

Good Morning All,

Greetings from County Cork. For the month of **August 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 26th of July 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 **Monday the 29th of July** and complete contracts from the **29th** to the **31st of July**.

Market Dynamics

As at the 15th of **July** we are on track to trade 220 TJ of gas (On Market) for the month of **July 2019**. This volume is down on the final volumes traded in **June** (275 TJ) and a little below the anticipated **July** sales volume of 232 TJ. The June sales were lifted by plant maintenance demand that had been anticipated in May. Forty five (45)TJ that of that planned maintenance demand was not taken up in May but hit the market in June. Notwithstanding that one off plant maintenance demand for gas, the June result, and the forecast June sales volumes, reflect a strong return of gas buyers to the gasTrading Spot Market™ after the shrinkage of the market in March last year.

At this stage it looks like the lower trading volumes which manifest in March 2018 have turned around. There is no reason to believe that the aggressive marketing of gas (offering competitive prices and increased flexibility in the offtake obligations) at the beginning of 2018 has come to an end but the continued decline in gasTrading Spot Market™ prices appears to have stimulated an organic revival of demand. The drop in the January/February 2019 gasTrading Spot Market™ prices initiated a revival of interest in the market. This stimulus can be expected to continue with the significant drop in the June and July Back Up Gas Prices (down almost \$0.50 per GJ - see below). Buyers who left the gasTrading Spot Market™ last year have found themselves stranded on out of market 2018 prices and are reacting predictably. 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, and continues to lift, traded volumes to over double the levels realised in early 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 but re-entered the market in July. Additional sellers may also enter the market, typically offering small volumes of gas for sale, in coming months.

We anticipate that sales volumes will hold for the moment and may even lift a little further in **August 2019**. This growth in the market will be threatened if sellers, who do not participate in the gasTrading Spot Market™, return with offers designed to capture market share. The period 2018 - 2019 has marked a dynamic phase for the market. In the absence of external incursions, to capture market share, we anticipate the market will continue to grow modestly/organically in the next few months. The upside for market 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 the Back Up Gas price has fallen again in June and July following Agora Gas' return to the market to buy additional gas. In the absence of a significant lift in demand, the cost of Back Up Gas is not expected to move much from current levels for the moment. Gorgon will be subject to planned maintenance, with capacity reduced to zero, which started late July and will continue to 13 August. Goldfields Gas Pipeline capacity will be reduced as a result of planned maintenance at the Paraburdoo Compressor Station from 23 to 25 August. At this time there appears to be sufficient capacity to meet market requirements in August.

The Offer Price range increased in **July 2019** to \$0.47 per GJ, from \$2.70 to \$3.17 per GJ. All but two July offers were above the Back Up Gas Price. Having seen the drop in the June Back Up Gas Price,

buyers took the opportunity to test for the new bottom of the market price range. The Offer Price range in recent months reflects the downward trend in the gas price since early 2017 (almost halving in that time) and the sharp drop in the Back Up Gas Price in June. There were two **July** 2019 price offers marginally below the Back Up Gas Price. No contract came into effect in **July** at a price below \$2.70 per GJ. The **July** Back Up Gas Price fell by a further \$0.08 per GJ, to \$2.72, after a \$0.39 per GJ drop in June. Buyers who had previously left the market have shown renewed interest in market following the publication of the latest price falls.

The currently anticipated average **July** On Market price is \$2.96 per GJ (as at the 15th of **July**). This average is down \$0.21 cents on the \$3.17 per GJ average **June** price and is the \$0.02 above the **July** average price anticipated when the market was set at the start of the month.

Buyers and sellers active in the market are increasing their reliance on the gasTrading Spot Market™ for everyday gas supply planning and for the management of take or pay risk. The 2018 shifts in the terms of other short term gas supply contracts impacted on the level of buyer activity in the gasTrading Spot Market™ but this impact appears, for the moment at least, to have been turned around. The availability in 2018 of more flexible short term firm and spot contract terms revealed that the desire for market share, rather than certainty of sales volumes and price, has been driving some gas sellers in the current market. Where the demand side of the market moves in the last half 2019 is not clear and will depend on how other packages of short contract gas react to the latest growth in the gasTrading Spot Market™. In the absence of an attack on market share, there are signs that traded volumes are on the increase. Agora Gas returned to the market in June to source additional Back Up Gas for the last half of 2019. This process of re-contracting Back Up Gas for the market has so far delivered a material reduction in the Back Up Gas Price, down from \$3.19 per GJ to \$2.72 per GJ. The quantity of gas available at this price may be limited but it is sufficient to meet the market requirements at this time. We will publish the Back Up Gas Price for **July** with the Bidding Round Results Summary.

The table below summarises Agora Gas' On Market and Off Market spot gas sales since **July** 2018. This table traces market traded volumes after the decline in market traded volumes at the beginning of 2018. Agora Gas' spot sales declined in June and in December reflecting the fact that a second and then a third gas seller entered the market on each occasion. These new sellers are entitles 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. The reversal of earlier reductions in Agora Gas' On Market traded volumes in March 2019 reflect that fact that one of the (new) sellers left the market in March.

	On Market	Off Market	Total	
Month	(TJ)	(TJ)	(TJ)	Comment
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	119.300	6.828	126.128	
Jun-19	178.454	0.000	178.454	
Jul-19	78.451	0.000	78.451	:to 15 July

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 18 and June 19 for Back Up Gas. There are three gas sellers in July but, given the lower end of the price range being offered by buyers, the number of sellers in the gasTrading Spot Market™ in August will depend on the appetite of individual sellers for the Offer Prices tabled by buyers.

We will publish the summary results of the **August 2019 Bidding Round** on or before the **30th of July** on the web site link below.

Market Update

The results of the **July 2019 Bidding Round**, and the gasTrading Spot Market™ history to **June 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 \$2.75 per GJ. To understand buyer bidding behavior 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 **August 2019** reflect the increase in traded volumes in recent months. 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 **July 2019**, to the 15th, 100% of daily contract volumes were filled in all price quartiles of the market.

Gas Available August 2019	
Date	Quantity TJ
1/08/2019	7.70
2/08/2019	7.70
3/08/2019	7.70
4/08/2019	7.70
5/08/2019	7.70
6/08/2019	7.70
7/08/2019	7.70
8/08/2019	7.70
9/08/2019	7.70
10/08/2019	7.70
11/08/2019	7.70
12/08/2019	7.70
13/08/2019	7.70
14/08/2019	7.70
15/08/2019	7.70

16/08/2019	7.70
17/08/2019	7.70
18/08/2019	7.70
19/08/2019	7.70
20/08/2019	7.70
21/08/2019	7.70
22/08/2019	7.70
23/08/2019	7.70
24/08/2019	7.70
25/08/2019	7.70
26/08/2019	7.70
27/08/2019	7.70
28/08/2019	7.70
29/08/2019	7.70
30/08/2019	7.70
31/08/2019	7.70

238.70

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