



State Gas Pty Ltd
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ASX RELEASE

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QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS:

- Lodgement of Prospectus with Australian Securities and Investments Commission (ASIC) on 4 September 2017 for the Company's Initial Public Offering (IPO).
- Completion of IPO raising \$5.25 million, admission to the Official List of the Australian Securities Exchange (ASX) on 9 October, and trading commencing on ASX on 10 October.
- Engagement of a drilling and completion co-ordinator during December.
- Field investigations, flow testing and sampling of existing wells at PL 231 completed during December.

Brisbane-based conventional gas developer **State Gas Limited (ASX: GAS)** is pleased to provide its inaugural Quarterly Activities Report, for the December Quarter, 2017.

Background

State Gas Limited (State Gas or the Company) has a 60% interest in, and is operator of, a petroleum lease (PL 231) in central eastern Queensland, approximately 545 km northwest of Brisbane and 50 km southwest of Rolleston, in the Bowen Basin Central Queensland.

PL 231 hosts a conventional gas project located in the Denison Trough, first discovered in the 1950s. PL 231 is not a coal seam gas target. The initial area of focus for State Gas is the shallow, conventional gas target in the Cattle Creek Formation, a marine sandstone source rock, with a major secondary target in the underlying Reids Dome beds. Both targets have produced gas during the drilling of exploration and appraisal wells on PL 231. A number of historical wells have flowed gas from the Cattle Creek Formation, which was reached at depths of as shallow as 130 meters.

IPO Completed

Following conversion of the Company to Public Company status in August 2017, State Gas lodged a Prospectus with ASIC on 4 September in relation to its IPO to raise \$5.25 million through the issue of 26,250,000 Ordinary Shares.

Receiving strong demand for the IPO shares, the Company closed its IPO raising early and was admitted to the Official List of the ASX on 9 October, with commencement of trading on 10

October.

The funds raised by IPO, together with the Company's existing cash reserves, provide State Gas with working capital to drill and complete initial appraisal wells to appraise the shallow, conventional gas target of the Cattle Creek Formation and, should the appraisal program be successful, plan and commence the initial steps to develop or seek to further-expand the resource.

Project Activities

During December, the Company engaged an experienced drilling and completion co-ordinator on a part-time basis to plan and co-ordinate the 2018 drilling program, identify appropriate and available contractors, and to source and commence ordering of critical long-lead items for the drilling program.

The Company also successfully completed gas flow-testing, sampling and analysis from existing gas wells at PL 231 during December.

The flow-testing and sampling was undertaken by **Kinetic Production & Wellhead Services**, based in Roma, Queensland.

The three wells flow-tested and sampled were Primero 1, Aldinga North 1 and Reid's Dome-4. Drilled between 11 and 37 years ago, these existing wells are located within the northern half of PL 231.

Following receipt of the results, the Company reported on 9 January that, despite the wells being shut-in for such an extended period, all wells flowed significant gas, at lowest recorded stabilized rates of between 357,000 cf/d and 658,000 cf/d using a 0.500" orifice plate.

FLOW TEST RESULTS – CATTLE CREEK CONVENTIONAL GAS PROJECT

Well Tested	Spud Date	Orifice Plate Size	Lowest Recorded Stabilized Flow Rate	Shut-in Pressure
Primero-1	11 Jun 2006	0.500"	534,000 cf/day	166 psig
		0.375"	380,000 cf/day	
Aldinga North-1	27-Oct-1993	0.500"	658,000 cf/day	167 psig
		0.375"	455,000 cf/day	
Reid's Dome 4	23-Mar-1980	0.500"	347,000 cf/day	167 psig
		0.375"	288,000 cf/day	

Gas composition results analysed by Petrolab in South Australia indicated the produced gas represents a similar composition in its natural form to that of pipeline-quality gas, with an average Methane (C1) content of approximately 96%, average Carbon Dioxide (CO2) content of approximately 1.5% and very low levels of interts.

GAS COMPOSITION RESULTS – CATTLE CREEK CONVENTIONAL GAS PROJECT

	Primero-1		Aldinga North-1		Reid's Dome 4	
	Sample 1	Sample 2	Sample 1	Sample 2	Sample 1	Sample 2
	(Mol %)	(Mol %)	(Mol %)	(Mol %)	(Mol %)	(Mol %)
Methane <i>C₁</i>	96.71	96.70	95.27	96.57	96.94	92.97
Carbon Dioxide <i>CO₂</i>	1.60	1.61	1.51	1.50	1.54	1.49
Hydrogen Sulphide <i>H₂S</i>	0.00	0.00	0.00	0.00	0.00	0.00
Nitrogen <i>N₂</i>	1.37	1.37	3.10	1.78	1.42	5.44
Ethane <i>C₂</i>	0.19	0.19	0.08	0.08	0.09	0.10
Propane <i>C₃</i>	0.05	0.05	0.00	0.01	0.01	0.00

The similar reservoir pressure (166 – 167psig) and gas composition results for all the wells also implies that the reservoir is connected between each of the wells tested, providing a positive indicator for future gas production.

The gas flow-testing and sampling conducted in mid-December related to the shallow Cattle Creek Formation, which commences at approximately 130 metres from surface and does not include gas targets within the deeper Reid's Dome Beds situated beneath the Cattle Creek horizon.

Following the completion of the IPO, the Company engaged DownUnder GeoSolutions for the reprocessing of historical seismic survey data outlined in the IPO Prospectus. This work is currently continuing and is expected to be complete by the end of February 2018. With the seismic re-interpretation and the December flow-testing and gas composition results, well sites will be selected for the 2018 drilling campaign.

Additional Corporate Matters

During the Quarter, the Company also held preliminary meetings with representatives of potential future gas customers and development partners and monitored projects, opportunities and dynamics in the east coast gas market.

FOR FURTHER INFORMATION

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ABOUT STATE GAS

STATE GAS LIMITED (ASX: **GAS**) is a developer of a conventional gas field located in the Bowen Basin in Central Queensland. It is Operator and 60%-owner of the Cattle Creek and Reid's Dome Conventional Gas Project located 30 kilometres south west of Rolleston, approximately 50 kilometres from the Queensland Gas Pipeline.