Research as a Service

State Gas Limited

Update Report

Energy

12 April 2024

Completion, commissioning and a contract

State Gas Limited (ASX:GAS) is a junior energy producer and explorer with assets concentrated in the Bowen Basin, Queensland. The Rolleston West CNG Project (RW-CNG) in the Bowen Basin has achieved mechanical completion and with the dewatering of the Rougemont-2/3 well, commissioning is well underway. With a supply contract now signed, the company is targeting first deliveries from mid-April. Notwithstanding rain delays, the project has come in broadly to plan. The facility will be ramped up to an initial output rate of 0.5-0.75TJd in line with well production and as additional offtake agreements are secured. We believe the plant has upside capacity of up to 1.7TJd as future wells are added into the network. Whilst somewhat modest, the resultant cashflows could fund initial appraisal and evaluation works, particularly converting contingent gas to bankable reserves. First gas is always a critical event driver in demonstrating the commercial potential of the assets and providing a growth platform. We expect the company to return to drilling in 2024 to provide additional production capacity to boost RW-CNG output. Although industry macro-drivers highlight a continuing gas supply squeeze and rising prices, progress on new developments has been slow. In this regard GAS has taken an important first mover advantage in the transition from explorer to producer – cashflow is cashflow and initial production provides a quasi-commissioning blueprint for next phase and scale-up opportunities. The company's assets are positively located within a transmission pipeline network with adjacent production analogues highlighting what appears to be the relatively low operating and commercial risk. The company holds a material net 2C contingent resource base of more than 500 PJ and the strategy to convert resources into reserves and build production at scale appears firmly under way.

Business model

State Gas is a junior gas company holding a suite of assets containing a significant 2C contingent resource base with initial gas production set to commence imminently. The resource lies in the gas-prolific Bowen Basin with accompanying infrastructure and production analogues. In the gas business, resources can be converted to reserves rapidly and we suggest there are material expansion opportunities in the portfolio with transformational potential. Project start-up is materially important in demonstrating the commercial potential of the play and generating cashflow. Beneficially, State Gas holds its critical licences at 100% providing future financing optionality through partnering. The company's resource base and high working interests provide opportunity and leverage, in our view.

First gas from Rolleston West CNG is close

With completion, commissioning and a contract secured, first gas is just around the bend. Production provides type curves and further drilling can underpin the declaration of initial 2P reserves to support expansion and financing options. Critically, with the company on the cusp of first gas, it can justifiably claim to hold a first mover advantage over peer group projects where first gas may well be 2026 or later. It's worthwhile reiterating that whilst the initial project is small scale the path to growth begins with the first PJ (petajoule) and the opportunity set appears large. The RW-CSG project can be considered as quasi-commissioning for future, larger-scale developments, refining the well design and production-type curves, and potentially being self-funding. Importantly, production data and demonstration of commercial viability could underpin a material re-rating of the portfolio. GAS is working its asset base and in doing so may attract corporate interest. M&A activity often focuses on companies with 'lower-risk' growth options and we believe the next 12 months has the potential to deliver further re-rating opportunities.

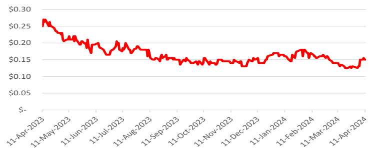
Risked valuation of $198m ($0.72/share)

Our mid-case valuation for GAS is $198m ($0.72/share), a slight reduction from $204m ($0.74/share) previously, noting the potential for unwinding risk overlays as the CSG project ramps up, against the current price of $0.15/share. Our value of the gas resource is marginally lower due to slightly weaker reference spot gas prices reflecting the most critical risk factor to NAV as being long-term gas price assumptions. Valuing assets in an early-development phase is somewhat subjective considering financing, timing and development model uncertainties. The resource opportunity for GAS is potentially transformational and at 535PJ (2C), we believe could be commercially deliverable, at scale in an optimal timeframe. With the imminent commencement of production at the RW-CNG Project and referencing the most recent transaction reserves metric, the share price to value gap may well begin to close. Further in-field activity defining a greater economic case and converting resources into reserves could de-risk the entire portfolio. We believe now is an ideal time to progress and deliver gas projects as there is a material and growing commercial opportunity to capture.

Share Details

ASX code	GAS
Share price (11-Apr)	$0.15
Market capitalisation	$41M
Shares on issue	274M
Est. net cash	$3M
Free float	~56%

Share Performance (12 months)



Upside Case

- Rapid progress to the limit of the CNG option – 1.7TJd into spot gas sales can deliver material revenue
- Upside to realised and spot gas prices
- Accelerating gas commercialisation across the portfolio…the supply squeeze is getting tighter creating an immediate opportunity

Downside Case

- Unexpected issues arising through the commissioning phase or in well deliverability
- Lower-than-expected gas prices compressing margins
- Further recourse to equity markets for financing maximising early-phase dilution

Management and Directors

Doug McAlpine	CEO
Richard Cottee	Executive Chair
Tony Bellas	Deputy Chair
Greg Baynton	Non-Executive Director
Philip St. Baker	Non-Executive Director
Jon Stretch	Non-Executive Director
Rob Towner	Non-Executive Director

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Positive news…

GAS has announced it has achieved mechanical completion of its compressed natural gas (CNG) facility, is well advanced through the well commissioning stage and has secured its initial supply agreement with Thiess Pty Ltd at its Rolleston West Project (ASX announcement – 5-April).

Although there have been delays due to extreme weather (cyclone) interruptions, the controllables in the construction process were delivered as planned.

In some respects, the market appears to rarely rewards 'on time, on budget' outcomes and for GAS, the simple nature and scale of the build did lend itself to target completion, in our view. However, given the intrinsic and embedded industry issues with delivering new gas at any scale, we believe the company has delivered an excellent outcome.

The commissioning process is now about delivering first gas sales, ramping production and attaining a stable nameplate throughput as optimally as possible.

The Rougemont-2/3 (R-2/3) production well is continuing the dewatering process and the company has indicated initial water rates are higher than those observed when the well was first flowed in early-2023.

Whilst 'water = cost', the rates potentially indicate stronger formation pressure and greater permeability, which could result in a higher stable gas rate than the company previously anticipated. The well flowed 474mcfd (~0.5TJd) during testing, according to the company.

Importantly, with the plant now completed, ramp gas can be sold into a local area contract through an agreement with Thiess Pty Ltd ('Thiess') as operator of the Curragh coal mine, trialling hybrid (diesel/gas) mining trucks.

The company says its plan is to ramp production to a stabilised rate between 0.75-1.0TJd and with successful additional exploration and appraisal drilling, lift output to its nominal headline capacity of ~1.7TJd, although no firm timetable to next phase drilling and evaluation has currently been decided.

To understand what nameplate capacity can deliver in economic terms, sales into the current Brisbane spot gas market ($11.32/gj as at 1 March) would generate ~$19k per day (~$7m on an annualised basis). The company has said that at least under the terms of the initial Theiss offtake deal, the gas sale price will be *"…at a premium to the spot price of raw pipeline gas".*

Although the plant base case output may vary materially from nameplate capacity and expected well performance, delivering first gas and cashflow is always an important milestone in the transition from explorer to producer, particularly given the hurdles and delays still apparently facing other Queensland CSG operators.

We have noted in previous reports on the company that the initial phase of the pilot project is modest, but we believe the opportunity set is potentially transformational and although Thiess' Curragh mine is the only operation running active trials currently, that operation represents one of many in the immediate vicinity (refer **Exhibit 1**).

Many operators likely prefer to avoid the higher risks associated with being 'the first' to trial new technology, but we believe success drives further uptake.

We'd expect that a successful outcome could, over a relatively short timeframe, drive material take-up of the hybrid fuel trucking option delivering a significant and relatively low-cost growth opportunity.

Conversion of mining fleets to a hybrid fuel option should not only deliver operating cost savings but would likely go some way to providing carbon offset opportunities, in our opinion.

Exhibit 1: Curragh Coal Mine is surrounded by 'growth opportunities' awaiting a success case

Source: www.bohogs.org.au (Bowen Basin and Hunter Valley Open Cut Geotechnical Society)

Leading the pack

Despite a supportive macro-operating environment, with obvious and continuing gas supply issues, and rising prices, the path to new production has been somewhat tortuous and glacial for the gas industry, particularly in Queensland.

From a position through 2019, where a number of smaller gas players were seemingly well situated with field programmes underway and a number of development options approaching the feasibility study stage, progress then stalled – COVID lockdowns, financing issues, regulatory uncertainty and the push to renewable energy and negative view on fossil fuels, means in many respects the industry (east coast operators) appears not materially closer to any meaningful new production.

Over the last, nearly fifteen months, only GAS has moved from concept to completion, albeit on a small-scale start-up, but we believe sometimes getting up and running is more important than trying to get to scale immediately, particularly if first gas remain long-dated (refer **Exhibit 2**).

As a general rule, we think the bigger the project, the greater the degree of complexity, the longer the time required to production and potentially the greater the dilution at the asset or issued capital level. We believe GAS has demonstrated the benefits of starting small, which ultimately delivers proof of concept and positive cashflow.

We would highlight also, that Beetaloo Basin (Northern Territory) gas players are somewhat on the cusp of sanctioning gas projects, nominally in the period up to mid-2024 for gas deliveries commencing from mid-2025, despite only being able to return to field works from 2020, despite working from a higher drilling and operating cost base. This may be partially the result of having strong Government support but most certainly through a desire to work their assets…**sustainable share price re-ratings come from derisking/value adding the asset base** and we believe GAS stands at that point.

What's next?

Successfully delivering Rolleston West is not only about the beginning the cashflow, but in a more holistic sense, proving the productive nature of the target Bandanna Formation coal measures in this location. We believe success provides a confident look-through to expansion.

The Bandanna coals are regionally pervasive with producing and pre-production analogues, the geology and development style is well known and expansion, whilst not riskless, can be considered as relatively low-risk, in our view.

- **Timing through commissioning process and first gas to customer**

  The company has said that the dewatering process is well underway, **targeting mid-April** as the point where gas production should be sufficiently high enough for efficient (optimal) compressor operation enabling first transport of CNG.
- **Next phase drilling as a critical driver underpinning the declaration of 2P reserves**

  Initial results from the R-2/3 wells have recorded an initially higher water production rate than when the well was shut-in, in April 2023, with perhaps the potential to produce closer to 1TJd /day versus a modelled rate of around 0.75TJd.

  Should that be the case then the project may only need one of the of the two future proposed vertical wells to achieve the nameplate capacity of the plant. The timing of this drilling is broadly post-commencement of gas sales, notionally as soon as operationally and financially feasible as a working strategy, subject to the production performance of the R-2/3 well.

  The current strategy is to drill two vertical wells at a spacing that would optimise the area available for the declaration of 2P reserves, requiring sufficient production data from R-2/3 (to generate a type curve) and correlation of down hole results to the producing well.

  We can only guess at this stage as to the magnitude of 2P gas that could be delivered in a success case outcome, but analogue data suggests to us on a 2-3 well data set, 20-25PJ is not an unreasonable early assumption – with all the obvious caveats with respect to the number of wells, well spacing, production history and reservoir variation.

  It's worth reiterating that the company's stated strategy is to convert sufficient gas from resources to (bankable) reserves to underpin funding from a third party for the development of dedicated pipeline infrastructure to transport 10TJd in an initial phase.

  Interestingly, referencing **Exhibit 3**, should the independent certification achieve our estimate, the multiplier effect on the company's capitalisation could be significant. The 2P metrics from peer group operators represents gas in early-feasibility or pre-development stages, whereas Rolleston West will be producing, even if initially at a small-scale.

- **Partnering opportunities**

  The company says it continues to assess its partnering options as a financing and monetisation mechanism. Prudently, in our view, management has not accelerated any discussions whilst plant commissioning continues and prior to first gas. The potential benefit is that, whilst Rolleston West is small-scale, it supports proof of (commercial) concept and success raises the bar in terms of asset value.

- **Santos Limited (STO.ASX) in Joint Venture**

  STO has most recently been focused on its merger proposal with Woodside Energy (WDS.ASX). With the collapse of that merger proposal (ASX announcement, 7 Feb), we'd expect STO to return to its project portfolio, but believe it may also want to see the results from the Rolleston West project prior to commencing any exploration campaign. We would be surprised to see any material activity being undertaken through the remainder of 2024.

The company's longer-term operating plan for Rolleston West is to build production to ~1.7TJd which is likely to be the current operating constraint for trucking and compression.

Under the Denison Memorandum of understanding (MOU), gas from the CNG Project (up to 1TJd) can be sold into the Brisbane spot market, which has recently been trading around $11/gj as a benchmark.

Exhibit 2: GAS has achieved much over the last 15 months

State Gas (GAS.ASX)	Comet Ridge (COI.ASX)	Blue Energy (BLU.ASX)	Galilee Energy (GLL.ASX)
Quarter ending 31-Mar-2023			
Gas industry activity somewhat frozen with the Federal Government seeking to change the operations of the industry under a proposed Code of Conduct, which included the potential for the imposition of a domestic price cap at $12/gj.			
Completed testing at the Rougemont pilot well with gas peaking at over 475mcfd suggesting a production rate of ~0.5TJd was achievable The well was shut-in at end period	Reported increased interest in gas supply on a pre-development basis given the uncertainty associated with the start-up of new projects resulting from potential Code of Conduct issues	Testing at the Sapphire pilot project continuing with gas flow recorded at 100mcfd (water at 200-250bpd).	Ongoing remedial works at the Glenaras pilot project
Engineering design on the CNG development option continued with pre-fabrication activity largely completed	Entered a FEED study with Denison Gas on the Mahalo North (North Block) opportunity for up to 10TJd	Phase 2 of the Bowen Basin pipeline study completed	Planning associated with a scoping study on a proposed hydrogen plant continuing.
Quarter ending 30-Jun-2023			
Code of Conduct formalised with small operators exempt from gas price caps.			
Completed preparatory works on CNG site with construction commenced. Planned construction timetable of around three months. **Pre-commissioning completed** on facilities in Brisbane awaiting transport to site	MOU and pre-FEED study with Jemena completed on a North Block connection into the domestic gas pipeline network	Updated gas resource estimates released (3C and 3P volumes). Sapphire pilot testing update – peak flow at 140mcfd Sapphire Production Licence, environmental approval granted	**Completed remedial works at Glenaras pilot with immediate benefits** evident in dewatering operations. Glenaras 3D seismic survey completed
Off-take discussions initiated	MOU signed with Orica for proposed future (North Block) gas supply	MOU with Qld Pacific Metals Energy signed providing access to Moranbah processing plant. Engineering works commenced.	Engineering works commenced on hydrogen project
Quarter ending 30-Sep-2023			
Successful $7m capital raising	**'CleanCo' debt converted to binding sales agreement**	Sapphire pilot pressure build up testing	Glenaras dewatering continuing
Civil works at site underway with likely commissioning in Late Nov and first gas in Dec	North Block PI and environmental applications submitted	Sapphire reserves estimates increased	MOU with Escar Energy agreed for collaboration on upstream opportunities
	Additional gas agreements and pipeline studies progressing	**Environmental applications appealed** – further submissions lodged	
	Data room established		**Data room established**
Quarter ending 31-Dec-2023			
Plant mechanical completion imminent with sales targeting mid-Feb	North Block 3P reserves upgraded	Sapphire flow testing resumed but shut-in for pump maintenance	Glenaras pilot 'on the verge' of reaching critical desorption pressure
Significant weather delays throughout period	Progressing North Block applications	Lodged applications for funding under state 'Frontier Gas Exploration Scheme'	Evaluation of sustainable water usage projects
Finalising commercial terms for gas sales agreements	Mahalo Joint Venture (Main Block) progressing 'concept select' as a precursor to FEED	…continuing to work through appeals process on environmental applications	

…(continued)

...2024 activity to date			
Mechanical completion achieved – project in commissioning phase	$15m equity financing successfully completed	Non-binding HOA with AGL Limited for supply of up to 300PJ with an indicative start date of 2028	

Source: Company announcements; *RaaS commentary*
mcfd – thousand cubic feet per day; bpd – barrels per day, TJd – terajoules per day
MOU – Memorandum of Understanding; HOA – Heads of Agreement

Investment case is now backed by imminent production

It has been an investment conundrum that in a continuing (and tightening) supply constrained gas market on a rising price, share prices of companies in the sector remain disconnected with the intrinsic value of gas in the ground.

Cooper Energy (COE.ASX) has recently secured an extension of its supply contract with Visy Glass at pricing the company indicated was in line with ACCC assumptions as per its Dec'23 gas markets document of *"...between $10-20/gj"* and pointing to the middle of the range although anecdotally, we think it is likely to be in the upper half. [December-2023 Quarterly report Conference call – 23-Jan]

To us this sends a clear signal, that gas is still required and is hard to source.

We would also point to the current VIC-SYD-ADE-BNE spot markets where prices are averaging $11.80/gj and peaking above $13/gj for 2024 ytd (up to 9 April).

We believe the value inherent in the company's portfolio is evident with ascribed contingent resources in excess of 500PJ, pointing to the transformational potential of the opportunity.

Assigning a value based on gas potential by applying a risked unit NPV, whilst a valid method, we believe is somewhat subjective and leveraged to assumptions on conversion of gas potential to commercial projects, gas prices that could be subject to material changes over the course of work programmes, and also assumes adequate financing can be obtained to production.

Risk weightings can be company and/or asset specific particularly with regards to the establishment of commercial flow rates and location with respect to access to existing markets via existing infrastructure networks.

We have assigned a mid-case valuation of $0.72/share to the company's portfolio with a low case of $0.54/share.

We believe the ascribed NAV is broadly indicative of the magnitude of the gas opportunity inherent in the portfolio which provides the basis for comparative gas metrics to indicate the value-adding potential that is generated as the commercial case for gas becomes better defined.

Exhibit 3: Reserves/resources metrics highlight the sector has cheap gas and GAS is cheap

Company	Ticker	Share price	Capitalisation	EV	2P	2C	EV/2P	EV/2(P+C)
		A$	A$mn	A$mn	PJ	PJ	A$/gj	A$/gj
Blue Energy	BLU	0.017	32	25	91	1,617	0.27	0.015
Comet Ridge	COI	0.200	227	216	195	211	1.11	0.53
Galilee Energy	GLL	0.027	10	7		3,102		<0.01
State Gas	GAS	0.15	41	39		534		0.07
State Gas (@ NAV)		**0.72**						**0.37**

Source: Company and ASX data; share prices as of close of trading 9 April

We believe comparative reserves metrics should be used on a relative rather than absolute basis, broadly pointing to the market assessment of the commerciality and the potential unit uplift achievable as resources are converted to reserves and the production growth opportunity crystalise.

On a 'spot basis', metrics don't specifically recognise what stock specific discounts the market may be applying at a corporate or financing, as well as resource level.

Referencing **Exhibit 3**, we note the metric represented by our assigned NAV for GAS ($0.37/gj) compares favourably to the reserves metric calculated for COI which has been in a pre-development phase across its Mahalo Projects with seemingly limited progress over the last 12-15 months, noting GAS is on the cusp of first sales.

The gap between the current and valuation reserves metric points to the potential uplift available in the share price on the declaration of 2P reserves and growth in production.

On that basis and as a 'back-solve', we remain comfortable with our assigned NAV for GAS.

Interestingly, in an industry with rising product prices and a likely long-dated supply squeeze, we have not seen much in the way of corporate consolidation of east coast operators.

What M&A activity that has been completed has been very opportunity specific –

- The consolidation of Beetaloo Basin (NT) interests by both Empire Energy (EEG.ASX) and Tamboran Resources (TBN.ASX) which represent cases of building on existing acreage positions with both companies working towards project sanction (FID) outcomes around mid-2024.
- The Hancock Energy and POSCO takeover of Senex Energy in Marc-2022 (no longer listed) for some 767PJ of 2P reserves, in production and generating around $25-35mn NPAT on consensus estimates (FY22) at that time.

  The look through acquisition metric was around $1.07/gj for 2P gas in production with a defined growth plan. That's a 'cheap' metric in absolute terms but likely reflected the lower margin nature of a developed and producing business, with the company struggling at that time to deliver growth and stronger margins from what were considered a second tier set of assets in the QLD CSG space.
- Most recently, the sale of Meerenie Gas Project (NT) interests to existing partners for a reserve metric price of ~$1.43/gj (2P basis). [Horizon Energy (HZO.ASX) ASX release – 15-Feb]

  The Mereenie operations are modest (27TJd) from mature fields with limited growth potential, connected to east coast markets but distant enough for well head pricing to be cannibalised by pipeline tariffs.

Using the Mereenie metric as a look-through, then the current capitalisation of GAS represents only some 26PJ of 2P equivalent gas reserves – on a base of 534PJ @ 2C, with production commencing, directly connected to Queensland domestic markets with higher well head and spot pricing. We believe that there is potential for a material re-rating opportunity here to be delivered.

Appendix: AEMO - still forecasting a gas shortfall

The Australian Energy market operator (AEMO) has released its latest Gas Statement of Opportuities (GSOO) report [March 2024] and continues to hold to the premise of continued "…**forecast risks of shortfalls"** in gas supply, although all of that comes with a number of caveats under the model assumptions.

The timing and order of magnitude of the shortfall can still be considered as uncertain.

The gas supply macro hasn't changed, in fact it has only become a stronger investment thematic. The issue has not been the operating environment, it has been industry's capacity (and willingness?) to actually get after their assets that has been the underlying issue, in our opinion. It could be argued that development delays just make the pricing point stronger – we would argue that rising contract and spot gas prices have been offset by pushing back the timing to first gas and capex inflation. Whilst the nominal NPV of the project may be somewhat the same, the need for working capital in the interim has generated per share dilution and the widely anticipated industry rationalisation (M&A) has also largely failed to materialise.

We will highlight a couple of telling sentences from the GSOO (analyst emphasis in **bold**)– *with analyst comments -*

The projected reduction in daily maximum production is forecast to "…**cause challenging gas adequacy conditions for southern regions and require a greater reliance on storage and gas supplied from northern regions."**

"Given the lead time(s) needed to plan, obtain approval for and build new greenfield infrastructure, **demand flexibility is likely the best solution** to address forecast short-term supply shortfall risks. In extreme gas shortfall conditions, **secondary fuels may be needed to operate gas generation** for short periods, so electricity reliability is not compromised.

…in the absence of coal fired generation, that would then be diesel.

- (AEMO) "…**continues to forecast risks of shortfalls** on extreme peak demand days from 2025 and the potential for small seasonal supply gaps from 2026, predominantly in southern Australia, ahead of annual supply gaps that will require new sources of supply from 2028. Gas consumption by residential, commercial and industrial consumers is forecast to decline, **but production in the south is forecast to decline faster."**

The basic supply squeeze premise hasn't changed but maybe the timing is still somewhat fluid - 'spot' shortfalls in gas from as soon as next year in '…extreme peak weather conditions', but in reality, this can be somewhat resolved by stronger-for-longer spot pricing that draws marginal gas into the domestic market. It just means floor prices have to be higher. So, is the current spot floor at around $11/gj sufficient?

- "…deep and shallow gas storages are vital to meeting peak demands."
- "Northern producers need to deliver anticipated supplies and from 2026 **investments in <u>currently uncertain supply</u> will be needed to meet domestic requirements and export positions**."

There are no new storage options (old reservoirs) being pursued for development at this stage that we are aware of and storage options need excess supply (or diverted gas supply) to work. In a practical sense in-ground storage (reinjection) also quarantines a certain volume of gas on a long-dated basis – and the bigger the individual storage 'tank', the more permanent gas that will be required to maintain operational pressure.

"Uncertain" projects need to be delivered under AEMO's scenarios – this excludes projects like Mahalo (COI and STO - classified as 'anticipated') and Beach Energy's (BPT.ASX) new connections at the Thylacine Project. By definition this means rising supply risk to 2026 forecasts at least in our view.

We have written previously about the glacial progress over new gas options. Uncertain gas is likely to be delivered later than earlier (if at all) and we would add that even anticipated gas comes with elements of timing and capital risk – as COI and BPT projects have been in 'pre-development' for quite some time and have been pushed backwards in AEMO scenarios over the last couple of years.

Pre-development projects are working through feasibility studies on fewer wells (in the ground) compared to historical norms, so by definition the sub-surface risks must also be nominally higher.

- "Production from LNG producers' existing and committed developments, in addition to domestic third-party supply, **will only be sufficient to meet export and domestic supply contracts until the end of 2024.**"
- "The **development of northern anticipated supply will only maintain sufficient supply until 2026** and uncertain supply developments will then be required to ensure that northern demand, LNG exports and southern demand can be satisfied."

AEMO modelling indicates a range of supply and infrastructure options (can) delay annual supply gaps and help to mitigate the risk of peak day shortfalls, particularly when paired with increased storage capacity.

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Exhibit 4: Financial Summary

STATE GAS		GAS		
YEAR END		June		
NAV	A$	$0.72		
SHARE PRICE	A$	$0.150	priced as of close	10-Apr
MARKET CAP	A$M	41		
ORDINARY SHARES	M	274		
OPTIONS & RIGHTS	M	5		

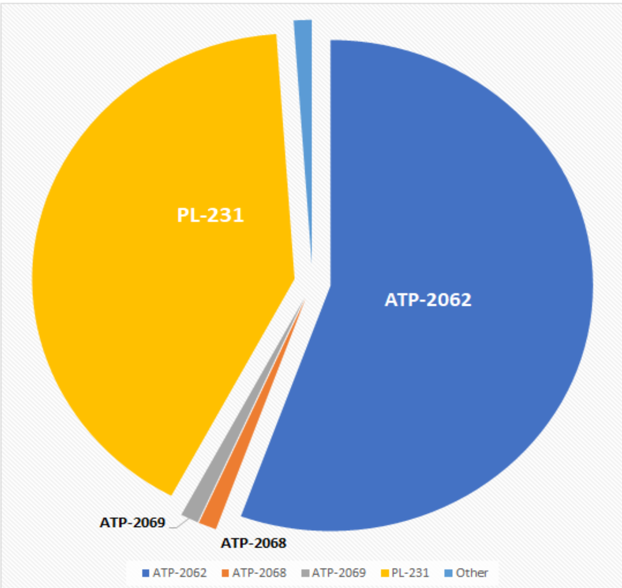
nm = not meaningful
na = not applicable

COMMODITY ASSUMPTIONS		FY22A	FY23A	FY24E	FY25E
Realised Gas Price	A$/gj			12.00	12.00
Exchange Rate					
Oil Price	US$/b				
LPG Price	A$/t				
Condensate Price	US$/b				
RATIO ANALYSIS		**FY22A**	**FY23A**	**FY24E**	**FY25E**
Shares Outstanding	M	200	225	274	274
EPS (pre sig items)	Acps	0.7	(0.6)	0.1	1.2
EPS (post sig items)	Acps				
PER (pre sig items)	x		na	nm	12.1x
OCFPS	Acps	(0.6)	(0.2)	0.5	1.6
CFR	x		na	30.2x	9.2x
DPS	Acps				
Dividend Yield	%				
BVPS	Acps	15.7	16.6	15.6	16.5
Price/Book	x	1.0x	0.9x	1.0x	0.9x
ROE	%	4%	-3%	1%	8%
ROA	%	4%	-3%	1%	7%
(Trailing) Debt/Cash	x				
Interest Cover	x				
Gross Profit/share	Acps		0.0	0.7	1.9
EBITDAX	A$M		0.0	2.4	5.6
EBITDAX Ratio	%		na	53%	53%
EARNINGS	**A$mn**	**FY22A**	**FY23A**	**FY24E**	**FY25E**
Revenue				4.5	10.5
Cost of sales				(2.5)	(5.4)
Gross Profit		**0.0**	**0.0**	**2.0**	**5.1**
Other revenue					
Other income		0.0	0.0	0.0	0.0
Exploration written off					
Finance costs		(0.0)	(0.1)	(0.0)	(0.0)
Impairment					
Other expenses		1.4	(1.1)	(1.7)	(1.7)
Profit before tax		**1.3**	**(1.2)**	**0.3**	**3.4**
Taxes					
NPAT Reported		**1.3**	**(1.2)**	**0.3**	**3.4**
Underlying Adjustments					
NPAT Underlying		**1.3**	**(1.2)**	**0.3**	**3.4**
CASHFLOW	**A$mn**	**FY22A**	**FY23A**	**FY24E**	**FY25E**
Operational Cash Flow		**(1.2)**	**(0.4)**	**1.3**	**4.5**
Net Interest		0.00	0.02	0.02	0.03
Taxes Paid					
Other					
Net Operating Cashflow		**(1.2)**	**(0.4)**	**1.4**	**4.5**
Exploration		(6.2)	(6.2)	(1.5)	(4.0)
PP&E		(0.0)	(3.1)	(5.0)	0.0
Petroleum Assets					
Net Asset Sales/other					
Net Investing Cashflow		**(6.2)**	**(0.4)**	**1.4**	**4.5**
Dividends Paid					
Net Debt Drawdown					
Equity Issues/(Buyback)		7.5	7.0	8.0	0.0
Other					
Net Financing Cashflow		**7.5**	**6.9**	**7.9**	**0.0**
Net Change in Cash		**0.1**	**(2.8)**	**2.7**	**0.5**
BALANCE SHEET	**A$mn**	**FY22A**	**FY23A**	**FY24E**	**FY25E**
Cash & Equivalents		3.2	0.5	3.2	3.7
PP&E & Development		0.7	3.8	8.8	8.8
Exploration		29.4	36.1	37.2	40.7
Total Assets		**33.9**	**40.3**	**46.4**	**49.9**
Debt		0.0	0.0	1.0	2.0
Total Liabilities		**2.6**	**2.9**	**3.7**	**4.6**
Total Net Assets/Equity		**31.3**	**37.4**	**42.7**	**45.3**
Net Cash/(Debt)		3.2	0.5	2.2	1.7
Gearing (d_n/(d_n+e))		na	na	na	na

PRODUCTION			FY22A	FY23A	FY24E	FY25E
Rougemont	Gas	TJ			300	700
TOTAL		**kboe**			50	117
Sales Volumes		TJ			300	700
Product Revenue		A$mn			4.5	10.5
Cash Costs		A$mn			(2.1)	(4.9)
Ave Price Realised		A$/gj			12.00	12.00
Cash Costs		A$/gj			(7.00)	(7.00)
Cash Margin					**53%**	**53%**

RESERVES & RESOURCES		as of	28/04/23	
Permit	**Project**	**1C**	**2C**	**3C**
ATP-2062	Rougemont	53	91	161
	Bandanna West	92	170	293
	'Conventional'	6	18	52
ATP-2068		25	43	68
ATP-2069		12	17	24
PL-231	Reid's Dome	84	192	660
	'Conventional'	2	4	8
TOTAL	**PJ**	**274**	**535**	**1,266**

EQUITY VALUATION					
Permit	**Project**	**WI**		**Acps**	
ATP-2062	Rougemont	100%	$50	$0.18	
	Bandanna West	100%	$55	$0.20	
	'Conventional'	100%	$3	$0.01	
ATP-2068		35%	$3	$0.01	
ATP-2069		35%	$3	$0.01	
PL-231	Reid's Dome	100%	$76	$0.28	
	'Conventional'	100%	$5	$0.02	
Other		100%	$5	$0.02	
Net Cash/(debt)			$2	$0.01	
Corporate costs			-$3	($0.01)	**P/NAV**
TOTAL			**$198**	**$0.72**	0.21
Cash Producing Assets					



Source: RaaS Advisory estimates for FY24E and FY25E, Company data

FINANCIAL SERVICES GUIDE

RaaS Research Group Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415, of

BR SECURITIES AUSTRALIA PTY LTD; ABN 92 168 734 530; AFSL 456663

Effective Date: 26th March 2024

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Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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