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ASX RELEASE

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2022 Annual General Meeting Executive Chairman's Address

Isn't it great that a degree of normality has returned so that once again we can have an AGM in person. Welcome to everyone who has attended today.

State Gas is endeavouring to be as responsive as possible to energy market dynamics and so has formulated a strategic response to market signals.

The prime market themes evident are high prices for gas and electricity, the need for energy security in Australia and elsewhere, and the increased levels of volatility in the domestic gas market. The primary causes are two-fold, namely: the war in Ukraine, which has highlighted the need for energy security; and the recognition of the fundamental role played by natural gas as a key enabler in the energy transition. The intermittent nature of renewable energy requires the immediate response that gas fired generation can supply when the wind doesn't blow or the sun doesn't shine. It should also be remembered that gas is a key feedstock for many industrial processes, the production of fertilisers, heating, and is a fundamental building block for products we use every day.

State Gas is fortunate to own both conventional and coal seam gas assets. CSG extraction is optimal where gas supply requirements are steady and consistent. Conventional gas production, on the other hand, can be stopped and started at will. These characteristics facilitate our vision: to use our CSG as the base load to underwrite development infrastructure, whilst reserving the more responsive and flexible conventional gas production to surf the gas price peaks.

We envision a three stage development over the next five years, with the first stage the trucking of compressed natural gas, and stages two and three involving the development and enhancement of a physical pipeline.

We are now executing stage one: our plan to produce, compress, transport and sell conventional gas from PL 231. We expect to be delivering the gas in the first half of next year, in time for the next winter peak. The gas spot prices over the last six months have averaged well over \$26/GJ and the shortest distance to the east coast pipeline network is about 70km. If the average price over the last six months were realised, the estimated capital for this project would be paid back within six months. We have already sourced the compressor – the longest lead time item – which should be on site by late February/early March. Our recent arrangement with MES, announced on 10 November, has sourced the CNG canisters and we are presently optimising the purchase of the dehydrator. Approvals are in train.

Stages two and three of our vision are dependent on successful production testing at Rougemont. This morning we announced that the Rougemont 3 lateral, and Rougemont 2 vertical well pair, is finally on pump. We will lower the water level slowly: the Bandanna coals are highly sensitive to pressure differentials and the changes must be slow. It will be 2-3 months before we begin to expose the coals and gas flow begins to build.



The results from the production testing at Rougemont 2/3 should be known by the end of this fiscal year. Depending on those results, we aim to commence the feasibility study for a permanent fibrespar pipeline to one of the two existing network gas pipelines, enabling the sale of up to 15TJ/day to commence as early as 2024.

If further drilling justifies production above that capacity, the proposed pipeline easement could be used for steel pipe augmentation subject to requisite approvals.

As can be seen, State Gas is poised for an exciting period of growth. Our Board has been strengthened by the appointment of Philip St Baker and Jon Stretch, both of whom have deep experience in extracting value from highly volatile energy markets. Last week we announced the retirement of Ian Paton as a director of the Company, and we thank him for his service and contribution to your Board.

Finally thank you to you, our shareholders, for your ongoing and valued interest in the Company.

Fasten your seatbelts.

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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