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ASX RELEASE

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Authority to Prospect for New Gas Acreage Granted

Following its appointment last week as Preferred Tenderer for new gas acreage in the Bowen Basin in the most recent Queensland Government Land Release¹, **State Gas Limited (ASX: GAS)** ("the Company") is very pleased to advise that the Authority to Prospect (ATP) for the area (shown in Figure 1 below) was granted yesterday.

State Gas has accelerated efforts to obtain the necessary Environmental Approval and meet other conditions as Preferred Tenderer, resulting in the grant of ATP 2062 by the Minister for Natural Resources, Mines and Energy within a fortnight of being appointed preferred tenderer.

The formal grant of ATP 2062 allows State Gas to commence activities on its new Rolleston-West project, adjoining its existing Reid's Dome Gas Project (PL 231).

As announced on 1 October 2020, the Company has commenced planning for drilling of an initial gas well within Rolleston-West, proposed Rougemont-1, to investigate the highly-prospective and well-understood gas-bearing Bandanna coals in the eastern region of the acreage. The rapid grant of ATP 2062 ensures that the new well can be drilled in conjunction with the Company's planned drilling campaign for neighbouring PL 231², facilitating significant efficiencies and cost savings.

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.

State Gas Executive Chairman Richard Cottee expressed his delight at the quick grant of the ATP: "I am very pleased with the speed at which the new permit has been issued, meaning we can immediately move onto the ground and start drilling in the permit. Receiving the permit now means we can ensure it is drilled as part of the Reid's Dome campaign this Quarter. This means no delays in obtaining the benefits of the new area", he said.

"The new Rolleston-West project has increased the Company's gas acreage more than eight-fold, and has the potential to quadruple the Company's resource position. The increase in scale will enable efficiencies and optionality in infrastructure, operations, management and marketing."

"Neither Reid's Dome nor Rolleston-West are restricted by domestic gas reservation requirements", Mr Cottee said.

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

² See announcement on 1 October 2020

The Company is well-funded to progress the upcoming drilling and production testing at both Reid's Dome and the new Rolleston West Gas Project following a \$9.5M private placement announced last week, along with a Share Purchase Plan currently underway.

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

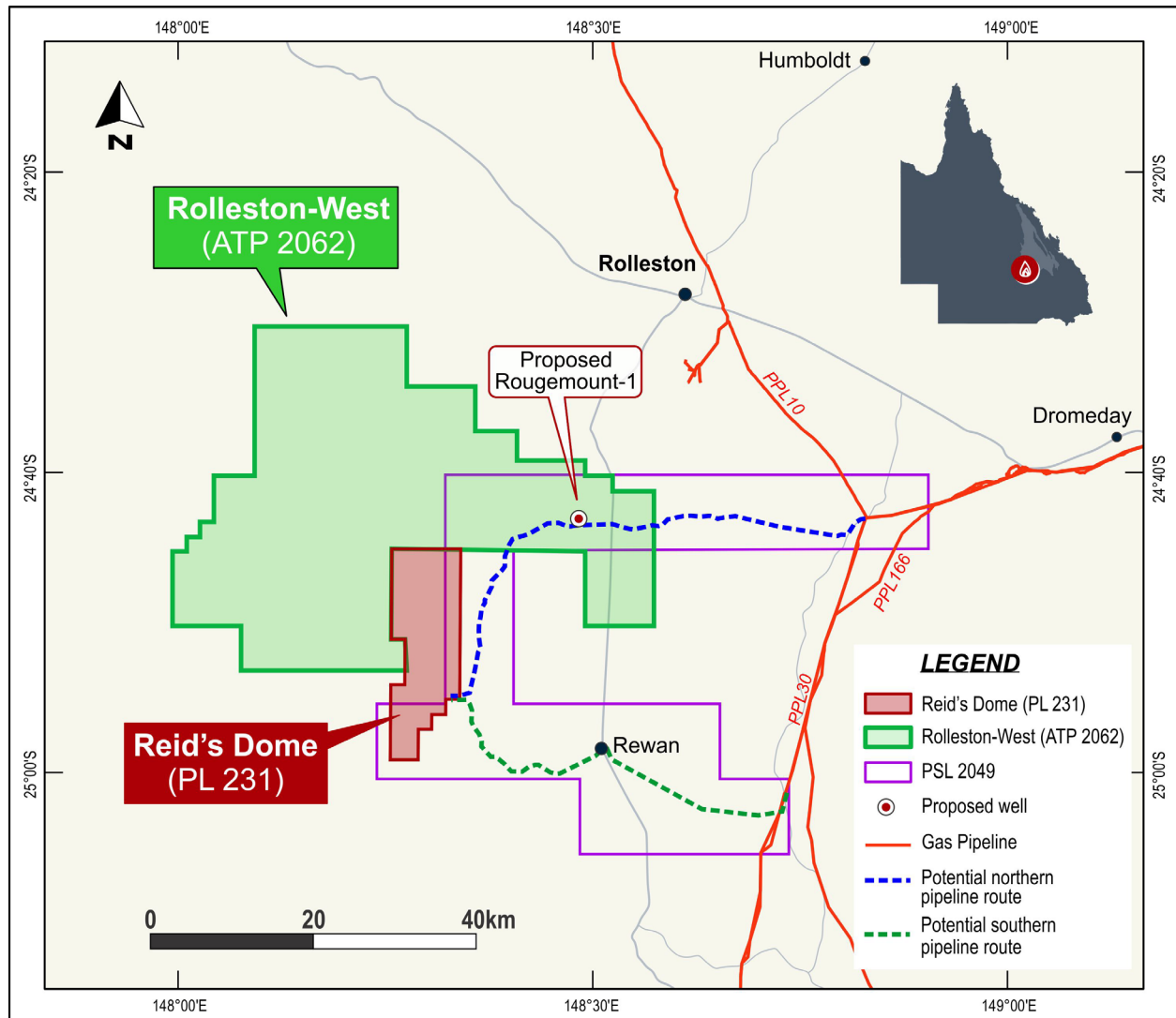


Figure 1: Map showing the area of ATP2062 Rolleston-West and approximate location of proposed Rougemount-1

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).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