

31 July 2023

ASX: CRD

# Quarterly Activities Report for the Period Ending 30 June 2023

## Highlights

Conrad Asia Energy Ltd (ASX: CRD) (the “Company” or “Conrad”), the ASX-listed Asia-focused natural gas exploration and development company, is pleased to provide an overview of activities for the period ending 30 June 2023

- Negotiations continued to advance on the key terms of the Mako field (“Mako”) gas sales agreement between a Singapore buyer and the Indonesian regulator (SKK Migas). Finalization of these terms is expected in the third quarter CY2023. These commercial terms will further the development of Mako as well as Conrad’s plan to sell down some of its 76.5% participating interest in the project.
- Mako is the largest undeveloped and fully appraised gas field in the West Natuna Basin. Mako gas will be exported by an existing pipeline network to Singapore. The development will deliver significant benefits to Singapore, as it will provide reliable natural gas while diversifying the country’s future gas supply, with lower carbon emissions compared to LNG.
- Two of the three front end engineering design (“FEED”) studies for the Mako development project have been concluded and the third is on track for completion also by the third quarter CY2023.
- Conrad has continued to explore commercialisation options for gas from the recently acquired Offshore North West Aceh (Meulaboh) (“ONWA”) and Offshore South West Aceh (Singkil) (“OSWA”) Production Sharing Contracts (“PSCs”). The PSCs contain discovered gas resources in shallow water. Conrad has been approached by parties enquiring about potential downstream utilisation of this gas.
- Competent Persons Reports (“CPRs”) over the ONWA and OSWA PSCs were issued<sup>1</sup> during the period ending 30 June CY2023 (“Quarter”). Three of the discoveries hold an estimated gross (100%) 2C Contingent Resource of 214 billion cubic feet (“Bcf”) of sales gas (161 Bcf net attributable to Conrad)<sup>1</sup>. The net attributable resource is the commercial resource due to Conrad after the government fiscal take. The CPRs attributed a net present value of US\$88m<sup>1</sup> (net to Conrad) for the three accumulations. A fourth discovery, Keudapasi, has very little seismic data and has not been included in the Contingent Resource at this stage.
- Conrad continues to progress a detailed geoscientific study of both the shallow and deep-water areas of the Aceh PSCs to assess and create an inventory of leads and prospects across the area. This project is expected to be concluded during this coming quarter. The deeper water areas have several large structures with multi-trillion cubic feet of gas potential. These structures have gas chimneys and flat spots displayed on seismic data, indicating evidence of the presence of potential hydrocarbons.

**Conrad Managing Director and Chief Executive Officer, Miltos Xynogalas, commented:** “During the second quarter we have maintained our focus on completing the agreement of key terms for the Gas Sales Agreement (“GSA”) for Mako Gas with the Singapore buyer. We have extended the original timeline due to the size and importance of the project but we remain confident that these negotiations will be finalised in the short term. The extended timeline has impacted the farm down process which we now expect to progress during this quarter.”

<sup>1</sup> Conrad Asia Energy Ltd ASX announcements on 16 and 18 May 2023.

*"In parallel with negotiating the key terms of the GSA, we have made progress on the Mako development and recently completed the first operational activity; a geophysical survey for the development well locations and the pipeline routes. The operation was completed on time and on budget and with no HSSE incidents. This underscores our commitment to bring the gas field onstream in 2025.*

*"We are extremely pleased to have commenced our activities in the two PSCs recently acquired in Aceh. These blocks contain discoveries that have increased our resource base by 75%<sup>1</sup>. In coordination with the local authorities and through engagement of the local communities, we conducted fieldwork for the environmental baseline assessment. In the meantime, the results of the CPRs on the discovered resources and the internal studies on the exploration have confirmed the value and considerable upside of the Aceh PSCs to the company.*

*Our gas portfolio continues to expand in a region that is experiencing rapid gas demand growth. Conrad is well positioned to assist the region in transitioning from coal to natural gas as our portfolio now contains a host of discovered gas resources, as well as high impact exploratory opportunities.*

*During this Quarter some of the escrowed shares were released as planned, however this did not have any negative impact on the share performance demonstrating the confidence of our existing shareholders in the company and its growth potential."*

#### **Duyung PSC - Mako Gas Field**

**76.5% Participating Interest, Operator**

Conrad holds a 76.5% operated interest in the Duyung PSC via its wholly owned subsidiary, West Natuna Exploration Limited. Duyung is located in the Riau Islands Province, Indonesian waters in the West Natuna area, approximately 100 kilometres to the north of Matak Island and about 400 kilometres northeast of Singapore.

Gas sales agreement negotiations have been a focus of the Board and management of Conrad with tripartite engagements held between Conrad, a Singapore gas buyer, and SKK Migas. The negotiation of key terms is now expected to be finalised during the Q3 CY2023. The continued GSA negotiations will allow the Company to take advantage of an improved and favourable pricing environment given strong worldwide gas demand and low supply.

Front end engineering design studies were initiated during Q4 CY2022, with three separate FEED studies being progressed for the mobile offshore production unit ("MOPU") processing facilities; the subsea umbilicals, risers and flowlines ("SURF") and for the conductor support frame ("CSF"). The MOPU processing and the SURF FEEDs have been completed. The CSF FEED will conclude in Q3 CY2023. The results of this work are now being integrated and discussed with SKK Migas.

A geophysical pipeline route survey and a remote operated vehicle survey of the production manifold in the adjacent Kakap PSC (through which Conrad intends to export the Mako gas to the West Natuna Transportation System) have been completed without incident. A geotechnical survey of the MOPU location and potential well locations is scheduled over the next few months. Project optimisation discussions (e.g. precise placement of wells and facilities in light of the geophysical and geotechnical surveys) are ongoing with SKK Migas. The procurement process for all major project equipment and services contracts was commenced in Q2 CY2023.

Acquisition of environmental approvals for development is ongoing. The Government of Indonesia requires environmental permits for drilling or construction activities within the country. Included within the required permits is the project Environmental Impact Assessment (termed "AMDAL" in Indonesia). The Mako project AMDAL has been submitted to the government for review with approval expected during before the end of the year.

A farm-down process for the divestment of a portion of Conrad's interest in the Duyung PSC is ongoing with bids expected to be received soon. Conrad has engaged a global investment bank with a proven track record in similar transactions to lead the farm-down process.

Aceh PSCs

100% Participating Interest, Operator

ONWA and OSHA, the two Aceh PSCs awarded to Conrad in January 2023, are operated by wholly owned Conrad subsidiaries ONWA PTE Ltd and OSHA PTE Ltd. Conrad holds a 100% participating interest in each block, with each PSC having a 30-year tenure.

CPRs on Conrad’s shallow water areas of the two offshore Aceh PSC were completed. The CPRs estimate a gross (100%) 2C Contingent Resource of 214 Bcf of sales gas (161 Bcf net attributable to Conrad) in three of the four discovered gas accumulations in the two PSCs<sup>1</sup>. The net attributable resource is the commercial resource attributable to Conrad after the government fiscal take.

The CPRs evaluated the flow tested gas discoveries in the PSCs to address the range of potential in-place and recoverable volumes, and to devise conceptual development schemes. The CPRs ascribe a net present value (“NPV”) to Conrad of US\$88 million<sup>1</sup> of three of the discovered resources. The fourth discovery, Keudapasi, has very limited seismic data (two lines) and was not included in the Contingent Resources at this stage. Based on the CPR, Keudapasi has a P50 Estimated Ultimate Recovery of 30 Bcf<sup>1</sup>.

The Contingent Resources are located in shallow waters (50-80 metres) and at shallow reservoir depths of 900-1,500 metres, in close proximity to the shoreline near several identified commercialisation opportunities. The gas discoveries of almost pure methane were made in the 1970s and have all been successfully flow tested. These gas discoveries were not previously developed due to prevailing low gas prices and immature markets. The shallow water areas of ONWA and OSHA have had a historically high exploration success rate of over 30% in both PSCs. However, in the wells which targeted the main prospective horizon, upper Miocene carbonate reefs, the success rate has been over 66% based on 1970s seismic data. Conrad intends to acquire 500 square kilometres of modern 3D seismic data in each PSC during 2024, seeking to delineate near field, low risk drilling opportunities as well as evaluate other new prospective targets.

The two PSCs also have deep-water potential where several large structures with multi-trillion cubic feet potential have been identified. These structures have gas chimneys and flat spots displayed on seismic data, indicating evidence of the presence of hydrocarbons. Despite the numerous discoveries, the Aceh PSCs are classified as “frontier areas” and have been granted attractive fiscal terms. In-house technical studies describing the geological evolution and prospectivity of the unexplored shallow and deep-water areas of the PSCs are ongoing, with first results expected during soon.

Combined with Conrad’s Mako gas field in the West Natuna Sea, the two Aceh PSCs give the Company a total 2C Contingent Resource of 578 Bcf (376 Bcf net attributable to Conrad)<sup>1</sup> across its offshore Indonesian portfolio and represent a 75%<sup>1</sup> increase in net attributable resources to those reported as at 31 December 2022 in the Company’s annual report.

Additionally, the Company is making preparations for an environmental baseline assessment for each PSC in anticipation of the acquisition of seismic data during 2024. Conrad continues its efforts to establish a representative office in Banda Aceh as required by the local government and has initiated a stakeholder assessment of the PSC areas.

Sustainability

Conrad had previously commissioned three studies for the Mako project namely, a climate change risk assessment a biodiversity & critical habitat risk assessment and a human rights impact assessment. The former two studies have been completed (with no significant impactful findings) and the latter study will be finalized soon. The studies aim to provide independent adjuncts to the project environmental approval process required by Indonesian regulations (described above).

## Petroleum Tenement Holdings

As of 30 June 2023, Conrad's petroleum tenement holdings were:

Tenement and Location	Beneficial Interest at 31 December 2022	Beneficial Interest acquired/disposed	Beneficial Interest at 30 June 2023
<b>Duyung PSC</b> <i>West Natuna Basin, Indonesia</i>	76.50%	nil	76.50%
<b>Offshore Mangkalihat PSC</b> <i>Tarakan Basin, Indonesia</i>	100%	nil	100%
<b>Offshore North West Aceh PSC</b> <i>Offshore Aceh Province, Indonesia</i>	0%	100%	100%
<b>Offshore South West Aceh PSC</b> <i>Offshore Aceh Province, Indonesia</i>	0%	100%	100%

Note: In the Offshore Mangkalihat PSC, Conrad have been unable to define a sufficiently economically robust / de-risked prospect that would underpin the drilling of a commitment well. As such, a formal process for the relinquishment of the PSC is expected to commence during 3Q CY2023 with no further work obligation on the Company. The relinquishment process typically takes 6-12 months to conclude.

## Summary Financial Results

Conrad is well funded with cash of US\$10.77m as at 30 June 2023.

In accordance with ASX Listing Rule 5.3.4, as the June CY2023 quarter was in a period covered by a 'use of funds' statement in Conrad's IPO prospectus dated 9 September 2022 ("**Prospectus**"), below is a comparison of the Company's actual expenditure to 30 June 2023 against the estimated expenditure in the 'use of funds' statement:

Use of Funds	Prospectus US\$m	Total since IPO US\$m
Mako FEED and long lead items (including subsea wellheads and related equipment and structural steel)	17.4	4.7
Funds for growth and the evaluation of new assets and associated costs	3.0	3.1
General and administration costs	3.7	3.2
Repayment of borrowings under shareholder loan	5.5	5.9
Payment of transaction costs associated with the Offer <sup>2</sup>	2.9	1.7

The use of funds as at 30 June 2023 was within that defined in the prospectus. US\$0.6m was paid with the respect to the development cost in Q2 CY2023. The payments to related parties in this quarter amounted to US\$0.32m.

Payments to related parties as shown in the accompanying Appendix 5B were for directors' fees and remuneration.

<sup>2</sup> The Offer refers to Conrad's initial public offering on the ASX of CHESS Depositary Interests ("CDIs") at the issue price of A\$1.46 pursuant to the Prospectus.

Authorised by the Board.

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**About Conrad and its Projects**

Conrad is an Asia-focused natural gas exploration & production company concentrated on the shallow waters offshore Indonesia, and via its wholly owned subsidiaries, is the holder of several operated tenements in the form of Production Sharing Contracts. The Company's flagship project is the Mako Gas Field located in the Natuna Sea in the shallow offshore waters of Indonesia. Mako lies along a large natural gas pipeline to Singapore, which supplies high-value natural gas into Singapore primarily for electricity generation. The Mako gas field is one of the largest gas discoveries in the region.

The Company specialises in the identification and acquisition of undervalued, overlooked, and/or technically misunderstood gas assets, and has developed expertise in maturing such assets through subsurface technical work, appraisal drilling and an innovative approach to low-cost field development.

The Board and management have a proven track record of value creation and deep industry experience with oil majors, mid-cap E&P and the upstream investment community, together with a successful track record of bringing exploration and development projects into production, with Peter Botten the founder and Chairman of Oil Search adding enormous depth and experience as Chairman of Conrad.

**Forward Looking Statements**

This document has been prepared by Conrad Asia Energy Ltd (the Company). This report contains certain statements which may constitute "forward-looking statements". It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including, but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve and resource estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delays or advancements, approvals and cost estimates. The operations and activities are subject to joint venture, regulatory and other approvals and their timing and order may also be affected by weather, availability of equipment and materials and land access arrangements. Although Conrad believes that the expectations raised in this report are reasonable there can be no certainty that the events or operations described in this report will occur in the timeframe or order presented or at all.

There are numerous uncertainties inherent in estimating reserves and resources, and in projecting future production, development expenditures, operating expenses and cash flows. Oil and gas reserve engineering and resource assessment must be recognised as a subjective process of estimating subsurface accumulations of oil and gas that cannot be measured in an exact way.

No representation or warranty, expressed or implied, is made by Conrad or any other person that the material contained in this report will be achieved or prove to be correct. Except for statutory liability which cannot be excluded, each of Conrad, its officers, employees and advisers expressly disclaims any responsibility for the accuracy or completeness of the material contained in this report and excludes all liability whatsoever (including in negligence) for any loss or damage which may be

suffered by any person as a consequence if any information in this report or any error or omission there from. Neither Conrad nor any other person accepts any responsibility to update any person regarding any inaccuracy, omission or change in information in this report or any other information made available to a person nor any obligation to furnish the person with any further information.

All references to \$ or US\$ are in United States dollars unless stated otherwise.

## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Conrad Asia Energy Ltd

ARBN

Quarter ended ("current quarter")

656 246 678

30 June 2023

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(2)	(11)
	(b) development	(601)	(795)
	(c) production	-	-
	(d) staff costs	(1,090)	(2,414)
	(e) administration and corporate costs	(1,045)	(1,911)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	48	54
1.5	Interest and other costs of finance paid	-	(116)
1.6	Income taxes paid	-	(1)
1.7	Government grants and tax incentives	-	7
1.8	Other	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(2,690)</b>	<b>(5,187)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements (bonds paid)	-	(3,000)
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	-	<b>(3,000)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	-	-

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	13,465	18,961
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,690)	(5,187)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(3,000)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-



Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
4.5	Effect of movement in exchange rates on cash held	(2)	(1)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>10,773</b>	<b>10,773</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	5,773	8,465
5.2	Call deposits	5,000	5,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>10,773</b>	<b>13,465</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	324
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*

*The payment consists of Q2 director's remuneration of US\$235.86K, Q2 Director's fee of US\$87.75k.*

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>7. Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$US'000</b>	<b>Amount drawn at quarter end \$US'000</b>
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
N/A		

<b>8. Estimated cash available for future operating activities</b>	<b>\$US'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,690)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(2,690)
8.4 Cash and cash equivalents at quarter end (item 4.6)	10,773
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	10,773
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	4.00
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 July 2023

Authorised by: The Board of Directors  
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: *Exploration for and Evaluation of Mineral Resources* and AASB 107: *Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.