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ASX RELEASE

Chairman's Address
To
Annual General Meeting
13 November 2019

This year has been a pivotal year for State Gas. We started the year with 60% interest in the Reid's Dome Project, which had not had any exploration on it for over a decade. In that decade the Ballera to Moomba interconnection had been built (expanding the market for Queensland gas), the LNG trains had been built (resulting in international parity pricing for gas) and coal seam gas (CSG) had become a proven and extremely economic gas resource in this State.

The Reid's Dome Project no longer suffered the "tyranny of distance" with less than 50km distance to the nearest pipeline. These decade long developments led to a seismic shift in what would be the minimum economic discovery required in PL 231, with the alluring prospect of the yet untapped CSG potential. This minimises the risk while adding to the upside.

Highlights from the last financial year include:

- drilling Nyanda-4 and Primero West-1 in November and early December 2018;
- raising the funds necessary for the presently underway drilling campaign;
- the acquisition of the remaining 40% interest in the Reid's Dome Project; and
- the grant of Pipeline Survey Licence 2028.

The results from Nyanda-4 were particularly exciting with 40m of net coal augmented by a further 25 m of carbonaceous shale. The gas content measured from the samples of coal taken from the well averaged 13.75 m³ / tonne with a range of content in individual samples between 8.3 m³/tonne to 17.3 m³/tonne. The thickest coal seam was at the upper end of that range, at 16.94 m³/ tonne. What a start!

The results announced this morning for Aldinga East-1A highlight the extent of the coal throughout the permit, as well as the fact that these coals are always the source of conventional gas discovered in this drilling. I can't wait for the results of Serocold-1 before the end of this year.

By January, we should start to get meaningful results from the cores taken at Aldinga East-1A. All of this information will inform the Company on how to design next year's pilot testing programme.

The discovery of conventional gas in the same well as potential CSG should add to the economics of the field. The benefits of the conventional gas are significant - the differential decline curves mean that the conventional gas provides revenue whilst the CSG coals are being dewatered, and conversely when the conventional gas declines the CSG production extends the plateau, all the while sharing the same infrastructure. The best of both worlds. Additionally the higher pressured conventional gas may provide a natural "gas lift" effect on the CSG enhancing the productivity of the coals.

This is not to understate the complexity involved and as a result I have asked Mike Herrington, who has immense experience in the operations of CSG both here and overseas, to join the Company on a part time basis to oversee the design and operations of next year's pilot scheme.

These developments could not have occurred at a better time with no end yet in sight on the national gas "shortage". The nation watches with an apprehensive eye on the impending decline of the Bass Strait and whether Victoria's summer electricity generation holds up with Loy Yang and Mortlake presently off line. Is this summer going to lead to more demand for a reliable low emission source of electricity stimulate further gas-fired electricity? Whatever happens your Board intends to ensure that State Gas is there as part of the solution, thereby increasing shareholder value.

ENDS

FOR FURTHER INFORMATION

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