



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

## ASX RELEASE

31 October 2022

### QUARTERLY ACTIVITIES REPORT

1<sup>st</sup> July 2022 – 30<sup>th</sup> September 2022

#### QUARTER HIGHLIGHTS:

- Rougemont-3 dual lateral well successfully planned and drilled
- CNG trucking project opportunity initiated
- New ATP 2068 issued to State Gas – Santos joint venture
- Export pipeline work continues
- \$7m equity raising during October, with strategic investment from St Baker Group
- Experienced energy executives Philip St Baker and Jon Stretch join the Board
- Average Wallumbilla gas spot price of \$26.38/GJ for the September Quarter

#### ACTIVITIES

The September 2022 Quarter (**Quarter**) and the subsequent month of October have been eventful for both the energy sector and **State Gas Limited (ASX: GAS)**.

The Australian gas market has continued to perform very strongly. The average Wallumbilla spot price across the Quarter was \$26.38/GJ (June quarter: \$27.31 /GJ)<sup>1</sup> indicating that while the market has seen greater stability than in the previous quarter, pricing has not materially decreased. Current Federal Government forecasts<sup>2</sup> indicate ongoing high prices for the immediate term.

In this context your Company is focussed on developing its projects and commercialising its resource as quickly as possible. With full control over its key projects (Reid's Dome and Rolleston-West), your Company is also developing strategic partnerships to maximise its outcomes.

#### CNG trucking 'virtual pipeline' project

A key focus of the Company during the Quarter has been to commercialise its proven gas resource at Reid's Dome (PL 231) as soon as possible. The Company is planning to truck compressed natural gas to the market<sup>3</sup>, delivering into the high pressure pipeline network some 60km away. The Company has secured key equipment items (the compressor and dehydrator) and is working through the necessary approvals and arrangements for a Q1 2023 start.

<sup>1</sup> Average for the quarter of firm End of Day Benchmark Price as published by Australian Energy Market Operator

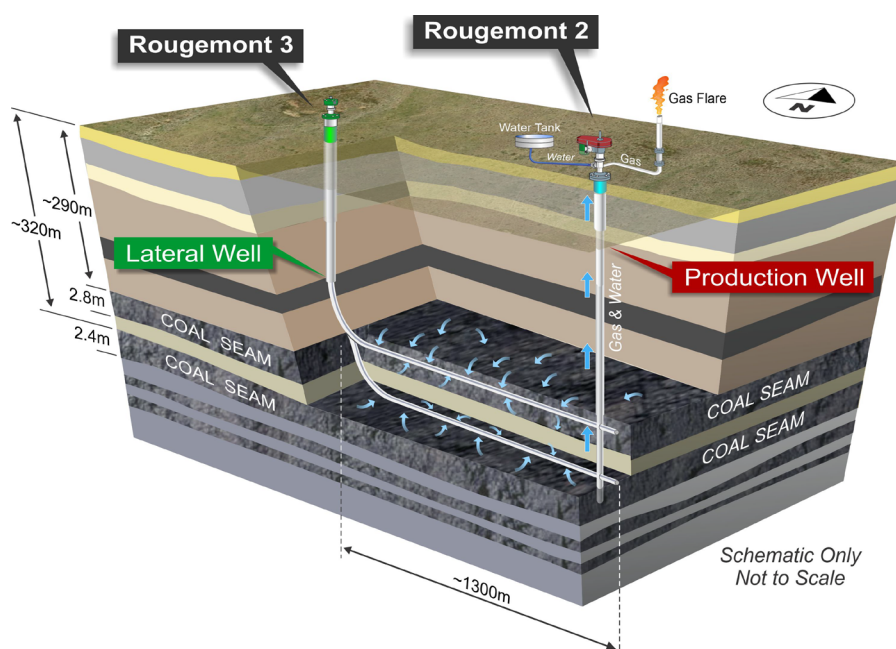
<sup>2</sup> Federal Budget papers 25 October 2022

<sup>3</sup> Announced on 30 August 2022

## Rougemont-3 drilling

During the Quarter the Company commenced, and has subsequently completed, its dual horizontal well Rougemont-3 within State Gas' 100%-owned Rolleston-West Project (ATP 2062). Targeting the Bandanna Formation coal measures (in commercial production at the Arcadia Valley to the south-east), the well is to confirm the gas production potential of the Rougemont area. Rougemont gas will support the development of an export pipeline from Reid's Dome and supercede the CNG virtual pipeline infrastructure which may then be redeployed to service other stranded gas assets.

Rougemont-3 consists of two laterals drilled sub-horizontally through highly permeable coal seams identified by the previously-drilled Rougemont-2 well. The laterals connect to the Rougemont-2 vertical well, enabling the vertical – dual horizontal well system to be tested as a single unit.



**Figure 1:** Rougemont-3 Well, showing first and second lateral wells completed in the recent drilling program and the previously-drilled Rougemont-2 vertical well.

As previously advised, the laterals successfully achieved their intended extent with at least 97% within the target coal seams, resulting in more than 2400m exposure to the reservoir. Gas shows (99% methane) in drilling fluid during drilling of the laterals averaged a very promising 20%, across both laterals, indicating the coals are gas saturated, a good sign for gas production once testing starts<sup>4</sup>.

Testing of the combined Rougemont-2 and -3 well pair will commence once Rougemont-2 has been recompleted and a new pump installed. This is expected in the next few weeks, subject to weather conditions. Testing will commence with the water level in the wells being drawn down slowly to optimise production. Initial gas flows are expected to commence within the next 2-3 months and peak gas flows are expected in about 6 months.

<sup>4</sup> Announced 24 October 2022

## **New ATP 2068 issued**

As announced in the previous quarter<sup>5</sup>, State Gas has developed a strategic partnership with Santos through a joint venture for new acreage in the area. Santos holds interests in gas production and exploration tenure across a broad area of the southern Bowen Basin and operates the Arcadia Valley fields to the east of State Gas' projects. This joint venture creates an alignment of ownership interests across the gas resource in the majority of the southern Bowen Basin, providing the opportunity for coordinated and synergistic development of the whole region.

The joint venturers (State Gas subsidiary State Gas (CQ) Pty Ltd 35%; Santos QNT Pty Ltd (65%) were appointed preferred tenderers of two areas in the most recent Queensland Government acreage release program announced in May 2022. On 11 July 2022 new Authority to Prospect 2068 was issued to the joint venturers for one of the areas (PLR2021-1-2), with second area (to be ATP 2069) to follow completion of native title processes, expected later this, or early next, year.

Planning for first activities on both tenures is underway with Santos.

## **Export pipeline**

Your Company continues to progress work towards an export pipeline from Reid's Dome, which will enable significantly larger gas deliveries than is possible with trucking. Last quarter's route survey work identified a preferred route exiting the Reid's Dome area to the north, passing through the Rougemont area to one of the two high pressure pipelines to the east.

During the Quarter additional on the ground survey work was undertaken, to confirm the viability of this northern route. The next steps will involve detailed survey work and the commencement of the approval processes.

## **Carbon Management Joint Venture**

Work during the Quarter for State Gas' Carbon Management Joint Venture in Central Queensland focussed on establishing the landholder relationships which will be critical to a successful project, and identifying a suitable location for the initial boreholes.

The Carbon Management Joint Venture will initially investigate the potential of the Buckland basaltic ignimbrite within and nearby to Reid's Dome for a range of ex-situ mineral carbonation purposes. In addition, the Joint Venture will seek to apply the process currently being implemented by Carbfix<sup>6</sup> in Iceland, which is described as a natural and permanent storage process that turns CO<sub>2</sub> into stone underground in less than two years. The Carbfix in situ mineralisation process is one attracting significant international attention, with the US Department of Energy demonstrating the technology at Washington state, and Rio Tinto recently announcing a project in Minnesota, USA<sup>7</sup>.

## **Events after the Quarter end - Strategic Investment and a new Board**

Notably, the Company has attracted strategic investment from leading energy sector entrepreneurs the St Baker Group. Trevor St Baker and his son Philip have made a strategic investment, participating in a \$7 million equity raising to support the Company's growth projects<sup>8</sup>, outlined further below. In conjunction with this investment the Company's former major

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<sup>5</sup> On 17 May 2022

<sup>6</sup> See [www.carbfix.com](http://www.carbfix.com) and State Gas ASX release dated 5 October 2021

<sup>7</sup> <https://www.riotinto.com/news/releases/2022/DOE-backs-Rio-Tinto-led-team-to-explore-carbon-storage-at-Tamarack>

<sup>8</sup> Announced on 10 October 2022

shareholder, Triangle Energy (Global) Ltd, reduced its shareholding to 10.1% (on a fully-diluted basis), attracting a new institutional shareholder and resulting in a more balanced share register.

Philip St Baker and Jon Stretch, both highly experienced energy market executives, joined the board of State Gas, bringing new market focussed expertise to the Company's leadership.

### Financial Position

Since the end of the Quarter and as noted above, the Company has raised \$7m in funds, of which \$185,000 is subject to shareholder approval at the upcoming Annual General Meeting.

Immediately prior to the \$7m equity raising during October, the Company had net funds of \$1.23m after expending \$1.58m in Project development costs and \$0.41m in other costs during the Quarter.

### Tenements and resources

The tenements and resources held by State Gas are:

Project	Project	Area	State Gas Interest	Estimated Contingent Resources (PJ's Net to State Gas)*		
				1C	2C	3C
PL 231	Reid's Dome	181	100%	86	196	668
ATP 2062	Rolleston-West	1,414	100%	152	279	506
ATP 2068	ATP 2068 & 2069 Joint Venture	727	35% <sup>#</sup>	25	43	68
<b>Total</b>				<b>263</b>	<b>518</b>	<b>1242</b>

\*State Gas estimate as at 12/09/2022

<sup>#</sup>Interest in ATP 2069 is held by State Gas subsidiary, State Gas (CQ) Pty Ltd. The remaining 65% is held by Santos QNT Pty Ltd.

State Gas (CQ) Pty Ltd is also preferred tenderer (35% interest), with Santos QNT Pty Ltd (65% interest) for ATP 2069.

Petroleum Survey Licence 2049 expired during the Quarter in accordance with its terms. An application for a new survey licence for the refined proposed pipeline corridor is in progress.

### 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 30 September 2022.

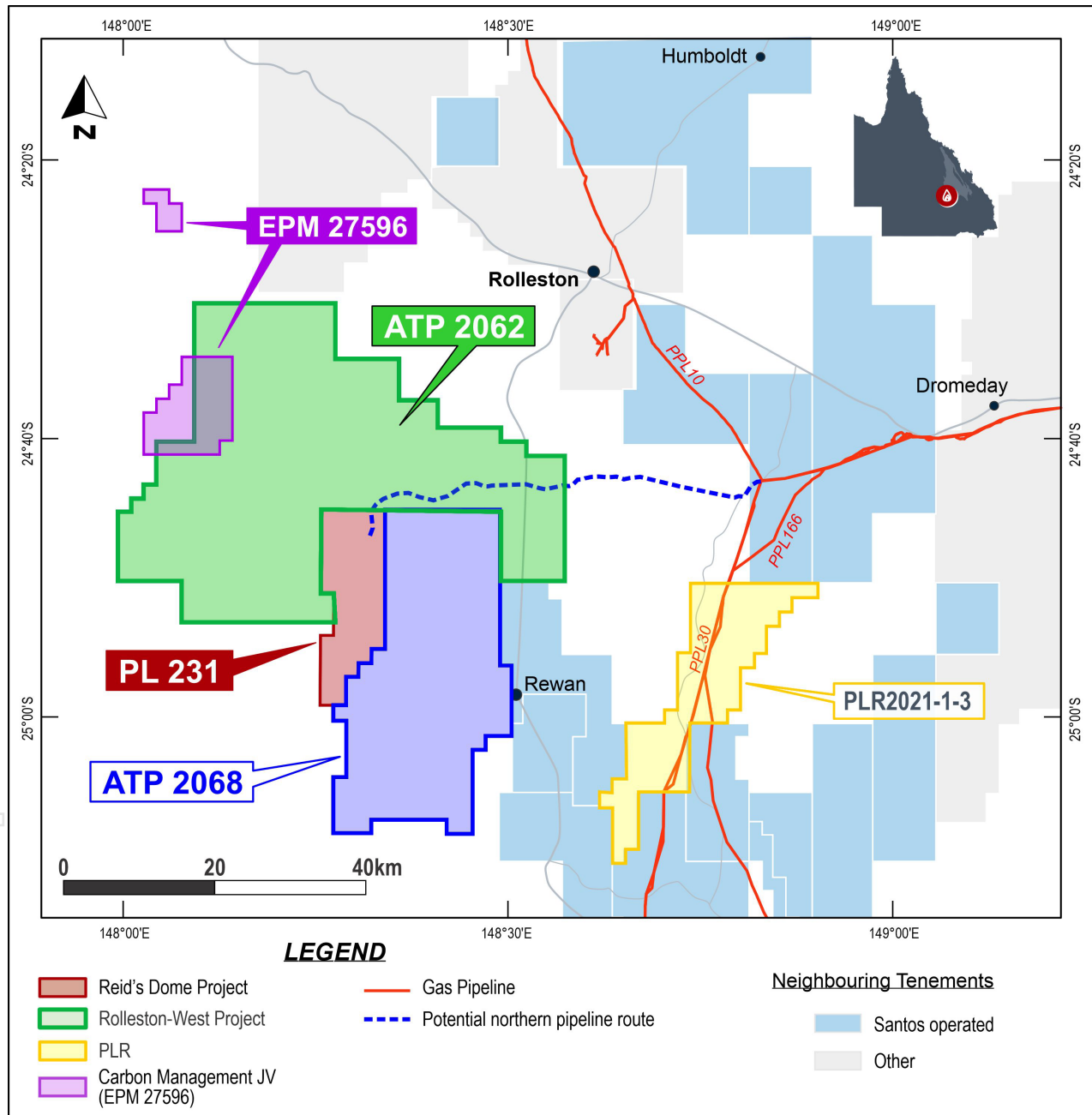
This announcement was approved for release by Mr Richard Cottey, Executive Chairman.

## FOR FURTHER INFORMATION

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Map showing State Gas holdings

## 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).<sup>9</sup>

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 market<sup>10</sup>. State Gas' current focus has been to confirm the producibility of the gas through production testing of the wells.

### **ASX Listing Rules Chapter 5 - Reporting on Oil and Gas Activities**

#### **Additional Information about Contingent Resources estimate**

*The Contingent Resource estimates for the Reid's Dome and Rougemont Gas Projects (State Gas 100%) and State Gas' 35% interest in ATP 2068 and PLR 2021-1-3, were estimated utilising the probabilistic method with totals summed arithmetically and have not been adjusted for commercial risk.*

*The Contingent Resource estimates are based on technical data for the permits, regional geologic and production interpretations, and in the case of the Reid's Dome and Rolleston-West Projects, data derived by State Gas from exploration activities on the permits, including reprocessing of seismic, drilling, core analyses, production testing and analyses of produced gas and water.*

*Additional exploration and appraisal is required to address the contingencies associated with these resources to confirm commercial viability and areal extent. If the contingencies are successfully addressed, some part of the Contingent Gas Resources may be reclassified as reserves. The estimates of Contingent Resources have not been risked to account for the possibility that the contingencies are not successfully addressed.*

*The estimates reported relate to unconventional petroleum reserves. The details of the project area, the method of extraction and number of wells that may be required are not yet finalised. The Contingent Resources estimated have been prepared in accordance with the definitions and guidelines set forth in the SPE-PRMS 2018.*

*The estimates reported are not contingent on technology that remains under development.*

#### **Competent Persons Statement**

*The estimate of Contingent Resources for the Reid's Dome and Rolleston-West Gas Projects (of which State Gas holds 100%), and State Gas' 35% interest in ATP 2068 and PLR2021-1-3, provided in this document, is based on, and fairly represents, information and supporting documentation prepared by Mr James Crowley in accordance with Petroleum Resource Management System guidelines.*

*Mr Crowley is a full-time employee of State Gas, and is a qualified person as defined under the ASX Listing Rule 5.42. Mr Crowley holds a Bachelor of Science (Honours) from Macquarie University, Sydney and has over 36 years' experience in the industry. He is a member of The Petroleum Exploration Society of Australia and The Society of Petroleum Engineers. Mr Crowley has consented to the publication of the Contingent Resource estimates for the Reid's Dome and Rolleston-West Gas Projects, and ATP 2068 and PLR2021-1-3, in the form and context in which they appear in this Presentation.*

<sup>9</sup> The information in this paragraph was previously announced on 31 October 2018, 5 December 2018 and 31 January 2020.

<sup>10</sup> 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")

30 SEPTEMBER 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(164)	(164)
	(e) administration and corporate costs	(316)	(316)
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	-	-
1.8	Other (provide details if material)		
	- GST refunds	67	67
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(411)</b>	<b>(411)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(701)	(701)
	(d) exploration & evaluation (if capitalised)	(880)	(880)
	(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 (3 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,581)</b>	<b>(1,581)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	3,225	3,225
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(411)	(411)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,581)	(1,581)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-



## 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 (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>1,233</b>	<b>1,233</b>

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	260	303
5.2	Call deposits	973	2,922
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,233</b>	<b>3,225</b>

**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**

81

-

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. <b>Financing facilities</b>		<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>			
<i>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	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		-
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.	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (Item 1.9)	(411)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(880)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(1,291)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	1,233
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	1,233
8.7	<b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	1.0
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: Yes.	
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: As announced on 10 October 2022, the Company has raised \$7M in new equity at an issue price of \$0.28 per share.	
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: Yes, given the capital raising announced to the ASX on 10 October 2022.	

**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 October 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.