Walyering Moving Inexorably Toward First Gas Despite Delays

TPD – An undervalued gas producer with tangible, significant growth options

Talon Energy Ltd (TPD) will transition to producer status with first production and cash flow from its cornerstone asset, the Walyering Gas Project (Walyering) but mechanical completion and commissioning are critical milestones toward achieving this. Project delays and a failed scrip bid provide investors with a good buying opportunity given the upside in the TPD portfolio. Our overall valuation of TPD is A$0.46ps (previous A$0.47ps), which is underpinned by its 45% interest in Walyering, conservatively worth ~A$0.18ps based on stated 2P and 2C volumes. This value alone is above the current TPD share price. Notwithstanding project delays at Walyering, we think the market is potentially mis-pricing TPD given imminent first cash flows and the pathway to growth that these cash flows represent. It is well positioned to leverage off tight WA gas market fundamentals.

Strike Bid – Cheap, Opportunistic, Highlighting the Value of Perth Basin Gas

Strike Energy's (STX) revised scrip bid via a Scheme of Arrangement on 26th July 2023, based on an exchange ratio of 0.4828 STX shares per TPD share, failed to reach mutually agreed terms to proceed. The bid was, in our view, cheap, opportunistic, and failed to properly value other parts of the upside in the TPD portfolio. Once again M&A has brought sharply into focus the value of Perth Basin gas molecules, where previous deals have implied a resource value of ~A$1.88/GJ vs TPD's implied EV / 2P +2C of ~A$0.22/GJ (pre-bid).

As part of the deal, STX was prepared to offer an interim ~A$6m funding facility, ostensibly in recognition of the project delays at Walyering. While we do not know the precise terms of that deal, our revised forecasts for TPD, which know include a material delay in project from the Operator's June 2023 public comment, highlight a requirement for a potential future capital injection. TPD's cash balance at last quarter was ~A$9.2m.

Walyering Gas Project – Delays Very Disappointing

Commissioning is now expected sometime CY3Q23, but we now assume first contribution in 4Q23 (i.e., 90-days' contribution in CY23). We have re-profiled our forecast production and allowed for some minor additional spend. The changes have primarily impacted CY23 earnings and cash flow. Forecast CY23 gas production decreased from 2.2 PJ to 1.1 PJ (-50%). Forecast NPAT was reduced from a profit of A$3.1m to a loss of -A$3.7m. Year-end balance sheet cash decreased from A$15.7m to A$8.6m (-45%).

Prior to the announcement of the scrip bid, the equity market appeared to have taken the news around project delays in in its stride. However, TPD's share price weakness post the failed bid now provides investors with an opportunity to acquire shares at a discount to what we assess as core value, and ahead of eventual Walyering cash flows.

Perth Basin Exploration – Plenty of Running Room & A Key Catalyst for Upside

TPD's planned exploration program in permits L7, EP 437, EP 447 and EP 511 could see up to four wells drilled over the coming 12-24 months. The program could be worth ~A$0.53ps to TPD, exposing shareholders to about ~300bcf and ~10mmbbl of risked, net potential at a volume-weighted chance of success of 19%. The Booth and Condor prospects are a major contributor to this unbooked upside given the likelihood of associated liquids (condensate) with the gas.

Company Data

Company	Talon Energy
ASX Ticker	TPD
Sector	Oil & Gas
Last Price	$0.155
52-week Range	$0.115-$0.20
Shares on Issue	627.2
Market Cap.	A$97.3m
Cash Balance	A$9.2m
Debt	Nil
Enterprise Val.	$88.1m
Free Float	535.9
Free Float (%)	85%
Unlisted Securities	44.1m

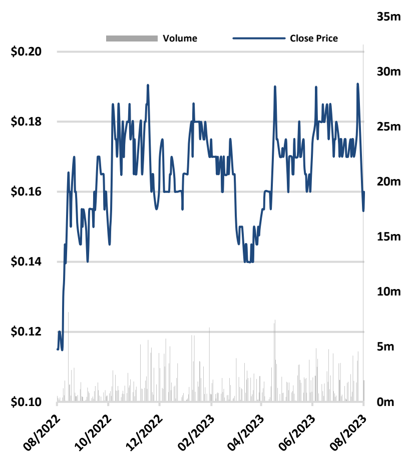
Company Valuation

Valuation & PT	A$0.46
Upside to PT	197%

Board & Management

Greg Columbus	Chairman
Colby Hauser	CEO/MD
Matthew Worner	NED
David Casey	NED
Dr Darren Ferdinando	Exploration Manager
Chris Kohne	CFO

Share Price (T12M)



Source: Bloomberg

Summary Financials and Valuation

Talon Energy Ltd (ASX:TPD)							A$0.155
Ratio Analysis	**2021A**	**2022A**	**2023**	**2024**	**2025**	**2026**	**2027**
EPS (A¢)	(1.4)	(3.1)	(0.7)	4.2	3.8	2.6	2.5
P/E (x)	(10.4)	(5.0)	(22.9)	3.7	4.1	5.9	6.2
EPS Growth (%)		n/a	n/a	-728%	-10%	-31%	-5%
CFPS (A¢)	(0.68)	(3.02)	(1.54)	4.39	3.95	2.75	2.84
P/CF (x)	(22.2)	(5.1)	(10.1)	3.5	3.9	5.6	5.5
DPS (A¢)	–	–	–	–	–	–	–
Dividend Yield (%)	–	–	–	–	–	–	–
EV / EBITDA (x)	-240.9	-4.4	-26.0	2.1	1.3	0.9	0.2
EV / boe (x)	–	–	456.2	65.1	38.8	25.7	6.8
EV / PJe (x)	–	–	76.2	10.9	6.5	4.3	1.1

Profitability Ratios	2021A	2022A	2023	2024	2025	2026	2027
EBIT / Sales (%)	–	–	(39%)	63%	61%	58%	55%
PBT / Sales (%)	–	–	(41%)	62%	59%	55%	52%
Return On Assets (%)	(27%)	(43%)	(10%)	40%	28%	22%	18%
Return On Equity (%)	(31%)	(47%)	(11%)	45%	29%	17%	14%

Liquidity Ratios	2021A	2022A	2023	2024	2025	2026	2027
Net Debt / Net Debt + Equity (%)	-33%	-31%	-21%	-38%	-42%	-42%	-44%
EBIT / Interest (x)	–	–	–	–	–	–	–
Current (x)	3.1	6.7	13.7	11.4	17.4	19.9	23.0

NET ASSET VALUE (WACC 10.00%)	A$m	Risking	A$m	A$ps
Walyering Gas Project (L23) - 45%	117	95%	111	0.18
Booth (L7) - 25%	200	25%	50	0.08
Huntswell Deep (L7) - 25%	44	25%	11	0.02
Mountain Bridge South (L7) - 25%	38	25%	10	0.02
Condor (EP 511) - 100%	694	10%	69	0.11
Gurvantes XXXV - 33%	37	75%	27	0.04
Total Operations	**1,130**		**278**	**0.44**
Net Cash / (Debt) - incl. option exercise if applicable	8	100%	8	0.01
Admin / Corporate	(10)	100%	(10)	(0.02)
Exploration (risk-adjusted)	36	33%	12	0.02
TOTAL VALUATION	**1,261**		**288**	**0.46**
Number of Ordinary Shares (m)				627
Price / NAV (x)				0.34
Premium / (Discount) to NAV				(66%)
Time Sensitivities on NAV				
NAV in 1 year			*+ 14%*	0.52
NAV in 2 years			*+ 17%*	0.54
NAV in 3 years			*+ 16%*	0.53
WA Gas Price Sensitivity on NAV*				
NAV at A$7.50/GJ & WA spot price A$9.00/GJ			*+ 6%*	0.49
NAV at A$8.50/GJ & WA spot price A$10.00/GJ			*+ 12%*	0.51
NAV at A$9.50/GJ & WA spot price A$11.00/GJ			*+ 17%*	0.54

Reserves and Resources	Working Interest	1P Gas (PJ)	2P Gas (PJ)	3P Gas (PJ)	1C Gas (PJ)	2C Gas (PJ)	3C Gas (PJ)
Walyering (Perth Basin)	45.0%	14.6	24.4	37.1	8.1	14.4	22.9
Gurvantes XXXV (Mongolia)	33.0%		–	–	137.5	419.3	815.5
Total		**14.6**	**24.4**	**37.1**	**145.5**	**433.7**	**838.4**

Assumptions (Yr end Dec)	2021A	2022A	2023	2024	2025	2026	2027
Brent Oil Price (US$/bbl)	68.3	86.4	75.0	76.5	78.0	79.6	81.2
Exchange Rate (A$1:US$)	0.751	0.695	0.650	0.650	0.650	0.650	0.650
WA Gas Price - Contracted (A$/GJ)	3.86	6.31	6.50	6.63	6.76	6.90	7.04
WA Gas Price - Spot (A$/GJ)	4.67	5.98	8.00	8.16	8.32	8.49	8.66

Production	2021A	2022A	2023	2024	2025	2026	2027
Gas (mmcf/d)	–	–	11	13	13	13	13
Gas (TJ/d)	–	–	13	15	15	15	15
Gas (PJ)	–	–	1.1	5.3	5.3	5.3	5.3
Oil / Condensate (mmbbl)	–	–	0.01	0.05	0.05	0.05	0.05
Total (mmboe)	**–**	**–**	**0.19**	**0.94**	**0.93**	**0.93**	**0.93**
Gas (mmboe)	–	–	0.18	0.88	0.88	0.88	0.88
Oil / Condensate (mmboe)	–	–	0.01	0.05	0.05	0.05	0.05
Year End Reserves & Resource (mmboe)	**–**	**6.8**	**6.8**	**5.9**	**5.0**	**4.0**	**3.1**

Profit & Loss (A$m)	2021A	2022A	2023	2024	2025	2026	2027
Oil / Condensate Revenue	–	–	1	7	7	7	7
LNG Revenue	–	–	–	–	–	–	–
Gas Revenue	–	–	8	37	38	39	39
Total Sales	**–**	**–**	**9**	**44**	**45**	**45**	**46**
Operating Costs	–	–	(1)	(4)	(4)	(4)	(4)
Government Resource Taxes	–	–	(1)	(4)	(4)	(4)	(4)
Exploration & Development Expenses	(1)	(9)	(8)	(4)	(4)	(6)	(6)
Other Net Income / Expense	(3)	(3)	(3)	(3)	(3)	(3)	(3)
EBITDA	**(4)**	**(13)**	**(3)**	**29**	**29**	**28**	**29**
EBITDAX	**(4)**	**(3)**	**5**	**33**	**33**	**34**	**35**
Depreciation & Amortisation	(0)	(0)	(0)	(2)	(2)	(2)	(3)
EBIT	(4)	(13)	(3)	28	27	26	26
Net Interest Expense	0	0	0	0	1	1	2
Pretax Profit	(4)	(13)	(4)	27	26	25	24
Tax Expense / Benefit	–	–	–	–	(2)	(8)	(8)
Net Attributable Profit	**(4)**	**(13)**	**(4)**	**27**	**24**	**17**	**16**
Reported Profit	(4)	(13)	(4)	27	24	17	16

Cash Flow (A$m)	2021A	2022A	2023	2024	2025	2026	2027
Pretax Profit	(4)	(13)	(4)	27	26	25	24
D&A & Other Non-Cash Items	2	0	-5	1	1	1	2
Tax Paid	0	0	0	0	-2	-8	-8
Cash from Operating Activities	**(2)**	**(12)**	**(8)**	**28**	**25**	**18**	**18**
Development Capex	–	(4)	(9)	(0)	(0)	(5)	(0)
Exploration Capex	–	(8)	(10)	(4)	(5)	(7)	(7)
Acquisitions/Other (Net of Sales)	–	–	–	–	–	–	–
Dividends Paid	–	–	–	–	–	–	–
Free Cash Flow	**(7)**	**(20)**	**(18)**	**28**	**25**	**12**	**18**
Cash Provided by Financing	9	25	14	–	–	–	–
Net Change in Cash	**2**	**5**	**(3)**	**28**	**25**	**12**	**18**

Balance Sheet (A$m)	2021A	2022A	2023	2024	2025	2026	2027
Cash & short term deposits	7	12	9	36	61	73	91
Receivables	0	0	0	0	0	0	0
Inventories	–	–	1	9	16	23	31
Property, Plant and Equipment	–	11	20	19	19	22	20
Capitalised exploration	9	6	4	3	2	1	(0)
Intangibles and Goodwill	–	–	–	–	–	–	–
Other assets	0	1	1	1	1	1	1
Total assets	**16**	**30**	**36**	**69**	**99**	**121**	**143**
Creditors	2	2	1	4	4	4	4
Borrowings	–	–	–	–	–	–	–
Other liabilities	1	1	3	5	11	17	22
Total liabilities	**2**	**3**	**3**	**9**	**15**	**20**	**26**
Shareholder equity	14	27	33	60	84	101	117
Shareholder Equity + Total Liabilities	16	30	36	69	99	121	143

Thunderstruck – Strike Bid Was Cheap, Opportunistic and Undervalues Molecules

For some investors, the Perth Basin is the gift that keeps on giving, technically via commercial exploration success (e.g., Kingia, High Cliff and Wagina sandstones), developmentally (e.g., Waitsia, Beharra Springs, Walyering et al) and corporately (a third round of consolidation via M&A).

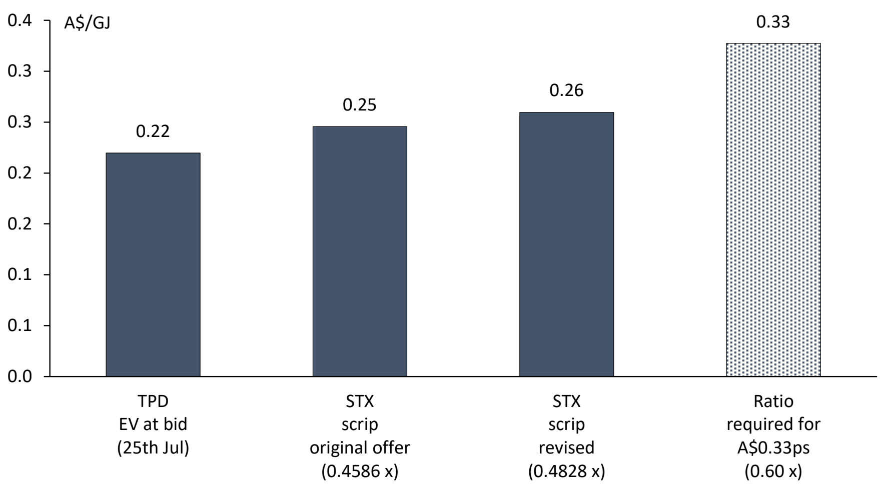
Strike Energy's (STX) original scrip bid of 0.4586 STX shares per TPD share was, in our view, cheap, opportunistic and timed to gain control of TPD against a backdrop of Walyering Project delays. A revised offer ratio of 0.4828 alone represented just a ~5.3% improvement over the original offer, but was still way short of being credible in our view, especially when benchmarked against previous tilts at Warrego Energy (WGO; compulsorily acquired 27 April 2023 and subsequently delisted 9 March 2023). The failed bid has re-focussed investors' attention on the true value of Perth Basin gas molecules.

A confluence of well-publicised completion delays at the Walyering Gas Project, an obligation to satisfy the Santos take-or-pay Gas Sales Agreement (or, as is normal for most offtakes, penalties for supply-or-pay), TPD's non-operatorship in the L 23 Joint Venture (JV), and TPD's cash balance meant the bid was timed to cause maximum frustration. Post-bid any share price weakness is an opportunity for investors to acquire TPD relatively cheaply.

We note that WGO was acquired by Hancock Energy (PB) Pty Ltd at a revised cash offer of A$0.36ps, putting WGO at that time, on an implied EV/ 2P + 2C multiple of ~A$1.88/GJ. This was for a West Erregulla resource that was discovered, appraised, but not yet sanctioned, and reflected, at the time, the disparity between what a corporate entity is prepared pay to acquire strategic Perth Basin gas molecules versus what the equity market is prepared to impute on a risk-adjusted basis.

Chart 1 includes the implied Enterprise Value (EV) per GJ and what ratio was required by investors for an implied price of at least ~A$0.33ps.

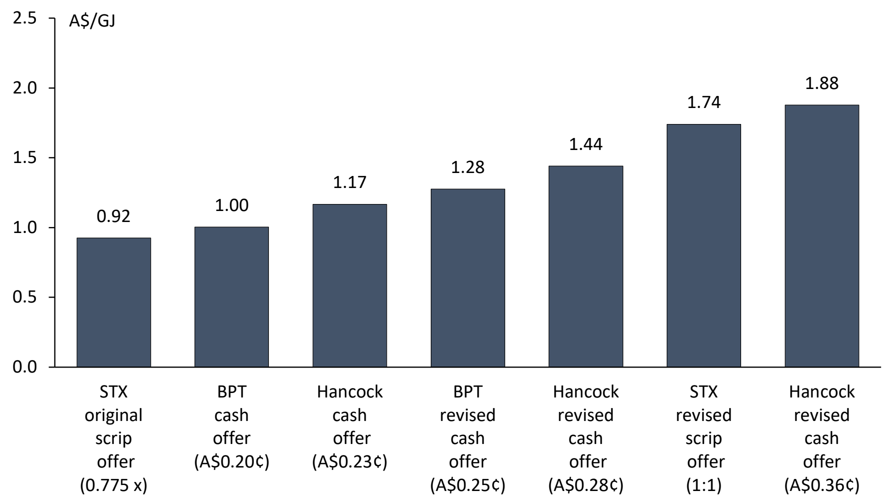
CHART 1: STX BID FOR TPD – IMPLIED EV / (2P + 2C) A$/GJ



Source: STX and WGO public disclosures. SHA Energy Consulting

Chart 2 below highlights the implied EV / (2P + 2c) from the multiple competing scrip and cash bids for WGO. The eventual winning cash bid represented a ~103% increase over STX's original scrip bid. Therefore, we think the initial scrip offer for TPD was well below other Perth Basin transactions and needed to substantially revised upwards to get any real traction.

CHART 2: WGO BID HISTORY – IMPLIED EV / (2P + 2C) A$/GJ



Source: BPT, STX, WGO, Hancock public disclosures SHA Energy Consulting

Walyering Gas Project (TPD 45%) – Delays, So What's Changed?

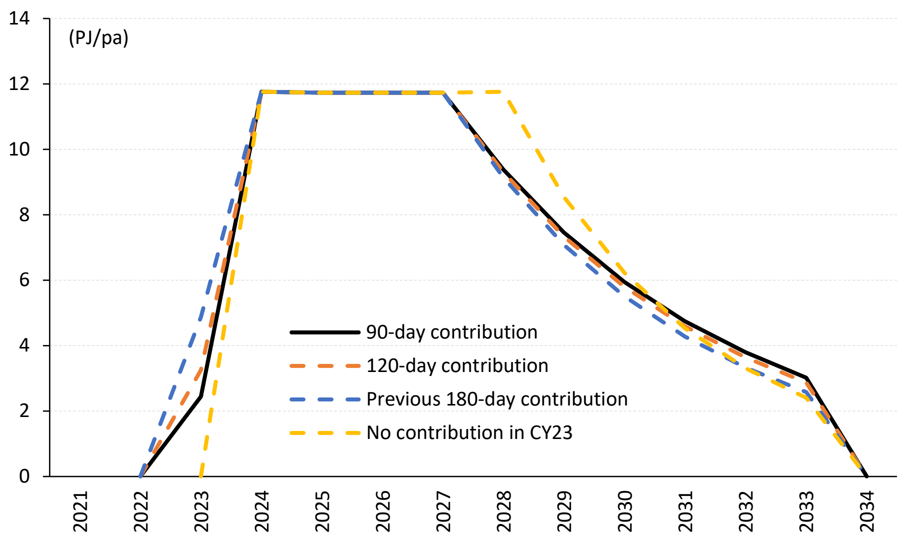
A Walyering Gas Project already forms part of our base case forecast and valuation for TPD's shares and is a major driver of near-term profitability and cash flow. We have incorporated the L 23/EP 447 Operator's latest delays and revision to the mechanical completion and commissioning date which is now expected sometime during 3Q23. The Operator's timeline appears vague and therefore still carries an element of risk (further slippage), but this does not change our overall positive view on the underlying asset, TPD, or materially alter our valuation of TPD's shares.

Our previous forecast production for Walyering assumed 180 days of contribution for CY23, but has now been revised downwards to 90 days, implying a start-up sometime in late September / October or CY4Q23. In summary our changes include:

- 90 days of contributed gas production in CY23 to account for risk of potential further slippage (i.e., CY4Q23);
- Re-profiled our forecast production profile, such that deferred production is shifted to the tail, but have maintained forecast plateau production (Chart 3);
- TPD's share of forecast CY23 gas production decreased by 1.1 PJ (-50%) from 2.2 PJ to 1.1 PJ; and
- For conservative purposes, included an additional spend of ~A$2.0m (gross) for minor cost over-runs.

The above changes primarily impacted CY23 earnings and cash flow due to lower revenue. Our forecast NPAT was reduced from a profit of A$3.1m to a loss of -A$3.7m and our forecast year-end balance sheet cash decreased from A$15.7m to A$8.6m (-45%). Our valuation of TPD's interest in Walyering of ~A$111m (~A$0.18ps), risked, was not materially impacted (<1%) as re-profiled production (tail) is moved into a higher gas price window. Our previous production forecast already included a notional amount of estimated downtime (10 days, or ~97.3% uptime) and this has not been changed. Chart 3 includes the production profiles at various start times.

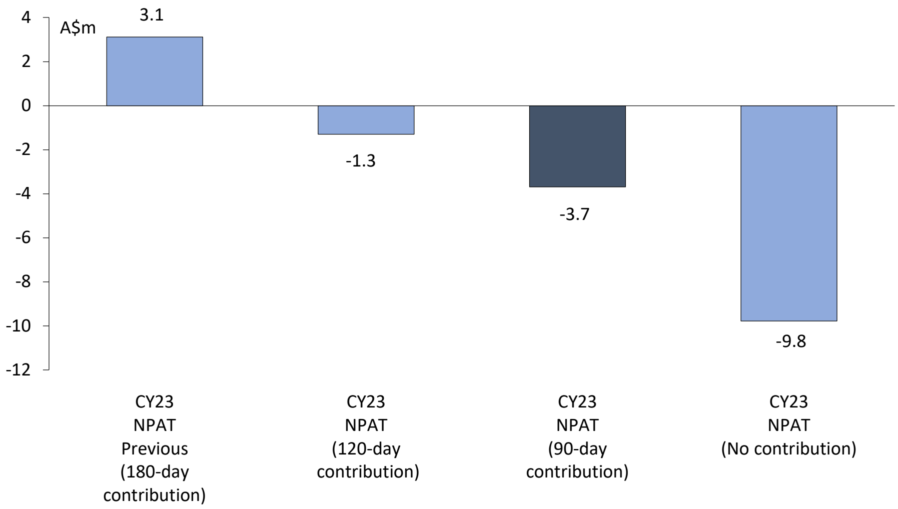
CHART 3: WALYERING 2P + 2C (86 PJ) FORECAST ANNUAL GAS PRODUCTION (GROSS) SENSITIVITY TO START-UP – 100%



Source: TPD public filings. Forecasts assume downtime and subject to economic truncation. SHA Energy Consulting estimates

Chart 4 shows the impact of current, and potential further delays at Walyering on forecast NPAT. Our revised forecast for CY23 now assumes a 90-day contribution of production from Walyering.

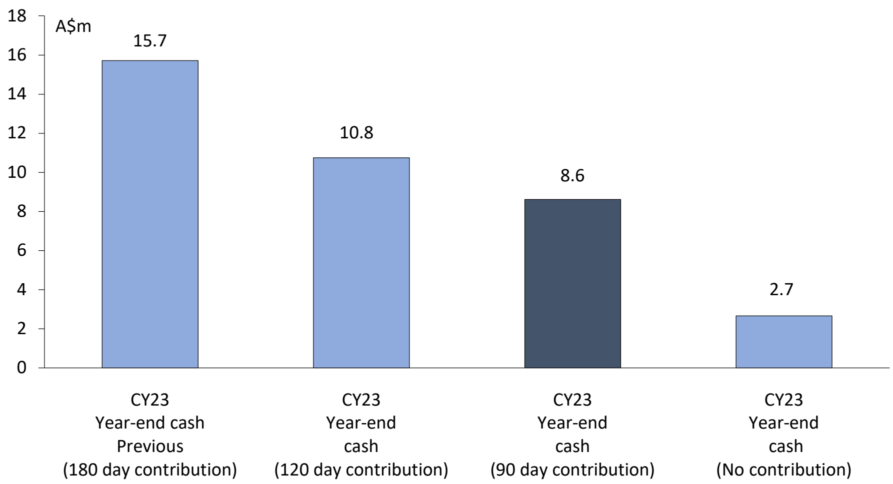
CHART 4: FORECAST CY23 NPAT SENSITIVITY TO START-UP – TPD SHARE



Source: TPD public filings and SHA Energy Consulting estimates

Chart 5 shows the potential impact of further delays at Walyering on the forecast year-end cash balance. We note that under STX's revised transaction, STX was offering, inter alia, an interim funding facility of up to ~A$6.0m. Based on our forecast 90-day contribution from Walyering in CY23, and absent the STX interim funding facility or TPD's ability to curtail some discretionary expenditure, we estimate TPD's cash balance could potentially be down to ~A$8.6m by year-end, or even lower if potential further project slippages were to occur.

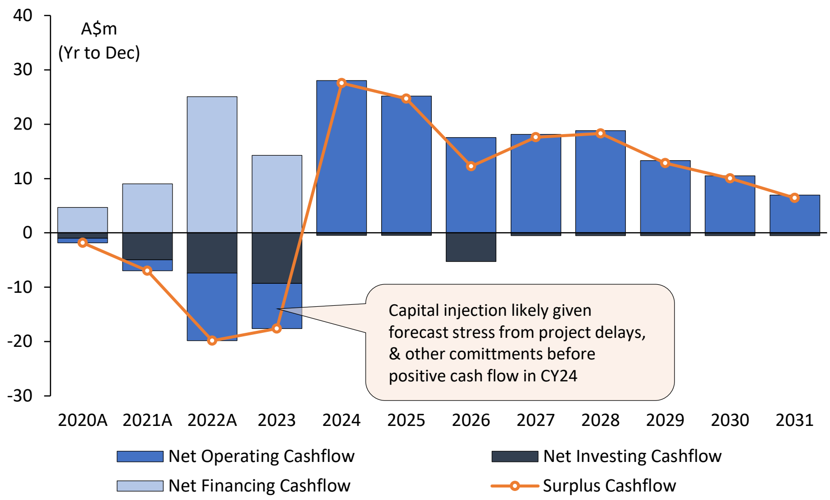
CHART 5: FORECAST CY23 YEAR END CASH BALANCE SENSITIVITY TO START-UP – TPD SHARE



Source: TPD public filings and SHA Energy Consulting estimates

As a result of the delays at Walyering, exploration commitments elsewhere in the Perth Basin, and appraisal activities in Mongolia, the main risk to our financial forecasts is the timing and level of contribution from these projects. Despite TPD's current cash balance of A$9.2m at the end of the June quarter, our analysis highlights TPD will likely require some sort of potential future capital injection to strengthen the balance sheet and assist in funding minor cost over-runs, planned exploration program (commitments for long lead items) in permits L7, EP 437, EP 447 and EP 511 as well as for working capital purposes. At the moment our base case financial forecasts do not assume a capital injection.

CHART 6: TPD FORECAST NET CASH FLOWS



Source: TPD public filings and SHA Energy Consulting estimates

Walyering Gas Project (TPD 45%) – Delays Not Unexpected in A Tight Labour Market, But Disappointing

Delays in completing resource projects on time and on budget (onshore and offshore) are not entirely unexpected, given the myriad of risks associated with supply chain constraints, the reliability of third-party contractors, access to skilled labour (e.g., skilled pipeline welders) and the intense competition from other WA-based companies for specialist equipment and materials (e.g., timely delivery of materials).

Being able to project manage these risks appropriately is a challenge for most E&P companies and those looking to build a demonstrable track record in operatorship and project execution. However, based on recent public Operator announcements (June and July 2023) we are perplexed at how timelines have blown out, and in retrospect we now think the original timelines ("expectation hooks") became completely unachievable, perhaps due to third-party supply issues. In due course we await further granularity on timing from the Operator of the L 23 JV.

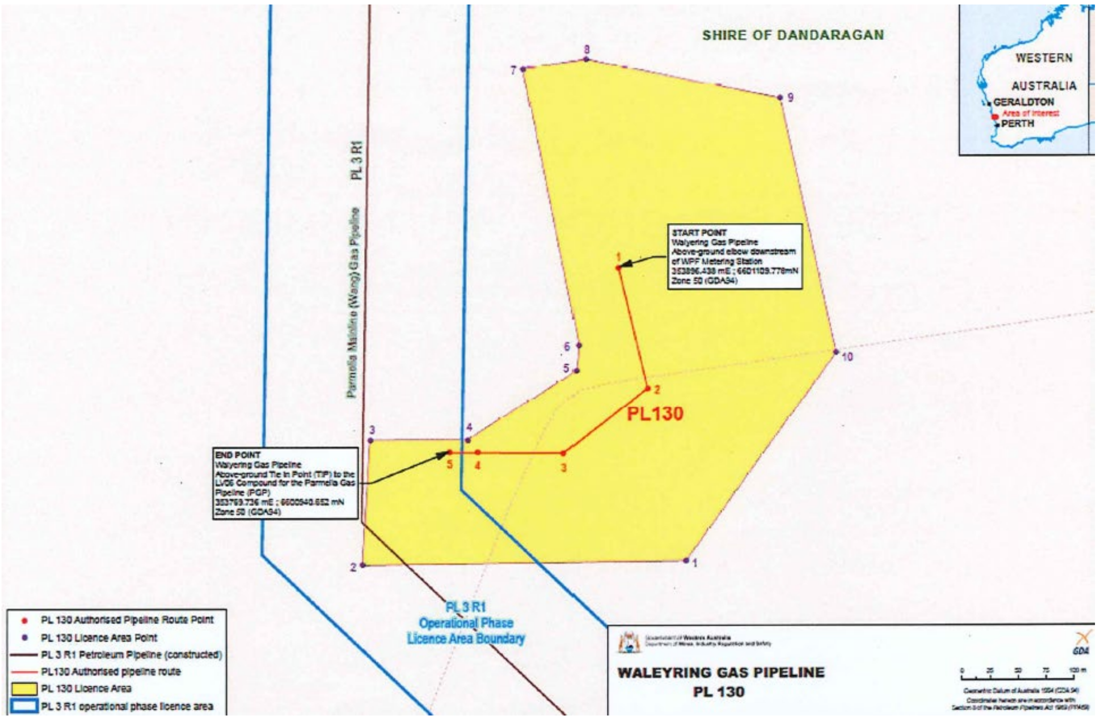
The Walyering Gas Project is a relatively modest development, being a two-well development, central processing facility and a short tie-in to the existing export infrastructure i.e., Parmelia Gas Pipeline (PGP). Whether the L 23 / EP 477 JV can potentially claw back some lost time is now totally dependent on third-party services and the procurement of additional labour (welders, specialist electricians, testers). Based on public domain information, we understand the tie-in to the Parmelia Gas Pipeline (PGP) is not a part of the overall WGP, and is being performed by APA. To re-cap, the Walyering Gas Project comprises:

- Walyering Processing Facility (WPF)
- Walyering Gathering Network (WGN);
  - 1.8 km belowground flowline connecting Walyering-5 development well to the gas gathering system;
  - less than 50 m aboveground flowline connecting Walyering-6 development well to the gas gathering system;
- Walyering Gas Pipeline (WGP): is a below ground ~290 metre DN150 pipeline with a design capacity of ~39.6 TJ/d, connecting the WPF to a tie-in point to the PGP. Figure 1 (June 2023) shows a flange connection marking the end of the Walyering pipeline and the start of the Pamelia Gas Pipeline.

FIGURE 1: PARMELIA GAS PIPELNE TIE-IN POINT

Source: STX, June 2023

FIGURE 2: WALYERING GAS PIPELINE (PL 130) ROUTE



Source: WA Department of Mines, Industry Regulation and Safety

Given that pipeline sections typically come in ~12 metre lengths, so ~24 sections should in theory, on a trouble-free basis, not take more than a few weeks to complete outstanding work, which comprises welding and non-destructive quality testing and coating of pipeline joints to reduce the possibility of corrosion.

Depending on project complexity, the period or time between mechanical completion and commissioning can be anywhere from several weeks to several months. In summary the Operator has to undertake:

- **Mechanical Completion:** This milestone, not yet achieved, is when all specified work is complete and subsequent acceptance inspection and physical testing is satisfactorily performed and documented include bench calibration of instruments, electrical insulation tests, electrical continuity tests, hydrotesting of pipes & integrity testing of valves.

- **Pre-commissioning:** This is conducted after Mechanical Completion, and validates the functioning of equipment. Completion of the pipeline tie-in is critical item before this can occur. Pre-commissioning normally involves the introduction of fluids and inert gas (Water and Nitrogen) into the systems, but not hydrocarbons. It includes loop testing, flushing and purging (hydrostatic testing normally ~125% of operating pressure), energising electrical equipment and running motors without load.

- **Dynamic Commissioning:** Activities to dynamically verify the functionality of equipment to ensure that systems are in accordance with specified requirements to bring that system into operation (e.g., Basic Function Tests, Shutdown Testing, First Fills and Leak Testing) It includes the start-up of non-hydrocarbon systems.

- **Ready for Operations (RFO)**: RFO Status applies to all non-hydrocarbon systems and means that a system is fully commissioned, charged with its normal operating medium, and has been tested at operating conditions. An RFO Acceptance certificate is raised on completion of the commissioning procedure.

- **Ready for Start-up (RFSU)**: all commissioning activities necessary to support the introduction of hydrocarbons have been completed and integrity verified. This includes all utility and process utility, safeguarding and shutdown systems. Once the facilities are RFSU, hydrocarbons are introduced to the process for the first time (Hydrocarbon Commissioning) and is supervised 24-hours per day and will continue until the system achieves the objectives and the key performance indicators of the Commissioning Plan.

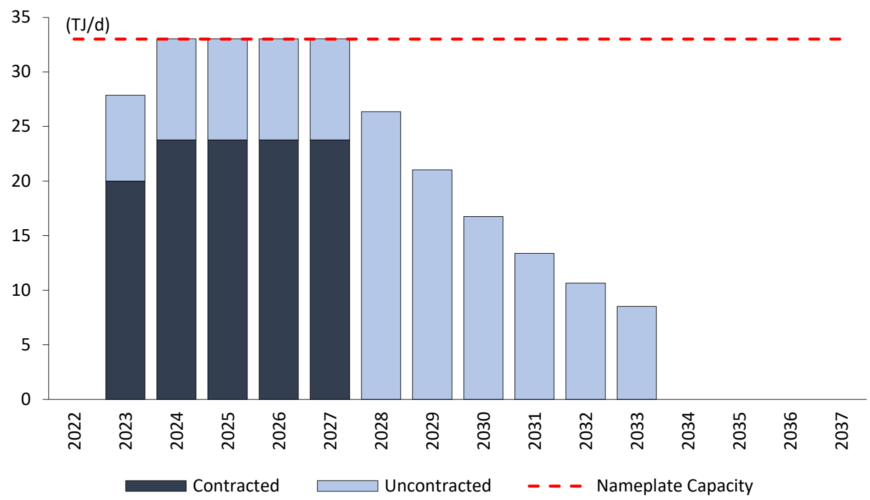
Walyering Gas Offtake – Santos GSA

Chart 7 below is our forecast contracted and uncontracted gas profile for Walyering. A 5-year GSA (firm basis, take-or-pay) with Santos, to supply a 36.5 PJ was announced on 14 December 2022. Under this GSA, there are contractual obligations and deadline for the L23 JV to satisfy, so there is a significant commercial incentive to mechanically complete and successfully commission Walyering over the coming months.

There is scope for Santos to take more on as available basis, which we think is a distinct possibility given the tight supply-demand fundamentals in the WA gas market. As such, we think there is scope for potential future contract extensions and perhaps even a new competitively-priced GSA.

Our weighted average gas price (a blend of contracted and uncontracted) is around ~A$6.89 -A$7.17/GJ over 2023-2025. We assume a conservative WA spot gas price of A$8.00/GJ, so there is upside in to our forecasts if prices are "higher for longer".

CHART 7: WALYERING FORECAST CONTRACTED VOLUMES (BASE CASE) – 100%



Source: TPD and STX public filings, SHA Energy Consulting estimates

Valuation and Price Target: A$0.46ps

Table 1 highlights our valuation of TPD is underpinned by a core value from the Company's 45% interest in its cornerstone asset the Walyering Gas Project (WGP) located in the onshore Perth Basin, risked at 95%. Once producing, we anticipate this discount will be completely unwound. There is upside to the valuation if TPD can convert its substantial contingent and prospective resources into reserves and production.

Our valuation also includes a large component of risk-adjusted Expected Monetary Value (EMV) for the multi-bcf potential that may exist elsewhere within TPD's other onshore Perth Basin permits (L7, EP 437 and Condor in EP 511), and for the Mongolian asset (Gurvantes XXXV), at this stage we assume a look-through EV based on listed JV partner TMK.

Our valuation of the Walyering asset alone is above the current TPD share price, so despite the imminent cash flow generation (ongoing de-risking), in both an absolute and relative context the equity market is potentially attributing zero value to TPD's other exploration and development assets, and upside gas pricing potential from Walyering.

Our analysis shows that, based on our forecast WA contracted and uncontracted gas price and oil price assumptions, a Walyering development generates a post-tax, ungeared NPV (10) of about ~A$260m (gross) or an NPV/A$GJ of A$2.60/GJ. This equates to around ~A$111m net to TPD or ~A$0.18ps, risked.

TABLE 1: TPD NET ASSET VALUATION AND SENSITIVITIES

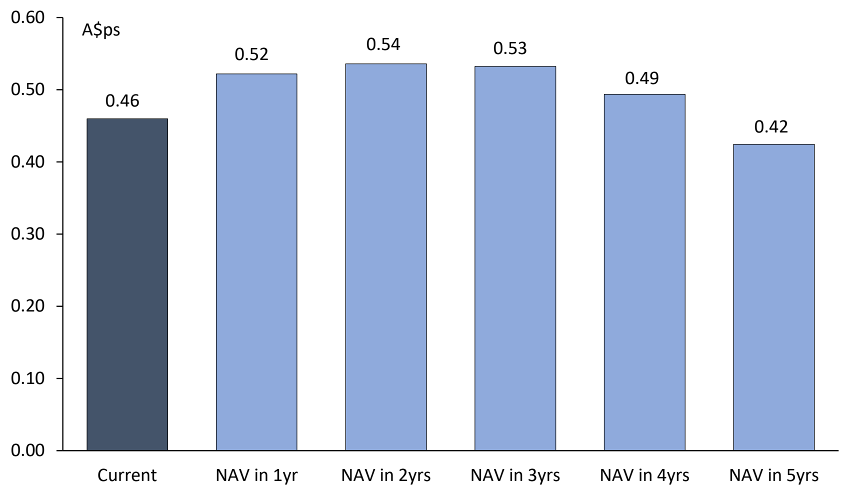
NET ASSET VALUE (WACC 10.00%)	A$m	Risking	A$m	A$ps
Walyering Gas Project (L23) - 45%	117	95%	111	0.18
Booth (L7) - 25%	200	25%	50	0.08
Huntswell Deep (L7) - 25%	44	25%	11	0.02
Mountain Bridge South (L7) - 25%	38	25%	10	0.02
Condor (EP 511) - 100%	694	10%	69	0.11
Gurvantes XXXV - 33%	37	75%	27	0.04
Total Operations	**1,130**		**278**	**0.44**
Net Cash / (Debt) - incl. option exercise if applicable	8	100%	8	0.01
Admin / Corporate	(10)	100%	(10)	(0.02)
Exploration (risk-adjusted)	36	33%	12	0.02
TOTAL VALUATION	**1,261**		**288**	**0.46**
Number of Oridnary Shares (m)				627
Price / NAV (x)				0.34
Premium / (Discount) to NAV				(66%)
Time Sensitivities on NAV				
NAV in 1 year			*+ 14%*	0.52
NAV in 2 years			*+ 17%*	0.54
NAV in 3 years			*+ 16%*	0.53
WA Gas Price Sensitivity on NAV*				
NAV at A$7.50/GJ & WA spot price A$9.00/GJ			*+ 6%*	0.49
NAV at A$8.50/GJ & WA spot price A$10.00/GJ			*+ 12%*	0.51
NAV at A$9.50/GJ & WA spot price A$11.00/GJ			*+ 17%*	0.54

*Source: SHA Energy Consulting. * Assumes a A$1/GJ change to both the contract and uncontracted gas price*

Our DCF valuation methodology is based on discounted cash flows modelled over the life of project, in Australian dollars, based on stated 2P Reserves, or 2C Contingent Resources or, where applicable a subjective assessment on the likelihood of Prospective Resources being commercialised. Our valuation also includes a nominal amount of undiscovered exploration potential (risk-adjusted exploration expenditure) and is based roughly on our assessment of future exploration spend and the Company's track record of success. All cost and prices are escalated at 2%.

Chart 8 shows our valuation of TPD's shares rising over time as capital is sunk into the Walyering project and forecast production is exposed to rising WA gas prices.

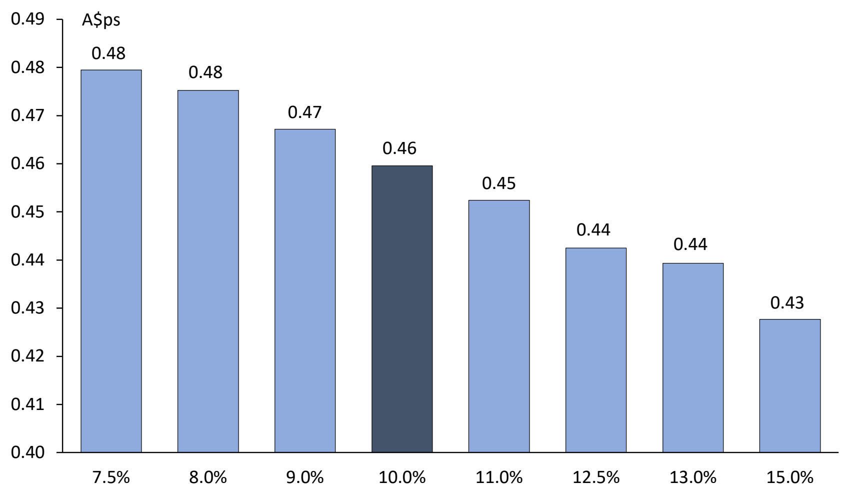
CHART 8: TPD VALUATION SENSITIVITY OVER TIME



Source: SHA Energy Consulting

Chart 9 shows our valuation of TPD's shares to a range of discount rates (base case in 10%). Even at much higher discount rates our assessed value is higher than the current share price.

CHART 9: TPD VALUATION SENSITIVITY TO DISCOUNT RATE



Source: SHA Energy Consulting

Key risks

Apart from the gas price, the main risks to our forecasts can be summarised, but are not limited to, as follows:

Production

TPD is transitioning to a producer status and as such will come under greater regulatory scrutiny. Generally speaking, the appetite for investing in fossil fuel companies is being tempered by negative sentiment, which makes access to cost effective capital challenging. As a production risk story, TPD is now exposed to another set of operational risks (despite not being operator).

Exploration

Exploration and appraisal drilling outcomes are risky and may not end up as "company makers" The Perth Basin is ongoing a renaissance in terms of exploration, but intimate knowledge of the structural nature is some parts is still being assessed, so faulting and compartmentalisation, permeability and porosities are key drivers for success. Access to land and permitting in areas that are environmentally sensitive or negotiate access to farm land for seismic can present major hurdles for timely data acquisition

Commodity prices and markets

TPD has contracted offtake for a portion of its Walyering Gas Project, but gas prices and demand are subject to market conditions and competing projects. TPD has some exposure to the international price of oil given the associate liquids (condensate) at Walyering. A pathway to market for monetising gas in Mongolia is not yet clear as are future pricing and level of potential offtake.

HSE

TPD operates in an industry which is considered relatively high risk, particularly for those people engaging in drilling and production. Accidents and injuries are possible and bring reputational, regulatory and financial risks

Environmental

Increased regulatory and environmental scrutiny adds a degree of timing risk and compliance hurdles. A Company's licence to operate is inextricably linked to safe operations so accidental gas discharges from production facilities, contamination of surrounding lands from leakage of hydrocarbons exposes TPD to regulatory, reputational and financial risk

Partner

JV alignment is an important factor in delivering projects or conducting exploration. While good robust technical and commercial discussions avoid "group think", TPD does not operate or manage its interests day-to-day, as such activities are designated to the operator. Therefore, TPD is exposed to the capabilities of its JV operator partner/s to execute planned activities on time, and budget, safely and in accordance with all environmental standards. In addition, execution of planned activities requires that JV partners can fund their share, and if not, there is risk that planned activity is delayed, deferred or does not occur.

Inflation

Generally, there are widespread upward cost pressures in the oil & gas industry due to procurement of materials, equipment (e.g., drill casing), drilling (rig contractors) and mobilisation of a limited number of specialist skilled labour into the field, and competition for plant engineering / fabrications costs (e.g., Waitsia contractor issues). This exposes exploration & development budgets to cost overruns.

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Disclosures

Scott Ashton, an authorised representative of BSCP, certifies that the advice in this report reflects his honest view of the company. He has 20 years investment experience in wholesale capital markets. He worked as an energy analyst for brokers BZW, ABN Amro and BBY for 17 years and has a further 3 years' experience in commercial analytical roles with Roc Oil and Santos. He may own securities in companies he recommends but will declare this when providing advice. He currently owns shares in TPD. He is remunerated by BSCP but is not paid a specific fee for providing this report. BSCP are Corporate Advisors to TPD and may receive fees from TPD for services provided. BSCP, its directors and consultants may own shares and options in TPD and may, from time to time, buy and sell the securities of TPD.

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