

15 August 2024

Galilee and Vintage agree merger terms to create stronger player in east coast gas

Merger Heads of Agreement to create stronger, leaner player with more gas and more cash to address east coast gas needs

Key Points

- Vintage Energy (“Vintage”) and Galilee Energy (“Galilee”) have signed a Heads of Agreement with key terms for a merger via a scheme of arrangement
- Proposed merger to be effected by Vintage acquisition of 100% of Galilee via an all-scrip deal
- Merger creates a better equipped company for gas supply to eastern Australia in the near and long term
- Combined group to have existing appraisal gas production, 2P reserves of ~50 PJ and long-term sales contracts plus the large unconventional ~2,500 PJ 2C Glenaras gas resource
- Stronger balance sheet created by merger supports advancement of projects currently supplying gas
- Merged acreage portfolio encompasses most onshore sedimentary basins currently, or expected to, supply gas to eastern Australia
- The Galilee board unanimously recommends the proposal, in the absence of a superior proposal and subject to being satisfied with its due diligence enquiries and an independent expert concluding (and continuing to conclude) that the scheme of arrangement is in the best interests of Galilee shareholders
- The Vintage board unanimously supports the proposal, subject to Vintage being satisfied with its due diligence enquiries and in the absence of a superior proposal involving Vintage
- Galilee raising A\$2.66 million via a fully underwritten placement and entitlement offer

Vintage Energy Ltd (ASX: VEN) (**Vintage**) and Galilee Energy Limited (ASX: GLL) (**Galilee**) announce they have entered into a binding Heads of Agreement (**HoA**) under which Vintage will, subject to the satisfaction of various conditions, acquire all of the fully paid ordinary shares in Galilee by way of a scheme of arrangement under Part 5.1 of the *Corporations Act 2001* (Cth) (**Scheme**).

The proposal will create a merged group better resourced to generate value from the favorable long-term outlook for onshore gas and oil in eastern Australia through greater financial strength, an expanded resource base and an enhanced portfolio.

In particular, the merger would marry Vintage’s existing Cooper Basin gas supply and 2P gas reserves with the long-term potential of Galilee’s substantial contingent resource exceeding 2,500 PJ, armed with a stronger balance sheet and superior cost structure. The increased cash resources created by the merger are expected to yield near-term benefits through a strong and focused progression of the Odin and Vali gas projects as a priority, both of which are currently supplying gas under long-term contracts.

The boards of the two companies have directed the preparation of a Scheme Implementation Deed to be expedited, together with other relevant material for agreement between the parties and Galilee shareholder consideration and approval.

Galilee Executive Chairman, Ray Shorrocks said:

“There is a huge opportunity emerging in Australia’s east coast gas market. This merger is aimed at enabling the combined companies and their shareholders to take full advantage of this looming gas shortfall and the impact that will have on gas prices, margins and free cashflow generation.

“It will also provide long-term growth potential and access to funding”.

Vintage Chairman, Reg Nelson said:

“The merger will create a company with much greater exposure to east coast gas supply in the near and long term and a stronger balance sheet.

“For Vintage shareholders, it means their company will be better equipped to grow production and revenue from the appraisal of the Odin and Vali gas fields. In addition, our long-term prospects will be enhanced through addition of Galilee’s substantial gas resources.

There is clear complementarity in the Vintage and Galilee acreage holdings. Their combination will result in a portfolio encompassing nearly all of the onshore sedimentary basins currently supplying, or expected to supply, gas to eastern Australia such as the Cooper, Bowen, Surat, Otway and Bonaparte Basins.

“We are looking forward to working with the Galilee team to take the Heads of Agreement to a scheme of arrangement for shareholder action at the earliest opportunity.”

Proposed transaction

The HoA provides that Vintage will acquire 100% of Galilee shares on issue post the capital raising announced by Galilee today. Under the Scheme, Galilee shareholders will receive two fully paid ordinary shares in Vintage for every one fully paid ordinary Galilee share held on the Scheme record date.

The 100% scrip scheme consideration implies a share price of \$0.02 for Galilee based on the closing price of Vintage shares of \$0.01 on 12 August 2024, the last day both companies traded on the ASX prior to Galilee entering a trading halt. This represents:

- a 5% premium to the last close share price of Galilee of \$0.019 (as at 12 August 2024);
- a 6.6% discount based on Galilee’s 10 -day VWAP to 12 August 2024 of \$0.0196 compared to Vintage’s 10-day VWAP to 12 August 2024 of \$0.00915
- a 12% discount based on Galilee’s 30-day VWAP of \$0.0215 to 12 August 2024 compared to Vintage’s 30-day VWAP to 12 August 2024 of \$0.00946

Vintage’s closing share price on the last trading day before this announcement was \$0.009.

Upon implementation of the Scheme, Vintage and Galilee shareholders will hold approximately 60.2% and 39.8% of the Merged Group respectively, calculated using Galilee shares on issue post- capital raising.

Under the HoA, the merger is conditional upon Galilee completing a \$2.5 million capital raising announced today. The capital raising is scheduled for completion on 20 September 2024.

The HoA also provides for an initial seven-week period for both Vintage and Galilee to conduct due diligence and finalise the terms of the Scheme Implementation Deed as part of an overall six-month exclusivity period. During the exclusivity period customary exclusivity restrictions apply, including “no shop”, “no talk”, “no due diligence” and “notification” obligations apply to both parties. In certain circumstances, including if a party breaches certain exclusivity restrictions, a party is liable to pay a fee of \$250,000 to reimburse the other party's incurred due diligence costs. A summary of the binding exclusivity terms and cost reimbursement arrangements is attached to this announcement.

Board intention

The board of Galilee intend to unanimously recommend that Galilee shareholders vote in favour of the Scheme, (and will vote their shares in favour of the Scheme), subject to entry into an acceptable Scheme Implementation Deed, no superior proposal being received and an Independent Expert concluding (and continuing to conclude) that the Scheme is in the best interests of shareholders.

The board of Vintage unanimously supports the Scheme, subject to Vintage being satisfied with its due diligence enquiries and in the absence of a superior proposal involving Vintage.

Pathway to shareholder consideration and approval

A Scheme Implementation Deed will now be prepared and agreed by the parties. Documents for the scheme of arrangement together with other relevant material, will be dispatched to Galilee shareholders for shareholder consideration and approval.

The Proposed Transaction will be implemented by way of a scheme of arrangement to be proposed in the Scheme Implementation Deed pursuant to Part 5.1 of the *Corporations Act 2001* (Cth) (**Corporations Act**) whereby Vintage is to provide two Vintage shares for every one Galilee share, for all Galilee shares on issue as at the record date of the Scheme.

Implementation of the Scheme will be subject to various conditions, including:

- The parties completing legal and financial due diligence in relation to the Proposed Transaction to their reasonable satisfaction;
- Galilee raising at least \$2.5 million via an equity capital raising;
- Finalisation and execution of a Scheme Implementation Deed and any other documents required to give effect to the Proposed Transaction;
- No Galilee or Vintage Material Adverse Change or Prescribed Occurrence occurring (each as defined in the HoA); and
- All regulatory and/or third-party approvals being obtained (if required).

In addition, implementation of the Scheme will be dependent on:

- An Independent Expert's Report concluding the Scheme is in the best interests of Galilee shareholders and not withdrawing or adversely changing that conclusion;
- Galilee shareholder approval of the Scheme by the requisite majorities under the Corporations Act at a Scheme Meeting expected to be held in the coming months; and
- Court approval of the Scheme.

The Scheme Implementation Deed to be prepared will contain customary provisions and contain full details of the terms and conditions of the proposed scheme of arrangement.

Next steps

At this stage, Galilee shareholders do not need to take any action. Galilee will continue to keep shareholders, and the market informed of developments associated with the Proposed Transaction in accordance with its continuous disclosure obligations. Please refer to the Equity Raising announcement released today on the ASX for further information regarding the fully underwritten A\$2.66m equity raising Galilee has undertaken.

Advisors to proposed transaction

Piper Alderman is acting as legal advisor to Galilee.

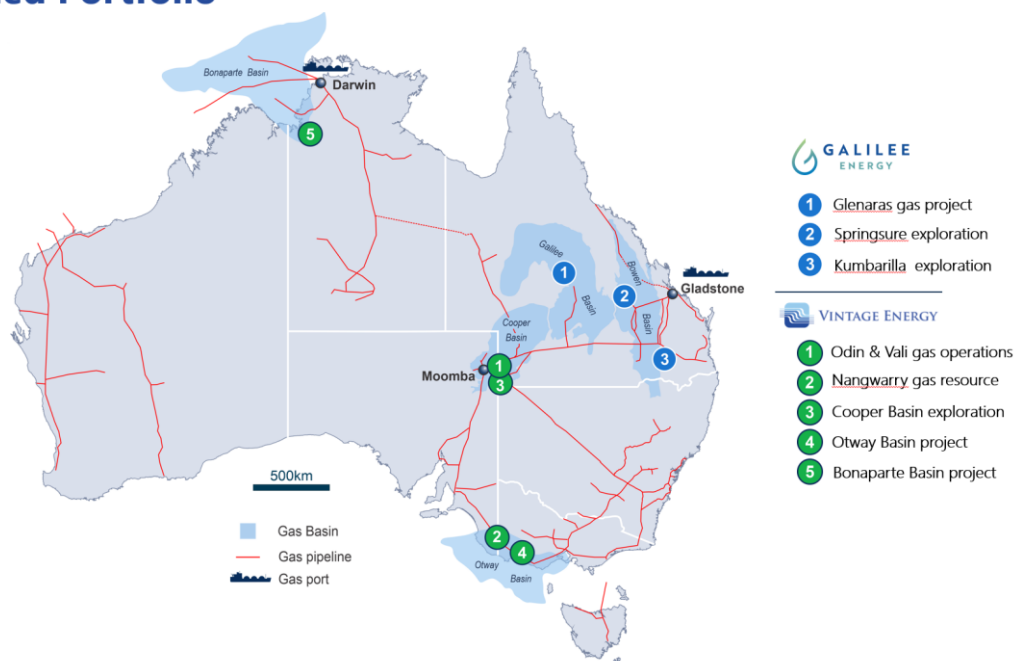
MinterEllison is acting as legal advisor to Vintage.

Merger proposal strategic rationale

More gas	<ul style="list-style-type: none">▪ Merged entity to possess ~50 PJ 2P gas reserves; ~2,600 2C Contingent Resource
2P/2C enhanced	<ul style="list-style-type: none">▪ Galilee holders gain exposure to producing 2P reserves ~50 PJ, supplying gas under long term contracts▪ Vintage shareholders gain exposure to large unconventional ~2,500 PJ 2C Glenaras gas resource, enhancing resource longevity
Financial: better placed to address value from projects in near and long term	<ul style="list-style-type: none">▪ Stronger Balance Sheet; better resourced to progress production and revenue build from Odin and Vali appraisal from FY25 on▪ Stronger financial position and addition of existing production and cash generation has merged entity better placed for long term maturation of Glenaras gas resource▪ Cost economies through consolidation of corporate offices with minimal increase in headcount to Vintage
Consolidation of complementary portfolios	<ul style="list-style-type: none">▪ Combined portfolio encompasses most onshore sedimentary basins in eastern Australia currently supplying, or expected to supply, gas: Cooper, Bowen, Surat, Otway, Galilee and Bonaparte Basins▪ Economies in dual Galilee Basin holdings
Board and management	<ul style="list-style-type: none">▪ Nil increase in board numbers▪ 2 directors from each company. Existing Vintage directors, Reg Nelson and Neil Gibbins to join current Galilee directors, Ray Shorrocks and Greg Columbus on the merged company board▪ New board to feature proven record in oil and gas value creation (Beach, Warrego) and deep technical experience (Cooper/Eromanga, Perth, Otway basins)▪ Combination of two corporate offices into single office
Stronger, more attractive, capacity to address near term value catalysts	<ul style="list-style-type: none">▪ Financially stronger entity with larger resources and enhanced portfolio a more attractive option for investors in a difficult equity market for small cap stocks▪ Enhanced funding position enables progression of near-term value catalysts in Cooper Basin gas▪ Better optionality and prospect consolidation

This announcement is authorised for release by the respective boards of Vintage Energy Ltd and Galilee Energy Limited.

Combined Portfolio



For further information, please contact:

Galilee:

Ray Shorrocks

Executive Chairman
Galilee Energy Limited
+61 [07] 3177 9970

Vintage:

Don Murchland

Investor Relations Advisor
Vintage Energy Limited
+61 439 300 932

About Vintage Energy Limited

Vintage Energy Limited (ASX: VEN) was formed by an experienced management team amid the backdrop of a developing energy and gas supply crisis and listed on the ASX in 2018. The company is currently supplying gas to eastern Australia under long term contracts from appraisal production of its Vali and Odin gas fields which it discovered in the Cooper Basin in 2020 and 2021 respectively. Management is working to identify new resources from the company's diverse portfolio, which comprises tenements within proven onshore petroleum provinces including the Cooper, Otway, Galilee and Bonaparte basins. The selection and management of these assets is deliberately and commercially focused to prioritise access to infrastructure, low development thresholds and early cash flow.

About Galilee Energy Limited

Galilee Energy Limited (ASX: GLL) is advancing towards becoming an integrated and diversified sustainable energy company and a key supplier of natural gas to the east coast market of Australia. The company is the 100% owner of one of the largest uncontracted natural gas resources on the east coast of Australia, located within the Glenaras Gas Project in Queensland's Galilee Basin. The Glenaras project's location and environmental credentials, including the production of fresh water from its coals for beneficial use in crop production along with low CO₂ levels, positions Galilee to be a material supplier of sustainable energy.

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Appendix: Summary of binding exclusivity and cost-reimbursement arrangements

1.1 No shop restriction

During the Exclusivity Period, each party must not, and must ensure that its representatives do not, directly or indirectly solicit, encourage, initiate or invite any expressions of interest, discussions or proposals in relation to, or which may reasonably be expected to lead to, an actual, proposed or potential Competing Transaction, or communicate to any person any intention to do any of these things.

1.2 No talk restriction

Subject to the fiduciary exception described below, during the Exclusivity Period, each party must not, and must ensure that its representatives do not negotiate or enter into, or participate in any negotiations or discussions with any other person regarding, an actual, proposed or potential Competing Transaction or any agreement, understanding or arrangement that may be reasonably expected to encourage or lead to a Competing Transaction or communicate to any person any intention to do any of these things.

1.3 No due diligence restriction

Subject to the fiduciary exception described below, each party must not, and must ensure that none of its representatives, directly or indirectly disclose or otherwise provide any non-public information about the business or affairs of it or any of its subsidiaries to a third party (other than a public authority) with a view to obtaining, or which would reasonably be expected to encourage or lead to receipt of, an actual, proposed or potential Competing Transaction (including, without limitation, providing such information for the purposes of the conduct of due diligence investigations in respect of it or any of its subsidiaries whether by that Third Party or another person).

1.4 Fiduciary exception

The no talk and no due diligence restrictions do not apply to the extent that it restricts a party, its subsidiaries or any of its representatives from taking or refusing to take any action with respect to a bona fide actual, proposed or potential Competing Transaction (in relation to which there has been no contravention of these exclusivity provisions) provided that the relevant party's board has determined, in good faith, after having taken written advice from its external legal and financial advisers, is a Superior Proposal (or which may reasonably be expected to result in the Competing Transaction becoming a Superior Proposal) and the failure to take or not take such action would constitute, or would be likely to constitute, a breach of the fiduciary or statutory duties of the directors of that party, provided that the actual, proposed or potential Competing Transaction was not directly or indirectly brought about by, or facilitated by, a breach of the no shop restriction.

1.5 Notification obligation

During the Exclusivity Period, each party must promptly (and, in any event, within 24 hours) notify the other party in writing of any:

- a) negotiations or discussions, approach or attempt to initiate any negotiations or discussions, or intention to make such an approach or attempt to initiate any negotiations or discussions in respect of any inquiry, expression of interest, offer, proposal or discussion in relation to an actual, proposed or potential Competing Transaction;
- b) proposal made to it or any of its Representatives, in connection with, or in respect of any exploration or completion of, an actual, proposed, or potential Competing Transaction; or
- c) provision by it or any of its Representatives of any non-public information concerning the business or operations of that party or any of its subsidiaries to any a Third Party (other than a Public Authority) in connection with an actual, proposed or potential Competing Transaction,

unless (and only to the extent that) that party's board, acting in good faith and having regard to external legal advice, determines that it would be a breach of their fiduciary or statutory duties to notify the other party.

During the Exclusivity Period, a party must also notify the other party in writing promptly after becoming aware of any material developments in relation to any actual, proposed or potential Competing Transaction, including in respect of any of the information previously notified under the notification obligation.

1.6 Matching right

During the Exclusivity Period, Galilee:

- a) must not, and must procure that each of its representatives do not, enter into any agreement, understanding or commitment in respect of that Competing Transaction (other than a confidentiality agreement); and
- b) must use reasonable endeavors to procure that none of its directors change their recommendation of the Proposed Transaction or publicly recommend an actual, proposed or potential Competing Transaction or recommend against the Proposed Transaction (provided that a statement that no action should be taken by Shareholders pending the assessment of a Competing Transaction by the target board and its advisers shall not contravene this requirement);

unless each of the following conditions have been satisfied:

- c) the Galilee board, acting in good faith in order to satisfy what it considers to be its statutory and fiduciary duties (having received written advice from its external legal advisers), determines that the Competing Transaction is, or would be reasonably likely to be, an actual, proposed or potential Superior Proposal;
- d) Galilee has provided Vintage with all material terms and conditions of the Competing Transaction, including price and the identity of the third party making the actual, proposed or potential Competing Transaction;
- e) Galilee has given Vintage at least 5 business days after the date of the provision of the required information to provide a matching or superior proposal to the terms of the actual, proposed or potential Competing Transaction; and
- f) Vintage has not announced or provided to Galilee a matching or superior proposal to the Competing Proposal before the end of the 5 business day period.

1.7 Matching or superior proposal

If Vintage proposes to Galilee, or announces, amendments to the terms of the Proposed Transaction including increasing the amount of consideration offered under the Proposed Transaction or a new proposal that constitutes a matching or superior proposal to the terms of the actual, proposed or potential Competing Transaction (**Counterproposal**) by the expiry of the five Business Day period referred to above, Galilee must procure that its board considers Vintage's Counterproposal and if the Galilee board, acting reasonably and in good faith, determines that the Counterproposal (as completed) would provide an equivalent or superior outcome for Shareholders as a whole (other than Vintage and those who are Associates of Vintage) compared with the Competing Transaction, taking into account all of the terms and conditions of the Counterproposal, then Galilee and Vintage must use their best endeavours to agree the amendments to this document and the Proposed Transaction (as applicable) that are reasonably necessary to reflect the Counterproposal and to implement the Counterproposal, in each case as soon as reasonably practicable, and Galilee must use reasonable endeavours to procure that each of the directors of Galilee continues to recommend the Proposed Transaction (as modified by the Counterproposal) to Shareholders.

1.8 Vintage Competing Transaction

If during the Exclusivity Period, Vintage receives a proposal for a Competing Transaction and the Vintage board acting in good faith and in order to satisfy what the members of the Vintage board consider to be their statutory or fiduciary duties (having taken written advice from its external legal Adviser) determines that the Competing Transaction would be or would be likely to be an actual, proposed or potential Superior Proposal, then Vintage may, by no less than 5 Business Days written notice, terminate the HoA.

1.9 Reimbursement of costs by Galilee

Galilee is required to pay to Vintage, a fee of \$250,000 as reimbursement for costs if at any time after making an announcement to the ASX regarding proceeding with the Proposed Transaction and before the End Date (being 6 months after the date of the HoA), any of the following events occur:

- a) any member of the Galilee board fails to recommend, or recommends against, qualifies their support of or withdraws their recommendation or approval of the Proposed Transaction and HoA is terminated in accordance with its terms;
- b) before the End Date, Galilee or any of its Representatives, directly or indirectly, was aware of, becomes aware of or receives from a third party an approach in relation to an actual, proposed or potential Competing Transaction and:
 - i) within 12 months of the Competing Transaction being announced, the Competing Transaction results in a person or persons, other than Vintage, obtaining Control of Galilee, or merging or amalgamating with Galilee, or acquiring directly or indirectly (including by way of joint venture or dual listed company structure) an interest in all or a substantial part of the business or assets of Galilee; or

- ii) within three months of that Competing Transaction being announced, a majority of the Galilee board recommends it (whether or not in the absence of a Superior Proposal) and no Superior Proposal for Galilee is subsequently announced by Vintage;
- c) Galilee is in material breach of the HoA and the HoA is terminated in accordance with its terms; or
- d) a Material Adverse Change occurs in relation to Galilee and the HoA is terminated in accordance with its terms.

Vintage must refund any Break Fee paid to it if it becomes the registered holder of in excess of 50% of the shares in Galilee prior to the End Date.

1.10 Reimbursement of costs by Vintage

Vintage is similarly required to pay to Galilee a fee of \$250,000 as reimbursement for costs in circumstances outlined in paragraphs b), c) and d) above where Vintage is the subject of the Competing Transaction or Material Adverse Change or commits a material breach of the HoA.

1.11 Key defined terms

Competing Transaction means any expression of interest, proposal, offer or transaction notified to party's board which, if completed substantially in accordance with its terms, would mean a person (other than the other party or its Related Bodies Corporate) would:

- a) directly or indirectly, acquire an interest or Relevant Interest in, or become the holder of:
 - i) 20% or more of all Shares;
 - ii) voting power of more than 20% in the party; or
 - iii) all (or a substantial part) of the business conducted by the party;
- b) acquire Control of the party; or
- c) otherwise (directly or indirectly) acquire or merge with the party or acquire an economic interest in the whole (or a substantial part) of the party or its businesses or assets (including by takeover offer, scheme of arrangement, capital reduction, sale of assets, strategic alliance, joint venture, partnership or reverse takeover bid).

Exclusivity Period means the period starting on the date of the HoA and ending on the earlier of:

- a) 6 months after the date of the HoA; and
- b) termination of the HoA in accordance with its terms.

Superior Proposal means a Competing Transaction which is, in the determination of a party's board acting in good faith and in order to satisfy what the party's board consider to be its fiduciary and statutory duties (having taken written advice from its external legal and financial advisers):

- a) reasonably capable of being completed, taking into account all aspects of the Competing Transaction; and
- b) more (or is likely to become more) favourable to its shareholders than the Proposed Transaction, taking into account all terms and conditions of the Competing Transaction.