



Financial resources

All information should be read in conjunction with the [Offshore Petroleum and Greenhouse Gas Storage Act 2006](#) (the OPGGS Act), associated regulations, relevant guidelines and policies (available on [NOPTA's website](#)).

The purpose of this factsheet is to provide an overview of the types of information that could be expected to support the assessment of the financial resources of the applicant.

Please note: *this factsheet is intended as a guide only and should not be relied on as legal advice or regarded as a substitute for legal advice in individual cases.*

Overview

The information requirements vary depending on the legal form of the applicant, and any entity making financial resources available to the applicant, and should be provided for both the applicant and any such entity.

Note: Applicants are not required to provide the types of information listed under the 'Other Supporting Information' section in order to validly submit an application. However, applicants may be requested to provide additional information where it is deemed necessary to allow an assessment of financial resources to be completed.

The 'Other Supporting Information' section provides a guide as to the type of information that may be requested. The list is not exhaustive, and other forms of credible evidence may be considered suitable.

NOPTA has identified a set of financial indicators and threshold values to allow an applicant to conduct a self-assessment and determine if it is likely to be required to provide additional information. Tables 2 and 3 in [Attachment B](#) define these indicators and threshold values. Where appropriate, applicants should consider providing additional information along with the required information when they submit an application. This will allow NOPTA to conduct a more streamlined and timely assessment.

Evidence that does not enable NOPTA to assess the adequacy of the resources, or is not in a form where the operation of the form of evidence is legally effective may result in delays processing applications and/or requests for further information.

The decision maker will take into account the nature of the title with an expectation that an applicant demonstrates a level of financial resources that reflects the activities authorised by the title and the obligations imposed under the OPGGS Act and regulations in relation to the title.

It will be at the relevant decision-maker's discretion as to whether the evidence of financial resources is satisfactory.

Companies

- 1.1. Specific company type. For example: proprietary, foreign owned, Government owned, public listed, public non listed, corporate trustee, etc.
- 1.2. Australian Securities and Investments Commission (ASIC) "Current and Historical" company extract if this has changed since the most recent, if any, submission to NOPTA. If this has not changed, provide a reference to the appropriate document that has been submitted to NOPTA. If this has not previously been provided this must be included.
- 1.3. Audited Consolidated Financial Statements: The most recent audited consolidated financial statements including profit and loss, balance sheet and statement of cash flows where available, and accompanying notes. Commitments should be provided as set out in Table 1 of [Attachment A](#).
- 1.4. Unaudited consolidated financial statements and accompanying notes can be provided where audited accounts are not available.
 - 1.4.1. Unaudited financial statements are to be prepared by an independent qualified accountant.
 - 1.4.2. These must be accompanied by a declaration from the directors that the applicant has the ability to continue as a going concern, and that the accounts have been prepared under Australian Accounting Standards or equivalent international standards. In some circumstances NOPTA may seek external verification that the accounts meet these standards.
 - 1.4.3. Provision of unaudited financial statements rather than audited statements may result in requests for further information or cause delays in processing applications.
 - 1.4.4. For newly established entities this must include, at a minimum, a proforma balance sheet and the accompanying notes.
- 1.5. Notes to the financial statements or proforma balance sheets should contain sufficient information to allow NOPTA to undertake its financial assessment. These must cover:



- 1.5.1. the basis of estimates for any decommissioning costs/ restoration provisions, including information to support any assumptions regarding the full removal of structures, equipment, and other property. For further information about the maintenance, repair and removal of property, please see the [Guideline: Offshore Petroleum Decommissioning](#).
 - 1.5.2. Underlying assumptions used in the valuation of assets should be clearly identified, including economic assumptions underpinning any asset valuations, capitalised royalties, capitalised exploration spend, etc. Any independent asset reports that are available to support these valuations should also be provided.
- 1.6. Applicants that do not publish quarterly reports must provide a written statement confirming that since the reporting date of the financial information submitted with the application, there has not been:
- 1.6.1. Any material change in financial or trading position which may impact the assessment of financial resources as set out within the [Guideline: Applicant suitability](#) (the Guideline).
 - 1.6.2. Any material post balance sheet event which may impact the assessment of financial resources as set out within the Guideline.
 - 1.6.3. Any contingent liabilities or significant losses which may impact the assessment of financial resources as set out within the Guideline which would require a disclosure.
 - 1.6.4. A material change is defined as any change in the business, operations, assets, liabilities, ownership or access to capital of the applicant(s) that would reasonably be expected to have a significant effect on the financial resources available to the applicant(s) to carry out the operations and works that will be or are authorised by the permit, lease or licence; and discharge the obligations that will be imposed under the OPGGS Act, or a legislative instrument under the OPGGS Act, in relation to the permit, lease or licence (including decommissioning).

- 1.6.5. If any of the above statements are not correct the applicant must provide a set of proforma financial statements and accompanying notes for the period from the previous reporting date to a date subsequent to the material change but not more than seven days prior to submission. It must also provide supporting commentary specifying how its financial resources are sufficient to satisfy its obligations under the OPGGS Act.
- 1.6.6. Where an applicant is a corporate trustee provide a copy of the trust deed specifying how funds are made available to the trustee, and evidence of the funds available in the trust. An applicant could also provide a statement or a personal guarantee confirming that funds will be made available when required to discharge the financial commitments associated with the application (if granted).

High-net-worth individuals/ sophisticated investors

Where an applicant is a high-net-worth individual(s) a certificate from a qualified accountant certifying their prescribed net assets must be provided. The terms 'qualified accountant' and 'net asset' should be taken to have their normal meaning.

All applicants

All applicants are to specify commitments and obligations as set out in Tables 1 at [Attachment A](#).

Other Information

Where an applicant has financial indicators that do not meet the threshold values in Tables 2 and 3 at [Attachment B](#), or in any case where it is deemed necessary, other information may be requested to evidence an applicant(s)' financial resources. NOPTA has provided general guidance in the [glossary](#) below on the characteristics of additional evidence which could be provided or may be requested by NOPTA. The list is not exhaustive, and other forms of credible evidence may be considered suitable. Evidence that does not have the suggested characteristics, or does not enable an assessment of the adequacy of the resources, or where the legal or practical operation of the form of evidence would not make financial resources available to the applicant, may result in delays processing applications and/ or requests for further information.



Other Supporting Information

Bonds (for example treasury bonds, corporate bonds, convertible notes etc.): Anticipated or existing bond funding should be detailed in full. Including the borrowed amount, size and timing of capital repayments and interest payments. Any agreements related to this type of funding could be submitted as supporting evidence. Details on how the bond repayment is anticipated to be financed during the term of the commitment should also be submitted.

Cash flow forecasts: The applicant could provide cash flow forecasts starting from the date of the last audited financial reports to the point in time when the commitments associated with the application, and all other firm commitments, have been discharged. These could include:

- details of all sources of free cash flow expected to be available for the period of the cash flow forecast;
- full details of debt facilities including a breakdown of the debt funding by type, lender, rates, and security, specifically identifying lending from shareholders and other connected parties, separately from third party lenders;
- any other expenses or repayments the applicant will need to satisfy;
- overriding royalty payments, net profit interests etc. for offshore titles;
- the costs and timing of all committed projects, including the commitments associated with the application;
- the costs of any uncommitted or contingent projects where cash flows are included in the cash flow forecast;
- the most up to date decommissioning profile where relevant, with low, mid, and high case scenarios; and
- all key assumptions and methodologies underlying the cash flow forecast, in particular the oil and gas price assumptions, interest and inflation rates, maturity dates etc.

Cash flows from any project associated with the application should be provided separately from the overall applicant cash flows.

Commercial funding agreements: Provide evidence of any recent commercial agreements between the applicant and a funding entity demonstrating that the resources are adequate for the purposes of the financial assessment. There is no standard for these agreements, and they may take a number of different forms. Sufficient documentation should be provided showing how the funds are made available to the applicant and contain clear evidence that these will be available when needed.

Commodity based loan: Where funding is linked to a commodity (for example, reserve-based lending) the applicant could disclose the assumptions that have been made for the provision of this funding including anticipated commodity value. The applicant is encouraged to share any financial assessment or other third-party reports commissioned in securing this type of funding.

Conditional or future sales contracts: Where future cash flow is dependent on sales contracts which are still subject to satisfaction of conditions precedent, provide copies of the contracts. For example, copies of asset sales to be executed, or sales contracts for future production from a project that is not yet producing. If these are available in dealings that have already been submitted to NOPTA an applicant need only draw attention to the relevant document. Resubmission of the document is not required.

Conditional funding agreements: Where the applicant intends to rely on another entity for funding conditional on approval of the application, the applicant could provide a draft legally binding agreement, together with a letter of undertaking from the entity confirming that they will execute such agreement if the application is successful. NOPTA's financial assessment will be applied to that entity in addition to the applicant.

Dealings (registerable): Where evidence of financial resources or commitments are evidenced in a dealing(s) which has been submitted to NOPTA, an applicant should draw attention to this. Resubmission of the relevant documentation is not required. This could include for example sale and purchase agreements, any present or conditional liabilities associated with offshore title areas, overriding royalty obligations, or expected payments, net profit interest deeds etc.

Deferred payments: Any funding source that is deferred, or contingent on performance or the passage of time or other future events should be detailed by the applicant, including the key terms that govern the payment and anticipated impact on the commitment if the funding is not provided.



Equity capital markets: The applicant should disclose any intention to raise funds via an initial public offering (IPO), rights issue or issue of additional share capital and anticipated timing. It should be evidenced where the share issues are underwritten. Intentions to raise funds on a best-efforts basis are considered less reliable and evidence of the applicant's track record to raising funds through these means, and of a magnitude commensurate with the commitment, will be required.

Farm-out / cost carry: Where an applicant's commitment will be funded or part-funded by a cost carry arrangement a copy of the farm-out and /or cost carry agreement is required. In this scenario NOPTA will also assess the other entity's financial resources.

Free cash flow: Where an applicant holds a production licence(s) or retention lease(s) NOPTA may request or the applicant may provide further detail on free cash flow, defined as:

Operating cash flow at end of reporting period -
investing cash flows + net acquisition and disposals +
capital expenditure – lease liability payments

Funding from high-net-worth individuals: NOPTA will assess the financial position of the high-net-worth individuals. Evidence of the high-net-worth individual's ability to finance the commitment should be provided. Details of any funding agreement between the applicant and high-net-worth individual(s) should be provided to establish credibility.

Guarantees: Evidence of any guarantees by entities in favour of the applicant(s), including cross guarantees between titleholders, could be provided or, if already available to NOPTA, be referenced with an application.

Independent asset reports: A copy of any independent asset reports supporting asset valuations could be provided.

Letters of Intent: A copy of any binding letters of intent from proposed funding entity(s) could be provided. These will be considered as a more reliable evidence of financial resources than would a conditional letter of intent.

Loan agreements: A copy of an executed loan agreement between the applicant and the lender, including director loans, along with a summary of the key terms could be provided.

Track record: Evidence of an applicant's history of being able to successfully fund exploration and/or production projects, attract farm-in partners, and/ or raise capital by public or private means, of a magnitude commensurate with the size of the commitments, should be provided to support its credibility.

Questions

If you have any questions about this factsheet, please contact NOPTA via titles@nopta.gov.au.

Version history

Version	Date	Comment
1.0	February 2022	Creation of factsheet. Factsheet comes into effect on 2 March 2022.



Attachment A: Financial commitments and obligations

Table 1: Financial commitments and obligations template.

Commitments Template - As at Date (DDMMYYYY)				
OPGGSA (Title Number) Where any financial commitment for an operational activity under the title is less than the titleholder's % interest, e.g. through a farm out/ cost carry or other arrangement. Please state this, including the total value of the commitment according to % interest, and the value of the commitment subsequent to funding arrangement. Provide a NEATS reference for the relevant registered dealing, or dealing under assessment.	< 1 year	Primary Term > 1 year	Secondary Term	Other OPGGSA obligations
TITLE XXXX	Total commitment	Total commitment	Total commitment	Yes/No/NA
	Titleholder % of commitment \$ value of commitment remaining	Titleholder % of commitment \$ value of commitment remaining	Titleholder % of commitment \$ value of commitment remaining	
Other Commitments	< 1 year	1 year < 5 years	> 5 years	Contingent
Other Exploration Oil & Gas Properties Purchase Obligations Take or Pay contracts Etc. as appropriate, this is a non-exhaustive list				



Attachment B: Financial indicators and threshold values

Table 2: Indicators and threshold values to determine financial viability.

Financial Viability	The assessment of financial viability looks for evidence to demonstrate that the applicant is operating as an ongoing business concern, and that the future revenue and assets are sufficient to meet expected liabilities as they arise. An applicant(s) should meet all of NOPTA's expectations for Financial Viability or provide additional evidence of its financial position.		
Indicator	Calculation	Threshold	Explanation
Going Concern	N/a	No going concern issues highlighted	NOPTA will review information which includes, but is not limited to, the Auditor's and Director's report statement on going concern, and the applicant's financial statements. If an entity has going concern issues, it should advise if: <ul style="list-style-type: none">- rectification action has been undertaken,- underlying reason for the qualification which will affect the applicant's ability to undertake the proposed works,- the qualification is a material concern which will have an impact on the applicant's trading and financial performance.
Current Ratio	Current Assets/ Current Liabilities	> = 1	Where Current Ratio < 1 advise how working capital requirements are to be financed by adequate short term funding arrangements e.g. cash flow forecasts, line of credit, underwritten capital raising etc.
Net Assets	Net Assets = Total Assets – Total Liabilities	< 0	Where Net Assets < 0, provide evidence of how that deficit will be funded.



Table 3: Indicators and threshold values to determine financial capacity.

Financial Capacity			
Financial capacity indicators are designed to assess the sufficiency of an applicant's financial resources to meet all of its known and anticipated commitments, to carry out the operations and works that will be or are authorised by the title, and discharge the obligations that will be imposed under the OPGGSA, or a legislative instrument under the OPGGSA, in relation to the title (including decommissioning).			
Indicator	Calculation	Threshold	Explanation
Commitment Cover	<p>Tangible Net Worth/ Total outstanding commitments</p> <p>Tangible net worth does not include capitalised exploration expenditure, these should be stated clearly in the notes to the accounts.</p> <p>Total outstanding commitments should be recorded as per the proforma at Attachment A.</p>	≥ 2	Where commitment cover < 2 the applicant should provide additional information showing how it will meet its commitments in the future.
OPGGSA Work Program Cash Cover	Cash and equivalents/ (total guaranteed OPGGSA work program commitments + financial commitments associated with this title + financial commitments associated with titles for which there are any other applications under assessment)	≥ 1	<p>Where an applicant has a work program cash cover below NOPTA's expected threshold it could provide additional information to evidence its financial resources.</p> <p>In addition, where applications relate to a title with a work program in which there is a guaranteed well commitment, NOPTA expects the applicant will have sufficient funds to meet its share of the drilling costs, the plugging and abandonment of the well if it is proven to be "dry" or otherwise non-viable and a minimum contingency of fifty per cent (50%) for both the drilling costs and plugging and abandonment costs.</p>
Gross Gearing	Total Debt/ (Total Debt + Equity)	≤ 0.75	<p>Where an applicant has an investment grade credit from a recognised entity evidence of this rating could be provided as evidence of ability to service debt.</p> <p>Where an applicant has a gearing ratio above seventy-five per cent (75%) it should provide detailed reasoning demonstrating it will be able to service the debt.</p>
Restoration Cover	Restoration provisions/ tangible net worth	≤ 0.7	<p>Where an applicant has a restoration cover ratio of greater than seventy per cent (70%) it should demonstrate how the decommissioning obligations can be funded and provide evidence of the funding arrangements.</p> <p>Note that the basis of estimates for any decommissioning costs/restoration provisions should include information to support any assumptions regarding the removal of structures, equipment and other property.</p>