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CORPORATE BROCHURE



Wellboiled preparations

Advent Energy is about to begin drilling the first ever exploration well off the coast of New South Wales, in what may become one of the largest natural gas discoveries of the decade. Ben Sansom talks to managing director David Breeze about the exploration and why the prospects look so good

The global energy marketplace is undergoing unprecedented change as nations seek to migrate to cleaner and less environmentally damaging forms of power generation. Combined cycle gas-fired power plants produce some 60 to 70 per cent less CO₂ than coal-fired power plants for the same power output; and unlike wind and solar power, they are not dependent on an intermittent supply of fuel. This makes natural gas an attractive choice for the generation of a constant base load power output with greatly reduced carbon footprint.

For Australia, which is sitting on a substantial resource of unexploited natural gas, this is very good news. Where previously, with a consumer population of just 22 million, it had been uneconomical to invest in exploration and development of natural gas prospects, this search for cleaner power generation has led to a renaissance in natural gas exploration and production, including LNG production and export.

Large exploration, development and production projects are underway off the coasts of Western Australia and the Northern Territory, and of coal seam gas from within Queensland. An increasingly significant proportion of that gas is being exported as LNG to meet the rapidly increasing demand from countries such as India, China, Korea and Japan. As a result, Australia is rapidly climbing the world rankings in terms of gas export, and commentators are predicting that there is a probability it may eventually overtake Qatar to become world leader.



Recent exploration work done by Advent Energy in the hydrocarbon-rich Sydney Basin has revealed a prospective gas resource that could turn out be one of Australia's most exciting gas discoveries of this decade, and could certainly put New South Wales on the map as a gas producer. Current estimates are that it may yield over 13 trillion cubic feet of natural gas. However, the data also suggests that with further exploration that estimate could well increase to somewhere in the region of 35 trillion cubic feet.

\$38 million. Therefore, if the Advent project does realise the value that the press reports suggest, that would give BPH a share of just over \$2 billion—quite an improvement on its current value.

Exploration projects are notoriously capital intensive—the cost of drilling this first well is likely to be in the region of \$18 million. They are also inherently risky. However in this case, according to Breeze, several factors have significantly reduced the risks. The gas has been discovered in the vast 8,200 square kilometre PEP11 permit

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“We are now in the final stages of preparation, and expect to commence drilling our first exploration well before the end of the year,” says Advent Energy's managing director David Breeze. “It's a very exciting time for us. Based on the independent estimations of yet to be discovered resources, successful development of this field could yield an export programme in the region of 4.4 billion cubic feet of gas over the next 40 years, and this will bring us into a significant phase change as both developer and exporter.”

An unlisted public company, Advent has two major publically listed shareholders. Former biotechnology focused company BPH Corporate Ltd owns a 20 per cent share and MEC Resources, an investment company specialising in energy and mineral exploration, owns 51 per cent. For both of these companies, success with this first exploration well will have a significant financial impact.

“To put that into perspective, MEC is currently worth around \$100 million on the Australian Stock Exchange, and BPH is worth around \$27 million. Between them they have around 70 per cent total interest in the project,” says Breeze. “If the project is worth \$12 billion, as has been suggested in recent press commentary, then there is substantial capacity for value appreciation in these two companies.”

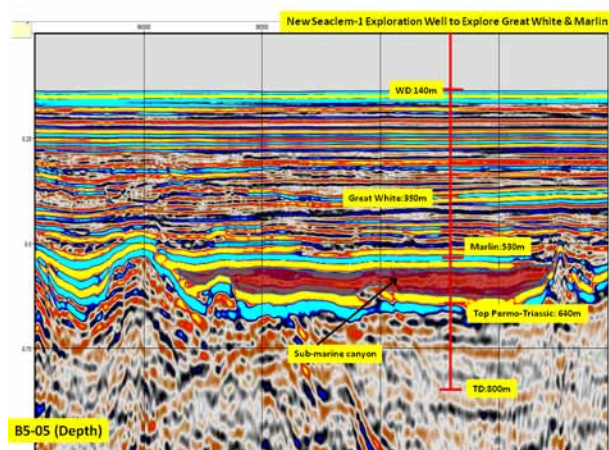
From the investment perspective there is an added twist to the story. BPH is currently believed to be considerably undervalued, and estimates indicate its value should be somewhere in the region of

area, located in a 200 kilometre corridor off the coast of New South Wales between Wollongong and Newcastle. Advent bought into the project in 2006 by acquiring a 25 per cent stake in the area which, on successful completion of the first exploration well, will be increased to 85 per cent. Since 2006, the company has undertaken numerous studies and worked extensively on the exploration data to define the likely extent of the gas reserves and de-risk the exploration process.

“Two separate companies had previously done work on PEP11, and had independently estimated a prospective gas-in-place of 1.75 trillion cubic feet,” explains Breeze. “However, by reprocessing these earlier results with a further seismic survey that we funded in 2004, we have been able to boost those estimates substantially, to 13.2 trillion cubic feet at 50 per cent certainty.”

The certainty could, however be significantly higher than this. The area has revealed many interesting geological features commonly associated with giant natural gas discoveries. “We have discovered seabed pockmarks of the sort you would find in the Gulf of Mexico and offshore Norway, and these are usually caused by gas fluid flow events,” Breeze explains. “One of these is one kilometre wide and 60 metres deep.”

In addition, a 2006 survey reveals columns of gas seeping from some of the pockmarks, some of them up to five kilometres wide. “This provided support for quite a range of prospective areas for drilling, which is terrific for a large project like this.”



Features such as these taken with geochemical indicators, according to international hydrocarbon migration expert and author Dietmar Schumacher, tend to increase the probability of discovering gas on a commercial scale to a reassuring 82 per cent.

PEP11 is also an attractive position because of its proximity to Sydney. It's not only close to Australia's largest and most rapidly expanding energy market with its associated power generation capacity, but it will also have close proximity to the national gas pipeline and export infrastructure.

Drilling is scheduled to commence before the end of the year and a semi submersible drilling rig, the Ocean Patriot, has been hired to carry out the work. Meanwhile, the four possible locations identified by the pre-drilling site survey have now been honed down to just one off the coast of Newcastle. A well at this location is expected to intersect to gas sources: the Great White prospect at 390 metres below sea level and the Marlin prospect at a depth of 530 metres.

Considerable interest has been generated among the international oil and gas community, and Advent has already been approached by a range of companies keen to participate in the project.

Looking to the future, Advent is putting together plans for further exploration wells in the development of what could turn out to be one of the most significant discoveries of the decade. "And the good news," Breeze concludes, "is that you don't have to be a major investor to become involved in this. Anyone can have access to it through our two shareholders, BPH and MEC Resources." www.adventenergy.com.au



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