

Good Afternoon All,

For the month of **June 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 27<sup>th</sup> of May 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 Offer Price at which you are prepared to complete the purchase. We will advise successful buyers by **10 AM** (Perth Time) on **Tuesday the 28<sup>th</sup> of May** and complete contracts from the **28<sup>th</sup>** to the **31<sup>st</sup> of May**.

### **Market Dynamics**

As at the 15<sup>th</sup> of **May** we are on track to trade 220 TJ of gas (On Market) for the month of **May 2019**. This volume is substantially higher than the final volumes traded in **April** (151 TJ) and below the anticipated **May** sales volume of 272 TJ. The shortfall, relative to the anticipated May volumes, reflects a reduction in forecast demand to cover planned maintenance that has come in, so far, below anticipation.

The lower trading volumes which manifest in March 2018 (as a result of gas sellers cutting price, and offering greater off take flexibility, to capture increased market share) are clearly now turning around. Aggressive marketing of gas at competitive prices, with increased flexibility in the offtake obligations, at the beginning of 2018 saw a number of buyers leave the gasTrading Spot Market™ (at least temporarily). The drop in the January and February 2019 gasTrading Spot Market™ price has stimulated revived interest in the market. Perhaps some of those buyers who left the gasTrading Spot Market™ last year have found themselves stranded on 2018 prices. The gasTrading Spot Market™ contraction halted by the middle of 2018 and is now reversing. The entry of new gas buyers to the market since October 2018 has lifted traded volumes above the levels early in 2018. Agora Gas was joined in the gasTrading Spot Market™ by a second gas seller in June 2018 and a third seller entered the market in November 2018. One of those sellers left the market in mid-March 2019 having achieved its portfolio management objectives for the moment. The April final volumes finished at 151 TJ, significantly above the forecast in the (mid-)April Invitation. The May forecast volumes have been bolstered by an unpredictable one-off planned maintenance requirement which is still to fully unfold for the month.

Ignoring the one off kick in demand in May, we expect sales volumes to remain close to recent levels or to lift further in **June 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 but we do anticipate a modest upswing. 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 2019 and remains generally at that level. In the absence of a significant lift in demand, the cost of gas is not expected to move much for the moment. Karratha Gas Plant capacity will be down on nameplate (but above recent production levels) due to planned maintenance for all of June and Mondara refill and production capacity is showing 0.0 from 20 to 25 June. Varanus Island be subject to planned maintenance but capacity remains at nameplate. In June Varanus Island capacity will be below some recent production highs which may see increased flows from Devil Creek. Goldfields Gas Pipeline is also subject to planned compressor maintenance on 5, 18 and 19 June. While GGP capacity is expected to be below nameplate there is no indication of supply disruption. At this time there would appear to be ample capacity in the market in June.

The range narrowed in **May 2019** to \$0.17 per GJ, from \$3.03 to \$3.20 per GJ. However, of the 10 Offers received only two were at or above the Back Up Gas price. This Offer Price outcome reflects the fact that buyers, having seen that one seller was prepared to fill lower priced offers, want to see

how far they can take the price down. Unfortunately, that seller has only modest volumes to offer and is not a seller in the market every day. No doubt buyers will continue to test the bottom of the market price range. The increase in the Offer Price range in recent months reflects recent instability in the market and the inevitable testing of the market by buyers. There were eight **May** 2019 price offers below the Back Up Gas Price. All of those buyers were offered the Back Up Gas Price and all accepted. Both sellers declined to participate in these sales at the Offer Prices. No contract came into effect in **May** at a price below \$3.19 per GJ. The **May** Back Up Gas Price remained steady at \$3.19 per GJ.

The currently anticipated average **May** On Market price is \$3.19 per GJ (as at the 15<sup>th</sup> of **May**). This average is up three cents on the \$3.16 per GJ average **April** price and is the **May** 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 to manage take or pay risk. The 2018 shifts in the terms of other short term gas supply contracts have impacted on the level of buyer activity in the gasTrading Spot Market™. The availability of more flexible short term 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 the last half 2019 is not clear at this time although there are signs that traded volumes are on the 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 **June** with the Bidding Round Results Summary.

The table below summarises Agora Gas' On Market and Off Market spot gas sales since **May** 2018. This table traces market traded volumes after decline in market traded volumes at the beginning of 2018 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. When adjusted to account for the number of sellers in the market, these data show the modest but steady growth in traded volumes during the period and the reversal of earlier reductions in Agora Gas' On Market traded volumes in March 2019 when one of the (new) sellers left the market.

	On Market	Off Market	Total	
Month	(TJ)	(TJ)	(TJ)	Comment
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	39.099	5.900	44.999	
Mar-19	65.800	8.200	74.000	
Apr-19	83.400	10.900	94.300	
May-19	67.500	6.000	73.500	:to 15 May

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 and is in the market at this time to procure additional Back Up Gas for the second half of the year. Agora Gas is currently expected to be one of at least two gasTrading Spot Market™ sellers in **June**.

We will publish the summary results of the **June 2019 Bidding Round** on or before the **31<sup>st</sup>** of **May** on the web site link below.

### **Market Update**

The results of the **May 2019 Bidding Round**, and the gasTrading Spot Market™ history to **April 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 **June 2019** are in line with the volumes offered in the **May 2019** 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 **May 2019**, to the 15<sup>th</sup>, 100% of daily contract volumes were filled in all price quartiles of the market.

<b>Gas Available June 2019</b>	
<b>Date</b>	<b>Quantity TJ</b>
1/06/2019	6.20
2/06/2019	6.20
3/06/2019	6.20
4/06/2019	6.20
5/06/2019	6.20
6/06/2019	6.20
7/06/2019	6.20
8/06/2019	6.20
9/06/2019	6.20
10/06/2019	6.20
11/06/2019	6.20
12/06/2019	6.20
13/06/2019	6.20
14/06/2019	6.20
15/06/2019	6.20
16/06/2019	6.20
17/06/2019	6.20
18/06/2019	6.20
19/06/2019	6.20

20/06/2019	6.20
21/06/2019	6.20
22/06/2019	6.20
23/06/2019	6.20
24/06/2019	6.20
25/06/2019	6.20
26/06/2019	6.20
27/06/2019	6.20
28/06/2019	6.20
29/06/2019	6.20
30/06/2019	6.20
NA	

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186.00

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 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. At the moment it is not possible to physically move surplus/spot gas out of the Northern Territory.