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ASX RELEASE

7 June 2021

Success at Second Rougemont Gas Well

Highlights

- Rougemont-2 confirms gas-bearing Bandanna coal measures at the Company's 100%-owned Rolleston-West Gas Project (ATP 2062)
- Well reaches total target depth of 540 metres, with coal measures commencing at approximately 295m depth
- 8 metres net coal intersected by the well, with gas bubbling from the coals
- Field testing results suggest coal seams host commercial gas contents
- Strong consistency with Rougemont-1 results received last month suggest the extensive Bandanna coal measures in ATP 2062 host significant volumes of gas

State Gas Limited (ASX: GAS) is pleased to announce that its second Rolleston-West well, Rougemont-2, has intersected gas-bearing Bandanna coal measures very similar to the coals identified during drilling last month at its Rougemont-1 well¹ in Central Queensland. The strong correlation of the results of Rougemont-1 and 2 validate the Company's hypothesis that the extensive Bandanna Formation within the Rolleston-West Gas Project (ATP 2062) hosts significant volumes of gas.

The Rougemont-2 well, approximately 2.7km north west of Rougemont-1, was spudded on 29 May and reached total target depth of 540 metres at 8.00am on 5 June 2021. As at the Rougemont-1 well, core samples have been taken from the well, the well geology has been logged, and further testing is currently underway.

Both Rougemont wells intersected approximately 8 metres of net coal, hosted in a number of seams with the thickest seams in excess of 2 metres (2.8m at Rougemont-2 and 2.2m at Rougemont-1). The coal measures in Rougemont-2 were encountered at approximately 295 metres depth (i.e. approximately 200 metres shallower than at Rougemont-1).

Gas was observed bubbling from the coal samples taken from both wells, and field values for the gas content of the coals from both are similar. While final gas contents will be determined by laboratory analysis in due course, the field values suggest the gas content is likely to be within expectations for a commercial development. The visual appearance of the coals from each is also similar.

These similarities between the results from the wells so far suggest good consistency across the Bandanna coal measures at a range of depths. The Bandanna coal measures are extensive throughout this eastern arm of the Rolleston-West Gas Project, and correlate with the Bandanna

¹ Information in this release about the Rougemont-1 well was announced on 24 May 2021

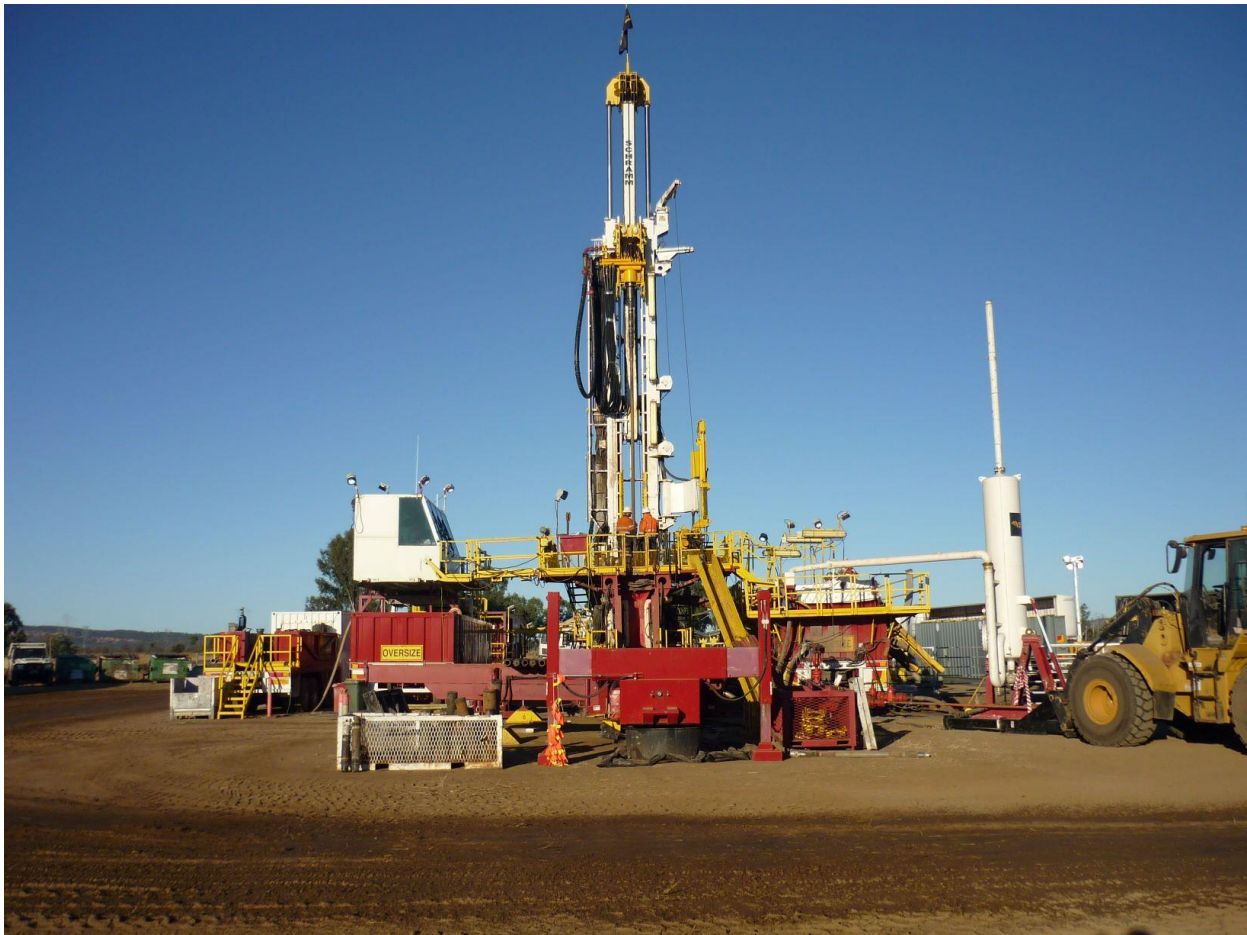
coals at the Arcadia Valley Coal Seam Gas project (Santos/GLNG) and under development at Mahalo (Santos/APLNG/Comet Ridge).

Executive Chairman, Richard Cottee, said that he was very encouraged by the results so far and their consistency.

“These results suggest good consistency across the extensive Bandanna coal measures in this region of the Rolleston-West Project.”

“Assuming further positive results from the wells, a gas project of significant scale may be possible in this area, to complement our neighbouring project at Reid’s Dome,” Mr Cottee said.

The Rolleston-West Gas Project is contiguous with the Company’s Reid’s Dome Gas Project and is located 30 kilometres from major pipeline infrastructure interconnected with the east coast gas transmission network and the export LNG facilities at Gladstone.



Silver City Drilling Rig 23 at Rougemont-1 well

State Gas will continue to update the market as further data from the wells 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).²

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 market³. State Gas' current focus has been to confirm the producibility of the gas through production testing of the wells.

² The information in this paragraph was previously announced on 31 October 2018, 5 December 2018 and 31 January 2020.

³ Strategy announced on 21 August 2019

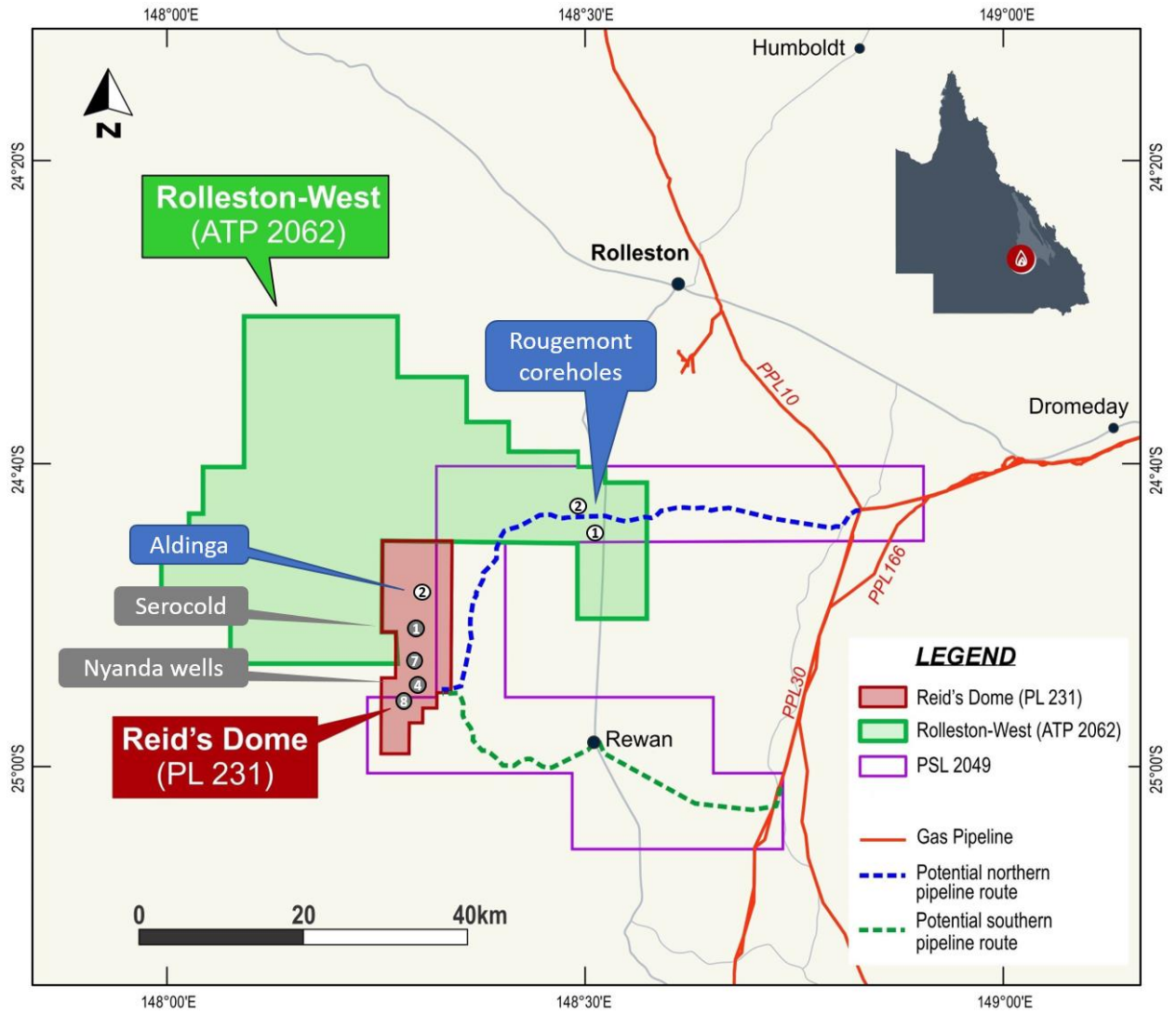


Figure 1: Map showing location of State Gas activities