



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

ASX RELEASE

28 January 2022

Central Queensland Production Testing Update

State Gas Limited (ASX: GAS) is pleased to give an update on its current production testing activities underway within its Central Queensland gas projects.

The Company is conducting concurrent programs of work: at its Reid's Dome Project at PL 231 (Reid's Dome Beds coals), to confirm the commerciality of the Project for delivery of new gas supplies into the east coast market; and at its contiguous Rolleston-West Project (Bandanna Formation coals) on the recently issued ATP 2062 to confirm the area for gas development. Gas production testing is currently underway at both of these projects.

Two wells, Rougemont-1 and Rougemont-2, were drilled into the eastern arm of ATP 2062 in mid 2021 as the first wells in the new permit¹. The wells targeted the Bandanna Formation, a coal formation producing commercially at Arcadia Valley (Santos operated) to the south east, and under development (by Comet Ridge) at Mahalo to the north. Both wells encountered approximately 8m net coal, with good quantities of gas at or near pipeline quality. The permeability at Rougemont-2 was an exceptional 395mD, and the Company commenced a production test of the well on 15 November 2021².

Production testing at Rolleston-West has included ongoing pumping to slowly reduce water levels at Rougemont-2, to minimise the potential for sudden pressure changes to damage to the reservoir. While the water level is currently ~130m above the coals with several further weeks required to expose them, gas production has already commenced at Rougemont-2. Gas flows are steady with consistent growth, and are expected to increase significantly once the coals are fully exposed. Sampling conducted in 2021 indicated gas of pipeline quality at Rougement-2.

At Reid's Dome, State Gas undertook a highly successful production test of the Nyanda-4 well in the first part of 2021³. Encouraged by this success and the high gas contents in the area⁴, the Company undertook production enhancement activities at the Nyanda-8 and Serocold-1 wells to establish the potential of these wells to deliver results similar to the Nyanda-4 well. The Nyanda-8 well was jetted and the test recommenced on 28 November 2021⁵, and the Serocold-1 well was sleeved and the test recommenced on 5 December 2021⁶.

Skin damage to the formation at Nyanda-8 appears to be slowly resolving, enabling ever increasing gas volumes to be produced from the well. Despite the formation damage, Nyanda-8 is consistently producing gas at relatively low volumes, with small but steady increases daily. The Company looks forward to further progress from the well.

¹ The results of the Rougemont wells were announced see ASX release 27 August 2021.

² Announced 17 November 2021

³ See Quarterly Activities Report 30 July 2021

⁴ Average gas content in the Nyanda-4 was 13.75m³/tonne – announced 4 November 2019

⁵ Announced on 30 November 2021

⁶ Announced 6 December 2021

The Serocold-1 production test started well, producing consistent and growing volumes. Production has temporarily ceased at Serocold-1 as a result of a failure of the pump (due to parted rods). The Company is currently co-ordinating the repair of the pump, with testing expected to recommence in early February.

State Gas Executive Chairman Mr Richard Cottee expressed his satisfaction with the progress of the Rougemont-2 and Nyanda-8 production tests: "I am very pleased to see the consistent production from the wells. While volumes are initially small, I am expecting we'll see significant increases in gas flows in the coming weeks."

"The Rolleston-West Gas Project includes a significant area of Bandanna Coals in Central Queensland, and we remain excited about its potential in the east coast gas market."

"I am also keen to see how Sercold-1 performs once that well is back on pump and the water lowered," he continued. "Signs were promising prior to the breakdown, so I am expecting good results to come there as well."

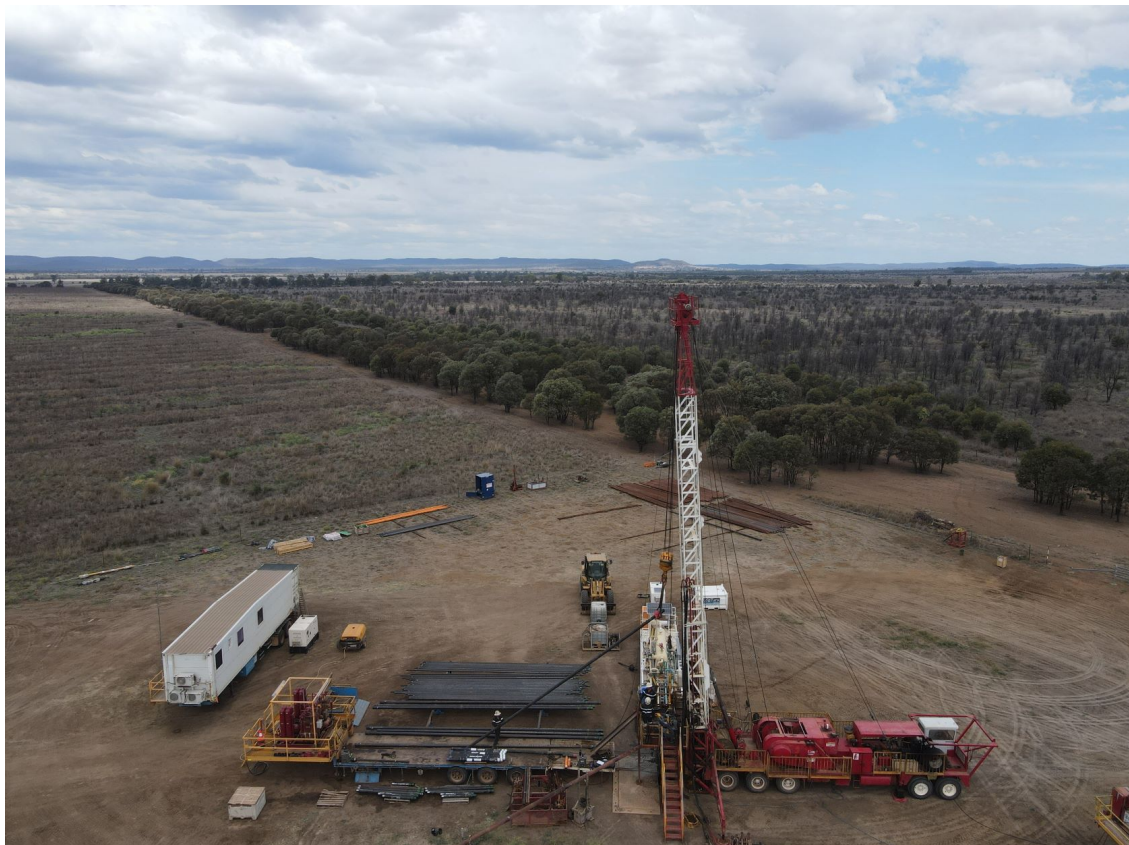
State Gas will continue to provide updates as activities progress.

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

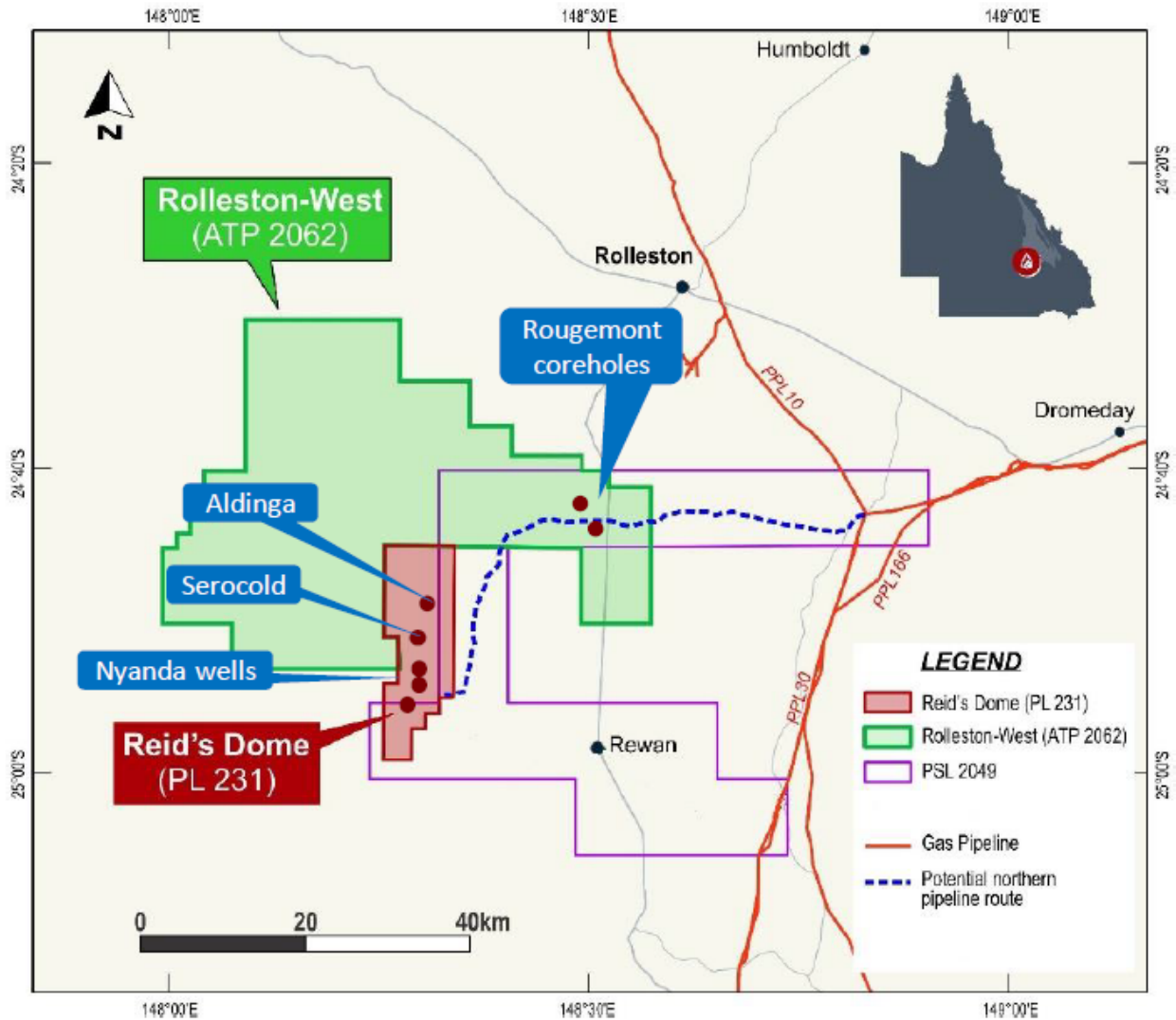
FOR FURTHER INFORMATION

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

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



The completion rig at Rougemont-2 preparing the well for the production test, November 2021




Map showing location of Projects and key wells

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).⁷

⁷ The information in this paragraph was previously announced on 31 October 2018, 5 December 2018 and 31 January 2020.



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 market⁸. State Gas’ current focus has been to confirm the producibility of the gas through production testing of the wells.

⁸ Strategy announced on 21 August 2019