

# Elixir Energy Limited

The Elixir is filled with east coast gas

October 2024

**Recommendation: BUY**

- **Major new gas discovery in a strategic location**
- **East coast gas market is facing impending deficits**
- **High returning project**

ASX: EXR

Share Price: \$0.17

Target Price: \$0.25

M/Cap.: \$203M

Valuation: \$0.25/share

Valuation: \$384M

Shares/options: 1196.8

Monthly T/over: \$12.3M



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**Petra Capital Pty Ltd**

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**Figure 1: Top 20 Shareholders (Dated August 2024)**

	<b>Name</b>	<b>Amount</b>	<b>%</b>
1	Mr Neil Young	38,545,894	3.22
2	Citicorp Nominees	34,037,052	2.84
3	BNP Paribas Nominees Retail DRP	26,765,645	2.24
4	Mamdal Superannuation	12,752,240	1.07
5	Mr Andrew Hopkins & Mrs Adrienne Hopkins	12,442,000	1.04
6	BNP Paribas Noms	12,166,543	1.02
7	Holdrey Pty Ltd	11,200,000	0.94
8	Discovery Investments	10,000,000	0.84
9	HSBC Custody Nominees Australia	9,881,989	0.83
10	Llama Capital	8,301,541	0.69
11	Mamdal Pty Ltd	7,500,000	0.63
12	Hilda Holdings	7,200,000	0.60
13	Mr Anthony Kilmartin	6,770,000	0.57
14	Mr Michael Kresinger	6,700,000	0.56
15	Caliber Trustee	6,300,000	0.53
16	Reija Pty Ltd	5,964,656	0.50
17	Mr Paul Moyes	5,560,000	0.46
18	Fernbrook Investments	5,500,000	0.46
19	Teggay Lake Pty Ltd	4,918,191	0.41
20	HSBC Custody Nominees A/C 2	4,851,144	0.41
	<b>Total</b>	<b>237,356,895</b>	<b>19.98</b>

Source: Company

October 2024

## Elixir Energy Limited (EXR)

**BUY**

**Share Price: A\$0.17**

**The Elixir is filled with east coast gas**

**Target Price: A\$0.25**

**EXR is the 100% owner and Operator of the Grandis Gas Project, located in the Taroom Trough of QLD's Bowen Basin. Grandis is strategic, with a large 1.5 Tcf Resource, surrounded by majors, in a region supplying the large gas-hungry LNG trains. The scale is unrivalled, outside of the Beetaloo and North Bowen Basins which face significantly higher infrastructure-related hurdles relative to the Taroom Trough which is on the doorstep of end-customers and an extensive pipeline network. EXR has appraised 1 well to date, Daydream-2, with early production testing indicating commercial flow rates. A further Daydream-3 well is expected in 1H25 to further grow and appraise the Resource before first production in FY29. We initiate with a BUY rating and PT A\$0.25/sh.**

### Project Grandis; large resource set to grow

- 2C Resource 1.5 Tcf based on the sole EXR-drilled Daydream-2 well, and historical regional work.
- EXR flowed the Lorelle Sands at commercial rates of 2.1 – 2.5 MMscf/d across the entire section, with another 5 production zones to be tested in Dec.Q'24.
- A further appraisal, Daydream-3, expected in 1H25, will further de-risk and potentially grow the Resource.

### Lots of activity to prove up strategic region

- The Taroom Trough is the largest new source of gas for the east coast that is close to infrastructure.
- EXR, Shell, STO and OMA are all looking to commercialise the regional play.
- Shell is currently drilling a 3 well campaign with reports of "material gas flares"; OMA is currently drilling its Canyon appraisal well, and STO has previously flagged "multi-Tcf potential" for the region.
- Grandis is within 100km of QLD's main gas trading hub, and within 50km of existing pipelines.
- Major LNG players, including Shell & STO, can develop the region as backfill for Gladstone LNG trains.
- We believe the strategic benefits may assist EXR in farm down negotiations (ongoing), and potentially add future M&A corporate appeal.

### High returning development

- EXR is seeking to farm out equity in Grandis to reduce forward capital commitments, however until more clarity is gained, we model on a 100% basis.
- We assume a 25 well development for 100 TJ/d for 23 years, draining only ~30% of the existing Resource.
- Petra NPV<sub>10</sub> A\$309m, IRR 36%, first production FY29.

### Key Dates Ahead

- Dec.Q'24 – Finalise Daydream-2 flow test
- 1H 25 – Daydream-3 appraisal
- Ongoing – Potential farm out discussions

### Company Data

Shares – ordinary (M)	1197
Dilution (M)	131
Total (fully diluted) (M)	1,328
Market capitalisation (\$M)	203
12 month low/high (\$)	0.06/ 0.21
Average monthly turnover (\$M)	12.3
GICS Industry	Oil, Gas & Consumable Fuels

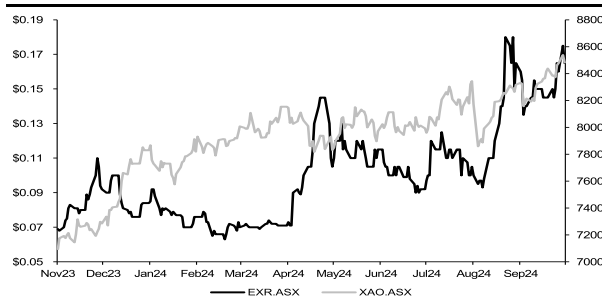
### Financial Summary (fully diluted/normalised)

Year end June	2027F	2028F	2029F	2030F	2031F
Revenue (\$M)	-	-	129	386	398
Costs (\$M)	(5)	(5)	(56)	(141)	(146)
EBITDA (\$M)	(5)	(5)	73	244	252
NPAT (\$M)	(3)	(20)	21	112	118
EPS (¢ps)	(0.4)	(2.3)	2.3	12.2	12.7
EPS Growth (%)	10	534	>100%	423	5
PER (x)	(47.5)	(7.5)	7.3	1.4	1.3
Op. cash flow (\$M)	(3)	(20)	39	167	175
OCFPS (¢ps)	(3.7)	(3.6)	(18.8)	4.7	18.0
PFCFPS (x)	(4.6)	(4.7)	(0.9)	3.6	0.9
EV / EBITDA (x)	(40.4)	(40.4)	2.7	0.8	0.8
Payout ratio (%)	-	-	-	-	-
Dividends (¢ps)	-	-	-	-	-
Yield (%)	-	-	-	-	-
Franking (%)	-	-	-	-	-

### Board

Director	Position	Independent
Mr Richard Cottee	Non-Executive Chairman	Yes
Mr Neil Young	Managing Director	No
Mr Stephen Kelemen	Non-Executive Director	Yes
Ms Anna Sloboda	Non-Executive Director	Yes

### EXR – performance over one year



# Analysis

Elixir Energy (EXR)											
3-Oct-24								Share Price	(S)	0.170	
								Issued Shares	(M)	1,197	
								Other	(M)	131	
<b>Year End June</b>								Fully Diluted	(M)	1,328	
<b>PROFIT &amp; LOSS</b>		2025F	2026F	2027F	2028F	2029F	2030F	2031F	Future Assumed Equity*	(M)	1,250 *Assumes \$50m @ 16c in FY25 & \$150m @ 16c in FY27
Revenue	A\$m	0	0	0	0	129	386	398	Mkt Cap.	(SM)	203
Expenses	A\$m	-3	-3	-3	-3	-54	-139	-144	Enterprise Value (Jun.'24)	(SM)	202
Other	A\$m	-2	-2	-2	-2	-2	-2	-2			
<b>EBITDAX</b>	<b>A\$m</b>	<b>-5</b>	<b>-5</b>	<b>-5</b>	<b>-5</b>	<b>73</b>	<b>244</b>	<b>252</b>	<b>ASSUMPTIONS</b>		
Exploration	A\$m	0	0	0	0	0	0	0	Brent Crude	US\$/bbl	89 90 90 90 90 90 90
D&A	A\$m	0	0	0	0	-18	-55	-57	QLD gas price	A\$/GJ	12.0 12.0 12.0 12.0 12.0 12.0 12.0
<b>EBIT</b>	<b>A\$m</b>	<b>-5</b>	<b>-5</b>	<b>-5</b>	<b>-5</b>	<b>56</b>	<b>189</b>	<b>196</b>	Average realised gas price	A\$/GJ	12.0 12.0 12.0 12.0 12.0 12.0 12.0
Net Interest	A\$m	0	1	0	-24	-26	-29	-26	AUD/USD	FX	0.67 0.68 0.68 0.68 0.69 0.70 0.70
Pre-Tax Profit	A\$m	-5	-4	-5	-29	30	160	169			
Tax	A\$m	1	1	1	9	-9	-48	-51	<b>OPERATIONS</b>		
<b>Net Profit</b>	<b>A\$m</b>	<b>-3</b>	<b>-3</b>	<b>-3</b>	<b>-20</b>	<b>21</b>	<b>112</b>	<b>118</b>	<b>Production</b>		
Abnormal	A\$m	0	0	0	0	0	0	0	Daydream	PJe	0.0 0.0 0.0 0.0 10.5 32.0 33.0
Reported Profit	A\$m	-3	-3	-3	-20	21	112	118	Other	PJe	0.0 0.0 0.0 0.0 0.0 0.0 0.0
<b>CASHFLOW</b>		2025F	2026F	2027F	2028F	2029F	2030F	2031F	<b>Total Production</b>	<b>PJe</b>	<b>0.0 0.0 0.0 0.0 10.5 32.0 33.0</b>
Net Operating Cash Flow	A\$m	-3	-3	-3	-20	39	167	175	<b>REVENUE</b>		
Divestments / (Acquisitions)	A\$m	0	0	0	0	0	0	0	Gas	A\$m	0 0 0 0 122 382 394
Net Capex (Incl. Restoration)	A\$m	-18	-18	-30	-12	-210	-124	-8	Oil	A\$m	0 0 0 0 0 0 0
Other	A\$m	0	7	0	0	0	0	0	Condensate	A\$m	0 0 0 0 7 4 4
<b>Investing Cash Flow</b>	<b>A\$m</b>	<b>-18</b>	<b>-11</b>	<b>-30</b>	<b>-12</b>	<b>-210</b>	<b>-124</b>	<b>-8</b>	Other	A\$m	0 0 0 0 0 0 0
<i>Free cash flow</i>	A\$m	-21	-21	-33	-32	-171	43	167	<b>Total</b>	<b>A\$m</b>	<b>0 0 0 0 129 386 398</b>
Net Borrowings	A\$m	-6	0	150	0	0	0	0	<b>Percentage Split (Revenue)</b>		
Dividends	A\$m	0	0	0	0	0	0	0	Gas (%)	%	0% 0% 0% 0% 0% 95% 99% 99%
Equity Issues	A\$m	56	0	150	0	0	0	0	Oil (%)	%	0% 0% 0% 0% 0% 0% 0% 0%
Other	A\$m	3	0	0	0	0	0	0	Condensate (%)	%	0% 0% 0% 0% 0% 5% 1% 1%
<b>Financing Cash Flow</b>	<b>A\$m</b>	<b>53</b>	<b>0</b>	<b>300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	Other (%)	%	0% 0% 0% 0% 0% 0% 0% 0%
Net IncreaseCash	A\$m	32	-14	267	-32	-171	43	167	<b>CAPITAL EXPENDITURE</b>		
<b>BALANCE SHEET</b>		2025F	2026F	2027F	2028F	2029F	2030F	2031F	Daydream	A\$m	18 18 30 12 210 124 8
Cash	A\$m	40	26	293	260	89	132	299	Other	A\$m	0 0 0 0 0 0 0
Other Current	A\$m	9	9	9	9	9	9	9	<b>Total</b>	<b>A\$m</b>	<b>18 18 30 12 210 124 8</b>
<b>Current Assets</b>	<b>A\$m</b>	<b>48</b>	<b>35</b>	<b>302</b>	<b>269</b>	<b>98</b>	<b>141</b>	<b>308</b>	<b>CASHFLOW CHART (A\$m)</b>		
Fixed Assets	A\$m	19	37	67	79	271	340	292			
Exploration	A\$m	45	45	45	45	45	45	45			
Other	A\$m	0	0	0	0	0	0	0			
<b>Non Current Assets</b>	<b>A\$m</b>	<b>64</b>	<b>82</b>	<b>112</b>	<b>124</b>	<b>316</b>	<b>385</b>	<b>336</b>			
<b>Total Assets</b>	<b>A\$m</b>	<b>112</b>	<b>117</b>	<b>413</b>	<b>393</b>	<b>414</b>	<b>526</b>	<b>645</b>			
Borrowings	A\$m	0	0	0	0	0	0	0			
Payables	A\$m	2	2	2	2	2	2	2			
Other	A\$m	0	0	0	0	0	0	0			
<b>Current Liab</b>	<b>A\$m</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>			
Borrowings	A\$m	0	0	150	150	150	150	150			
Provisions	A\$m	0	0	0	0	0	0	0			
Other	A\$m	0	0	0	0	0	0	0			
<b>Non Current Liab</b>	<b>A\$m</b>	<b>0</b>	<b>0</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>			
<b>Total Liabilities</b>	<b>A\$m</b>	<b>3</b>	<b>3</b>	<b>153</b>	<b>153</b>	<b>153</b>	<b>153</b>	<b>153</b>			
<b>Total Equity</b>	<b>A\$m</b>	<b>110</b>	<b>114</b>	<b>261</b>	<b>240</b>	<b>261</b>	<b>374</b>	<b>492</b>			
<b>RATIO ANALYSIS</b>		2025F	2026F	2027F	2028F	2029F	2030F	2031F			
EPS	c	(0.4)	(0.3)	(0.4)	(2.3)	2.3	12.2	12.7	<b>EBITDAX</b>		
PER	x	(44.6)	(52.2)	(47.5)	(7.5)	7.3	1.4	1.3	Daydream	A\$m	0 0 0 0 78 249 257
EPS Growth	%	-15%	-15%	10%	534%	-202%	423%	5%	Other	A\$m	-5 -5 -5 -5 -5 -5 -5
CFPS	c	(2.4)	(2.3)	(3.7)	(3.6)	(18.8)	4.7	18.0	<b>Total</b>	<b>A\$m</b>	<b>-5 -5 -5 -5 73 244 252</b>
FCF yield	%	-14%	-14%	-22%	-21%	-111%	28%	106%	<b>NPV10</b>		<b>Risk ASM AS/sh.</b>
PCFR	x	(7.1)	(7.3)	(4.6)	(4.7)	(0.9)	3.6	0.9	Grandis (Daydream / Taroom Trough)		80% 309 0.20
DPS	c	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Other assets (Nomgon)		50 0.03
Yield	%	-	-	-	-	-	-	-	Exploration		25 0.02
Payout Ratio	%	0%	0%	0%	0%	0%	0%	0%	Corporate & other		-40 -0.03
Gearing ND/E	%	-36%	-23%	-55%	-46%	23%	5%	-30%	<b>Adjusted net cash / (debt)</b>		<b>40 0.03</b>
Interest Cover	x	33.3	6.0	12.4	(0.2)	2.2	6.6	7.4	<b>TOTAL</b>		<b>384 0.25</b>
EV/EBITDAX	x	(40.4)	(40.4)	(40.4)	(40.4)	2.7	0.8	0.8			
EBITDAX Margin	%	n/a	n/a	n/a	n/a	57%	63%	63%			
EBIT Margin	%	n/a	n/a	n/a	n/a	43%	49%	49%			
Return On Assets	%	-4%	-4%	-1%	-1%	14%	36%	30%			

Source: Petra Capital

October 2024

## Executive Summary

### Major new gas discovery strategically located

In Australia's Future Gas Strategy, released in May '24, the Federal Government outlined that "new sources of gas supply are needed to meet demand during the economy-wide transition".

The Taroom Trough in QLD's Bowen Basin is a leading candidate to become the next major new source of gas for the east coast market. Santos has previously remarked on its acreage in the Taroom Trough "if the play works, then we believe there is multi-Tcf potential".

In terms of scale, the only comparative we see is the Beetaloo Basin, located in a remote part of the Northern Territory, many thousands of kilometers from the primary end users in the demand hubs of QLD/NSW/VIC. In contrast, the Taroom Trough sits on the doorstep of existing infrastructure into Australia's main gas trading hub (Wallumbilla) and from there to either the domestic market or to existing LNG facilities in Gladstone for international sales. This geographic advantage makes the Taroom Trough more cost competitive.

EXR is an early mover into the basin with 1.5 Tcf of 2C Resource, after just one EXR well, with over 3 Tcf of Prospective Resource still to be proven via planned work programs in 2024/2025.

### Supplying east coast gas into a short market

The Gippsland Basin JV, comprising Woodside (ASX: WDS) (50%) and Exxon (50%), operates the Bass Strait fields & Longford plant, historically responsible for supplying more than 50% of east coast gas. These fields are in structural decline after several decades of production, meaning YoY gas volumes will incrementally reduce, with Longford output down ~30% from only a few years ago.

Despite the production capacity of the nation's largest field diminishing, few alternatives exist to replace the lost supply. Government intervention, including price caps, fracking moratoria and tax changes have stifled new developments, along with ESG constraints impacting the ability of developers to fund new projects. With multi-year lead times to first production, there is limited scope to bring new traditional sources of supply online in time. AEMO & ACCC forecast LNG imports to plug the gap, resulting in significantly higher cost supply (A\$16/GJ+) and higher gas (and electricity) prices.

EXR will benefit through higher contract prices. We estimate an average QLD contract price of A\$12/GJ, which we see as a conservative estimate, with our PT rising +24% for a +10% increase in gas price.

### High returning project that is cheap vs peers

Leveraging off earlier technical success in the region from Shell & STO, EXR drilled Daydream-2 with 180m of net pay and unexpected free flowing conventional gas in the Lorelle Sandstone.

EXR is in the process of proving commerciality of the field. The Lorelle Sandstone, which comprises one of six production zones, has flowed at 2.1 – 2.5 MMscf/d, only marginally below EXR's estimated commerciality threshold of 2.5 MMscf/d (cumulative for all zones). The remaining zones will now be tested following the deployment of the Coil Tubing Unit.

Based on the stabilised rate of the Lorelle Sandstone, and the potential from other sand and coal horizons, we assume per well production rates in our base case modelling of 4.0 MMscf/d. This drives a 23yr development from FY29, delivering an IRR of 36%.

We believe there is significant potential for M&A due to the strategic desire for large-scale east coast gas resources for domestic and/or international customers. We note a comparable transaction in the Beetaloo Basin (a more remote resource) between Tamboran (TBN) and Origin (ORG), resulting in a total consideration of \$140m for 1 Tcf of 2C Resource, or A\$0.13/bcf, excluding a 5.5% royalty which we estimate could be worth ~\$50m, or A\$0.05/bcf, based on a 100 TJ/d development and \$12/GJ gas price. The price implies an EXR valuation of A\$0.22/sh, broadly consistent with our DCF valuation.

### BUY, PT A\$0.25/sh

We initiate with a BUY rating and fully diluted PT A\$0.25/sh underpinned by our DCF valuation for EXR's Grandis Gas Project, and nominal valuations for its Mongolian coal assets and other exploration. We then add adjusted net cash of \$40m and subtract SG&A of \$40m to derive our valuation.





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