It is just over a year ago that your Company was granted the 1400 square kilometres of ATP 2062. Even though this was a greenfield area, we have not let the grass grow under our feet and by May this year we had commenced drilling core holes at Rougemont. The results were announced in August and what great results they were. At depths between 250 metres and 600 metres - the traditional sweet spot - both wells intersected two seams of over two metres in thickness, as well as many smaller seams, with gas compositions being close to pipeline specification. The permeability in those two seams at Rougemont-2 were better than could have been hoped for. The results were so encouraging that we have already begun production testing at Rougemont-2. This has been achieved despite the weather gods testing us sorely with another La Nina this summer. It is truly quite an accomplishment that from the grant of the ATP in October last year we have brought the first well onto production by the following November.

At Reid’s Dome a lot of progress has been made, particularly considering that we are at the frontiers of depth - at Nyanda-4 we have confirmed we are producing gas unaided at 1000 metres - and the comparative paucity of information available on the Reid’s Dome coals. At the first production test at Nyanda-4 we discovered that the combination of heat, depth and water quality meant we needed to high grade the elastomers in our pumps. On our second attempt at production testing Nyanda-4 we achieved instantaneous rates of 700,000 cubic feet /day, before settling to a healthy stable rate of around 140,000 cubic feet/day. A good reward!

At Nyanda-7 & 8 it became apparent that the near well bore damage (known as skin) was arresting the “natural” flow rates which were indicated by the permeabilities recorded following drilling. To overcome this impediment needed a different approach: this time jetting the coals around the well bore before production testing. The second production test of Nyanda-8 started on Sunday (28 November 2021).

Highlighting the variability of coal, at Serocold-1 the coals have shown a propensity to silt during our first production test. This also arrested its “natural” production rates. The solution to this is, we believe, to start again but this time with a foam squeeze to seal off the formation. Weather permitting we expect to announce the commencement of production testing at Serocold-1 sometime this week.

The market for gas remains tight with the JKM - the Asian LNG spot market indicator - still hovering well above US$35/mmbtu with the northern winter yet to come. The ACCC LNG Netback pricing is now around A$25/GJ. With these prices it appears that we could not have got our timing better with our aim to bring on new production in 2023.

In all this we have not forgotten to take the measures necessary to ensure that the Company can achieve “net zero” as soon as practical. To this end the Company has entered into an MOU with Rockminolutions to pioneer carbon mineralization in basalt formations near our mooted first production site.
Hopefully next year we will be able to “meet again” in person as your directors enjoy the interactions with its owners -the shareholders.

Thank you and I wish you all the best for the festive season.

Yours faithfully

Richard Cottee
Executive Chairman
STATE GAS LIMITED

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

ENDS

FOR FURTHER INFORMATION

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