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ASX RELEASE

17 November 2021

Rougemont-2 Production Testing Starts

State Gas Limited (ASX: GAS) advises that production testing of the Rougemont-2 well commenced on Monday 15 November 2021.

The Rougemont-1 and -2 wells were the first wells in Authority to Prospects 2062 awarded to the Company last October. The wells, south-west of Rolleston in Central Queensland, were drilled to investigate the potential of the eastern area of the permit for a coal seam gas (CSG) project. The wells 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).

Both Rougemont wells intersected approximately 8m of net Bandanna coal, primarily in two seams each more than 2 metres thick. Permeability testing during drilling indicated exceptional permeability in the Rougemont-2 well at 395mD, a result which is very promising for production¹. The Company has now commenced the process of proving this promise, with the first production test for the region commencing yesterday.

Water levels in the well will be slowly reduced at a controlled rate to carefully manage downhole pressures. Initial gas production is expected to be similarly controlled at low rates, and increase over time.

The focus of activities now turns to the Company's Reid's Dome Project at the contiguous PL 231. Production enhancement works will be commenced at the Serocold-1 and Nyanda-8 wells, with sleeving of the Serocold-1 well to improve pump performance, and jetting of the Nyanda-8 well. Both wells will be returned to production following the completion of their respective works, expected before the end of the month. These works are the next step in progressing the project towards delivering new gas supplies to meet forecast shortfalls in the east coast Australian gas market.

To hear State Gas Executive Chairman discussing the Company's activities and objectives click here: <https://www.6pr.com.au/state-gas-almost-there/>.

State Gas will continue to provide updates as activities progress.

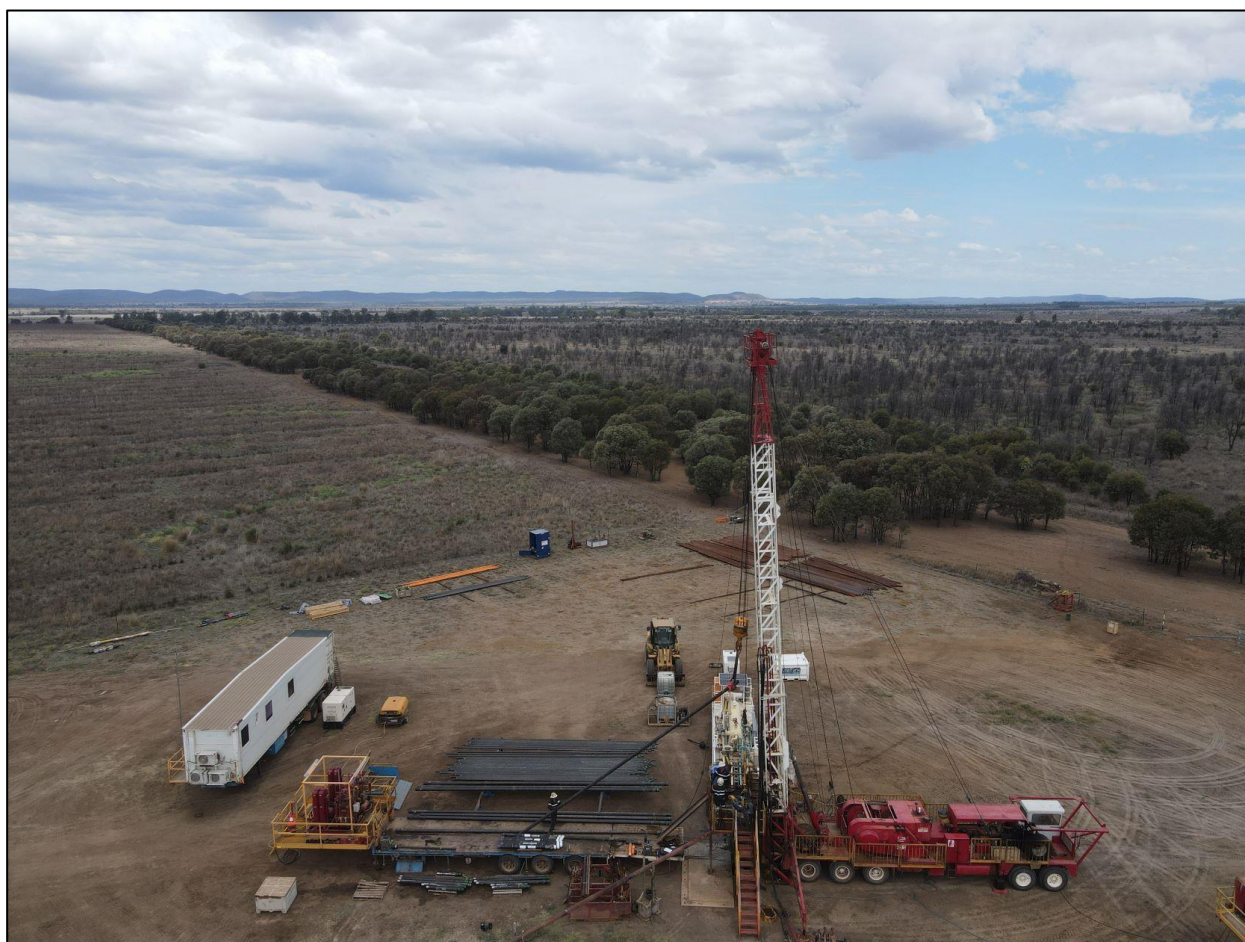
This announcement was approved for release by Mr Richard Cottee, Executive Chairman.

¹ Previously announced – see ASX release 27 August 2021

FOR FURTHER INFORMATION

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Secure Well Services Rig 2 completing the Rougemont-2 well for production, November 2021

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).²

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 market³. State Gas' current focus has been to confirm the producibility of the gas through production testing of the wells.

² The information in this paragraph was previously announced on 31 October 2018, 5 December 2018 and 31 January 2020.

³ Strategy announced on 21 August 2019