



State Gas Limited
(ACN 617 322 488)
C/- GPO Box 525
BRISBANE QLD 4001

ASX RELEASE

29 January 2021

QUARTERLY ACTIVITIES REPORT

1st October 2020 – 31st December 2020

QUARTER HIGHLIGHTS:

- Award of Authority to Prospect (ATP) 2062 for 1,414 square kilometres of new coal seam gas (CSG) acreage adjacent to existing Reid's Dome Project
- Successful completion of heavily oversubscribed Share Purchase Plan accepting approximately \$4.9m, resulting in almost \$14.5m funds raised when combined with the immediately preceding private placement
- Two wells (Nyanda-7 and Nyanda-8) drilled to appraise Nyanda Area at Reid's Dome
- Three wells in the Nyanda area (Nyanda-4, Nyanda-7 and Nyanda-8) currently undergoing production testing
- Phase 2 drilling campaign divided into two parts to minimise impact from La Nina weather pattern on remainder of Phase 2.

ACTIVITIES DURING Q4 2020

This December Quarter was a highly productive period for State Gas.

Award of ATP 2062 – Rolleston-West

The Quarter started with the award to the Company of new ATP 2062 on 1 October 2020 in what must be close to record time, for 1,414 square kilometres of new acreage contiguous to PL231 (see Figure 1 below). The new block (which we are calling "Rolleston-West") contains the highly prospective Bandanna Coals which have shown good CSG potential to the north at Mahalo and to the south at Acadia, as well as previously identified conventional gas targets. Interestingly, the geology of the block includes two plunging noses, with the coals in the target area at depths within the CSG sweet spot, that is between 300 metres and 650 metres. It is planned to explore and develop Rolleston-West in conjunction with neighbouring Reid's Dome, as a single integrated project¹.

Seismic has been previously acquired over the eastern area of the permit and this, together with the results of sampling by coal companies exploring in the area, enables us to move to drilling in the block without preliminary exploration. We are currently preparing to drill two wells in the permit, to be undertaken in conjunction with the Phase 2 Campaign at Reid's Dome.

¹ The information in this paragraph was announced on 23 September, and 2 and 31 October 2020

\$14.5m capital raised

The end of September Quarter saw the Company raise \$9.5m through a private placement, and this was immediately followed by a Share Purchase Plan extending the same terms to the Company's eligible shareholders, namely the purchase of a maximum of 27,272 shares at \$0.55 per share. The Plan was heavily oversubscribed, with subscriptions of nearly 250% of the \$2m target sum. Nearly \$4.9m was raised, bringing the combined equity raisings to nearly \$14.5m, enabling the Company to move rapidly into its Phase 2 exploration and appraisal campaign².

The Phase 2 Campaign

The Phase 2 exploration and appraisal campaign for the Reid's Dome Project aims to provide additional data to secure a significant certified reserves booking and enable field development planning and infrastructure design for commercialisation of the Nyanda area.

Two "step out" wells from the successful Nyanda-4 well were drilled during the Quarter, Nyanda-7 approximately 2.5km to the north, and Nyanda-8 approximately 2.2km to the south-west of Nyanda-4 (see Figure 1 below). The new drilling has confirmed confidence in the extent of the resource in the Nyanda area, with both wells intersecting good quality, gassy coals with seams of similar thicknesses and depths to Nyanda-4, and in a promising sign for producibility, evidence of open fractures³.

CURRENT QUARTER UPDATE

Since the end of the Quarter production testing has commenced at Nyanda-4 and Nyanda-7 (on 19 and 25 January respectively)⁴, while the Services Rig has just completed installation of the pump at Nyanda-8 and the surface facilities are currently being connected. The flow data to be provided from these tests will be a key input into development planning for the field.

The results so far from Nyanda-4 and Nyanda-7 are looking so promising that the Company is starting base-line environmental studies for the development (including Central Processing Facilities), thus ensuring our aspirational timetable in Target 2023 remains on track.

The forecasted La Nina weather pattern has led State Gas to bi-furcate its drilling programme, and the remaining wells (on both PL231 and Rolleston-West) will be drilled once the wet season weather risks have abated. This has proved to be a wise decision as more than 12 inches (300 mm) of rain fell at site in the 3 weeks after Christmas alone⁴. We expect that this wet weather should abate by mid to late March in which case we will re-commence the programme to drill and test production at the central (Serocold) and northern (Aldinga) areas of the project. Excitingly, as part of the Phase 2 re-commencement, State Gas will embark on the first work at Rolleston-West.

The market for gas is the most promising it has been for quite a while. The Asian LNG spot price is running at historically high levels⁵, and there is an expectation that the go-ahead for a major new gas-fired power station, part of the Federal Government's "gas led recovery", will be announced in March or April this year⁶. A new power station is likely to take at least two years before it is commissioned, adding to the strength of domestic demand in 2023. Target 2023 has never looked more prescient.

² Announced 27 October 2020

³ Announced 6 January 2021

⁴ Announced 27 January 2021

⁵ See article "Runaway LNG price sends warning to gas buyers" in *Australian Financial Review* 4 January 2021

⁶ See article "Taylor ready to build gas-fired power station" in *Australian Financial Review* 28 January 2021

The results to date show that the aspirational goal set out in Target 2023 has never looked closer to being a reality. The 6 months covering last quarter and the coming one are indeed critical to the beckoning future.

Financial Position

State Gas is well placed to complete its Phase 2 Campaign. At the end of the Quarter the Company had cash at bank of \$12.47m, after raising new equity of \$5.96m (net of costs) during the Quarter (\$14.43m including the preceding Quarter), and expending \$1.45m in Project development costs, and \$0.57m in other costs.

This announcement was approved for release by Mr Richard Cottee, Executive Chairman.

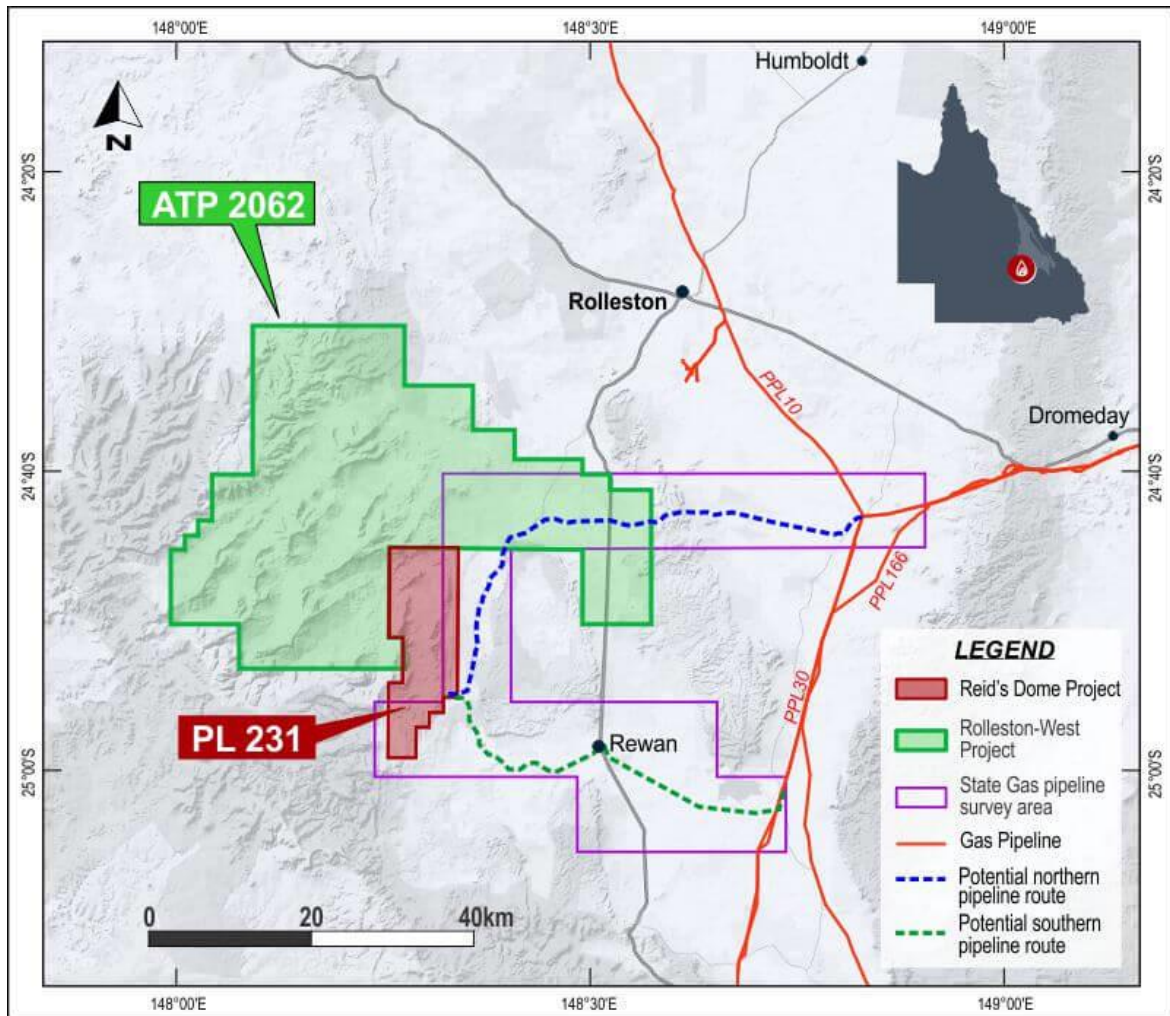


Figure 1: Map showing Reid's Dome, Rolleston-West, and State Gas' Pipeline Survey area

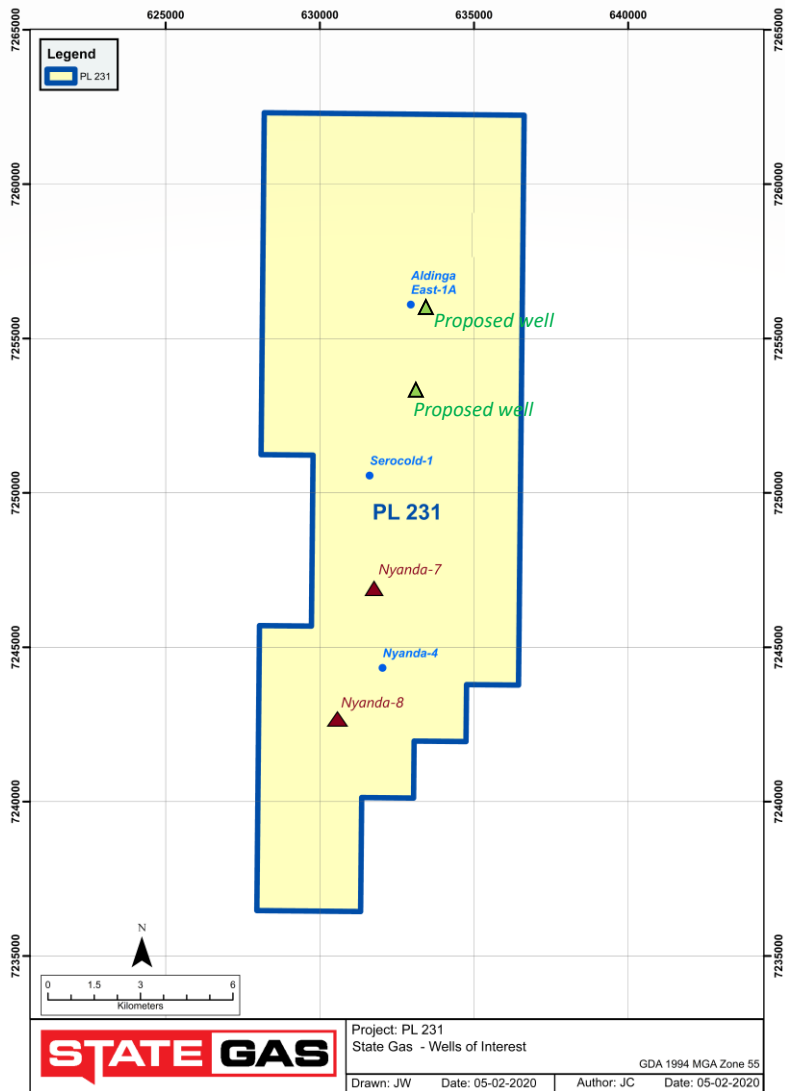


Figure 2: Map showing location of key wells in PL 231



Secure Well Services Rig at Nyanda-4, January 2021

FOR FURTHER INFORMATION

Richard Cottee
Executive Chairman
Phone: 0458 517 850
Email: @stategas.com

Lucy Snelling
Head, Corporate & Commercial
Phone: 0439 608 241
Email: lucy@stategas.com

www.stategas.com

ABOUT STATE GAS

State Gas Limited (ASX: GAS) (State Gas or the Company) is owner and operator of the Reid's Dome Gas Project (PL 231) in central eastern Queensland, approximately 545 km northwest of Brisbane and 50 km southwest of Rolleston, in the Bowen Basin Central Queensland. The permit hosts both conventional and unconventional gas and is less than 50 km from the high pressure gas pipeline network in Queensland (see Figure-1).

Permian coal measures within the Reid's Dome Beds are extensive across the entire permit but the area had not been explored for coal seam gas prior to State Gas' ownership. In late 2018 State Gas drilled the first coal seam gas well in the region (Nyanda-4) into the Reid's Dome Beds and established the potential for a significant coal seam gas project in PL 231. The extension of the coal measures into the northern and central areas of the permit was confirmed in late 2019 by the Company's drilling of Aldinga East-1A (12 km north) and Serocold-1 (6 km to the north of Nyanda-4).⁷

State Gas is implementing its strategic plan to bring gas to market from Reid's Dome and Rolleston-West to meet near term forecast shortfalls in the east coast domestic gas market. The strategy involves progressing a phased appraisal program in parallel with permitting for an export pipeline and development facilities to facilitate the fastest possible delivery of gas to market⁸. State Gas' current focus has been to confirm the producibility of the gas through production testing of the wells.

⁷ The information in this paragraph was previously announced on 31 October 2018, 5 December 2018 and 31 January 2020.

⁸ Strategy announced on 21 August 2019

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

STATE GAS LIMITED

ABN

49 617 322 488

Quarter ended ("current quarter")

31 DECEMBER 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(161)	(300)
(e) administration and corporate costs	(510)	(678)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	50	140
1.8 Other (provide details if material)		
- GST refunds	54	104
1.9 Net cash from / (used in) operating activities	(565)	(732)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(258)	(258)
(d) exploration & evaluation (if capitalised)	(862)	(1,494)
(e) investments	-	-
(f) other non-current assets	(331)	(343)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,451)	(2,095)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6,026	14,397
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	100
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(71)	(71)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	5,955	14,426

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,535	875
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(565)	(732)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,451)	(2,095)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,955	14,426

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	12,474	12,474

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	14	57
5.2	Call deposits	12,460	8,478
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	12,474	8,535

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
86
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payments to directors include accrued salaries, director fees and superannuation guarantee.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(565)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(862)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,427)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	12,474
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	12,474
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	8.7

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 January 2021

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.