VINTAGE ENERGY

ASX Release

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Chairman's Address | Annual General Meeting

Address to shareholders by Mr. Reg Nelson, Chairman, Vintage Energy Limited

Introduction

Let me start with a quote by President Ronald Reagan: *"If it moves, tax it; if it keeps moving, regulate it; if it stops moving, subsidise it."*

I spoke last year of the danger we apprehended then, of the "dead hand of price capping" of gas and of the "hollow valley" that would result from rising uncertainty and risk aversion to investment in gas exploration and development.

But the Federal Government, in its haste, introduced a $12/GJ price cap, through the Australian Domestic Gas Security Mechanism. The irony of the word, "security", does not escape me: anyone who understands our business knows that continuity and security of supply depends on continued investment in discovering and developing new reserves.

Those who do not understand this business may well ask how many undiscovered reserves exist. We can only respond that we've mislaid our crystal balls.

The inevitable followed: this ill-thought announcement created the greatest uncertainty experienced in gas contracting since supply from the Cooper Basin and Bass Strait began 54 years ago.

The investment market, alarmed, lost confidence. Equity market valuations, particularly for smaller companies such as ours, were derated precipitately and substantially. Larger investment projects stalled. Little has since changed.

This was not merely unfortunate; diminishing the funding capability of companies trying to bring new gas supplies to market can only be counterproductive to the realisation of lower gas prices.

Counterproductive, too, to the Federal Government's own acknowledgement that natural gas is essential to support energy transition for its renewable net zero ambitions.

The Federal Government then backtracked. But the damage to investor confidence remains.

To quote from the Australian Financial Review in April of this year, *"Concerns about an investment freeze have forced the government to backflip over its plan to impose a "reasonable price" limit on east coast gas producers, but it has failed to restore industry confidence for new ventures."*

The decision granted automatic exemptions from the cap to smaller producers, such as Vintage Energy. Let me emphasise this: Vintage Energy, as a small domestic producer of gas, is exempt from the price cap.

I would argue the market value of our uncontracted gas has never been higher.

Our immediate aim is to continue to generate revenue from our appraisal operations at Vali and Odin and move towards full field development plans. I believe investors will then regain confidence in the inherent value of our independently certified reserves.

That, plus the exploration potential of those assets we hold and intend to build upon.

Odin and Vali

The past 12 months have been the busiest since the company listed 5 years ago. Since our last AGM, Vintage Energy has:

- completed the Vali field facilities and connection to the Moomba processing facility;
- commenced appraisal production from the Vali gas field, supplying into the long-term gas contract with AGL;
- negotiated and secured the inaugural gas supply contract for the Odin gas field with Pelican Point Power;
- completed the accelerated connection of the Odin gas field on schedule and brought the field online;
- signed an additional gas supply contract with Pelican Point Power, securing sales from Odin for an additional 2 years; and
- recorded another year free of lost time injuries. This is particularly noteworthy given the expanded scope and risk profile brought by site-based construction and installation activities and the progression to production operations.

Vintage has stable production of approximately 6.5 million cubic of raw gas per day from what is essentially an appraisal operation; implemented to generate revenue whilst we gather the necessary understanding of field reservoirs for a properly informed full field development plan.

As is to be expected from an appraisal program, outcomes have been varied, ranging from the routine start-up and solid production by Vali-1; to the strong initial flow and ongoing performance at Odin; to the unanticipated delays we have reported at Vali-2 and Vali-3.

Water production in Vali-2 and Vali-3 has been greater than expected, requiring analysis and design of remedial measures. Our technical team and joint venture partners have been assiduously working to investigate and understand the results. In the coming week, we expect to be implementing a remedial plugging solution designed to enable production from Vali-2. Vali-3 remains shut-in pending further analysis. Vali-1 has produced steadily and strongly since coming online in February.

The timing and outcome of our work on these wells will influence the completion of the full field development plan for Vali. As I advised last year's meeting, we had anticipated completion of the plan in the 2023 financial year. However, faced with unanticipated results, we must respect the appraisal process and work diligently through interpretation, trial and analysis and evaluation.

At Odin, production appraisal has proceeded from a strong start-up, having been online now for 48 days, maintaining stable production and demonstrating its capacity to restart strongly from shut-in.

The additional sales and cash generation brought by Odin is not yet apparent. This current month will be the first full month of sales under the field's supply contract, October having been affected by a scheduled downstream maintenance shutdown.

We expect Odin to be of much greater significance than simply an additional well. Production rates have been roughly double those of Vali-1 and the gas price is reflective of the 2023 gas market where prices were substantially higher than when the Vali contract was negotiated. Cash returns are greater again as Odin was contracted without a prepayment component.

All of this presents a compelling case for appraisal and production expansion. Our technical team has assessed the opportunities: preparations and planning are underway for two additional appraisal wells on the field.

As I mentioned earlier in this address, we are firmly of the view the value of the company's gas has also increased. Gas prices have appreciated over the course of the year, most particularly whilst the company was contracting Odin gas. We therefore assess the potential gross sales value of our reserves and resources is higher than 12 months ago.

The company has contracted well. Firstly, to underwrite installation of facility and pipeline infrastructure for production appraisal at Vali. Then, after accelerating connection of Odin, to secure the attractive terms on offer for long term sales agreements from the field.

We are now fully contracted for the production anticipated from our existing Cooper Basin fields for the coming 3 years. Our focus in the region in near term can be on execution of the appraisal production process, optimising the production performance of the fields and identifying the most capital efficient field development plan.

Nangwarry

The Nangwarry carbon dioxide resource has parallels with our Cooper Basin gas fields: a commercial scale resource of gas with a long history of local production but where diminished availability is affecting prices and creating apprehension about supply security.

2023 saw increased concern about the outlook and implications for food-grade CO_2 availability, a critical input for day-to-day staple products and services such as food and beverage production and storage, healthcare, horticulture and fire suppression.

Vintage has engaged with stakeholders at every stage of the value chain from wellhead to end-user, as well as government during the past 12 months.

Our analysis and engagement consistently reaffirm the potential value of the Nangwarry resource and the case for its commercialisation as a long-term local source of naturally produced food-grade CO_2. In a world focussed on decarbonisation and emissions accounting, this opportunity will require ongoing patience – but the reality of diminished availability cannot be ignored.

The company holds other exploration interests including licences in the onshore Otway, and Galilee, Basins. Neil Gibbins, our Managing Director, will address these shortly in his operations update on the company's portfolio.

These interests, presently minor in comparison with our Cooper Basin gas fields, share the same underlying value potential: prospective acreage from which value can be generated from the application of the company's technical and commercial capability and experience.

Outlook and concluding comments

Vintage is still a young company. Each new year has seen the company register new landmarks and pass new milestones.

As I noted at the start of my comments, 2023 was our busiest year yet. The company made the transition to revenue generation. Very few exploration companies achieve this and, those that do, typically take longer.

The results have set the company up for its first full year of production and revenue generation in 2024. We expect the year will be highly informative, through the understanding acquired on the Vali and Odin gas fields, the wells completed to date and, on the opportunities, to best build upon the value generated from our supply contracts.

I began this address with a tongue-in-cheek quote by Ronald Reagan. You may think I am overly critical of government in general. That is not always the case. I take this opportunity to acknowledge and applaud the support from the South Australian Government to facilitate bringing supply to the domestic gas market this year from Odin.

This is the pathway – and a model for governments - to ensure increased gas production for domestic users, and thereby ultimately more comfortable prices and increased royalty generation for the community.

Before I close, I wish to acknowledge the work done and support given by my fellow directors and thank Neil and his team for their unstinting efforts in what has been a demanding year. And to shareholders for their support throughout a difficult, but promising, year.

Thank you.

Reg Nelson
Chairman

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

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