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VEN/042

BY EMAIL: egc@parliament.qld.gov.au

Committee Secretary
Economics and Governance Committee
Parliament House
George Street
Brisbane QLD 4000

Dear Committee Secretary

Response to Economics and Governance Committee ("the Committee") Inquiry into the Royalty Legislation Amendment Bill 2020

I refer to the public hearing held on 28 July 2020 in relation to the Committee's examination of the Royalty Legislation Amendment Bill 2020 and the related submissions provided by stakeholders: https://www.parliament.qld.gov.au/work-of-committees/committees/EGC/inquiries/current-inquiries/RLAB2020

While I recognise that submissions to the Inquiry have closed, on behalf of Vintage Energy Ltd ("Vintage") I would like to contribute to the discussion from the point of view of a junior exploration company operating in Queensland.

By way of background, Vintage was listed on the Australian Securities Exchange in September 2018. While the company is not currently in the production phase, it is aggressively pursuing an exploration strategy of brownfield sites with the intent to release new gas to market in the short-to-medium term. It is also pursuing exploration in greenfield areas with large potential but more challenging transportation to market.

Vintage recently had exploration success at the Vali-1 ST1 gas well (ATP2021) and is about to start flow testing the well. The company is also pursuing potential gas development as non-operator in the Galilee Deeps Joint Venture project (ATPs 743P, 744P and 1015P).

The task of exploring for and developing to production the State's oil and gas resources is done at significant financial risk to an exploration company's shareholders. Vintage currently has no revenue from operations, instead relying on capital raised from investors to pursue its objectives. Those objectives are best met without additional financial constraints being imposed.

Accordingly, Vintage wishes to echo some of the comments that have been made in submissions and the public hearing before the Committee:

- In remote areas such as the Cooper/Eromanga and Galilee basins where Vintage operates, expenditure on transport and processing via third parties can be significant (and often not negotiable). These costs should be allowed as a deduction for the purposes of royalty calculations. Without these deductions an economic inequity is created between gas supplies close to and distal to market. Exploration in high potential greenfield areas a significant distance from market will be discouraged rather than encouraged in a time when new supplies of gas are required.

- The existing exemptions on gas flared for production testing should be maintained.

- The preparation of royalty returns is not considered a costly or time-intensive process, as a company's financial system is typically robust enough to effectively capture the required information. A production-based royalty system will not save a significant amount of time or effort.

I would be happy to discuss the above with you in further detail. My contact details are [redacted] email: [redacted]

Thank you for your consideration of this matter.

Yours faithfully

Neil Gibbins
Managing Director