

Points to note / observations (from trawling all forum logs) – these are my own thoughts and are open to debate/challenge/interpretation:

HotCopper forum had much more technical data about the wells and drilling, much of which seems to have been released by the company.

Australian investors spoke much less about the SP and much more about the technicals of the wells/drilling, and the size of the asset.

A ballpark value for the Company (\$260m) was given very early based on the reserve size potential and wasn't a bad starting prediction at the time of writing. Further discovery and results led to an eventual price well above this (\$1.1bn seems to be referenced elsewhere but this forum seems to reflect an \$800m TO).

Comms from the company was a problem back then as it sometimes seen today with TLOU.

There were the usual rampers back then, talk of 'sellers still about'

People who made 10-20% gains got out and would have missed the big rises, although between certain periods no great returns were seen – ie. Q4 2004-Q1 2007, Q1 2005 – Q1 2007.

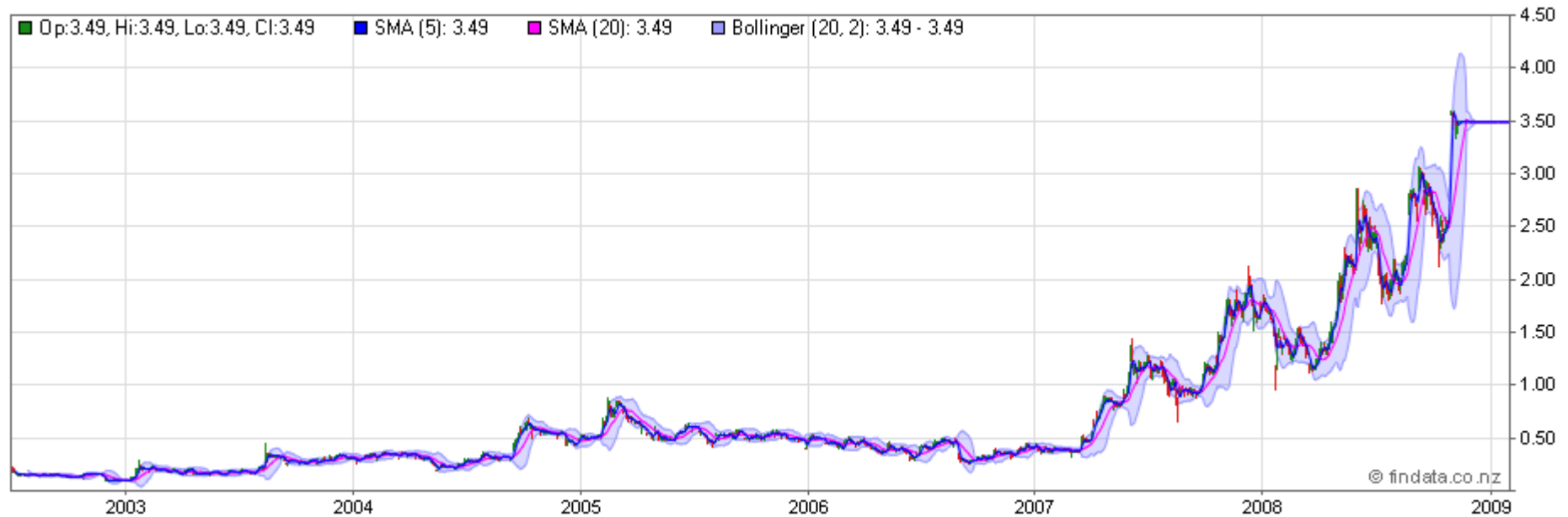
The company issued valuation data very early - 16/08/03 – "SHG estimated that 1bcf of gas net of lifting cost valued at \$1.9m" – Do we have something similar for TLOU? For nearly 5 years from IPO, the price only rose around 125% from c20c (April 02) to c45c (year end 2006). TLOU began at 50c on ASX in April 2013, so projecting like for like would see TLOU at \$1.13 AUD by end of year 2017 (equivalent to 69p GB). However SHG didn't really see a drop below AUD IPO price, whereas TLOU has. TLOU has rarely seen much drop below AIM IPO price (although people will remember it in the 3p's).

The major elements that control the true potential valuation of the company seem to be:

- The total size of the reserve (and a likely recovery factor of it)
- The costs to extract the gas
- The price one can achieve for the gas
- The rate at which the gas can be extracted

These items were used to give indicative valuations for SHG, and have been used by Brandon Hill etc to value TLOU however no recent broker note has been constructed taking into account the reserve upgrade. It would be good to focus activity on a current valuation based on current 2p+2c, plus a potential future value based on the estimated recovery factor of the resource, net of lifting costs.

Sunshine SP Graph



Timeline summary details taken from HotCopper Forum.

2002 – shares IPO at 20c. No activity on HotCopper. Prices from SP graph reveal a ¾ year of minimal price action.

23/04/02 – IPO. Shares at c20c.

2003 – A busy year, full of anticipation over the size of the reserve, flow test results, Exec reshuffles, detailed maps being formed on the prospect, and early discussions about gas consumer sales. SP looks like it moves from 15c to 45c across the year.

24/01/03 – Trading halt.

16/02/03 – Some institutional money in, placing. Raised cash position.

14/08/03 – Market cap \$15m AUD, but gas reserves valued at \$260m AUD.

15/08/03 – Posted a 60% increase in 2 days, hit high of 45c, but was likely trading at around 30-35c
16/08/03 – SHG estimated that 1bcf of gas net of lifting cost valued at \$1.9m
18/08/03 – shares volatile awaiting flow test results
19/08/03 – someone running the price down
25/08/03 – SH's nervously awaiting results. Impatience setting in. Company quiet.
25/08/03 – A SH speculates that SP could spike through 50c, or if excellent results, could even see the 70's.
26/08/03 – News that mud had influenced the flow test results at Overston, so 3 more weeks wait for flow results due to re-drill. SH's nervous as no data was released worrying some.
03/09/03 - Drilling test wells
09/09/03 – 'Trade4Profit' confirmed this was his biggest holding – hoping news is good.
12/09/03 – flow results out or figures leaked. SP didn't move. Some SH's bailing out.
21/09/03 – SHG shares going 'nowhere' – no quoted price given.
10/10/03 – 3 execs gone. Political reasons cited. SP took a hit.
23/10/03 – A SH speaks to TG about lack of Communications. New Board team will put in place better comms.
24/10/03 – Detailed maps starting to come together on SHG website.
31/10/03 – Opens up 8.6% at 31.5c
05/11/03 - 'Sunshine Gas directors are currently in negotiations for future sales to consumers and expect the value of gas, out of the ground, to the company to be in excess of \$1 .9 million per BCF'
14/11/03 – SP at 29.5c
17/11/03 – Analysis and interpretation of seismic data – ETA 3 weeks.
18/11/03 – Write up in energyreview.net
04/12/03 – Buyer of 381k shares at 31c

2004 – A year of drilling activity, with drilling data coming in thick over the latter part of the year. SP improves but not massively.

16/02/04 – rigs bring brought into place, spudding expected 23rd Feb.
15/09/04 – Various drilling over the last 6-9 months. Price at 42c.
19/09/04 – report out 'Bell Potter has put a Risked value of 38 cents on SHG with an upside of \$1.82 if Overston is confirmed at 400 bcf as expected'
28/09/04 – nearing 60c SP.

2005 – A fairly quiet year..

04/02/05 - drilling results coming through thick and fast, up 10c to 62c
18/07/05 – Quiet period last few months, still dumpers dumping on the stock now.

2006 – Not a good year for SHG due to Wellington 1 hole disappointing. SP barely moves, finishing marginally lower than at year start.

09/05/06 – price back down to 42c

17/10/06 – SP 29.5c. Sunshine shares slumped in August after its Wellington 1 hole west of the Shetlands - touted as a 214 million barrel deposit - found little more than seaweed.

2007 – More exposure, more gas data, reserve upgrades and major broker coverage.

27/03/07 – SP at 48c.

04/04/07 – SP 65c. Gas field Lacerta key to optimism.

19/04/07 – 2P reserves and comparable company info at the time giving SHG a midpoint valuation of \$3.11.

20/04/07 – SHG movement for the month to date - +84.38%

06/05/07 – placement made at 75p, bought into by institutions, had 244PJ of 2P reserves (Lacerta) and 180PJ of 2P reserves (Overston).. predicted by SH to be at \$2 by year end. – he wasn't wrong.

01/06/07 – "Shg continues to be discovered now by a larger group of followers who can see the value in this stock. With reserves due out in a few weeks the story will only get better.'

04/06/07 – Company is featured in a couple of magazines.

05/06/07 - Crazy to think it now moves 24c a day I only paid 36c for it !!! Just imagine if Gilby came up with the goods and there was 400 2p reserves at Lacerta alone

27/07/07 – Quarterly activity report:

Successfully completed a \$32.5 million capital raising centred around the future development of Lacerta.

Delivered a technical dataset to MHA Petroleum Consultants (MHA) to compile an initial reserve statement for Lacerta.

Signed a non-binding MOU with Hunter Energy for the sale of 8 petajoules of gas a year for 10 years from 2010.

Continued Lacerta exploration/appraisal program aimed at delineating the Walloon Coal Seam Gas (CSG) Fairway.

Successfully drilled 4 step-out pilot wells at Lacerta assessing gas deliverability away from existing data control.

Drilled 2 wells at Atria, Permian CSG project, intersecting gaseous coal at depths optimal for development.

02/08/07 – 'If it hits its initial 2P reserve estimate for Lacerta it will be trading on <\$1/GJ of 2P reserve when it will be able to sell that gas for >\$3/GJ.'

07/08/07 – trading back below \$1. Reserve certification published.

25/09/07 – SP at 96c. SHG Lacerta pilot well hits 1.27m cubic feet per day with no levelling off. We are currently flaring at a rate equivalent to approximately half a petajoule of gas a year," managing director Tony Gilby said.

16/10/07 – SHs complain of no news, quiet time.

22/10/07 -Reserves upgrade: 1P 44PJ (up from 1.7PJ), 2P 469PJ (up from 224PJ), 3P 1097PJ (up from 895PJ). SP up significantly on reserve upgrade.

15/11/07 – CreditSuisse initiates NEUTRAL coverage with a 12 month price target at \$2.

2008 – High expectations and speculative TO valuations,

14/03/08 – Capital raising. Trading halt.

12/05/08 – SP now at \$2.30

26/06/08 – report of a 12 month price target of \$4.90

21/07/08 – hard to believe but somebody comments ‘Anyone have information on this stock. It has certainly lost favour’.

28/07/08 – SHG market cap \$573m, 2P 469PJ, Cash of \$80m, no debt.

20/08/08 – Lots of takeover chatter. Possible TO prices of \$4.50, \$5, \$10 and \$15.

20/08/08 – QGC (Queensland Gas Co) makes offer of A\$800m for the Co, valuing at A\$2.65 ps

21/08/08 – CreditSuisse ups target price to A\$3.15 in wake of friendly takeover offer

13/09/08 – SHs believe offer from QGC is too low for SHG

29/09/08 – Only 28% SHG holders have accepted QGC offer – 50% needed.

And that’s it. SHG shareholders believed to the end that they were worth more and were sold out early. Having said that, those that got in early made a good return. Those that joined at the start of 2007 made a cracking return – 7 bags in < 2 years.