

Annual Report 2017 Webinar Transcript

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Legend

- Question Submitted Before Webinar
- Question from Webinar Audience (Q)
- RC Answer/RC Comment (A), (C)
- 24.47 Time from Start of Video



Video Link...

<https://www.youtube.com/watch?v=97ncGMNGHE0&feature=youtu.be>

Webinar commenced by Reading from formal Webinar Presentation...

<https://hotcopper.com.au/threads/ann-annual-report-review-presentation.3742449/?source=email>

Some Points of Interest in the first 20 minutes... Well worth listening to this first.

- Pipeline Reforms are a major issue for CTP
- If all reforms occur it will cost CTP about \$5.00/GJ including CTP ex field costs .to get to Sydney so that will be all inclusive ... down from about \$6.70 which was in the SOA... that makes us one of the lowest cost producers... ACCC report says the marginal cost of CSG will be around about \$5.70 ex field and then they have to transport it.
- Started the (Appraisal) well permitting program with the Department of Primary Industries and Resources.
- Going to use Existing Well Pads
- NT wet season not a real problem... Wettest Season June July followed by November ...

Essential Rationale Behind the 4 Well Appraisal Program (GAP) & Related...

24.27 C. The testing of the sandstone at Mereenie is still continuing... has a low Nitrogen it has given us a lot of confidence. The Dingo TEG unit is on time... finished natural fracture modelling at Mereenie... commenced and nearly there with Palm Valley...

24.57 60 C. Holes in Mereenie a lot of information from the 60 holes... a whole host of surface inspections and have modelled where we see the natural fractures, **wherever natural fractures are we have exceptionally high flow rates... horizontal well in excess of 1 KM aimed from the fracture modelling to intersect as many fractures as possible and therefore give us the best results...** it is however modelling...everyone wants me to name precisely what the flow rates will be...I don't know, **I know what we are hoping for...** if I knew the answer I wouldn't need to do the drilling.

Q. When you came up with your expectations on what you think you might get, what degree of certainty do you have with those sort of predictions?

26.38 A. We don't have much degree (Of Certainty)... we have a lot of data points... and we are using technology that was not really available in the 1980's and really this is to confirm our fracture modelling out of that data point, we know that gas is in place in all of the 3 (Drilling Areas) the risks are fairly low in that respect ... but whether we have been able to intersect the same number of fractures we are hoping for as a result of the fracture modelling... **clearly after the first well if our level of confidence is confirmed goes up.** Frankly that is what we are doing we have never said anything else.

Joint Marketing for Mereenie...

27.35 Joint agreement for marketing has been announced ... It does not include any marketing or have any impact on Palm Valley, Dingo or Ooraminna... we can market however we like.. ACCC does not want price discovery to go across from our fields to the Joint Venture Field and that is certainly one of the legal requirements involved in it **RC said he is pleased to say that notwithstanding the SOA, the**

relationship with Macquarie has been harmonious... united in a common purpose to make money and to commercialise these fields as rapidly as possible... (Correction) Mereenie as rapidly as possible... we wait for the ACCC approval because we are changing the gas balancing and various other arrangements that were a brake on our ability to market that was imposed on us by Santos at the time of acquisition... clearly we can't enter into... we just have to wait and see what Mr Sims has to say about it.

Q. That announcement you put out is that confirming that the Joint Marketing Agreement is now in existence?

29.22 A. **Subject to the condition precedent of ACC approval it's all signed sealed and delivered** but the condition precedent is that it doesn't infringe the law.

24.49 Answers to Questions Submitted via the CPSA before the meeting...

1. Current appraisal drilling and reserve certification

1.1 What is the primary purpose of carrying this out? Is it to;

- (a) increase the chance of an acceptable takeover offer based on certified reserves, or
- (b) make long term profits for shareholders

30.19 A. Short answer is that it is to increase shareholder value... make long term profits... I can't understand why that question was indeed asked.

1.2 Is Macquarie making any financial contribution and if so, how much?

30.00 A Macquarie is a joint venture partner at Mereenie and therefore will have to pay 50% of the costs of Mereenie.... Roughly about 10M.

1.2 Is it expected the 4 new appraisal wells will become full production wells?

30.48 A. We are intending that the appraisal wells will be production wells.

1.4 How many horizontal wells does CTP expect it will need to sustain an initial gas flow of 70 TJ/day from Mereenie? and,

1.5 What amount of additional drilling will be needed in the future to maintain this production rate?

31.18 A. That depends on what the flow rates are.. again I am not going to be a clairvoyant...

1.6 What is the location of the appraisal wells?

31.29 Existing pads at North West Mereenie and on Palm Valley on existing pads and on crestal at Ooraminna.... And again Ooraminna has had 2 wells on it before but they were way away from

what we think is the crest... and we are doing fracture modelling on it as well.

1.7 Has the lease construction for the 4 appraisal wells started and if not, will the access roads, drilling pads, pits, and cellar conductors etc. be constructed before the wet season commences. (NT Wet season Nov-April)?

30.58 A. Because of the simple fact as I said **we are going to be, using my loose term, drilling on existing pads...** that way we have the benefit that we won't even have to flare any gas...we will put it straight into the existing field gathering and processing plants and commercialise it from the day of drilling...

32.02 A. Given it is on existing pads... the answer is no we are going to be using the drilling pits, cellar conductors, access roads and everything else that happens to be there.

1.8 Have the Drilling Rigs, Casing Blow-out Preventers etc. been ordered and if not, when will this be done?

33.37 A. The drilling rigs have been more or less selected... again it is subject to the department and various other approvals... I am not going to assume that we will do anything that is illegal.

1.9 In case there are drilling problems have the availability and delivery times for fishing tools etc. been checked in relation to the types of wells being drilled?

33.52 A. ... and yes we will have all the requisite tools

2. Joint Marketing/Gas Sharing Agreement/s between CTP/MAC

Is there presently any restriction on CTP taking up ALL of the presently available capacity of the NGP (60 TJ/Day) with gas from Palm Valley, Dingo and Ooraminna?

33.59 A. **The short answer is I can't do all of that..** I am not sure how I could **do it but is there a legal impediment, no there is not...** there is a physical impediment, we don't have that spare capacity... that's why we are drilling... if we had that spare capacity elsewhere we would need to raise the funds Etc.

3. Profit forecasts

3.1 The latest presentation states that if haulage pricing in CTP's favour, Mereenie Gas (including ex field costs) can be delivered at around \$5/GJ to Sydney. Is this \$5/GJ CTP's best possible delivered cost?

44.30 A. I have basically explained it is my guestimate of where it will be. Given the replacement cost... $\$10 - \$5 = \$4.00/\text{GJ}$ I maintain I will correct myself later but I think $\$10 - \5 is $\$5/\text{GJ}$

3.2 Is it then fair to say that based on a long term \$8-\$10/GJ at City Gate CTP's best case will be about \$3-\$4/GJ Gross Profit?

3.2 Assuming current NT GSA's achieve break even for CTP and a profit of say, \$3/GJ down the NGP (with a probable capacity limitation for 3-5 years of half of the remaining capacity of 60 TJ/ Day) profits could be expected of \$30m pa. Where does CTP expect it's increase in Market Cap (Share Price) will come from?

34.54 A What do I expect, look at the end of the day... **unless the market sees more blue sky in front... you should get at least 10 times earnings.**

4. Cost of Production

The SOA booklet indicated a Cost of Production of \$1.20-1-50/GJ.

34.57 A. The SOA is an extremely accurate book and so the production cost is that.

4.1 What is the present expected Cost of Production of Gas at Site Gate for each of the CTP gas fields at about the time the NGP is commissioned?

35.23 A. It depends on precisely what are the flow rates we get out of the drilling... obviously if the flow rates are higher the production costs should go down as we amortise all of our costs on existing field gathering.

4.2 What is the expected cost of future expenditure required on Mereenie Surface and Gas Processing Facilities to cope with the 70 TJ/day mentioned in the latest CTP presentation?

35.41 A. We anticipate that over time we will be **spending more money on the processing facilities** but it will not be a critical path to

us selling it (Gas) **there is existing present 50 TJ/day existing capacity at Mereenie and 22 TJ/day existing capacity at Palm Valley hence $50 + 20 = 70$ (TJ/Day)....** That doesn't mean we will not have to put new compressors in and various other things over time and that will be done out of cash flows produced ... not a critical path.

5. Reserves v Flow rates

Since there is an underlying concern that cost of achievement of adequate sustainable Gas flow rates rather than reserves is a significant risk, would CTP be prepared to be much more transparent with shareholders on the expected range of flow rates (Depletion curves) for each of the gas fields?

36.35 A. We don't know what the expected range of flow rates.. depletion curves are until we have done it and we will determine precisely how much we can disclose...

I think it is important to realise that Australia is subject to the rule of law and I want people to understand that there are only 2 producing areas in the NT... Blacktip and the Amadeus basin... and there is competition between Mereenie and the Central 100% owners... generally speaking you are not allowed to give price discovery to your competitors so you can rig the market... equally I don't want Power and Water Etc. to know precisely where they should bid their prices.

It is not in the long term interest of shareholders for the only thing of giving out market sensitive information to decrease the profitability of this company for the insatiable God of full disclosure... and its not necessarily legal under the consumer thing for us to... it may be legal when there is thousands of producers all coming in.. whole host of variables out there for you to give some of these informations.

38.02 We will disclose that which is price sensitive, we will keep that which will enable us to maximise the value upon which we can sell our gas for and certainly are not considering trying to give the average price because each new contract will be able to be discerned every year as to what you sold it at because you look at last year's average and see what this average is and work out the volumes and by the time I might as well just basically put out to the shareholders all of our board papers, all of how you can actually minimise the returns to the shareholders and how you could play it commercially and politically and I am not sure my job is to increase the shareholder value.

6. Reporting improvements

A common shareholder complaint (even from the sophisticated and industry knowledgeable) is CTP's business not explained in a way that can be easily understood. Below are some suggested enhancements to reporting;

6.1 reporting gas sales in oil equivalents and showing the number of GJ and average price /GJ, ideally for each gas field?

6.2 Quarterly reports should include simple graphics and easy to understand descriptions of the proposed horizontal appraisal wells so that all shareholders have a clear idea of what is going to happen?

6.3 What is the expected news flow headings over the next six months?

Copied from Comments made later at 57.37

A, Interim approval hopefully will be given, regulatory approval for the drilling, announcement of who the drilling contractor is, announcement of joint venture approvals, spudding of wells, outcome of the AEMC enquiry, and the outcome of the GMRG enquiry by December, the outcome of the Pepper Enquiry in December... I think that probably covers the next 90 days there's a fair amount going on.

7. Processing facilities

What is the extent of surface and gas processing facilities that are likely to be needed if the Palm Valley and Ooraminna fields are commercially viable as production wells?

38.55 A. The processing plants I think I have dealt with... They are existing processing plants at Palm Valley.

Ooraminna we intend to, I have said this before at Brewers Estate. Part of the TEG is to make Brewers Estate totally modular, we will be using the existing pipeline route for the majority of the distance and going across about 10-15 K if the field was economic. You cannot acquire for a pipeline licence or do anything else until you know whether the flow rates are economic but clearly we are on an existing processing plant and have all of the environmental approvals for that.

38.48 Let us wait until I know what the answer is to the flow rates, I know that's going to make people very frustrated. I am not a clairvoyant and I don't Believe we can start the Pipeline approval process until we have gas.

8. Ooraminna

Ooraminna is required to be spudded by the end of April for CTP to retain the tenement. Assume a positive result.

8.1 Has CTP management considered programming the drilling early to eliminate the risk of unforeseen hold up/s due to the impending wet season (NT Wet season Nov-April)?

32.17 A. The wet season as I pointed out... the biggest wet we have had since we have been operating at Mereenie was in fact June last year... out for 3 or 4 days its not an event of catastrophic proportions.

32.40 Q. If when you drill if you run into... delays.. is that going to create a problem for satisfying the Ooraminna spud date before April or whatever?

A. **The short answer is no...** it's fair to say that the department would prefer us not to drill during the Pepper Enquiry

(On 3 December 2016 the Northern Territory Government announced an independent Scientific Inquiry into Hydraulic Fracturing of Onshore Unconventional Reservoirs in the Northern Territory.)

and are quite happy to approve this as a package that is 4 wells.... It is not politically on the nose to do so.

8.2 If the Ooraminna reserve certification and depletion curve indicates that commercial development is feasible how quickly can an appraisal well been programmed?

8.3 What work has been done in considering the funding and construction requirements of the Ooraminna surface facility and delivery pipeline?

8.4 Is the funding for further drilling and development going to come from capital raising, debt or a mix of both?

8.5 Has the Ooraminna pipeline approval process been started?

38.48 Let us wait until I know what the answer is to the flow rates, I know that's going to make people very frustrated. I am

not a clairvoyant and I don't Believe we can start the Pipeline approval process until we have gas.

40.10 Q. If you drill your first well in January you will have your first stable flow rates in April or something ?

A. Basically you will have an IP (Initial Production) as soon as you drill... and have the 90 day flow rates (90 days later) which will let you know whether your model is grossly accurate or grossly inaccurate and 180 is when you start the reserve certification process.

Let me just say that at the moment the gas market is in shortage and... manufacturers in particular cannot get long term contracts... my discussions have been on the basis do you want to have the certainty of death by closing your plant down or the uncertainty of life in which case I will deliver you the gas... as we go through that process.

There will be lots & lots & lots of demand of people in the shareholding space that want us not to sell the gas until we have all the information and depletion curves and certification and God only knows what else... My job as I see it is to make the money for the shareholders in the shortest possible time and take advantage of an unusual market situation.

9. Directorships

What is the status of the directorship review? There are rumours of a chairman change. Is Rob Hubbard resigning or just stepping down?

41.40 A. Already gone through.

Answers to Internet Questions Submitted During the Webinar

42.01 **Refinancing away from MBL...** it appears to me that if you are going to even think about refinancing when you've got in the next 6-12 months a totally new reserve base Etc. & a whole host of other possibilities of requiring development wells financed Etc. I certainly do not want to spend all of this time refinancing and refinancing again... we clearly have put it out to market at the time, took the best deal... we will revisit that after this drilling campaign has completed... the Macquarie

Financing deal has a balloon payment I think in 2019.... It's going to be done It's not an urgency to be done at the moment... let me just say that getting reserves, getting sales, ensuring we don't get caught by the fracking moratorium and ensuring that we do get the pipeline reform Etc. is a higher priority than a financing that went out to competitive tender and has its tenure and is going to have a high degree of financing activity in 9 months time hopefully when the well results come in.... no reason why I would put pencils down on the higher priorities just to do the refinancing for no purpose that I can see.

43.44 Q. If we go and do a joint marketing with Mereenie will that set a benchmark for the Dingo/Palm Valley fields?

A. Every new contract... has a market effect...the EDL contract trying to work out precisely what we got it for and benchmark it... **at the end of the day... the most important element on price is to work out precisely where the politics are in 2019 and what is the demand side of the equation rather than the supply side.**

....presently in a rising gas price therefore demand is a higher determinant than what our particular contract does... at the end of the day if we achieved everything that we wanted to do under the JV 70TJ/day or thereabouts then that is round about 25PJ/PA which is only 25% of the shortfall they have talked about is only using the LNG plants at 80% of design capacity of the long term contracts so before demand ceases to drive prices you are going to have to get to 110% of design on 6 trains going to have to associate the shortfall Etc. so I am not terribly convinced that our particular contract whatever we enter into for Mereenie or Palm Valley Etc. is going to have any major impact on future prospectively of pricing. But obviously it will be a price discovery... which will only be known to ourselves.

46.22 Q The next steps

Need to go back through the presentation obviously I am not quite getting through...

We are trying to get the covered pipelines to go away from the DORKsh arrangement they have... at the moment to initial capital and that will be the major impact on it.... **after that it's a regulated pipeline that's the price.**

Q The AEMC aim to publish their follow up issues 31 Oct have you any early indications of what they may be intending to do?

A. We are in constant contact but it's hard to speculate...

47.37 Q Will any of the directors ever resign?

A. They are not on this earth for eternity... we are going through a process to appoint new directors... depending on the number and calibre of those directors we will determine as and when any director can resign without affecting the ongoing business of the company.

It will be done in an orderly fashion and the piece that is so important to this is to finish the selection process for new and then work out what the impact is on resignations Etc ... directors resignations is a personal decision..... Trying to get this all announced by notice of meeting..... Governments & media contacts asking my opinion because my opinion has not been inaccurate.... 49.39 ... future takeover Etc...

My job is to increase the shareholder value of the company so that we all can get some benefit of it... the only way I can guarantee to do that is to increase our reserves, sell the stuff and have the cheapest possible pipeline tariffs and that will give us an annual revenue flow after costs and that must surely increase the share price.

Can I do that without the drilling? NO

Could I do the drilling without the capital? NO

This is a methodical process.

50.44 We are at the cusp... the prime determinant will be the results of this drilling the flow rates depletion curves Etc. I can't disclose any of those because I don't know what they are ... we have fracture modelling that we have only just done.... It is a model... we are testing that against the results that come in... it is being done at a time of year I think last year November and May were the times Mereenie was cut off for 4 or 5 days which tells me that I could drill any month of the year... very arid climate that does not flood as the result of non-ambient rain.... It is on an elevated plateau if you like and therefore is not affected by runoff water from elsewhere.... The most important priority is to try and commercialise this gas if it is economic by the time the NGP is completed.

52.15 Q. Is the main reason you are not frilling until January because of the approvals process?

A. Absolutely I couldn't go for regulatory approval until I had the funds... drilling rig people how are you going to pay for it...as soon as the funds were guaranteed we had done all the work as to what we wanted to do but once the funds were guaranteed we could start the process of approvals and the climate in the NT isn't to decrease regulation the climate right through Australia is to increase regulation..... we have minimised the regulatory risk by using existing pre-approved drilling areas... essentially we are going full speed ahead and there are no delays.

Obviously in a 50/50 joint venture we will need also to get a joint venture approval which we can only get in the formal sense when we have done lots of discussion after we get regulatory approval and we can't get regulatory approval until we can show that we can commercialise it... that is the joint marketing so there were a lot of things that needed to be done ensure we get there by January.. by the 6 months next year maybe February.... Once you're dealing with third party approvals... again

for someone to give me the power of clairvoyance to know in this political climate how long it's going to take for the new regulations to be put in is asking something that I unfortunately fail at being able to do.....54.31 we are going full steam ahead.

54.36 Q. On the question of safety you were quoted in the Centralian as saying you have a very good price on the 6 off road vehicles \$100,000 the Listed price is \$84,300 is it the upgrading ?

A. Explanation of upgrading requirements and costs..... emphasising staff safety.

Confirmed Vehicles have been leased.

57.24 Q There has been a lot of chatter on social media and I didn't really want to talk because it is so frustrating but people were saying that people won't give you money to lease so you've got to buy?

A. We have been able to lease them... the resale value of these vehicles at Alice Springs is a lot higher....

57.37 Q News Flow

A, Interim approval hopefully will be given, regulatory approval for the drilling, announcement of who the drilling contractor is, announcement of joint venture approvals, spudding of wells, outcome of the AEMC enquiry, and the outcome of the GMRG enquiry by December, the outcome of the Pepper Enquiry in December... I think that probably covers the next 90 days there's a fair amount going on.

58.37 The pipeline by Ebony Energy (To Moomba) at the end of the day?

A. I've seen that the one I am more interested in is the one Nick Xenophon made them do for the tax cuts for companies which is the one to study the Moomba to Alice Springs pipe route as a condition to getting some legislation through the Senate...

Suffice to say Ebony has to confirm its thesis as to the costs... it's going to have to do trial pits Etc. So having been involved in starting coal mines myself if you think that's going to occur in the next little while that's pretty interesting..... don't know what quality will come out of that gas.... Etc.

Q. I rang the CEO of Ebony energy and he is confident they will have it up and operating in 5 years?

1:00.09 Yes Stephen Gerlach... on 5 years ? that's his aspiration... Adani I knew them fairly well and they were going to get their coal mines in in a fairly short period of time...

I spoke to the Beetaloo Basin people about their shale gas and various other things.... Comments on political certainty & shortage on domestic market Etc.

(Ebony won't have any impact on us.

Capital Raising

1:02.40 A, I don't expect any further capital raising at the end of 2018 I am Hopeful that if we can get certified reserves that the development drilling will either be able to be provided by refinance of all of our debt or that it will be coming out of a (Gas) purchaser's pocket that is our present plan. We are cash positive.

1:03.42 North Korean Problem

A.Positive... No Australian LNG goes through the South China Sea.... China's only formal ally in this world is North Korea.... General comments.... Can't see negative for us... Japanese now see Australia as a political risk.... General comments.

1:06.46 Q. Continuing on that question on the assumption that war breaks out how quickly can CTP satisfy the need for gas given that we are only at the drilling Stage?

A, Can the questioner tell me when war is going to break out ? You can't do anything till the NGP is running can you? , I can't do anything till the NGP is running I could sell it to Darwin... general comments. Short answer is that all existing contracts out of Australia will be wanted.....

1:08.27 One final Question What is your estimate as to when the Beetaloo Shale play will come to market?

A, If the fracking enquiry says it is going to be in a tightly constrained area with changes in regulation I don't think those changes in regulation will occur until this time next year or thereabouts and then I think the quickest anyone has been able to develop a greenfield without infrastructure was QGC for CSG and I think you are talking about 5 or 6 years thereafter.

You are talking some 7 Years Out on the best possible scenario. And that's on the assumption that there is no "Adani"... in the meantime... and I think that would be a courageous assumption.... 2022 Earliest.

1:10.03 Q I have been searching for broker's comments about the Company and I imagine brokers are not following the Company until some drilling is done and they have got some figures?

A ...We are hopeful that we are going to initiate on a number of them...I am intending to do a roadshow in November that's when we hope to get that initiated...

You've done roadshows before but I still can't find anything?

... I believe Morgans and possibly Macquarie will initiate certainly we have been getting some... stuff from Credit Suisse Etc.

Once the risk goes out of the company post the drilling I think we will be initiated by everyone.

Oil and gas and exploration is on the nose...

Offshore component of the Roadshow first week of November.

Desion to hold Next Quarterly Webinar to be decided.

RC closed that he hopled that he had answered the questions.....

End of Webinar