

## QUARTERLY ACTIVITIES REPORT

1<sup>st</sup> January 2023 – 31<sup>st</sup> March 2023

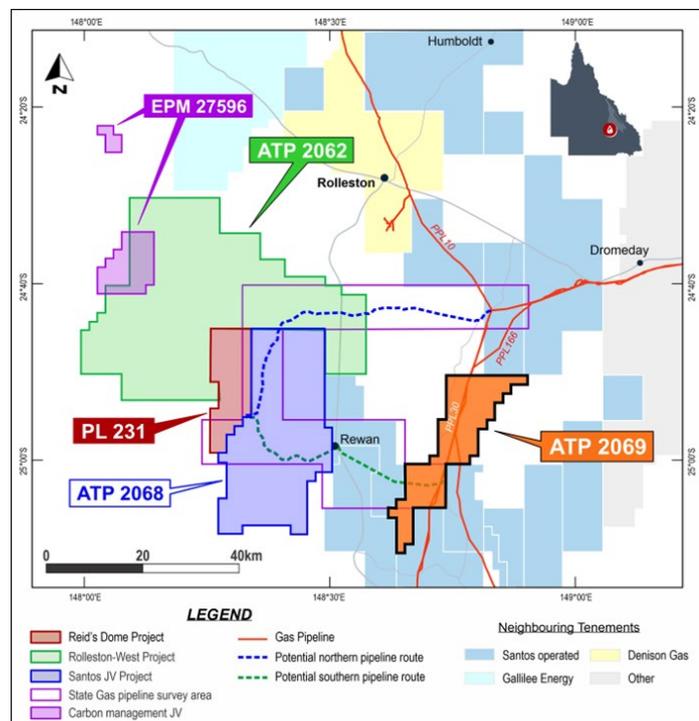
### HIGHLIGHTS:

- Excellent sustainable, daily gas production volumes from Rougemont 2/3 lateral well provides a solid foundation for project expansion and development
- Gas production from CNG Project to commence from July 2023
- Continuing to add significant value to a portfolio of high-quality gas assets which will be able to respond to gas demand volatility on the East Coast of Australia

**State Gas Limited (ASX: GAS)** (“State Gas or “the Company”) is pleased to advise that during the quarter to 31 March 2023 (“the **Quarter**”) it made significant progress on its Reid’s Dome and Rolleston West projects. This progress was achieved against a backdrop of increasing uncertainty caused by federal government regulatory intervention in the gas sector, with the Company moving closer to its vision of transitioning from exploration to production.

The Company is strategically well positioned with a portfolio of geographically contiguous, highly prospective exploration areas in the Southern Bowen Basin. These

assets are located close to existing gas infrastructure and can produce low cost, pipeline quality gas. This is a key gas development precinct for Queensland and State Gas’ projects, particularly Rolleston West, have the hallmarks of world class development assets. Gas from the Company’s permits is not restricted

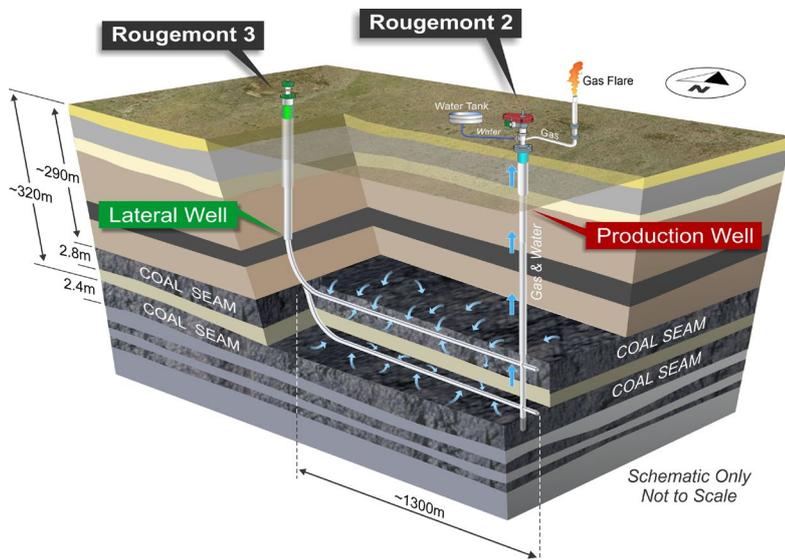


by domestic gas reservation requirements, and therefore, can be sold to either local customers or export markets. On the back of strong production testing performance from the Rougemont 2/3 lateral well pair (“Rougemont”) during the quarter, accelerating the delivery of pipeline quality gas from Rougemont is now a critical element of the Company’s strategy to bring on new supply for the tightening eastern seaboard gas market.

### Rolleston West – Rougemont Production Testing

During the quarter, the Company achieved excellent production testing results from Rougemont. This dual lateral well configuration is targeting the same coal measures already in commercial production at Arcadia Valley to the south-east and under development at Mahalo to the North. Rougemont has been on production testing since 21 November 2022 with water being drawn down at an average rate of around 4 metres per day. The production test produced a larger quantity of water than initially anticipated, indicating high permeability in the coal seams within the two lateral wells.

Gas production rates rose steadily during the production testing period, with daily gas production at times exceeding 475,000 cf/day. State Gas is confident that sustainable daily gas production of 0.5TJ per day is achievable from this well. The company has now temporarily shut the well to conduct additional pressure build-up testing and gain a more comprehensive understanding of reservoir dynamics. This decision has the additional environmental benefit of preserving the high-quality production testing gas until it can be captured for sale.



**Figure 2:** Rougemont 3 Well, showing first and second lateral wells completed in the recent drilling program and the previously drilled Rougemont2 vertical well



**Figure 3:** Production testing gas flared on 12 April 2023

The Rougemont production test has been highly successful:

- confirming the effectiveness of the lateral well drilling technique;
- confirming excellent permeability within the target Bandanna coal seams;
- delivering an excellent stable economic gas flow rate (approximately 0.5 TJ/day of pipeline quality gas, with further improvement possible from future dewatering of the lower seam; and
- providing further compelling economic justification to relocate the Reid's Dome CNG compression assets to support early production from Rougemont.

Production testing results from Rougemont are extremely encouraging when compared with other high performance CSG projects (both the Surat Basin and Bowen Basin) at a similar stage of production testing. Gas production levels observed during the Rougemont production test provides an excellent foundation for establishing a substantial gas reserve and accelerating development of a substantial gas project in the region. State Gas is now advancing its plan to have sufficient gas reserves declared at Rougemont to underwrite the financing of pipeline infrastructure to commercialise the project. The Company is now commencing the relevant studies and analysis required to support application for the required environmental approvals and the pipeline corridor license.

#### Award of ATP 2069

In May 2022, State Gas announced that in joint venture with Santos QNT Pty Ltd (a wholly owned subsidiary of Santos Limited) it had been appointed as preferred tenderer of two substantial highly prospective coal seam gas exploration areas (ATP 2068 and PLR 2021-1-3). During the quarter, ATP 2069 was formally granted over the PLR 2021-1-3 area allowing the joint venture to commence of early exploration works.

These areas are adjacent to the Arcadia Valley gas field and are contiguous with existing project areas held by State Gas and Santos and consequently present significant development synergies for the area in respect of capital investment, operational efficiencies and off-take. These strategically located tenements present a unique opportunity to bring online another substantial high quality gas resource in a key gas producing region that is well located to transport infrastructure. The Joint Venture is now planning early stage exploration activities in the most prospective areas of the tenements.

#### CNG Project Update

The project will see State Gas compress, truck and then decant conventional gas from the Reid's Dome deposit in PL231 into existing pipeline infrastructure ("the CNG Project"). The CNG Project will allow State Gas to generate a modest positive operating cashflow and build up to delivering approximately 1TJ per day of new gas into what we expect will continue to be an under-supplied market. Engineering, design and preliminary pre-fabrication activities were largely completed during the quarter.

While the Company is well positioned to commission and commence production from the CNG Project over coming months, the recent strong production performance from Rougemont has created the opportunity to consider a more strategically beneficial location for the CNG project compression assets (“the CNG assets”) to support higher daily production volumes from both Rougemont and Reid’s Dome. There are opportunities to reduce both capital and operating costs through alternative locations for the CNG assets. This strategy would also enable us to deliver the environmental benefits of capturing the production testing gas from Rougemont which would otherwise be flared.

Frustratingly, delivery of the compressor for the Reid’s Dome CNG Project was delayed during the quarter for reasons outside the Company’s control. As a result of delays in loading the compressor at the point of origin (Port of Houston, Texas), Australian Quarantine and Inspection Services required that the compressor be shipped offshore for fumigation. Fumigation has now occurred and the Compressor is now expected to return to Brisbane in the week of 15 May 2023. The compressor is the last item to be imported, at which time asset field commissioning can commence. Based on the revised schedule, first gas production would be July 2023.

During the quarter, the Queensland Government also approved minor changes to the Company’s pre-existing environmental authority for PL 231, that allows State Gas to move forward with construction and commissioning activities for the CNG Project. This is an encouraging demonstration of the Queensland Government’s desire to see new gas production brought on-line quickly.

### Other Projects

As part of State Gas’ strategy to reduce the carbon footprint of its projects, the Company entered into the Carbon Management Joint Venture with Rockmin Solutions Pty Ltd. The Joint Venture will investigate the potential of the Buckland basaltic ignimbrite located within and nearby to ATP 2062 for a range of in-situ and ex-situ carbon capture and sequestration applications. The Joint Venture will seek to apply a process (currently being implemented by Carbfix<sup>1</sup> in Iceland) which safely traps CO<sub>2</sub> in the underground basalt layer. This in-situ mineralisation process is attracting significant international attention, with the US Department of Energy demonstrating the technology at a site in Washington State, and Rio Tinto recently announcing a project in Minnesota, USA<sup>2</sup>. The Joint Venture is continuing to plan initial tests of the basalt deposits over the coming twelve months.

### Implications of Federal Government Regulatory Intervention

Recent, well publicised intervention into traditional gas and energy market operations by the federal government has created an environment of increased investment uncertainty. While State Gas is supportive of accelerated implementation of renewable energy solutions, the delivery of these solutions at

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<sup>1</sup> See [www.carbfix.com](http://www.carbfix.com) and State Gas ASX release dated 5 October 2021

<sup>2</sup> <https://www.riotinto.com/news/releases/2022/DOE-backs-Rio-Tinto-led-team-to-explore-carbon-storage-at-Tamarack>

an effective cost and scale is complex and likely take longer than currently anticipated. It is undeniable that gas remains the only reliable source of base and peaking electricity production and remains preferable to thermal coal from an emissions standpoint. This fact has been reiterated by a range of global energy sector experts, peak energy bodies in Australia, the ACCC and by both the Prime Minister and the Minister for Resources.

Notwithstanding the need to rapidly increase Australia's reliance on renewable energy sources, reliable ongoing gas supply is required to meet both domestic and export energy supply obligations over the short to medium term and to ensure that sustainable electricity prices are maintained for both consumer and commercial users. The recent regulatory intervention, in particular, the threatened restrictions on new gas project development, has jeopardised the certainty of that supply with a number of significant projects already cancelled and investment capital being redirected to projects offshore.

State Gas believes in the long-term fundamentals of the gas industry in Australia, and is confident that its assets possess the relevant characteristics to support successful commercialisation:

1. substantial deposits of pipeline quality gas with a low carbon emission profile sourced from a known gas production region;
2. comparable gas projects, targeting similar coal measures suggest that State Gas projects will be low on the cost curve; and
3. gas assets are strategically located to existing transmission infrastructure and the cost of additional infrastructure to support production is modest.

State Gas' Board and Management have the experience and capability to expedite the commercialisation of its projects with a philosophy of low capital and operating costs. The acceleration of the Company's activities to development and early-stage production is now its priority.

### Financial Position

During the quarter, the Company expended \$0.9 million on development costs primarily for the CNG Project and \$0.6 million on exploration related activities including production testing of Rougemont.

The Company ends the quarter with cash reserves of \$1.1 million. In early April 2023, the Company's liquidity was improved through the receipt of grant proceeds for R & D activities. Post this receipt, the Company has sufficient cash to commission the CNG Assets. Additional capital will be required to accelerate the Company's development plans for Rolleston West.

The Company is in early stage discussion with a number of parties regarding sale of production from both Reid's Dome and early stage production gas from Rougemont.

## Tenements and Resources

The contingent and prospective resources established by State Gas are:

Year	Asset	Net Acreage (km <sup>2</sup> )	Estimated Contingent Resources* (PJ's Net to State Gas)		
			1C	2C	3C
2017	PL231 Reid's Dome (unconventional)	181	84	192	660
	PL231 Reid's Dome (conventional)		1.7	3.6	7.9
2020	ATP 2062 Rolleston-West (unconventional)	1,414	145	261	454
	ATP 2062 Rolleston-West (conventional)		6	18	52
2022	ATP 2068 (unconventional)	254	25	43	68
2022-23	ATP 2069 (unconventional)	108	12	17	24
<b>Total</b>		<b>1957</b>	<b>274</b>	<b>534</b>	<b>1266</b>

Year	Asset		Estimated Prospective Resources* (PJ's Net to State Gas)		
			P10	P50	P10
2020	ATP 2062 Rolleston-West (conventional)		1.0	4.7	22.7
2022	ATP 2069 (conventional)		0.7	3.0	12.8
<b>Total</b>			<b>2</b>	<b>8</b>	<b>35</b>

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

#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.

## Payments to Related Parties

A total of \$83,000 was paid to Directors and their associates for salaries, director fees and superannuation during the quarter ended 31 March 2023.

This announcement was approved for release by the Board of Directors.

## FOR FURTHER INFORMATION

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## ABOUT STATE GAS

**STATE GAS LIMITED** (ASX: **GAS**) is a Queensland-based gas exploration and development company focussing on the Bowen Basin in Central Queensland. State Gas is 100%-owner of the contiguous Reid's Dome (PL-231) and Rolleston-West (ATP 2062) Gas Projects, both of which contain both CSG and conventional gas. The Projects, together some 1,595km<sup>2</sup>, are located south of Rolleston, approximately 50 and 30 kilometres respectively from the Queensland Gas Pipeline and interconnected east coast gas network. Neither project is restricted by domestic gas reservation requirements. State Gas intends to accelerate commercialisation of the conventional gas assets in Reid's Dome through the implementation of an innovative virtual pipeline solution which will see the Company transport gas by truck to a closely located inlet point on existing pipeline infrastructure.

State Gas also holds a 35% interest in new permit ATP 2068 in joint venture with Santos QNT Pty Ltd (65%), and, also in the same joint venture, has been appointed Preferred Tenderer for an additional new exploration block PLR2021-1-3. These two new areas lie adjacent to or in the near vicinity of State Gas and Santos' existing interests in the area, providing for an alignment of ownership interests across the region, enabling synergies in operations and development.

None of State Gas' permits are restricted by domestic gas reservation requirements. State Gas is implementing its strategic plan to bring gas to market from Reid's Dome and Rolleston-West to meet shortfalls in the east coast domestic gas market. State Gas is also undertaking a carbon management initiative with minerals explorer Rockminolutions Pty Ltd in respect of EPM 27596 on the western border of ATP 2062. This project is investigating the potential of basalts in the Buckland Basaltic Sequence to provide long term secure sequestration of carbon through mineralisation.

### **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 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.*

## 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 MARCH 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. 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	(159)	(512)
(e) administration and corporate costs	(211)	(1,307)
1.3 Dividends received (see note 3)		
1.4 Interest received	5	16
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	132	678
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(233)</b>	<b>(1,125)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(894)	(1,595)
(d) exploration & evaluation (if capitalised)	(592)	(6,097)
(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 (9 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>(1,486)</b>	<b>(7,692)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	7,000
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	-	(334)
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>6,666</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	2,793	3,225
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(233)	(1,125)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,486)	(7,692)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	6,666

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,074</b>	<b>1,074</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	685	687
5.2	Call deposits	389	2,106
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,074</b>	<b>2,793</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**

83

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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

<b>7. 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. 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.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(233)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(894)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,127)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	1,074
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	1,074
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	0.95
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: The drilling and production testing cost of the Rougemont lateral wells and the capital cost of long lead time items associated with the CNG project are lump sum non-recurring costs and not indicative of the Company's normalised run rate.	
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: We are expecting to receive proceeds from sale of gas from July 2023, and the Company's cash reserves were improved through receipt of grant proceeds for R & D activities in April.	
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: We are able to adjust the Company's expense profile to align with timing of sale/pre-sale of gas. We are also exploring other financing options to free up working capital	

## 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: 28 April 2023

Authorised by: Board of Directors  
(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.