

ASX RELEASE

30 July 2021

QUARTERLY ACTIVITIES REPORT

1st April 2021 – 30th June 2021

Highlights

- Nyanda 4 well produces gas at close to 700,000 cft/day before stabilising at 140,000 cft/day
- Production Log Test at Nyanda 4 confirms production of gas from 1150 metres depth, increasing potential Project reserves
- Infrastructure providers willing to build, own and operate pipeline and facilities, reducing the capital requirements of State Gas
- First drilling at the Company's 100% Rolleston-West Project (ATP 2062) confirms a viable coal seam gas play
- Rougemont 1 and Rougemont 2 wells intersect 8 metres net coal, with seams up to 2.8 metres thick and laterally continuous over many kilometres
- Exceptional permeability at Rougemont 2 bodes well for gas production.

Reid's Dome

This Quarter has been a defining period for State Gas in its march towards commercial production from its 100% owned Reid's Dome Project (PL231) in 2023. The Quarter saw ongoing production testing in the southern Nyanda focus area and the re-establishment of testing at the central Serocold 1 as the Company progresses appraisal of the permit for development.

Production testing at Nyanda 4 saw gas flows from the well surge towards 700,000 cubic feet/day before settling back to a rate around 140,000 cubic feet/day with an ongoing steady increase¹. These results have been very encouraging and have confirmed the simple and cost-effective completion technique employed for this well.

Data obtained from the production test at Nyanda 4 has indicated that gas is being produced from zones much deeper in the well than is traditional for coal seam gas, and during the Quarter the Company undertook a Production Log Test ("PLT") of the well to confirm this. The results of the PLT have clearly confirmed three prime production zones, of which the most productive are the top zone, at depths between 400 and 600 metres, and in addition, the



Production testing at Nyanda-4, June 2021

¹ Announcements on 30 April, 17 May, & 9 June 2021

lower zone at around 1000 to 1200 metres.² The confirmation of gas production at these lower depths will be critically important as it not only confirms more productive zones in the Reid's Dome Beds, but also increases the area from which production can be expected, both of which should translate to greater reserves.

Production testing also continued during the Quarter at the Nyanda 7 & 8 wells (approximately 2.5km to the north and south west of Nyanda 4 respectively). Gas production from these wells was constrained by what we believe is higher "skin" at the interface between the coal and the wellbore and lower permeabilities, but nonetheless amounted to 40,000 to 50,000 cubic feet per day at Nyanda 8³. Your Company believes that substantially higher rates can be achieved from this well with jetting of the higher productive zones, thereby exposing more of the productive coals. We hope to confirm this enhanced completion technique this Quarter.

The highest productive zones in Nyanda 8 will be identified by a PLT, which is expected to confirm production at depth is also a feature in this well. A PLT at each of Nyanda 4 and Nyanda 8 will provide invaluable information towards our understanding of the Reid's Dome coals, however should not be further required as a standard practice.

Serocold 1, returned to gas production, surged over 60,000 cubic feet/day, stabilising at approximately 36,000 cubic feet/day⁴ and increasing, before solids in the wellbore caused the pumps to seize. This influx of solids can be prevented by foam squeezing or sleeving (both of which are standard techniques) with little material incremental cost. The Company plans to implement a foam squeeze in this well during the current Quarter to confirm this central area of the permit as commercially productive.

With good results from these works we anticipate obtaining a reserves certification next Quarter.

Infrastructure Financing

Encouraged by the results so far at Reid's Dome we are actively engaged with infrastructure providers for the export pipeline and processing plant. These providers have indicated their willingness to proceed on a Build Own Operate ("BOO") or rental model, reducing our capital requirement for development.

Rolleston-West

During the Quarter the Company drilled the first two wells in its new Rolleston-West Project (ATP 2062), granted in October 2020. These two coreholes, Rougemont 1 and 2, provided the Company's most exciting results for the period.

Both wells intersected 8 metres of net coal⁵, with the thickest seam 2.8 metres thick and laterally continuous over many kilometres. Coal was intersected at Rougemont 1 at 495 metres and at Rougemont 2 at around 295 metres. Pleasingly the core samples showed methane content of 92.8% and 94.4% respectively. The permeability at Rougemont 2 ranged from 25 millidarcies to a staggering 395 millidarcies. These results warrant production testing at Rougemont 2, for which planning is currently underway.

The impact of a successful Rougemont production test cannot be over-stated. Rougemont is located on the northern route option for the export pipeline from Reid's Dome, providing the potential for Rougemont to become a brownfield development in economic terms. The

² Results of Nyanda-4 PLT announced on 24 June 2021

³ Announced on 17 May and 9 June 2021

⁴ Announced on 9 June 2021

⁵ The information in this paragraph was announced in releases on 24 May, 7 and 9 June, and 16 July 2021.

Company's aim is to progress the Rougemont opportunity as quickly as possible to harness the efficiencies from its complementary Reid's Dome development.

The Market

The market for gas in the Eastern Seaboard continues to tighten. The all-important Domestic Gas Netback Price (an ACCC calculated benchmark issued to inform domestic contract pricing, but is unaffected by domestic demand gyrations) has been well over 10% above the \$8-\$10/GJ range. It is expected that the market will tighten further in the next 2 years as a result of the twin effects of delayed new LNG projects (affecting the Domestic Gas Netback Price) and the ongoing decline in Bass Strait production, which is not offset by new supplies. The Company's view remains that 2023 onwards is indeed the right time to bring on new production

Financial Position

At the end of the Quarter the Company had cash at bank of \$3.16m, after expending \$2.8m in Project development costs, and \$0.3m in other costs.

Payments to Related Parties

A total of \$81,000 was paid to directors and their associates for salaries, director fees and superannuation during the quarter ended 30 June 2021.

Tenements

The tenements held by State Gas are:

Project	Permit	State Gas Interest	Area (km ²)
Reid's Dome	PL 231	100%	181
Rolleston-West	ATP 2062	100%	1,414

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



Drilling at Rougemont 2, June 2021

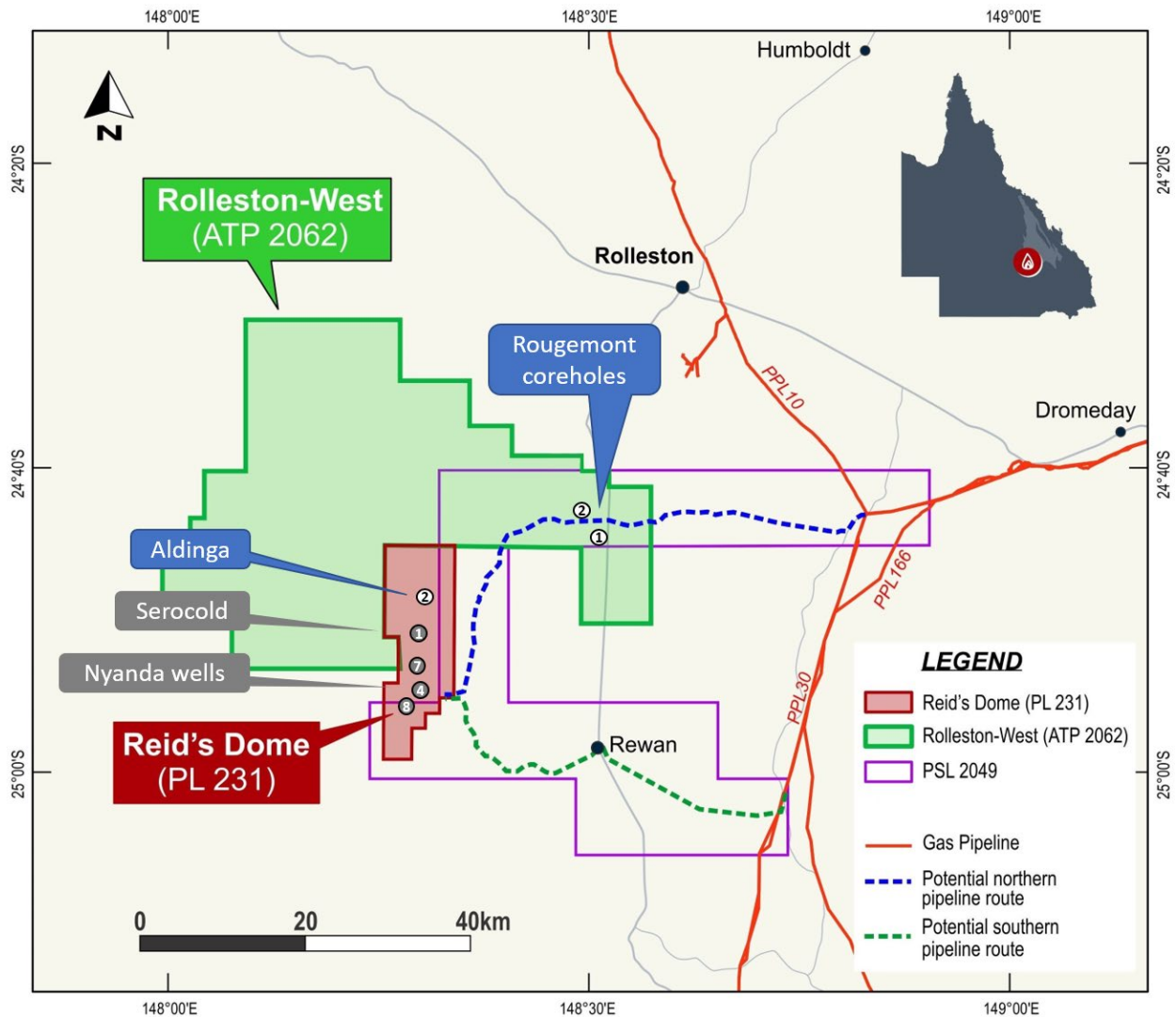


Figure 1: Map showing Project wells and the Reid's Dome, Rolleston-West, and State Gas' Pipeline Survey areas

FOR FURTHER INFORMATION

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ABOUT STATE GAS

State Gas Limited (ASX: GAS) (State Gas or the Company) is owner and operator of the Reid's Dome Gas Project (PL 231) in central eastern Queensland, approximately 545 km northwest of Brisbane and 50 km southwest of Rolleston, in the Bowen Basin Central Queensland. The permit hosts both conventional and unconventional gas and is less than 50 km from the high pressure gas pipeline network in Queensland (see Figure-1).

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).⁶

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 market⁷. State Gas' current focus has been to confirm the producibility of the gas through production testing of the wells.

⁶ The information in this paragraph was previously announced on 31 October 2018, 5 December 2018 and 31 January 2020.

⁷ Strategy announced on 21 August 2019