	-5.10	-5.20	-5.31	-5.41	-5.52	-5.63
Interest Received	0.37	0.21	0.28	0.26	0.33	0.40	0.47	0.53
Financing Costs	-6.45	-6.20	-5.20	-3.48	-2.68	-1.88	-1.07	-0.34
Net Cash from Operations	**2.47**	**20.28**	**21.95**	**27.40**	**33.14**	**37.43**	**38.73**	**38.07**
PP&E	-17.48	-11.00	-11.22	-11.44	-11.67	-11.91	-12.14	-12.39
Investing Activity	-15.38	-11.00	-11.22	-11.44	-11.67	-11.91	-12.14	-12.39
Free Cash Flow	**-12.92**	**9.28**	**10.73**	**15.96**	**21.47**	**25.53**	**26.59**	**25.68**
Issues	0.00	9.15	0.00	1.38	4.18	0.00	0.00	0.00
Dividends	0.00	0.00	0.00	0.00	-7.67	-7.49	-9.38	-9.49
Net Borrowings	3.50	-12.75	-12.33	-12.00	-12.00	-12.00	-12.00	-10.00
Financing Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financing Activity	3.50	-3.60	-12.32	-10.62	-15.49	-19.49	-21.38	-19.49
Net Increase in Cash	**-9.42**	**5.68**	**-1.59**	**5.34**	**5.98**	**6.03**	**5.20**	**6.19**
YE Cash on Hand	**17.81**	**23.49**	**21.90**	**27.24**	**33.22**	**39.25**	**44.46**	**50.65**

Source: Breakaway estimates

The revenue from the Profit and Loss has to be adjusted for the extra cash from the Dingo contract which includes a Take or Pay provision (ToP), and for the delivery of gas under the Macquarie Bank (MBL) prepayment.

Sustaining expenditure is guided by the company at A$10M pa, which we split into A$5M pa for exploration, and A$5M pa for capex. We have added an additional $6Mpa which in part is growth capital spending.

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Table 10 Balance Sheet

BALANCE SHEET	Jun-19	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26
Cash	17.81	23.49	21.90	27.24	33.22	39.25	44.46	50.65
Receivables	6.63	6.63	6.63	6.63	6.63	6.63	6.63	6.63
Inventories	3.58	3.58	3.58	3.58	3.58	3.58	3.58	3.58
Financial Assets	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33
Other	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Total Current Assets	**30.38**	**36.07**	**34.47**	**39.82**	**45.80**	**51.83**	**57.03**	**63.23**
Financial Assets	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54
PP&E	106.63	99.72	92.77	84.80	75.81	65.93	55.16	43.46
Intangibles	4.06	4.06	4.06	4.06	4.06	4.06	4.06	4.06
Expln & Mine Devt	8.90	8.90	8.90	8.90	8.90	8.90	8.90	8.90
Total Non Current Assets	**122.13**	**115.21**	**108.27**	**100.30**	**91.31**	**81.42**	**70.65**	**58.95**
Total Assets	**152.51**	**151.28**	**142.75**	**140.11**	**137.11**	**133.25**	**127.69**	**122.18**
Trade Payables	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
Prepaid & Other	38.36	33.60	27.88	23.07	23.07	23.07	23.07	23.07
Borrowings	81.83	69.08	56.75	44.75	32.75	20.75	8.75	-1.25
Provisions	29.28	29.28	29.28	36.96	36.78	38.67	38.77	37.68
Total Liabilities	**157.58**	**140.07**	**122.03**	**112.89**	**100.71**	**90.60**	**78.71**	**67.61**
Net Assets	-5.07	11.21	20.72	27.22	36.39	42.65	48.98	54.57
Issued Capital	197.78	206.93	206.93	208.31	212.49	212.49	212.49	212.49
Reserves	23.46	23.46	23.46	23.46	23.46	23.46	23.46	23.46
Retained Profits	-230.03	-222.90	-213.39	-208.27	-203.28	-197.02	-190.69	-185.10
Shareholder Equity	**-8.79**	**7.49**	**17.00**	**23.50**	**32.68**	**38.94**	**45.26**	**50.86**

Source: Breakaway estimates

The A$9.15M raised in FY20 is from options which expire before December 2019, and have exercise prices at A$0.14/sh and A$0.20/sh, both below our price target.

In FY21, the balance of all the company's debt falls due. We assume it is refinanced and repaid over 6 year.

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Thumbnail description of Central Australian operations

Table 11 Summary overview of Amadeus assets

	Mereenie	Palm Valley	Dingo
History	Discovered in 1963	Discovered in 1965	Discovered in 1981
	Production in 1984	Producing Gas since 1983	
	Initial focus on oil production due to lack of gas markets and pipelines		Developed into a producer by Central in 2014 with the tie in to Brewer Estate completed 23 Mar 2015
	Major long term gas contracts ended in 2008 with start of Bonaparte Gulf production. Since that gas contract loss gas re-injected to boost oil production		
Ownership	50% Central 50% Macquarie Bank	100%	100%
Location		120Km WSW of Alice Springs	65Km south of Alice Springs
Area		638Km2	470Km2
Wells and Field Operations	65 wells drilled	11 wells drilled to date	4 wells - 2 production capable
	54 wells available	4 wells capable of production	
	Currently re-injecting gas surplus to contracts	Installed processing and transport infrastructure	
		Includes 240hp of compression	
Reserves and Resources	**Gas**	**Gas**	**Gas**
	1P 78.2 PJ	1P 20.4 PJ	1P 31.35 PJ
	2P 88.55 PJ	2P 27.8 PJ	2P 38.18 PJ
	3P 98.21 PJ	3P 32.6 PJ	3P 48.15 PJ
	2C 91.2 PJ	2C 13.6 PJ	2C nil
	Oil		
	1P 0.78 MMBbl		
	2P 0.97 MMBbl		
	3P 1.15 MMBbl		
	2C 0.1 MMBbl		
Geology	Large structural anticline, area >200Km2	Gas producing reservoirs are in the Pacoota sandstone	Reservoir in Arnmbera Sandstone and Julie formations of early Cambrian/Late Neoproterozoic period
	Gas accumulations associated with oil rim	Type 2 naturally fractured reservoir	Source rock is Marinoa Pertataaka formation formed during the late Neoproterozoic period
	Producable hydrocarbon column ~870m	Includes areas of organic rich shales	Unfaulted domal anticline
	5 zones discovered in Stairway and Pacoota sandstones		

Source: CTP presentations 9 April 2014 for Palm Valley and Dingo, 18 June 2015 for Mereenie, reserves and resource from release of 13 November 2018

Gas Sales Agreements

Table 12 Sales by Field, Sales by Contract, Revenue (Base Case trend sales 34TJ/d vs capacity of 41-54TJ/d)

	Jun-19	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26
Sales by Field TJ/d								
Mereenie 100%	29.23	46.00	46.00	46.00	46.00	46.00	46.00	46.00
Mereenie 50%	14.61	23.00	23.00	23.00	23.00	23.00	23.00	23.00
Overlift	4.49	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Available to CTP for Sale	19.11	23.00	23.00	23.00	23.00	23.00	23.00	23.00
Palm Valley TJ/d	5.88	9.50	6.00	6.00	5.71	5.44	5.18	4.94
Dingo	2.61	3.02	3.44	3.85	4.38	4.37	4.38	4.38
Total	27.60	35.52	32.44	32.85	33.10	32.81	32.57	32.32
Sales by Field PJ								
Mereenie 100%	10.67	16.84	16.79	16.79	16.79	16.84	16.79	16.79
Mereenie CTP 50%	5.33	8.42	8.40	8.40	8.40	8.42	8.40	8.40
Overlift	1.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Available to CTP for Sale	6.97	8.42	8.40	8.40	8.40	8.42	8.40	8.40
Palm Valley PJ	2.15	3.48	2.19	2.19	2.09	1.99	1.89	1.80
Dingo	0.95	1.10	1.25	1.40	1.60	1.60	1.60	1.60
Gas Purchased	0.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Physical Sales	**10.19**	**13.00**	**11.84**	**11.99**	**12.08**	**12.01**	**11.89**	**11.80**
Sales by Contract PJ								
Mereenie (PAWA)	1.40	1.40	1.40	0.00	0.00	0.00	0.00	0.00
Palm Valley (PAWA)	1.51	1.51	1.51	1.51	1.51	1.51	0.00	0.00
Dingo	0.95	1.10	1.25	1.40	1.60	1.60	1.60	1.60
EDL NGD (NT) PL	1.90	1.97	1.97	1.97	0.91	0.00	0.00	0.00
Macquarie Prepay	0.43	1.73	1.73	1.30	0.00	0.00	0.00	0.00
Macquarie Extension	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IPL	3.65	3.65	0.00	0.00	0.00	0.00	0.00	0.00
Makeup	0.35	1.63	3.97	5.80	8.06	8.90	10.29	10.20
Total	**10.19**	**13.00**	**11.84**	**11.99**	**12.08**	**12.01**	**11.89**	**11.80**
Dingo Take or Pay	0.60	0.45	0.30	0.15	0.00	0.00	0.00	0.00
Ave Contract Prices A$/GJ	**5.03**	**5.11**	**5.77**	**6.23**	**6.51**	**6.50**	**6.66**	**6.63**
Ave Net Field Price A$/GJ	**4.84**	**4.96**	**5.61**	**6.07**	**6.43**	**6.50**	**6.66**	**6.63**
Gas Revenue A$M	**51.25**	**66.43**	**68.34**	**74.74**	**78.59**	**78.00**	**79.18**	**78.25**
Ave Transport A$M	1.90	1.97	1.97	1.97	0.91	0.00	0.00	0.00
Net Field Revenue A$M	**49.35**	**64.46**	**66.37**	**72.77**	**77.68**	**78.00**	**79.18**	**78.25**

Source: Breakaway estimates, based on data sources in commentary below, specifically Table 13

Joint Marketing Agreement

On 29 March 2018, the ACCC approved the joint marketing on Mereenie gas by Central and Macquarie Mereenie (part of the Macquarie Bank Group). This means that the JV can function as a unified production and marketing organization if required, but does not have to do so. That is, both parties can still contract to sell gas independently.

Gas Balancing Agreement (Over-lifting)

There is a Gas Implementation Agreement between the two JV partners which allows one partner to sell more than the other capped by the total capacity equity share. Central has been doing this for the last few years. We expect the June 2019 quarter will be the last quarter of material over-lifting by Central under this arrangement. The repayment of any gas over-lifted relative to Central's JV share is to be repaid by the end of the field life, and is reflected in Centrals share of the remaining reserves. There is no interest charge.

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Gas Sales Agreements

Table 13 Gas Sales Agreements documented in various company releases

	Start	Life	Total PJ	PJ/yr	TJ/d
Original Contracts					
Mereenie on Acquisition (PAWA)	30-Jun-15			1.40	3.6
Palm Valley Contract	9-Apr-14	17.0	25.7	1.51	4.1
Dingo	1-Apr-15	20.0	31.0	1.60	4.4
Contracted at June 2015 (Pres. 18 Jun 2015)				**4.50**	**12.0**
New Contracts					
EDL NGD (NT) PL 26 April 2017	1-Jun-17	5	9.85	1.97	5.4
Macquarie Prepay	3-Jan-19	3.0	5.2	1.73	4.7
Extension	3-Jan-21	2.0	3.5		
Incitec Pivot Ltd (for CY19 only)	3-Jan-19	1.0	7.3	7.30	20.0
Total				**13.5**	**42.0**

Sources: Palm Valley/Dingo contracts from presentation 10 March 2014, Mereenie contract per presentation 18 June 2015, EDL per release 26 April 2017, Incitec Pivot contract per release 25 June 2018, Macquarie prepay per release 26 May 2016.

The difference between Tables 12 and 13 is that Table 12 is missing the 2019 Gas Sales Agreement Stage 2 of 10TJ/d, which if contracted would take the Northern Gas Pipeline to its full 90PJ/d nameplate capacity. Typically pipelines can operate a t 110% of nameplate, then the pipeline can add capacity by adding compression.

Table 14 Contract summary provided by Central Petroleum

	AQC Net to CTP TJ/day
Existing Contracts (Palm Valley/Mereenie)	13
Macquarie Pre-Sale (Palm Valley/Mereenie)	5
Existing Contracts (Dingo)	4
2019 GSA Stage 1	20
2019 GSA Stage 2 (post Mereenie Lateral Upgrade)	10
Residual Spot Sales	2
Total	54

Source: Company presentation 12 June 2018

Palm Valley Gas Sales Agreement

The Palm Valley contract is to deliver 25.65PJ over 17 years or 1.51PJ/yr, according to a Central presentation 9 April 2014, and was originally with Santos, but was converted into a contract with the end user probably around the time Santos sold out of Mereenie.

Under the Share Sale and Purchase Agreement with Magellan Petroleum Pty Limited in February 2014 for the purchase of Palm Valley, Central is obliged to pay Magellan a Gas Price Bonus where the gas price received exceeds certain price hurdles over a period of 15 years following completion (ie to February 2029). The formula relates to gas from Palm Valley only.

Gas Price Bonus = 25% x (CPI adjusted hurdle price – weighted average sales price) X gas volume.

According to the Magellan 8K release below, the hurdle price is A$5/GJ presumably ex field for the first 10 years (ie to 2024) and A$6/GJ between 2025-2029, escalated by the Australian CPI. The CPI is up 8.3% since March 2014, so today those hurdle prices are A$5.41/GJ and A$6.50/GJ respectively.

The opportunity for Magellan to seek a one off bonus discharge appears to have past, with the last exercise date being the fifth year anniversary or March 2019.

Central has made no provision for payment of this bonus in the accounts, and will seek to minimise it. In our modelling, we assume the price of the contract allocated to Palm Valley is $5/GJ in FY18 escalating, and therefore below the hurdle. We assume that when the contract ends, we have entered the higher hurdle price period post 2024, and our base case gas price remains below the hurdle.

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Per the Magellan 8K 18 Feb 2014

"*Bonus consideration. The Company will be entitled to receive 25% of the revenues generated at the Palm Valley gas field from gas sales when the volume-weighted gas price realized at Palm Valley exceeds AUD $5.00/Gigajoule ("GJ") and AUD $6.00/GJ for the first 10 years following Completion and for the following 5 years, respectively, with such prices to be escalated in accordance with the Australian CPI. Between the third and fifth anniversaries of Completion, inclusive, the Company may seek from Central a one-time payment (the "Bonus Discharge Amount") corresponding to the present value, assuming an annual discount rate of 10%, of any expected remaining bonus payments in exchange for foregoing future bonus payments. If the Company receives the Bonus Discharge Amount, bonus payments and the Bonus Discharge Amount shall not exceed AUD $7.0 million.*"

Dingo Gas Sales Agreement (Including Take or Pay Receipts)

The Dingo contract is with Power and Water Corporation to deliver 31PJ over 20 years (1.6PJ/yr) to Brewster Estate to supply the Owens Springs Power Station. Central owns the delivery pipeline. The contract was predicated of the closure of the Ron Goodin Power Station, which has not yet happened, hence the under-lifting.

The Dingo gas project was commissioned on 23 March 2015 and tie in to Owen Springs Power Station occurred on 17 December 2015. Under the contract, the Take or Pay provision was triggered on 1 April 2015, and A$2.8M was paid in January 2016 (2016 annual report).

The Take or Pay provision requires that the off-taker pays the difference between actual offtake and the Average Contract Quality, and make a cash payment in January for the difference in the proceeding calendar year. The payment is a cash payment, but is not included in revenue until the earlier of the gas being physically lifted or the forfeiture of right to gas under the contract. That lifting must be at a rate above the Maximum Contract Quantity. Any volume up to MCQ is regarded as being within contract.

From an investors point of view, the Take or Pay provides a guaranteed cash flow. If the gas is delivered, there will be revenue recognition but no extra cash flow. The undelivered gas is not an issue for Central until the end of the contract in 2035.

Our forecast revenue includes delivered gas only. Our Cash Flow also includes the Take or Pay component as well.

Incitec Pivot Gas Sales Agreement

On 28 June 2018, Central announced the Incitec Pivot Gas Sales Agreement from Palm Valley and Mereenie at a rate of at least 20TJ/d from 3 January 2019 to 31 December 2019. IPL has the option to increase that volume subject to the upgrading by APA of the Mereenie to Amadeus Pipeline lateral pipeline. The gas contract was described as necessary to keep the Gibson Island Fertilizer plant in Brisbane in operation.

On 4 June 2019, Incitec Pivot announced that it had secured the gas supplies for its Gibson Island fertilizer plant to December 2022, with APA Group as transporter and Australia Pacific LNG as supplier. As a Brisbane based company, the Surat and Queensland based gas producers enjoy a considerable freight advantage over more distant gas producers. This deal means that Central is unlikely to be a supplier of gas to Incitec when its current 20TJ/d contract expires around 31 December 2019.

On the same day, the Australia Pacific LNG/Armour Energy JV announced sales of 50PJ of gas to multiple customers including Gibson Island.

Central is not a competitive supplier to the Brisbane market compared to the Surat producers, and the price it received from IPL was likely to be its lowest. Finding new customers for that gas is likely to significantly improve Central'a average selling price.

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EDL Gas Sales Agreement

On 26 April 2017 Central entered into a Gas Sales agreement with EDL NGD (NT) Pty Ltd, the owners of the Pine Creek Power Station, with gas deliveries commencing 1 June 2017. The GSA is for the supply of 9.85PJ over 5 years ie 1.97PJ/y or 5.39TJ/d.

Central also announced a related Gas Transmission Agreement, which means this gas is sold at the power station, rather than ex field, and the revenue includes transport costs.

Macquarie Bank Limited (MBL) Gas Sales Prepayment Contract (GSPA)

The contract was announced 26 May 2016. The prepayment cash was advanced to Central on in June 2016 with $11.725M recorded in the Central June quarter 2016 5B. The funds were used to pay A$10.305M to Santos for the purchase of the Mereenie asset. The balance sheet at June 2016 recorded a liability of A$11.765M under "Other Financial Liabilities" because the default repayment method was by cash settlement, hence it was a financial instrument.

The offtake contract is 5.2PJ over 3 years and delivery started 3 January 2019 with the opening of the Northern Gas Pipeline connection NT gas to the Australian East Coast, which means the initial 3 years runs until 2 January 2022, at an average of 1.73PJ/y or 4.74TJ/d.

Under the GSPA, Macquarie Bank has a quarterly option to take a financial settlement in lieu of taking the physical delivery of the gas. The amount payable by Central, should Macquarie opt for a financial settlement, is dependent on the actual price received under any new GSA's supplied from the agreed production areas. Where there are no new GSA's or the quantity delivered under new GSA's is less than the GSPA volumes, a floor financial settlement amount would be payable.

There is provision for Macquarie to elect to take up to an additional 3.5PJ over 2 years ie 1.75PJ/y.

The Prepay Agreement required that the notional delivery price is set at the average of new contracts based on Mereenie supplied gas. In 2017, the announcement of the EDL contract reset the Prepay Contract price to the ex-field EDL price. While this has a revenue impact in the P&L, it has no cash impact.

Debt

Table 15 Debt structure at 31 March 2019

	Drawn	A$M	Term Yrs	Int Rate	Principal
Macquarie Tranche A	Feb-14	15	5	Premium over BBSW	$1M/qtr to 30 Sep 2020
Macquarie Tranche B	Sep-15	30	5	Steps down on completion	Part of $1M/qtr above
Macquarie Tranche C	Feb-14	5	2	Premium over BBSW	Repaid in FY 2017
Macquarie Tranche D		40	5	Premium over BBSW	Bullet 30 Sep 2020
Macquarie Tranche E	Sep-18	5	1	Premium over BBSW	4 repayments in 2019
Macquarie Tranche F	Mar-19	7.5	1	Premium over BBSW	Monthly over 2019
Incitec	Dec-18	5	1	7%	4 repayments in 2019

Source: Annual reports and March quarter 2019 5B

The newer shorter term loans (Tranches E and F and the Incitec loan) are aligned to the 20TJ/day Incitec Pivot Sales Agreement which ends December 2019.

The shorter term debt will have to be repaid over CY2019, or very early CY2020, along with $1M per quarter of the longer term debt. Most of the debt is repayable by bullet in September 2020, and will have to be refinanced before that date.

The drop in interest rate between FY15 and FY16 related to the Tranche B A$30M tied to developing the Dingo field and infrastructure, with a drop down in rate on project tie in. In addition, the BBSW dropped from 2.5% to 1.5% over CY2015.

Given the reported average interest rate per the accounts of 7.7%, and the flat BBSW of 1.5% for the same period, the premium over BBSW appears to be 5.2%. The rate at the end of the June quarter reported in the activities statement 5B was 6.78%.

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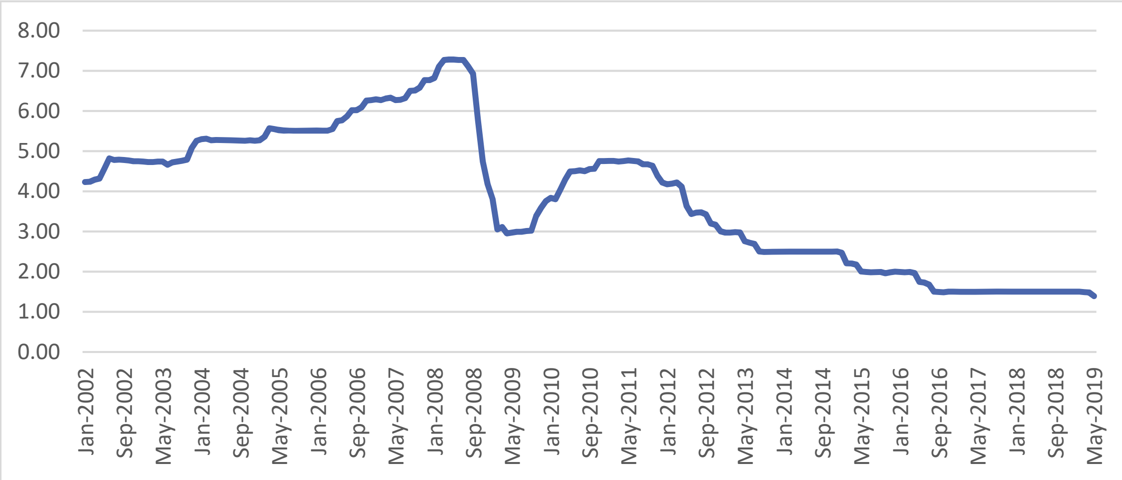
Once the 2020 repayment deadline is reached, we assume that the debt is refinanced, and repaid over the following 6 years. In Table 14, we show only the existing debt.

Table 16 Debt drawdown and repayment history and forecast based on existing debt facilities

	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21
Debt Balance Note 31	24.02	47.46	85.43	81.92	78.33	83.08	70.33	0.00
Debt Interest Rate	10.2%	10.4%	7.7%	7.4%	7.7%			
Cash Interest Rate		0.7%	1.2%	1.1%	1.2%			
Current Debt BS				3.86	3.73	12.75	70.33	
Debt Drawn per Cash Flow	25.00	19.00	41.60			17.50		
Main Debt Repaid per CF		0.31	3.62	4.00	4.00	4.00	4.00	70.33

Source: Annual reports (Note that FY16 Debt Drawn per cash flow statement has been reduced by $11m which was related to the Macquarie Bank Prepayment, which is treated separately to debt.

Figure 2 Australian Bank Bill Swap Rate (one month) currently 1.39%pa)



Source: Reserve Bank of Australia

Equity if the company needs it – Long Island State

On 27 September 2018, Central announces that it had entered into an agreement with investment fund Long Island State for the ability to issue equity at Central's discretion, at a rate of up to $0.25M per 5 trading days, up to a total of A$10M over the 24 months to September 2020. Any shares issued will be priced at the lowest VWAP of the 5 days prior to the issue.

Options to be issues to Long State Investment Limited of Hong Kong if it's a$10M facility is drawn down

- On initial drawdown 1.25M options at A$0.35 exercise price
- On exceeding A$2.5M 1.25M options at an exercise price of 200% of 20 day VWAP
- On exceeding A$5.0M 1.25M options at an exercise price of 200% of 20 day VWAP
- On exceeding A$7.5M 1.25M options at an exercise price of 200% of 20 day VWAP

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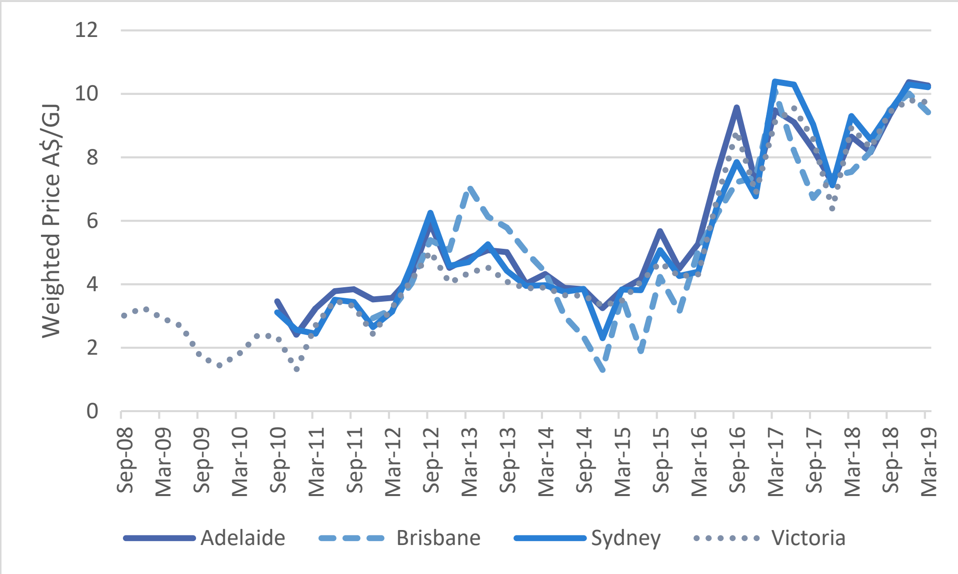
The current ex Amadeus Gas Field netback price is around A$5.76/GJ – A$6.11/GJ

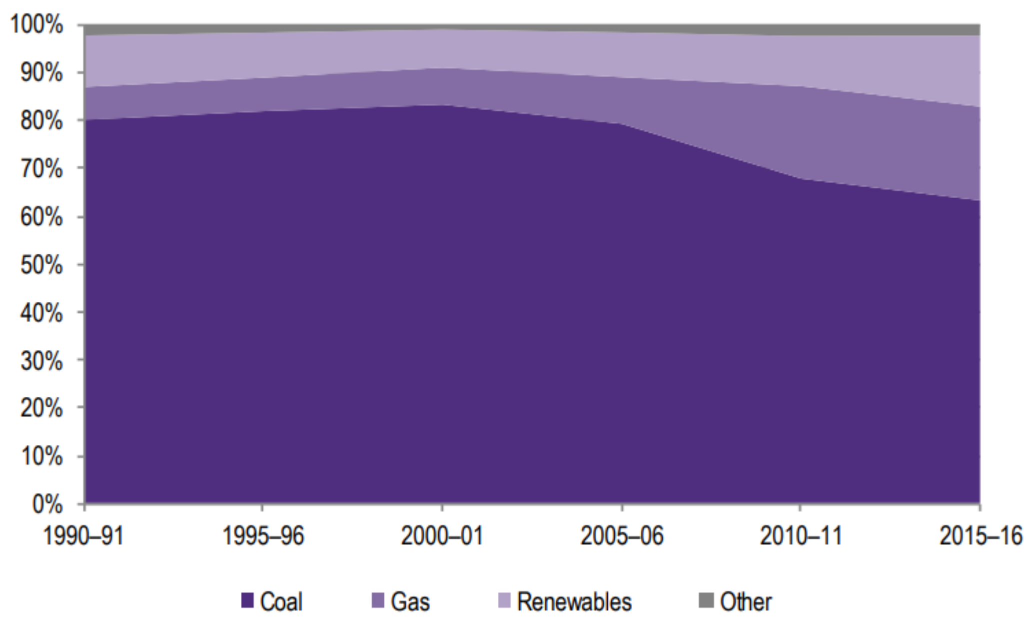
Figure 3 East Coast City Gas Prices



Source: Australian Energy Regulator

Gas prices are currently averaging A$9-10/GJ at various city gates. The price netback to gas producers ex field depends on transport costs, but also on where the customers cab source competing gas supply.

Figure 4 Source of energy supply to the National Energy Market



Source: AWE Target Statement 21 February 2018 p24

Structurally, the East Coast Electricity market is experiencing a rotation from using coal as the dominant energy source to the use of gas. The falling supply of coal based generation capacity is driven by climate change politics, creating an investment climate in which investing in coal fired capacity for new power stations or even major refurbishment of existing plant is unattractive.

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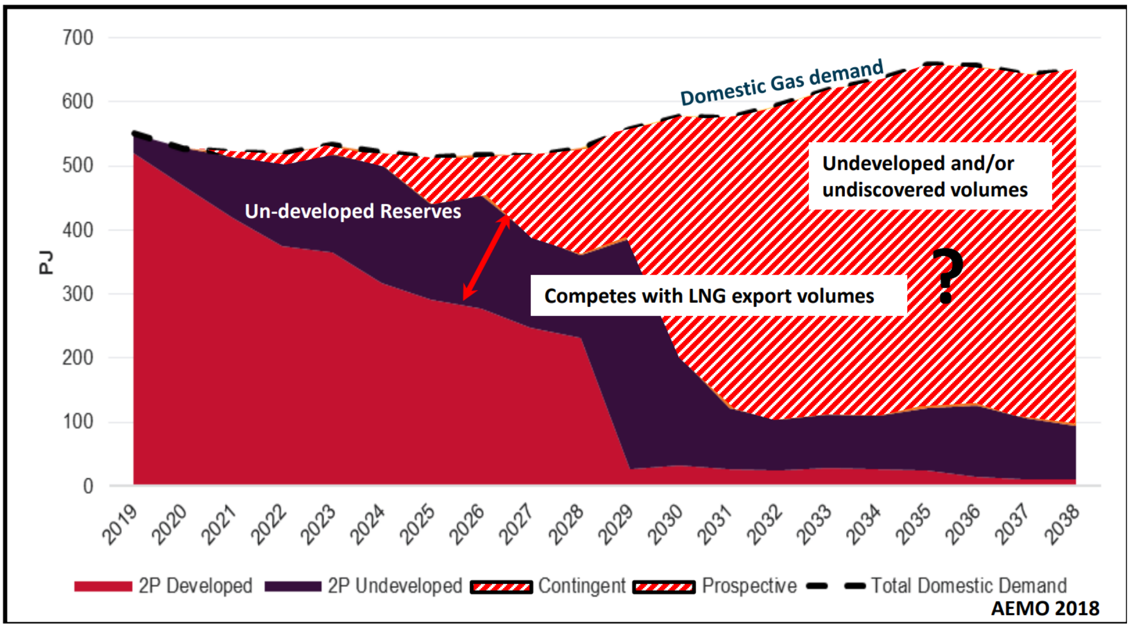
Gas is expected to pick up market share as existing coal fired generation capacity reaches the end of its life and goes off line. Because this is driven by politics rather than economics, we see an extended period of very favourable gas prices, particularly from 2025.

Figure 5 East Coast Gas supply forecast by AEMO in 2018



Source: Blue Energy presentation 12 June 2019

Developed and undeveloped 2P Reserves are almost a match for forecast demand to the end of 2024, but beyond that timeframe, the market will required considerable exploration success to remain close to balance, and that is assuming AEMO's relatively flat demand outlook for the next decade.

Table 17 Impact of pipeline tariffs on gas prices at different locations

City Gate Price	Sydney	Adelaide	Brisbane Easthaul	Brisbane Westhaul
If Delivering gas to City Gate				
Gas Price March 2019	10.21	10.26	9.42	9.42
Less Moomba Sydney Pipeline	1.10			
Less Moomba Adelaide Pipeline		0.80		
Less Roma Brisbane Pipeline			0.71	0.71
Less Moomba Wallumbilla (Roma) Pipeline			1.40	-1.30
Netback to Moomba	**9.11**	**9.46**	**7.31**	**10.01**
Less Carpentaria Pipeline Southhaul	0.51	0.51	0.51	0.51
Less Northern Gas Pipeline	1.50	1.50	1.50	1.50
Less Amadeus Pipeline	0.57	0.57	0.57	0.57
Netback to Amadeus Gas Fields	6.53	6.88	4.73	7.43
Less Nitrogen Removal if required	0.77	0.77	0.77	0.77
East Coast Netback to Amadeus Fields	**5.76**	**6.11**	**3.96**	**6.66**
The Mt Isa Market				
Netback to Moomba	**9.11**	**9.46**	**7.31**	**10.01**
Add Carpentaria Pipeline Northhaul	1.20	1.20	1.20	1.20
Gas Cost at Mt Isa	10.31	10.66	8.51	11.21
Less Northern Gas Pipeline	1.50	1.50	1.50	1.50
Less Amadeus Pipeline	0.57	0.57	0.57	0.57
Netback to Amadeus Gas Fields	8.24	8.59	6.44	9.14
Less Nitrogen Removal if required	0.77	0.77	0.77	0.77
Mt Isa Netback to Amadeus Fields	**7.47**	**7.82**	**5.67**	**8.37**

Source: APA Group, EPIC Energy, Jemena tariff websites, AER for City Gate gas prices

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The two major supply sources that compete with the Amadeus Gas Fields are Moomba and the Surat (Roma). The proximity of Brisbane to the Surat results in lower Brisbane City Gate prices than the other capitals. In fact, the South West Queensland Pipeline (Moomba to Wallumbilla) often flows west to Moomba, then into the deficit Sydney and Adelaide markets. As a result, the Moomba netback price from Sydney and Adelaide is similar to the average of Brisbane Easthaul and Westhaul netbacks (ie ~A$9.50/GJ).

The Netback Price at Moomba represents the base price from which to value ex field gas prices for all the fields connected to Moomba, which now includes the Amadeus Fields of Central Petroleum.

The netback is calculated by taking the City Gate prices, and deducting the pipeline tariffs to transport Moomba gas to Sydney, Adelaide and Brisbane Easthaul. In the case of Brisbane Westhaul, the Roma netback is calculated by deducting the cost of transport from Roma, then the pipeline costs are added to transport the Roma gas to Moomba. Note the Easthaul and Westhaul tariffs are different.

To price the value of gas ex Amadeus Fields, we have run two separate analyses, the first assuming the Amadeus gas is delivered to Moomba (actually Ballera, close by), and the second assuming delivery to Mt Isa. Current Mt Isa gas prices a much lower than the netback, but the implication is that over time, prices in that area could rise significantly.

Delivering to Amadeus Gas to Moomba for the Sydney and Adelaide markets in a current netback ex field of A$5.76/GJ to A$6.11/GJ, ignoring the Brisbane Easthaul. Nitrogen removal is required for entry into the East Coast Gas Transmission System. The Northern Territory gas specification is a maximum of 11% and the Mereenie Field blends to achieve that. East Coast maximum is 6-8% so field netback that Central receives must reflect the payment for nitrogen removal on entry to the Northern Gas Pipeline.

We expect that if city prices remain at current levels, the next round of contract negotiations would see Central achieve ex field gas prices of A$6.00/GJ by June 2021.

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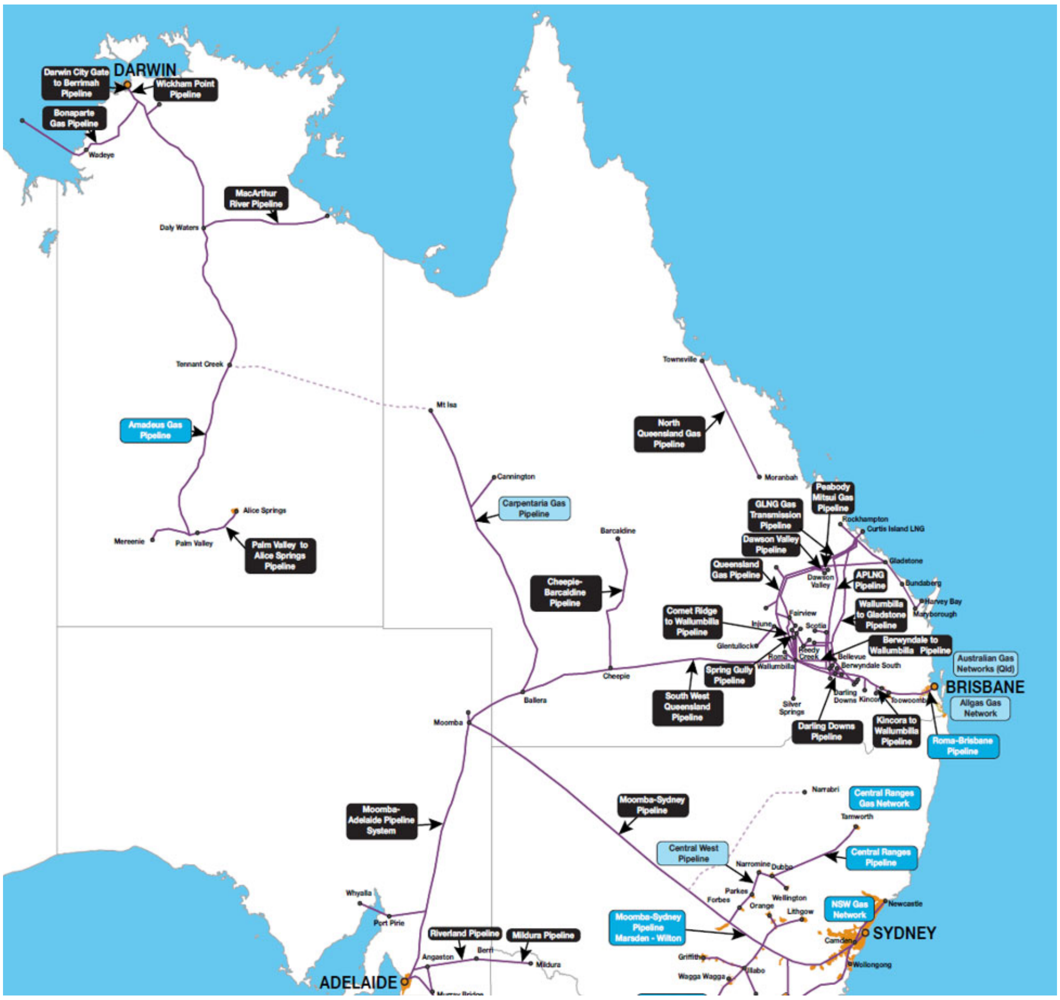
Figure 6 Eastern Australian Gas Pipelines (Northern Gas Pipeline is dotted line from Tennant Ck to Mt Isa)



Source: AEMC https://www.aemc.gov.au/sites/default/files/content/f017d30c-d7bb-4e80-a8af-c05c7bf1baf3/Australia-with-gas-pipelines-A3-with-scheme-register-links.pdf

Mt Isa is a small but very important and potentially growing market

Delivering to Mt Isa results in an ex field netback of between A$7.47/GJ and $8.37/GJ if the marginal supply comes from Balera, some A$2-3/GJ higher than the city Gate prices netted back to Amadeus. In this case, the high (A$1.20/GJ) Carpentaria North Haul tariff works to Central's advantage. Given Incitec Pivot have some 10.9PJ/y of demand in the Mt Isa region, and the total local demand in around double, it is reasonable to expect that suppliers and customers will share in the benefits At present, we doubt the Northern Territory suppliers are asking for anything like the estimated netback, given the competition, but over time, we would expect this to be a very good market from a price viewpoint for Amadeus production.

Table 18 Major gas users in the Mt Isa region and estimated gas demand

Power Stations	Owner	MW	Utilization	Gas Demand PJ/y
Mica Creek	Stanwell	392	30%	3.7
X41	APA	33	70%	0.7
Phosphate Hill	Incitec Pivot	30	100%	1.3
Diamantina	APA	242	70%	5.3
Leichhardt	APA	60	70%	1.3
Cannington	EDL	34	70%	0.8
Chemical Industries				
Phosphate Hill Fert	Incitec Pivot			6.0
Total				19.2

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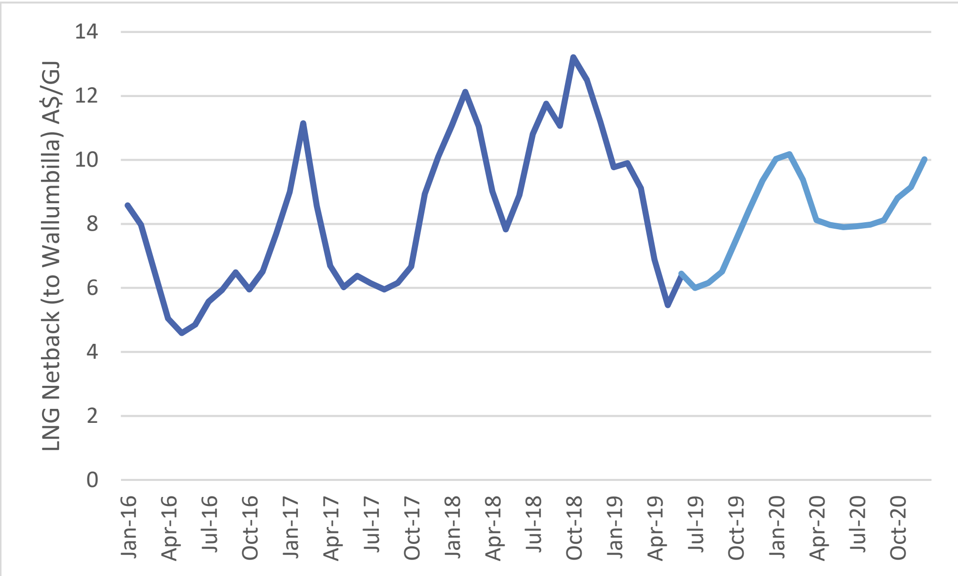
Source: Northern Gas Pipeline - Opportunity/Impact Study Report September 2016 - Author GHD

In the table above we have made some estimates regarding utilization and gas consumption. In the GHD report cited, Incitec Pivot was identified as having 10.9PJ/y of consumption in the region, were we have identified only 7.3PJ/y. The table should be seen as a guide, but the point stands that there is significant demand in the region, and the presence of reliable reasonably prices gas could improve demand growth.

East Coast Gas Market – LNG netback pricing mainly relevant to Brisbane prices

Figure 7 Liquified Natural Gas Price to Wallumbilla Queensland – Historical Spot and Futures Market



Source: https://www.accc.gov.au/regulated-infrastructure/energy/gas-inquiry-2017-2020/lng-netback-price-series

The LNG netback is calculated for the ACCC and provided on its website, providing an export parity price as a guide to what is effectively the Queensland gas market. The LNG import parity price is a spot market measure for LNG export or receival, and given there are no LNG import facilities on the Eastern seaboard, it is an indicative price, rather than a price at which gas is physically available. It is also a price at which the three Queensland LNG exporters are indifferent between spot sales to either the LNG export market or the domestic gas market.

For gas at Wallumbilla to reach the deficit gas markets of Sydney or Adelaide, there is around A$2.50/GJ of pipeline tariffs. This is a major reason why the Sydney or Adelaide City Gate gas price was around A$10/GJ in April 2019, while the LNG netback price was A$6.89/GJ. Note that The Brisbane City Gate price was A$9.42/GJ in April 2019, which nets back to A$8.71/GJ at Wallumbilla.

The LNG netback price series also shows a strong seasonal price weakness in the May to October period each year, corresponding with the northern hemisphere summer and therefore low demand period, which contrasts with Australia where the same period is when gas demand is seasonally strong due to southern hemisphere winter heating demand.

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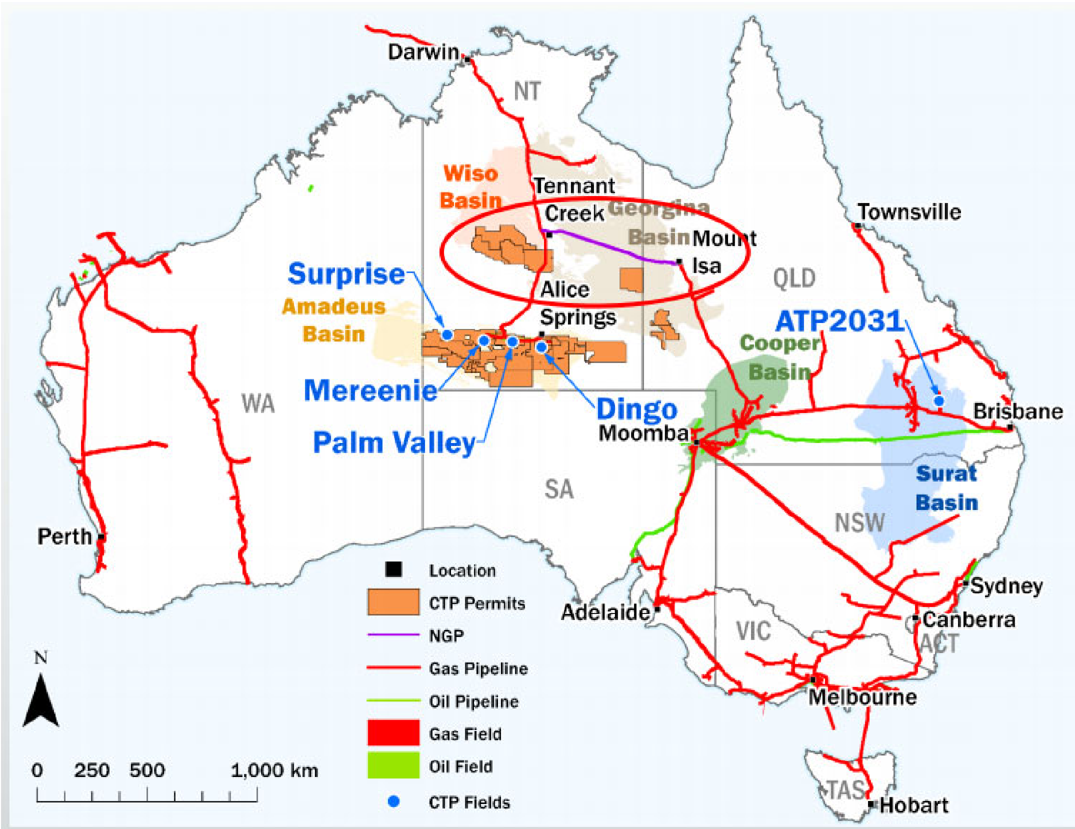
Higher Queensland Royalties improve Northern Territory competitive position

The Queensland Government has increased the rate of royalty taxes on petroleum as part of its 2019 state budget. Royalty taxes on petroleum, which includes crude oil, natural gas, and liquified natural gas, have risen from 10 per cent to 12.5 per cent for all gas produced in Queensland, effective as of July 1.

This compares with the Northern Territory royalty regime of 10% of gross wellhead value. The wellhead value of petroleum disposed of or produced in a royalty return period is the amount that the petroleum could reasonably be expected to realise if it were sold on a commercial basis, minus certain transportation and processing capital and operating costs between the wellhead and the first point of disposal (including depreciation) plus any applicable negative wellhead value. (Gld Govt royalty website).

Company Assets and Potential

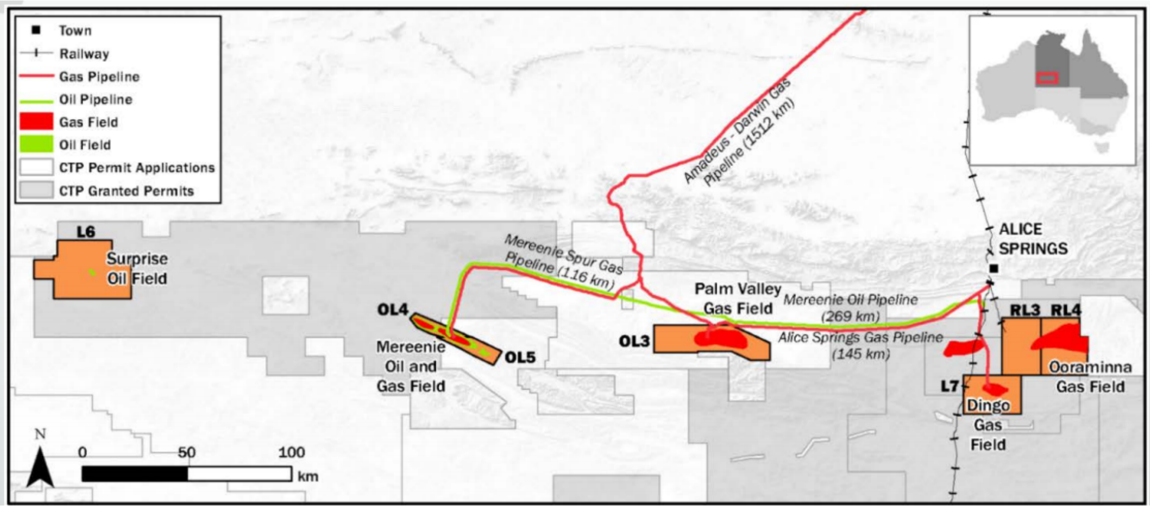
Figure 8 Asset locations and pipelines to market



Source: CTP presentation 26 March 2019

Central Petroleum has gas production capacity at Mereenie, Palm Valley and Dingo, and existing oil production capacity at Mereenie (in production) and Surprise (shut in and recharging). It has a portfolio of exploration targets which could significantly re-rate the company. The gas assets were connected to the Australian East Coast gas market on 3 January 2019, with the commercial start of the Northern Gas Pipeline.

Figure 9 Central Australian production tenements



Source: CTP 2017 annual report p6

The Northern Gas Pipeline connects the Darwin gas line with the East Coast gas market

The 622Km 12 inch Northern Gas Pipeline (NGP) became operational in January 2019 with the initial capacity of 90TJ/day (33PJpa) of which approximately 90% is contracted, leaving about 10TJ/d spare. The pipeline could be expanded to 160TJ/day with compression. Incitec Pivot has contracted with NT Power and Water Corporation has contracted to supply 30TJ/day for 10 years to 30 June 2028, and be a foundation customer of the NGP (Incitec release 17 November 2015)

Gas pipelines typically run a t 110% of nameplate capacity, and it can be expanded incrementally with compression. We do not see the capacity of the NGP as a constraint on Central's business for some time.

GAS ACCELERATION PROGRAM (presentation 12 September 2018)

Phase 1 to 41.4TJ/day CTP share (vs our peak of 39TJ/d and trend production of 34TJ/d)

- Mereenie capacity is now 44TJ/day firm capacity, with Central's share being 22TJ/d
- Palm Valley 15TJ/day plant capacity with well production currently at 12.4TJ/d
- Dingo 4.4TJ/d, contracted with a local Power Station which is not taking the full contract yet.

Shorter term (debottlenecking) Phase 2 to 54.3TJ/day CTP Share largely complete

- Mereenie additional 14TJ/day installed, with some easing of lateral pipeline constraints
- Palm Valley could add 5TJ/day but needs better well performance to justify
- Dingo to add 0.9TJ/day (customer driven)

Model Production Assumptions

Our model assumes that oil production declines at a steady 5% pa from FY18, and ceases production when gas production ceases.

Gas production is based on 2P only. Palm Valley declines as advised by the company in its June 2019 release, while Mereenie and Dingo maintain a flat profile. Maintaining a flat profile will require ongoing capital injection at A$16M pa, and the successful commercialization of the Stairway Sandstone at Mereenie.

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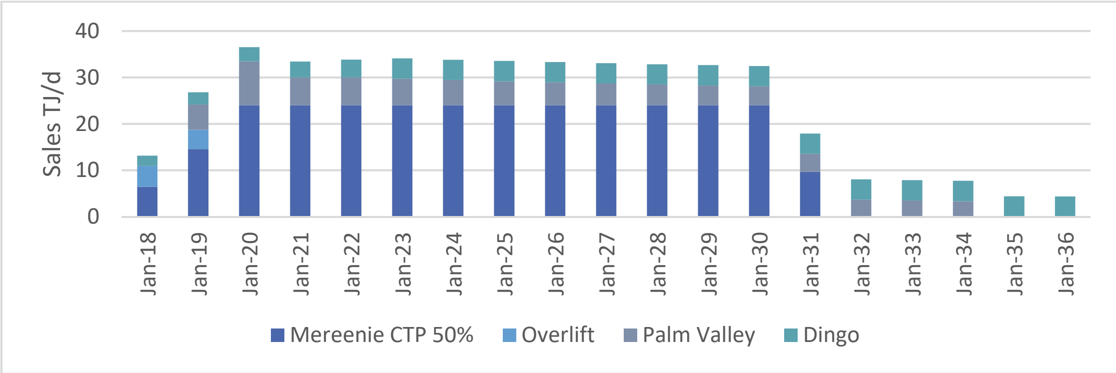
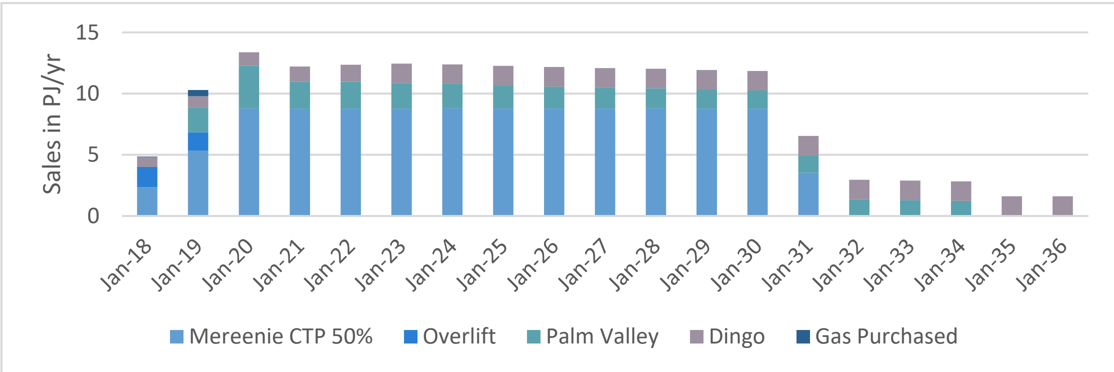
Figure 10 Central share of sales by field in TJ/d



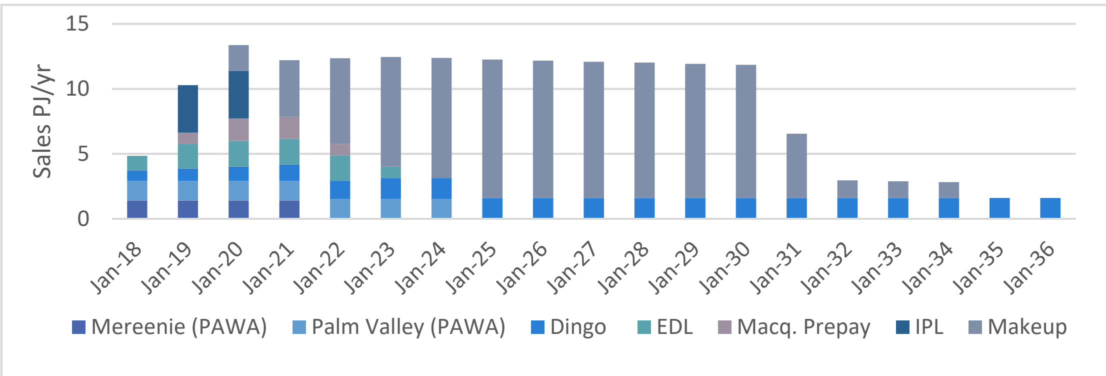
Source: Central guidance, RISC report, Breakaway estimates

Figure 11 Central share of sales by field in PJ/yr



Source: Central guidance, RISC report, Breakaway estimates

Figure 12 Central share of sales by sales contract PJ/yr



Source: Central guidance, RISC report, Breakaway estimates

The Makeup sales contracts are the replacement contracts for the existing portfolio as contracts end, and represent a risk in that they are not signed up at present, but also an opportunity to reprice at higher contract prices reflecting current City Gate spot pricing levels for the term (ie 3-5 years) of the new contracts.

Mereenie Field (OL4, OL 5)

General Background

The Mereenie oil and gas field is located in OL4 and OL 5, approximately 270 km west of Alice Springs, producing a light sweet crude with an API gravity of 49º. and gas with a nitrogen content of 2% to 15% increasing with depth and managed by blending gas to achieve the Amadeus Gas Pipeline specification of 11%.

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The nitrogen content of the Mereenie Stairway Sandstone may be lower with Mereenie 15 reportedly flowing at 1.1TJ/d at a nitrogen content of 2.6% (2016 Annual Report p 7).

Twenty separate reservoir sands have been identified in the Pacoota Sandstone and four within the Stairway Sandstone. These formations are separated stratigraphically by the Horn Valley Siltstone. The Pacoota Sandstone is subdivided into four subunits from top to base: Pacoota P1, Pacoota P2, Pacoota P3 and Pacoota P4.

Currently, a total of sixty five wells had been drilled, predominantly targeting the Pacoota reservoir oil legs for production and gas reinjection. A smaller portion of the wells were drilled high on structure targeting production from the Pacoota P1 gas cap. The majority of the oil produced to-date has been sourced from the P3 oil wells in the eastern region of the field.

Operating Assets

The Eastern Satellite Station (ESS) was commissioned and oil production commenced in 1984 at a rate of 1,500 bbl/d. Oil was initially trucked to Alice Springs. The 270 km, 200mm oil pipeline to Brewer Estate was built in 1985.

A gas contract with the Northern Territory Power and Water Authority (PAWA) was executed in 1985, the 1,500 km Amadeus to Darwin gas pipeline was built in 1986, followed by first gas sales in 1987. The Central Treatment Plant (Central) was also commissioned in 1986 (and expanded in 1995) to allow for gathering and processing of gas and oil from the central and western parts of the field.

The reservoir pressure has declined significantly (approximately 800-1,400 psi c.f. virgin pressure of 1,870 psi). The current development strategy is to provide (partial) pressure maintenance to the P3 reservoir through gas re-injection to enhance recovery of the oil.

Liquids (oil and condensate) are currently trucked to Port Bonython for storage prior to export. Gas is sold into the Northern Territory market or re-injected into the field to maintain pressure. With the completion of the Northern Gas Pipeline, the field now has access to the Eastern Australian gas market.

The main processing facilities are the Central and the ESS which are equipped for gas, oil and water separation, gas conditioning, dehydration and compression, oil pumping and water disposal. The combined facilities have the capacity to handle approximately 5,000 bbl/d of oil and 50 MMscf/d (53PJ) gas.

Produced water is disposed of by evaporation in dedicated interceptor/evaporation ponds located at the Central and ESS processing facilities.

Gas reinjection was initiated in 1987 to increase oil production rates and to increase reserves by improving oil reservoir sweep efficiency. Gas was being injected into the Pacoota P3 reservoir at an average rate of 20 MMscf/d, but this is now <3TJ/d with the balance redirected into the East Coast gas market.

2018 Asset Upgrade to lift sales capacity to 44-58TJ/d

On 12 March 2018, the company announced a Phase 1 spend of A$12M to refurbish and upgrade capacity from 25TJ/day to 63TJ/day, and sales gas capacity from 15TJ/day to 58TJ/day, with internal energy consumption and reinjection of gas to maintain oil production falling from 10TJ/day to 5TJ/day.

The target capacity comprises 44TJ/d of firm capacity from Phase 1, which has been achieved, and Phase 2 delivering a further 14TJ/d from mitigating lateral pipeline constraints.

As part of Phase 2, West Mereenie WM26 started drilling 23 May 2018, planned to be 36 days, 2915m hole length, 1242m vertical depth, and capturing a reservoir section of 1481m. While the Lower Stairway reservoir was intersected, and the zone was in a region of high natural fracturing, the fractures were interpreted to be mineralized, and the gas flow was uneconomic. The well may be used to test the Upper Stairway.

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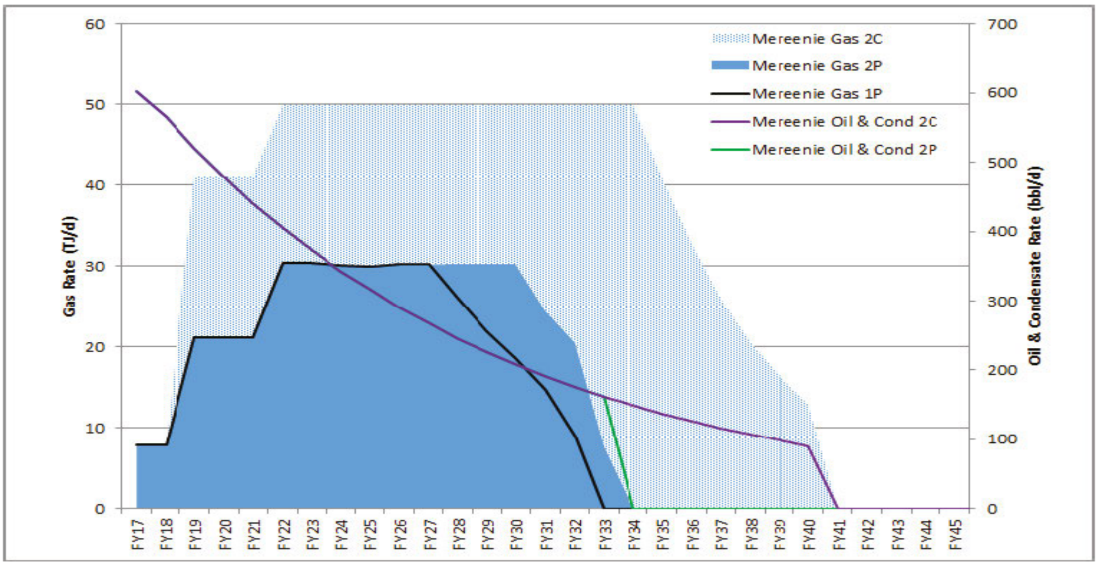
Figure 13 The RISC report included a production profile, which also highlighted the oil production trend



Source: RISC 27 April 2017 p25/221

UPSIDE: 2C DEVELOPMENT HAS UNRISKED VALUE OF A$31M to A$85M DEPENDING ON TIMING

Based on the plans detailed by RISC below, and assuming the same prices as used in out model, the unrisked Net Present Value of the 2C development of Central's share at Mereenie is A$85M the year before startup, or A$31M today assuming the 2C development starts in FY2035 as the 2P production ends. Our NPVs assume the higher cost 48 well program is used, as opposed to the lower cost 20 well program (see below).

RISC (April 2017) has reviewed Central's concept for the development of the Lower Stairway contingent resource in the Mereenie field. The following table represents the scope and capital cost required to develop the Lower Stairway contingent resources. This information is potentially outdated, post additional drilling, but is included for completeness.

Table 19 Capex to develop the Lower Stairway

	A$M
Facility to 50TJ/d	68.0
48 gas wells $3m/well to 1000m (could be replaced by 20 Hi Angle wells see below)	144.0
Other	0.5
Total	212.5
Additional Opex A$M/TJpd	0.15
Abandonment Cost for 2P and 2C developments	80.0
20 Hi Angle wells (subject to two trial well results)	94.0

Source: Scheme Document 2 May 2017 RISC Expert Report p226

Should the successful development of the Lower Stairway resources occur, it is also estimated that three additional wells are drilled to target the acceleration of 2P gas reserves.

Central's original development concept calls for the Lower Stairway wells to be a slim hole design to enable the utilisation of smaller, lower cost rigs as the wells are shallow at less than 1000 m depth. However recent work by Central has indicated the potential to drill high angle wells drilled underbalanced and/or with air oriented to maximise the intersection with natural fractures. In this scenario, the laterals are anticipated to be in the order of 500-700m requiring a two well proof of concept well program prior to development. The high angle well option has the potential to significantly reduce the well count to in the order of 20 albeit more expensive wells. If pursued, this option could potentially reduce capital costs by approximately $50 million.

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The facility cost estimate is preliminary in nature and has been prepared with little engineering definition.

The facility scope required to increase production to 50 TJ/d is:

- two new field boost compressors at 2.5 MW each;
- two new export compressors at 1 MW each;
- slug catcher installation;
- additional infield pipelines and flowlines;
- installation of integrated control system;
- upgrade of PLCs, safety shutdown, SCADA and individual control systems to enable better reliability at higher production rates;
- installation of a more effective produced water management system;
- installation of export metering and plant air.

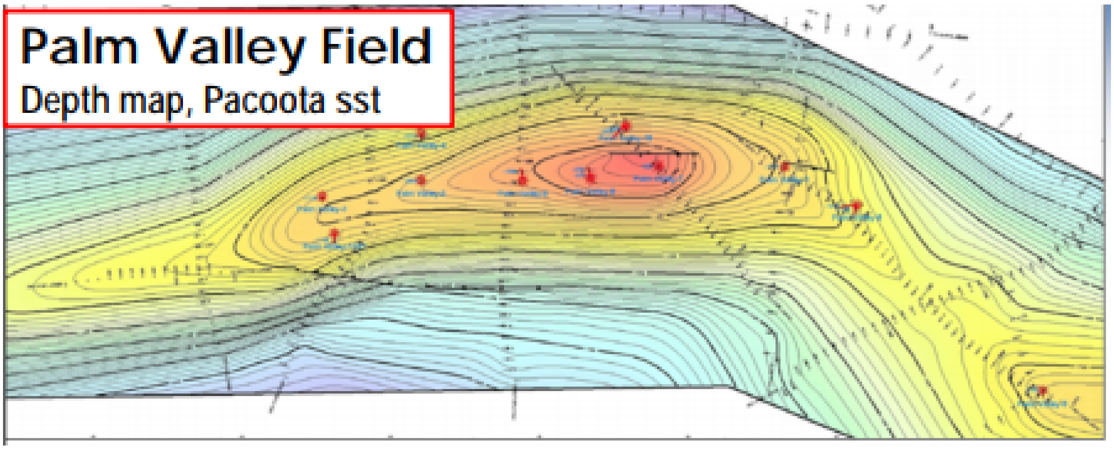
It is estimated that operating costs increase from $14.7 million in FY2017 when production rates are approximately 15 TJ/d, to $20.3 million p.a. as production increases to 50 TJ/d.

Decommissioning and abandonment of the Mereenie 2P and 2C resource development scope is estimated at $80 million.

Palm Valley Field (OL 3)

Palm Valley and Dingo were purchased from Magellan on 19 February 2014. At the time, Dingo was undeveloped. Consideration was A$20M cash funded by a loan from Macquarie Bank, 39.5M shares and a gas price bonus which we do not expect Central will have to pay.

Figure 14 Palm Valley Field (11 wells drilled, 4 capable of production at time of acquisition)



Source: Central presentation 10 March 2014

Palm Valley Well 13 was spudded on 21 August 2018 with 46 days to total length of 3476m and vertical depth of 2102m, to intersect 1040m of reservoir. On 5 October 2018 the company reported strong gas flows at 1888m down hole, and at 2020m tested 13.6mmscf/day through a 3.5 inch choke. PV13 was tied in on 17 May 2019.

According to the announcement on 31 May 2019, PV 13 has been ramped up to 6.3TJ/d, lifting the field production to 12.4TJ/d. This is limited by the currently installed production skid capacity at the well, and engineering was underway to determine the maximum capacity of the skid. However, in a disappointing release of 12 June 2019, Central indicated that the sustainability of production on the current wells, including PV13, is likely to decline to 5-7TJ/d in 2 years.

In that release, Central reduced the 3P Reserve from 58.4PJ to 32.6PJ, and increased 2C Contingent Resources from zero to 13.6PJ. Returning that 2C into 2P is a major exploration focus for Central.

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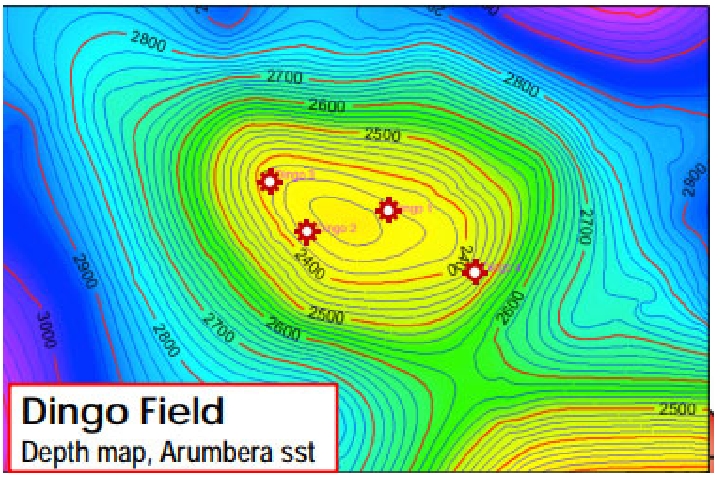
Dingo Field (Production Licence L7, Pipeline Licence PL 30)

The Dingo gas field is located in Production Licence L7 (formerly RL 2) in the northeast Amadeus Basin, approximately 60 km south of Alice Springs. The gas field was discovered in 1981 when the Dingo 1 exploration well tested 1.45 MMscf/d gas from the Neoproterozoic lower Arumbera Sandstone (Unit 1).

Figure 15 Dingo Field (4 wells drilled, 2 capable of production)



Source: Central presentation 10 March 2014

The Dingo structure is mapped as a slightly elongate west-northwest trending, simple unfaulted domal anticline. The structure is 11 km by 5.6 km, and the productive reservoir is at a depth of approximately 3,000m deep.

Macquarie Bank provided A$30M to fund the development of the Dingo field.

The Dingo gas field development comprised the construction of wellhead facilities, gathering pipelines, gas conditioning facilities, a 50 km gas pipeline (Pipeline Licence PL30) to Brewer Estate in Alice Springs, compression and custody transfer metering facilities. The Brewer Estate Export Facility was designed to service a gas sale contract with Territory Generation. All gas production comes from Dingo 2 and Dingo 3.

The Dingo gas project was commissioned on 23 March 2015 and tie in to Owen Springs Power Station occurred on 17 December 2015. Under the contract, the Take or Pay provision was triggered on 1 April 2015, and A$2.8M was paid in January 2016 (2016 annual report).

Project Range - ATP 2031 (Central 50%)

- Central 50% Incitec Pivot 50%
- 9 test wells and one production test for a total of A$20M funded by Incitec, of which 4-5 wells were committed (release 21 June 2019) to be complete 8 weeks from the end of June 2019.
- Original estimate of 377PJ in place of which 150-180PJ recoverable (presentation 12 June 2018)
- Targeting 15-20PJ/yr (CTP 50% share).
- Granted 29 Aug 2018
- 77Km2 acreage
- Surrounded by QGC, Arrow, Australia Pacific LNG
- 2C Resources of 270PJ reported August 2019 on completion of the 4 well drilling program

The initial 4-5 well program utilized slim core drilling with the holes being plugged and abandoned after testing. Central has announced 2C Resources of 270PJ (Central share 135PJ.

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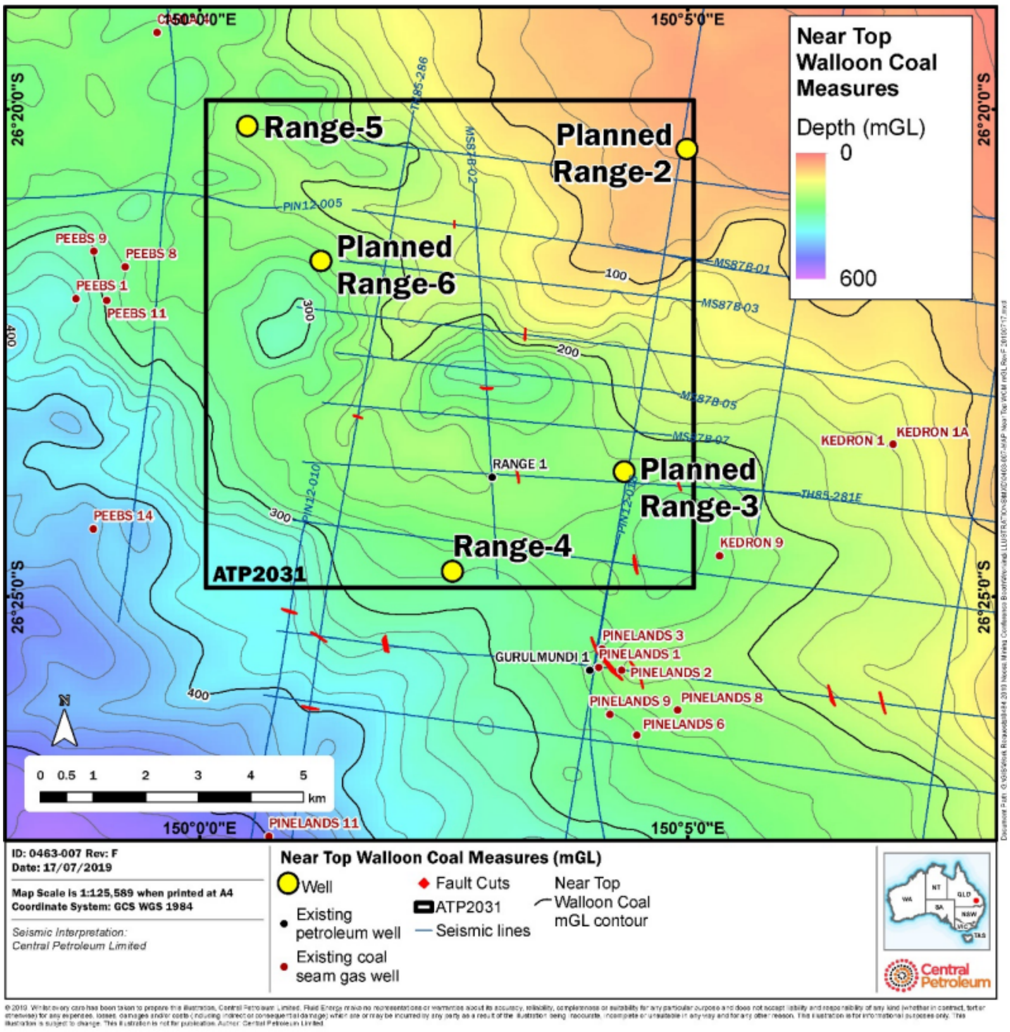
A production pilot well is planned for early 2020 to demonstrate gas flows to surface and accelerate a decision to invest in a production facility and infrastructure.

Figure 16 Location of Range drilling program



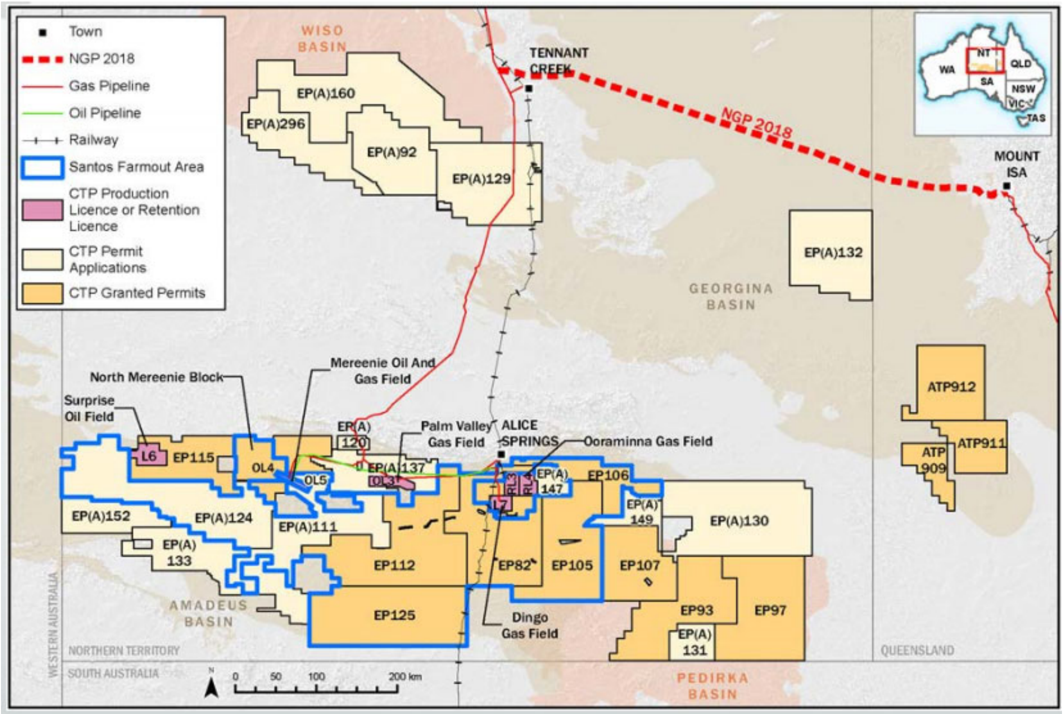
Source: Central presentation 8 July 2019

Central Australian exploration

Central has an extensive land bank of exploration tenements, including in the Wiso and Georgina basins which we are not covering in this document, but which are well placed to access the Northern Gas Pipeline when Central decides to accelerate exploration in those tenements.

This report focusses on the activities most likely to add value in the next twelve months

Figure 17 Central Australian tenements

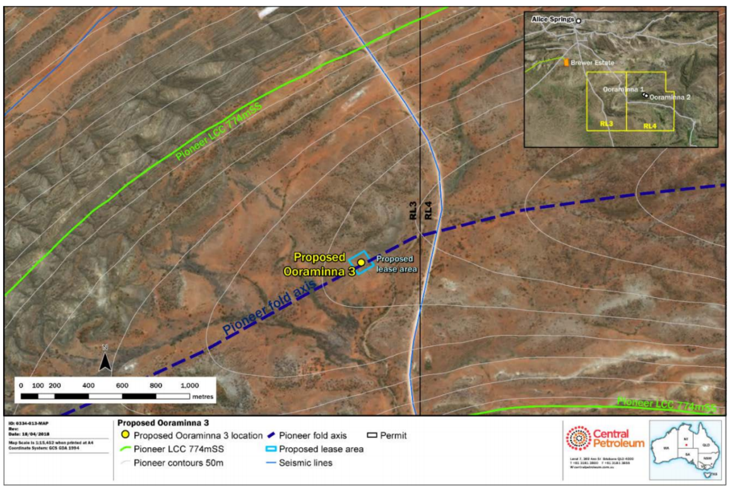


Source: CTP presentation 12 September 2018

Ooraminna Gas (Central 100%)

- Retention licences RL4 and RL5 covering 1004Km2
- Inferred closure area 175Km2
- Initial estimates for Pioneer formation 125-425Bcf Original Gas In Place 28-140PJ recoverable
- 2 wells drilled showing sub-economic gas flow is area of low natural fracture
- Developing natural fracturing model for Ooraminna 3.
- Suspension of one year of spending commitments means Ooraminna 3 does not have to be drilled by March 2020 (release 11 April 2019).

Figure 18 Ooraminna Well 3 location



Source: Central June 2018 quarterly activities statement

Southern Amadeus Joint Venture including Dukas (Central reducing to 30%)

- EP195 EP106 EP112, EP125, EO82 excluding Dingo
- Regional subsalt basin arch hosting large sub-regional structures
- Dukas prospect EP112 has around 520Km2 of closure with multi TCF potential
- Data provided by Central to RISC for the Scheme expert report estimated EUR of 395-4563 Bcf
- Santos earning in. At 31 March 2019 was 50% with the completion of seismic acquisition
- Santos has elected to proceed to Stage 3 by drilling a well (Dukas 1) to earn 70%. Central is free carried under the farmout, until this well in completed.

In a release on 16 April 2019, Central announced the spudding of Dukas 1 with a planned measured depth of ~3600m. The well has drilled to 2604m as at 6 June 2019 in the Gillen Formation where low background gas levels were detected. The plan is to drill out the shoe track and perform a leak off test, then drill to the lower Gillen Formation where a liner will be set to case off the salt beds before drilling to the target Heavitree Formation. The basement below the Heavitree is a secondary target.

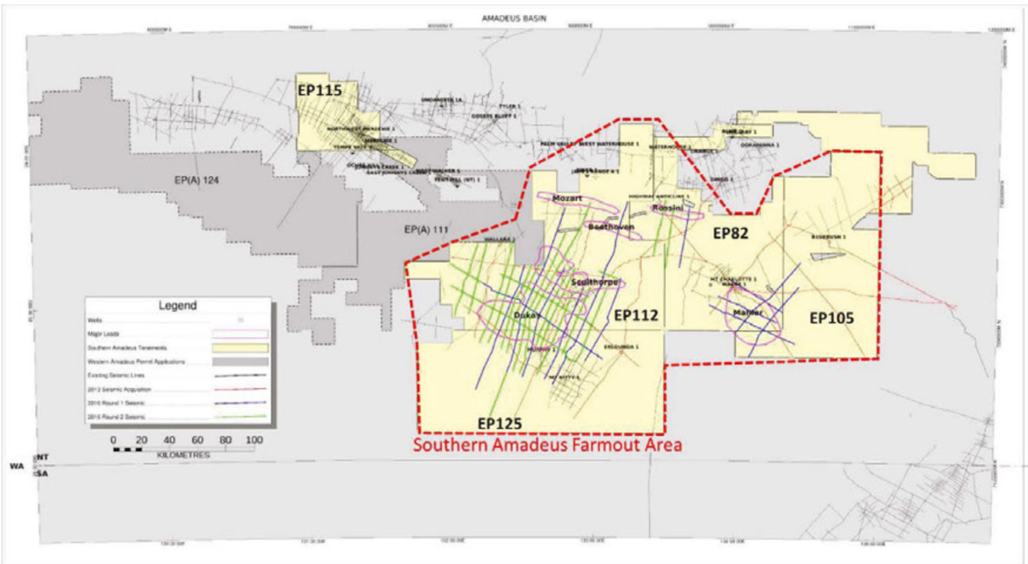
The April 2017 RISC expert report included in the Scheme information Memorandum of 5 May 2017 estimated a P50 Estimated Ultimate Recovery of 1247bcf or 1315 PJ, of which Central's share would be 395 PJ. The P90 EUR was 277bcf and P10 was 4563bcf.

On 12 August 2019, Central announced that the Dukas 1 well was to be suspended at 3704m. The conclusions from the behaviour of the well to date include:

- Hydrocarbon bearing gas circulating to surface is evidence of a working petroleum system
- Significant overpressure just above target indicated an efficient seal is in place

The downhole gas could not be analysed but the gas coming to surface with the drilling fluids did contain hydrocarbons.

Figure 19 Southern Amadeus JV with Santos (Dukas is the large structure in EP112)



Source: Scheme IM p246, RISC expert report 17 April 2017

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EP115 including the Surprise Oilfield (100% Central)

EP115 comprises 2647Km2, and has potential for shale oil or gas discovery. Surprise West Well flowed at 524 bopd initially and Central indicated that the well would produce A$10M in the first 12 months. That was on a planned initial production rate of 400bopd, but the actual performance was disappointing, and the well was shut in to recharge. Recharge is occurring, but there has been little recent commentary from the company. The well produced 77,232bbl from 14 March 2014 to June 2015.

Company Share Structure & Major Shareholders

Table 20 Shares, options and performance shares as at 5 June 2019

	Million
Ordinary Shares	713.36
Options $0.20/sh to 1/9/19	30.00
Options $0.14/sh to 31/12/19	22.50
Performance Share Rights	
5/01/2021	0.007
8/02/2022	0.025
3/10/2022	5.501
8/12/2022	9.578
23/05/2023	0.017
28/06/2023	0.136
22/05/2024	7.000

Source: Central 3B release 5 June 2019

Central has access to up to A$10M in equity through the Long Island State facility discussed on page 15. This has not been exercised at the time of writing, and we do not expect the company to use this facility.

Share register is fragmented with no major shareholder blocks

Table 21 Major shareholders

Rank	Name	Units	% of Units
1	UBS NOMINEES PTY LTD	31,451,500	4.41
2	MR CHRISTOPHER IAN WALLIN + MS FIONA KAY MCLOUGHLIN + MRS SYLVIA FAY BHATIA <CHRIS WALLIN SUPER FUND A/C>	17,571,648	2.46
3	FANCHEL PTY LTD	17,292,081	2.43
4	ROCKET SCIENCE PTY LTD <THE TROJAN CAPITAL FUND A/C>	15,800,000	2.22
5	NORFOLK ENCHANTS PTY LTD <TROJAN RETIREMENT FUND A/C>	15,100,000	2.12
6	MACQUARIE BANK LIMITED <METALS MINING AND AG A/C>	14,166,667	1.99
7	CITICORP NOMINEES PTY LIMITED	12,708,248	1.78
8	TELUNAPA PTY LTD <TELUNAPA CAPITAL A/C>	10,541,667	1.48
9	KENSINGTON CAPITAL PARTNERS PTY LTD	8,400,000	1.18
10	SAFARI CAPITAL PTY LTD	8,384,967	1.18
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,707,736	0.94
12	JH NOMINEES AUSTRALIA PTY LTD <HARRY FAMILY SUPER FUND A/C>	6,700,000	0.94
13	BRAZIL FARMING PTY LTD	5,300,000	0.74
14	MR JAMES DONALD BRUCE COCHRANE + MRS JUNE ELIZABETH COCHRANE <BRUCE & JOAN COCHRANE A/C>	5,000,001	0.7
15	CHEMBANK PTY LIMITED <R T UNIT A/C>	5,000,000	0.7
16	EDWIN HOLDINGS PTY LTD	4,604,167	0.65
17	JUSTWRIGHT INVESTMENTS PTY LTD <JUST WRIGHT SUPER FUND A/C>	4,500,000	0.63
18	MR DONALD LEONARD COTTEE	4,408,859	0.62
19	CHEMBANK PTY LIMITED <PHILANDRON ACCOUNT>	4,000,000	0.56
20	MR PHILIP GASTEEN <THRUSHTON INVESTMENT A/C>	3,962,840	0.56
Totals:	**Top 20 holders of ORDINARY SHARES (TOTAL)**	**201,600,381**	**28.28**
Total Remaining Holders Balance		511,330,581	71.72

Source: CTP website 15 May 2019

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Board & Management

Martin Kriewaldt Non-Executive Chairman, appointed to the board 24 October 2017, appointed Chairman 30 April 2018

Martin Kriewaldt (BA, LL.B (Hons 1st), University Medal, FAICD (Life), AICDQ Gold Medal) is a professional company director with over 25 years' experience.

He is a Life Fellow of the Australian Institute of Company Directors, serves on its Corporate Governance Committee, is Chair of an AICD Nexus group and a Mentor in the AICD mentoring programme for women. He is a past President of the Institute of Company Directors (Queensland Division) and has been awarded the AICD Gold Medal.

He was previously Chairman of Suncorp, Infratil Australia, Suncorp Property Trust and Thin Technologies, and was a director of listed entities including Campbell Brothers, Oil Search, Macarthur Coal, GWA, ImpediMed, BrisConnections and QDL. He has also been the chairman or a director of a number of unlisted companies including Suncorp Building Society, Suncorp Finance, Hooker Corporation, Graham and Company and Golding Contractors, as well as the national board of AICD.

In addition to these roles, he has chaired Board Sub-Committees for Audit, Risk, Environment, Remuneration, Investment, Corporate Governance, Corporate Advisory and Nominations. He has also served as Deputy Chairman and Lead Independent Director. He was Chairman of Opera Queensland and has also served on a number of other not-for-profit boards, including the Senate of the University of Queensland.

Previously, Mr Kriewaldt was a Partner of Allen Allen & Hemsley (now Allens Linklaters) for 25 years specialising in banking and insurance, mining, oil and gas and construction.

Leon Devaney - Managing Director & Chief Executive Officer, appointed 21 February 2019

Mr Leon Devaney (BSc MBA) has over 15 years of commercial and finance experience within the Australian oil and gas sector and holds an MBA and BSc (Finance) from the University of Southern California, USA.

Leon joined Central Petroleum in 2012 as Chief Commercial Officer, making the transition to CFO in November 2014. Leon was instrumental in negotiating the Mereenie acquisition from Santos in 2015, as well as the Palm Valley and Dingo Gas Field acquisition from Magellan Petroleum in 2014.

Leon was appointed Chief Executive Officer, effective 21 February 2019, after serving as Acting CEO since July 2018.

Prior to joining Central Petroleum, Leon worked at QGC and played a pivotal role in its growth from a small cap gas exploration company into a multi-billion dollar takeover target by the BG Group in 2008. Leon continued with BG following the QGC takeover, where he served as General Manager, Gas and Power, responsible for the domestic gas and electricity portfolio.

Prior to QGC, Leon held senior roles at Deloitte in the Corporate Finance Advisory group where he was active in structuring and implementing commercial and financing transactions for major energy and infrastructure projects throughout Australia.

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Wrixon Frank Gasteen - Non-Executive Director, appointed 25 June 2012

Mr Gasteen (B.E.(Mining) Hons, Qld, MBA (Distinction), Geneva) is a Director and co-founder of Ikon Corporate (Singapore), established in 2007 to provide corporate advisory, capital raising and management consulting services. He has over 20 years' experience in the mining, oil and gas, manufacturing and IT industries in Australia and Asia.

Mr Gasteen has been CEO and Director of both listed and private companies in Australia, Asia, and the United States, and is a senior advisor to Australian companies.

He has held senior management positions in the Resources Industry in Australia. As Chief Mining Engineer, he led the technical team that discovered and then developed the Boundary Hill Coal Mine in Central Queensland. He became its inaugural Mine Manager.

As CEO and Director of Hong Leong Asia Limited, listed on the Singapore Stock Exchange (SGX: HLA), he transformed the company through acquisitions and organic growth from a loss making company with revenue of $300m to a highly profitable conglomerate with $2.2 billion in sales, 80% of which were in China and the remainder in SE Asia. During his term as CEO, he was presented with two successive annual awards by the Securities Investors Association of Singapore (SIAS), recognizing Hong Leong Asia for its effort in demonstrating corporate transparency. The BRW ranked Mr Gasteen No.3 in their Top 20 Australians Managing in Asia.

Mr Gasteen was also Director of Tasek Corporation (cement) listed on Kuala Lumpur Stock Exchange (KLSE) and Chairman and President of China Yuchai International (diesel engines) listed on the New York Stock Exchange (NYSE). He was appointed Non-Executive Director and Chairman of the Audit Committee of ASX listed, Sino Australia Oil and Gas in March 2014, resigning in November 2015.

Katherine Hirschfeld - Non-Executive Director, appointed 7 December 2018

Ms Hirschfeld (BE(Chem) UQ, HonFIEAust FTSE FIChemE CEng FAICD) is a highly regarded non-executive director, having served on the Boards of a number of companies listed on the ASX, NZX and NYSE, as well as Government and private company boards.

She is currently the Chairman of Powerlink, President of the UN Women National Committee Australia, Senator at the University of Queensland and a Board member of Qld Urban Utilities and Tellus Holdings Ltd.

Kathy has also been a Non-Executive Director of Energy Queensland, Tox Free Solutions, InterOil Corporation, Broadspectrum, Snowy Hydro.

Previously she had leadership roles with BP in oil refining, logistics, exploration and production located in Australia, UK and Turkey.

Kathy was recognised in the AFR/Westpac 100 Women of Influence 2015, by Engineers Australia as one of Australia's Top 100 Most Influential Engineers 2015 and as an Honorary Fellow in 2014. She is a member of Chief Executive Women and a Fellow of the Australian Institute of Company Directors and the Academy of Engineering and Technology.

Kathy is also an executive mentor/coach with Merryck & Co.

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Stuart Baker - Non-Executive Director, appointed 7 December 2018

Mr Baker (BE(Elec), MBA. Member, AICD) has more than four decades of experience in the oil and gas sector and currently provides independent advice to corporates and investors in the Australian oil and gas industry.

Previously he was Executive Director, Morgan Stanley with dual roles as Co-Head Asia Oil, Gas and Chemicals Research and team leader, Australian energy, mining and utility research, with positions held over a 13-year period.

He also held senior positions with research teams at Macquarie Bank and Bankers Trust and as a Petrophysical Engineer at Schlumberger Inc., rising to General Field Engineer.

Mr Baker is currently a member of the investment committee of resource focused ASX listed Lowell Resources Fund, and is a strategic advisor to Karoon Gas.

Julian Fowles - Non-Executive Director, appointed 28 June 2019

Dr Fowles (BSc (Hons),PhD, Diploma in Applied Finance and Investment, Member, AICD) is a petroleum industry professional with over 30 years in international leadership roles, including 17 years with Shell International, as well as positions with other major listed companies. Dr Fowles comes with extensive board, shareholder and analyst engagement experience.

Most recently, Dr Fowles was a senior executive with Oil Search Limited, leading the PHG operated and non-operated oil and LNG production and development businesses.

Dr Fowles was previously the executive leading Oil Search's Exploration and New Business teams and has also been involved in the development and implementation of Oil Search's opportunity development framework, targeting major projects through key assurance processes from pre-concept to FID.

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Analyst Verification

I, **Michael Harrowell**, as the Research Analyst, hereby certify that the views expressed in this research accurately reflect our personal views about the subject securities or issuers and no part of analyst compensation is directly or indirectly related to the inclusion of specific recommendations or views in this research.

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Breakaway Research Pty Ltd (AFSL 503622) and its associates, or consultants may receive corporate advisory fees, consultancy fees and commissions on sale and purchase of the shares of ***Central Petroleum Limited*** and may hold direct and indirect shares in the company. It has also received a commission on the preparation of this research note.

We acknowledge that Senior Resource Analyst, **Michael Harrowell**, holds no shares in **Central Petroleum Limited.**

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