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ASX RELEASE

1 October 2020

Operational Update - Reid's Dome Project & New Acreage Awarded

Reid's Dome Gas Project (PL 231)

Following the exceptional results of the Nyanda-4 gas production test announced last week, where gas flow rates have approached 500,000 scf/d after two months of dewatering¹, **State Gas Limited (ASX: GAS)** ("the Company") is now actively planning Phase 2 of its exploration and appraisal program for its Reid's Dome Project (PL 231).

The Company is well-positioned with funding in place² to commence Phase 2 drilling by mid-November this year. The Phase 2 campaign will obtain additional data to secure a significant certified reserves booking and enable field development planning and infrastructure design for early commercialisation of the Nyanda area (shown in Figure 1 below).

Phase 2 of the program will involve drilling and production testing of at least four step out wells from Nyanda-4, with the possibility of two optional additional wells to further delineate gas resources across PL 231. A key objective is to obtain data on appropriate well spacing for field development via monitoring downhole pressures from several nearby wells producing simultaneously. The current production test at Nyanda-4 has been suspended until the new wells have been drilled so that communication with the nearby producing wells can be monitored.

Other key data from the new pilot wells to inform design and planning of processing facilities and other major infrastructure will include gas and water flow rates and composition from multiple wells over an extended period (e.g. 6 to 9 months).

While Phase 2 will focus on the Nyanda region of PL 231, gas flow rates continue to increase steadily at the Serocold-1 well, with very low water make. Damage to the well bore has limited the depth at which the pump could be placed, resulting in approximately 47% of the targeted coal seams below the pump and unlikely to contribute to this test³. The Serocold-1 flow test will shortly be suspended to free up field operations to focus on the new drilling campaign.

Rolleston-West – New Gas Acreage Awarded During September 2020

State Gas is also undertaking planning for an initial gas well to be drilled within new acreage awarded to the Company in the recent Queensland Petroleum Land Release⁴ - proposed **Authority to Prospect 2062, ("Rolleston-West")**. The proposed well, to be named Rougemont-1, will investigate the highly-prospective and well-understood Bandanna coals in the eastern

¹ Announced on 23 September 2020 in release *State Gas Wins New Contiguous Acreage Creating Super Gas Region*

² As announced on 23 September 2020 State Gas has secured funding of \$9.5m by way of a Private Placement and announced a Share Purchase Plan to raise a further \$2m.

³ Previously announced on 16 September 2020

⁴ As announced on 23 September 2020 in release *State Gas Wins New Contiguous Acreage Creating Super Gas Region*

region of the acreage (shown in Figure 2 below). The Rougemount-1 well will facilitate down-hole logging to determine coal thickness and depth of seams, along with permeability testing of seams. Subject to these results, the well may also be production tested during the Phase 2 program. The proposed Rougemount-1 will be strategically located within Rolleston-West to be close to State Gas' proposed northern route option for the export pipeline from PL 231 (Reid's Dome).

This proposed new well will be the first of several planned over the Initial Work Program for the Rolleston-West acreage, investigating both coal seam gas and conventional targets in the area.

Unified Gasfield Development

Under sole ownership by State Gas, the contiguous acreage areas (Reid's Dome and Rolleston-West) enable the co-ordination and integration of activities under a unified super-gasfield development that will provide economies of scale, efficient operations, and optionality in marketing. The Company holds Pipeline Survey Licence PSL 2049 (refer Figure 2) which includes potential pipeline routes that would conveniently service both Reid's Dome and Rolleston-West via the same corridor. Neither Reid's Dome nor Rolleston-West are restricted by domestic gas reservation requirements.

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

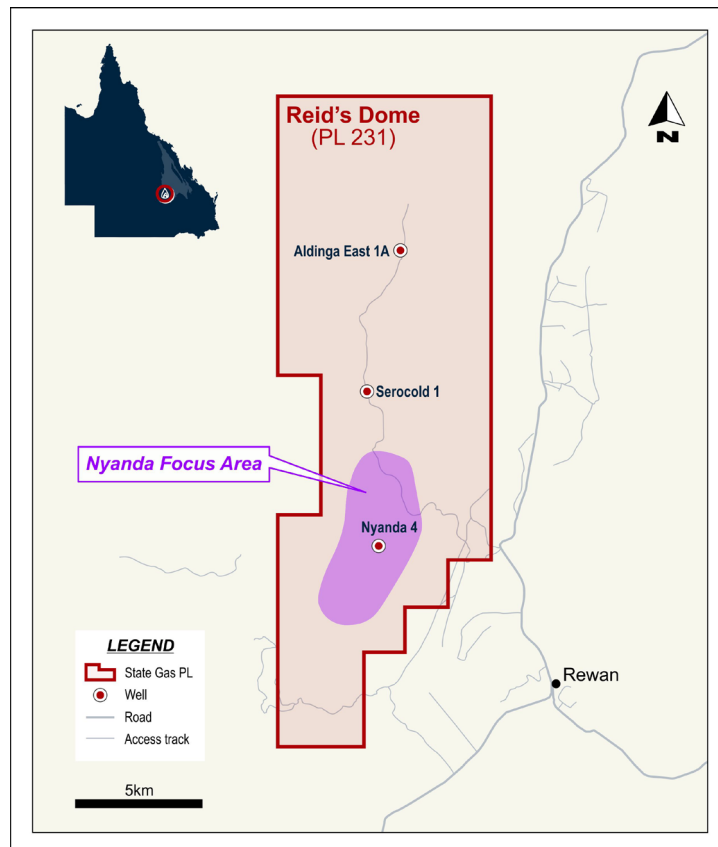


Figure 1: Location of proposed Nyanda early development area

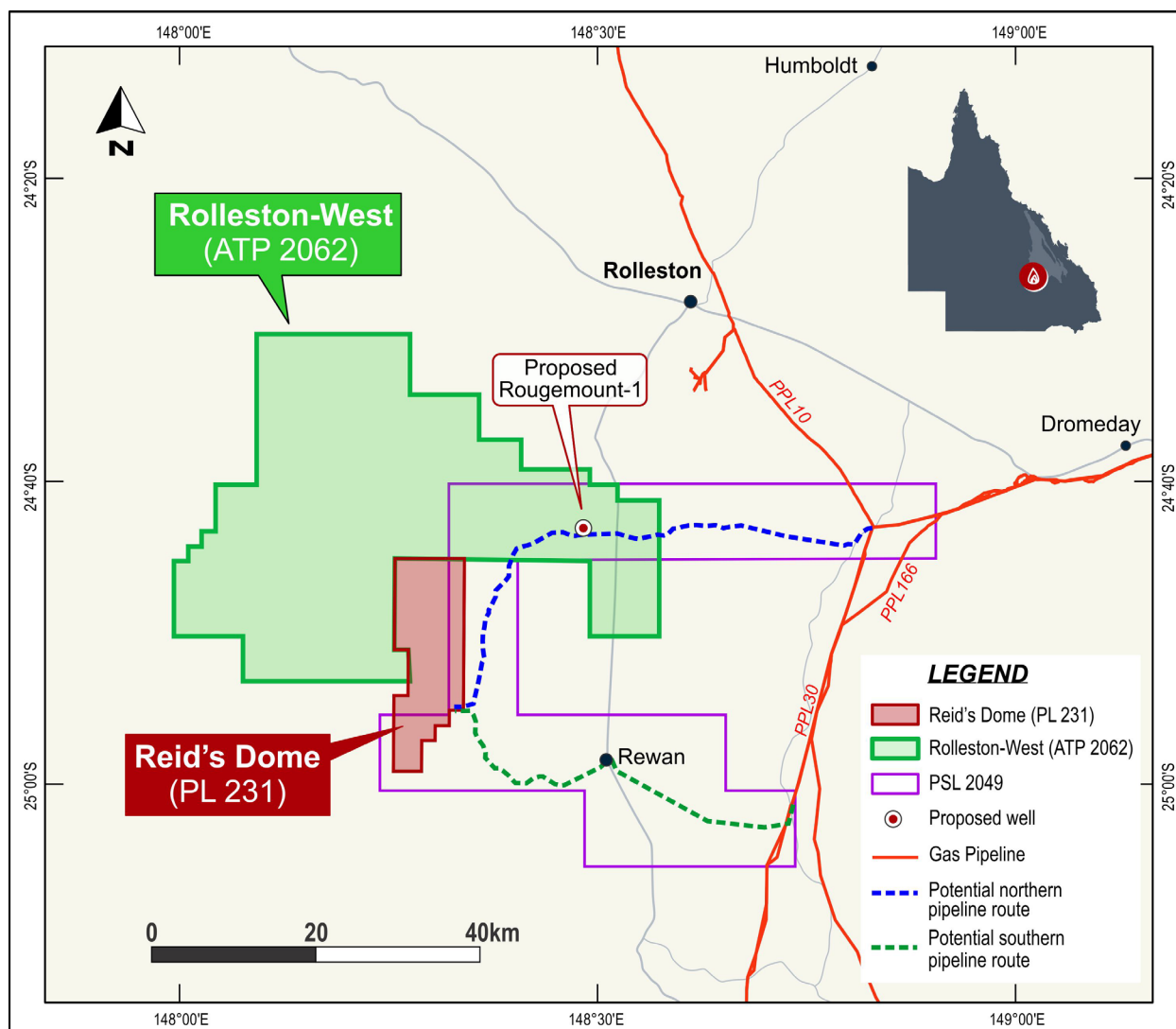


Figure 2: Map showing approximate location of proposed Rougemont-1

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).⁵

State Gas is also the Preferred Tenderer for proposed 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 market⁶. State Gas' current focus has been to confirm the producibility of the gas through production testing of the wells.

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

⁶ Strategy announced on 21 August 2019