

## **QUARTERLY ACTIVITIES REPORT**

1<sup>st</sup> July 2020 – 30<sup>th</sup> September 2020

### **HIGHLIGHTS:**

- Flow rates at the Nyanda-4 production test approach the highly commercial rate of 500,000 scf/d
- Award and grant of ATP 2062, comprising over 1400km<sup>2</sup> of new acreage, including highly prospective and well understood Bandanna Coals
- Successful fundraising of \$14.5m, including SPP completed since the quarter's end
- Gas prioritised by Federal Government for a “gas-led economic recovery”.

### **ACTIVITIES**

This quarter may well be seen as the quarter in which State Gas laid the foundation stones on its journey to become a truly significant player in the Eastern Seaboard Gas Market. Four major events occurred, each of which has assisted in expanding the commercial opportunity, contributing enormously to State Gas' potential to significantly increase its shareholder value.

#### **Production Testing at Nyanda-4**

Production testing re-commenced at Nyanda 4 with the installation of the new pumps designed specifically for the conditions the Company encounters at Reid's Dome. The results have been very exciting, with Nyanda 4 reaching close to 500,000 scf/day after two months of production testing.<sup>1</sup>

This is a stellar result and bodes extremely well for the future of the field.

#### **Award and Grant of ATP 2062**

In September State Gas was successful in its application for over 1400 square kilometres of new acreage contiguous to PL231, in what we now call Rolleston-West<sup>1</sup>. The new block, ATP 2062, contains the highly prospective Bandanna Coals, which have shown good CSG potential to the north at Mahalo and to the south at Acadia. Our analysis of previously



*Gas flare at Nyanda-4, 15 September 2020*

---

<sup>1</sup> Announced on 23 September 2020 in release *State Gas Wins New Contiguous Acreage Creating Super Gas Region*

acquired seismic and the results of coal sampling by coal companies exploring in the area has accelerated our planning, enabling us to commence drilling in the eastern part of the block without preliminary exploration. Interestingly, the eastern area of Rolleston-West has two ‘noses’ plunging together, which often create stresses beneficial for CSG. As Executive Chairman, my experience at QGC with the Undalla Nose makes me particularly partial to geological noses. The depths of the coals in the target area of Rolleston-West also fall within the geological CSG sweet spot, being between 300 metres and 650 metres in depth.

Rolleston-West was granted ATP status (ATP 2062) in late September in what must be close to record time<sup>2</sup>. This rapid grant will enable the first couple of exploration holes to be added to the next phase of development at the adjoining Reid’s Dome project.

### **Fund Raising**

Following the excellent results at Nyanda-4 and the award of Rolleston-West, the Company undertook a \$9.5 million placement to sophisticated investors in late September<sup>3</sup>. The Board followed up this placement with a Share Purchase Plan (“SPP”) to enable all eligible shareholders to participate at the same price. Over one-third of our fellow shareholders elected to participate in the SPP with the average participation being close to \$20,000<sup>4</sup>. The Board appreciates this enthusiastic backing by the Company’s Owners.

The combined total from the fundraising was \$14.5 million which enables the Company to simultaneously appraise Reid’s Dome and explore Rolleston-West. The Company envisages that both Reid’s Dome and Rolleston-West will be developed as one economic region.

### **Gas as a Priority Area in Covid Recovery**

The Federal Government recently announced Gas as one of the six Priority Areas to power the nation’s economic recovery from the Covid-induced recession. The requirement for new gas supplies from 2023 onwards is now a national priority. State Gas, with its large Bowen Basin acreage position and \$14.5 million of funding, stands in an enviable position to help meet our Nation’s needs.

### **The Next Phase**

The objective of the next phase is to establish the Nyanda Area at Reid’s Dome as the initial production hub whilst establishing possible future hubs in the Serocold and Aldinga areas. The productivity of the Bandanna Coals in the adjoining Rolleston-West acreage will also be investigated, with two new wells (to be named Rougemont 1 and 2) to be drilled on the geological noses.

In addition, the export pipeline will be progressed, with further work to be undertaken to select between a northern route (which will pass through Rolleston-West) and a direct route to the south.

State Gas is progressing at pace in ensuring all necessary approvals are in place to start this programme as soon as possible. The physical inspections to provide environmental and Cultural Heritage clearances of proposed wells sites have now commenced, following several days delay from rain. All necessary long lead time items have been sourced, and rigs have already been secured.

The Board is conscious of the predictions of a La Nina weather event this storm season and is taking the appropriate steps to mitigate the potential impacts. The weather situation and its impact

---

<sup>2</sup> Announced 2 October 2020

<sup>3</sup> Announced 23 September 2020

<sup>4</sup> Announced 27 October 2020

on the timing of the programme will be assessed at the time at which all approvals have been obtained, taking into account the mitigation steps taken so far.

### Financial Position

At the end of the Quarter the Company had cash at bank of \$8.535m, with most funds from the Placement received by 30 September. Following the close of the September Quarter, a further \$4.9m was received during October from the proceeds of the Share Purchase Plan. \$0.644m was expended during the Quarter in Project development costs, and \$0.167m in other costs.

### CONCLUSION

With the substantial progress made during the September Quarter and the activities currently underway and funded, it has been an exciting time to be a Shareholder in State Gas. The vision outlined a little over a year ago is taking shape. We await with eager anticipation the results of the next phase's drilling and appraisal programme.

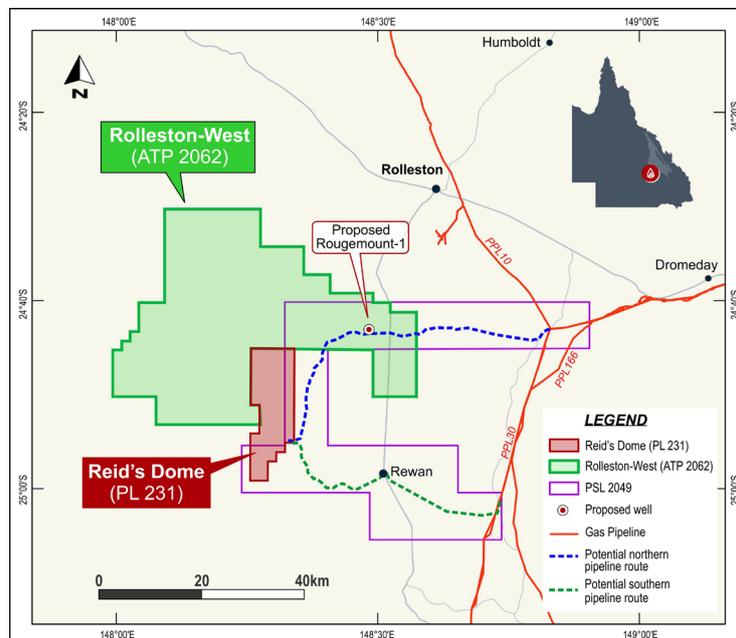
This announcement was approved for release by Mr Richard Cottee, Executive Chairman.

### FOR FURTHER INFORMATION

Richard Cottee  
Executive Chairman  
Phone: 0458 517 850  
Email: richard@stategas.com

Lucy Snelling  
Head, Corporate & Commercial  
Phone: 0439 608 241  
Email: lucy@stategas.com

[www.stategas.com](http://www.stategas.com)



*Map showing the area of Reids Dome, Rolleston-West, Petroleum Survey Licence 2049 and potential pipeline routes with approximate location of proposed Rougemont-1*