VINTAGE ENERGY

ASX Release

22 November 2022

Chairman's Address | Annual General Meeting

Address to shareholders by Mr. Reg Nelson, Chairman, Vintage Energy Ltd, 22 November 2022.

Australia urgently needs to develop a blueprint for securing its existing and future energy supplies and infrastructure.

"Of course," you would say, in the light of the current gas crisis.

But I said this in an interview I gave twenty years ago.

I went further, calling for a national gas development plan, including a National Strategic Gas Reserve. I said – two decades ago – that "one of the most important issues facing Australia during the first 20 years of this century was energy for electricity and transport fuels.

"If additional diversified energy sources are not found within this period, Australia will then have an energy crisis as a result of a rapidly emerging shortfall in liquid hydrocarbons and looming gas shortages, particularly in south-eastern Australia."

Ten years ago, I predicted this in another interview: "a sustained spike in natural gas prices in the eastern states lasting as long as a decade due to the ''supply crunch'' affecting the market."

I'm not using these personal observations for self-aggrandisement, but to emphasise that the present crisis has been twenty years – or more – in the making.

Too often over those years we've seen governments impose so- called moratoria on the development of natural gas projects "until the science is settled" – that phrase which should be anathema to any scientist of credibility. These are responses by those, behaving as the wind behaves, who believe they have been elected – I quote – "to regulate" rather than to lead and shape debate.

The crisis they have ignored for all these years has led us to a real shortage of gas for eastern Australia. That abandonment of their responsibilities has created a vacuum that is being exploited by activists.

There is no pleasure in observing the shortfall, and the resultant price shocks. It's proven far greater than anticipated; it is certainly more severe than needed to be the case. I will comment more on this later in my address.

But the principal reason for your company's existence lies in those earlier predictions.

Vintage Energy ("Vintage"), backed by a team with deep knowledge of Australian onshore sedimentary basins, (particularly in the exploration, development and commercialisation of onshore oil and gas in the Cooper Basin) was created and listed with this opportunity in mind.

Your company's initial public offering documents issued some 4 years ago, anticipated shortfalls in available gas supply for domestic consumption in south-eastern Australia and the opportunity this presented for enterprises with the right technical and commercial capabilities.

I can say now that 2022 is a watershed year for our company.

A full account of the company's results for the 12 months to 30 June has been provided in the company's annual report, and I do not propose to reiterate its detail.

However, it is appropriate I comment briefly on the significance of the principal outcomes for the year, before briefing you on Vintage's current position, our plans for the 2023 financial year and your board's view on the company's longer-term prospects.

Today your company is on the cusp of bringing new gas supply to eastern Australia, from Vali, a gas field. Let me emphasise the continued progress while we endured nearly three years of global crises and disruptions:

- we discovered the Vali field in 2020,
- appraised it in 2021 and
- entered into an inaugural gas supply agreement in 2022.

We expect the overall gas supply from the field will be a source of income for Vintage for many years.

It is pleasing to see the company poised to become a cash-generating domestic gas supplier and fulfilling at least the initial part of the founders' vision at the time of listing.

The most significant event for Vintage in FY22 was the execution of our inaugural gas supply agreement, a contract with AGL Energy extending to December 2026.

It's one thing to have ownership of keenly sought gas resources but that is no more than a 'ticket to play' for a small company, without cash flow, to the challenging tasks of commercialisation, project design, procurement and construction and capital management.

This is a path navigated by only a minority of hopeful resource exploration companies.

Few of those hopefuls have the benefit of a team that has previously met and successfully dealt with the challenging tasks I mentioned. Vintage's team has a great record of delivering results and building companies.

But there are two contributions also warranting acknowledgement today:

First, the commitment of AGL Energy to encouraging new suppliers and gas into the market. AGL's willingness to entertain new and supportive contract provisions, most particularly a $15 million prepayment, substantially ameliorated the capital burden required to bring Vali into production.

Second, the support of Vintage's shareholders and new shareholders.

The success of the company's share placement, and oversubscribed rights issue, conducted in December and January respectively, enabled the company to secure a $10 million debt facility, to translate the heads of agreement with AGL to a gas sales agreement and to proceed with the confidence of knowing it is fully funded through to first gas delivery.

The patience of shareholders with the rescheduling of Vali first gas from mid-2022 to January is also appreciated.

It is important to note these delays have resulted from issues endemic worldwide over the last 18 months: supply chain constraints; shipping; and contractor staffing availability; and from this month's weather events - and not from underperformance on the ground.

The fact Vintage is not alone in being affected by these issues hasn't eased the frustration of losing time waiting for availability or alignment of shipping capacity. But the team has been unswerving and proactive in their efforts to find the ways to keep the project moving forward, as have been our contractors.

We are nearly there.

Odin

The second significant area of business development concerned the Odin gas field, which was discovered late in the previous financial year. Vintage increased its equity in the PRL 211 during the year to 50%, following Beach Energy Ltd.'s withdrawal from the field.

Odin is considerably less mature than the Vali discovery, having only been subject to one discovery well. However, market demand for new gas supplies has been evidenced in the keenness of gas buyers to secure access to supply from the field. This has made a compelling case to accelerate connection of the field so sales can begin.

A two-stage connection project was announced earlier this month, with the accelerated connection expected to deliver gas to market in the third quarter of 2023 - which could mean supply for the greater part of the winter next year. On receipt of regulatory approval, we expect to push on with the marketing to secure sales agreements.

Our Managing Director, Neil Gibbins, will give an update shortly on our Cooper Basin gas projects, including greater detail on the connection options and an outline of our "appraisal by production" strategy through which we secure early monetisation whilst building the understanding for finalisation of full field development plans.

Nangwarry

Our third major gas asset is the Nangwarry CO_2 resource in South Australian Otway Basin. Our market investigations have confirmed that this resource has potential to be a significant, valuable and long-term income generating asset for the company.

The availability of food-grade carbon dioxide is diminishing, and its price increased significantly in 2022. However, we recognise that Nangwarry's value for shareholders will require implementation of a solution that addresses the inherent liquefaction and storage requirements to transform well-head resource to the marketable product.

Your board believes the potentially substantial long-term value of this resource warrants patience. The company is continuing to seek out and engage with players engaged in market sectors downstream from the well-head with the intent of forging a mutually beneficial collaboration for the commercialisation of Nangwarry.

Financial position

On 30 September your company had cash reserves of $10.2 million, inclusive of its fully drawn debt facility. These funds are expected to be sufficient to fund Vali to its first cash generation and the Odin connection projects.

Outlook

Before I conclude and address the company's outlook, it is appropriate to make some comments on energy industry policy; a subject which has been neglected. The painful price consequence of this neglect is now apparent.

Our anticipation of the current domestic gas supply shortfall was not the result of exhaustive analysis. It sprang from long experience based upon known and evident facts:

- existing sources of production were declining (as they always do)
- the impediments to identification and development of new sources of supply including state-inflicted exploration moratoria: and
- delays - some indefinite, some inordinate, in regulatory approvals.

Overlay that with the effects of more recent global disruptions and capital constraints imposed by activists, and we are indeed in a hollow valley. Gas prices higher than anticipated, and at some spot levels intolerably high for some users; threats of government intervention by price capping, and with this, the rising uncertainty and risk aversion to investment in oil and gas.

This may be a desirable outcome for some, a leap ahead in their carbon equation.

But reliable access to affordable energy is not a matter for ideology. It is a fundamental ingredient for social equity, health, economic enterprise and environment. It has been that way for human history – or at least since we started using fire.

We now hear about moving towards a hydrogen-based economy. I would argue that using gas has been one of the earliest moves in this direction. Coal combustion is primarily burning carbon. But, consider the simplest and most abundant molecule of natural gas, methane. It is chemically denoted as $CH4$ – that is, four hydrogen atoms to one carbon atom per molecule.

Gas has an undisputed and unmatched role in providing a lower carbon fuel option, essential for maintenance of a reliable energy source to back up the intermittency of renewable generation.

But gas cannot play this role if supply is artificially restricted – whether through the dead hand of price capping, a strategy invariably proven to deter investment in new reserves and infrastructure - or through regulatory restriction or inaction. This is not a call for carte blanche but simply for clarity and consistency on timelines, and requirements under which activities proven to be responsible can be undertaken.

We cannot just grope together and avoid speech, sightless unless the eyes reappear.

The state in which we meet today, South Australia, is a case study in what can be achieved economically and socially through a cooperative and collaborative government and industry partnership in the exploration and development of resources.

May I suggest, that instead of intervening in prices and deterring investment (and competition) a more positive approach be taken with the focus on how the supply of gas not required for international contracts can be increased. There are contingent and prospective resources waiting, that with access and approvals have the potential to become new sources of supply, to ease the shortfall and the painful prices that has brought.

We need a properly convened round-table engagement involving state and federal governments and industry, aimed solely at identifying and removing obstacles to gas exploration and development. Unlocking the potential for upstream producers to identify, appraise and develop resources is the first step to increase supply. That requires investment and removal of the numerous impediments brought about by failed political actions in the absence of sound policies. This is the pathway for increased gas production for domestic users, and increased royalty generation for the community.

And, as we know, a market with assurance about ample supply is a market where consumers and investors have confidence; and prices work to encourage investment in both resource-producing and resource-consuming sectors.

Wrap up and outlook

At our last annual general meeting your company was about to start work on the structures around which a cash generating business could be established. That has all but been completed in the last 12 months:

- we recapitalised the company through securing a debt facility and conducting equity raisings;
- we have negotiated and executed agreements (15 in fact) for gas processing, transportation, pipeline tie-in and gas sale;
- Four wells have been completed as future gas producers;
- as Neil will detail, pipeline and capital plant items have (largely) been procured and taken to site; and
- our contractors are well advanced in the installation and construction of field facilities.

For a small team, it has been a busy year and on behalf of shareholders, I would like to congratulate Neil and his team on what they have achieved.

Your company is in a promising position, only a little over four years since listing. We expect to commence production and revenue generation from Vali shortly and be close to opening a second source of production when Odin starts supply in the first quarter after the end of the financial year. We expect Vali and Odin will provide a strong revenue base for Vintage for many years.

A strong technical focus has always been the hallmark of Vintage. We will be active on this front in FY23. The company expects to determine a full field development plan for Vali as well as exploration for gas and oil drilling in the Cooper Basin and our prospective acreage in the Galilee and Otway Basins.

It promises to be another exciting year and I look forward to reporting on it further.

In closing, I would like to express my appreciation and thanks for the efforts and support of my fellow directors. To Neil and his team, consultants and contractors, thank you, congratulations on behalf of shareholders and our wishes for a strong and successful year.

Thank you.

This release has been authorised on behalf of the Vintage Board by Mr. Neil Gibbins, Managing Director.

For more information contact:

Neil Gibbins | Managing Director | +61 8 7477 7680 | info@vintageenergy.com.au