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ASX RELEASE

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Rougemont-2 Results Establish New CSG Play

Highlights

- Rougemont-2 results confirm viable Bandanna coal seam gas play at the Company's 100%-owned Rolleston-West Gas Project (ATP 2062)
- Drill-stem tests for Rougemont-2 show excellent permeability, exceeding all expectations
- 8 metres of net coal confirmed, consistent with predictions¹
- Planning commences for production testing and appraisal drilling
- Strong consistency of coal seams and field gas content results with Rougemont-1 (drilled last month)² suggest the extensive Bandanna coal measures in ATP 2062 host significant volumes of gas

State Gas Limited (ASX: GAS) is pleased to announce that the Rougemont-2 test results have confirmed a new Bandanna coal seam gas (CSG) play. The Rougemont-2 well was drilled, logged and tested and has been suspended pending production testing.

Rougemont-2 intersected gas-bearing Bandanna coal measures which show strong correlation with the measures identified by coal exploration holes and historic conventional wells in the area, thereby validating the Company's hypothesis of a viable CSG play within the eastern half of the Rolleston-West (ATP 2062) Gas Project area.

Analysis of drill-stem test data confirms excellent permeability. Additionally, initial Rougemont gas analysis received yesterday indicates near-pipeline quality gas. Field values of gas content of the coals indicate the laboratory-determined numbers should exceed the threshold for commercial volumes. Final gas contents from the laboratory will be available in due course.

Executive Chairman, Richard Cottee, said that the results of the analyses indicated a high likelihood of a viable project at the Rolleston-West Gas Project.

"The results of the drill stem tests at Rougemont-2 have established the presence of excellent permeability."

"In fact the results of permeability testing in the well remind me of my early days at QGC. The permeability of the coals in the 'nose' structure at our Rougemont-2 area rivals that of QGC's legendary Undulla Nose in the Surat Basin to the south, which was first drilled in 2000."

"This comparison, together with the correlations with other well and coal exploration data across the area, gives me great confidence of an exciting new era for the Company", Mr Cottee said.

¹ Announced on 7 June 2021

² Data on Rougemont-1 announced on 24 May 2021

Planning for production testing of the Rougemont wells has already begun. The shallower of the two wells will be utilized for gas production testing, with facilities to be installed at the earliest opportunity to determine production metrics for both gas and water.

Concurrent planning for appraisal drilling has also commenced, with the new Rougemont data being inserted into the Company's geological model. Appraisal well locations will be selected to obtain additional critical information and maximise the potential reserves capture.

The Rolleston-West Gas Project is contiguous with the Company's 100%-owned Reid's Dome Gas Project (PL 231) and located 30 kilometres from major pipeline infrastructure interconnected with the east coast gas transmission network and the export LNG facilities at Gladstone.



Drilling at Rougemont-2 June 2021

At the Company's 100%-owned Reid's Dome Gas Project (PL231), the production testing continues, with the four wells showing combined gas flow in excess of 220,000 cubic feet per day.

This week, production log testing at Nyanda-4 is expected to determine how many of the coal seams in the well are contributing to the 140,000 cubic feet daily gas flow from the well. The Serocold-1 well, drilled in 2019, has also been cleaned out and is currently flowing gas at 35,000 cubic feet per day. Nyanda-8 is flowing gas at 40,000 cubic feet per day and Nyanda-7 is contributing 7,000 cubic feet of gas per day. Daily rates continue to climb as the coal seams are de-watered.

State Gas will continue to update the market as new information becomes available.

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).³

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 market⁴. State Gas' current focus has been to confirm the producibility of the gas through production testing of the wells.

³ The information in this paragraph was previously announced on 31 October 2018, 5 December 2018 and 31 January 2020.

⁴ Strategy announced on 21 August 2019

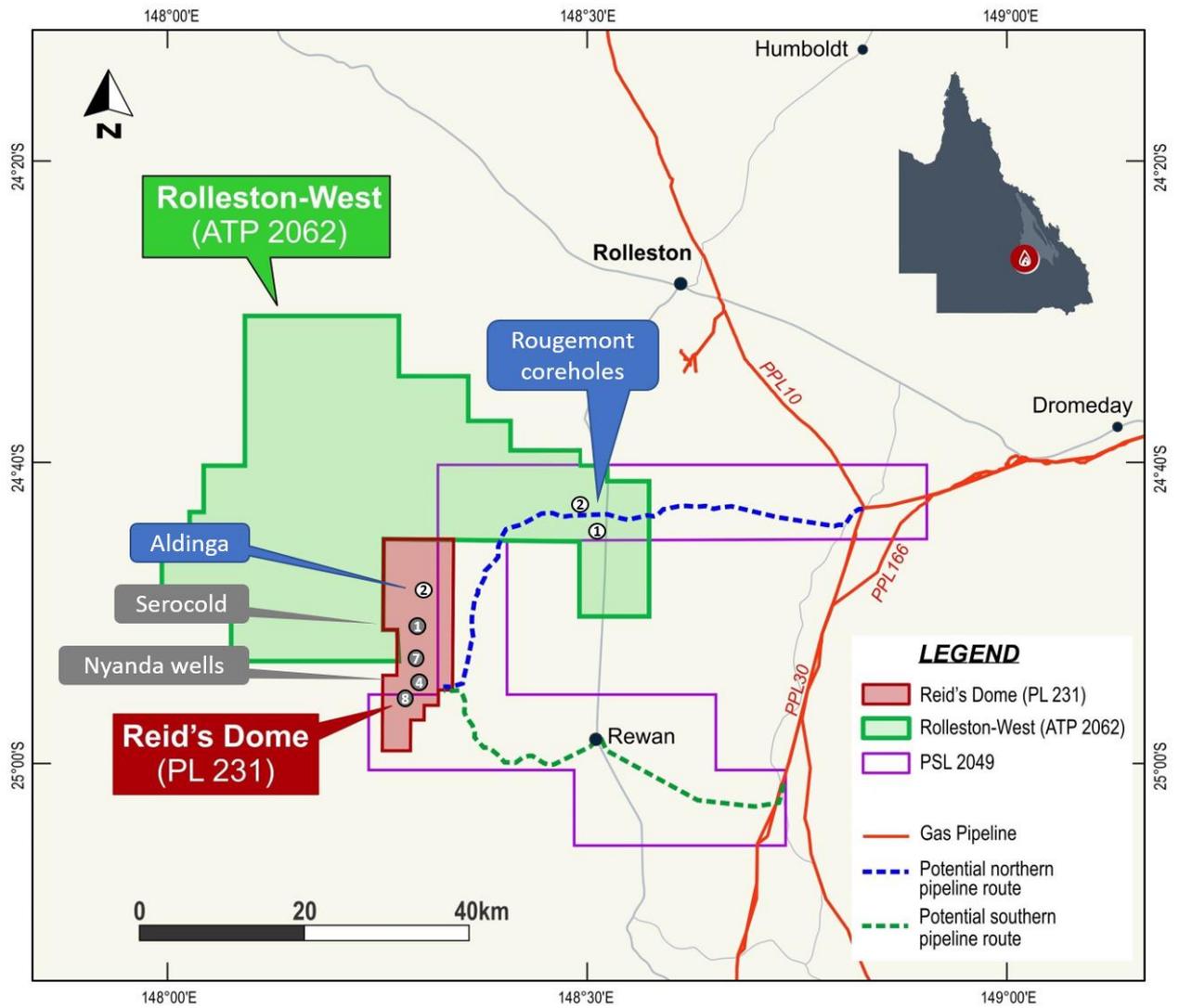


Figure 1: Map showing location of State Gas activities