

Investment Memo for Province Resources (ASX:PRL)

20th December 2021

What does PRL do?

Province Resources (ASX:PRL) is aiming to develop Australia's first truly Zero Carbon, Green Hydrogen project.

What is the macro theme behind PRL?

Decarbonisation using the latest green hydrogen technology.

As the world looks to cut its greenhouse gas emissions, green hydrogen may prove to be a major building block of a net-zero economy.

Industrial applications and large transport (like buses and trucks), and heavy industry applications like steel mills are the most likely candidates to start using this technology in the near future.

Why did we invest / why do we continue to hold PRL?

- Project set up by the people behind Vulcan Energy Resources (one of our most successful investments)
- Ideal location for the project - PRL's project is located in the Gascoyne region of WA, next to the town of Carnarvon. Gascoyne is a particularly sunny and windy area (ideal for green energy support) and coastal (important to build a hydrogen plant to undertake hydrolysis). The town of Carnarvon also has a gas pipeline.
- Australia is aiming for net zero emissions by 2050, with particular targeted investments in hydrogen and we think PRL can be part of the solution.
- PRL has a pathway to financing through their potential joint venture partner Total Eren.

What do we expect the company to deliver in 2022?

Objective #1 Deliver scoping study to better determine the commerciality of PRL's project.

Objective #2 Secure land tenure and key stakeholder support for the project, including a Heritage Agreement, Environmental Impact Assessment and other necessary permits so that the project can proceed.

Objective #3 - Begin Pre-Feasibility Study (PFS) - with a Scoping Study, land tenure and stakeholder support, the start of the PFS would enable PRL to get to work on understanding the specific factors needed in development to deliver an economic green hydrogen project in WA

What could go wrong?

- **Project Development Risk** - Total Eren decides that after the Scoping Study has been completed that the project is not economically viable, and as such, chooses to abandon the project.
- **Hydrogen Market Risk** - Hydrogen is a very new technology, and there are currently limited uses. Hydrogen is not easily transportable, it is extremely flammable and has also not been adopted on a large scale. If the hydrogen market doesn't materialise, PRL may struggle to secure financing for its project - and sell its hydrogen at a commercial scale
- **Regulatory Risk** - If PRL can't secure the key permits for the project to go ahead (including heritage agreement, environmental impact assessment and the new development permit). This risk is increased for PRL because there are no regulations that exist for hydrogen projects, and governments will need to update laws to fit this emerging market.

What is our investment plan?

PRL is our second biggest holding behind Vulcan Energy Resources (ASX:VUL). PRL has delivered several impressive announcements since February and is up over 500% since we first invested over 12 months ago in August 2020.

After PRL delivered a number of material announcements and rose over 500%, we sold a portion of our holding to recoup our investment outlays.

We intend to hold our position now until the results of the Scoping Study are announced and re-evaluate our investment plan from there.

Disclosure: The authors of this investment memo and owners of Next Investors, S3 Consortium Pty Ltd, and associated entities, own 24,200,000 PRL shares at the time of publication.

S3 Consortium Pty Ltd has been engaged by PRL to share our commentary and opinion on the progress of our investment in PRL over time.

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