

From: Mike Lauer <mike@gastrading.com.au>
Sent: Wednesday, 16 January 2019 4:24 PM
Subject: gasTrading Spot Market™ February 2019 Invitation

Good Afternoon All,

Welcome to 2019. We trust you have had a happy and successful start to the year.

For the month of **February 2019** 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 **Friday the 25th of January 2019**, if you propose to purchase all or part of this gas, quoting the indicative daily volumes 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 **start of business** (Perth Time) on **Tuesday the 29th of January** and complete contracts from the **29th** to the **31st of January**.

Market Dynamics

As at the 15th of **January** we are on track to trade 123 TJ of gas (On Market) for the month of **January 2019**. This volume is down a little on the final volumes traded in **December** (129 TJ) and on the anticipated **January** sales volume of 128 TJ.

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 gas at competitive prices, with increased flexibility in the offtake obligations, has seen a number of buyers leave the gasTrading Spot Market™ (at least temporarily) since the end of February 2018. The gasTrading Spot Market™ contraction has halted in recent months. The entry of new gas buyers to the market since October continues to lift traded volumes above earlier lows. There was also strong Off Market spot sales in November and December 2018. Agora Gas was joined in the gasTrading Spot Market™ by a second gas seller in June and a third seller entered the market in November. Both new sellers remain active in the market.

We expect sales volumes to remain at current levels or to lift further in **February 2019**. The period since the end of 2017 has marked a dynamic phase for the market. We still find it difficult to predict how market demand might behave in the next few months. While the lower limit on the size of our near term spot sales is unknown the upside for traded volumes is limited only by demand, since substantial volumes of gas are available. The price at which gas is supplied to the market softened in January but, in the absence of a significant lift in volumes, is not expected to move much in coming months. **Varanus Island** has planned maintenance from **1 to 14 February 2019** that will constrain Varanus capacity but no maintenance driven supply side disturbance is foreshadowed for February at this time.

The offer price range in **January 2019** was \$0.08 per GJ, from \$3.33 to \$3.40 per GJ, as buyers again looked for the bottom of the market price range. The continued narrow offer price range (seen for most of 2018) reflects the market's stability in this period. There were no **January 2019** price offers below the Back Up Gas Price and the Back Up Gas Price did not come into play in **January**. No contract was written in **January** below \$3.33 per GJ. The **January** Back Up Gas Price is \$3.19 per GJ.

The currently anticipated average **January** On Market price is \$3.39 per GJ (as at the 15th of **January**). This average is down one cent on the \$3.40 per GJ average **December** price and is equal to the **January** average price anticipated when the market was set at the start of the month.

Buyers and sellers active 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 other gas supply contracts have impacted on the level of buyer activity in the gasTrading Spot Market™. The availability of more flexible firm and spot contract terms are proof that the desire for market share, rather than certainty of sales volumes and price, is driving gas sellers in the current market. Where the demand side of the market moves in 2019 is an unknown at this time although there are signs that traded volumes may increase. Agora Gas returned to the market in December for January Back Up Gas and delivered an anticipated reduction in the Back Up Gas Price for January. We will publish the Back Up Gas Price for **February** with the Bidding Round Results Summary.

The table below summarises Agora Gas' On Market and Off Market spot gas sales since **January** 2018. The decline in Agora Gas' traded volumes since March 2018 reflects the shrinkage of the market and the sharp declines in June and December reflect the fact that a second and third gas seller entered the market on each occasion. These new sellers are entitled to an equal share of the market. The Off Market spot sales in November and December have ceased for the moment.

	On Market	Off Market	Total	
Month	(TJ)	(TJ)	(TJ)	Comment
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	53.280	2.200	55.480	
Sep-18	48.640	1.130	49.770	
Oct-18	53.700	2.100	55.800	
Nov-18	60.481	42.600	103.081	
Dec-18	48.900	68.730	117.630	
Jan-19	18.800	1.000	19.800	<i>:to 15 January</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 returned to the market in December for January Back Up Gas. Agora Gas is currently expected to be one of at least three gasTrading Spot Market™ sellers in **February**.

We will publish the summary results of the **February 2019 Bidding Round** on or before the **31st of January** on the web site link below.

Market Update

The results of the **January 2018 Bidding Round**, and the gasTrading Spot Market™ history to **December 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 \$3.20 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.

The indicated daily volumes available for **February 2019** are in line with the volumes offered in the **January 2019** Invitation. However, given that a significant portion 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 **January 2019**, to the 15th, 100% of daily contract volumes were filled in all price quartiles of the market.

gasTrading continues to build its gasTrading Sport Market™ book out of the Northern Territory and Queensland and has signed up its first participants. Agora Gas made its first Northern Territory Off Market spot trades in November. The Northern Gas Pipeline is now operating although those operations are still settling down. If the development of an east coast spot market interests you and we have not made contact please give Allan or me a call. If this market development might interest a related operation or an associate please pass on this invitation.

Gas Available February 2019

Date	Quantity TJ
1/02/2019	7.50
2/02/2019	7.50
3/02/2019	7.50
4/02/2019	7.50
5/02/2019	7.50
6/02/2019	7.50
7/02/2019	7.50
8/02/2019	7.50
9/02/2019	7.50
10/02/2019	7.50
11/02/2019	7.50
12/02/2019	7.50
13/02/2019	7.50
14/02/2019	7.50
15/02/2019	7.50
16/02/2019	7.50
17/02/2019	7.50
18/02/2019	7.50
19/02/2019	7.50
20/02/2019	7.50
21/02/2019	7.50
22/02/2019	7.50
23/02/2019	7.50
24/02/2019	7.50
25/02/2019	7.50
26/02/2019	7.50
27/02/2019	7.50
28/02/2019	7.50
NA	
NA	
NA	

210.00

Regards
Mike Lauer