

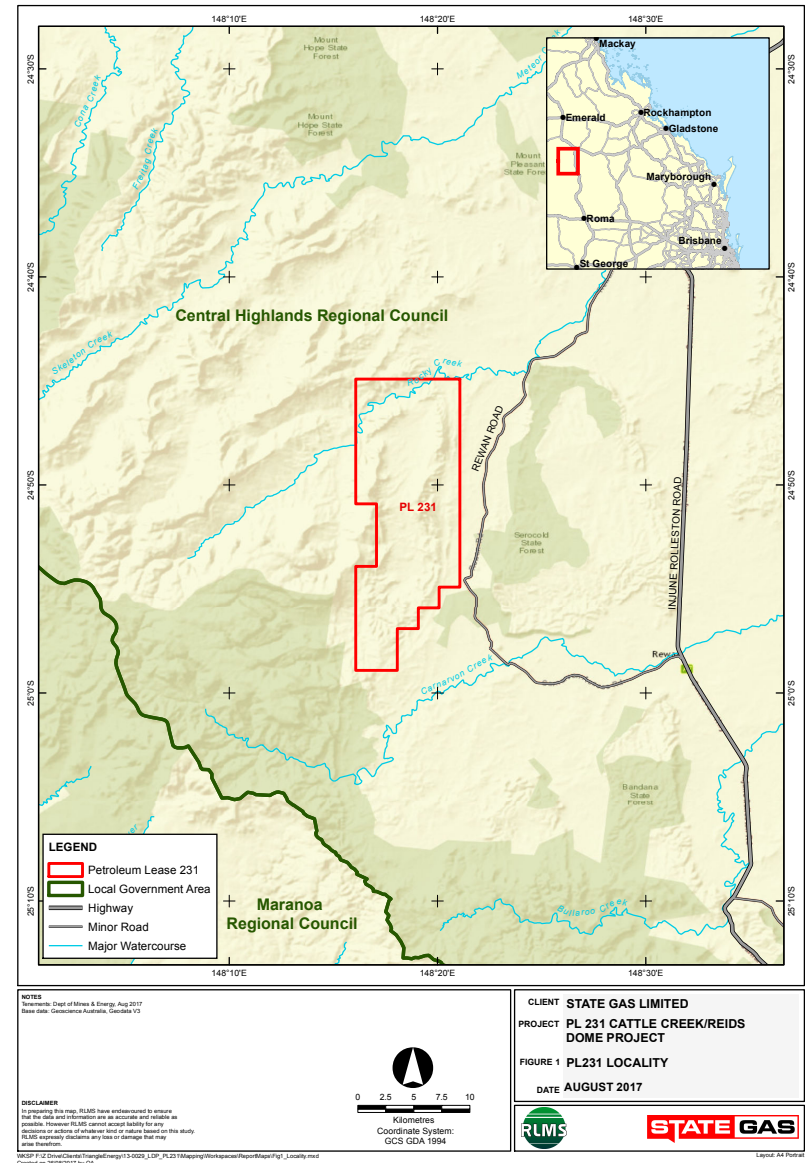


Reid's Dome Project: 2018 Drilling Program Overview

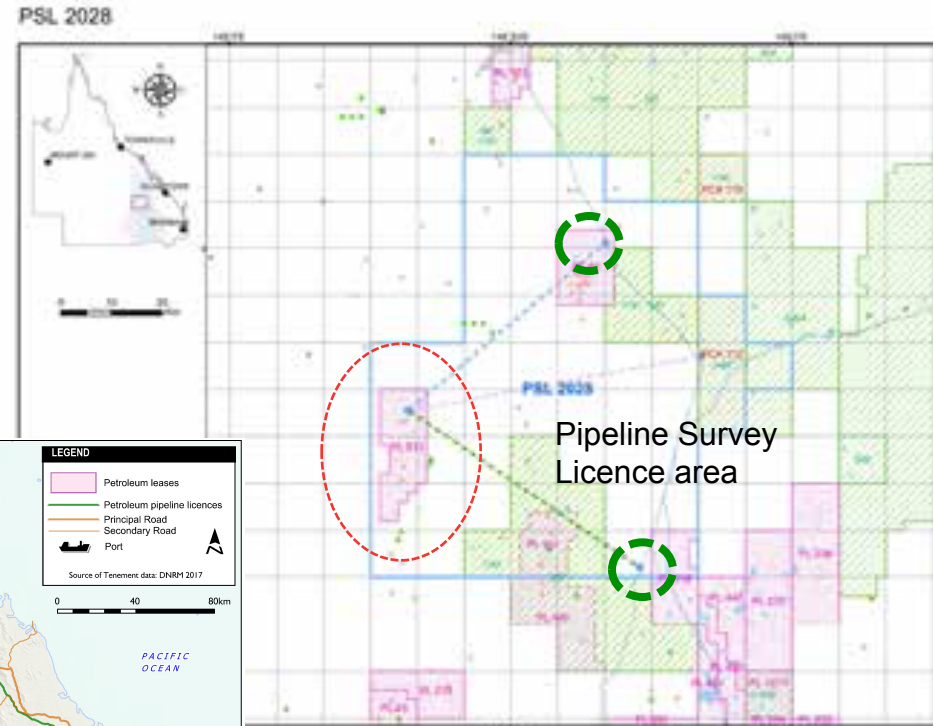
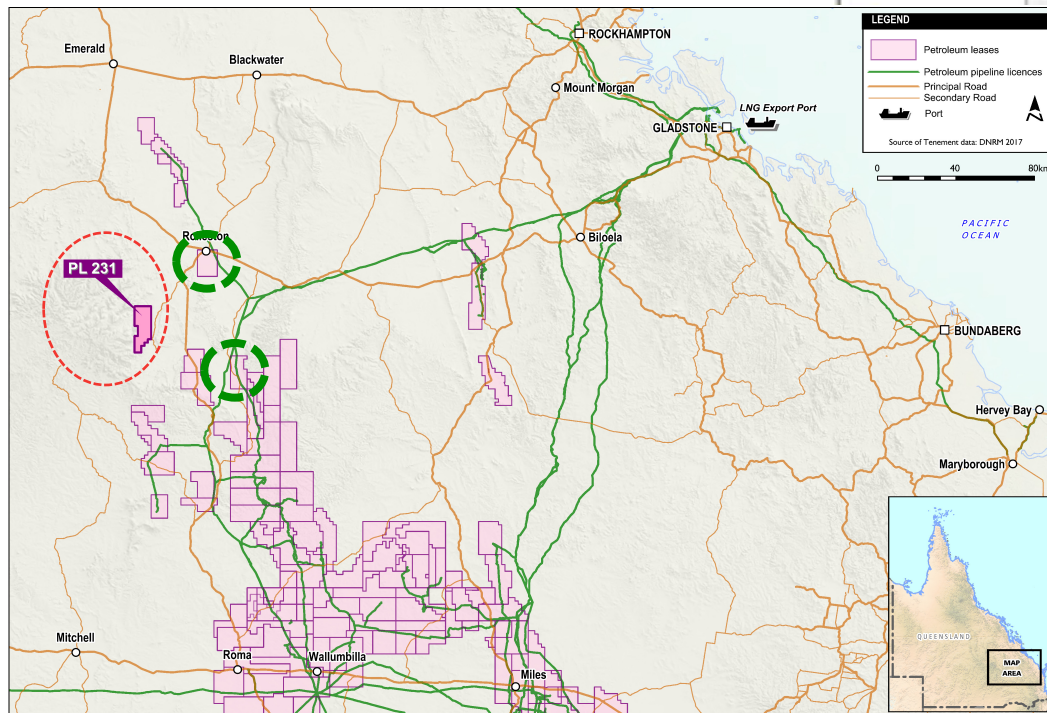
November 2018

PRODUCTION LEASE & PIPELINE SURVEY LICENCE	<ul style="list-style-type: none"> PL-231 is located in central Queensland, granted under the 1923 Act over 181 km² over Reid's Dome anticline for a 30 year term from 15/12/2005. Pipeline Survey Licence PSL-2028 was granted for a 2 year term from 01/08/2018
PROVEN GAS FLOWS	<ul style="list-style-type: none"> 15 wells drilled 1955 – 2006. Gas flows from sandstone reservoirs in the Cattle Creek Formation and Reid's Dome Beds
NEW PROVINCE - LARGE CSG OPPORTUNITY	<ul style="list-style-type: none"> Permian Reid's Dome coal measures are extensive throughout the entire PL-231 with ~60m of net coal between 400m and 1200m. They have never been evaluated for coal seam gas (CSG).
CONVENTIONAL EXPLORATION TARGETS	<ul style="list-style-type: none"> Cattle Creek Formation; 3-way dip closed structural traps, overpressured Reid's Dome Beds: ~1500m thick section with multiple prospective sandstone reservoirs in anticlinal setting
OPERATORSHIP	<ul style="list-style-type: none"> State Gas is Operator with 60% of PL-231
FIRST DRILLING SINCE 2006	<ul style="list-style-type: none"> Two gas wells to be drilled in November-December 2018
THREE TARGETS IN TWO WELLS DURING LATE 2018	<ul style="list-style-type: none"> Primero West-1: Shallow conventional gas target identified in seismic data Nyanda-4: CSG target identified from 1987 drilling results Nyanda-4: Known large conventional gas targets within Reid's Dome Beds

- PL-231 lies ~50 km south west of Rolleston over the Reid's Dome anticline
- 181 km² covering a classic north-south dome structure
- 50 km from Queensland Gas Pipeline network
- Only two landowners over areas of interest

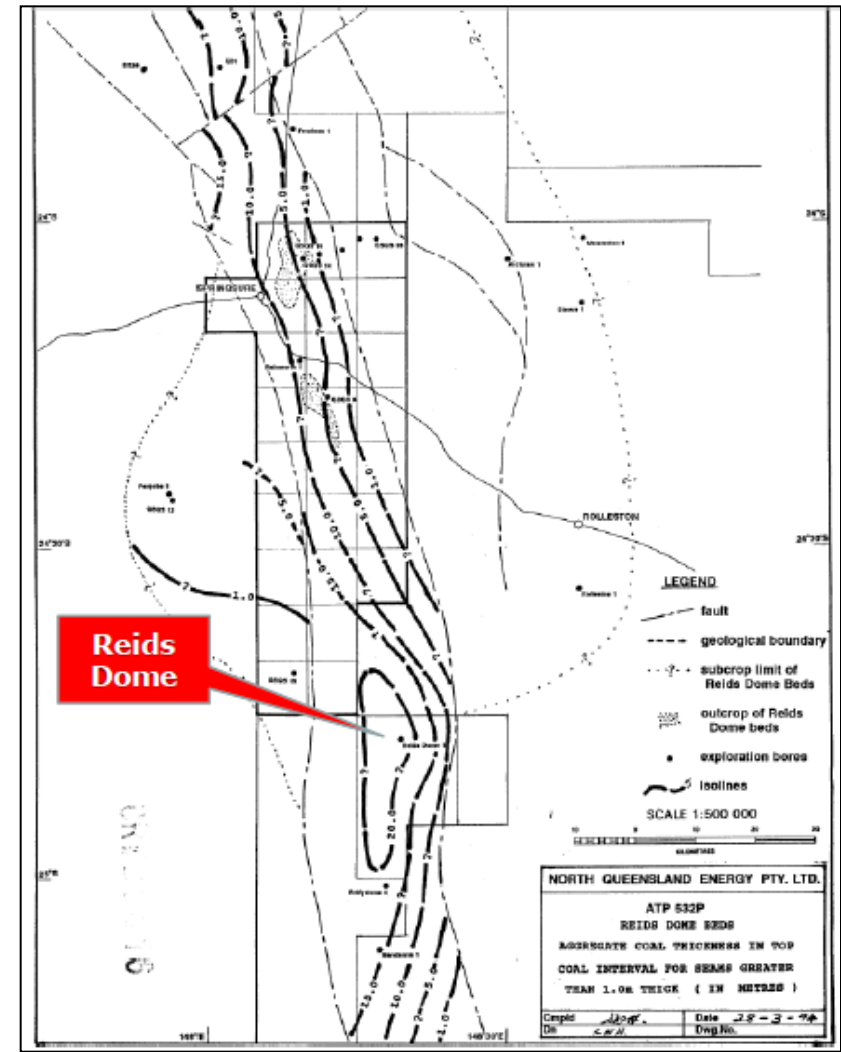


- ~50 km to Queensland Gas Pipeline network connection options to the north-east and south-east
- Pipeline Survey Licence Granted (PSL 2028) in place



PL-231: Reid's Dome Beds CSG Target

- In 1994 a North Queensland Energy study identified the potential for Reid's Dome Coal-Seam Gas in the Reid's Dome area
- Coal thickness and properties were mapped and were relatively thick over the PL-231 area. The report showed the Reid's Dome coals are high quality, low ash coal
- The study showed **61m net coal above 1200m in Reid's Dome-1**
- State Gas preliminary assessment used 13m net coal and 8.5m³/ton
- Preliminary estimate (based on **13m net coal and 8.5m³/ton**) conservatively suggests potential for significant gas reserves from CSG
- **Existing conventional gas zones further add to gas reserves**



PL 231: Reid's Dome Beds Well Correlation

SE

Reids-1

Bandanna-1

Eddystone-4

Nyanda-1

PL-231
Reids Dome-2

PL-231
Reids Dome-1

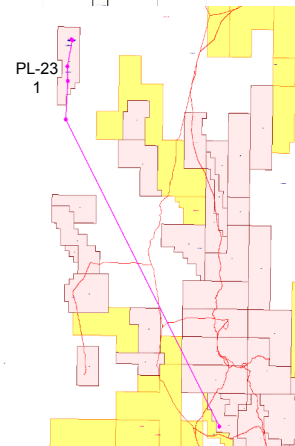
PL-231
Primero-1

NW

Datum

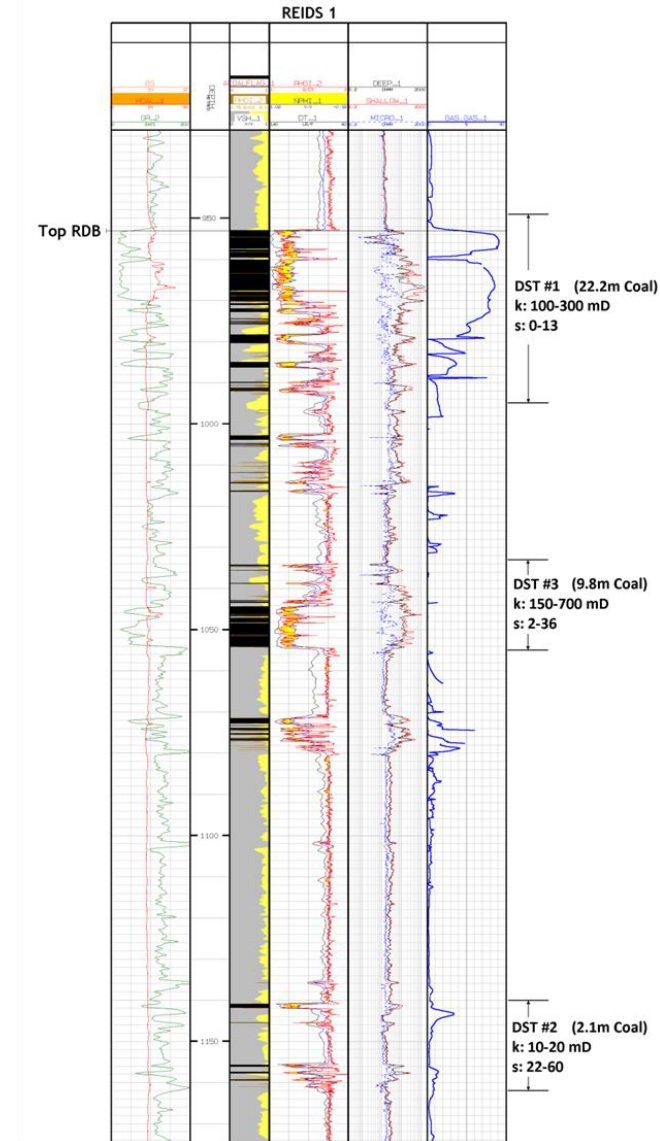
- Nyanda-1 & Primero-1 had gas shows while drilling coals (RD-1 & RD-2 incomplete data)
- Bandanna-1 also had gas shows while drilling coal
- Eddystone-4 SP log indicates potential coal permeability
- Reids-1 has desorption data indicating gas and DST data indicating good permeability

NOTES:
Datum = Reids Dome Beds
No horizontal scale

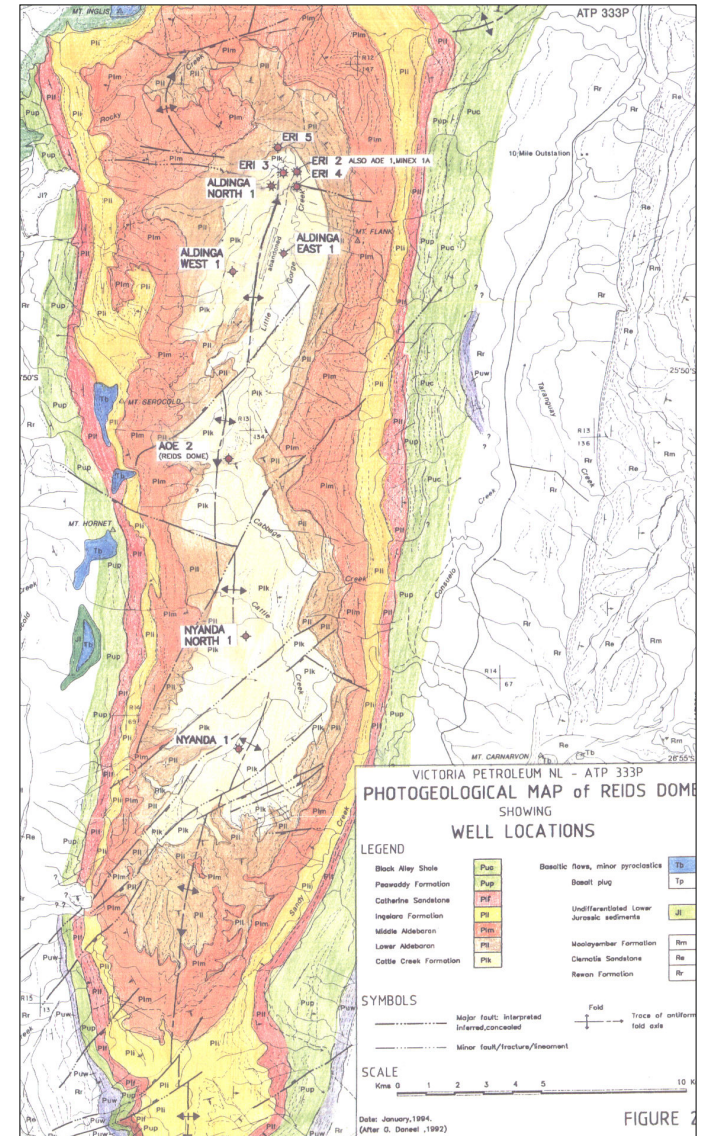


Reids Dome Beds CSG Analogue

- The closest exploration for Reid's Dome Beds CSG has been at Conoco's Mt Ogg-1 ~25 km north and Origin's Reids-1&2 approx. 140 km southeast
- **Reids-1, 2** demonstrated viable CSG between 1000 and 1200m and established a successful Reid's Dome Beds CSG play
 - 15.9 m³/t DAF gas content (11.8 m³/t raw, with up to 33% CO₂)
 - 10 – 700 mD permeability
 - Located within a half-graben on the SW flank of the Comet Ridge
- **PL-231** coals occur between 400 – 1200m
 - along the axis of the Reid's Dome anticline and are obvious targets for retained or enhanced permeability
 - Gas tested from sandstones interbedded with the coals at Reids Dome-1 indicate gas and pressure has been maintained within the system
 - Lab analysis of a gas sample from the Reids Dome Beds in AOE-1 indicate only 5.6% CO₂



- Surface geological mapping of the Reids Dome area indicates strike of NNE – SSW with trans-tensional offset in the central region
- The **Sericold Anticline** plunges gently to the north and south within the Permit. The western limb dips slightly more steeply than the eastern limb
- Several faults are evident at surface but the presence of over-pressured gas in conventional reservoirs indicate they are sealing.
- An area of 80 – 160 km shown in white and brown along the axis of the anticline on the adjacent map are considered shallow enough to be prospective
- **Elsewhere in the Bowen Basin, anticlines have favourable permeability characteristics for CSG**



2018 Drilling Program (November-December)

Two wells planned:

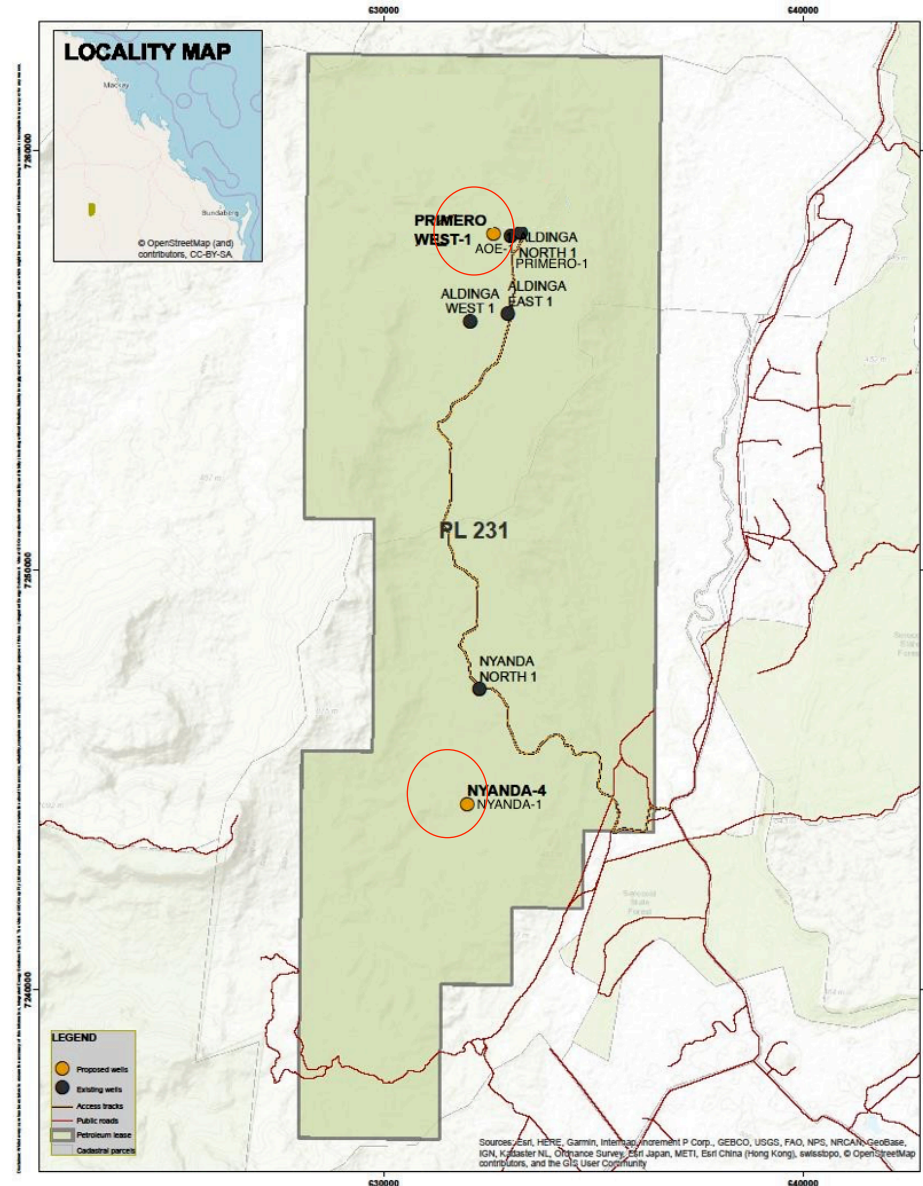
- **Primero West-1**

- Shallow Conventional Gas Target
- Cattle Creek Formation
- Planned depth: 250m
- Located approximately 650m southwest of AOE-1 (1955 discovery well) to test the south-western extent of the Cattle Creek gas sand
- Secondary target: gas potential of previously untested zones deeper where seismic indicates better-development than other areas to the east

- **Nyanda-4**

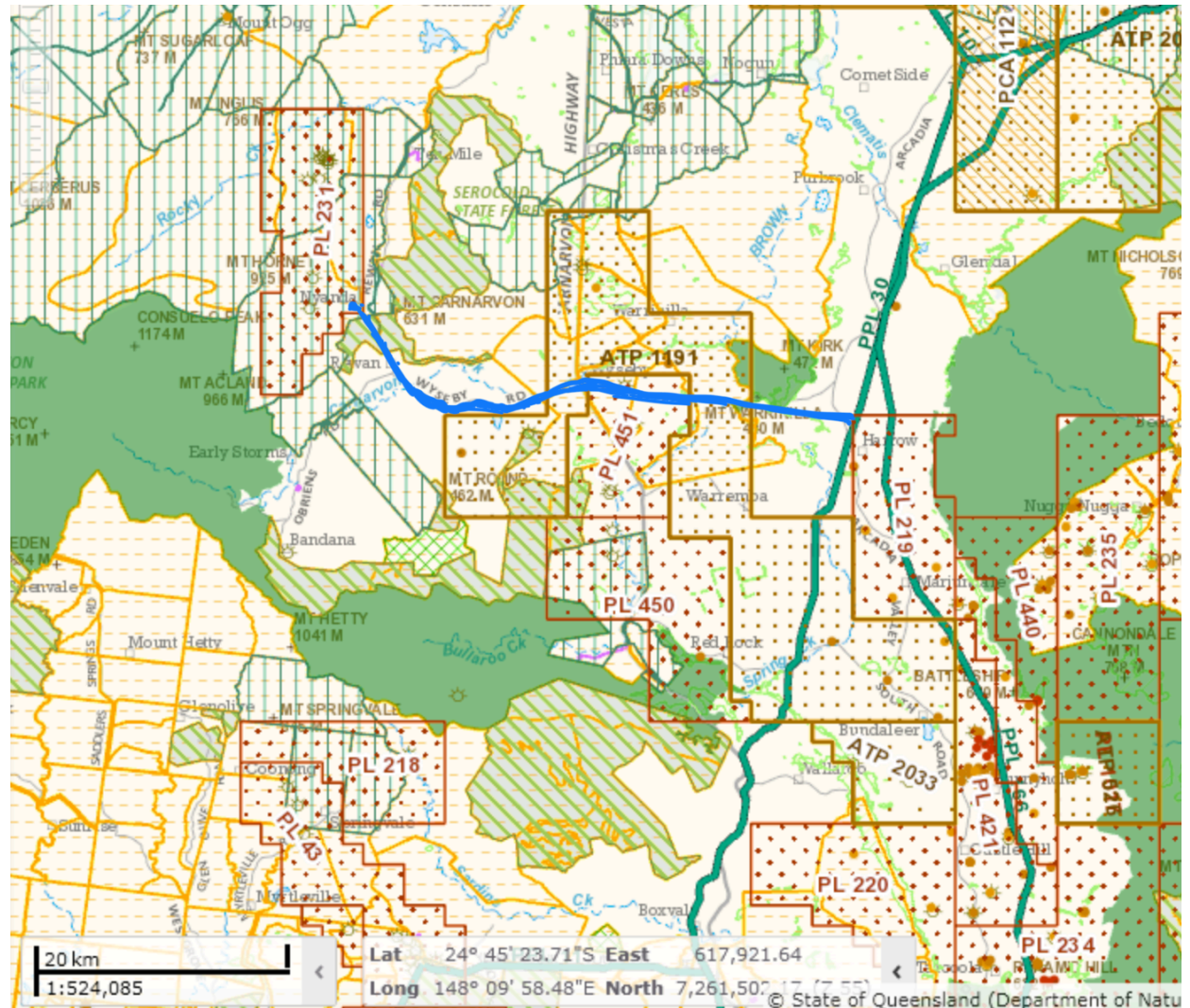
- Coal Seam Gas and Tight Gas Sands Target
- Reid's Dome Beds
- Planned depth: 1,000m
- Located approximately 50m southwest of Nyanda-1 (drilled in 1987) to investigate both the gas potential of tight gas sands and coal seams within the Reid's Dome Beds
- Coal measures in prior wells not evaluated before
- Gas in AOE-1 in 1955 is possibly present at Nyanda-4

- **Silver City Drilling expected to commence by week ending 10 November 2018**



Possible Pipeline Route

- Connecting PL 231 with the Queensland Gas Pipeline (PPL 30/116)
- Utilizing road reserve where possible – incl. Rewan Road and Wyseby Road
- Possible synergies with Santos/Origin's ATP 1191 and PL 451
- Approximately 47km of new pipeline to connect with Queensland Gas Pipeline network



Capital Structure & Market Cap

GAS \$0.250 0.000 (0.00%) ■ GAS



Shareholder	Shares Held	%
Founders, Directors & related entities	80.8 million	60%
Public	54.0 million	40%
TOTAL*	134.8 million	100%
Market Cap	\$39 million	(at \$0.29/share)

*Excludes 7 million management options exercisable between \$0.20 and \$0.60 with vesting conditions

ACTIVITY IS IMMINENT	<ul style="list-style-type: none"> • Drilling to commence by 10 November, subject to weather
POTENTIAL NEW CSG PROVINCE	<ul style="list-style-type: none"> • The PL 231 area has been overlooked and never explored for CSG before
GOOD EVIDENCE FOR SUCCESS	<ul style="list-style-type: none"> • Conventional gas and coal seams in historical wells in Reid's Dome since 1955
THREE CHANCES OF SUCCESS FROM TWO WELLS IN LATE 2018	<ul style="list-style-type: none"> • Primero West-1: Shallow conventional gas target identified in seismic data • Nyanda-4: CSG target identified from 1987 drilling results • Nyanda-4: Known conventional gas targets within the Reid's Dome Beds
NOT LONG TO WAIT FOR RESULTS	<ul style="list-style-type: none"> • Drilling expected be completed by mid-December 2018, subject to weather • Indicative results of drilling will be released to ASX • Further testing will take three-four months for detailed analysis
EAST COAST GAS MARKET NEEDS THE GAS	<ul style="list-style-type: none"> • Wood Mackenzie says a "triple whammy" of high oil prices, tight LNG market conditions and a strong US dollar will put upward pressure on gas prices • East coast gas market tightening further with the announcement of a freeze on Arrow's \$400 million Tipton project expansion • Wood Mackenzie notes that Asian LNG prices are trending towards a "netback" price in Australia of about \$15 a gigajoule

Contact



Left: AOE-1 discovery well (at Reid's Dome within PL 231), drilled 1954-55 where the Cattle Creek gas sands were discovered, located 650 metres northeast of the planned Primero West-1 expected to spud in November 2018.

Below: Nyanda-1 well (within PL 231), drilled in 1987 prior to interest in coal seam gas in Australia encountered gas shows while drilling through coal seams. The planned deeper Nyanda-4 well will be located 50m southwest of Nyanda-1, following drilling of Primero West-1.



Lucy Snelling
CEO
State Gas Limited

m: 0439 608 241
lucy@stategas.com

Greg Baynton
Executive Director
State Gas Limited

m: 0414 970 566
greg@stategas.com