Resource Estimates and Final Rougemont Well Results

Highlights

- Exceptional permeability of 395mD in primary Rougemont-2 seam.
- Gas content for the two primary seams in the Rougemont-1 and Rougemont-2 wells is a highly commercial 5.15 to 6.20 m³/tonne dry ash free.
- The gas in the relevant seams in both wells is more than 96% methane – pipeline quality once dehydrated.
- Production testing of Rougemont-2 well to commence shortly.
- Contingent Resources estimated for the East Bandanna Fairway within 100%-owned Rolleston-West Project (ATP 2062) of 53 PJ 1C, 91 PJ 2C, 161 PJ 3C.
- Contingent Resources for the 100%-owned Reid’s Dome Project (PL 231) also estimated at 74 PJ 1C, 126 PJ 2C, 223 PJ 3C.

State Gas Limited (ASX: GAS) has received gas content and final composition results for the recently drilled Rougemont-1 and Rougemont-2 wells in its 100% owned Rolleston-West Project (ATP 2062), enabling an estimate of contingent gas resources for the eastern area of the Bandanna coal measures within ATP 2062.

These latest results follow on from the exceptional permeability results received for the Rougemont-2 well, where the primary seams, one 2.8m thick, the other 2.4m, were found to have permeability of an outstanding 395mD, and very sound 25mD, respectively¹. These results, determined by drill stem testing following drilling, are extremely promising for production, suggesting early and comprehensive drainage of the gas in the seams.

The Rougemont-1 and -2 wells, the first wells in ATP 2062 awarded to the Company last October, were drilled to investigate the potential of the eastern area of the permit for a coal seam gas (CSG) project. The wells, approximately 2.7km apart, targeted the Bandanna coal measures, a well established gas bearing formation producing commercially at nearby Arcadia Valley (operated by Santos) and being prepared for commercial development at Mahalo (operated by APLNG).

The Rougemont-1 and -2 wells were drilled as coreholes, with samples of the coals sent for laboratory analysis of gas content and composition. The wells were also logged to identify coal thickness, and permeability tested.

Data from the wells indicated strong correlation between the wells, with laterally continuous coal seams of approximately 8 metres net coal across the area.²

¹ Permeability data included within State Gas presentation to Noosa Mining Conference released on 19 July 2021
² The drilling results of the Rougemont-1 and Rougemont-2 wells were announced on 24 May and 7 & 9 June 2021
The laboratory analysis of the coal samples has indicated good gas contents in the coals. The primary seams in Rougemont-2 were measured as 6.00 and 5.15 m$^3$/tonne dry ash free, while the correlative seams in the deeper Rougemont-1 were 6.20 and 6.18 m$^3$/tonne dry ash free. These results more than justify production testing and planning is well underway for a test at the Rougemont-2 well.

The final gas composition results are also a significant boost for the commerciality of the Project: the gas from both wells was in excess of 96% methane. Once dehydrated, the gas from this area will be of pipeline quality, which will enable processing costs to be kept to a minimum.

The receipt of the gas content results has enabled an estimate of the contingent gas resource in the east Bandanna fairway within the permit (indicative area shown in pale yellow on the map in Figure 1 below). The estimated Contingent Resources are set out in Table 1. These resources relate to the coal seam gas in the eastern area of the permit only, and do not include the conventional gas prospects in the permit, or the unexplored areas to the west of the Rougemont East Bandanna CSG Fairway. These areas are expected to add to the resources position of the Company when assessed.

| Estimated Contingent Resources East Bandanna Fairway |
|----------------|----------------|----------------|
| 1C             | 2C             | 3C             |
| 53 PJ          | 91 PJ          | 161 PJ         |

*Table 1: Estimated Contingent Resources East Bandanna Fairway*

*Figure 1: East Bandanna CSG Fairway within ATP 2062 (Rolleston-West Project)*
Reid’s Dome

The Company has also obtained an estimate of the contingent resources in its Reid’s Dome Project, PL231. The estimated Contingent Resources are set out in Table 2.

<table>
<thead>
<tr>
<th>Estimated Contingent Resources</th>
<th>Reid’s Dome (PL231)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1C</td>
<td>2C</td>
</tr>
<tr>
<td>74 PJ</td>
<td>126 PJ</td>
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</tbody>
</table>

*Table 2: Estimated Contingent Resources Reid’s Dome (PL231)*

Executive Chairman, Richard Cottey, stated that these latest results from the Rougemont wells were unambiguously good news.

"We already knew we had good coal thickness and absolutely outstanding permeability at Rougemont-2. Now, with these gas content numbers, we have every expectation that the area will support a very commercial project," he said.

“This is particularly so with the gas composition: this is pipeline quality gas, just needing dehydration and compression to enter the network – the least processing possible," he added.

“T I am very much looking forward to production testing Rougemont-2, and, in due time, a highly commercial project from the East Bandanna Fairway”, he said.

He also commented on the new Resource estimates for the projects.

“I am also very pleased with the Contingent Resource estimates received for both Reid’s Dome and Rolleston-West. I have always had confidence in the ‘size of the prize’ at these Projects, and now see my confidence confirmed”.

“These volumes gas will provide a very much needed supply boost into the east coast gas market, which, as the ACCC has identified, is facing the prospect of real shortages." 3

“With nearly 400PJs of Contingent Resource in contiguous projects so close to the transmission pipeline network, State Gas is very well placed to leverage the looming national gas shortage.”

The Rolleston-West Gas Project is contiguous with the Company’s Reid’s Dome Gas Project and located 30 kilometres from major pipeline infrastructure interconnected with the east coast gas transmission network and the export LNG facilities at Gladstone. Neither the Rolleston-West or Reid’s Dome Gas Projects are subject to domestic gas reservation restrictions.

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

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

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3 ACCC Gas Inquiry Interim Report July 2021
Competent Person Statement and ASX Listing Rules Chapter 5 - Reporting on Oil and Gas Activities

The estimate of Reserves and Contingent Resources for the Reid’s Dome and Rougemont Gas Projects provided in this Announcement, is based on, and fairly represents, information and supporting documentation prepared by Mr James Crowley in accordance with Petroleum Resource Management System guidelines.

Mr Crowley is a full-time employee of State Gas, and is a qualified person as defined under the ASX Listing Rule 5.42. Mr Crowley holds a Bachelor of Science (Honours) from Macquarie University, Sydney and has over 35 years’ experience in the industry. He is a member of The Petroleum Exploration Society of Australia and The Society of Petroleum Engineers. Mr Crowley has consented to the publication of the Contingent Resource estimates for the Reid’s Dome and Rougemont Gas Projects in the form and context in which they appear in this Announcement.

The Contingent Resource estimates for the Reid’s Dome and Rougemont Gas Projects, both of which are held 100% by State Gas, were estimated utilising the probabilistic method and have not been adjusted for commercial risk.

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).4

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. With CSG confirmed in the initial two wells drilled by State Gas, Rolleston-West is known to contain highly prospective targets for both coal seam gas (CSG) and known conventional gas within the permit area. Neither project is restricted by domestic gas reservation requirements.

The contiguous areas (Reid’s Dome and Rolleston-West), under sole ownership by State Gas,

4 The information in this paragraph was previously announced on 31 October 2018, 5 December 2018 and 31 January 2020.
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 market\(^5\). During 2020 and 2021, State Gas’ has focused its efforts on confirming the producibility of the gas through production testing of the wells.

\[^5\] Strategy announced on 21 August 2019

*Drilling at Rougemont-1 May 2021*