



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

ASX RELEASE

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State Gas-Santos JV Awarded New Central Queensland Acreage

Highlights

- State Gas, in Joint Venture with Santos QNT Pty Ltd, appointed Preferred Tenderer of two new strategic gas exploration areas, PLR2021-1-2 and PLR2021-1-3 in Central Queensland.
- The new gas areas are contiguous with existing project areas held by State Gas (to the west and north) and Santos (to the east). In addition to their gas prospectivity, the new permits provide connectivity between the partners' existing projects and will enable synergistic development of the whole area, with economies of scale, efficient operations and optionality in marketing.
- Both new areas are highly prospective for coal seam gas in the Bandanna Formation, as well as hosting conventional targets. Neither is constrained by domestic gas reservation.
- The two new areas, a combined 1035 km², increase State Gas acreage by 60% to 2,630 km² with the potential to significantly increase State Gas' resource position.
- State Gas to hold 35% and Santos 65% of the new permits, with Santos as operator, enabling the JV to benefit from its extensive experience in producing gas from Bandanna coals in the area.
- The new gas areas support State Gas' strategy to bring gas to market quickly, including the initial development of its Reid's Dome conventional gas (PL231) and rapid appraisal of the Rolleston West Project (Rougemont) coal seam gas (ATP2062).
- The new acreage represents a significant expansion of State Gas' portfolio, increasing its future production and providing optionality in development and marketing.

State Gas Limited (ASX: GAS), in Joint Venture with Santos Ltd (ASX:STO), has been appointed Preferred Tenderer of two new areas under the Queensland Government's latest Petroleum Land Release Program. The two new gas areas, PLR2021-1-2 and PLR2021-1-3 (shown in Figure 1 below), are adjacent or in close proximity to both State Gas' existing Reid's Dome and Rolleston-West Projects (to the west and north), and Santos interests to the east.

PLR2021-1-2 (Block 2) lies adjacent to State Gas' Reid's Dome (PL231) and Rolleston-West Projects (ATP2062) to the west and north, and the 50% Santos owned Warrinilla and Warrinilla North Projects (PL451 and PCA301) to the east. Block 2 effectively provides acreage connectivity between State Gas' Reid's Dome and the Santos interests to the east.

PLR2021-1-3 (Block 3), some 20 km to the east, lies between the Warrinilla and Warrinilla North projects and the Santos operated Arcadia Valley project (currently under commercial production). Two high pressure export pipelines (Queensland Gas Pipeline and the Gladstone LNG Project pipeline) pass through Block 3, providing potential access to both export and domestic markets.

The new blocks, a combined 1035km², will increase State Gas' acreage position (Reid's Dome: 181 km² and Rolleston-West: 1,414 km²) by approximately 60%, to 2630 km², with the potential to significantly increase its resource position.

Both blocks are highly prospective for coal seam gas in the Bandanna Formation, in production on adjacent acreage, and which State Gas is currently testing at its Rolleston-West Project. The blocks also contain targets for conventional gas.

As is the case for State Gas' existing acreage, neither Block is subject to domestic gas reservation, enabling gas produced from the areas to be sold into any market.

Under the Joint Venture, State Gas will hold 35% of the new permits, with Santos holding the remaining 65% and appointed operator. In addition to the economies of scale available from coordinating operations with Santos, the Joint Venture is expected to benefit from Santos' extensive experience in producing from Bandanna coal formations in the area.

The award of the areas to the State Gas–Santos Joint Venture results in an alignment of the partners' ownership interests across the gas resource in the majority of the southern Bowen Basin, providing the opportunity for coordinated and synergistic development of the whole region.

Block 2, surrounded by State Gas's Reid's Dome and Rolleston-West Projects, can be developed as a single economic unit with those projects. Similarly, Block 3, the southern end of which is surrounded by Santos operated project areas, may be developed as a single economic unit with those projects, co-ordinated with the State Gas projects.

The Joint Venturers will now proceed to carry out initial works to obtain the environmental and other approvals relevant to the areas. Native Title has been extinguished over the vast majority of Block 2, which is expected to facilitate the quick grant of the Authority to Prospect for that area and enable early commencement of works.

State Gas Executive Chairman Richard Cottee noted the particularly fortuitous timing of the strategic acreage award. "The high gas prices triggered by the war in Ukraine appear to be with us for the foreseeable future. The conflict has highlighted Europe's ongoing dependence on gas in the transition to a lower carbon future. The European imperative to reduce reliance on Russian supply, and the interlinkages of the global market, make it hard to see gas prices substantially reducing in the foreseeable future."

"As announced on 2 May 2022, State Gas is already working to seize this opportunity and bring gas to market as quickly as possible, prioritising development of the conventional gas in its Reid's Dome Project and rapid appraisal of the near pipeline quality gas at Rougemont, in its Rolleston-West Project. Desktop studies have confirmed this approach as our optimal development plan," he added.

"These two new blocks, within our existing area of expertise and operations, are a significant addition to State Gas' existing portfolio. They will provide increased synergies in operations, synchronistic development and gas marketing optionality," Mt Cottee said.

"None of our acreage is constrained by a domestic gas reservation, and all blocks contain targets for both coal seam gas (a steady flow supply) and conventional gas (a rapid response, or peaking, supply). Two separate transmission pipelines are available, providing access to both export and domestic markets. I have always been a firm believer in the value of optionality and I can confirm that, with this award, State Gas' flexibility is increased", he added.

Mr Cottee also welcomed the establishment of the relationship with Santos: "Santos is a major player in the industry, with a long track record of safe and sustainable operations. Of particular relevance here is its extensive holding in the area, and its unrivalled experience with the



Bandanna coals, the primary target of both these new blocks and our existing Rolleston-West project.

“So all in all, we are delighted to receive this award of new acreage, and will work with Santos to leverage all our combined existing projects to bring the gas to market as quickly as possible,” Mr Cottee said.

“It is my hope that this award will herald the beginning of a timely and rational development of this new province by both Santos and ourselves at a time when the market is crying out for such development”, he added.

Mr Cottee also expressed his appreciation for the Queensland Government’s ongoing land release program: “The Queensland Government is very alive to the importance of the gas industry to the Queensland and national economy, and also importance of new gas supplies to support industry and also underpin the transition to a lower carbon future”, he said.

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

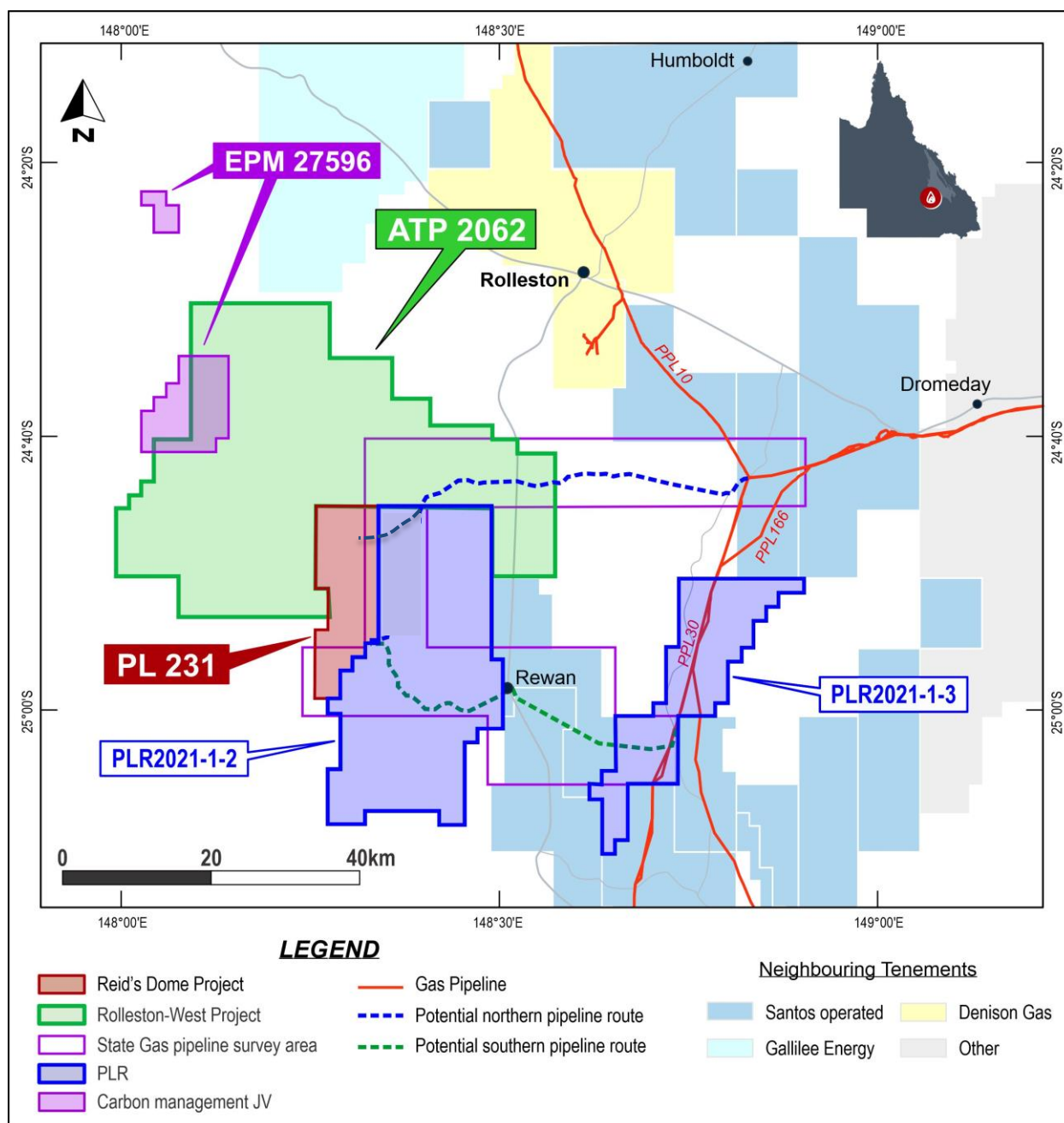


Figure 1: showing location of new land release blocks, State Gas existing projects, and Santos interests in the area

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



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 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.

State Gas is also undertaking a carbon management project in joint venture with minerals explorer Rockminolutions Pty Ltd. The project will investigate the potential for basalts in EPM 27596 on the western edge of State Gas' Rolleston-West Project to provide decarbonisation solutions.