



30 November 2022

Australian Securities Exchange
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

CHAIRMAN'S ADDRESS TO ANNUAL GENERAL MEETING

Please find below the Chairman's address to the Annual General Meeting on 30 November 2022:

"Dear Shareholder

The current energy crisis has impacted all Australians and has reaffirmed the importance of BPH's energy investments. The August 2022 Federal Government budget papers confirm that electricity and gas prices are expected to rise sharply over the next two years. Retail electricity prices will increase by 50 per cent. Retail gas prices are up some 40 per cent in 2022 and 2023.¹

In this context BPH investee Advent Energy's PEP 11 gas and proposed carbon storage project at Baleen (Seablue1 well) offshore Newcastle NSW has potential national significance. It addresses both forecast gas shortages and the objective of Net Zero Emissions. Advent has committed all gas from the project to domestic supply.

Gas is increasingly becoming the key factor behind electricity prices "because it is gas that that can provide the firming capacity that allows the grid to operate 24/7 throughout the year...As far as electricity on the east coast is concerned, the key problem is that the scale and timing of the exodus of 24/7 power plants -mainly coal fired ones-have been such that even the substantial investment in renewable energy has been inadequate to deal with the shortfall,...particularly given its intermittency. ..There is only one way in which the price of gas can sustainably revert to lower levels and that's through more supply."²

However onshore exploration spend has been flat since 2015 and without an uptick east coast gas reserves will deplete this decade without replacement.³

There are only two remaining permit areas in the entire NSW area being the PEP11 permit and those surrounding the Santos Narrabri project emphasising the potential crucial supply importance of the PEP11 gas project.

During 2022 electricity and gas wholesale market "prices have ... surged to record and persistent highs, driven by a perfect storm of supply-side constraints. At the peak of recent market turbulence, the Australian Energy Market Operator (AEMO) simultaneously suspended all mainland regions of the NEM (National Electricity Market) for the first time ever. In parallel, it invoked the Gas Supply Guarantee for the first 2 instances ever. Electricity contract markets alongside coal and LNG netback projections suggest those high prices will persist over at least the

next 2 years... overlapping factors combined to put extreme upward pressure on prices in the NEM.. included multiple supply-side problems experienced by generators – coal plant outages, coal supply issues, domestic gas supply shortfalls and hydro generating constraints. These supply-side constraints increased the NEM’s reliance on gas and hydroelectric generation at a time of record high gas (prices) Many other factors combined from May 2022 onwards to drive record wholesale electricity prices...Winter ...increased demand for heating. Reduced coal-fired output meant the NEM was reliant on very expensive gas generation to meet daily energy needs, despite gas price increases.....

..... Gas prices were capped in the Sydney and Brisbane short-term trading markets following the failure of Weston Energy—a large gas retailer in NSW—with the failure of Weston Energy resulting in a Retailer of Last Resort (RoLR) event. Separately, prices were also capped in the Victorian and Sydney markets when high price thresholds were breached in May and June. To secure additional gas supplies from gas producers to support gas-powered electricity generation in the NEM, AEMO activated the Gas Supply Guarantee (GSG) in July. The market operator also limited the operations of 2 gas-powered generators in Victoria as low storage levels presented a threat to system security...In the immediate term, southern markets are facing acute risks from declining gas storage. Victoria has become increasingly reliant on gas storage inventory from Iona. In 2021 east coast storage levels fell to their lowest point since reporting commenced...In response to ongoing supply uncertainty, government initiatives have been launched to encourage new supply projects.There is significant risk that new gas projects will not come online in time to prevent expected supply shortages. As a result, we expect energy affordability will decline. This is a major concern, recognising that electricity affordability remains a top cost of living issue for households “4

The cost of these market interventions to Australian households and businesses is massive and is directly affecting inflation and household energy bills. The costs of these higher energy bills have been estimated to be at least \$1-1.7 billion ⁵ and could be as high as \$4 billion. It is these costs that are now being reflected in energy and gas bills.

NSW imports 98 % its gas requirements from other states, a constrained national gas market will see further price rises for every household and business in NSW and inaction on gas and energy security are now ... threatening employment losses and reduced investment. In NSW an estimated. 300,000 jobs rely on gas supply with gas supplying around 1.3 million households and 33,000 businesses. Without addressing NSW’s looming gas shortfall these could be at risk. ⁶

The latest gas report from the ACCC released on 1 August 2022 finds that the outlook for the east coast gas market has significantly worsened and forecasts the east coast of Australia could face a shortfall of 56 PJ(of gas) in 2023 ⁷. Victorian gas fields are rapidly depleting. AEMO is forecasting an overall decline in Victoria’s production of 43 per cent between 2021 and 2025.⁸

The PEP11 gas project offshore Newcastle, if successful, could play a key role in meeting that supply shortfall.

The Federal Resources Minister Hon M King has confirmed that new exploration areas offshore Australia ‘are central to alleviating future domestic gas shortfalls’⁹.

Advent Energy Limited’s 100% subsidiary Asset Energy Pty Ltd has applied to the Federal Court to review the decision of the Commonwealth-New South Wales Offshore Petroleum Joint Authority (Joint Authority), to refuse to vary and suspend the conditions of Exploration Permit for Petroleum No.11 (PEP 11 Permit), pursuant to section 264(2) of the Act, and to refuse to extend the term of the PEP 11 Permit, The permit remains in place and in good standing during this process.

Advent's 100% subsidiary, Aotearoa Offshore Ltd NZ (AOLNZ), has the right to acquire a 30% participating interest in Petroleum Exploration Permits (PEP) 57075, 60092 and 60093 in the Taranaki Basin from OMV New Zealand Limited (OMV NZ). NZ Government approval for this agreement is pending.

Considerable progress has been made in terms of further technical and corporate development of the Brain Anesthesia Response Monitor (BARM™) by investee Cortical Dynamics Limited.

BPH investee Clean Hydrogen Technologies has developed and tested its processing capabilities which have successfully produced hydrogen, with no CO2 emissions, achieving on average a 92% cracking efficiency. Its development activities have shown that, by processing (not burning) methane using their patented catalyst and a modified fluidized bed reactor, hydrogen can be produced with no CO2 emissions.”

David Breeze (Director) authorised the release of this announcement to the market.

Source:

1. Budget Paper 1, P. 57 2022
2. Judith Sloan: The Australian 1 November 2022.
- 3 Energy Quest in ENB H. Clark 2 November 2022
4. 'State of the Energy Market'2022' Australian Energy Regulator September 2022
- 5 AFR 18 July 2022 M. Ludlow
6. NSW Business Chamber “Running On Empty”²⁰¹⁹ “
- 7 AFR 29 July 2022
- 8 AEMO (Australian Energy Market Operator) 2021 Gas Statement of Opportunities (GSOO)
- 9 ABC Matt Bran 24 August 2022