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ASX RELEASE

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Rougemont Production Testing Update – Coals Begin Unloading Gas

HIGHLIGHTS:

- Rougemont-2/3 reaches early gas production of 50,000 cubic feet per day during testing
- Desorption pressure now reached, with the well surging gas and water
- With water level currently 170m above coal seams, further strong results are anticipated when coal seams are exposed

After several months of careful draw-down to reduce water levels in the combined Rougemont-2 vertical well and Rougemont-3 lateral wells (“Rougemont”), **State Gas Limited** (ASX: GAS) is pleased to advise that the pilot is beginning to show early signs of the coals unloading their gas.

As of 14 February 2023, gas flow rates have exceeded 50,000 cubic feet per day and are steadily increasing despite water levels being still 170 metres above the uppermost coal seam. Coincident with reaching desorption pressure, the well commenced surging both gas and water, indicating good permeability and strong drive. It is anticipated that, as further water is removed from the well and drained from the coal cleats, gas rates will continue to climb.

Executive Chairman, Richard Cottee advised that the strong early gas flows at this stage of de-watering were an early sign of the success of the lateral well technique at Rougemont 2/3.

“The fact that we are already getting 50,000 standard cubic feet per day flow rates when the coal is still 170 metres underwater is extremely pleasing” said Richard Cottee, Executive Chairman. “I can’t wait to see the flow rates when the water level falls below the coals and gas is more freely liberated”, Mr Cottee said.

The Company will keep the market informed of continued progress with production testing results

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from Rougemont and is now evaluating the location for further step-out wells to support an initial resource estimate for the project.

Accelerating the delivery of pipeline quality gas from Rougemont is a critical part of the Company's strategy to supply the tightening eastern seaboard gas market. Production from Rougemont could be additional to that included in the ACCC's long term supply analysis. Gas from the Company's permits is not restricted by domestic gas reservation requirements, and therefore, has the flexibility of being sold to either local customers or export markets.



Figure: Gas flare at Rougemont-2/3 on 8 February 2023

This announcement was approved for release by the Board of Directors.

FOR FURTHER INFORMATION

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ABOUT STATE GAS

STATE GAS LIMITED (ASX: **GAS**) is a Queensland-based gas exploration and development company focussing on the Bowen Basin in Central Queensland. State Gas is 100%-owner of the contiguous Reid's Dome (PL-231) and Rolleston-West (ATP 2062) Gas Projects, both of which contain both CSG and conventional gas. The Projects, together some 1,595km², are located south of Rolleston, approximately 50 and 30 kilometres respectively from the Queensland Gas Pipeline and interconnected east coast gas network. Neither project is restricted by domestic gas reservation requirements. State Gas intends to accelerate commercialisation of the conventional gas assets in Reid's Dome through the implementation of an innovative virtual pipeline solution which will see the Company transport gas by truck to a closely located inlet point on existing pipeline infrastructure.

State Gas also holds a 35% interest in new permit ATP 2068 in joint venture with Santos QNT Pty Ltd (65%), and, also in the same joint venture, has been appointed Preferred Tenderer for an additional new exploration block PLR2021-1-3. These two new areas lie adjacent to or in the near vicinity of State Gas and Santos' existing interests in the area, providing for an alignment of ownership interests across the region, enabling synergies in operations and development.

None of State Gas' permits are restricted by domestic gas reservation requirements. State Gas is implementing its strategic plan to bring gas to market from Reid's Dome and Rolleston-West to meet shortfalls in the east coast domestic gas market.

State Gas is also undertaking a carbon management initiative with minerals explorer Rockminsolutions Pty Ltd in respect of EPM 27596 on the western border of ATP 2062. This project is investigating the potential of basalts in the Buckland Basaltic Sequence to provide long term secure sequestration of carbon through mineralisation.