July 2011

Central Petroleum Limited

ASX: CTP

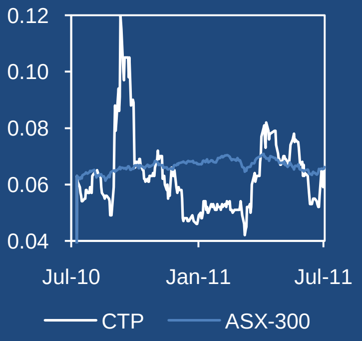
Recommendation
Strong Buy

Volatility
High

Trading Price for the 15th July 2011
$0.063

Target Price in 12 Months:
$0.48

Price Performance



Industry Group: Energy
Market Cap: $61,884,827
Total Issue: 982,298,842
12m High/Low:
$0.12/$0.042

OVERVIEW

Central Petroleum Limited (ASX: CTP) is a junior exploration and production company with extensive granted and pending tenement acreage in Central Australia, predominately in the Northern Territory totalling over 70 million acres, almost entirely 100% net owned. Within this acreage large resources of oil, natural gas, helium and coal have been identified and/or inferred by independent geological assessment. These resources are located within four main geological structures; the Amadeus, Pedirka, South Georgina basins and the Lander Trough of the Wiso Basin.

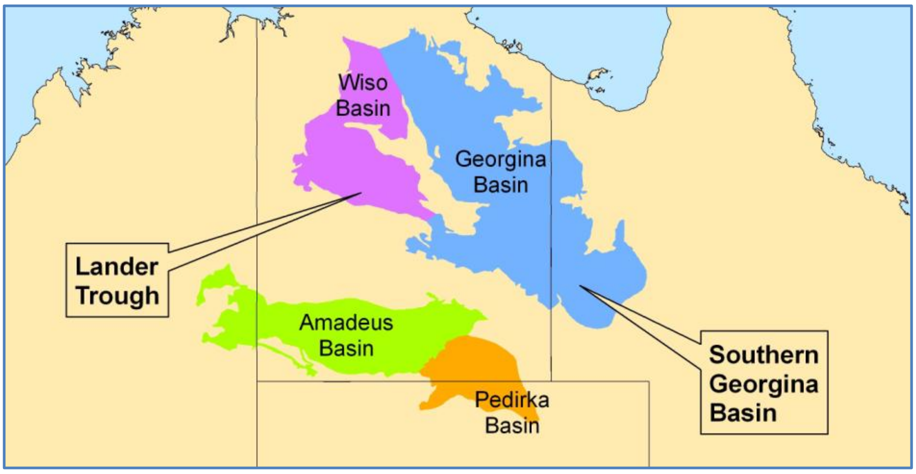


Figure 1 - Location four targeted geological structures, all centred in the Northern Territory

Central Petroleum has identified a number of oil and gas prospects in the already-producing Amadeus Basin and the Pedirka Basin which could be brought to market relatively quickly following further drilling to determine the full extent of the resources. The company is in a strong position to exploit available resources utilising existing geological data supplemented by more recent drilling and seismic studies, and has relatively close access to the relevant infrastructure, particularly the rail link to Port Darwin and an existing gas pipeline also to Darwin. In addition to its oil and gas prospects, Central Petroleum has identified significant coal assets in its Pedirka Basin tenements through independent geological assessment. These coal assets have potential for coal mining, coal-to-liquids (CTL) and underground coal gasification (UCG).

Based on a "sum of parts" assessment of Central Petroleum's short time-to-commercialisation projects, and the company as a whole, including factoring in the risks faced in bringing these projects to an operational phase; we have given Central Petroleum a valuation of **$0.48** per share and recommend it as a **STRONG BUY.** Although significantly higher than current trading price, this valuation does reflect a heavily risked and realistic assessment of the value of CTP's quick-to-market projects for which CTP has development plans and development capital reserves. This valuation does not include any value potential from Central Petroleum's longer term projects, such as unconventional resources or coal

IMPORTANT DISCLOSURES regarding the companies and securities mentioned in this report, along with an explanation of recommendations and volatility can be found at the end of this document. Bakers strongly recommends you read these in full before relying on any information contained in this report.

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monetisation, which will add additional value to the company as the development plans for these are finalised.

THE SECTORS

Within its large acreage of tenements, Central Petroleum has identified a number of resources of various hydrocarbons, coal and gases which have significant in-situ value based on initial assessment. However, most of these resources are in regions that are either under explored or under developed, and generally require further identification.

Oil & Natural Gas

Central Petroleum's oil and natural gas assets are located in the Amadeus, Southern Georgina, and Pedirka basins. The Amadeus and Pedirka basins are centered in the Northern Territory, stretching into Western Australia and South Australia at their edges. The Georgina Basin is centered in the Northern Territory, with the southern portion of the basin divided between the Northern Territory and Queensland (see Fig. 1).

Both the Amadeus and Pedirka basins have been explored since the 1960s, however due to the remoteness of the fields, better located potential sites elsewhere in Australia, and low commodity prices, they remain significantly under-explored compared to other Australian and international hyrdocarbon regions. For example, world oil prices were not consistently above US$30 per barrel until late 2004 and the Alice Springs to Port Darwin rail link was not opened until January 2004. Both of these factors had a positive impact on making these basins commercially prospective.

Despite this relatively low level of exploration, the Amadeus basin currently has in production both an oil/gas project, the Mereenie Oil Field, and a natural gas project, the Palm Valley Gas Field[1]. Central Petroleum's tenements adjoin both of these projects.

The Southern Georgina basin has recently become the focus of speculation that the basin, particularly the Lower Arthur Creek formation, may be analogous to the Bakken formation in the U.S. and Canada. A Canadian company, PetroFrontier, recently released a geological report by international consultants Ryder Scott[2] stating there were "strong technical similarities" to the well known North American formation. Central Petroleum has pending tenements in the South Georgina basin which include part of the Lower Arthur Creek formation. These permits are expected to be granted later this year.

Australia has mature oil and natural gas production industries, producing 150 million barrels and 1.74 trillion cubic feet per annum[3], respectively. Oil production in Australia is focused around the off-shore Timor Sea, North West Shelf, Carnarvon Basin and Bass Strait regions and the onshore Cooper Basin region. Natural gas is produced around Australia, including

[1] Northern Territory Government Department of Resources - Minerals and Energy, *Petroleum Projects and Summaries*

[2] PetroFrontier Corp/Ryder Scott Company, "*Evaluation of the Hydrocarbon Resource Potential Pertaining to Certain Acreage Interests in the Southern Georgina Basin, Northern Territory, Australia*" – 24 November 2010

[3] International Energy Agency – Energy Statistics

the Northern Territory. The Northern Territory, due to its natural resources, has significant infrastructure in place and currently under construction for the oil & natural gas industries including the Amadeus pipeline, the Adelaide to Darwin railway with connections to Port Darwin, the Connco-Phillips Darwin Liquefied Natural Gas Plant, and the recently approved Inpex LNG processing facility[4].

Helium

Much of Central Petroleum's significant natural gas resources also have the potential for helium production. Helium is produced on an industrial scale through extraction from natural gas. As the second lightest element helium naturally migrates to the upper atmosphere when released; however it can become trapped in natural gas when a solid and impenetrable "cap" formation is located above the natural gas. The economical concentration of helium within natural gas required for production has traditionally been greater than 0.3%[5]. Drilling at Magee No.1 indicates that Central Petroleum has expected concentrations of around 6.2%, well in excess of the required concentration for economical extraction.

Historically, the United States has been the main global producer of helium; however given its increasing utility in high-level technology, other nations such as Russia, Poland, Qatar and Algeria also produce helium. Recently Australia also began commercial production with the opening of the BOC Helium Plant in Darwin[6]. In addition to new production, the US also maintains the National Helium Reserve, originally established in the 1920s as a strategic reserve for airships, of up to one billion cubic feet of helium. Due to high levels of debt, the reserve was slated to be sold off by 2015, however given the increasing requirement of helium in high-tech industries and fears of global reserves being depleted with 25 years based on current and predicted consumption[7], the current status of the reserve is under consideration despite continued selling down. However, due to predicted demand growth rates of between 5% and 7%[8], the continuing sell down is unlikely to have a significant impact on the price of helium, which has grown on average in the past 5 and 10 years, 14.92% and 11.53% respectively[9].

Coal

Australia is the largest exporter of coal globally[10], exporting over 261 million tonnes per annum[11]. Coal also fuels over 80% of Australia's domestic electricity generation. Central Petroleum has identified a large "Exploration Target"[12] above 1,000m depth in its Pedirka

[4] The Australian "*Inpex's $25bn LNG project in Darwin to proceed*" 25 June 2011
[5], Martin Place Securities, "*Investment Profile: He Nuclear Ltd – Sub-Salt Helium Exploration*" – 13 November 2009
[6] ABC News "*Up, up and away: helium plant opens in Darwin*" 3 March 2010
[7] The Washington Post, "*Scientists warn world's supply of helium close to depletion*" 17 October 2010
[8] United Station Geological Survey, http://minerals.usgs.gov/minerals/pubs/commodity/helium/
[9] United Station Geological Survey, http://minerals.usgs.gov/minerals/pubs/commodity/helium/
[10] International Energy Association, "*Coal Information: 2008 Edition*"
[11] ABARE, "*Australian Mineral Statistics: March Quarter*"
[12] Coal tonnages quoted herein are a viable "Exploration Target"-AusIMM – the potential quantity and grade of the coal is conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource

basin tenements, with estimates of between 260 and 320 billion tonnes of coal under the Mining Act, which may be accessible for mining and coal-to-liquids (CTL) use, in addition to between 470 and 570 billion tonnes of coal under the Petroleum Act, which could be used for underground coal gasification (UCG) and coal seam gas (CSG) [13], however the viability of CSG techniques for these particular resources is unlikely according to the company's initial assessment.

Northern Territory Tenements	Low Range (Billion tonnes)	High Range (Billion tonnes)
Petroleum Tenements		
Tonnes coal above 1000m contour	470	570
Tonnes coal below 1000m contour	1,570	1,920
Totals (Rounded)	*2,040*	*2,500*
Mineral Tenements		
Tonnes coal above 1000m contour	260	320
Tonnes coal below 1000m contour	1,420	1,740
Totals (Rounded)	*1,680*	*2,060*

Table 1- Purni Formation coal Target Potential estimates summary for coal seams>2m thick. (Note that the Mineral Tenement estimates are a subset of the Petroleum Permit estimates NOT additional). (Maynard 2011)

The company has indicated it is exploring the option of extracting the potential of the coal using UCG technology[14], a process which gasifies the coal *in-situ*, reducing the cost of extraction and environmental impact of the operation. However, to date UCG has not been included as a permitted extraction technique in the Northern Territory under either the Petroleum or Mining Acts. This is due to discussions as to which regime it should be included under so as not to replicate the problems encountered in Queensland with overlapping tenements (where UCG is under the Minerals Act with coal-bed methane (CBM) under the Petroleum Act, leading to disputes over priority if overlapping tenements are granted for the same coal reserve using differing gas extraction methodologies). Central Petroleum has overlapping tenure under these Acts and is therefore well placed.

UCG has long international history, with operations beginning in the Soviet Union in the 1960s, and which continues today in Uzbekistan. Additionally, Linc Energy, an Australian-based company is in the advanced stages of planning for UCG projects in Wyoming, Montana and North Dakota in the United States. However, UCG is currently facing problems within Australia, with political and technical issues occurring in a trial program in Queensland. Three trial projects (including one by Linc Energy) were permitted by the Queensland Government in 2009, but in 2010 one of the trial projects, the Kingaroy project run by Cougar Energy Limited, was suspended and ultimately closed in 2011 due to technical and environmental reporting irregularities, which had resulted in strong community resistance to the project. The remaining two trial projects are continuing with additional oversight, showing

[13] Al Maynard & Associates Pty Ltd report, ASX Announcement "*CTP ARP UCG-GTL Agreement*" - 27 June 2011
[14] ASX Announcement "*CTP ARP UCG-GTL Agreement*" - 27 June 2011

a willingness in Queensland to permit UCG projects to continue with more scrutiny to ensure environmental protections and operational regulations are met.

Geothermal

The Northern Territory has good long term potential for geothermal energy, however to date Australian geothermal projects have not been proven on a commercial scale due to the great depths required to be drilled as dictated by Australian geology.

Central Petroleum, through a wholly-owned subsidiary, has been granted three geothermal exploration permits in the Northern Territory. These permits are located near the company's other tenements and were obtained with a view of farming them out or to sell them to a geothermal energy company to provide an alternative revenue stream.

THE COMPANY

Central Petroleum has significant resources in Central Australia, predominately in the Northern Territory, with a range of resources on its tenements. The company's strategy is to identify and monetise a select few liquids-focused projects based on existing geological data which present the lowest risk and the shortest time to production. Using these short term projects as a base, the company plans to investigate and develop its longer term assets. This strategy has led the company to identify three main projects as short term priorities and CTP has developed capital programs to bring them online as quickly as possible.

Short Term Priority Projects

Central Petroleum has a stated goal[15] of developing its oil and natural gas prospects, bringing them to production as quickly as possible. The three priority projects are the Surprise-1 and Madigan Prospect oil projects, and the Mount Kitty condensate, natural gas and helium project.

Surprise-1

The Surprise-1 project is located in the Amadeus Basin within the EP 115 tenement. Previous drilling by the company was done in December 2010, which despite not reaching the main target zone, the Pacoota Sandstone target horizon, due to an accident caused by a contractor which damaged the drill rig and halted drilling (see "Corporate" below), produced a core sample from the Lower Stairway Sandstone zone which presented 100% fluorescence which was independently confirmed as due to the presence of oil. Further independent tests concluded that the zone from which the core came could produce between 500 and 1,000 barrels a day subject to confirmation by electronic logging and flow testing. Central Petroleum is currently planning a drilling program in Q3 2011 at Surprise-1 of re-entry, and sidetracking to penetrate fresh formation and to reach the Pacoota Sandstone target horizon as originally planned. Subject to successful testing, the well will be completed as a producing well within 12 to 24 months.

[15] ASX Announcements, as recently as 24 April 2011

Due to the under-explored nature of the tenement, only one other well has been previously drilled on the tenement, Johnstone West-1. This well, while showing a strong presence of oil, did not flow due to excessive water content. The company believes that this was due to drilling too close to the oil-water contact.

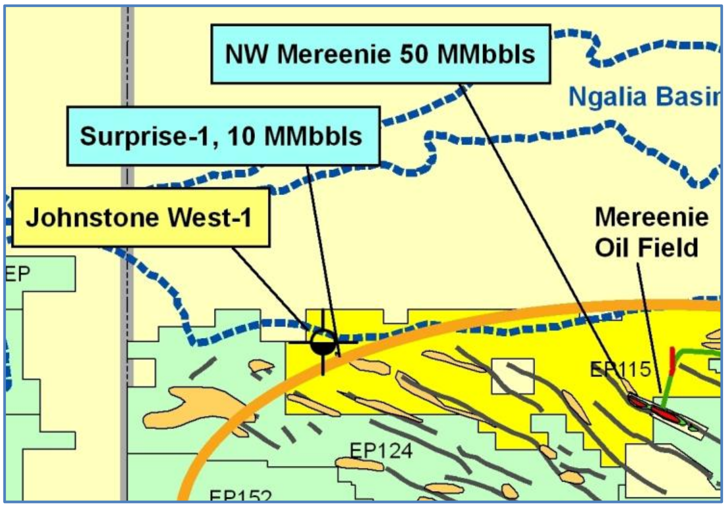

Figure 2 - Surprise-1 well in relation to the producing Mereenie Oil Field to the east (UOIIP – "best" estimate)

Central Petroleum is currently planning on re-entering the Surprise-1 well in Q3 2011 with a program of deepening the well to reach the main target zone in the Pacoota Sandstone. Should this drilling program find further positive results, the company is looking to follow up with an additional three wells at Surprise within the next 12 to 24 months to finalise the extent of the deposit. These wells are anticipated to be designed with horizontal drilling with multi-stage fracking to maximise potential production.

Madigan Prospect

The Madigan Prospect is located in the Pedirka Basin within the EP 93 tenement, which is wholly owned by Central Petroleum, and the EP 97 tenement, on which Merlin Energy Pty Ltd, a wholly owned subsidiary of Central Petroleum, is farming in to 4 prospect blocks within Rawson Resources Limited's tenement. Merlin Energy has already earned 80% of the Simpson Prospect Block which hosts part of the Madigan Prospect and the whole of the Simpson East Prospect.

The Madigan Prospect has been assessed as having the potential for 4 billion barrels UOIIP (Undiscovered Oil Initially In Place), which is classified as a "best" estimate[16]. While this means that oil has not been discovered here, geological assessment based on similar explored formations suggest that oil will be present here. To confirm the presence of oil, Central Petroleum has planned a drilling program in the Madigan Prospect in Q3 2011.

[16] Central Petroleum ASX Announcement, "*Technical Note (11.06.20)*" - 7 July 2011

In addition to the Madigan Prospect, the company is also considering an additional or alternative well for the geologically similar Simpson East Prospect in EP 97. The close-by Simpson-1 well has had oil shows in the past, however the Simpson East Prospect has a smaller potential for 360 million barrels UOIIP at "best" estimate.

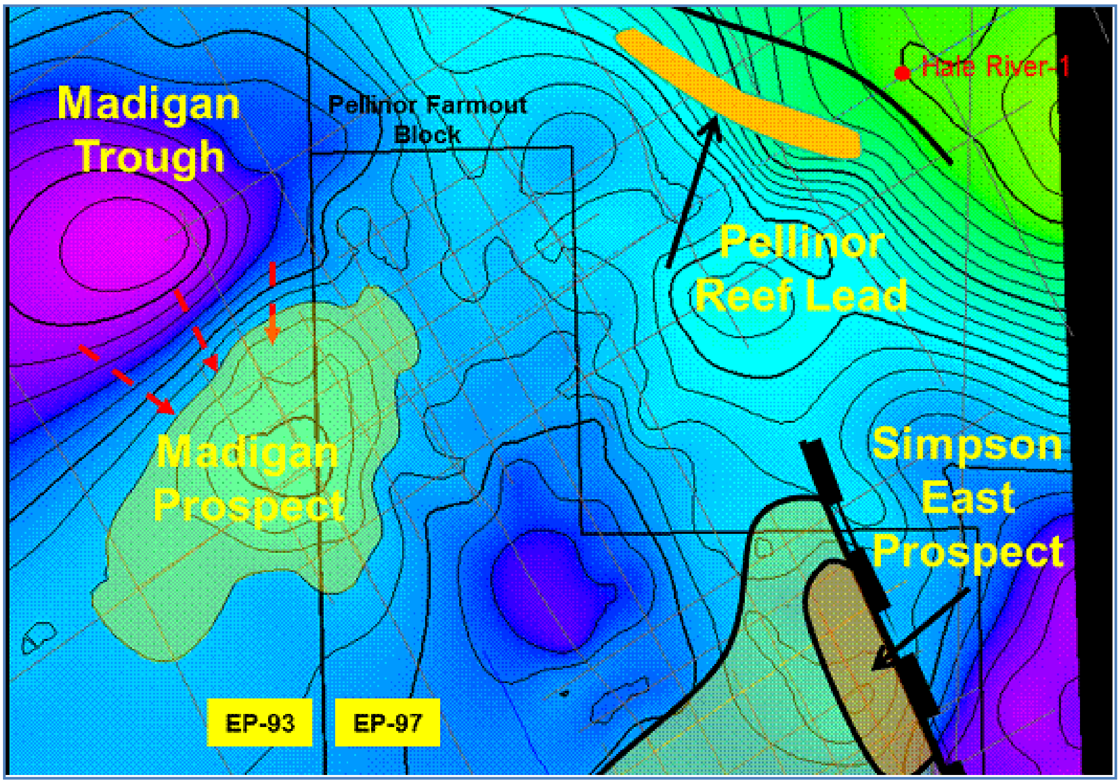

Figure 3 - Location of the Madigan and Simpson East Prospects on EP 93 and EP 97

Mount Kitty

Mount Kitty is a gas/condensate/helium prospect, located in the Amadeus Basin within the EP 125 tenement. The EP 125 permit is owned by Ordiv Petroleum Pty Ltd, a wholly-owned subsidiary of Central Petroleum, though Oil and Gas Exploration Ltd ("OGE") has a 25% farm-in interest on the Mount Kitty Block of the permit area. The prospect has been assessed as having approximated 2 trillion cubic feet (tcf) of natural gas UGIIP (Undiscovered Gas Initially in Place, "best" estimate) as well as 100 billion cubic feet (bcf) of helium UGIIP. This assessment was partly based on the neighbouring Magee No.1 well, which when drilled in the early 1990s flowed gas, including 6.2% helium content[17]. Recent geological surveys suggest that Mount Kitty could have a greater resource than that found at Magee No.1.

The company has signed an Memorandum of Understanding with BOC Global Helium in relation to the Mount Kitty project, however the exact details of the agreement remain confidential.

17 Northern Territory Geological Survey

Central Petroleum is currently planning on commencing drilling at Mount Kitty in Q4 2011 to confirm the discovery. Should the discovery be as expected, the company will develop the project for the production of natural gas, condensate and helium.

Longer Term Assets

Due to its significant tenement holdings, Central Petroleum has a large portfolio of assets which it could exploit through a number of methods in the long term. Given Central Petroleum's stated focus on its short term liquids-focused projects, the details on how and when these long term assets will be utilised have not been finalised sufficiently to be addressed here, but some discussion is included here for completeness.

Oil & Natural Gas

Based on initial geological surveys and existing drilling data, Central Petroleum has established large probable oil and natural gas resources across its various tenements in the Amadeus, Southern Georgina and Pedirka basins. These resources, measured in billions of barrels and trillions of cubic feet, represent large potential revenue sources and capital uplift, however they still require significant exploration and development to prove their viability for commercialisation.

Basin	Conventional Oil (P50 billions bbls)	Unconventional Oil (P50 billions bbls)	Natural Gas (P50 tcf)	Total (billions boe)
Amadeus	1.0	0.8	24.8	5.9
Southern Georgina	0.0	4.0	24.0	6.0
Pedirka	1.8	0.0	0.0	1.8
TOTAL	2.8	4.8	48.8	13.7

Table 2 - Probable (P50) recoverable resources (P50-"best" estimate) in granted or pending tenements held by Central Petroleum

As can be seen in Table 2, approximately two-thirds of Central Petroleum's resources will required unconventional extraction techniques, such as multiple horizontal wells off each vertical well and possibly fracking of the oil-bearing geological structure. These additional techniques, while internationally proven, will impose additional costs on the extraction process.

Coal

Central Petroleum has identified a large coal "Exploration Target" on its granted and pending tenements in the Pedirka Basin. With approximately a third of the coal above 1,000m, the company is currently investigating Underground Coal Gasification (UCG) as one of the main routes of commercialisation. In a commissioned study by Maynard and Associates[18], it was determined that Central Petroleum has over 380 billion tonnes of coal in seams thicker than 5m, suitable for use in UCG. Based on this, and a number of assumptions detailed in the report, we valued Central Petroleum's UCG potential at $2.06 billion (low case in our Asset

[18] Al Maynard & Associates Pty Ltd report, ASX Announcement "*CTP ARP UCG-GTL Agreement*" - 27 June 2011

Overview released to the market)[19], however we have not included this in the total valuation for this report. Central Petroleum, however, has begun to address the uncertainty of UCG monetisation, with the contracting of Allied Resources Partners Pty Ltd to source funding and partners to develop its UCG potential through a number of projects[20].

Corporate

Central Petroleum has a current corporate strategy of developing a handful of select projects which have an expected shortest time to production, which will then be leveraged to further develop the company's other longer term assets.

Central Petroleum was founded in 1998, as Merlin Synergy NL, by Mr John Heugh and Mr Richard Faull with the stated "countercyclical strategy aimed at securing large acreage tracts with very large targets in prospective areas of strategically well placed parts of central Australia[21]". The company listed in 2006 and has since grown through the application for new tenements and permits and the acquisition of other unlisted permit holders within the target basins, to become one of the largest exploration acreage holders in Australia.

The company has initiated legal action to protect its interests over an incident which occurred during the drilling of Surprise-1 on the 5 December 2010. During this incident, some equipment was damaged and on 14 December 2010 the company terminated the drilling contract with Century Energy Services Limited[22]. For full details of the incident, please refer to the company's press release from 31 March 2011.

Directors and Management

Central Petroleum is governed by an experienced board supported by a skilled senior management team. The Board is made up of

- Dr Henry Askin (Non-Executive Chairman)
- Mr John Heugh (Managing Director & Co-founder)
- Mr Richard Faull (Non-Executive Director & Co-founder)
- Mr William Dunmore (Non-Executive Director)

The Board has long-term experience in the petroleum and mineral exploration industries with large multinationals including Shell, Esso, Santos, BHP Petroleum and Chevron-Texaco. The Board is supported by the senior management team made up of experienced geologists, exploration managers and energy professionals, including recently recruited members, with key management experience in unconventional resource exploration and recovery in North America.

[19] ASX Announcement "*UCG Independent Valuation Bakers Group*" - 4 July 2011
[20] ASX Announcement "*CTP ARP UCG-GTL Agreement*" - 27 June 2011
[21] Company website - accessed 18 July 2011
[22] ASX Announcement "*Century Energy Services Legal Action*" - 31 March 2011

VALUATION

For this valuation, we only considered those projects which are likely to become operational, or have capital expended on them, within the next 12 to 24 months. Therefore, the company's valuation is based upon the short-term projects detailed above: the Surprise-1 and Madigan Prospects oil projects and the Mount Kitty natural gas and helium project.

This valuation does not include any value potential from Central Petroleum's longer term projects, such as unconventional resources or coal monetisation, which will add additional value to the company as the development plans for these are finalised.

Central Petroleum was valued using a discounted cash-flow method (DCF) for each short term project, based on publicly available information such as Annual Reports and Operational Updates as well operational data and geological reports provided by the company, and those reports prepared by independent third parties. The DCF method was selected due to its greater accuracy compared to other valuation methods given the availability of predicted cash-flows and the lack of suitable peers in the Australian market.

The DCF modelling values cash flows from predicted operations for a period of 15 years for each project, with no terminal value. It is believed that 15 years of cash flow is reasonable for valuing each project. However, given the nature of each project, it is likely that each project may exceed 15 years and that operating cash-flows beyond this period would provide additional value to that stated in the DCF model. The DCF method takes into consideration a number of risk factors, reflected in the Risk Adjustment Factor, which are discussed in the next section.

Element	Risk Adjustment Factor[23]	Risk-Adjusted Value Per Share @ 10% WACC
Projects		
Surprise-1	17.37%	$0.1022
Madigan Prospect	16.03%	$0.3279
Mount Kitty	13.36%	$0.0760
Other		
Corporate Overhead[24]	-	-$0.0838
Net Assets	-	$0.0575
TOTAL		**$0.4797**

Table 3- Valuation of Short-Term Projects

The valuation of Central Petroleum's short-term projects, predicted corporate overhead expenses and net assets including current cash in bank (currently over $9 million) is shown in Table 3. These valuations were calculated using a weighted cost of capital (WACC) of 10% and highly conservative risk adjustment factors which assume a low chance of

[23] Calculated as the chance of success
[24] Corporate costs not attributed to individual projects

successful development to production. For more information on how the risks were assessed and the rationale behind them, please see the “Risks” section of this report.

RISKS

External risk factors, including Political, Technology, Tenement, and Financing risks, may impact on the execution of each of Central Petroleum’s short term projects and long term assets, and affect the ability of these projects to generate the operating cash flows that have been forecast by the DCF model. These risks as they relate to Central Petroleum’s projects are outlined below. The valuation takes into consideration an appropriate discount given the likely impact each of these risks may have on the outcome of the forecast cash flows and consolidates them into a single risk factor. As each project advances, and associated risks of achieving forecast cash flows are reduced, the model may be adjusted to incorporate the new reduced level of risk. This would increase the forecast shareholder value of the DCF Model as certainty towards achieving forecast cash flows is improved.

Country and Political Risk

Country and Political Risk includes the risks associated with the international and domestic geopolitical situation of the project country and/or state, the political and bureaucratic processes of the various levels of government, and the relevant legal systems.

We have given Central Petroleum’s projects a minimal political risk rating due to Australia’s mature and well defined mining industry, as well as the strong demonstrated interest by the Northern Territory government in development of its remote resources as a method of creating regional jobs. However, the political risk is not completely eliminated due to possible environmental and indigenous land-rights concerns which could be raised, particularly for any projects which are to be located on protected land. While measures can be taken to ensure adequate compliance with any concerns raised, such as environmental protection measures and engagement and involvement with local communities, these processes may delay project timelines. CTP has factored reasonable consideration of such risks into its development plans.

The proposed carbon tax is unlikely to effect the production of transport fuels and any CO_2 produced in the proposed UCG/GTL project is planned to be sequestered and/or converted to methanol.

Tenement Risk

Tenement Risk includes risk to the project location such as securing tenement rights, access to the site, overlapping tenements, native title or heritage claims, and the impact to the site from them, as well as any geological risks of the site including any exploration risks.

Despite the remoteness of the three proposed short-term projects, tenement risk cannot be eliminated just because there is no traditional surface use such as farming or grazing over large portions of Central Petroleum's acreage. But we consider it a low risk, which can be managed within existing legal processes.

Technology Risk

Technology Risk is risk associated with the track record and effectiveness of the technology used, access to or protection of the intellectual property required, and the reliability of the equipment required, both in the development and production stages.

We have given the three short-term projects a moderate technology risk rating based on the some uncertainty of the geological structures that are to be drilled due to the early stage of the projects. This translates to a technology risk as it cannot be certain what methods of extraction will be required and whether the technology to enable the extraction will be available and suitable for task. This risk however will reduce significantly after further exploration and confirmation.

Financing Risk

Financing Risk is the probability of the project being able to be funded, either through equity or debt and the risk inherent to the timing of predicted cash flows.

We have given all three short-term projects a conservative financing risk rating due to the early stage of these projects and the current economic environment. The timing of the cash flows has also been factored into the risk assessment, taking into consideration the effect on the valuation should the cash flows not eventuate when predicted or are smaller than predicted for any reason, including weaker than expected commodity prices or higher production costs.

CONCLUSION

Central Petroleum is a junior explorer in the oil and natural gas sector, with significant tenement acreage centred in the Northern Territory. Within its granted and pending acreage, the company has large indicated and probable resources of oil, natural gas, helium and coal which present the potential for significant value. Based on our valuation of the three priority short-term projects identified by Central Petroleum as being the focus for the next 12 to 24 months, we have set a target price per share at **$0.48** and recommend it as a **Strong Buy**.

This valuation does not value the company's long term assets, as they are not mature enough to be accurately valued. When development plans for these assets are finalised, they are likely to represent further value for the company.

Central Petroleum Limited

ASX: CTP

SUMMARY

Overview

Overview	
As at	15 July 2011
Name	Central Petroleum
Ticker (ASX)	CTP
Price	
Current	$0.063
12m High	$0.120
12m Low	$0.042
Shares on Issue	982,298,842
Mkt. Cap.	$61,884,827
Target Price	$0.48
Target Mkt. Cap.	$414,731,644

Price History

Valuation Breakdown

Valuation Break Down	Risk Adjustment Factor[25]	Risk-Adjusted Value Per Share
Projects		
Surprise-1	17.37%	$0.1022
Madigan Prospect	16.03%	$0.3279
Mount Kitty	13.36%	$0.0760
Other		
Corporate Overhead[26]	-	-$0.0838
Net Assets	-	$0.0575
TOTAL		**$0.4797**

Resources

Basin	Conventional Oil (P50 billions bbls)	Unconventional Oil (P50 billions bbls)	Natural Gas (P50 tcf)	Total (billions boe)
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Southern Georgina	0.0	4.0	24.0	6.0
Pedirka	1.8	0.0	0.0	1.8
TOTAL	2.8	4.8	48.8	13.7

Top 10 Shareholders

Name	Shares Owned	% of Total Share on Issue
National Nominees Limited	64,087,214	6.52%
Brighten International Pty Ltd	22,841,551	2.33%
Renlyn Bell Investments Pty Ltd	10,416,670	1.06%
RBJ Nominees Pty Ltd	9,375,000	0.95%
Franze Holdings Pty Ltd	9,260,000	0.94%
AMG International Pty Ltd	8,915,000	0.91%
Salavente Pty Ltd (GRB Superannuation Fund A/C)	8,625,000	0.88%
JP Morgan Nominees Australia Limited	8,619,857	0.88%
Mr Mark Philip Shawcross	8,470,000	0.86%
Mr Bradley Barrie Shrimpton	7,500,000	0.76%

[25] Calculated as the chance of success
[26] Corporate costs not attributed to individual projects

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