

27 October 2023

ASX: CRD

Quarterly Activities Report for the Period Ending 30 September 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 September 2023.

- Conrad signed a non-binding term sheet (the “Term Sheet”) with Sembcorp Gas Pte Ltd, a wholly-owned subsidiary of Sembcorp Industries Ltd, Singapore’s leading power and energy utility. The Term Sheet outlines the core terms and serves as the basis for a definitive gas sales agreement (“GSA”), which parties have agreed to negotiate in good faith by 31st December 2023. This aligns with our target date for a final investment decision for the Mako project. These commercial terms bolster the development of Mako and support Conrad’s plan to sell down some of its 76.5% participating interest in the project.
- 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 by mid-November 2023.
- The Duyung farm down process is ongoing, and with the announcement of the Term Sheet for the gas sales, more parties have expressed interest in the Mako project.
- Conrad has continued to identify and evaluate options for commercialisation of shallow-water gas discoveries in the recently acquired Offshore North West Aceh (Meulaboh) (“ONWA”) and Offshore South West Aceh (Singkil) (“OSWA”) Production Sharing Contracts (“PSCs”). A report prepared by THREE60 Energy completed in May this year, ascribes a net present value (“NPV”) of US\$88 million to the Aceh PSCs net to Conrad on its net attributable resources of 161 bcf in three of the four discoveries. The Company continues to build out the portfolio of leads and prospects in both the deep- and shallow-water areas of the Aceh PSCs. To this end, a detailed geotechnical study to assess and create an inventory of leads has been commissioned. This project is expected to be concluded by year end. The deeper water areas have several large structures with multi-trillion cubic feet of gas potential. Seismic studies over some of these structures show gas chimneys and flat spots, indicating the potential presence of hydrocarbons.

Conrad Managing Director and Chief Executive Officer, Miltos Xynogalas, commented: “Conrad reached a significant milestone in the third quarter by signing the term sheet with Sembcorp Gas Pte Ltd for the sale of our gas to Singapore. The terms for sale of export gas were endorsed by SKK Migas, the Indonesian petroleum upstream regulator. Partnering with a major player in the Singapore energy and power sector and being entrusted by the Indonesian government to deliver on such an important project underscores Conrad’s credibility and solid position within the industry.

We expect to finalise the GSA within the next few months and target first gas during 2025.

We are extremely pleased with the progress in the Mako FEED. Tendering of major contracts is ongoing, from which will emerge a revised view of project costs. We are also excited about discoveries in the Aceh PSCs where we are evaluating commercialisation options and a high impact exploration portfolio. We expect to complete a detailed analysis of our prospects and leads portfolio and share the findings with our shareholders over the next few months.

The growing interest in the farm-down has been encouraging and takes us closer to our goal of becoming a leading gas producer in the fastest growing market in the world. The farm-down, the completion of the GSA and the FEEDs are on track to allow final investment decision within the next few months.”

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.

The Company signed a non-binding term sheet (the “**Term Sheet**”) with Sembcorp Gas Ltd, a major Singapore energy provider, which outlines the core terms and serves as the basis for negotiating a definitive GSA, which the parties have also agreed to negotiate in good faith by 31st December 2023. This aligns with our targeted date for a final investment decision for the Mako project.

The Term Sheet and the framework of included terms have also been endorsed by SKK Migas, the Indonesian petroleum upstream regulator. The final GSA will be subject to approval by the Minister of Energy and Mineral Resources, SKK Migas, other requisite government approvals and other customary conditions precedent.

The key conditions of the Term Sheet relate to the sale of Mako gas from start of production to the end of the Duyung PSC in 2037, for a total sales gas volume of c 293 Bcf, with potential increase to c 392 Bcf, representing from 71% to 95% of the field’s estimated 2C Contingent Resources of 413 Bcf (100%) as assessed by Gaffney, Cline & Associates (26 August 2022). Gas sales will be priced against Brent oil.

Conrad will keep the market informed on the progress of the GSA as and when it is in a position to do so.

The company, supported by SKK Migas, continued negotiations for a transportation agreement to evacuate Mako gas via the West Natuna Transportation System (“**WNTS**”); a gas pipeline that delivers natural gas from the Natuna Sea to Singapore.

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

Three FEED studies were initiated during Q4 2022 for various components of the Mako project: the mobile offshore production unit (“**MOPU**”) facilities; the subsea umbilicals, risers and flowlines (“**SURF**”); and for the conductor support frame (“**CSF**”). The MOPU and the SURF FEEDs have been completed. The CSF FEED will conclude in Q3 2023. The results are now being consolidated and discussed with SKK Migas.

Geotechnical survey operations of the planned well, MOPU, and CSF locations have been completed without incident. A final report on the locations is expected during by mid-November 2023. 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 has continued.

The Government of Indonesia requires environmental permits, including an environmental impact assessment (“**AMDAL**”) for drilling or construction activities within the country. The Mako project AMDAL has been submitted to the government for review with approval expected by year-end, while acquisition of other environmental approvals for the project is ongoing.

Aceh PSCs

100% Participating Interest, Operator

Conrad holds 100% operated interests in both ONWA and OSHA, the two Aceh PSCs awarded to Conrad in January 2023. Conrad holds a 100% participating interest in both blocks, with each PSC having a 30-year tenure.

Competent persons reports (“**CPRs**”) covering the shallow water areas of the Aceh PSCs were completed in May 2023. 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 PSCs¹. The net attributable resource is the commercial resource attributable to Conrad after the government fiscal take.

The two PSCs also have deep-water potential where several large structures with multi-trillion cubic feet potential have been identified. Seismic studies of these structures show gas chimneys and flat spots, providing direct indications for the presence of hydrocarbons.

In-house technical studies describing the geological evolution and prospectivity of the unexplored shallow and deep-water areas of the PSCs are ongoing, with initial results expected soon.

Conrad has continued to identify and evaluate commercialisation options for the discovered gas resources. An independent study on these options is underway and is expected to be completed soon.

The Company has commenced planning to acquire 500 square kilometres of modern 3D seismic data in each PSC during Q4 2024, seeking to delineate near field, low risk drilling opportunities as well as evaluate deep-water prospective targets.

Sustainability

Conrad has completed three sustainability studies for the Mako project, namely a climate change risk assessment, a biodiversity & critical habitat risk assessment, and a human rights impact assessment. The studies aim to provide independent validation to the project environmental approval process required by Indonesian regulations (described above).

Petroleum Tenement Holdings

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

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

**: In the Offshore Mangkalihat PSC, Conrad has been unable to define any 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 2023 with no further work obligation from the Company. The relinquishment process typically takes 6-12 months to conclude.

Summary Financial Results

Conrad is well funded with cash of US\$7.89m as at 30 September 2023.

In accordance with ASX Listing Rule 5.3.4, as the September 2023 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 September 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	6.9
Funds for growth and the evaluation of new assets and associated costs	3.0	3.3
General and administration costs	3.7	4.0
Repayment of borrowings under shareholder loan	5.5	5.9
Payment of transaction costs associated with the Offer ¹	2.9	1.7

The use of funds as at 30 September 2023 was within that defined in the prospectus. US\$0.99m was paid with the respect to the development cost in Q3 2023 and 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.

Performance Rights

Share Rights

During the period:

- 240,000 Share Rights and 440,000 Restricted Share Rights lapsed because the conditions had not been, or had become incapable of being, satisfied.
- 2,340,616 Restricted Share Rights were exercised by Directors and employees of the Company. 2,340,616 Restricted CDIs were issued on exercise.

Warrants

During the period:

- 320,000 Restricted Warrants lapsed because the conditions had not been, or had become incapable of being, satisfied.

Authorised by the Board.

For more information, please contact:

Miltos Xynogalas
Managing Director & CEO
investors@conradasia.com
+65 6517 9700

Jane Morgan
Investor & Media Relations
jm@janemorganmanagement.com.au
+61 405 555 618

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

¹ 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.

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

656 246 678

Quarter ended ("current quarter")

30 September 2023

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(179)	(190)
	(b) development	(997)	(1,792)
	(c) production	-	-
	(d) staff costs	(1,126)	(3,540)
	(e) administration and corporate costs	(663)	(2,574)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	107	161
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	-	-
1.9	Net cash from / (used in) operating activities	(2,858)	(8,045)

2.	Cash flows from investing activities		
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 (9 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)	-	-
2.6	Net cash from / (used in) investing activities	-	(3,000)

3.	Cash flows from financing activities		
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)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	10,773	18,961
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,858)	(8,045)
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)	-	-

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

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
4.5	Effect of movement in exchange rates on cash held	(24)	(25)
4.6	Cash and cash equivalents at end of period	7,891	7,891

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	5,891	5,773
5.2	Call deposits	2,000	5,000
5.3	Bank overdrafts		-
5.4	Other (provide details)		-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,891	10,773

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 Q3 director's remuneration of US\$235.98K, Q3 Director's fee of US\$87.75k.

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

7.	Financing facilities <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>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
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		

8.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,858)
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)	(2,858)
8.4	Cash and cash equivalents at quarter end (item 4.6)	7,891
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	7,891
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.76
	<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	

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: 27 October 2023

Authorised by: The Board of Directors of Conrad Asia Energy Ltd
(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.