Finder Energy Holdings Ltd

FDR.AX

A research platform of MST Financial

11 November 2024

Kuda Tasi & Jahal Dominate Activity

Working to fast-track production at Kuda Tasi & Jahal

- **FDR acquired 34MMbbls of 2C (net) oil resources in Timor-Leste PSC 19-11 and is focused on fast-tracking the Kuda Tasi & Jahal fields into production late CY2027.**
- **Activity over the outlook aims to de-risk commercial and technical aspects and attract partners for funding.**
- **In addition, FDR has a large acreage portfolio in Australia and the UK North Sea, in prospective areas with latent asset value.**

Development of the Kuda Tasi field initially, and later Jahal and potentially other resources in PSC 19-11 transforms Finder into a production company, with substantial cashflows backed by 34MMbbls of 2C oil resources (net to Finder) from several historical wells.

Work over the coming year aims to substantially de-risk the engineering phase, and attract partners to bring funds and development expertise, with a view to committing to the design and engineering phase (FEED) in 4Q CY2025. The project is currently in the "Concept Select Phase", and the potential for an "early production system" is part of this preliminary work.

Other acreage located offshore W.A, the NT and UK North Sea is in prolific oil and gas basins and are sleeper assets while Finder focuses on Timor-Leste. Farm-outs are required to progress activity.

Investment Thesis

Moving the Kuda Tasi & Jahal fields into production is transformational, bringing substantial cash flow and creating a hub for exploration and development of other discoveries and prospects nearby, delivering a pipeline of ongoing activity and future cashflow.

The UK & W.A acreage is prospective but exploration in these areas is capex-heavy and drilling activity will require Finder securing partners via farm-out. We view these as "sleeper" assets.

The value uplift from a Kuda Tasi project, and further development in PSC 19-11 is manifold, notwithstanding challenges to fund and execute. Other exploration assets in the UK, WA and NT are upside options.

Valuation: A$0.39 (Unchanged)

Our valuation is a DCF of Kuda Tasi & Jahal cashflows, to which we add small value for acreage in other regions. Secondary valuation measures for production companies, specifically EV/BOE provide context to the potential scale of re-rating that could occur once Finder is an established producer.

Risks

Oil prices and A$/US$ exchange rates are key risks to future Kuda-Tasi cashflows. Development will require external funds and partnering activity which may not be forthcoming. Project economics are at risk if capex or opex are higher than expected.

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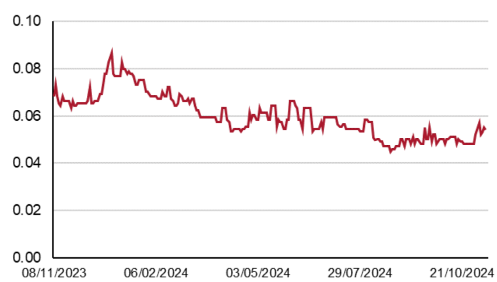
Finder Energy is an Australian-based energy company with development-ready oil assets in Timor-Leste, and oil and gas exploration stage acreage in the UK North Sea, and offshore W.A and N.T.

Valuation	**A$0.390** *(unchanged)*
Current price	**A$0.055**
Market cap	**A$15M**
Cash on hand	**A$8.5M**

Upcoming Catalysts / Next News

Period	
4Q2024	Define Kuda Tasi production model
1Q2025	FPSO evaluation ⁄ selection
CY2025	Development partner
3Q2025	Resource certification
4Q2025	Commence FEED

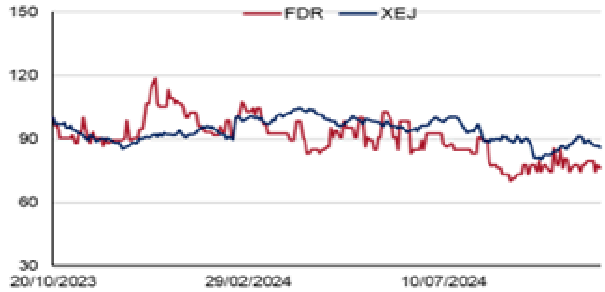
Share Price (A$)



Source: FactSet, MST Access

Figure 1: Financial Summary. All figures in A$ unless otherwise stated. Financial year June 30

Finder Energy Holdings Ltd				FDR.AX
Figures in A$ unless otherwise stated				
Market Data	**Y/E 30 June**		**Lo**	**Hi**
Share price	A$/sh	0.054		
52 week range	A$/sh		0.04	0.09
Shares on issue (basic)	M	282.1		
Other capital	M	2.00		
Market Cap	A$M	15		
Net Cash	A$M	9		
Enterprise Value	A$M	7		
A$/US$ conversion	cents	0.68		
EV / boe -2P	US$/boe	0.13		



Valuation multiples	FY23A	FY24E	FY25E	FY26E	FY27E
EPS	-0.02	-0.03	0.00	0.00	0.00
PE	NM	NM	NM	NM	NM
DPS	0	0	0	0	0
Yield-%	0	0	0	0	0
EBITDAX/sh (US cents)	0.00	-0.01	0.00	0.00	0.00
P/FCF					
EV/EBITDAX					
Revenue/boe (US$/boe)					
EBITDAX/Sales-%					
Net cash (Debt)	9	6	12	2	1
ND/(ND+E)					

Realised prices	FY23A	FY24E	FY25E	FY26E	FY27E
Gas-US$/mmBtu	NA	NA	NA	NA	NA
Oil-US$/bbl	83.88	84.51	77.21	75.75	77.27
A$/US$ rate	0.67	0.66	0.68	0.68	0.68

Production (Net)	FY23A	FY24E	FY25E	FY26E	
Gas- Bcf	0.00	0.00	0.00	0.00	0.00
Liquids (MMbbl)	0.00	0.00	0.00	0.00	0.00
MMboe	0.00	0.00	0.00	0.00	0.00
% liquids					

Resources (MMboe)	1C	2C	3C
Oil- MMbbls	20.2	34.3	54.0
Gas- Bcf	0.0	0.0	0.0
Total	20.2	34.3	54.0
% oil	100%	100%	100%

SoP Valuation 9US$M)	nrisked	RF	Risked
	US$M		US$M
Kuda Tasi & Jahal	258	50%	129
Other PSC-19-11 prospect:	11	25%	3
UK	1	0%	1
W.A Bedout basin	1	0%	1
Corp costs	-25		-25
Total E&P assets	246		109
Cash	9		9
Debt / Provisions	0		0
Total Equity value	**254**		**117**
Current Shares	282		282
Exp 2025 issuance	160		160
Other capital	2		2
F'cast shares on issue 25	442		442
Per share- US$	**0.58**		**0.26**
Per share- A$M	**0.85**		**0.39**

Income ($M	FY23A	FY24E	FY25E	FY26E	FY27E
Gas Revenue	0.0	0.0	0.0	0.0	0.0
Oil Revenue	0.0	0.0	0.0	0.0	0.0
Ohther	2.7	0.0	0.0	0.0	0.0
Revenue	3.0	0.2	0.6	0.6	0.6
Opex	0.0	0.0	0.0	0.0	0.0
Royalties	0.0	0.0	0.0	0.0	0.0
G&A	1.8	1.7	2.0	2.0	2.0
EBITDAX	**1.2**	**-1.5**	**-1.4**	**-1.4**	**-1.4**
Exploration exp.	3.7	2.7	0.0	0.0	0.0
Depreciation	0.0	0.0	0.0	0.0	0.0
EBIT	-2.5	-4.3	-1.4	-1.4	-1.4
Finance charges	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	-2.5	-4.3	-1.4	-1.4	-1.4
Tax	0.0	0.0	0.0	0.0	0.0
NPAT	**-2.5**	**-4.2**	**-1.4**	**-1.4**	**-1.4**
Significant items	0.0	0.0	0.0	0.0	0.0
Reported NPAT	-2.6	-4.2	-1.4	-1.4	-1.4
Share count EOP (M)	158	158	442	442	442

Cash flow (US$M)	FY23A	FY24E	FY25E	FY26E	FY27E
Receipts	0.4	0.0	0.6	0.6	0.6
Payments to suppliers	-5.6	-5.0	-2.0	-2.0	-2.0
Payments for E&A	0.0	0.0	0.0	0.0	0.0
Interest & other	0.1	0.2	0.0	0.0	0.0
Net cash from ops.	-5.1	-4.8	-1.4	-1.4	-1.4
Development capex	0.0	0.0	-4.0	-8.0	-100.0
Acquistions/divestment:	0.0	0.0	-3.0	0.0	100.0
Net investing	2.3	0.0	-7.0	-8.0	0.0
Equity issuance	0.0	0.0	14.0	0.0	0.0
Debt Issue	0.1	0.1	0.0	0.0	0.0
Dividends / other	0.0	0.0	0.0	0.0	0.0
Net cash Finaning	0.1	0.1	14.0	0.0	0.0
Increase in cash	-1.3	-3.1	5.6	-9.4	-1.4
Cash at EOP	9.4	6.3	11.9	2.5	1.1

Balance sheet (US$M	FY23A	FY24E	FY25E	FY26E	FY27E
Cash	9	6	12	3	1
Receivables & Inventory	1	1	1	1	1
Exploration assets	0	0	7	15	115
Oil & gas properties	0	0	0	0	0
other	0	0	0	0	0
Total Assets	**10**	**7**	**20**	**18**	**117**
Payables	0	0	0	0	0
Debt	0	0	0	0	0
Other	0	10	9	9	9
Total liabilities	0	10	10	10	10
Share-holder funds	10	-3	10	9	107

Source: MST Access estimates

Kuda Tasi & Jahal development project time-line.

Finder is on a path to becoming a significant oil production company following the acquisition of PSC 19-11 in Timor-Leste, in 3Q CY2024. This PSC contains the undeveloped Kuda Tasi and Jahal oil fields, and single-well Krill and Squilla discoveries.

These fields collectively contain 45MMbbls of 2C oil resources (gross) of which Finders' net working interest share is 34MMbbls 2C (net).

This report outlines Finders' proposed work program over the coming 12 months to advance pre-development activities for the Kuda Tasi & Jahal project. Broad objectives are to de-risk technical aspects, arrive at a development plan, and attract funding partner(s). As re-iterated in this report, and our initial report (dated 1 November 2024) the upside in doing so is substantial

Finder is focused on Kuda Tasi for now, but has other exploration phase oil and gas acreage in the UK North Sea, and offshore W.A. and the N.T, which are documented in our initial report, titled "Transformational Move to a Producer" published 1 November 2024. We view these as "sleeper assets" at this time and are not core to our valuation or investment case. For brevity we make no reference to these other assets in this report

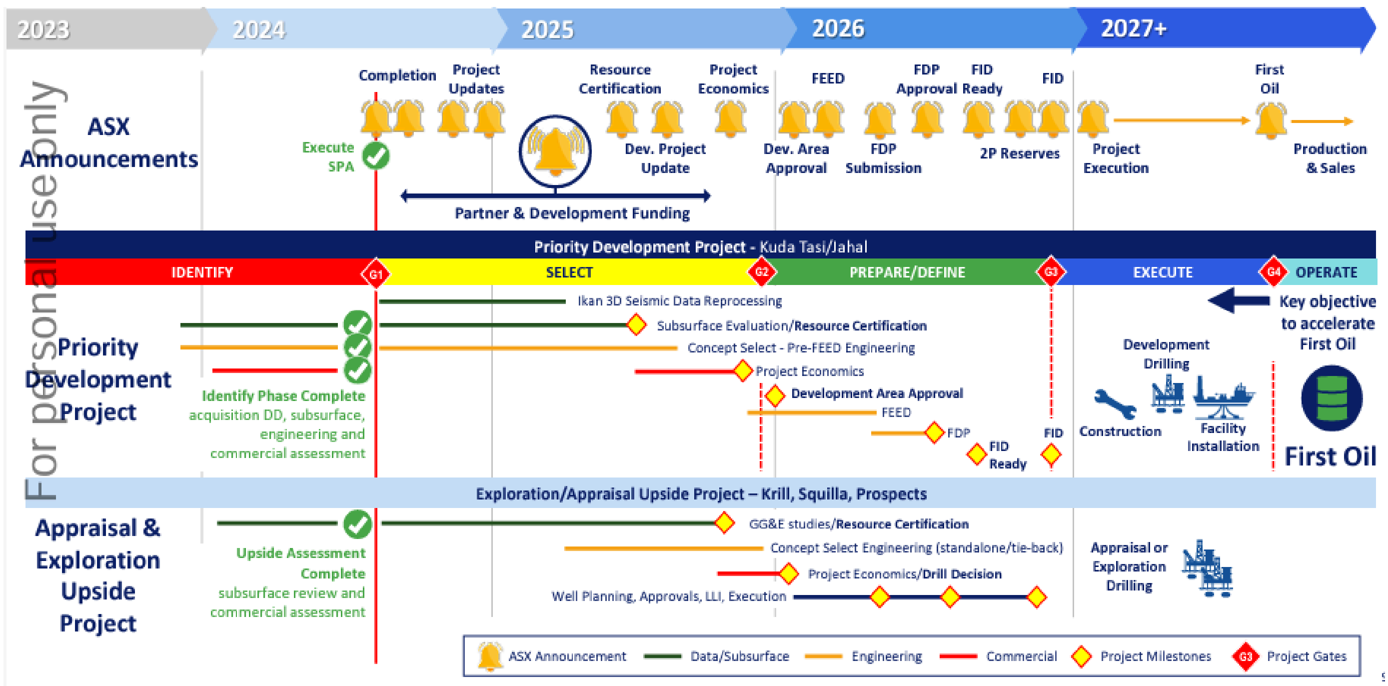
CY2025 program objectives: Partnering & FEED

The rather busy Figure 2 charts the path to production in late 2027. The project is currently at the "Concept Selection Phase" but by year end 2025, Finder aim to enter FEED (**F**ront **E**nd **E**ngineering and **D**esign). FEED is a critical step in locking in design and economics, ahead of project Final Investment Decision (FID) targeted for late CY2026.

Key work streams to meet that objective are summarised here.

- **Evaluate development scenarios**. These centre around deployment of an FPSO, either leased or purchased. An "Early Production System" (EPS) is also being considered.
- **Reservoir modeling** to inform optimal production rates and inform FPSO topside requirements and fluid handling. Initial production rates are expected to be in the 25,000-40,000bopd range.
- **De-risking subsurface geology** via Ikan 3D-seismic reprocessing, to inform optimal production well locations, well count, and potential for up-dip oil at Krill and Squilla.
- **Lock in a development partner for funding.** Finder reports the project has attracted interest from a "diverse range of groups" from industry players, FPSO owners, and others with alternative development ideas.

Figure 2: Work program and planned time-line to first oil production



Source: Finder Energy

Development-ready assets: Timor-Leste fields

This section backgrounds the project and is re-produced from our initial report dated 1 November 2024.

- Acquisition of 34MMbbls of 2C oil resource (net to Finder's working interest) in PSC 19-11, with 16.7MMbbls (net to Finder) in Kuda Tasi & Jahal fields, and the remainder in the Krill and Squilla discoveries. Finders' working interest is 76%, and the State-owned TIMOR GAP the remaining 24%.
- US$2M acquisition price is a low-cost entry, approximating~US$10c/bbl for 2C resources.
- Follow-on exploration and appraisal potential, using Kuda Tasi as a production hub.
- Host Government highly supportive.
- The PSC was signed on 9 September 2024, secures tenure and sets the work program for the next 3 years.

On 8 August 2024, Finder announced it had acquired a 76 % working interest in Production Sharing Contract PSC-19-11, in waters offshore Timor-Leste, from Eni and INPEX. The remaining 24% is owned by the Timor-Leste national oil company, TIMOR GAP.

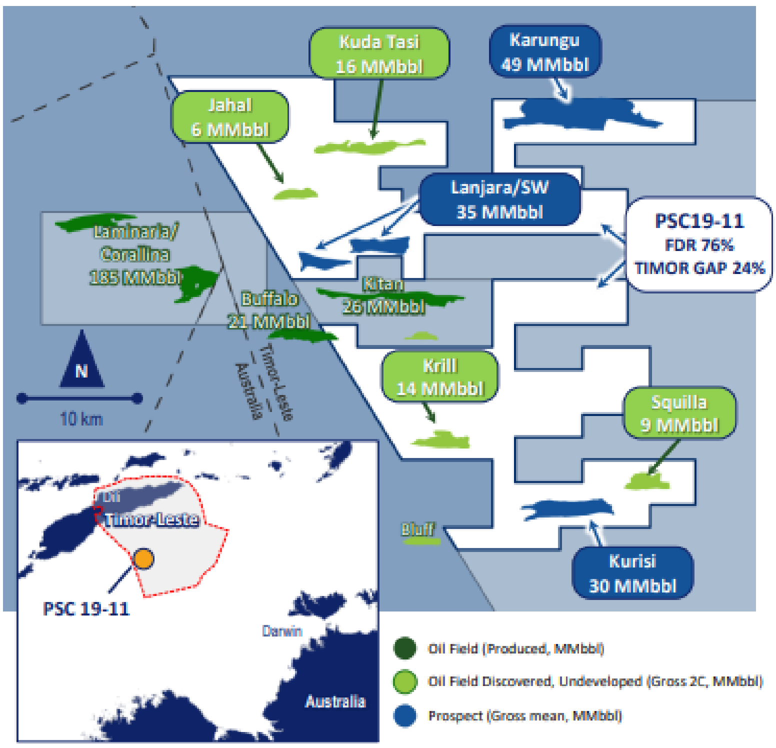
Location.

The Kuda Tasi and Jahal fields, and other exploration targets are in Production Sharing Contract PSC 19-11. This PSC is located in the Bonaparte Basin which straddles the Australia ⁄ Timor-Leste maritime boundary and is approximately 160 km SE of Suai in Timor-Leste, and 550 km WNW of Darwin.

Exploration success rates in the region are high at ~75%, and there were several historic commercial projects in the wider region from discoveries made ~30 years ago.

However, industry exploration activity in the region lost momentum after ~2000 due to (1) an extended period of low oil prices and (2) fiscal and sovereign uncertainty as the acreage transitioned from one sovereign to another and (3) the need for discoveries to be large in order to be economic given exploration and development costs are generally high in remote offshore waters. These factors form a back-drop to the lack of development of these discovered oil fields that Finder has acquired.

Figure 3: PSC-19-11 location and surrounding fields and prospects.



Source: Finder Energy

The Acquisition terms: a very low-cost entry

- Acquired for US$2M cash from global companies Eni of Italy (operator with 40.5%) and INPEX of Japan (35.5%). Finder is acquiring INPEX's direct working interest in the PSC, while the Eni transaction is an acquisition of shares in the corporate entity that owns the Eni working interest.
- In addition, there are future "milestone" payments to vendors, of $6.5M at the time of FID, plus 5% production gross royalty on production.
- PSC 19-11 contains a number of oil discoveries, notably Kuda Tasi, Jahal, Krill and Squilla, which have a combined 34MMbbls of gross 2C. Refer to figure 4.
- The up-front purchase price equates to ~US$0.1/bbl.

Conditions precedent were (1) the State approving transfer of operatorship and (2) the State approving the work program and agreeing extending the PSC tenure to 29 August 2027. This condition was satisfied on 9 September 2024, along with agreement with the State on work program over the tenure

The upfront acquisition cost was US$2M and has been paid by Finder to the vendors Eni and INPEX. There are additional payments to the vendors as follows (1) Payment of US$6.5M on Finder reaching a Final Investment Decision (FID) for development, and (2) a royalty of 5% on future production. These terms allow Finder to pursue a development with minimal capital at risk.

As part of the transaction, Finder acquired carry forward tax losses, as well as an estimated ~US$100M invested into exploration by the previous owners which is indexed and is now expected to approach US$200M. This amount, known as "Recoverable Cost" or "Cost oil" is recoverable by the "Contractors" (Finder and TIMOR GAP) from future production. Recovery of these historical costs are significant to the economics of the KudaTasi, Jahal and development of other resources in PSC 19-11.

Figure 4: PSC 19-11 resources, and prospective resources

Contingent Resources	FDR Equity	Net 1C	Net 2C	Net 3C	Oil / Gas	
Timor Leste - PSC 19-11						
Kuda Tasi	76%	6.8	11.9	18.8	Oil	
Jahal	76%	3.1	4.8	7.0	Oil	
Krill	76%	6.2	10.6	17.0	Oil	
Squilla	76%	4.1	7	11.2	Oil	
Total Oil- MMbbls		**20.2**	**34.3**	**54.0**		
Prospective Resources	**FDR Equity**	**1U**	**2U**	**Mean**	**3U**	**COS**
Oil- Timor Leste PSC 19-11						
Karungu	76%	4.5	20.3	37.4	90.6	38%
Kuriai	76%	3.9	14.5	23.1	53.3	49%
Lanjara	76%	3.2	12.1	19.5	45.1	54%
Lanjara SW	76%	1.7	5.5	7.9	17.3	54%
Total MMBOE		**13.3**	**52.4**	**87.9**	**206.3**	

Source: Finder Energy 2024 Annual Report

Exploration history: extensive

- Extensive drilling over decades firmly establishes this region's oil production credentials.
- Gross 2C oil resource of 45MMbbls, of which Finder's working interest share is 34MMbbls.

In total, 10 exploration and appraisal wells have been drilled in the PSC. Of the seven exploration wells, five were discoveries (Squilla-1A, Jahal-1, Krill-1, Kuda Tasi-1 and Korongo-1). These wells, and follow-up appraisal wells Kuda Tasi 2 & 3, and Jahal-1ST and blanket 3D-seismic acquired in 2005 provide excellent geological understanding and well control.

These fields were discovered 20-30 years ago, at a time when many significant discoveries were being made in the region. Most notable, was Woodside Energy's Laminaria & Corallina discovery in the early 1990's (~185MMbbls), followed by Elang/Kakatua, Buffalo and Kitan.

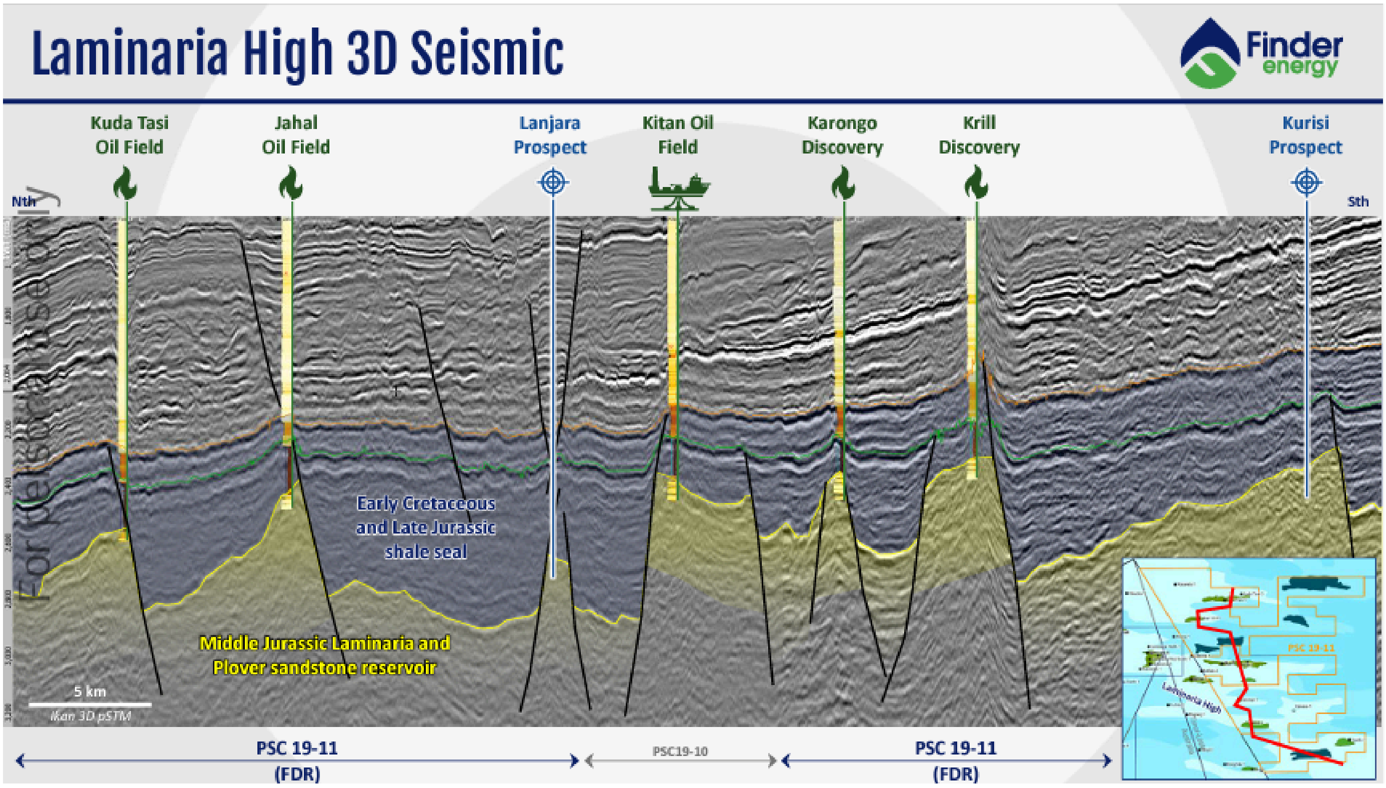
Jahal was discovered by a BHP-led JV in 1996, and Kuda Tasi was discovered by a Woodside operated consortium in 2001. This exploration activity was during a period of low oil prices (<$20/bbl) necessitating large discoveries for commerciality, and these large companies deemed the fields too small to meet commercial or strategic objectives, so the discoveries were not exploited.

- The Kuda-Tasi discovery well was drilled in April 2001 and encountered an 18m oil column but was not tested as the operator Woodside thought it insufficient for a stand-alone development. In 2003, Kuda-Tasi 2 appraisal (Santos 25%,INPEX 35%, Woodside 40% & operator) discovered a 35m oil column, tested at 5180bopd of 56^{o} API oil over a 12-hour period through a half-inch choke and was suspended as a potential future oil producer.
- Jahal-1 & Jahal-1ST were drilled in 1996 by a consortium operated by BHP Petroleum. Jahal-1ST discovered 33m of net oil pay, with 75% net/gross and flowed 57^{0} API oil on test at 1330bopd from a 15m interval thru a 0.375 inch choke. Reservoir parameters 15% porosity ⁄ 1000md Perm.
- Krill (1997, BHP) recovered oil and gas from wireline tests at 3485m from an interpreted 10m of net pay. Squilla (BHP) encountered 9m of net oil pay but was not tested

Kuda Tasi & Jahal are discovered oil fields, and are "development ready", although further geological work is required to de-risk the sub-surface reservoir models and inform well location and production expectations.

Krill and Squilla both have up-dip oil potential but require more work and modern seismic to define the sub-surface structuring. These wells were drilled ~30 years ago, pre- 3D seismic data. At the time of these discoveries, the operator BHP, was searching for >100MMbbl fields, during an era of ~US$15/oil prices. The technology to define these fields today is far superior, as is the oil price.

Figure 5: Pictorial of stratigraphic and reservoir sections depicting successful well targets



Source: Finder Energy

The geology is understood & historic well data excellent

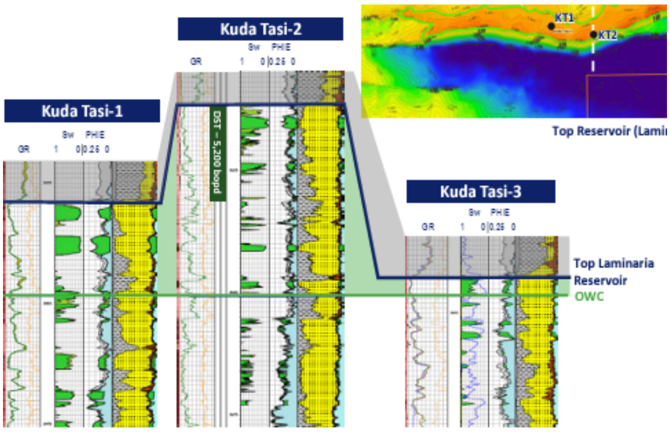
These fields have oil in the prolific "Laminaria" reservoir, which is the key commercial reserve for all the fields in this region. The "Laminaria High" (Figure 5) is the primary hydrocarbon play for this region, with ~270MMbbls discovered and produced to date (from Laminaria, Corallina, Buffalo, Elang, Kakatua and Kitan) and 17 discoveries from 35 wells.

This reservoir is prolific, with excellent production characteristics from Middle Jurassic marine fluvio-deltaic sandstones. Porosities are typically ~12-13% and permeability (>100mD) from reservoirs at moderate depths enabling very high-rate wells.

Oil quality is excellent, ~50 degree API, with low CO_2 and minimal gas enabling very high recovery factors of oil-in-place, estimated to be >50%.

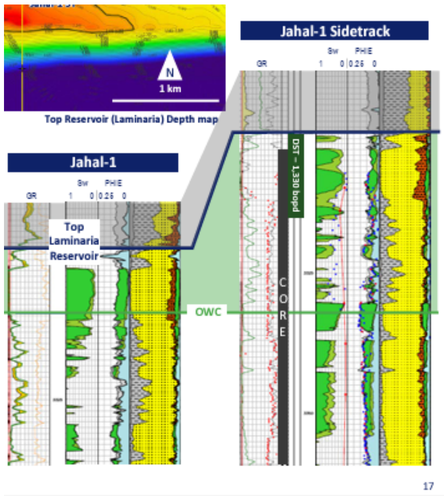
Well log (wire-line) data from the discovery wells confirms excellent petrophysical parameters, such as gross and net pay, sandstone lithology, and oil, gas & water contacts. Refer to figures 6 & 7.

Figure 6: Kuda Tasi well log data



Source: Finder Energy

Figure 7: Jahal well logs



Source: Finder Energy

Development scenarios: Numerous analogues in the region

In the general area of the Timor sea & Bonaparte Basin offshore Northern Australia there have been 13 oil projects in operation since the 1980's all utilising floating production and storage systems (FPSO).

These previous operations provide analogues as to what is appropriate from a technical and engineering perspective. Logistics of supply and servicing are not onerous as the Bonaparte Basin is reachable by boat and helicopter from either Darwin or Timor-Leste.

A typical FPSO production system would consist of a floating production, storage and offloading vessel, to process raw crude and store. On-board facilities typically include removal of unwanted fluids (water, CO_2), and separation of gas to be flared or re-injected. The FPSO vessel is permanently moored to the sea-floor, with a turret and riser system to receive flowlines from the production wells.

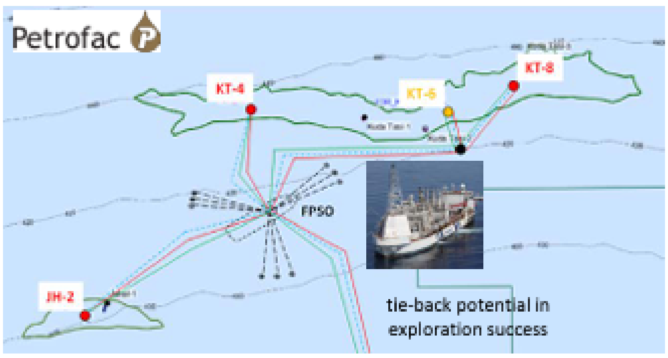
Sub-sea wells are connected to the FPSO riser via flexible flowlines (umbilicals), and these need to be drilled and completed with down-hole equipment by a drillship or semi-submersible drilling rig.

At this time engineering work is at the concept stage, but in broad terms, FDR proposes to evaluate a "conventional" FPSO development, as well as explore other innovations which may lower capex or lead to early production. The existence of historic analogues partly de-risks the engineering phases ahead.

Part of Finder's evaluation is the potential for an early production system, which would likely encompass one or two wells flowing into a small capacity, leased FPSO.

Figures 8 & 9 are indicative field development patterns & FPSO typical of those in the region.

Figure 8: Conceptual well pattern



Source: FDR Investor presentation 8 August 2024

Figure 9: Typical FPSO (Note: not an asset of FDR)

Source: Eni Australia& Blue Water Marine. Note: THIS IS NOT AN ASSET OF FDR

Production scenario: exploitation of 16MMbbls of oil over 5-6 years

From our understanding of the reservoirs, and the style of development that may be applied, we can form a view of production profiles, which will then drive cash flow and NPV.

Field production rates will be determined by the size and processing capacity of FPSO. High flow rate fields are desirable, but the economic trade-off is the higher cost for a larger vessel, for storage and deck space for equipment. A lower production rate may generate a lower annual revenue, with the trade off being that a smaller, cheaper FPSO may be a viable economic alternative.

The "Concept selection" and FEED phase being planned for 2025 will be integral to resolving the style of development in order to maximise long-run economics.

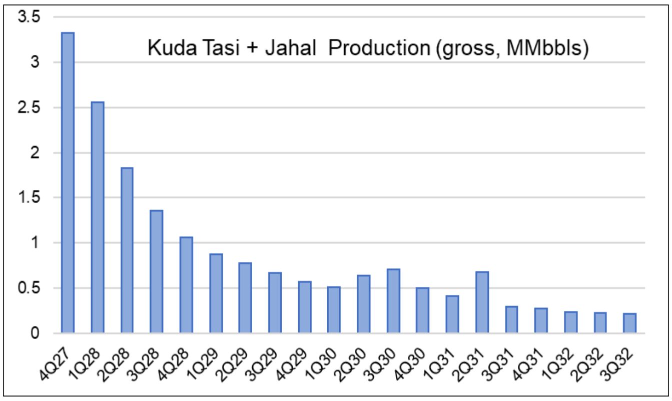
There are multiple permutations depending on how many production wells are drilled and when. At this time, our assumption is in line with Finder indicative development concepts, which are:

- 3 new wells on Kuda Tasi, with initial production of 40,000bopd, from 4Q 2027. We note Finder is evaluating rates in the range 25,000-40,000bopd, with optimal economics determining the rate.
- 2 new wells on the Jahal field, tied in to the FPSO vessel as ullage becomes available, in 2031, contributing incremental production of 4,000bopd.

Our production forecasts recovers 16MMbbls of oil (gross) from the five wells. This is lower than the 2C figure and assumes an economic cut-off rate of 2000bopd in 2032. This cut-off rate is the rate at which production revenue is insufficient to cover field costs. Higher oil prices, or initiatives to reduce costs in late field life may extend operational life and ultimate recovery. Day-rates from what is likely to be a leased FPSO, are to be determined.

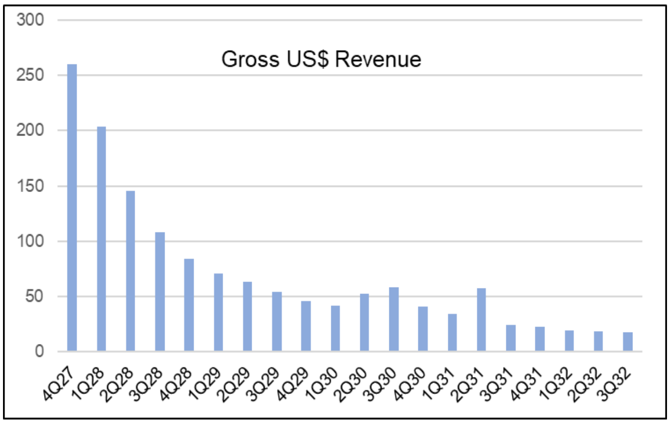
Figure 10 shows the production profile. Characteristically for these fields, initial flow rates can very high but are followed by steep natural decline.

Figure 10: Base-case quarterly production (gross)



Source: MST Access

Figure 11: Gross quarterly revenue-US$M



Source: MST Access

Fiscal terms and economics.

Figure 11 is the gross US$M revenue profile to the PSC, before the 5% state royalty. This is the revenue stream from which the contractors (Finder, & TIMOR GAP) can recover exploration and development capex, and operating costs, before the determination of "Profit oil" which is then split 60% to the contractor and 40% to the State.

Production Sharing Contracts (PSC's) are common world-wide, and in broad terms, allows the contractors (Finder Energy and TIMOR GAP) to recover capex, and opex preferentially from the production revenues, and from what is left over, profits are shared with the State, in this case 40%.

Parties to the PSC are Finder and state-owned TIMOR GAP" 24%, these are the "contractors".

Key PSC terms are :

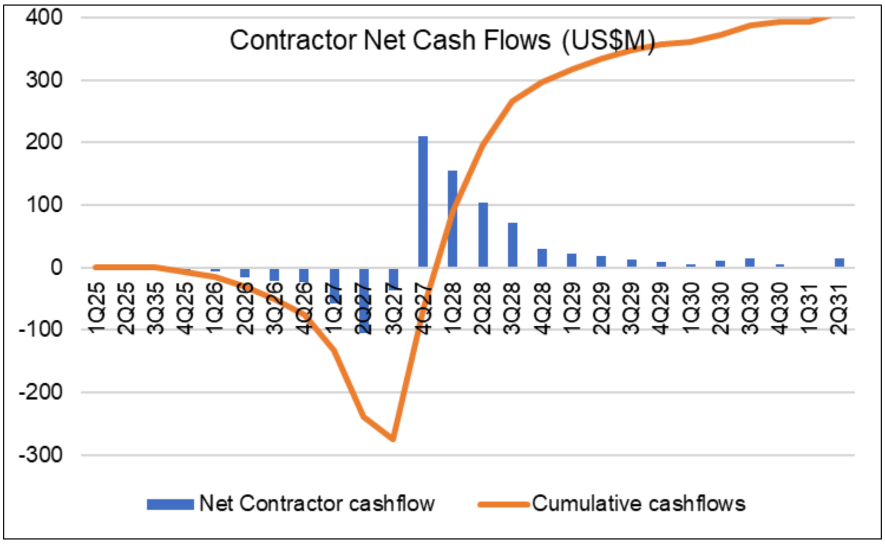
- 5% Royalty to the State on production
- "Cost Oil": Contractors (Finder/ TIMOR GAP) to receive up to 95% of production in each calendar year to recover capital and operating costs.
- Any additional oil revenue beyond what is required to recover costs (aka "Profit Oil") is split 40% to the State and 60% to the Contractors

- In addition, there are Timor-Leste corporate taxes, and a "Supplementary Tax (SPT).
- State owned company TIMOR GAP is free carried by Finder through exploration, appraisal and development capex, with these expenditures to be recovered by Finder from TIMOR GAP's share of production income.

Finder estimates that about US$100M was incurred up until 2014 by previous operators. Since then, this has compounded, so the current "pool" of sunk-cost is +/- US$200M, as estimated by Finder. This is significant to Kuda Tasi & Jahal project economics. This historical cost is able to be recovered from future oil revenue before "profit oil" is incurred, and it is an important economic driver for the contractors.

From figures 10 &11, we have built a cashflow model for the PSC, and Finder's share in figure 12.

Figure 12: Contractor net cash flows



Source: MST Access forecasts

Key State players: ANP and TIMOR GAP.

The "Autoridade Nacional Do Petroleo Timor-Leste (ANP) is the Timor-Leste Government agency responsible for managing and regulating petroleum activities for the State.

TIMOR GAP is the State-owned oil company with a charter to expand onshore and offshore oil and gas exploration and production.

Of specific importance to Finder, is the ability to deduct from future production, the costs incurred to date by previous explorers, as these costs are specific to the activities within the PSC.

In PSC 19-11, TIMOR GAP is free-carried by the contractor parties to the PSC (currently Finder) through the exploration and evaluation phase. These expenditures are recoverable by the contractor parties from TIMOR GAP's share of future production, with the amount indexed from the data of expenditure until the date is is recovered by the contractor parties. The cumulative E&A expenditure to date is estimated by Finder to be approximately US$50M. This may effect TIMOR GAP's decision to participate in a development.

Follow-on exploration: Prospective resources & exploration

Establishment of a production hub at Kuda Tasi, may enable exploitation of other discoveries (Krill & Squilla), and justify exploration on other prospects.

Krill & Squilla are small single well discoveries, which in isolation would not be economic, but a production hub nearby at Kuda Tasi may enable these fields to be developed as future tie-backs to the Kuda Tasi FPSO, as ullage in the vessel opens up. Collectively these two fields have ~23 MMboe of 2C resources. Appraisal drilling is required to confirm these resources.

Exploration prospects exist at Kurungu, Lanjara, Lanjara-SW and Kurisi. These were never drilled for various reasons, mostly related to size and the need for a stand-alone commercial project. The collective P_{mean} propsective oil resource is 88MMbbls of oil. The largest is Karungu, with a P_{mean} of 37MMbbls.

Capital adequacy and funding

Current cash reserves (~$8M) is sufficient, in our view, to progress Kuda Tasi and Jahal over the next 12 months, but there-after will need more funds for development and construction.

Our valuation and financial models assumes an equity issue in FY2025, to fund activities and working capital to FID by issue of ~160M shares at the current share price (5 cps) to raise A$8M, bringing total equity issuance to $14M, including $6M raised in September 2024.

After Kuda Tasi FID in mid CY2026, we estimate ~US$270M of capex is required for development. This will require Finder to raise funds.

Finder's funding strategy is to seek partners, to lay-off as much of the capex exposure as possible, in return for equity participation in the PSC and the project. There are numerous permutations, and these will impact valuation depending on the terms. It's possible, in the worst case that Finder is unable to attract a partner(s) on reasonable commercial terms and if so the project is at risk.

Valuation: A$0.39

Our principle valuation tool is DCF of potential KudaTasi & Jahal cashflows. Refer to figure 13 .

- Brent oil price of US$75/bbl from CY 2025, escalated at 2% p.a.
- A$/US$ exchange rate for conversion of US$ cashflows to A$ of 68c
- Kuda Tasi & Jahal developed as described in the body of this report, delivering production of 16MMbbls (gross) from late 4Q2027, through to economic cut-off in CY2032. Oil prices in the outer years will determine the cut-off rates required to meet opex.
- Australian and UK acreage is given token value.
- Current cash is estimated to be $8M.
- Shares on issue 282.1M. We assume a capital raising in CY2025 of A$8M to fund ongoing activity up to Kuda Tasi FID, and an expansion of the share count by an additional 160M shares.

Our valuation is an NPV of Kuda Tasi & Jahal cashflows, net to Finder's working interest after incorporating all recoverable expenditures within the PSC and from TIMOR GAP. This is before consideration as to how Finder funds its share of capex, after FID.

The risked value accounts for a list of tasks for Finder to execute to make the Kuda Tasi a project, primarily finding partners, finding capital, and ensuring economics. The project is not certain until all these various requirements are met.

We risk theoretical project cashflows and NPV to FDR at 50%. Finding partners, forming capital to execute the project, and engineering to inform opex and capex are all de-risking events, which we anticipate will unfold during CY 2025 and CY2026.

Figure 13: Sum-of-parts valuation

Asset Value (US$M)	Unrisked	Risk	Risked	Oil (2C)	BOE	US$/BOE
	US$M	%	US$M	MMbbls	Net	US$/bbl
Prospective resources & acreage						
Kuda Tasi & Jahal	258	50%	129	12.2	12.2	10.59
Other PSC-19-11 prospects	11.3	25%	3	11.3		1
UK	1		1			1.00
W.A Bedout basin	1		1	0.0		
Corporate	-25		-25			
Total E&P assets	246		109			
Cash (30 Sept 24)	8.5		8.5			
Debt & other obligations	0.0		0.0			
Total equity value	255		117			
Shares on issue	282		282			
Expected 2025 issuance	160		160			
FP deferred (FDRN)	2		2			
Per share- US$	**0.57**		**0.26**			
Exchange rate	**0.68**		**0.68**			
Per share- A$	**0.84**		**0.39**			

Source: MST Access

Inputs and outputs from Kuda Tasi PSC model.

Key inputs are:

- Kuda Tasi enters production in 4Q 2027, followed by Jahal in 2031.
- Initial production rate 40,000bopd.
- Combined production of ~16MMbbls (gross to the contractors) through to economic cut-off
- Development capex of US$270M, in CY2026 & CY2027 for drilling and sub-sea completions.
- Leased FPSO with a day-rate of US$250,000 per day
- Net cash flows discounted at 10%.

Key outputs are:

- Cumulative gross revenue to the Contractors (Being Finder & TIMOR GAP) of US$400M. This is before determination of "Profit Share"
- Profit share is the pool of capital left after the contractors have recovered all capital costs, operating costs, and historical exploration costs. The profit share is split $^{60}/_{40}$ to the contractors and the state. Based on our input assumptions and oil price, there is a very small profit share close the end of field life, which trends to nil at a Brent oil price below US$70/bbl
- Finder's share of cashflows after cost & profit oil, and carry of TIMOR GAP's E&A expenditure is calculated to be US$360M in nominal dollars, discounted to US$258M at a 10% discount rate.

Secondary valuation measures

We reference in Figure 14, EV-per BBL of 2P reserves for 11 ASX-listed companies which have what we view is sustainable production. Some companies in this figure (such as Carnarvon Petroleum) do not have a 2P (yet) but in our judgement, are likely to book significant 2P over time, as their projects more into development, therefore we think these companies inclusion is reasonable

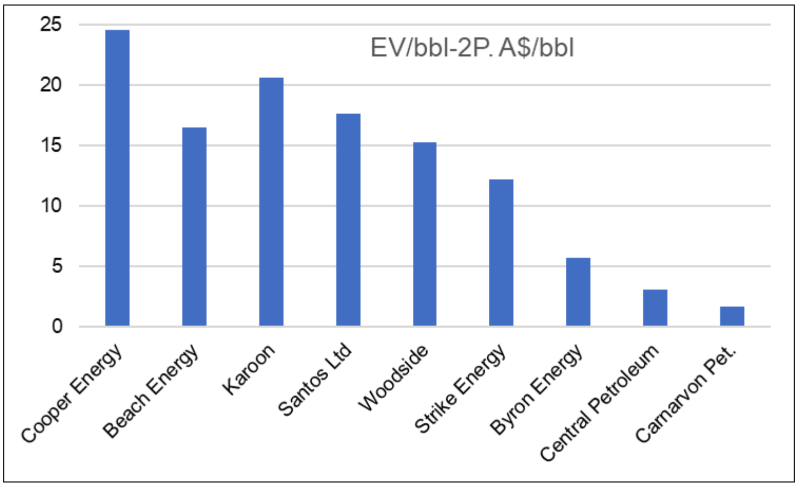
There is a very wide range of values for EV of Reserves, at the 2P level. Contributing to this dispersion are factors such as (1) gas oil split, with gas reserves in general less valuable than oil (2) Location, and fiscal terms which impact the value of reserves in production and (3) other factors such as underlying financial strength of each company and (4) market expectations for growth which would "price-in" exploration or appraisal assets which are not in production

Looking at this data, it is apparent that "oily" companies (eg Karoon. Horizon) trade at higher values for reserves, due to the generally higher, and more profitable value in oil production compared to gas.

To be noted, Finder's assets are 100% oil.

This data points to how Finder may be valued in the equity market once it reaches FID, enters production and is valued on an EV-per-barrel basis.

Figure 14: EV/bbl (2P) for ASX-listed production companies.



Source: MST Access

Risk factors

Oil prices are a key risk. The Kuda Tasi and Jahal oil developments are small, with high upfront capex, followed by high early production and then steep decline over 5-6 years. Low oil prices at any time would threaten economics.

Sovereign risks. Timor-Leste is a developing nation dependent on oil and gas income. Future administrations may seek revised fiscal terms in favour of the state

Reserves and production. The Kuda Tasi & Jahal fields and resources are defined from 5 wells, however there is no production history, only brief test results to inform how these fields behave over the proposed development period of +5 years.

Kuda Tasi project execution and ongoing operation At this time, Finder does not have a partner to contribute engineering and construction expertise, and long-term field operations.

Partnerships. Finder has 100% of the PSC 19-11. Development of the discovered oil resources will require capex beyond Finder's balance sheet so industry partners will be needed to join in to the project. If Finder cannot find industry partners, or other avenues of funding, then development is at risk

Funding. Finder's market capitalisation constrains its ability to invest in capex intensive drilling or field development. These activities will require Finder to find external funds, from shareholders, debt providers, industry partners or Government agencies. These may no be forthcoming, or may come with onerous conditions.

Appendix 1: A history rich in deal execution.

A key objective over the outlook period is to attracted a partner to provide funds and expertise, and although Finder is a relatively recent ASX-listed entity, it has an extensive history in forming industry partnerships, summarised below and in figure15.

Finder listed in April 2022, but was established in 2004, based in Perth, to take advantage of new exploration opportunities emerging offshore north western Australia.

During the period as a private company, Finder was highly successful in acquiring acreage, adding value and then farming out, but as a private company, Finder had limited access to funds, and no production income, and so was hampered in its ability to participate in the full value chain from exploration through to profitable production.

Even so, before its public debut, Finder operated successfully for ~18 years as a private entity, specialising in acquiring promising exploration acreage, working-up leads and prospects, and then attracting larger partners to fund a drilling phase, or alternatively sell for cash.

The list of credible partners that partnered with Finder at various times is enviable.

Since 2004 Finder was able to:

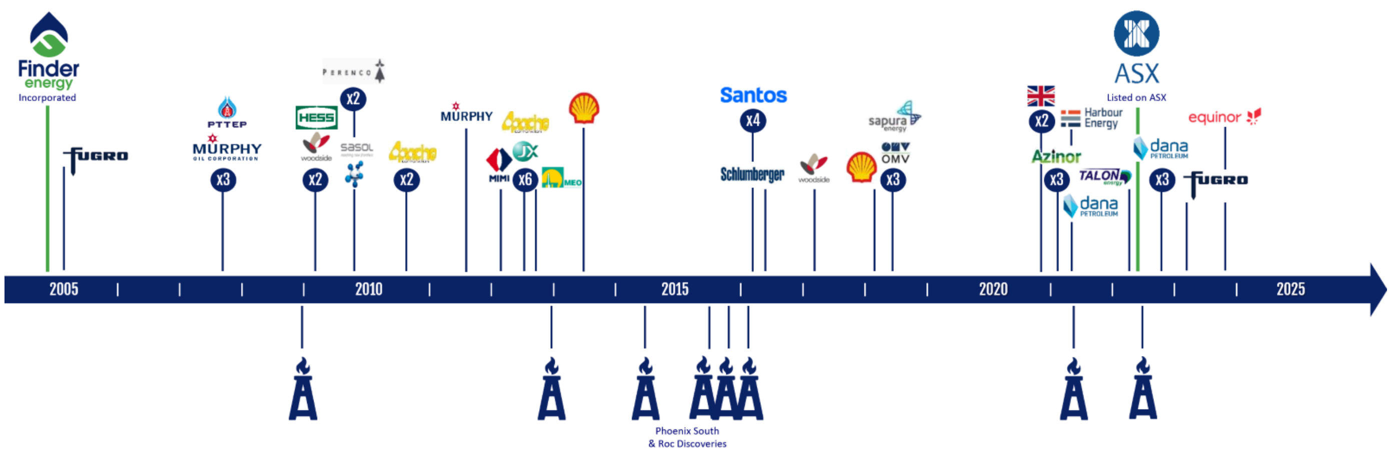
- execute 32 farm-out or sale transactions for cash or exploration carry.
- Attract multiple large international companies.
- Participate in the drilling of 7 wells.

Finder estimates that over US$900M has been invested by these various companies over time, in acquiring seismic data or drilling exploration wells in FDR-owned acreage.

Pivotally, Finder was an early entrant into exploration acreage in the Bedout basin, which hosts the Dorado and other discoveries, but following the 2014 oil-price crash, was unable to pursue the farm-out model and elected to sell the acreage for cash, to a Santos-led consortium.

The experience built up through these historic deals are important tools for Finder to deploy as it embarks on the PSC 19-11 partnering process.

Figure 15: Pre-IPO history of farm-out and partnering activity



Source: FDR company presentation

Personal disclosures

Stuart Baker received assistance from the subject company or companies in preparing this research report. The company provided them with communication with senior management and information on the company and industry. As part of due diligence, they have independently and critically reviewed the assistance and information provided by the company to form the opinions expressed in this report. They have taken care to maintain honest and fair objectivity in writing this report and making the recommendation. Where MST Financial Services or its affiliates 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 has, or will, directly or indirectly impact the content provided in this report.

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The companies and securities mentioned in this report, include:

Finder Energy Holdings Ltd (FDR.AX) | Price A$0.055 | Valuation A$0.390;

Price and valuation as at 11 November 2024 (not covered)*

Additional disclosures

This report has been prepared and issued by the named analyst of MST Access in consideration of a fee payable by: Finder Energy Holdings Ltd (FDR.AX)

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