Renergen Limited

Transformational Strategic Partnership

Ivanhoe Mines and Renergen form Strategic Partnership

Renergen has announced a strategic investment into the company by Ivanhoe Mines Limited, which is a Southern Africa focused, Canadian-listed mining company with >US$10bn market capitalisation. Ivanhoe has purchased a 4.35% stake in Renergen for US$13.3mm at A3.24/sh and will nominate a member of the Renergen board. The strategic agreement envisages Ivanhoe increasing its stake in Renergen to 25% subject to due diligence over the next four months at a price based on 90% of the 30-day VWAP, reducing the dilution impact on existing shareholders if the share price rises from the current level. There is a further agreement that Ivanhoe is entitled to increase its holding to up 55% to provide development equity funding of up to US$250mm for the project again at 90% of the 30-day VWAP. Ivanhoe shall be entitled to nominate one board member. As part of the strategic cooperation between the parties, it has been agreed , that Ivanhoe will have the option to settle the Second Subscription by issuing INV Shares, which further enhances the co-operation between the parties.

Validates project; removes funding uncertainty and allows increased growth

We see this as a significant announcement for several reasons. Firstly, it provides clear external validation of Renergen's assets and strategy. Secondly it provides Renergen with a significant amount of the required equity funding for the Phase 2 project, providing an anchor buyer for the further equity required and gives confidence to the potential debt providers. The stronger capitalisation and backing of a multi-billion dollar company gives Renergen the opportunity to consider a larger project to monetise more of its substantial reserves and resources, which increases our valuation on the longer-term resource. We see the potential for Renergen to double the output of helium that is currently planned for phase 2 of ~350mmcf/y of helium, which would take it to >10% global market share and be one of the leading global helium players.

Positive helium and LNG market fundamentals

Given the current market dynamics there is upside to both our helium and LNG price estimates. We see the helium market as undersupplied in 2022 following the shut-in of production from the US helium storage facility and the absence of expected growth from Russia. The US BLM strategic storage (5-10% of global supply) has been out of action since early January with no restart expected in the near-term. The Russian supply growth that was expected in 2022 had already been delayed by fires at the Amur plant and the current geopolitical issues mean that expected 2bcf/y of new supply (>30% of the current market) over the coming years is likely to be pushed out. Spot pricing has already risen to multiple times our current helium price assumption of US$250/mcf and the supply demand dynamics mean that Renergen is well positioned to achieve higher prices. Furthermore, higher oil prices mean that Renergen will be able to achieve higher prices for its LNG and also, we expect significantly more demand to switch from LPG/diesel to Renergen's LNG if oil prices remain elevated.

Catalysts: start-up of Phase 1 and financing and FID of Phase 2

The main catalysts are commencement of Phase 1 production validating that the technology works, derisking Phase 2 on which we are expecting further funding announcements around debt, as well as uptake on the helium "tokens" issued to raise up to US$25mm. We subsequently expect FID on Phase 2 later this year with the potential to upsize the project. Well results will continue to be important in terms of flow rates and helium content.

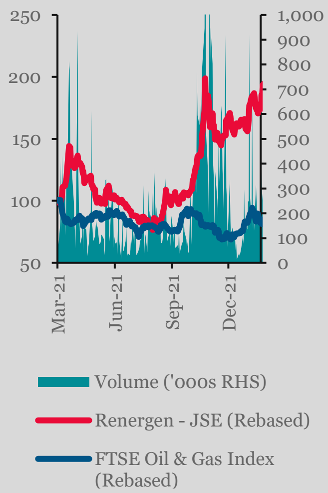
Valuation: increasing risked NAV on higher chance of commercialisation

We have increased our risked NAV by 6% as the lower risking we are using more than offsets the dilution from the new equity. Our new risked NAV is A$5.1/sh or R56/sh, which implies >50% upside from the current share price. Taking just the 2P value (excluding contingent resources and exploration upside) gives a risked value of A$4.5/sh or R49/sh, still implying 35% upside. On a fully unrisked basis we see ~250% upside to the current share price.

GICS Sector	**Energy**
Ticker	ASX:RLT; JSE:REN
Market cap 11-Mar-22 (US$mm)	305
Share price 11-Mar-22 (AUD)	3.3

NAV summary (AUD $/sh)

Asset	Unrisked	Risked
Core NAV	0.7	0.6
Development	7.8	3.9
Exploration	2.9	0.6
Total	**11.4**	**5.1**



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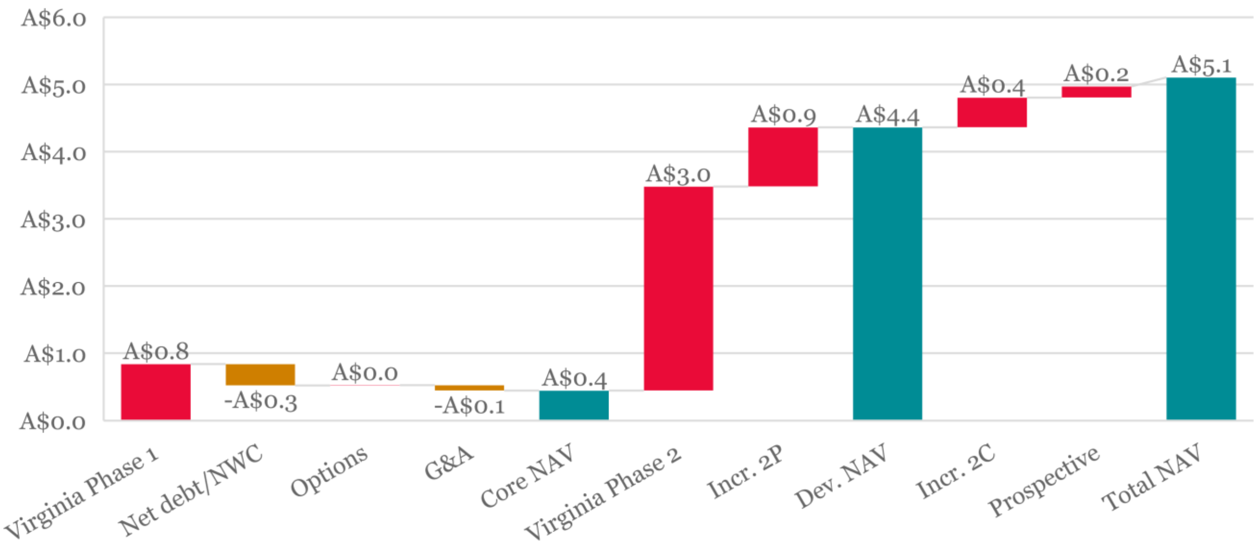
Investment Case

Company overview – Renergen is a South Africa domiciled and listed company with an additional listing in Australia. Its main asset is the Virginia Gas Project, which has >400bcf (~70mmboe) of 2P natural gas reserves and 14bcf of 2P helium reserves (equal to >2 years of entire global helium demand). The founders (CEO and COO) own ~15% of the company. It is the only onshore natural gas producer in South Africa: an energy-scarce area, with high customer density and limited competition. Renergen has a first mover advantage in bringing helium to market in Southern Africa. Its assets have some of the highest helium concentrations seen globally due to the unique geology of being situated in an asteroid crater. The Company has shown itself to be an innovator in the industry, launching a helium "token" which should provide the only helium pricing assessment in the market and direct commodity exposure, as well as developing a proprietary algorithm to pinpoint where to drill for gas based on various biological markers. It has also responded to the COVID crisis by developing a mechanism that allows the safe transportation of vaccines for approximately a month at extremely low temperatures and without power.

Investment case highlights – Whilst there has been a plethora of new helium focused companies coming to market, Renergen is one of the only independent listed companies globally that has proven helium reserves. It has two revenue streams; helium and natural gas, which are both standalone profitable given low-cost development and production plus strong pricing. Renergen has strong ESG credentials as its natural gas sales reduce South African carbon emissions by substituting coal usage (potential to reduce 2.3mm tonnes per annum of CO_2). It plans to produce 44mmcf/d of raw gas, which would generate >US$350mm at our base case price forecasts. Fiscal terms are attractive in South Africa with low tax and royalties meaning strong free cashflow once the project is on stream. It has long-term helium sales agreements with attractive, locked-in pricing, emphasising why helium is a high multiple business. It has strong corporate relationships with the likes of Linde, TOTAL, Messer, IDC, iSi Automotive and Consol. It has a management team that has shown its ability to spot unique market opportunities and managed the company through the Covid challenges.

Risked NAV build up for Renergen (AUD/sh)



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Source: H&P estimates

Strong ESG credentials – Environmental, social and corporate governance ('ESG') is an increasingly important issue for investors. Renergen is focused on pioneering a cleaner energy source in an energy starved South Africa, thus both reducing the carbon footprint whilst reducing energy poverty. Renergen intends to produce 40mmcf/d of natural gas, which would be able to power a 280MW CCGT gas power plant and by substituting coal production from Eskom, would reduce CO_2 emissions by 2.3 million tonnes. South Africa's economy is one of the most carbon-intensive in the world, with a fleet of 15 coal-fired power plants providing more than three-quarters of the nation's electricity. The helium that will be produced is an inert gas so there are no associated emissions from the use of it but it is a vital gas for many industries such as within healthcare.

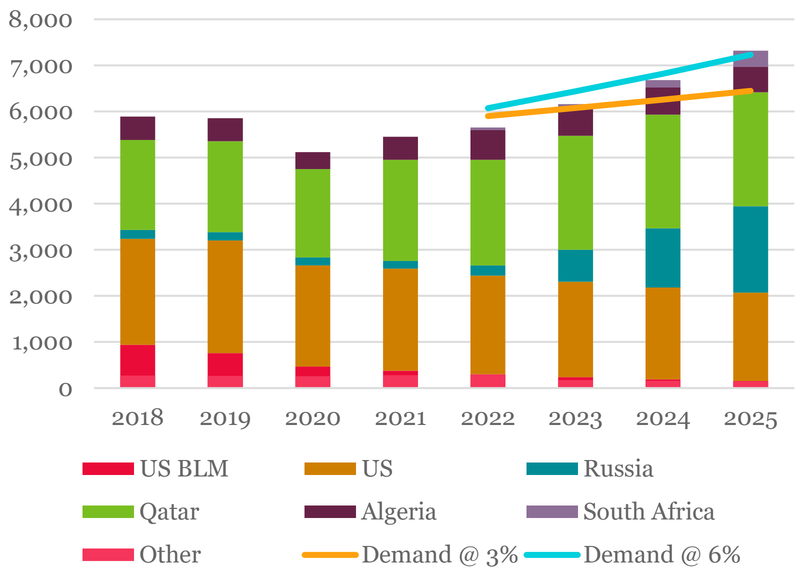
South African gas market – South Africa is in the midst of an energy crisis with a significant fuel deficit and a reliance on coal. There is >200mmcf/d gas shortfall in Johannesburg with a further 60mmcfe/d of LPG demand and potential for LNG for trucking. Therefore, there are ample opportunities for Renergen to tap with its initial Phase 2 production plans of ~40mmcf/d of natural gas with confidence that it could further grow the business in the longer-term. In South Africa, LNG is more cost competitive and a cleaner source of fuel than diesel without the need for any legislative involvement or changes. An LNG heavy vehicle (such as a bus or truck) gets around 25% more out of a tank of LNG than diesel, and the carbon emissions are around 30% less. Renergen developed a zero-emission solution for the cold chain logistics industry deploying LNG.

Management: innovative and ambitious – Renergen has an innovative management team with 'inside ownership' of ~15% that has shown its ability to spot unique market opportunities. It has been a first mover in various areas ranging from the first SPAC in South Africa, the first onshore gas producer to supply CNG in country and the only company to be involved in a token securitising helium production. Rather than waiting for the demand to emerge, Renergen has looked to create its own markets showing a clear focus on commerciality. Senior management remuneration is highly incentivised by sharply growing the share price (Renergen's Share Appreciation Rights Plan).

Helium market investment dynamics vs oil & gas– Exploration opportunities provide investors with uncorrelated returns to the market and investing in helium brings further diversification to a portfolio as it is uncorrelated to oil and gas. Listed helium companies have soared in value over the last couple of years in stark contrast to oil and gas companies. Helium is an extremely highly priced commodity with a price that is around 50x that of natural gas, meaning that even small amounts or low concentrations can be highly economic. Given the smaller footprint of a helium development, a standalone helium production facility can be developed quicker than a conventional greenfield oil and gas discovery that would normally take five or more years. A concentrated market also confers a competitive advantage to the current participants.

Renergen's competitive advantages – We believe that Renergen stands out against the peer group given that it has been involved in helium and natural gas exploration for many years longer than most, it is the only company we believe that has actual proven and certified helium reserves and we expect it to be the first company to achieve commercial helium production. Renergen will produce higher purity liquid helium, whereas much of the peer group will be selling crude helium, for which pricing is lower. Furthermore, Renergen is not reliant on helium for its project's commerciality as its liquefied natural gas ('LNG') sales would be commercial even without the helium. We believe that Renergen is also the only company to have announced a contract to sell a substantial amount of liquefied helium direct to an end-user.

Estimated supply demand balance for helium (mmcf/y)



Source: Akap Energy estimates

Helium fundamentals – We believe helium extraction is an exciting growth industry, with a growing set of new exploration and production companies focused on this increasingly valuable commodity. Helium has several unique properties that make it an essential element for many industries, without a substitute, which cannot be synthesised or manufactured. It has been an essential part of growing technology-focused businesses (e.g. semiconductors, university labs, fibre optics and space travel) and there are many more potential growth areas. It does not suffer from environmental criticism, pipeline constraints, regulatory burdens and excess taxes. It is a scarce commodity but when it is found it is relatively quick and easy to produce meaning generally stronger returns than from oil and gas projects. We see the helium market as undersupplied in 2022 and potentially 2023 following recent fires at the key supply growth project in Russia. Given the current geopolitical issues there is clear risk to the Russian supply in 2023-2025 as shown in the chart above, which means the market may remain significantly undersupplied for the next few years.

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