



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

ASX RELEASE

31 January 2022

QUARTERLY ACTIVITIES REPORT

1st October 2021 – 31st December 2021

QUARTER HIGHLIGHTS:

- Reid's Dome Gas Project advanced through production testing of Nyanda-8 and Serocold-1 wells
- Rougemont-2 production test at the adjoining Rolleston West Gas Project in Central Queensland commenced to confirm producibility of gas identified by Q2 drilling
- Consistent, increasing, gas flows from both Nyanda-8 and Rougemont-2 wells
- Decarbonisation initiative with Rockminolutions Pty Ltd to investigate the commercial potential for secure long term underground sequestration of CO₂.

ACTIVITIES

Following the \$8 million capital raising completed in September 2021, the last quarter of the 2021 calendar year has been all about following up the tantalizingly good outcomes from the Rougemont 2 core hole at Rolleston-West, and further progressing the reserves at Reid's Dome in Central Queensland. The goal is to deliver much needed natural gas to an increasingly tight domestic and worldwide gas market.

This proved to be quite a challenging feat given that an increasing La Nina event delivered an exceptionally wet spring earlier than usual. Whilst there have been timing delays due to the combination of Covid and wet weather, I am pleased to report that this exploration and appraisal programme remained within budgetary constraints.

At Reid's Dome (PL 231), with its inherent high gas content and proven production of gas from depths as great as 1150 metres¹, the Company decided to undertake remedial work at the Nyanda-8 and Serocold-1 wells. To overcome 'skin damage' the Nyanda-8 well was 'jetted', following which production testing commenced on 28 November. The impact of jetting appears to be allowing a slow and steady build up in gas production which is expected to continue to increase with ongoing pumping.

At Serocold-1 the limitation arose from silting of the pumps and therefore a different solution was implemented. Non-gas producing zones, a source of sand migration, were sealed off with a foam squeeze. Initial indications of consistent production of increasing gas volumes augurs well. While the rods in the pump appear to have parted, a workover will be carried out to allow testing to resume. Serocold-1 should therefore be back on production in the first full week of February.

At neighbouring Rolleston-West (ATP 2062) the focus has been on confirming the producibility of

¹ At Nyanda-4 – see announcements 4 November 2019 (gas content) and 24 June 2021 (production at depth)

the gas identified by the Rougemont-1 and -2 coreholes with a production test of the highly permeable Rougemont-2 area. Given the high permeability of the coals around Rougemont 2 combined with the experience of the performance of CSG wells in the Bandanna coals from Fairview to Mahalo, State Gas is taking a cautious approach to pumping, drawing down the water at the slow rate of around 3 metres /day. The result is that, despite the producing coal seams being at relatively shallow depths of between 315 metres and 386 metres, the water is still about 50 metres above the top coal seam. Despite the coals being under water, it is extremely encouraging to note that Rougemont-2 is already experiencing small, steady but consistent growth in gas production. It should take another couple of weeks of dewatering before the water intersects the top coals and another couple of weeks after that before increased gas flows are expected.

Given State Gas' progress to date and the consistently higher gas pricing being achieved - remembering that all of our acreage is entirely free of domestic gas reservation restrictions - the Company has completed its baseline environmental studies. These studies are the first step towards applying for environmental approvals for gas production hopefully next year.

The Company has also commenced an initiative to address decarbonisation, entering into a Memorandum of Understanding with mineral exploration company Rockminsolutions Pty Ltd. The project will investigate the potential of a site on the western border of the Company's ATP 2062 to securely sequester large volumes of carbon underground through an innovative process where the carbon is converted into a mineral (ie rock) form that will be stable through millennia.

Financial Position

At the end of the Quarter the Company had cash at bank of \$6.06m, after expending \$1.07m in Project development costs and \$0.52m in other costs.

Payments to Related Parties

A total of \$81,000 was paid to directors and their associates for salaries, director fees and superannuation during the quarter ended 31 December 2021.

Tenements

The tenements held by State Gas are:

Project	Permit	State Gas Interest	Area (km ²)
Reid's Dome	PL 231	100%	181
Rolleston-West	ATP 2062	100%	1,414

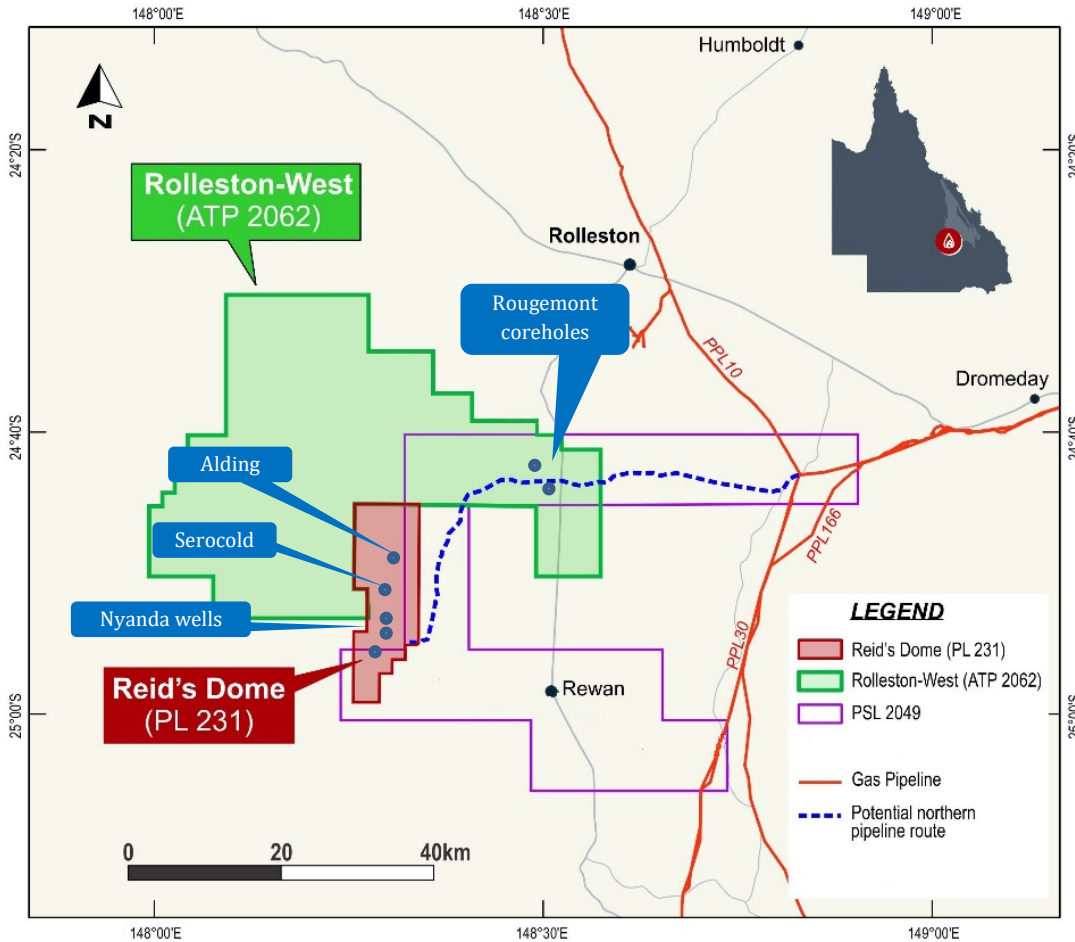
This announcement was approved for release by Mr Richard Cottee, Executive Chairman.

FOR FURTHER INFORMATION

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Map showing Reid's Dome, Rolleston-West, and Pipeline Survey area

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).²

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 market³. State Gas' current focus has been to confirm the producibility of the gas through production testing of the wells.

² The information in this paragraph was previously announced on 31 October 2018, 5 December 2018 and 31 January 2020.

³ 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 2021

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	(154)	(379)
(e) administration and corporate costs	(623)	(881)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)		
- GST refunds	254	457
1.9 Net cash from / (used in) operating activities	(523)	(803)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation (if capitalised)	(1,069)	(3,795)
(e) investments	-	-
(f) other non-current assets	-	-

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	(1,069)	(3,795)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	8,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(500)
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	-	7,500

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,654	3,160
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(523)	(803)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,069)	(3,795)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	7,500

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	6,062	6,062

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	160	177
5.2	Call deposits	5,902	7,477
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)	6,062	7,654

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	81
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter
\$A'000**

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)	(523)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(1,069)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,592)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	6,062
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	6,062
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	3.8
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: 31 January 2022

Authorised by: By the Chairman of 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.