RENERGEN LIMITED

Preparing for Lift Off:

High-Concentration Helium Shows Promise

Update report

28 January 2020

Michael Bentley
Senior Research Analyst

michael.bentley@mstaccess.com.au

Virginia Gas – Preparing for Lift Off: High-Concentration Helium Shows Promise

Since our initiation in September 2019, Renergen has made significant steps towards increasing the value of the Virginia Gas Project. The initial results from the high-concentration helium sandstone play have been above pre-drill expectations. Drilling results to date have resulted in strong gas flows with helium concentrations of 12%. Renergen are now assessing their options for the further drilling of this field in order to ascertain its full size and helium concentration. If successful, it has the potential to materially increase the value of the project as the high-value helium changes the scope of the Stage 2 expansion to a predominantly helium asset rather than LNG. The project will therefore be substantially more highly exposed to a global market in need of supply. It would also potentially add significant strategic value to the project and transform Renergen into a helium producer of global significance.

A Gas Project with a Difference

Renergen's major asset is its 100% shareholding in the Virginia Gas Project (the project), located 250 km south-west of Johannesburg in Free State, South Africa. The high level of helium within the project's low-impurity gas reserves is its key differentiator, creating significant value.

Not Standing Still – Other Major Events

Renergen has taken a number of significant steps to progress the project and has had several substantial corporate events:

- successful capital raising
- purchase of the remaining 10% of the project
- appointment of LNG and helium plant equipment supplier
- redemption of A$500,000 convertible note
- Notable Pioneer option to purchase up to 20m shares from Tamryn Investments – no change to total shares on issue

Delivery of Stage 1 of the Project

Renergen continues to work on Stage 1 of the project. Construction targets are in place for pipelines, production wells and plant in order to deliver an LNG and helium plant producing 50 tons of LNG and 350kg of helium a day from mid-2021.

Valuation – Stage 2 the Key, Potential Valuation Lift Off from High Concentration Helium

Our base-case NPV valuation for Renergen is **A$2.12/ ZAR21.20** compared to A$1.80 / ZAR18.00 at initiation. This valuation does not include the high concentration helium play, which has the potential to materially increase our valuation. Key deliverables include further drilling and appraisal of the high concentration helium play, timely construction of Stage 1, further contacting of heavy vehicles and industrial users to LNG and securing of helium offtake for Stage 2.

RENERGEN
FUTURE ENERGY, TODAY

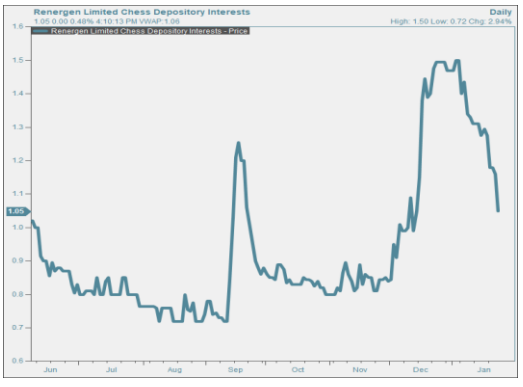
Renergen is an emerging producer of LNG and helium. The principal asset is a 100% shareholding in Tetra4, the first and only onshore petroleum production right in South Africa.

Stock	RLT.AX/REN.JSE
Price (24 Jan)	A$1.06 / ZAR 11.99
Market cap (24 Jan)	A$137m

Company data	
Net debt (ZAR) (31 Nov 2019)	78.3m
Shares on issue	118.235m
Code ASX	RLT
Code JSE	REN
Primary exchange	JSE

Next steps	
Drill Incline wells to increase flow	Q1 CY2020
High concentration helium further drilling	Q1 CY2019
Drill and complete production wells	H2 CY2020

RLT Share Price Since ASX Listing 7 June 2019



Virginia Gas Project – High-Concentration Helium - Potential Valuation "Lift Off"

A previous drill hole in the sandstone play had revealed gas with up to 11% helium concentration. Renergen appointed a drilling contractor in October 2019 to drill a horizontal well within the play to test the existence and significance of the high-concentration helium.

The horizontal well intersected gas charged sandstone in the inclined section of the well on 9 December 2019. After drilling ahead through the sandstone section and into the underlying formation, and intersecting a number of fractures, the well flowed gas to surface at a rate over 850,000 standard cubic feet per day (scfpd), (as a comparison, current wells for Stage 1 flow at around 120,000 scfpd) with an estimated helium concentration of 12% (Stage 1 helium concentration is around 3%)

In view of the highly encouraging gas intersections in the well, Renergen decided to run electric logs in the well prior to determining the drilling (and testing) programme going forward. Once the results of the logs are assessed the forward programme to best evaluate high concentration helium sandstone play will be commenced.

The results to date are highly encouraging and may lead to a significant reserve of high concentration helium gas. The discovery has the potential to transform Renergen's Stage 2 project into a significantly higher value proposition with the higher concentration of helium driving the lift in the valuation (See Valuation section for details).

Not Standing Still – Other Important Events

The key event for Renergen has been the drilling results from the high concentration helium play. However, there have been several other important events since our initiation.

Recent Events

- 21 January 2020 –Capital raising
- 17 December 2019: Purchase of remaining 10% of Virginia Gas Project
- 6 November 2019: Change in substantial shareholder – Notable Pioneer call option from Tamryn Investments
- 29 October 2019: Stage 1 LNG plant and liquid helium plant ordered
- 17 September 2019: Convertible notes redeemed

Capital Raising

Renergen completed a successful accretive capital raising, issuing 5,600,000 CDIs at A$1.20 per security.

The placement was well supported by investors and was made in part to replenish the cash used to acquire the remaining stake in Tetra4, making Renergen the sole holder of the Virginia Gas Project. The balance of the proceeds raised will be used to further explore the high concentration helium play gas discovery made in December 2019 which included 12% helium levels. Construction of Stage 1 is fully funded via a US$40 million loan from the United States Government's development finance institution, the Overseas Private Investment Corporation (OPIC)

Renergen last raised capital in June 2019, when the company listed on the Australian Stock Exchange, issuing 12.5 million shares at A$0.80, raising A$10 million.

Increasing Ownership of the Virginia Gas Project to 100%

The ownership structure of the Virginia Gas Project is via an entity called Tetra4. Tetra4 was previously 90%-owned by Renergen and 10%-owned by Renergen's Black Economic Empowerment (BEE) partner. On 17 December 2019, Renergen acquired the remaining 10% of Tetra4 for ZAR23m (A$2.3m) from the BEE partner.

This is an intelligent and value-accreting transaction by Renergen, increasing our base case valuation by A$0.20 / ZAR2.00 per share.

Renergen remains committed to the principles of empowerment and will consider any fair, market related offers from qualifying Broad-Based BEE investors for the 10% stake, on terms agreed by both Renergen and its lenders.

Change in Substantial Shareholding – Call Option Granted to Notable Pioneer by Tamryn Investments – No Change to Total Shares on Issue

On 6 November 2019, Notable Pioneer acquired a call option to purchase Renergen shares from Tamryn Investment Holdings (Tamryn). The call option allows Notable Pioneer to acquire up to 20,000,000 of the 34,051,997 Renergen shares owned by Tamryn and expires on 5 February 2020.

Tamryn is a private investor which, along with Renergen's CEO and COO, funded Renergen's original purchase of the Virginia Gas Project. Tamryn's shareholding prior to the call option being exercised is 30.2%.

Notable Pioneer is a private company controlled by Mr Hui Ye. Mr Ye is the Chairman and President of Beijing Chunhui Yuan Group, a private company with extensive interests in real estate, hotels, natural resources, education and entertainment. Prior to the call option being exercised, Notable Pioneer is a 7.1% shareholder of Renergen.

Table 1 – Changes in Major Shareholdings from Exercise of Call Option

	% of Shareholding before Exercise	% of Shareholding after Exercise
Tamryn Holdings	30.2%	12.5%
Notable Pioneer	7.1%	24.8%

Source Renergen

Table 2 – Pricing Information for Two Tranches in Call Option

	Number of Shares	Price
Tranche 1	10,000,000	$A0.86 per share
Tranche 2	10,000,000	20% discount to 30 day VWAP Max price A$1.20 Min Price A$0.86

Source Renergen

Save for the permitted dealing described above with Notable Pioneer, Tamryn has agreed not to sell or deal in its entire shareholding of 34,051,997 Renergen shares until 5 December 2020

Renergen is registered as a South African company and is required to comply with the South African Companies Act, which requires a mandatory offer to be made once a shareholder breaches the 35% shareholding level.

The key outcome of this change in ownership would be that Renergen would have a large strategic Chinese investor. China is the fastest-growing market for helium, driven predominantly by the increase in medical care in China and the rapid growth in the use of MRI machines.

LNG Plant and Liquid Helium Plant Ordered

On 29 October 2019, Renergen announced that they had selected the contractor for the construction of the LNG plant and liquid helium plant. Western Shell Cryogenic Equipment Co. (WSCE) of China has been awarded the contract to supply the technology and equipment for the plant. WSCE has been manufacturing small-scale LNG plants since 2004.

The founder and CEO of WSCE, Dr Jia LinXiang, developed the helium cryogenic test laboratory for NASA, after which he held the position of Chief Cryogenic Engineer at the US Brookhaven National Laboratory in New York for over a decade.

Renergen expect the plant to be operational in mid-2021.

Convertible Notes Redeemed

Convertible notes were issued in December 2018 with an interest rate of 15% per annum. The notes were convertible into shares at an equivalent price of A$0.74 per share. Renergen redeemed the notes in September 2019 at their face value of A$500,000.

Redemption of the notes is a positive outcome for Renergen. It improves the company's capital structure by reducing expensive debt on the balance sheet. The redemption also removes the risk that existing shareholders could be diluted in the future when the share price is potentially significantly higher than the equivalent price on the convertible notes.

A Quick Update on the South African LNG and Global Helium Markets

Our September 2019 initiation report provided a detailed look at the South African (SA) LNG market and the global helium market. We provide a brief update regarding those markets below.

South African LNG Market – Significant Cost Savings for Customers

As described in our initiation report, Renergen is targeting to sell 70% of its LNG to the heavy vehicle industry in SA (conversion from diesel) and 30% to the industrial sector (LPG replacement).

LNG supply to heavy vehicle industry

LNG represents a significant cost saving to heavy transport operators, because it is priced at a discount of 25% to the SA diesel price. In addition, LNG is more efficient than diesel, adding significant mileage to each refill. LNG also reduces the operators' carbon footprint due to its lower emissions.

The key to growing the business of LNG for heavy vehicles is the signing up of customers. Renergen has signed agreements for the supply of natural gas generated by the new plant, once it is in operation, with Megabus, South African Breweries and Black Knight Logistics. The number of prospective customers in the heavy vehicle industry continues to exceed the current production capacity of Stage 1, and Renergen still expects to award allocations on a first-come, first-served basis.

LNG supply to industrial sector

For industrial customers, LNG is far more efficient than LPG as SA LPG is of low quality. LNG will also offer a cost saving as it will be priced to the customer at a "bulk rate" to the industrial customers. With regards to Industrial users, prospective customers in the wholesale market relating to power and steam, cookers and paint shops continue to show strong interest in signing up to Renergen's LNG. Allocation will be on a first-come, first-served basis

Other major industrial users of gas for direct heating are also supplied from the Sasol pipeline which runs to South Africa from the Pande and Temane fields in Mozambique. Major customers have publicly stated they expect a supply crunch to set in as early as 2023 where the expectation is that supply will decrease at a rate of 15% per year. The potential gas shortage poses a significant threat to businesses which are dependent on it for their industrial processes. This presents yet another supply opportunity for Renergen, particularly for Stage 2 of the project.

LNG supply to power generation sector

Renergen has also opened themselves to using the project's gas to power small power generators, with heat recapture for steam generation for customers. Combined sale of heat and power yields competitive economics.

Global Helium Market – Positive Pricing Environment Expected

In our initiation report, we noted that we expect a positive pricing environment in the global helium market over the short to medium term. Deficits are likely, because global helium demand is growing at a steady pace while supply is constrained (driven by the shutting down of the US strategic reserve and geopolitical issues).

The helium market has continued to be extremely tight and remains very sensitive to any disruption in supply. New supply is on its way, predominantly as a by-product from mega LNG plants. However, these have been plagued by delays and are in politically sensitive regions.

The party balloon market provides an interesting look into the shortage of helium. Party balloon suppliers have been hit with significant price increases and must absorb higher costs to stay afloat. A prime example is US-listed Party City Holdco, which has seen its share price deflate from over US$12 to US$3.03 in the last year as a lack of helium causes increased costs and lowered demand for its balloons.

Renergen's supply will certainly help the situation, but we do not expect Stage 2 until 2023. The major risk to helium demand is the recycling and refining of its use by customers.

Valuation – Stage 2 the Key Driver, Valuation "Lift Off" Potential from High Concentration Helium

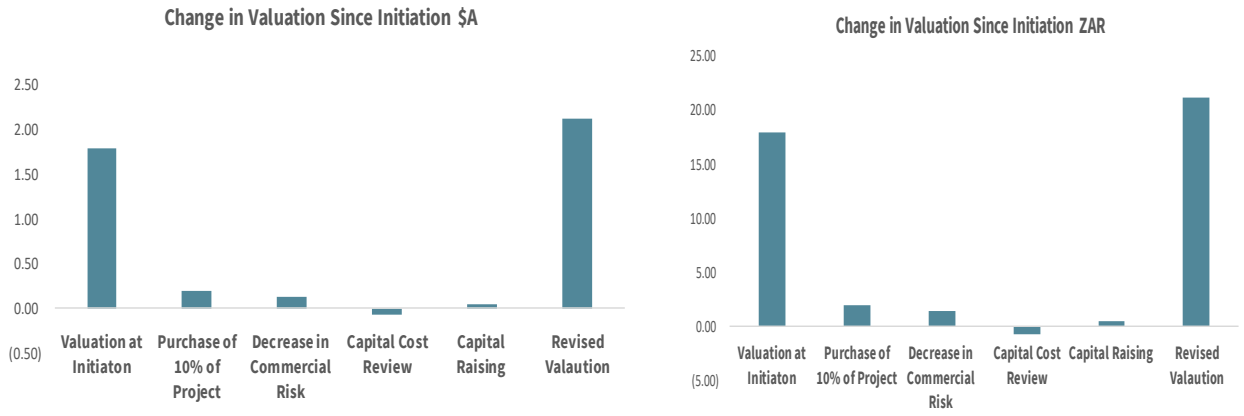
Base Case Valuation – Stage 2 the Key

Our base case valuation for Renergen is A$2.12 / ZAR21.17. Our valuation as at initiation was A$1.80 / ZAR18.00. We have applied a 12.5% discount rate, and a 23-year life for the project (the remaining life of the production licence until 2042). The base case valuation does not reflect any value for the high concentration helium sandstone play.

We have updated our valuation in consideration of recent company announcements and a review of the assumptions in our initiation report. Our valuation now incorporates the following items:

- the purchase of the remaining 10% of the Virginia Gas Project from the BEE partner
- the company's redemption of the convertible notes
- a higher Stage 1 capital costs estimate, increased by approximately A$2m, building in some cost increases
- a reduction in the commercial risk factor for both Stage 1 and Stage 2
- the capital raising on January 21, 2020

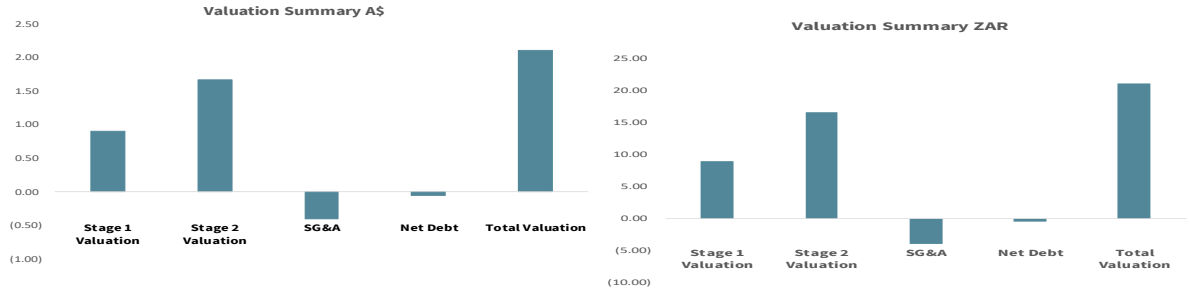
Figure 1 – Change in Base Case Valuation Since Initiation



Source MST estimates

The key driver of our valuation is the successful construction and implementation of the Stage 2 expansion. Figure 2 shows the valuation breakdown.

Figure 2 – Base Case Valuation Summary Stage 2 the Key Driver

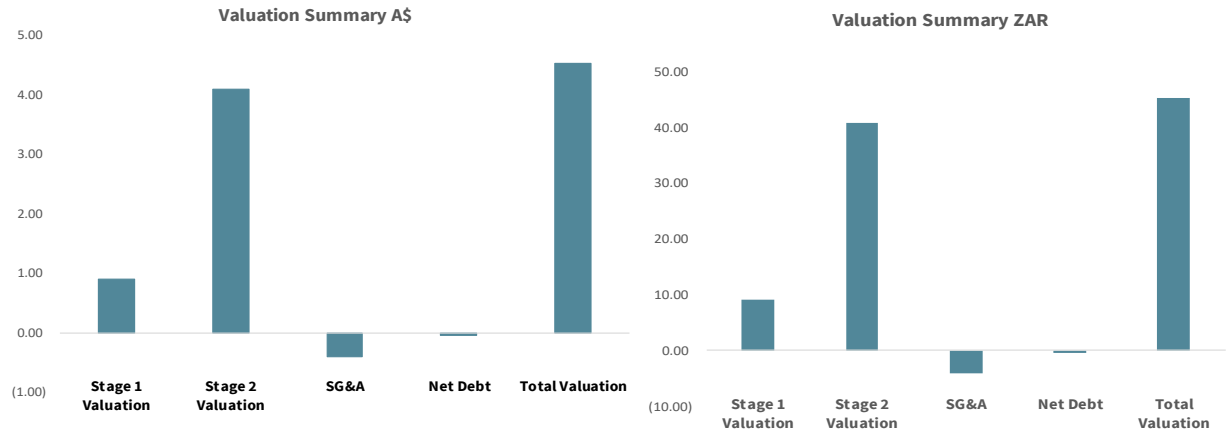


Source MST estimates

High Concentration Helium – Potential for Valuation "Lift Off"

If the high concentration helium play is included in our valuation, it has the potential to lift the valuation to A$4.32 / ZAR43.20. There are risks that the project will not go ahead as Renergen still has further drilling and appraisal work to complete in order to establish a reserve for this project and will need to perform a feasibility study in order to confirm final costs, timing and engineering. This valuation assumes that the high concentration helium play will have sufficient reserves to go to 2042 and that Stage 2 is fed by gas from the high concentration helium play and helium concentration is 12% (compared to our base case number of 3%). We have assumed LNG volumes at the same level that we have modelled for the current Stage 2 project, but helium volumes are significantly higher due to the higher concentration. We have added 30% to the total capital cost we assumed in our base case due predominantly to the higher unit cost of liquid helium plants. Stage 1 continues to process gas from the existing project at the same levels as is in our base case valuation.

Figure 3 – Valuation Summary for High Concentration Helium

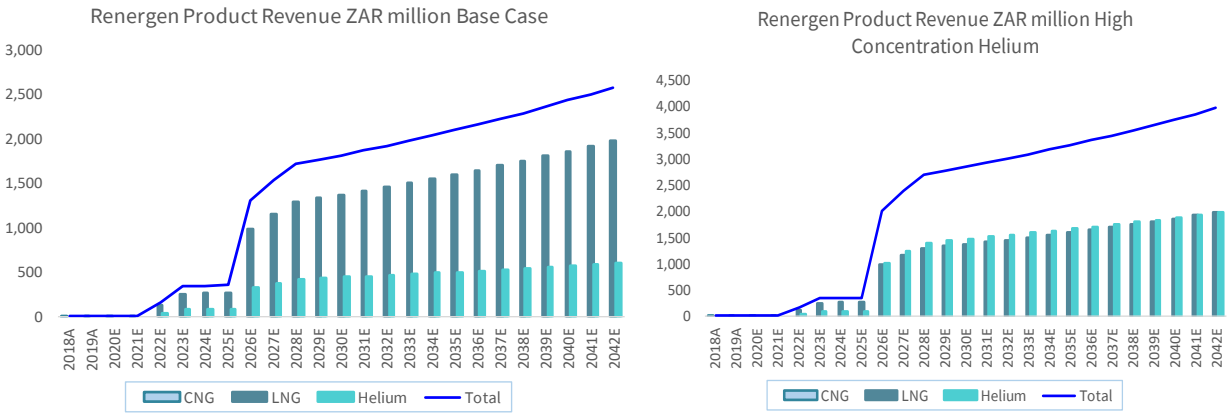


Source: MST estimates

Revenue comparison – Base Case vs High Concentration Helium

The inclusion of the high concentration helium play would transform the company's revenue from being dominated by LNG into one that has helium generating over 50% of the revenue . The high concentration helium play would also significantly boost annual revenue for the Stage 2 project. Figure 4 compares our estimates of the two different revenue streams, base case and high concentration helium scenarios.

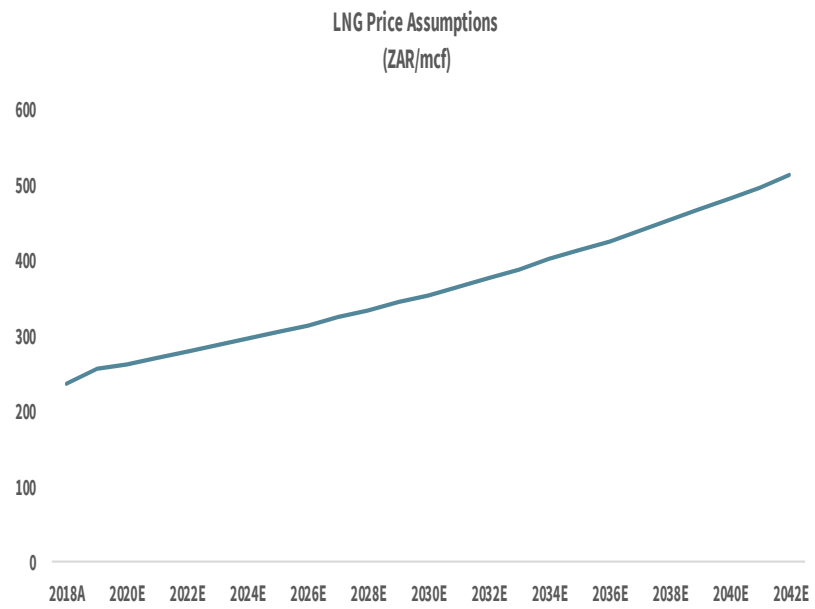
Figure 4 – Product Revenue Breakdown – Base Case (LHS) vs High Concentration Helium (RHS)



Source: Renergen, MST estimates

Key Assumptions – Base Case Valuation

Figure 5 – LNG Pricing Assumptions



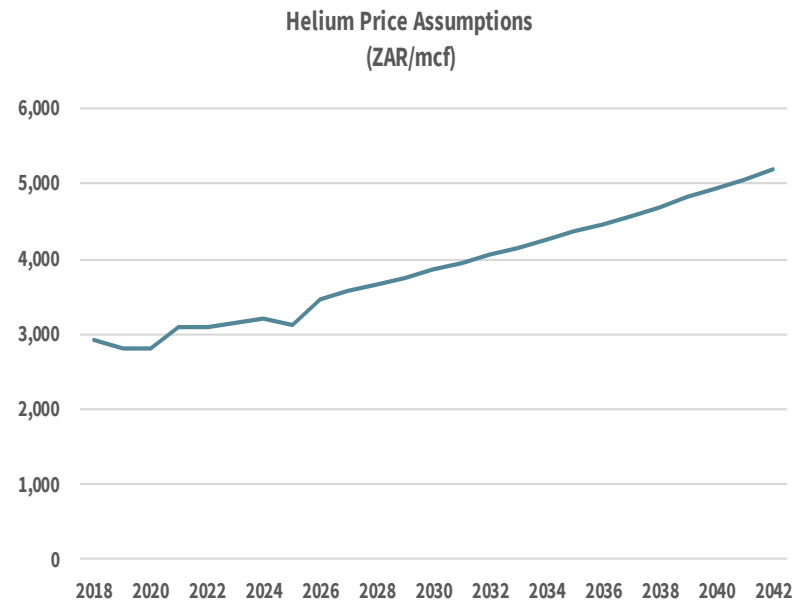
Source: MST estimates

LNG Pricing is key to the valuation. We have assumed Renergen sells 70% of its LNG to the heavy vehicle industry and 30% to industrial users for the life of the project.

Heavy vehicle LNG is priced at a 25% discount to the South African diesel price. The SA diesel price is regulated by the SA Government and is highly correlated to the Brent Crude price. The price has been inflated in line with MST's Brent Crude price estimate at 2.5%p.a.

Renergen will price its LNG to wholesale customers at a "bulk rate". We have assumed pricing as per management's guidance (ZAR 220 per GJ net of transport adjusted for CPI).

Figure 6 - Helium Pricing Assumptions



Source: MST estimates

We have assumed that 80% of Stage 1's helium is sold under the Linde contract at US$200mcf and inflated at 2.5% per annum as per the contract. The remaining 20% is priced at "market" rates which we have assumed to be US$305mcf as per management guidance.

We assume Stage 2 pricing, beginning in FY2026, is fully contracted, with pricing of the contract at US$250mcf and inflated at 2.5% per annum. This price is at a premium to the equivalent Linde contract pricing at the time, reflecting a continuing tight market. Any further delays to mega gas projects in Qatar and Russia will further tighten the market and present upside risk to the price.

Table 3 – Key Modelling Assumptions – Base Case Valuation

Assumptions	
Well Depletion Rate	5%
Helium	
Percentage Helium	3.0%
Price Inflation	
Transport LNG	2.5%
Wholesale LNG	4.5%
Helium Contract Stage 1	2.5%
Helium Market Stage 1	0.0%
Helium Contract Stage 2	2.5%
Cost Inflation	
Gas Extraction	4.5%
Gas Liquification & Pipeline	4.5%
Gas Transportation	4.5%
Other	4.5%
Maintenance Capex Growth	4.5%
ZAR/USD	14.0
ZAR/AUD	10.0

Source: MST estimates

We have assumed a 5% decline rate on the production wells. There is a possibility that the wells are a continuing and renewable resource without discernible pressure drop; however, this is yet to be proven.

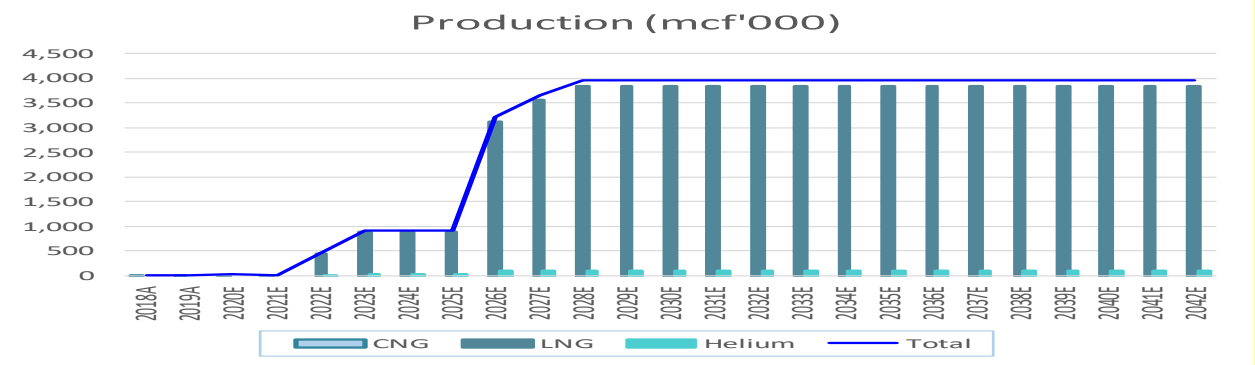
Given a large capital spend, Stage 2 of the project will require funding exceeding our estimate of the company's cashflow at the time. In our valuation, the project is funded by debt (see Financials section).

Table 4 –Capital Estimates – Base Case Valuation

	Stage 1			Stage 2		
ZAR Million	FY2020	FY2021	FY2023	FY2024	FY2025	FY2026
Pipeline	53	117			315	315
LNG Plant	53	116			314	314
Helium Plant	43	22			121	121
New Well Drill and complete	31	16	15	230		
New Well Connection	0	13	5	46		
Total Capex	180	284	20	276	750	750

Source: MHA, MST estimates

Figure 7 – Production Profile Base Case Valuation



Source: MHA, MST est

Key Assumptions – High Concentration Helium Play

Table 5 – Key Modelling Assumptions – High Concentration Helium Valuation

Assumptions	
Well Depletion Rate	5%
Helium	
Percentage Helium	3.0%
Percentage Helium HCHP	12.0%
Capital Increase High Concentration Helium	30.0%
Price Inflation	
Transport LNG	2.5%
Wholesale LNG	4.5%
Helium Contract Stage 1	2.5%
Helium Market Stage 1	0.0%
Helium Contract Stage 2	2.5%
Cost Inflation	
Gas Extraction	4.5%
Gas Liquification & Pipeline	4.5%
Gas Transportation	4.5%
Other	4.5%
Maintenance Capex Growth	4.5%
ZAR/USD	14.0
ZAR/AUD	10.0

The high concentration helium valuation uses the same assumptions as the base case valuation except that the helium concentration is assumed to be 12% for Stage 2 and capital costs are 30% higher due predominantly to the higher relative cost of liquid helium plants.

Source: MST estimates

Table 6 –Capital Estimates – High Concentration Helium

	Stage 1			Stage 2		
ZAR Million	FY2020	FY2021	FY2023	FY2024	FY2025	FY2026
Pipeline	53	117			409	409
LNG Plant	53	116			408	408
Helium Plant	43	22			158	158
New Well Drill and complete	31	16	15	298		
New Well Connection	0	13	5	46		
Total Capex	180	284	20	344	975	975

Source: MHA, MST estimates

Key Sensitivities – Base Case Valuation

The valuation's key sensitivity is the pricing of LNG, followed by helium pricing. Table 7 shows the effect that pricing changes of 10% on either side of our assumption have on the valuation. The valuation is also sensitive to increases in capital and operating costs. Table 8 shows the effect that cost changes of 10% on either side of our assumptions have on the valuation.

Table 7 – LNG and Helium Price Sensitivities

LNG Prices	Helium Prices +10%	Helium Prices MST Est.	Helium Prices -10%
+10%	$2.58	$2.47	$2.36
MST Est.	$2.23	$2.12	$2.01
-10%	$1.88	$1.77	$1.66

Source: MST estimates

Table 8 – Capital Cost and Operating Cost Sensitivities

Capex	Opex +10%	Opex MST Est.	Opex -10%
+10%	$1.85	$1.99	$2.13
MST Est.	$1.98	$2.12	$2.26
-10%	$2.11	$2.25	$2.39

Source: MST estimates

Positive Catalysts for the Share Price

Although we see some of the value of Stage 2 reflected in the current share price, there are several catalysts that we would expect to drive the share price towards our valuation.

Successful Testing and Appraisal of High Concentration Helium Play

The key catalyst for significantly adding value to Renergen's value is the confirmation of a high concentration helium reserve sufficient to feed the Stage 2 project. Renergen is currently assessing the drilling and appraisal programme for the high concentration helium play.

Drilling and confirmation of flow rates of wells for initial production

Successful drilling of production wells, particularly by using incline drilling (which commences in February), and confirmation of flow rates would increase the market's confidence in the delivery of gas to the project. We expect to see this catalyst materialise in the second half of CY2020.

Signing of customer contracts

Signing of further customer contracts would increase the market's confidence in take-up of LNG in South Africa as a transport fuel or industrial energy source. Several such contracts are currently under negotiation.

Gas Shortages from Sasol Supply

Industrial users have flagged a potential supply shortage from Sasol's gas supply in 2023, this would open up additional potential industrial users for Renergen's LNG

On-time construction of Stage 1

Delivery of the project on time and to budget would demonstrate the company's ability to deliver to expectations. We expect to see evidence of this around March 2021.

Consistent performance of liquification plants / positive cash flow

Consistent performance of the liquification plants would prove the project, begin to create positive cash flow and increase confidence in Stage 2.

Approval of Stage 2 Construction

This would be a major milestone for the company and its development (funding planned to be in place for the project in first half of CY2020).

Price increases in helium and LNG above our estimates

The valuation is sensitive to price increases in both products (see Table 6).

Risks to the Share Price and Valuation

Disappointing Results from High Concentration Helium Play Drilling and Appraisal

As a key driver for significant upside in valuation, disappointing drilling and / or appraisal of the high concentration helium play is a risk to share price and sentiment on the stock.

Lower-than-expected conversion to LNG – heavy vehicle and wholesale markets

Renergen's strategy relies on the SA heavy vehicle and wholesale markets market adopting LNG. Slower-than-expected rates of conversion would be unfavourable to the share price and valuation.

Disappointing drill results, lower-than-expected strike rates and flow rates

Disappointing drill results and flow rates would be detrimental to the share price and decrease confidence in Stage 2. Reservoir performance is a key to the project's success.

Increased drilling and construction costs; delays to construction of LNG and helium plants

In development stages, increases in costs and/or delays to construction would impact valuations and reduce market confidence.

Competition from other gas sources

Imported LNG is seen as an alternative energy source for South Africa and may be competitive with Stage 2's LNG. This may impact pricing and lead to closer alignment with global LNG prices.

Inability to sign additional helium customers

As a key value driver, any issues with signing helium customers would be negative.

Delays and increased cost for Stage 2

As the key driver of long-term value in Renergen, any delays or increases in cost for Stage 2 would be viewed negatively by the market and would decrease our valuation (see Table 7).

Poor performance of plant and equipment

Reliable output from the liquification plants is a key driver of value for Renergen. Any disruptions to this output would be seen as a negative for valuations.

Decreased product prices

The valuation is sensitive to price decreases in both helium and LNG (see Table 6).

Political risk / fiscal changes in South Africa

Energy policy has followed a difficult path in South Africa. Renergen has all approvals in place; however, the risk remains that policy and fiscal regime change could detrimentally affect the company. Changes in fuel tax affecting LNG would reduce its competitiveness with diesel and may require a change in strategy.

Financials – Stage 1 Fully Funded

Stage 1 of Virginia Gas Project Funded with OPIC Loan

Renergen has a US$40m loan from OPIC to fund Stage 1 of the project. This loan was signed and completed on 21 August 2019.

The OPIC loan is at favourable terms for Renergen. The US$40m facility is for a period of 12 years and we have assumed a rate of 4% above OPIC's funding rate (US Treasury rates). A 30-month grace period for principal repayments is in place.

The company is fully funded to construct Stage 1 of the project.

Table 9 – Stage 1 Fully Funded

Source of Funds	ZAR Million
Cash available 30 November 2019	205
Capital Raising January	67
Funds available from OPIC loan	303
Estimated Funds available for project	575
Estimated Capital Cost Stage One	(464)
Estimated Sandstone Drilling cost and feasibility	(56)
Estimated excess Funding Stage One	**56**

Source: MST estimates

Stage 2 Will Require Additional Funding

Management estimates that they will expand the project to produce an additional 10,000 GJ per day of LNG and 1,200 kg per day of helium.

To achieve this goal, the company will need to construct another LNG and helium plant, drill, complete and tie in significant additional wells, and add pipeline capacity (whether at 3% helium or the HCHP).

Table 10 – Assumptions for Funding of Stage 2 – Base Case

Capital Requirements	Year	ZAR Million
New Well Drilling and Completion Capex	2023	276
Pipeline and Liquification Plant Capex	2024	1,500
Cost of Stage Two Expansion		1,775
Estimated Funding Required (net of cashflow)		866

Source: MST estimates

Table 11 – Assumptions for Funding of Stage 2 – High concentration Helium

Capital Requirements	Year	ZAR Million
New Well Drilling and Completion Capex	2023	344
Pipeline and Liquification Plant Capex	2024	1,950
Cost of Stage Two Expansion		2,294
Estimated Funding Required (net of cashflow)		992

Source: MST estimates

Financial and Production Summary

Table 12 – Financial and Production Summary

Financial and Production Summary						
28-Feb						
Production Prices and Unit Cost	**FY19a**	**FY20e**	**FY21e**	**FY22e**	**FY23e**	**FY24e**
Production (mcf'000)						
CNG	13	37	18	0	0	0
LNG	0	0	0	444	887	887
Helium	0	0	0	13	27	27
Total	**13**	**37**	**18**	**457**	**914**	**914**
Prices (ZAR/mcf)						
LNG	257	264	272	280	289	298
Helium	2,800	2,800	3,094	3,094	3,150	3,207
Costs						
Total Cost (ZAR/mcf)	3,561	1,600	2,537	210	166	176
PROFIT & LOSS (ZAR'000s)	**FY19a**	**FY20e**	**FY21e**	**FY22e**	**FY23e**	**FY24e**
Revenue	2,987	8,630	4,574	165,611	340,201	349,462
Operating Costs	44,222	58,497	46,383	95,761	151,375	160,925
EBITDA	**-41,235**	**-49,867**	**-41,809**	**69,850**	**188,826**	**188,537**
EBIT	**-46,014**	**-59,130**	**-51,602**	**60,334**	**131,147**	**115,446**
Tax	3,572	0	0	0	0	0
NPAT (Reported)	**-44,976**	**-79,870**	**-70,048**	**32,780**	**107,930**	**89,538**
Minority Interest	-4,116	16,401	0	0	0	0
Average Number of Shares (m)	100.135	118.235	118.235	118.235	118.235	118.235
EPS (Underlying) ZAR	-0.50	-0.73	-0.59	0.28	0.91	0.76
EPS (Underlying) AUD	-0.05	-0.07	-0.06	0.03	0.09	0.08
P/E ZAR	N/A	N/A	N/A	43.2	13.1	15.8
P/E AUD	N/A	N/A	N/A	38.1	11.6	13.9
BALANCE SHEET (ZAR'000s)	**FY19a**	**FY20e**	**FY21e**	**FY22e**	**FY23e**	**FY24e**
Current Assets	**102,438**	**155,632**	**50,473**	**67,113**	**85,154**	**86,111**
Cash	97,956	151,150	50,091	53,312	56,804	56,989
Receivables	4,482	4,482	381	13,801	28,350	29,122
Non-Current Assets	**122,672**	**339,209**	**642,644**	**640,896**	**611,334**	**911,075**
PP&E	37,757	185,895	480,231	485,385	448,474	458,184
Intangibles	70,494	115,893	124,991	118,090	125,439	415,470
Current Liabilities	**11,193**	**11,193**	**376**	**1,718**	**3,173**	**3,250**
Non-Current Liabilities	49,684	215,684	494,824	475,595	354,689	565,772
Long Term Debt	39,647	205,647	484,787	465,558	344,652	555,735
Provisions	9,829	9,829	9,829	9,829	9,829	9,829
Net Assets	**164,233**	**267,964**	**197,916**	**230,696**	**338,626**	**428,164**
Share Capital	301,277	468,477	468,477	468,477	468,477	468,477
Reserves	448	448	448	448	448	448
Retained Earnings	-121,091	-200,961	-271,009	-238,229	-130,299	-40,761
Minority Interests	-16,401	0	0	0	0	0
Total Equity	**164,233**	**267,964**	**197,916**	**230,696**	**338,626**	**428,164**
CASH FLOW (ZAR'000s)	**FY19a**	**FY20e**	**FY21e**	**FY22e**	**FY23e**	**FY24e**
Operating Cash Flow	**-36,868**	**-54,206**	**-60,255**	**42,296**	**165,609**	**162,629**
Working Capital Change	2,335	0	6,716	12,078	13,094	695
Maintenance Capex	0	0	-7,768	-7,768	-8,117	-8,483
Expansion Capex	-9,587	-202,800	-305,460	0	-20,000	-364,350
Acquisitions	-3,756	-23,000	0	0	0	0
Investing Cash Flow	**-13,343**	**-225,800**	**-313,228**	**-7,768**	**-28,117**	**-372,833**
Equity Issued	140,212	167,200	0	0	0	0
Debt Issued	5,149	166,000	279,140	-19,230	-120,906	211,083
Financing Cash Flow	145,130	333,200	279,140	-19,230	-120,906	211,083
Change in Cash Balance	**94,919**	**53,194**	**-101,059**	**3,221**	**3,492**	**185**

Source: Renergen, MST estimates

Disclaimers

MST Access is a registered business name of MST Financial Services Pty Ltd (ACN 617 475 180 "MST Financial") which is a limited liability company incorporated in Australia on 10 April 2017 and holds an Australian Financial Services Licence (Number: 500 557). This research is issued in Australia through MST Access which is the research division of MST Financial. The research and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by MST Access is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

This report has been commissioned by Renergen Limited and prepared and issued by Michael Bentley of MST Access in consideration of a fee payable by Renergen Limited . MST Access receives fees from the company referred to in this document, for research services and other financial services or advice we may provide to that company. MST Financial has provided and received compensation for investment banking services to the subject company within the past 12 months. The analyst has received assistance from the company in preparing this document. The company has provided the analyst with communication with senior management and information on the company and industry. As part of due diligence, the analyst has independently and critically reviewed the assistance and information provided by the company to form the opinions expressed in the report. Diligent care has been taken by the analyst to maintain an honest and fair objectivity in writing this report and making the recommendation. Where MST Access has been commissioned to prepare content and receives fees for its preparation, please note that NO part of the fee, compensation or employee remuneration paid will either directly or indirectly impact the content provided.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of MST Access at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results and estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of liability: To the fullest extent allowed by law, MST Access shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained in this report. No guarantees or warranties regarding accuracy, completeness or fitness for purpose are provided by MST Access, and under no circumstances will any of MST Financial's officers, representatives, associates or agents be liable for any loss or damage, whether direct, incidental or consequential, caused by reliance on or use of the content.

General Advice Warning

MST Access Research may not be construed as personal advice or recommendation. MST encourages investors to seek independent financial advice regarding the suitability of investments for their individual circumstances and recommends that investments be independently evaluated. Investments involve risks and the value of any investment or income may go down as well as up. Investors may not get back the full amount invested. Past performance is not indicative of future performance. Estimates of future performance are based on assumptions that may not be realised. If provided, and unless otherwise stated, the closing price provided is that of the primary exchange for the issuer's securities or investments. The information contained within MST Access Research is published solely for information purposes and is not a solicitation or offer to buy or sell any financial instrument or participate in any trading or investment strategy. Analysis contained within MST Access Research publications is based upon publicly available information and may include numerous assumptions. Investors should be aware that different assumptions can and do result in materially different results.

MST Access Research is distributed only as may be permitted by law. It is not intended for distribution or use by any person or entity located in a jurisdiction where distribution, publication, availability or use would be prohibited. MST makes no claim that MST Access Research content may be lawfully viewed or accessed outside of Australia. Access to MST Access Research content may not be legal for certain persons and in certain jurisdictions. If you access this service or content from outside of Australia, you are responsible for compliance with the laws of your jurisdiction and/or the jurisdiction of the third party receiving such content. MST Access Research is provided to our clients through our proprietary research portal and distributed electronically by MST to its MST Access clients. Some MST Access Research products may also be made available to its clients via third party vendors or distributed through alternative electronic means as a convenience. Such alternative distribution methods are at MST's discretion.

Access and Use

Any access to or use of MST Access Research is subject to the Terms and Conditions of MST Access Research. By accessing or using MST Access Research you hereby agree to be bound by our Terms and Conditions and hereby consent to MST collecting and using your personal data (including cookies) in accordance with our Privacy Policy (https://mstfinancial.com.au/privacy-policy/), including for the purpose of a) setting your preferences and b) collecting readership data so we may deliver an improved and personalised service to you. If you do not agree to our Terms and Conditions and/or if you do not wish to consent to MST's use of your personal data, please do not access this service.