

From: Mike Lauer [<mailto:mike@gastrading.com.au>]

Sent: Friday, 17 August 2018 9:57 AM

Subject: gasTrading Sport Market™ - September Invitation

For the month of **September 2018** we anticipate having the quantities of gas set out below available for sale. You are invited to submit your offer, before **close of business** (Perth Time) on **Monday the 27th of August**, if you wish to purchase all or part of this gas, quoting the volume of gas that you wish to purchase and the price at which you are prepared to complete the purchase. We will advise successful buyers by **midday** (Perth Time) on **Tuesday the 28th of August** and complete contracts from the **28th** to the **31st of August**.

Market Dynamics

As at the 15th of **August** we are on track to trade 108 TJ of gas (On Market) for the month of **August**. This volume is in line with the final volumes traded in **July** (106 TJ) and with the anticipated **August** sales volume of 108 TJ. Traded volumes are still being dampened by project specific maintenance shutdowns and lower wintertime demand.

More generally, the lower trading volumes seen since March 2018 reflect the contraction of the spot market as gas sellers cut price, and offer greater off take flexibility, to capture increased market share. Aggressive marketing of firm gas at competitive prices, with increased flexibility in the offtake obligations in firm gas contracts, has seen a number of buyers leave the spot market (at least temporarily) since the end of February 2017. The spot market contraction has stabilised in recent months. That situation has not changed. There have been negligible Off Market spot sales in **August** to date. Agora Gas was joined in the market by a second gas seller in the market in June and that seller remains active in the market.

We do not expect the slide in sales volumes, which started at the beginning of 2018, to turn around until Sellers satiate their hunger for market share or until Buyers place value in the transparency, and the absence of take or pay obligations, in the spot market. The period since the end of 2017 has marked a very dynamic phase for the market. As a result of this dynamism we are unable to be confident in predicting how market demand might behave in the next few months but the cessation of the market contraction since April is informative. While the lower limit on the size of near term spot sales is unknown the upside for traded volumes is limited only by demand, since substantial volumes of gas are available. While it is possible that there may be some further modest softening in spot price we do not anticipate that the price at which gas is supplied to the market will soften too much further. There are no gas production maintenance driven supply side disturbances anticipated in **September** which are expected to affect the demand and supply balance.

The offer price range in **August** was \$0.13 per GJ, from \$3.41 to \$3.54 per GJ. The recent price stability and the continuing narrow bid range reflect the fact that the softening in the spot gas price has slowed to a crawl and the Back Up Gas Price and traded volumes are stable. The Back Up Gas Price did not come into play in **August**. No contract was written in **August** below \$3.41 per GJ. The **August** Back Up Gas Price is \$3.41 per GJ.

The currently anticipated average **August** On Market price is \$3.48 per GJ (as at the 15th of **August**). This average is down on the \$3.54 per GJ average **July** price and is one cent above the **August** average price anticipated when the market was set at the start of the month (\$3.347 per GJ).

The buyers remaining in the market continue to use the gasTrading Spot Market for everyday gas supply planning and for take or pay risk management. Recent shifts in the terms of firm gas supply contracts have impacted on the level of buyer activity in the spot market. The availability of more flexible firm contract terms are proof that the desire for market share, rather than certainty of sales volumes and price, is driving sellers of firm gas in the current market. The average spot market price may fall a little further but we anticipate that it does not have much more to give up. Where the demand side of the market moves later in 2018 is an unknown at this time. The decline in the Back Up Gas Price since January confirms the softening of the market. The Back Up Gas Price is not expected to change in **September**. We will publish the Back Up Gas Price for **September** with the Bidding Round Results Summary.

The table below summarises Agora Gas' On Market and Off Market spot gas sales since **August** 2017. The sharp decline in Agora Gas' traded volumes since June 2018 reflects the shrinkage of the market, winter demand levels and the fact that a second seller is now active in the market.

	On Market	Off Market	Total	
Month	(TJ)	(TJ)	(TJ)	Comment
Aug-17	213.800	0.000	213.800	
Sep-17	174.800	0.000	174.800	
Oct-17	240.900	0.000	240.900	
Nov-17	322.902	0.000	322.902	
Dec-17	372.300	2.000	374.300	
Jan-18	168.700	1.000	169.700	
Feb-18	192.755	1.000	193.755	
Mar-18	110.700	1.800	112.500	
Apr-18	105.000	1.500	106.500	
May-18	119.400	3.400	122.800	
Jun-18	69.843	0.000	69.843	
Jul-18	52.900	1.700	54.600	
Aug-18	27.400	0.800	28.200	<i>:to 15 August</i>

Agora Gas continues to seek out the most attractive sources of Back Up Gas to ensure the market remains liquid and competitively priced. Agora Gas is currently expected to be one of at least two market sellers in **September**.

We will publish the summary results of the **September 2018 Bidding Round** on or before the **1st** of **September** on the web site link below.

Market Update

The results of the **August 2018 Bidding Round**, and the gasTrading Spot Market history to **July 2018**, can be found at <http://www.gastrading.com.au/spot-market/historical-prices-and-volume>

We have continued strong supply side support for the market. This support is currently looking for Buyer offer prices at and above \$3.41 per GJ. To understand buyer bidding behaviour it may be helpful to note that gas is allocated first to the top of the bid stack and available supplies are allocated in a cascade down the bid stack.

At this time the indicated volumes available for **September 2018** are in line with the volumes offered in the **August** Invitation. Given that a significant portions of this gas will be procured for the market by Agora Gas' Off Market purchases, these volumes are very price sensitive and will increase or decrease in response to offers received from buyers. Additional gas volumes can be brought into the market above those quoted in the table.

In **August**, to the 15th, 100% of daily contract volumes were filled in all price quartiles of the market.

Gas Available September 2018	
Date	Quantity TJ
1/09/2018	7.00
2/09/2018	7.00
3/09/2018	7.00
4/09/2018	7.00
5/09/2018	7.00
6/09/2018	7.00
7/09/2018	7.00
8/09/2018	7.00
9/09/2018	7.00
10/09/2018	7.00
11/09/2018	7.00
12/09/2018	7.00
13/09/2018	7.00
14/09/2018	7.00
15/09/2018	7.00
16/09/2018	7.00
17/09/2018	7.00
18/09/2018	7.00
19/09/2018	7.00
20/09/2018	7.00
21/09/2018	7.00
22/09/2018	7.00
23/09/2018	7.00
24/09/2018	7.00
25/09/2018	7.00
26/09/2018	7.00
27/09/2018	7.00
28/09/2018	7.00
29/09/2018	7.00
30/09/2018	7.00
NA	

210.00

You may not be aware but gasTrading is currently building a gasTrading Sport Market™ book out of the Northern Territory and Queensland. If this market development interests you and we have

not made contract please give Allan or me a call. If this market development might interest a related operation or an associate please pass on this invitation.

Regards
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