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ASX RELEASE

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Early Success at First Rougemont Gas Well

Highlights

- Rougemont-1 well reaches total target depth of 800 metres at Rolleston-West Gas Project
- Bandanna coal measures intersected
- Well intersects 8 metres of net coal, consistent with nearby CSG projects
- Gas was observed bubbling from core samples
- Field values indicate gas content is likely to be in the expected range
- Early results correlate with Arcadia Valley and Mahalo Bandanna CSG projects
- Confirms the Company's intention to develop synergistically with its Reid's Dome gas discoveries

State Gas Limited (ASX: GAS) is pleased to announce that its first well in its new Rolleston-West Gas Project (ATP 2062) in Central Queensland has confirmed the existence of gas-bearing coal seams in the Bandanna coal measures within the Project area. This strengthens the Company's view that these coals will be developed synergistically with the Reid's Dome gas discoveries.

The Rougemont-1 well, spudded on 14 May, reached total target depth of 800 metres at 12.00pm on 23 May 2021. Core samples have been taken from the well, with 100% recovery. The well geology has been logged, and further testing is currently underway.

Well logs confirm the intersection of 8 metres of net coal, hosted in a number of seams, with the thickest seam measuring approximately 2.2 metres. This is consistent with nearby Bandanna Coal Seam Gas (CSG) projects such as Arcadia Valley (Santos/GLNG) and Mahalo (Santos, APLNG and Comet Ridge).

The top coal was intersected at 495 metres depth, which also correlates with the coals in the Arcadia Valley (currently in production) and Mahalo (currently under development).

Gas was observed bubbling from the coal, and field values indicate gas content is likely to be within expectations and also correlate with Arcadia Valley and Mahalo.

Executive Chairman, Richard Cottee, said that he was very pleased with these early results.

"It is always gratifying to receive positive results that justify the decision to compete for new gas acreage. These results more than justify that decision, and indicate gas contents similar to those hosted in other Bandanna coals, which led to the Company applying for this acreage", Mr Cottee said.

The Rougemont-1 well is the first of two planned wells being drilled to evaluate the highly prospective Bandanna coals in the eastern arm of the new Rolleston-West permit, which was granted to the Company by the Queensland Government late last year.

The Bandanna Formation is well established as a host of commercially viable coal seam gas, producing at the Arcadia Valley (Santos/GLNG) and under development at Mahalo (Santos/APLNG/Comet Ridge) at similar distances to the south-east and north-east, respectively, of ATP 2062.



Silver City Drilling Rig 23 at Rougemont-1 well

State Gas will continue to update the market as the current program continues.

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

FOR FURTHER INFORMATION

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ABOUT STATE GAS

STATE GAS LIMITED (ASX: **GAS**) is a Queensland-based developer of the Reid's Dome gas field, originally discovered during drilling in 1955, located in the Bowen Basin in Central Queensland. State Gas is 100%-owner of the Reid's Dome Gas Project (PL-231) a CSG and conventional gas play, which is well-located 30 kilometres southwest of Rolleston, approximately 50 kilometres from the Queensland Gas Pipeline and interconnected east coast gas network.

Permian coal measures within the Reid's Dome Beds are extensive across the entire permit but the area had not been explored for coal seam gas prior to State Gas' ownership. In late 2018 State Gas drilled the first coal seam gas well in the region (Nyanda-4) into the Reid's Dome Beds and established the potential for a significant coal seam gas project in PL 231. The extension of the coal measures into the northern and central areas of the permit was confirmed in late 2019 by the Company's drilling of Aldinga East-1A (12 km north) and Serocold-1 (6 km to the north of Nyanda-4).¹

State Gas is also the 100% holder Authority to Prospect 2062 ("Rolleston-West"), a 1,414 km² permit (eight times larger than PL 231) that is contiguous with the Reid's Dome Gas Project. Rolleston-West contains highly prospective targets for both coal seam gas (CSG) and known conventional gas within the permit area. It is not restricted by domestic gas reservation requirements.

The contiguous areas (Reid's Dome and Rolleston-West), under sole ownership by State Gas, enable integration of activities and a unified super-gasfield development, providing economies of scale, efficient operations, and optionality in marketing.

State Gas is implementing its strategic plan to bring gas to market from Reid's Dome and Rolleston-West to meet near term forecast shortfalls in the east coast domestic gas market. The strategy involves progressing a phased appraisal program in parallel with permitting for an export pipeline and development facilities to facilitate the fastest possible delivery of gas to market². State Gas' current focus has been to confirm the producibility of the gas through production testing of the wells.

¹ The information in this paragraph was previously announced on 31 October 2018, 5 December 2018 and 31 January 2020.

² Strategy announced on 21 August 2019

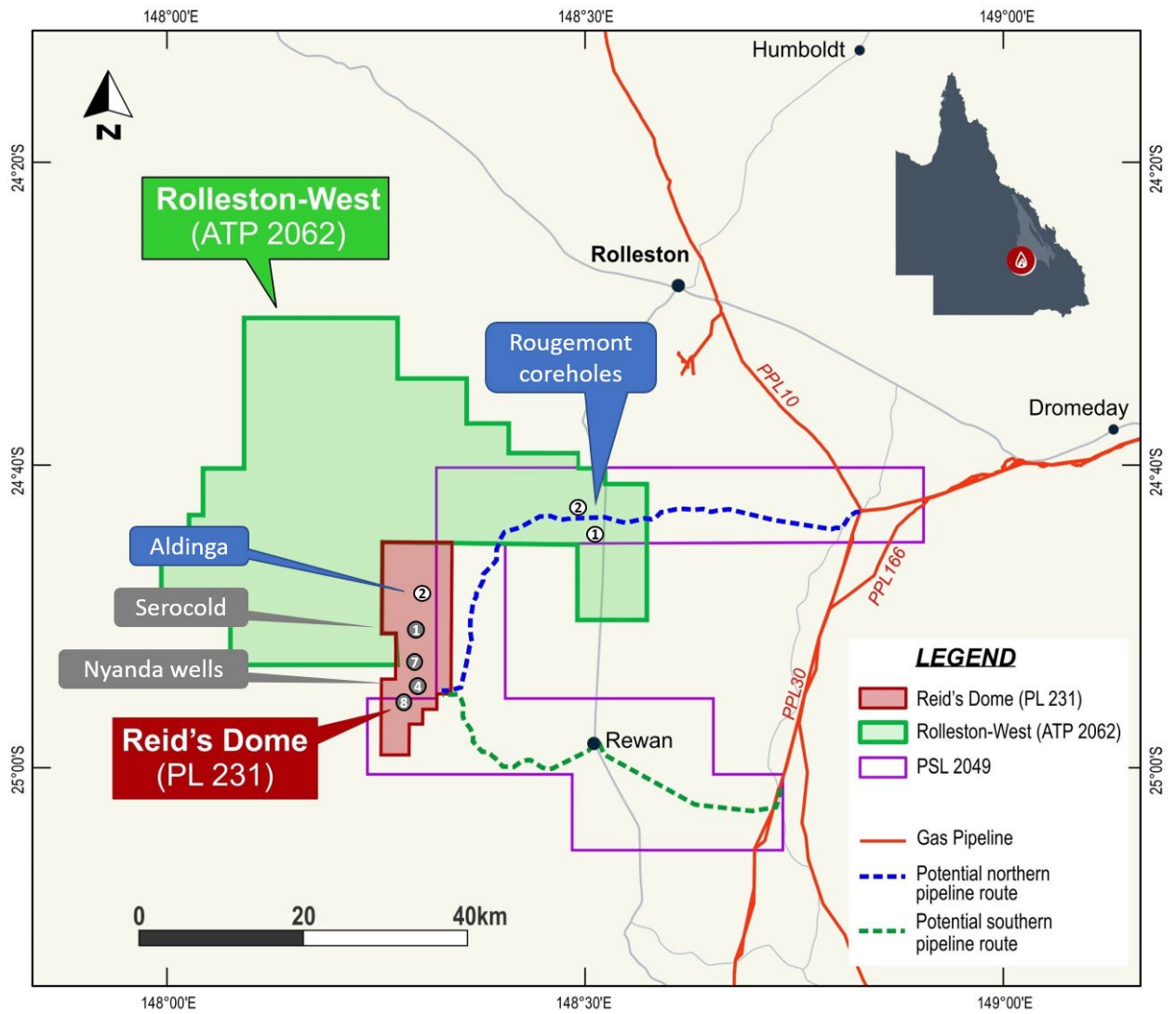


Figure 1: Map showing location of State Gas activities