



State Gas Limited
ACN 617 322 488
PO Box 10348
BRISBANE QLD 4000

ASX RELEASE

23 September 2020

State Gas Wins Contiguous New Acreage Creating Super Gas Region

Highlights

- State Gas appointed Preferred Tenderer (100%) of large new acreage area (PLR2020-1-5) contiguous with existing 100%-owned PL231 ("Reid's Dome").
- The new permit area will provide significant scale, increasing the Company's gas acreage by more than eight times, with potential to quadruple the Company's resource position.
- PLR2020-1-5 ("Rolleston-West") contains highly prospective targets for both coal seam gas (CSG) and conventional gas within the permit area. It is not restricted by domestic gas reservation requirements.
- The contiguous areas (Reid's Dome and Rolleston-West) enable integration of activities and a unified super-gas region, providing economies of scale, efficient operations, and optionality in marketing.
- The Company expects to rapidly progress permitting and move quickly to grant of the Authority to Prospect in the coming months.
- Expressions of interest have already been received from potential customers, with two major industrial gas consumers formally supporting the Company's bid for the area.
- New record gas flow rate approaching 500 mscf/d at the Nyanda-4 well at Reid's Dome Project (PL231) to the south of the new Rolleston-West permit.
- \$9.5M placement to energy sector investors including Trevor St Baker and other experienced energy and technology investors, with SPP to raise a further \$2M.
- State Gas well positioned to participate in Federal Government gas-led recovery.

State Gas Limited (ASX: GAS) ("the Company") has been appointed Preferred Tenderer (on a 100% basis) of substantial new acreage ("**PLR 2020-1-5**", "**Block 5**" or "**Rolleston-West**") in the latest Queensland Government Petroleum Land Release. West of Rolleston in Central Queensland (refer map below), Block 5 surrounds the northern part of the Company's existing 100% owned PL231, where it is developing the Reid's Dome Gas Project to bring gas to market to meet forecast shortfalls in the east coast domestic gas market.

Being contiguous to PL231, Block 5 covers 1,414 km², an area eight times larger than PL231 (174 square km). The Rolleston-West project contains highly prospective targets for both coal seam gas (CSG) and known conventional gas within the permit area.

The Bandanna coal measures, a proven resource for CSG in the region, are extensive across Block 5. The Block also contains the extension of the Reid's Dome Beds which the Company is

currently appraising in PL231, and several promising conventional targets identified by historical seismic and drilling.

Rolleston-West, like PL231 (Reid's Dome), is not constrained by a domestic market supply condition; gas produced from the Block may be sold to any market, providing further flexibility for State Gas.

Being contiguous with PL231, the addition of Rolleston-West will create a super-gas region and enable the Company to integrate activities and undertake a unified development across both areas. Facilities and infrastructure can be shared and optimally located and economies of scale can be obtained.

Gas from Rolleston-West and Reid's Dome will be exported through a single pipeline, currently being planned by State Gas. The Company has identified two potential routes for an export pipeline (shown below), one of which passes through Rolleston-West, and has recently obtained Petroleum Survey Licence 2049 which traverses a major part of the new permit and will enable on-the-ground investigations of both routes (refer map).

State Gas will now proceed to carry out initial works to obtain the environmental and other approvals relevant to the area. Native Title has been extinguished over the vast majority of Rolleston-West, enabling the Company to move quickly to grant of the Authority to Prospect, and subsequently commence works.

State Gas Executive Chairman Richard Cottee said that the award of Block 5 was a 'company-maker' for State Gas. "The new acreage has the potential to quadruple the Company's resource position, and the increase in scale will enable efficiencies and optionality in operations, management and marketing."

Mr Cottee also noted the significance of both conventional and CSG targets within Rolleston-West, and the absence of restrictions on sale of the gas: "The existence of conventional gas, which can be much more easily turned up or down, alongside the CSG, should enable State Gas to better meet the increasingly volatile demand profile of the Eastern Seaboard gas market, as gas is increasingly used to support renewable generation."

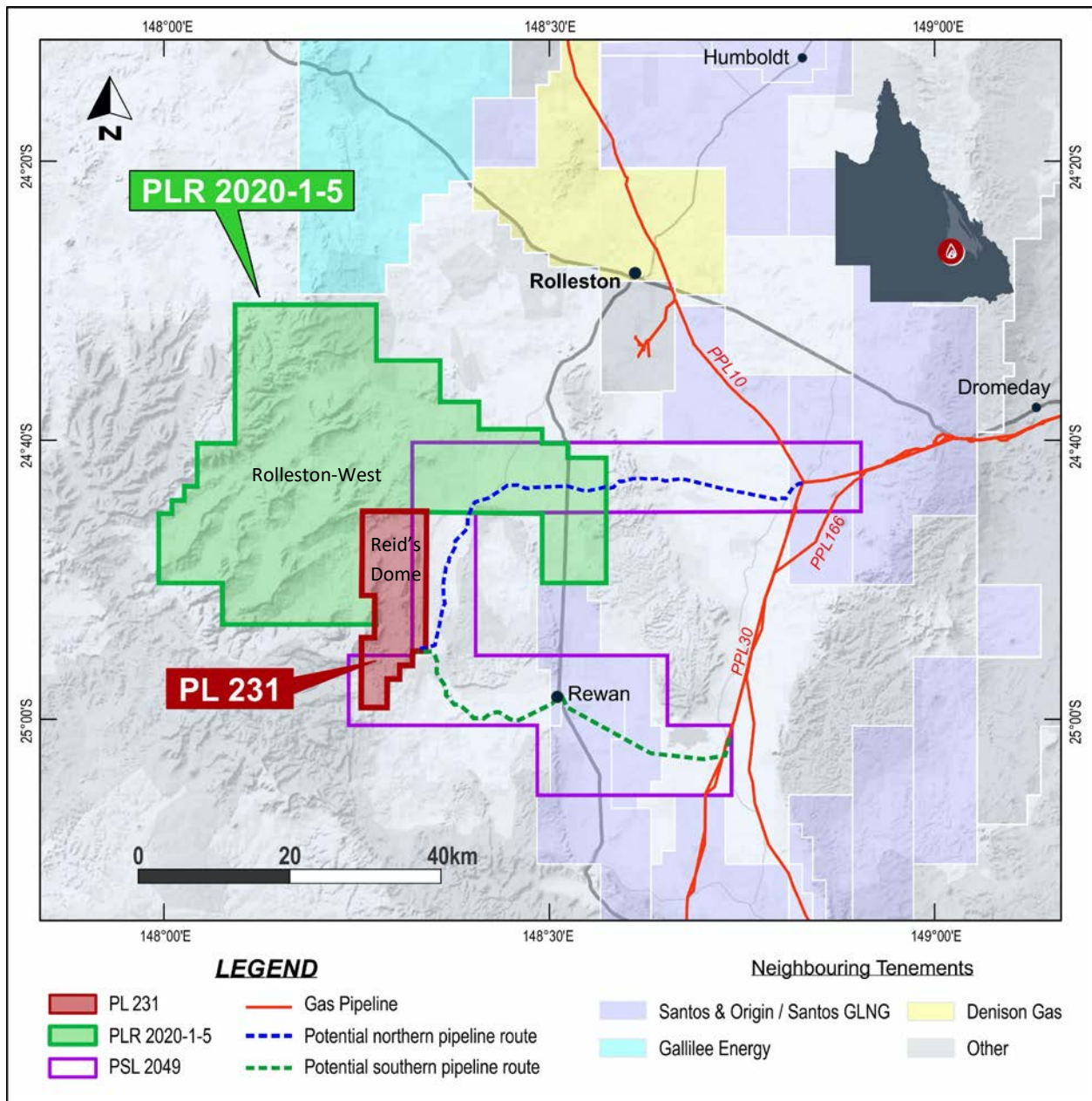
Neither PL231 nor Block 5 is subject to domestic marketing conditions. "The gas we produce can be sold to any market. Nothing beats optionality in times of uncertainty", Mr Cottee said.

The Company has already received expressions of interest from potential customers, with two major industrial gas consumers formally supporting the Company's bid for the area.

Mr Cottee commented on the Queensland Government's petroleum land release program and Federal Government initiatives to promote gas to support the national economy. "This latest petroleum land release is well timed to enable State Gas to contribute meaningfully in a gas-led economic recovery."

"The news of the award of Block 5 follows a new record flow rate to the south at Reid's Dome from the Nyanda-4 well during the past weekend, approaching **500 mscf/day** after just over eight weeks of de-watering.

"We are very pleased with both the excellent flow rates we are achieving at our 100%-owned Reid's Dome Gas Project, and that this exceptional new gas acreage extending our project area has been awarded to State Gas during the lead-up to such a critical time for the east coast gas market", Mr Cottee said.



Equity Raising

State Gas today announced a private placement raising \$9.5M at a price of \$0.55 per share, agreed with sophisticated and energy sector investors including Trevor St Baker (and associated entities) and other experienced energy and technology investors. The Company also today announced a Share Purchase Plan (SPP) targeting a further \$2 million to allow qualifying shareholders the opportunity to participate alongside the private placement. Funds raised under the private placement and SPP will be applied to progressing both the Reid's Dome Gas Project and field work at the new Rolleston West Gas Project.

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

FOR FURTHER INFORMATION

Richard Cottee
Executive Chairman
Phone: 0458 517 850
Email: richard@stategas.com

Lucy Snelling
Head, Corporate & Commercial
Phone: 0439 608 241
Email: lucy@stategas.com

www.stategas.com

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 implementing its strategic plan to bring gas to market from PL 231 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