

From: Mike Lauer <mike@gastrading.com.au>
Sent: Tuesday, 19 February 2019 12:52 PM
Subject: gasTrading Spot Market™ March Invitation

Good Afternoon All,

For the month of **March 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 **Monday the 25th of February 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 26th of February** and complete contracts from the **26th** to the **28st of February**.

Market Dynamics

As at the 15th of **February** we are on track to trade 105 TJ of gas (On Market) for the month of **February 2019**. This volume is in line with the final volumes traded in **January** (104 TJ, notwithstanding the shorter month) and in line with the anticipated **February** sales volume of 104 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 drop in the January and February gas price has stimulated revived interest in the market. Perhaps some of those buyers who left the spot market last year have found themselves stranded on 2018 prices. The gasTrading Spot Market™ contraction halted by the middle of last year. The entry of new gas buyers to the market since October has lifted traded volumes modestly above earlier lows. 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 a little further in **March 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 and remained at that level in February but, in the absence of a significant lift in volumes, is not expected to move much in coming months. Varanus island capacity will be affected by planned maintenance from 6 to 10 February with a foreshadowed capacity reduction to 140 TJ per day and the Goldfields Gas Pipeline has planned maintenance from 12 to 13 February (Wyloo) and from 24 to 27 February (Turee Creek), both of which will reduce capacity. At this time, however, there is no notification that maintenance driven supply side disturbance is anticipated in February.

The offer price range in **February 2019** was \$0.20 per GJ, from \$3.20 to \$3.39 per GJ, well up on recent months, as buyers reacted to the drop in the Back Up Gas Price in January and continue to search 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 **February 2019** price offers below the Back Up Gas Price and the Back Up Gas Price did not come into play in **February**. No contract was written in **February** below \$3.20 per GJ. The **February** Back Up Gas Price remained steady at \$3.19 per GJ.

The currently anticipated average **February** On Market price is \$3.28 per GJ (as at the 15th of **February**). This average is down eleven cents on the \$3.39 per GJ average **January** price and is equal to the **February** 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 Back Up Gas and delivered an anticipated reduction in the Back Up Gas Price. We will publish the Back Up Gas Price for **March** with the Bidding Round Results Summary.

The table below summarises Agora Gas' On Market and Off Market spot gas sales since **February** 2018. The decline in Agora Gas' traded volumes since March 2018 reflects the shrinkage of the market and the sharp declines in Agora Gas spot sales in June and December reflect the fact that a second and then a 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 2018 did not carry over to January and February 2019.

	On Market	Off Market	Total	
Month	(TJ)	(TJ)	(TJ)	Comment
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	36.150	4.000	40.150	
Feb-19	24.243	0.900	25.143	<i>:to 15 February</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 Back Up Gas. Agora Gas is currently expected to be one of at least three gasTrading Spot Market™ sellers in **March**.

We will publish the summary results of the **March 2019 Bidding Round** on or before the **28st of February** on the web site link below.

Market Update

The results of the **February 2019 Bidding Round**, and the gasTrading Spot Market™ history to **January 2019**, 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 **March 2019** are down on the volumes offered in the **February 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 **February 2019**, to the 15th, 100% of daily contract volumes were filled in all price quartiles of the market.

gasTrading is working 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 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.

Gas Available March 2019	
Date	Quantity TJ
1/03/2019	6.10
2/03/2019	6.10
3/03/2019	6.10
4/03/2019	6.10
5/03/2019	6.10
6/03/2019	6.10
7/03/2019	6.10
8/03/2019	6.10
9/03/2019	6.10
10/03/2019	6.10
11/03/2019	6.10
12/03/2019	6.10
13/03/2019	6.10
14/03/2019	6.10
15/03/2019	6.10
16/03/2019	6.10
17/03/2019	6.10
18/03/2019	6.10
19/03/2019	6.10
20/03/2019	6.10
21/03/2019	6.10
22/03/2019	6.10
23/03/2019	6.10
24/03/2019	6.10
25/03/2019	6.10
26/03/2019	6.10
27/03/2019	6.10
28/03/2019	6.10
29/03/2019	6.10
30/03/2019	6.10
31/03/2019	6.10

189.10

Regards
Mike Lauer