Reid's Dome Gas Project:
Technical Update Presentation

March 2019

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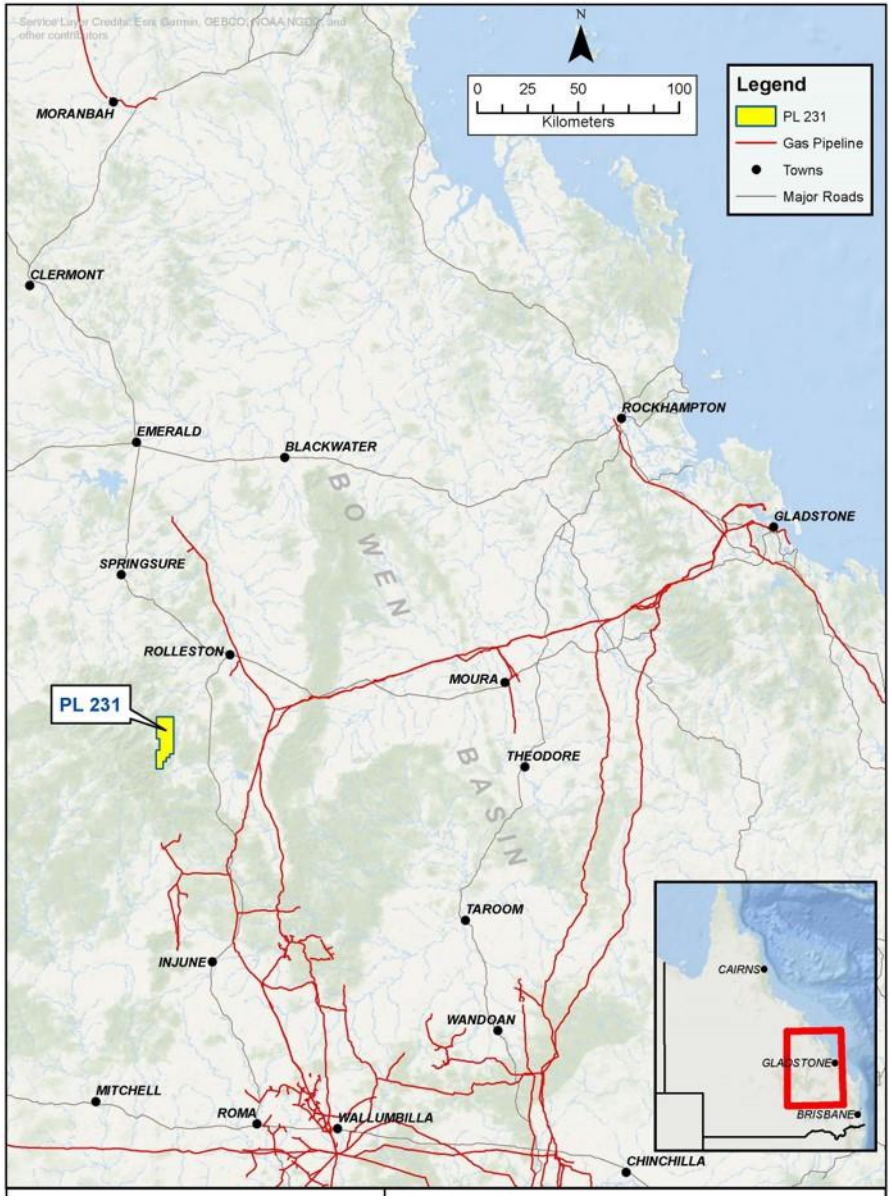
Gas at Reids Dome

State Gas - PL 231 Highlights

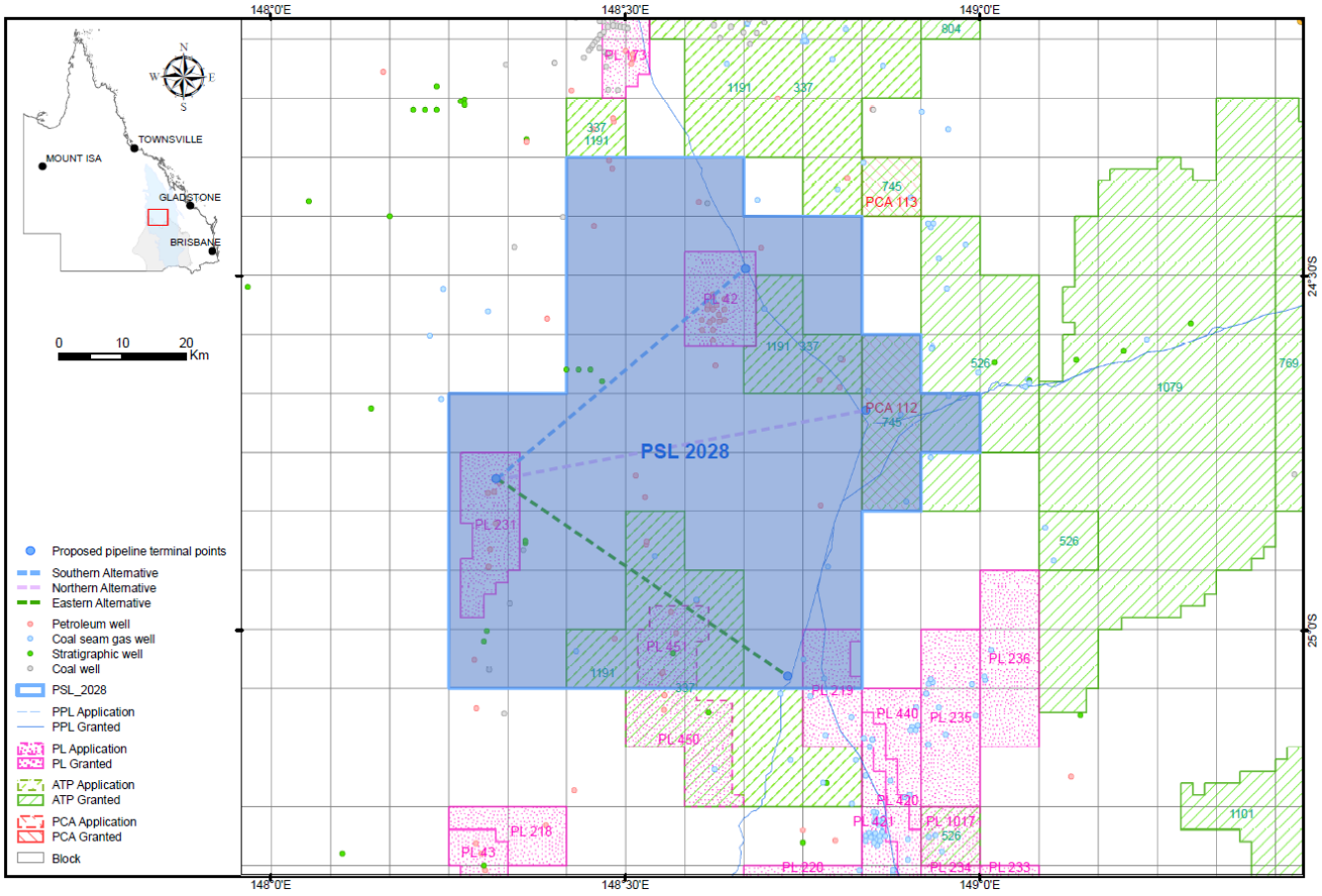
PRODUCTION LEASE & PIPELINE SURVEY LICENCE	• **PL-231** is located in central Queensland, granted under the 1923 Act over 181 km^2 over Reid's Dome anticline for a 30 year term from 15/12/2005. Pipeline Survey Licence **PSL-2028** was granted for a 2 year term from 01/08/2018
OWNERSHIP	• State Gas is **Operator** with **80% of PL-231 – transitioning to 100%**
PROVEN GAS FLOWS	• 17 wells drilled 1954 – 2018. Gas flows from sandstone reservoirs in the Cattle Creek Formation and Reid's Dome Beds
NEW PROVINCE - LARGE CSG PROJECT	• Permian Reid's Dome coal measures are extensive throughout the entire PL-231
CONVENTIONAL/ TIGHT GAS	• **Cattle Creek Formation;** 3-way dip closed structural traps, over-pressured. Primero West-1 discovery in 2018 • **Reid's Dome Beds:** ~1500m thick section with multiple prospective sandstone reservoirs in anticlinal setting. Also over-pressured.
CSG CONFIRMED IN 2018 DRILLING	• Nyanda-4 (2018) was the **first CSG well drilled in Reid's Dome/PL 231** • Nyanda-4 first modern suite of core and logs over Reid's Dome Beds
LOCATION	• PL-231 is well placed for access to infrastructure and has a significant advantage over a number of projects in the Galilee and Bowen Basins

Location

- **PL-231** lies ~50 km south west of Rolleston in central Queensland
- Granted under the 1923 Petroleum & Gas Act for a 30 year term from 15/12/2005.
  - Field activities only require 10 days notice to Land-owners and DNRM
- Permit area ~181 km^2 over Reid's Dome anticline
- Pipeline Survey Licence **PSL-2028** was granted for a 2 year term from 01/08/2018



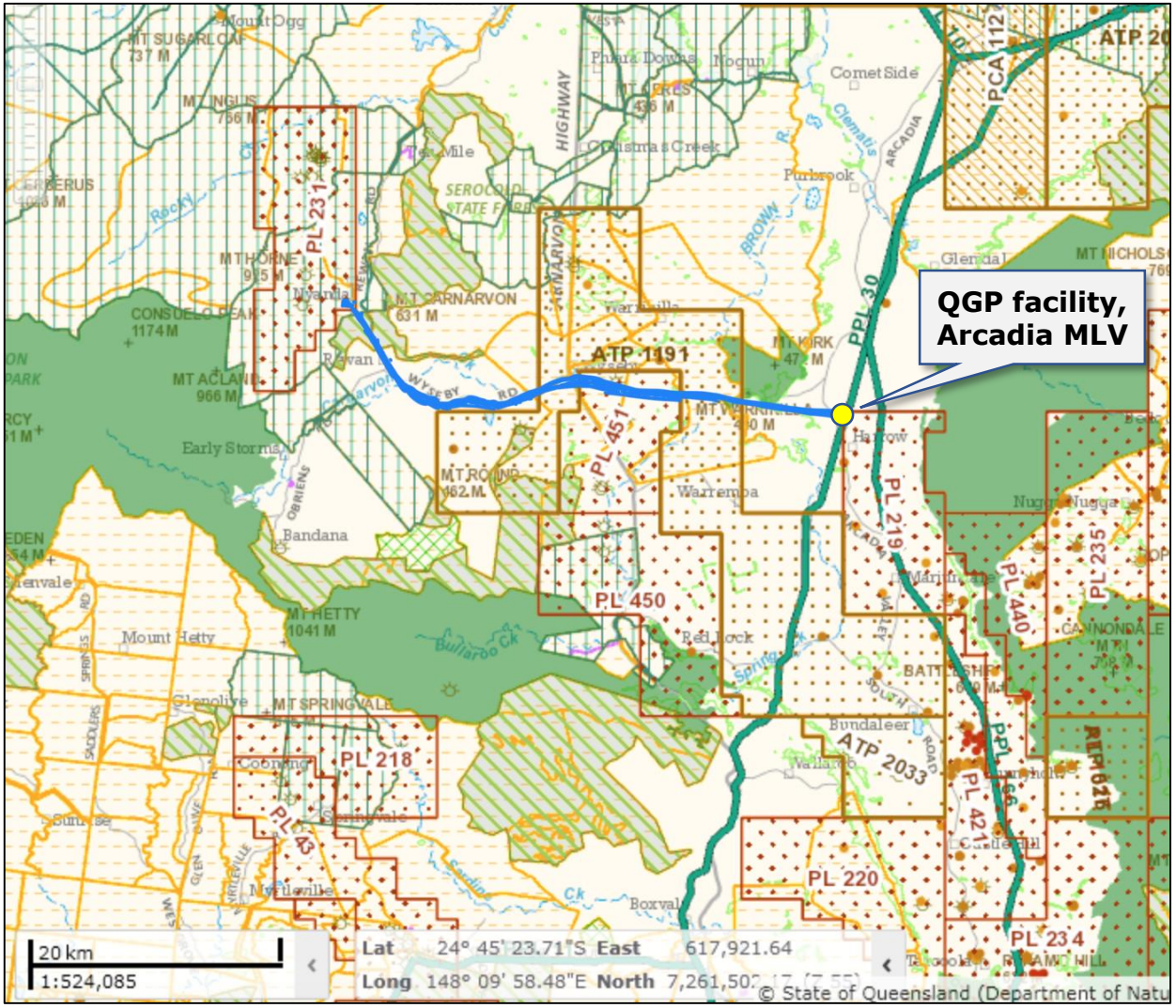
Infrastructure, PSL 2028 (Pipeline Survey Licence)



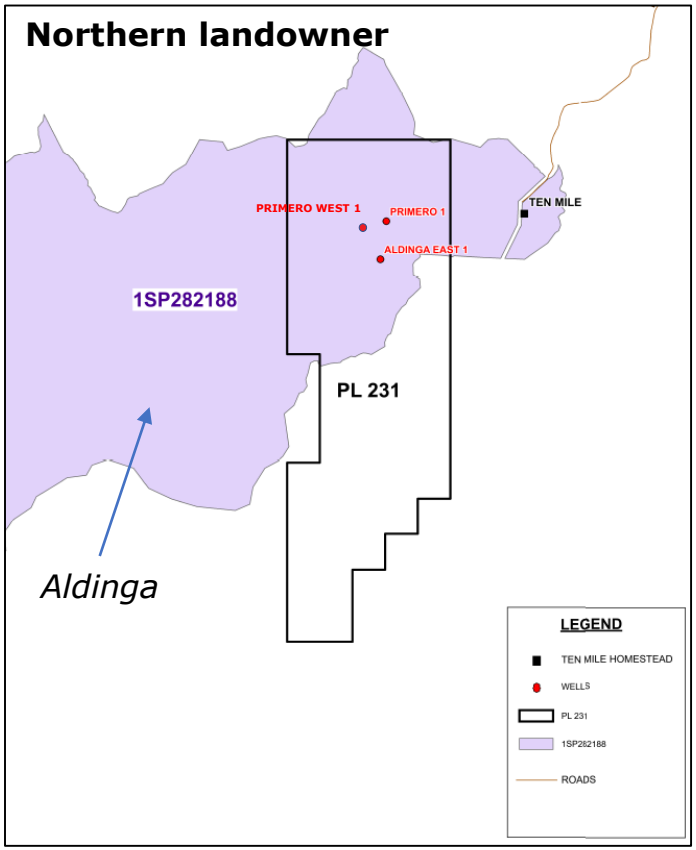
- ~47 km to Queensland Gas Pipeline network connection options to the north-east and south-east
- Favourable location for connection with east coast pipeline network

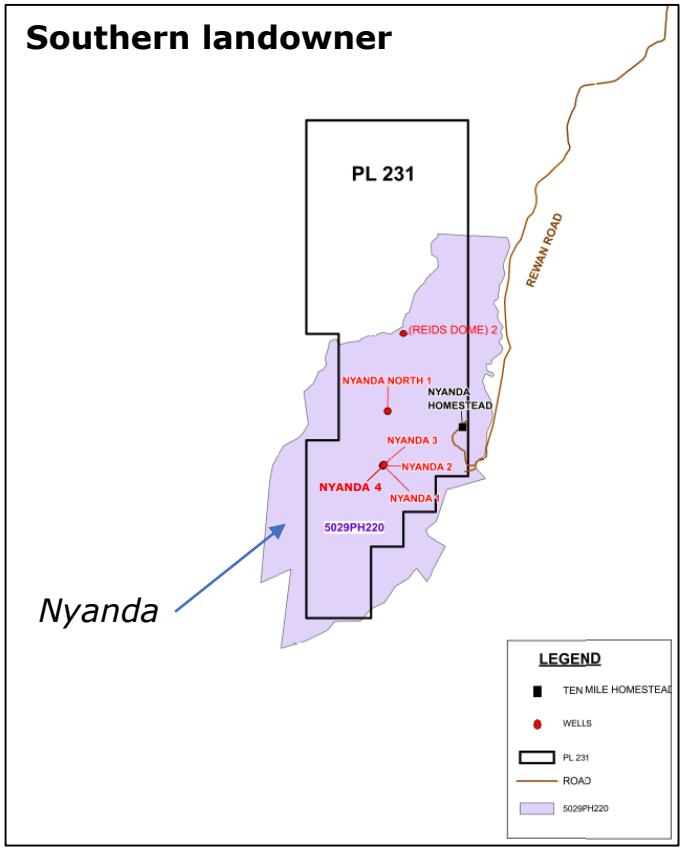
Possible Pipeline Route

- Connecting PL 231 with the Queensland Gas Pipeline (PPL 30/116)
- Utilizing road reserve where possible – incl. Rewan Road and Wyseby Road
- Possible synergies with Santos/Origin's ATP 1191 and PL 451
- Approximately 47km of new pipeline to connect with Queensland Gas Pipeline network – Arcadia Main Line Valve (MLV)



Simplicity of Land Ownership

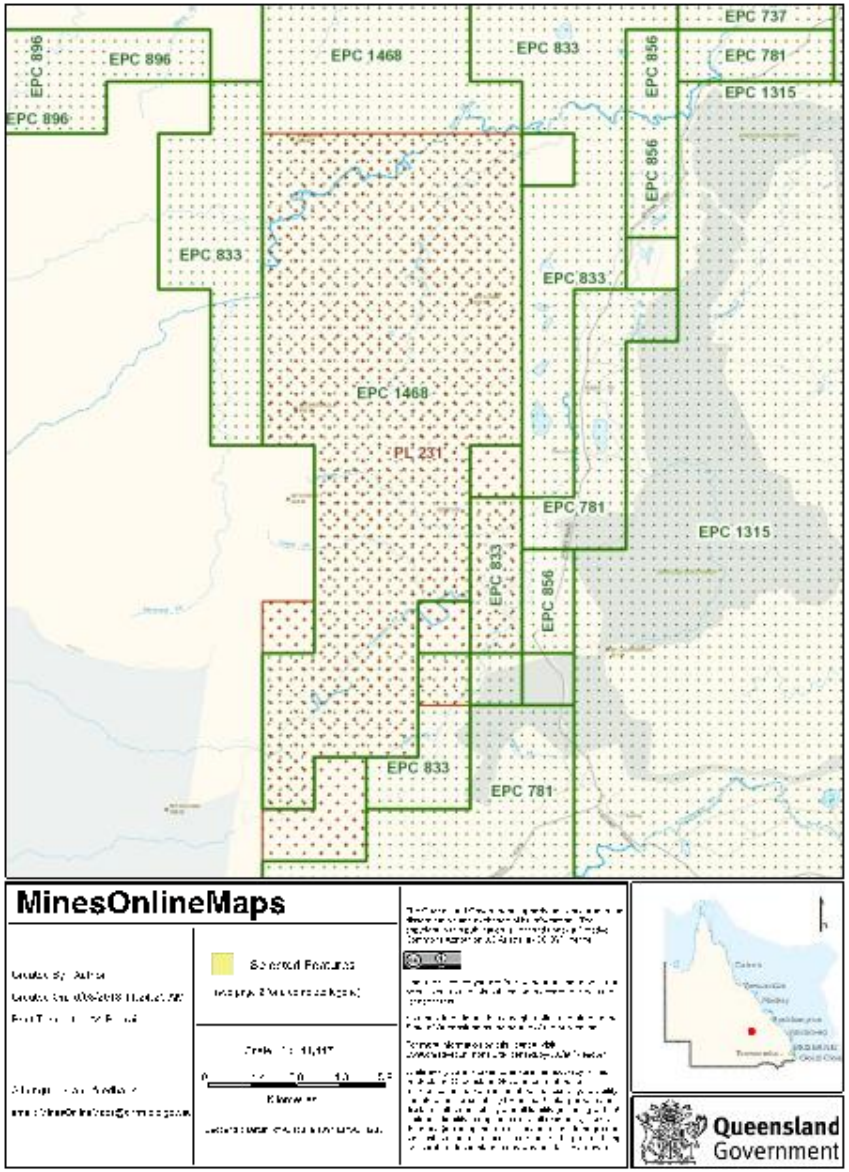




- Two Land-owners
- Framework established for land-owner agreements (used for 2018 drilling program)
- Freehold land with no native title

Overlapping Tenure

- Two overlapping tenures,
  - EPC 833, Peabody
  - EPC 1408, Matilda Coal
- Joint Interaction Management Plans (JIMP) in place
- No minable coal defined within the PL-231 area
- Coal seams typically 1 – 4 m thick and deeper than 390m, unlikely to be suitable for mining



Reid's Dome Gas Project - Next Steps

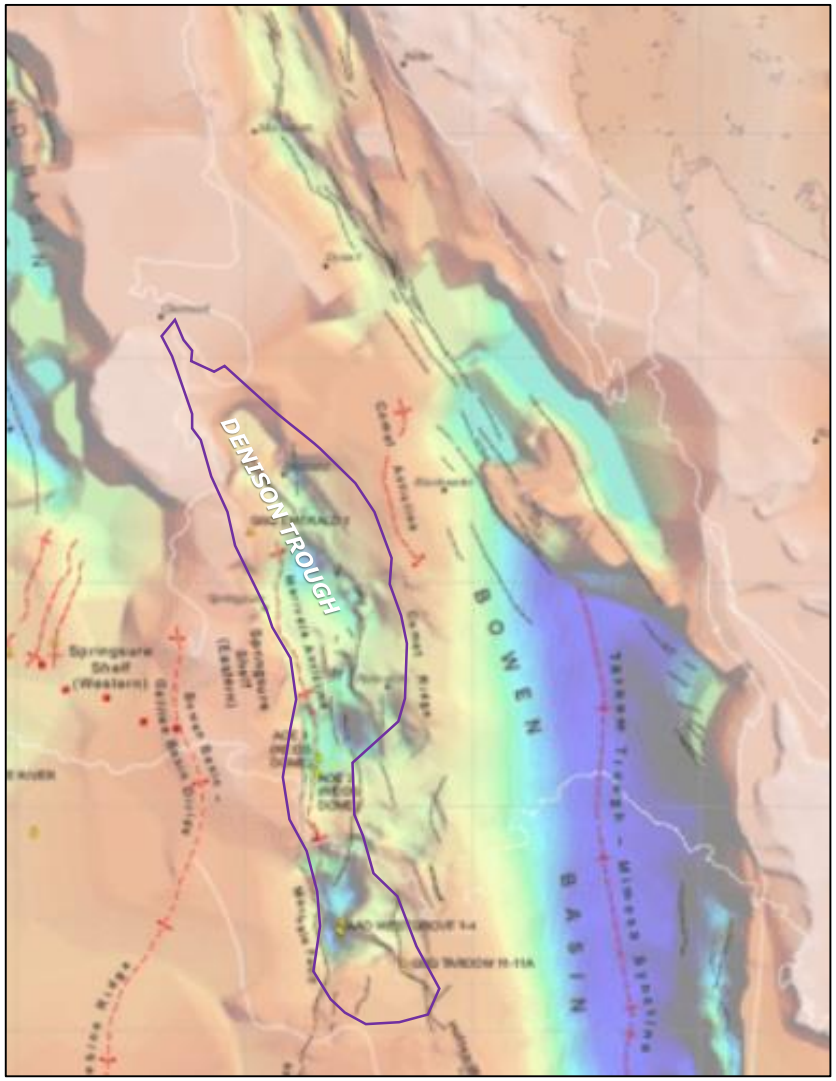
An Important Strategic Juncture

- State Gas operates successfully with a small, focused team
- State Gas has received approaches and interest from experienced industry participants to progress the Reid's Dome Gas Project
  - Corporate (company-level) or partnering (asset-level) transactions
- Highbury Partnership appointed as advisor to assess opportunities and coordinate the process

Next Steps

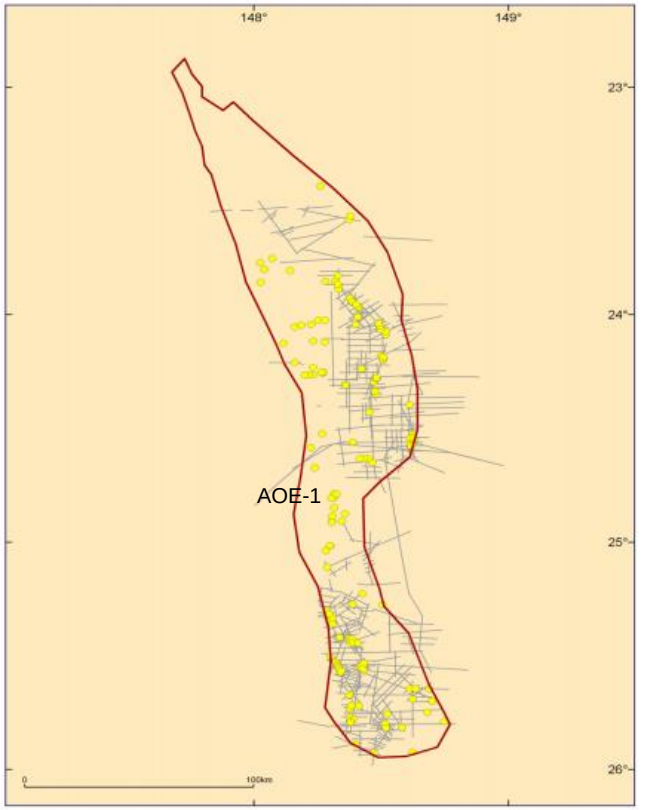
- Finalise analytical laboratory data from 2018 drilling program
  - e.g. receive final gas content data following complete desorption of gas from samples
- Complete the transition to 100% ownership of PL 231
  - Offer/Acceptance Notices for remaining 20% were issued December 2018
- Continue discussions with interested parties regarding possible transactions
- Consider the available risk/return-based outcomes for State Gas shareholders

Denison Trough Structural Setting



Denison Trough structural elements

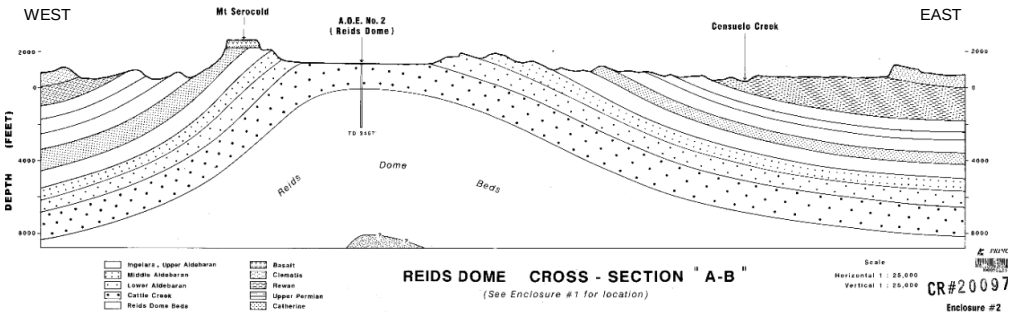
- NNW rift basin initiated in the Early Permian characterized by linked pull-apart half-grabens
- Triassic – Jurassic compression led to creation of large inversion anticlines

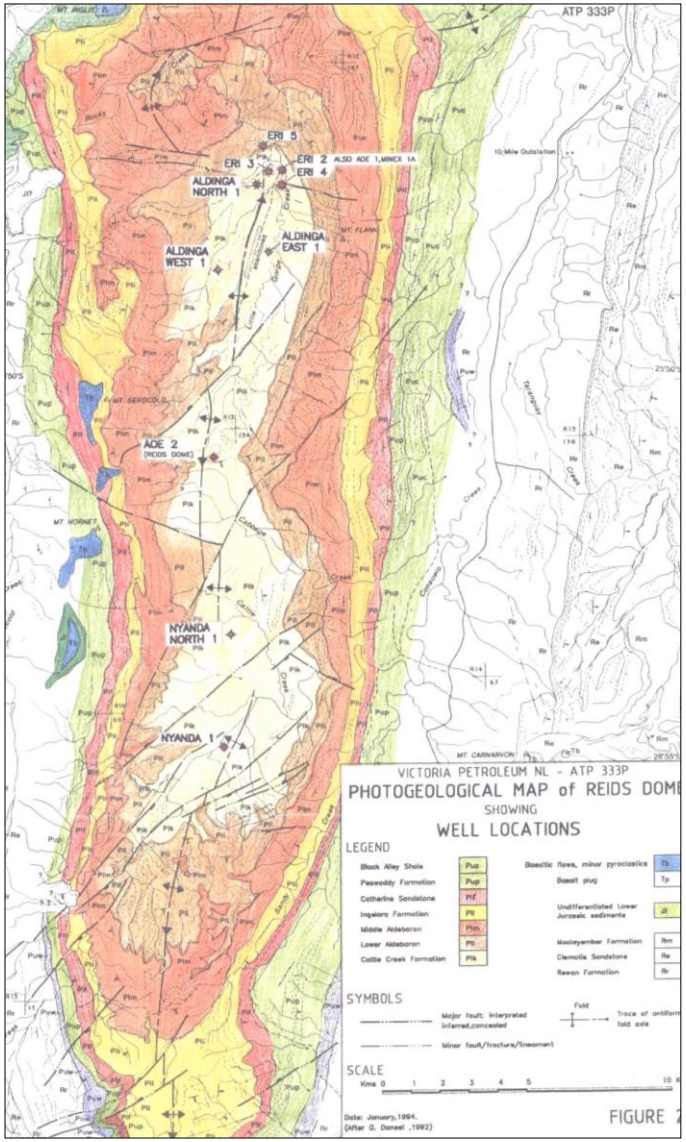


Denison Trough wells and seismic data

PL-231: Anticlinal Structural Setting

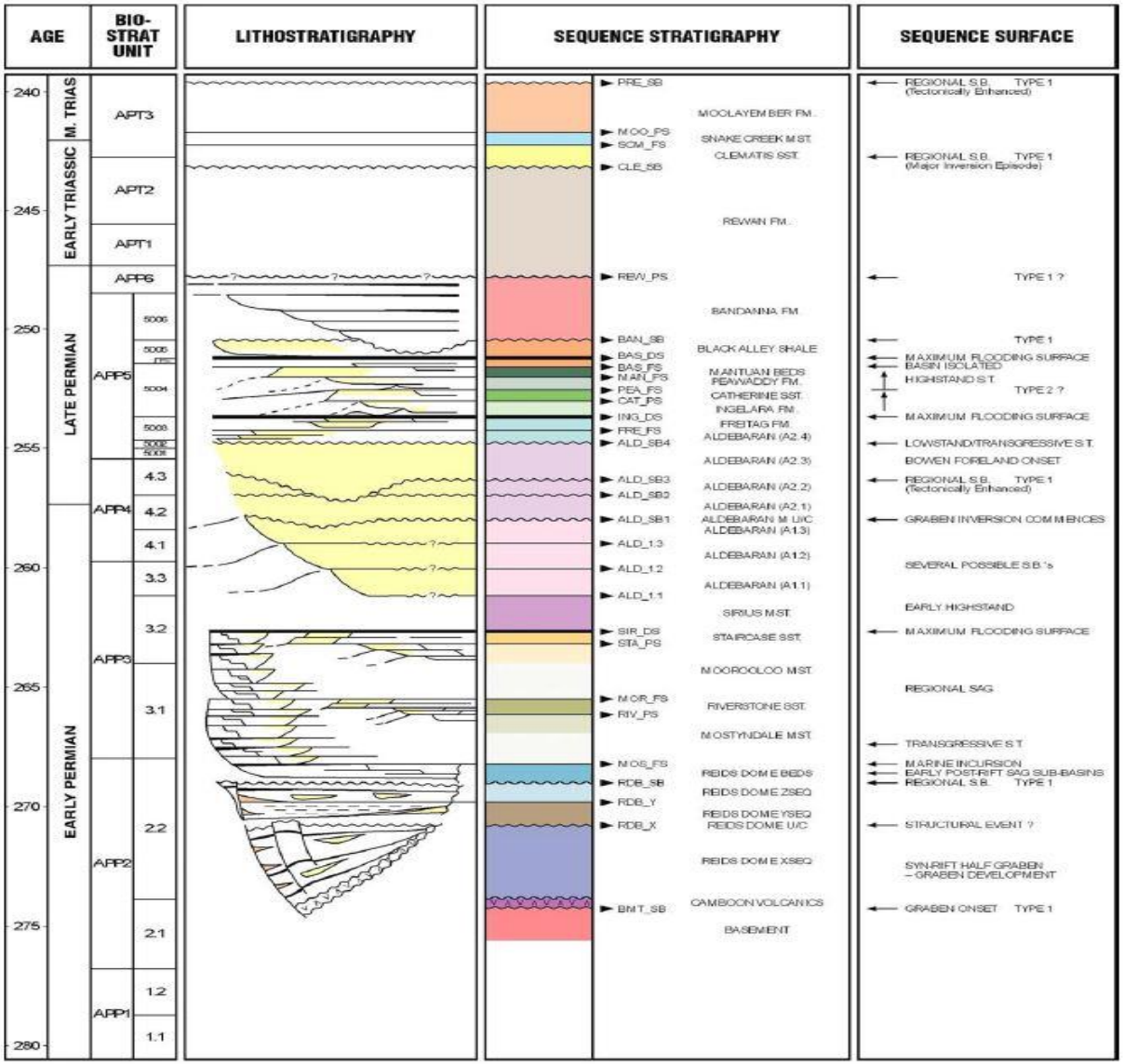
- Surface geological mapping of the Reid's Dome area indicates strike of NNE – SSW with trans-tensional offset in the central region
- The **Sericold Anticline** plunges gently to the north and south within the permit area. The western limb dips slightly more steeply than the eastern limb
- Several faults are mapped at surface but the presence of over-pressured gas in conventional reservoirs indicate they are sealing
- Elsewhere in the Bowen Basin, anticlines have favourable permeability characteristics for CSG (e.g. Scotia/Peat, Fairview, Spring Gully)





Denison Trough Stratigraphy

- Proven petroleum system
- Permian reservoirs, source rocks and seals
- Structural and stratigraphic traps
- Conventional and unconventional plays



Location

- **PL-231** lies ~50 km south west of Rolleston in central Queensland
- Permit area ~ 181 km^2 over Reid's Dome anticline
- Pipeline Survey Licence **PSL-2028** was granted for a 2 year term from 01/08/2018
- Only two landowners within permit area
- Freehold land with no native title

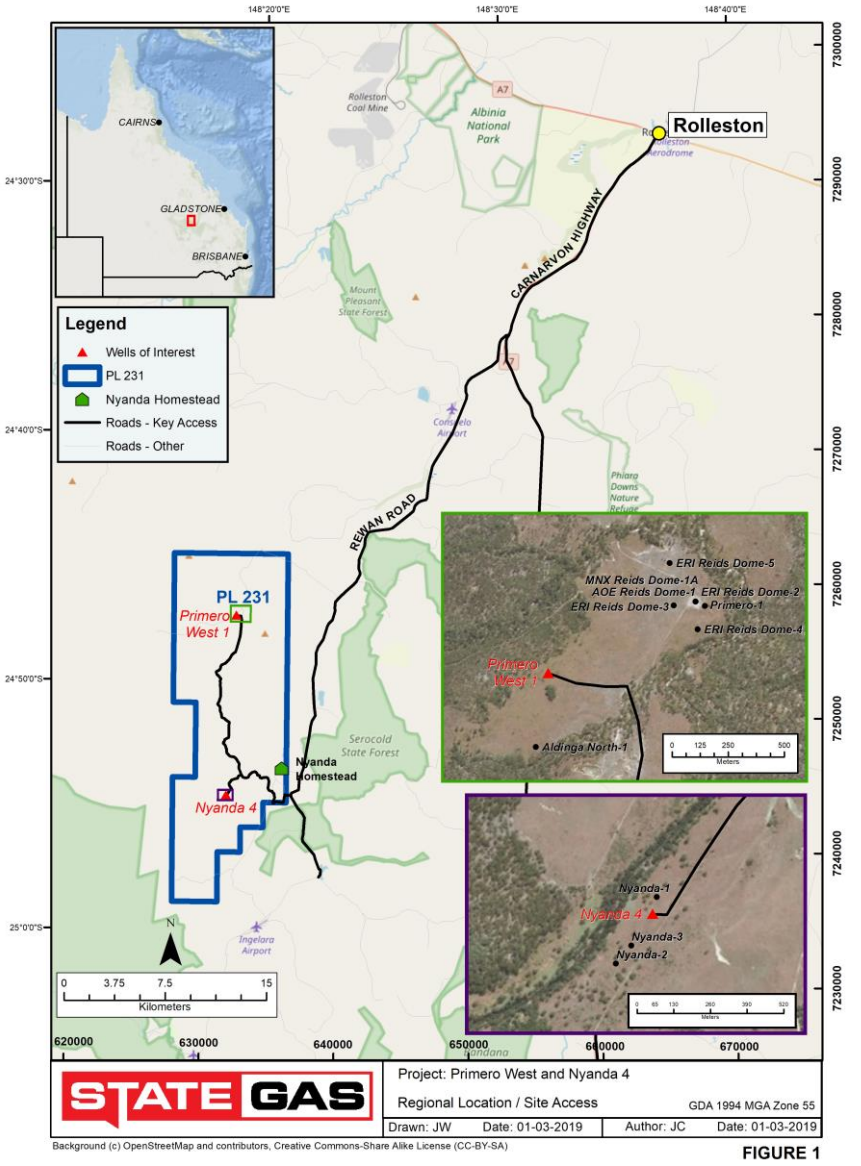
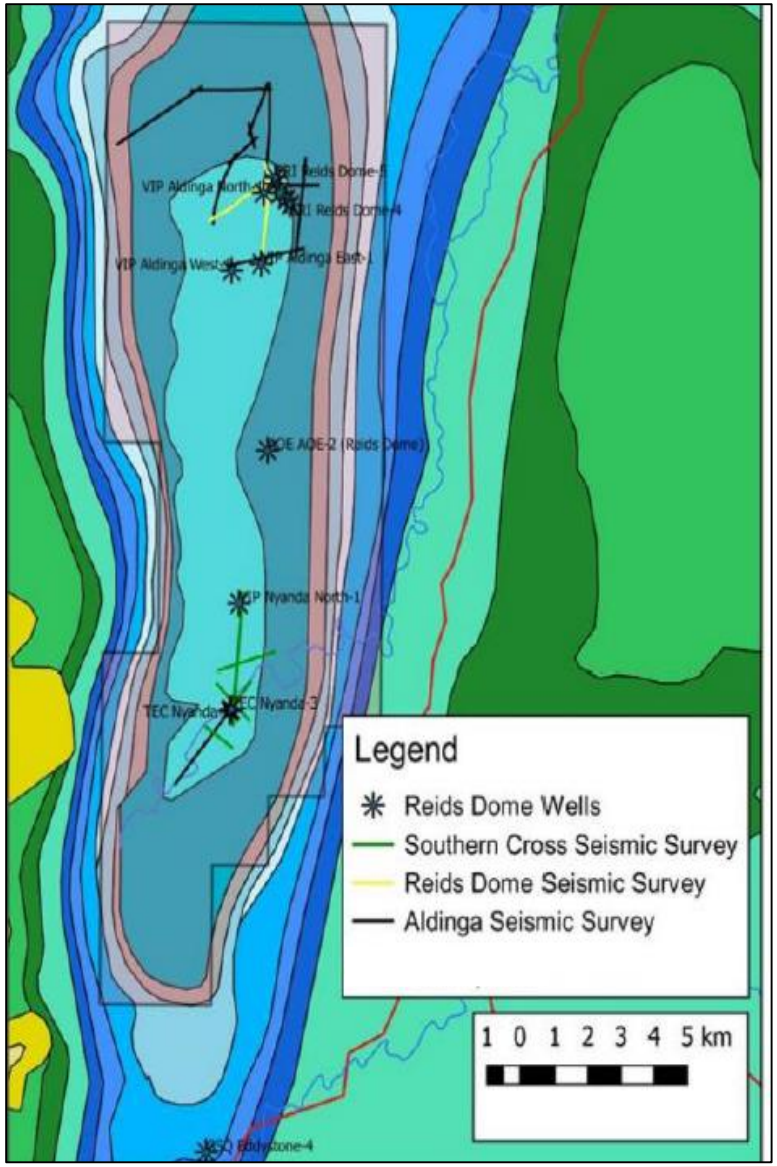


FIGURE 1

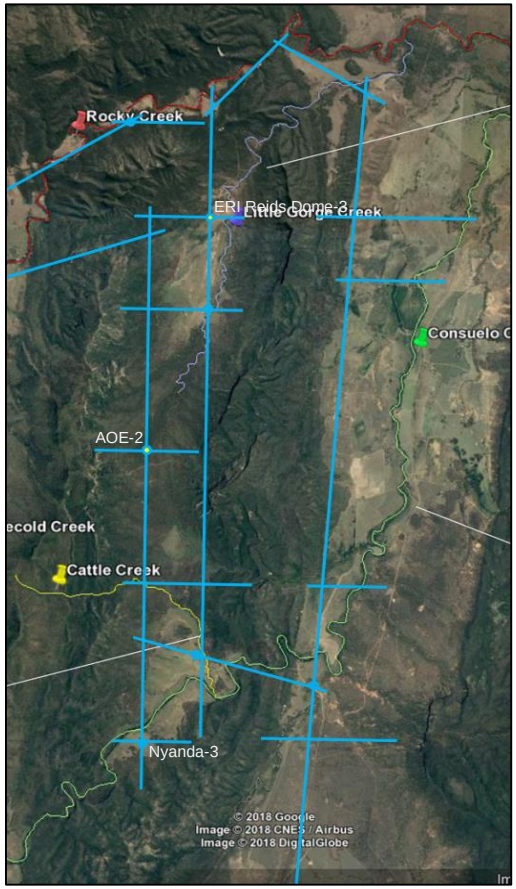
PL-231: Seismic Data



LEFT: existing seismic data, short lines, multiple vintages, 0.5 – 3.0 sec.

Images at same scale

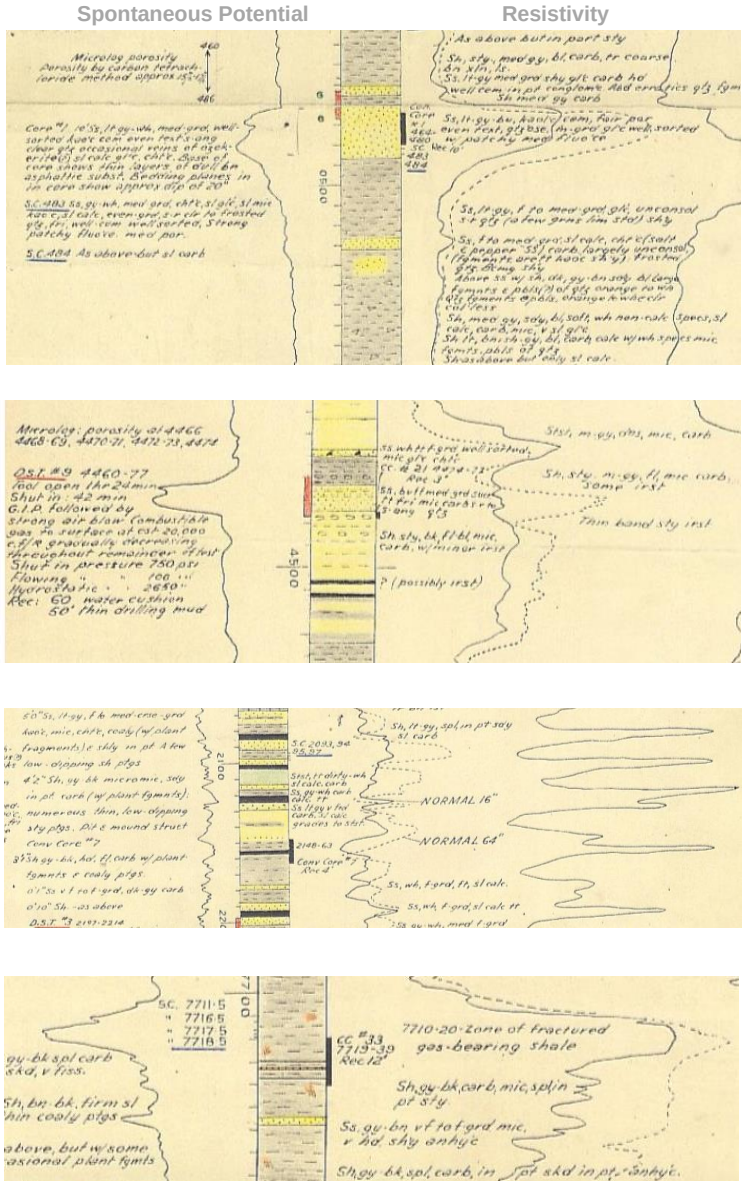
RIGHT: incomplete WOWCO 1980 seismic data estimated location (lost navigation data)



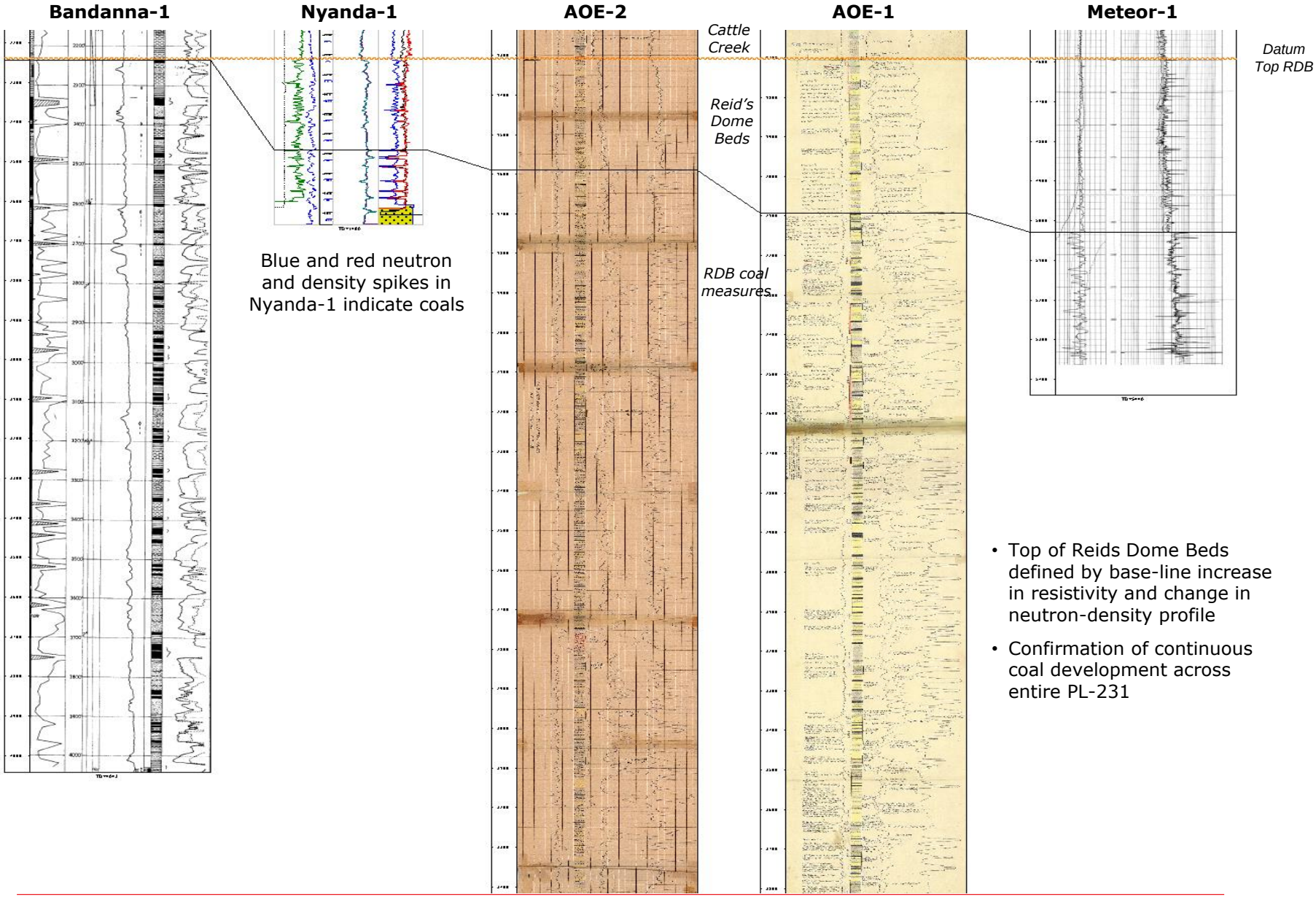
Southern Cross, Reids Dome and Aldinga seismic surveys reprocessed for State Gas by Down Under Geophysical in 2018.

AOE-1 Well Recap

- Drilled in 1954 on surface anticline
- Discovered gas @ 142m in the Cattle Creek Formation
  - Tested @ 550 mscfd
  - Net Tested Pay = 8.2m
  - Avg. core permeability = 14 mD
  - Avg. core porosity = 17.7%
- Gas at 1359m and 822m in the Reids Dome Beds (RDB)
  - Tested @ 20 mscfd and RTSTM respectively
  - Net Tested Pay = 7.0m
  - **Total RDB Net Pay = 24m**, calculated using 1359m and 822m gas flow analogues
- Numerous resistive coal seams
  - Correlative with AOE-2 and Nyanda-4
- Thick carbonaceous shales
  - Gas-bearing shale at 2350m (+ve flame test)
  - Significant thickness of highly resistive mixed lithology (unconventional reservoir potential)
  - Open fractures evident in core



Reids Dome Beds Pre-Drill Well Correlation



- Top of Reids Dome Beds defined by base-line increase in resistivity and change in neutron-density profile
- Confirmation of continuous coal development across entire PL-231

PL-231: Summary of Geological Data

- 17 wells, drilled 1955 – 2018
  - AEO-1, AOE-2, Aldinga North-1, Aldinga East-1, Aldinga West-1, ERI Reids Dome-2, ERI Reids Dome-3, ERI Reids Dome-4, ERI Reids Dome-5, MNX Reids Dome-1A, Nyanda-1, Nyanda-2, Nyanda-3, Nyanda-4, Nyanda North-1, Primero-1, Primero West-1
  - 13 to evaluate Cattle Creek Fm gas sands
  - 4 to evaluate Reids Dome Beds (RDB)
- 10 wells with partial to complete digital logs
  - AOE-2, Aldinga North-1, Aldinga East-1, Aldinga West-1, Nyanda-1, Nyanda North-1, Nyanda-4, Primero-1, Primero West-1
- 3 wells with gas logs
  - Primero-1, Nyanda-1, Nyanda-4
- 4 wells with cores (minimal core analyses)
  - AOE-1, AOE-2, Nyanda-3, Nyanda-4
- Photo-geological interpretation and outcrop mapping

2018 Drilling Program

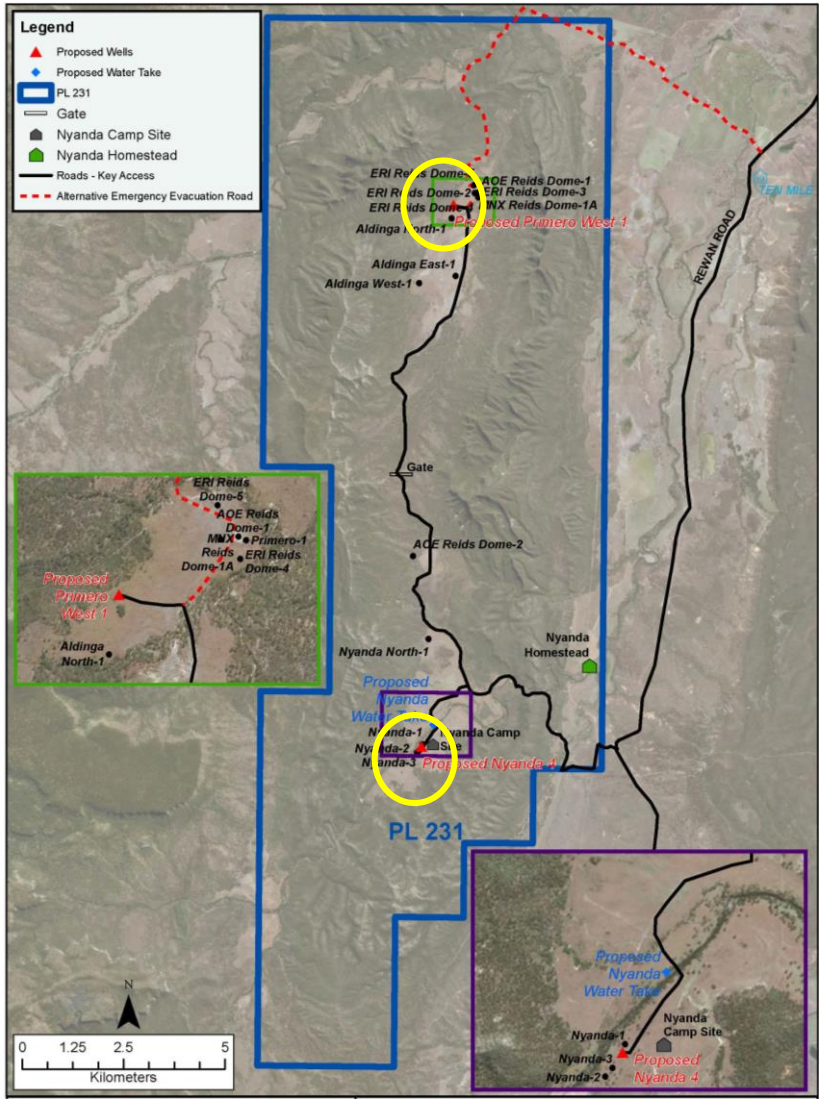
(November – December 2018)

2018 Drilling Program (November-December)

Two wells successfully drilled, demonstrating State Gas' operating ability to undertake a drilling program from new target identification/inception to completion in under 4 months

- **Primero West-1**
  - Shallow conventional over-pressured gas
  - Located ~650m southwest of AOE-1 (1955 discovery well) to test the south-western extent of the Cattle Creek gas sand
  - TD: 250m, P&A'd as planned after acquisition of wireline logs and flow data

- **Nyanda-4**
  - RDB Coal Seam Gas and Tight Gas Sands Target
  - Located approximately 50m southwest of Nyanda-1 (drilled in 1987) to test the hydrocarbon potential of the Reid's Dome Beds
  - TD: 1,200m
  - Coal measures were not evaluated in prior wells drilled at Reid's Dome and represent a new play in the Denison Trough



Nyanda-4 Drilling Results

Nyanda-4 Results

- Reid's Dome Beds CSG and Tight Gas Sands objectives
- Total depth: 1,200m
- Cored-zone: 150m of coring from 394m
- Gas bubbling from coal core, sandstones hissing

Net coal in core:	11.3m
Net coal in well	40.4m
Carbonaceous shales:	25m
Total:	**65m**

- **Average Gas content: 11.6 m^3/t** (desorption to date). Gas content for thickest seams ~**13 m^3/t**
- **Permeability:** DSTs indicate permeability in coal seams in cored zone of Reid's Dome Beds
- **Pressure:** DST data indicates the Reids Dome Beds are ~100 psi over-pressured with respect to hydrostatic
- **Correlation with AOE-1 indicates additional coal below 1200m**

Nyanda-4 Core

- **Well-cleated coal and shale zones with open fractures**

Coal core and carbonaceous shale samples from upper Reid's Dome Beds within Nyanda-4

Coal is generally bright black, and well cleated

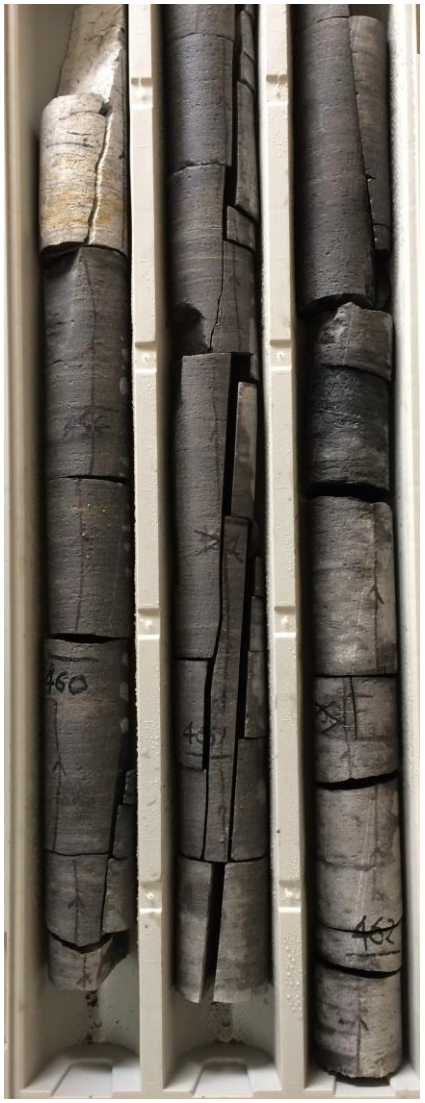
Coal occurs within dark grey carbonaceous claystone, with sharp upper and basal contacts

Minor pyrite and sulphur crystals

Background sediments mostly fine grained heterolithic sandstone, siltstone and shale

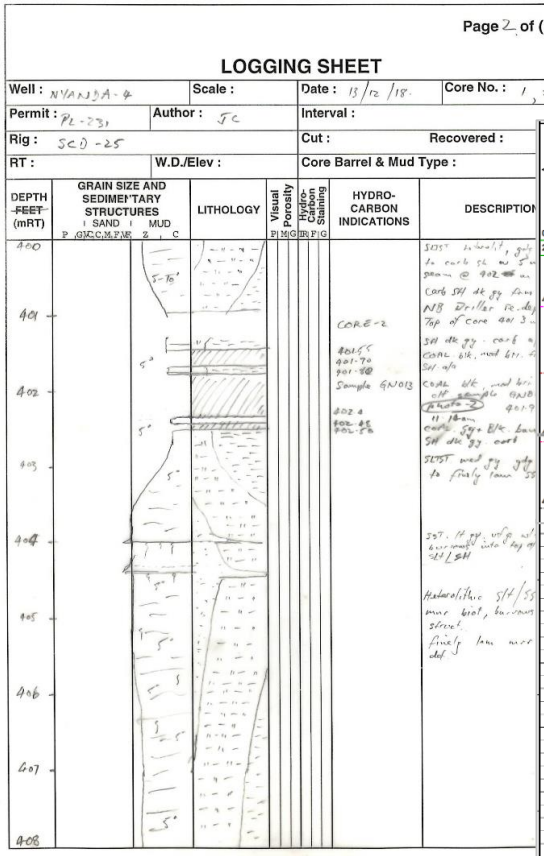
Open fractures

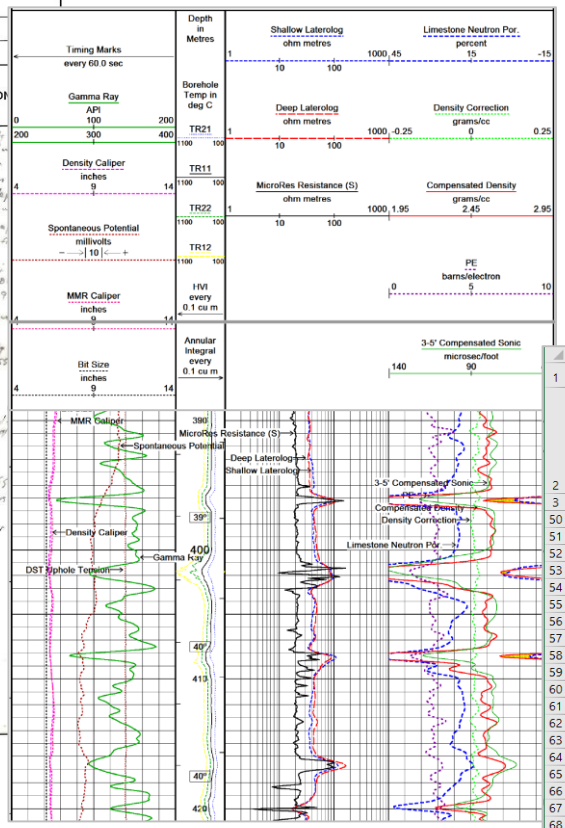
Highly mature sediments most likely deposited within lower coastal plain to estuarine conditions



Fractured shale from Nyanda-4

Nyanda-4 Net Coal Determination





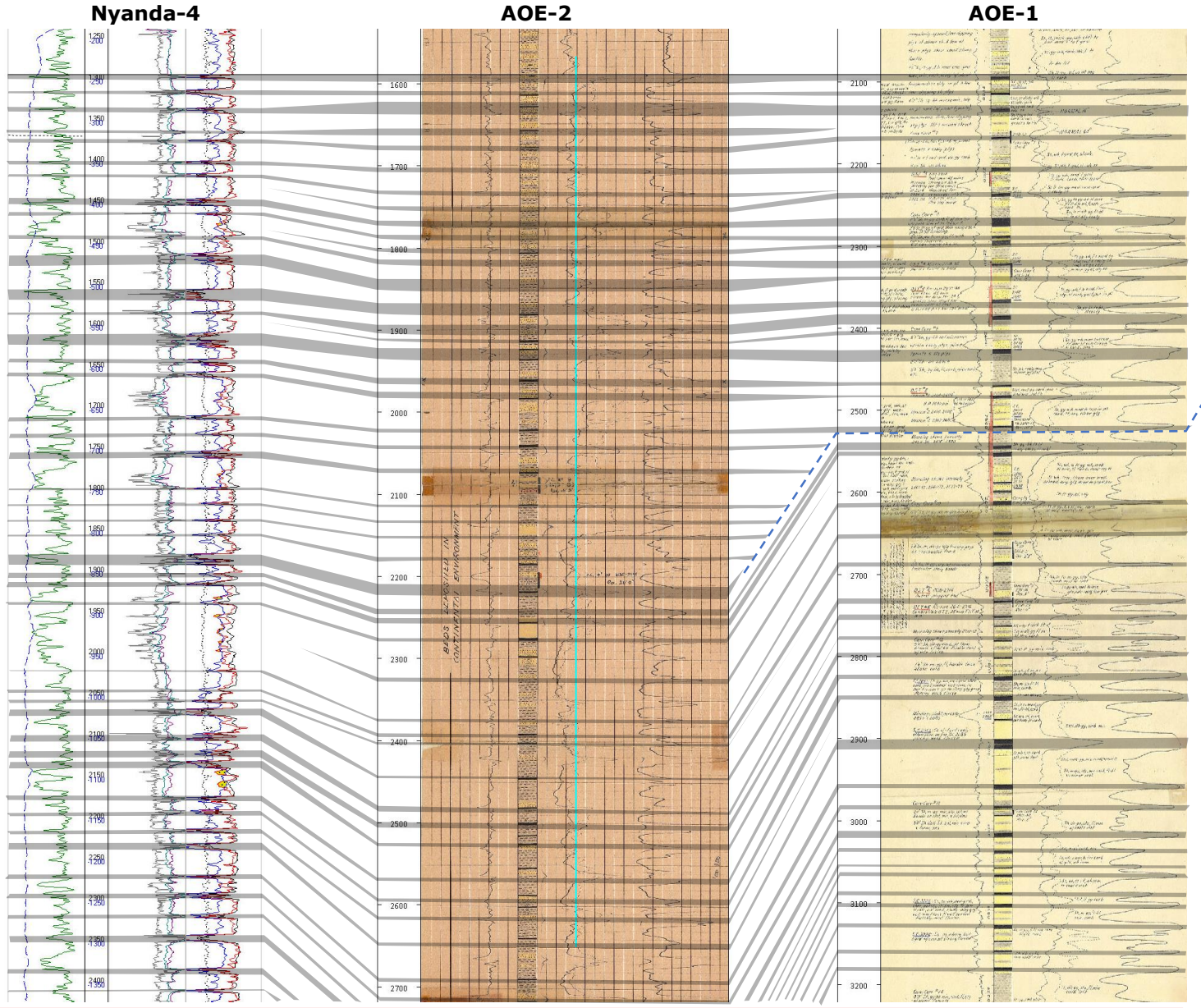
1. Core described to determine net coal-bearing intervals (11.3m)
2. Core-to-log correlation
3. Determine relationship of wireline logs to actual coal beds for cored interval
4. Apply relationship to entire Reid's Dome Beds interval

	A	B	C	D	E	F	G	H	I
1	NYANDA-4								
2	DEPTH	GRGC	DEN	MRRS	DEN<XX g/cc	MMRS>YY OHMM	DEN & RES	wireline cumulative net coal > 0.2m thick (m)	wireline cumulative net coal > 0.2m thick over cored interval 392-542m (m)
3					2.00	28	depth	40.4	11.3
50	394.6	144.8005	2.57761	22.05466					
51	394.7	146.5905	2.573085	22.46139					
52	394.8	147.5144	2.571288	23.59786					
53	394.9	150.0425	2.572846	24.78062					
54	395.0	151.9352	2.575199	25.64111		25.641106			
55	395.1	154.8954	2.578539	25.55458		25.554575			
56	395.2	157.4059	2.580703	24.99501					
57	395.3	161.0022	2.57228	23.64143					
58	395.4	161.7714	2.554139	22.38145					
59	395.5	161.0085	2.51419	21.40625					
60	395.6	153.8698	2.441173	22.03954					
61	395.7	139.7625	2.305829	24.28334					
62	395.8	117.0401	2.117671	29.44006		29.440062			
63	395.9	92.20981	1.894371	39.08258	1.894371	39.082577	395.9	0.1	0.1
64	396.0	69.10966	1.691144	53.3358	1.691144	53.335804	396	0.1	0.1
65	396.1	55.78644	1.554608	65.18982	1.554608	65.189819	396.1	0.1	0.1
66	396.2	55.1227	1.529238	65.75242	1.529238	65.752419	396.2	0.1	0.1
67	396.3	66.83483	1.628711	55.48038	1.628711	55.480381	396.3	0.1	0.1
68	396.4	85.73258	1.822437	41.96883	1.822437	41.968826	396.4	0.1	0.1
69	396.5	107.0584	2.053481	30.87364		30.873644			
70	396.6	127.7061	2.259668	24.20216					
71	396.7	145.7251	2.416099	21.43786					
72	396.8	157.526	2.504599	20.58958					
73	396.9	163.0086	2.539856	20.0334					

- **Best fit with core where Density < 2.00 g/cc and Micro Laterolog > 28 OHMM**
- **Net coal 396 – 1200 mRT = 40.4 m**

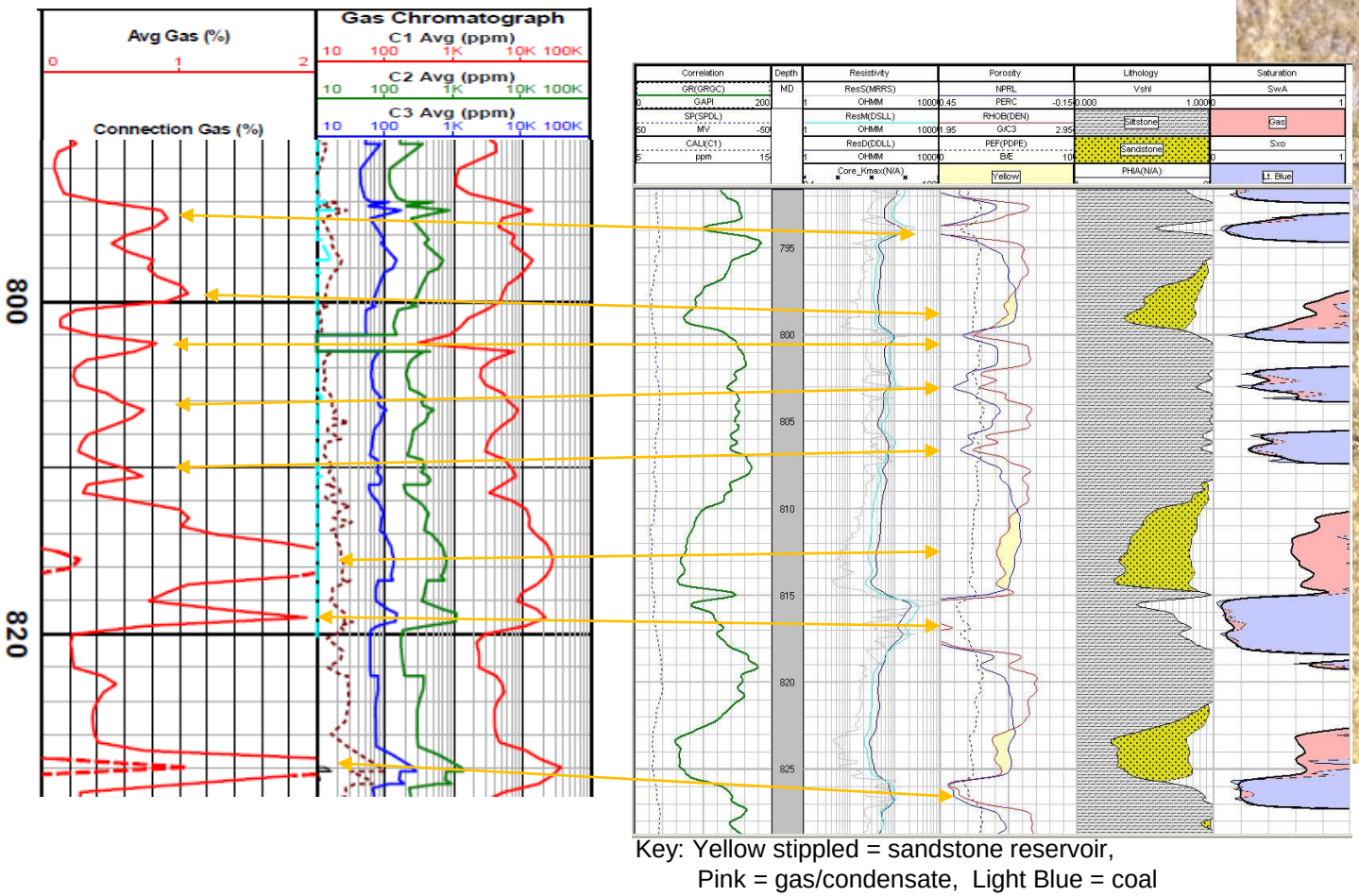
RDB PL-231 Well Correlation, Coal Seams

- Core descriptions from Nyanda-4 indicate low energy lower coastal plain to esturine environment of deposition
- Coals probably formed in wide-spread lagoons and back-barrier swamps leading to **laterally continuous coals**
- Coals defined in AOE-1,2 by little or no SP deflection combined with significant increase in resistivity

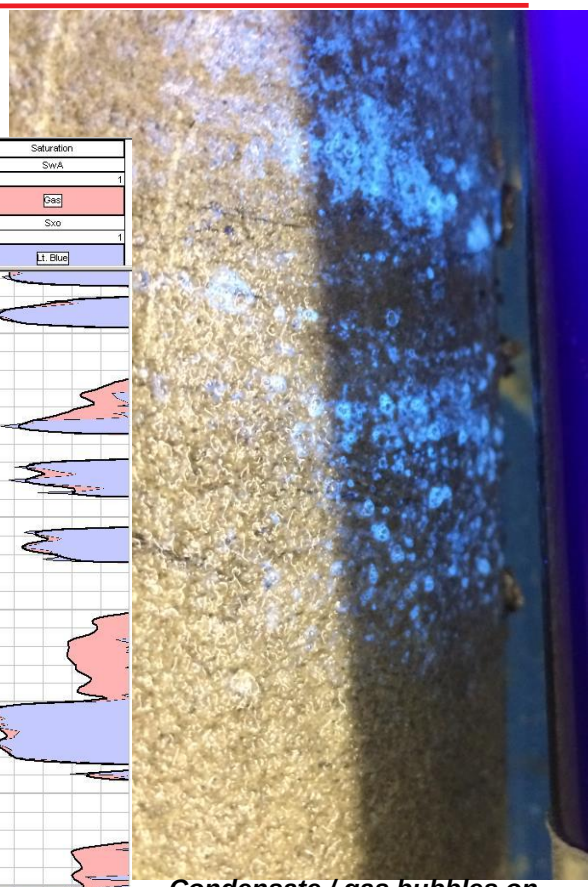


NOTE: depths in feet, no horizontal scale

Nyanda-4 Conventional Gas



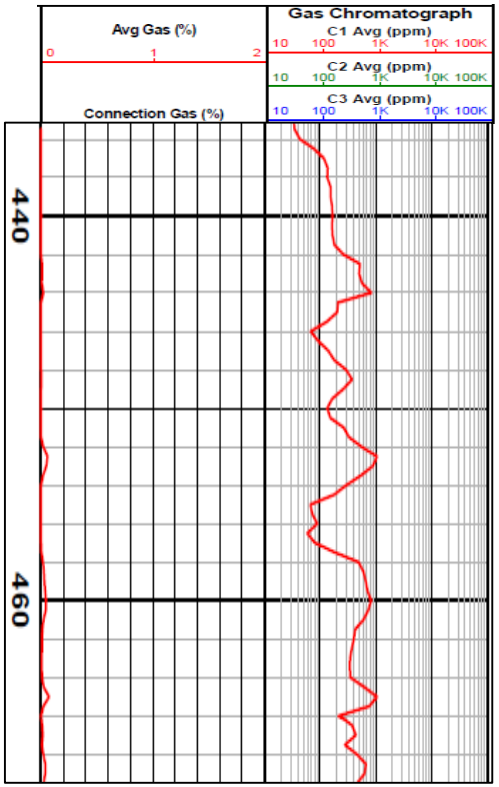
Key: Yellow stippled = sandstone reservoir,
Pink = gas/condensate, Light Blue = coal

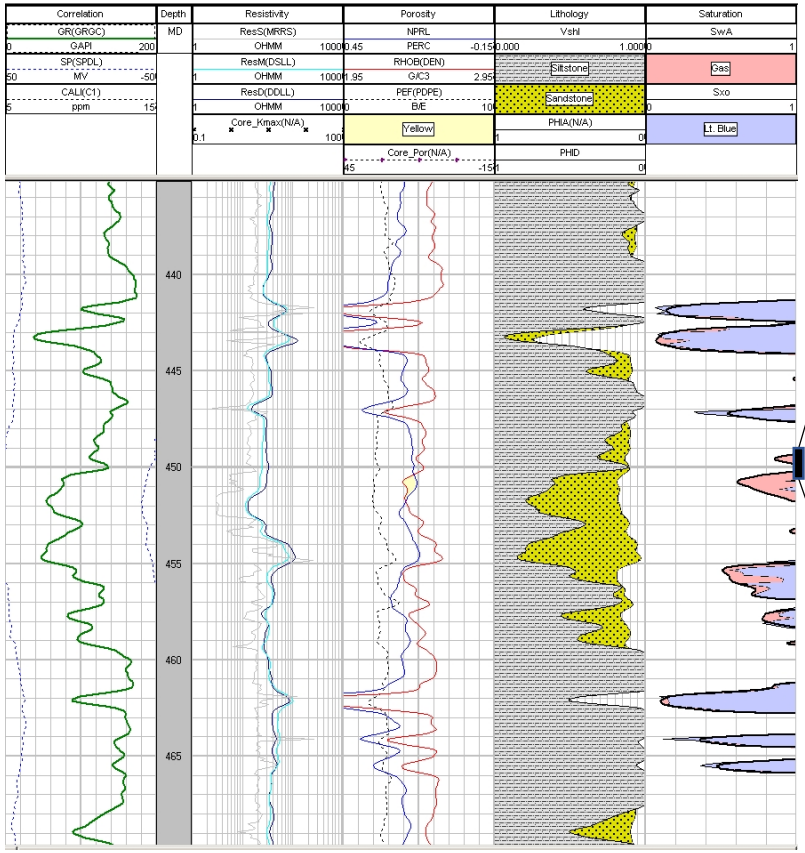


Condensate / gas bubbles on sandstone core from Nyanda-4 under UV light

- **Conventional gas**: Gas and condensate noted bubbling and hissing from sandstones in Nyanda-4 core samples
- **Numerous gas peaks in logs**: Associated with both coals and sandstones

Nyanda-4 Log Analysis





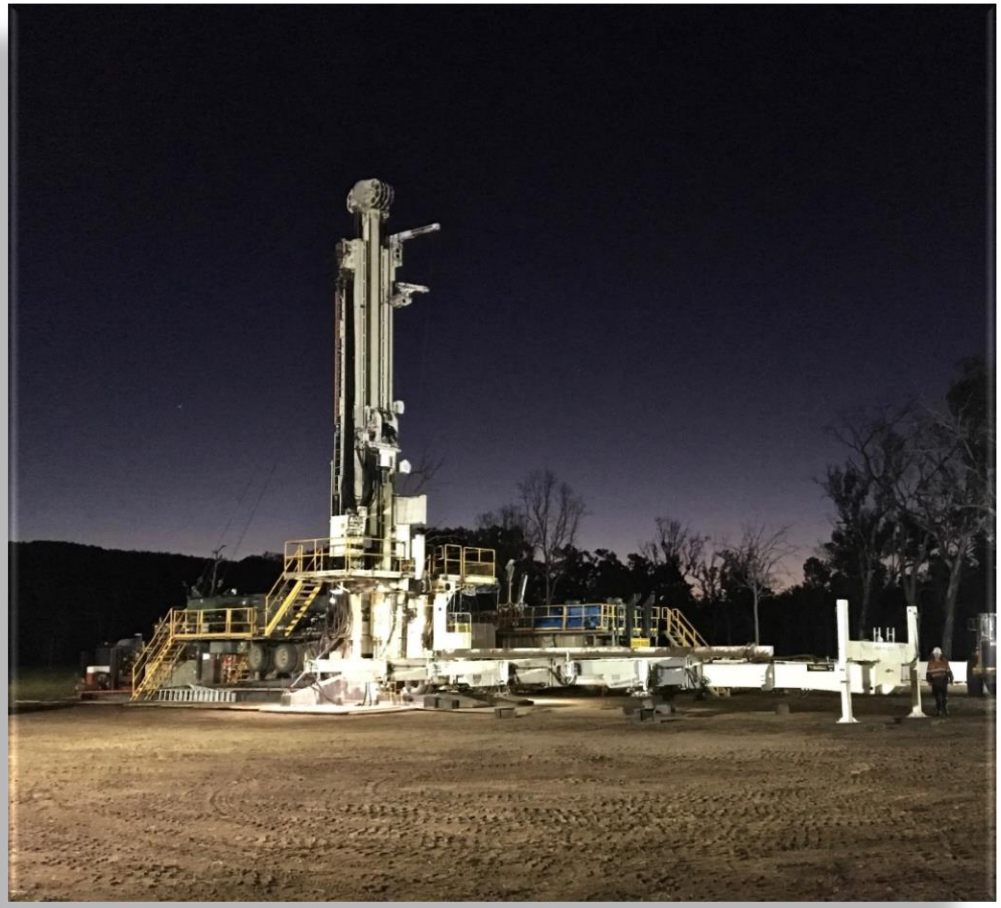
- Complicated petrophysics,
  - Shale clasts masking sand response
  - minor pyrite masking coal response
- RCA, SCAL, SEM etc. required

Pyrite in coal from Nyanda-4

Primero West-1 Drilling Results

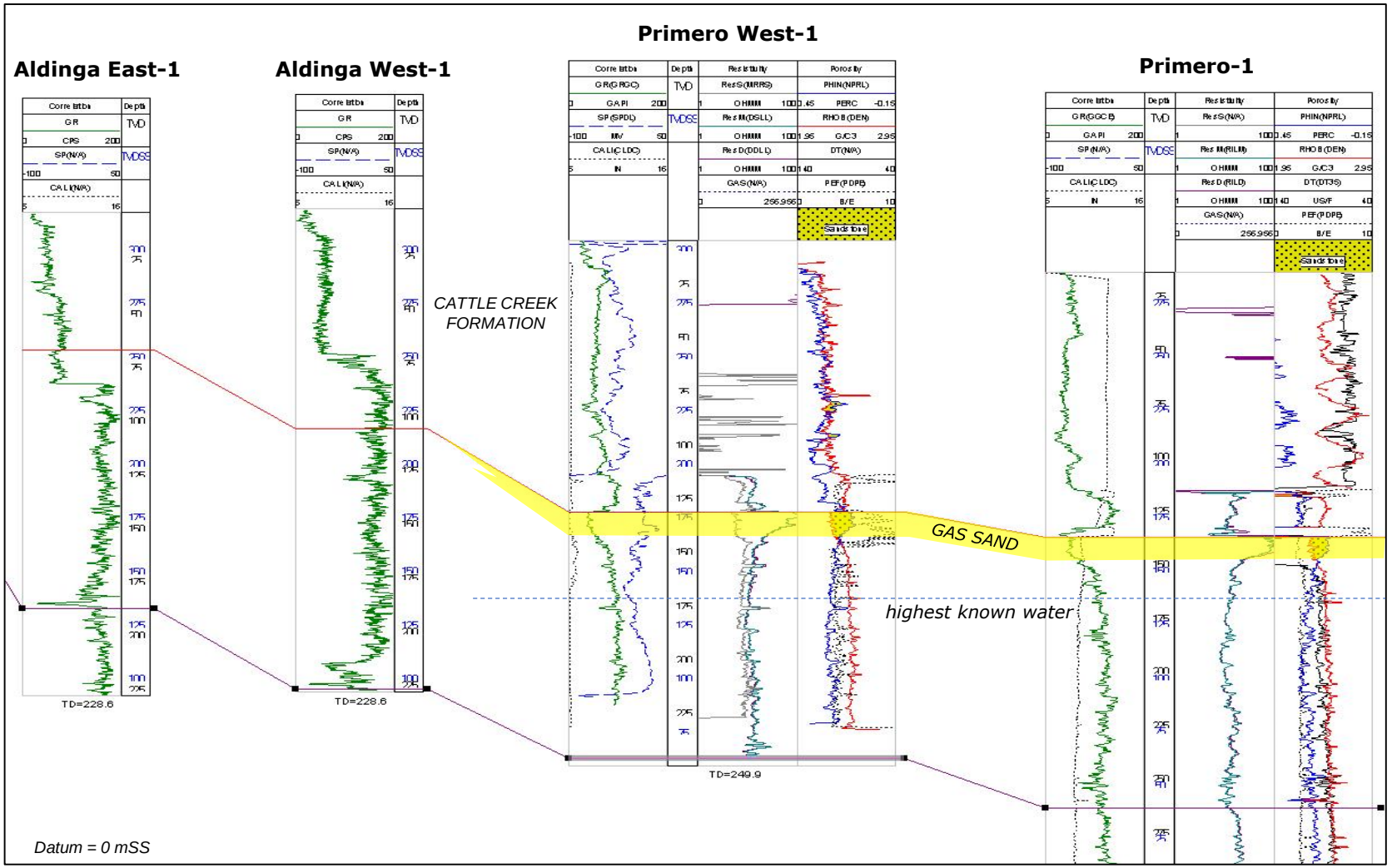
Primero West-1 Results

- Successfully drilled in accordance with the requirements of the Joint Operating Agreement to appraise the “Primero Gas Sand” in the Cattle Creek Formation
- Located ~650m west of AOE-1
- Shallow conventional reservoir, TD 250m
- Challenging drilling with over-pressure at shallow depth
- Gas sand encountered close to prognosis.
- Gas flow of 0.436 mmscf/d in line with expectations
- Gas composition similar to offset well data, with 96.7% methane
- Geological and reservoir engineering review ongoing



SCD Rig-25 on location at Primero West-1

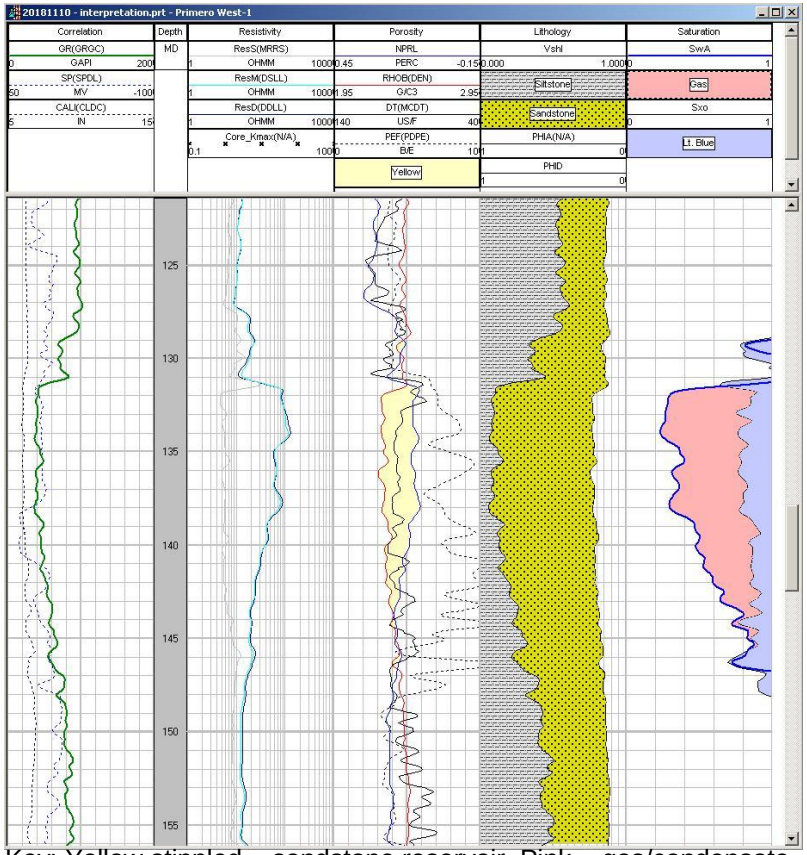
Primero West-1 Well Correlation



Primero West-1 Drilling Results

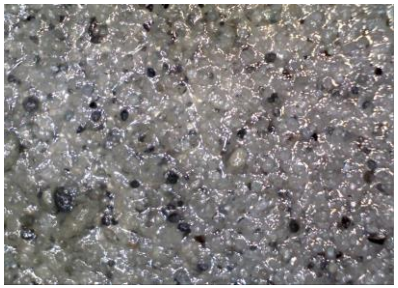
Cattle Creek Formation conventional play:

- Gas encountered from 131.5m within the Cattle Creek Formation
- Average porosity ~20%
- Average Sw ~ 40% (petrophysical uncertainty on Rw, a, m and n)
- Net gas-bearing zone of up to 12.5m
- Maximum gas flow rate of 0.436 mmscf/d through a 48/64” choke
- Shut-in wellhead pressure of 165 psi
- Reservoir pressure ~100 psi over hydrostatic
- Methane content: 96.75%, similar to AOE-1



Key: Yellow stippled = sandstone reservoir, Pink = gas/condensate

Quick-look petrophysics



“Primero” sandstone

CSG Volumetrics

Basis of CSG volumetrics; 1

- **Average Raw Gas content: 11.6 m^3/t** (to date). Gas content for thickest seams currently ~**13 m^3/t.** Reids-1 data indicate 7.1 – 14.6 m^3/t with average 11.8 m^3/t. Other Bowen Basin CSG projects have approximately 7 – 14 m^3/t.

- **DAF values*:** State Gas have raw gas rather than DAF. Reids-1 rag to DAF indicates average uplift of 135%.

- **Ash content* (1 - Pure Coal Mass Fraction):** Reids-1 data indicate Ash of 15.5 – 42.6% with average of 25.3%. State Gas have assumed average 1 – 15% with average 9%. This offsets the DAF values

- **Density*:** The density of one Nyanda-4 coal sample was measured in the field using Archimedes principle and resulted in 1.40 g/cc. Reids-1 coal density ranges from 1.29 – 1.62 g/cc and averages 1.43 g/cc

- **Vertical Net to Gross:** The range of values is estimated from the measured core descriptions. **Aerial Net to Gross:** The range of values is somewhat arbitrary by takes into account analogues from the Bowen Basin and the variation seen between Nyanda-4, AOE-2 and AOE-1

- **Pressure:** DST data indicates the Reids Dome Beds are ~100 psi over-pressured with respect to hydrostatic. This is favourable for gas saturation

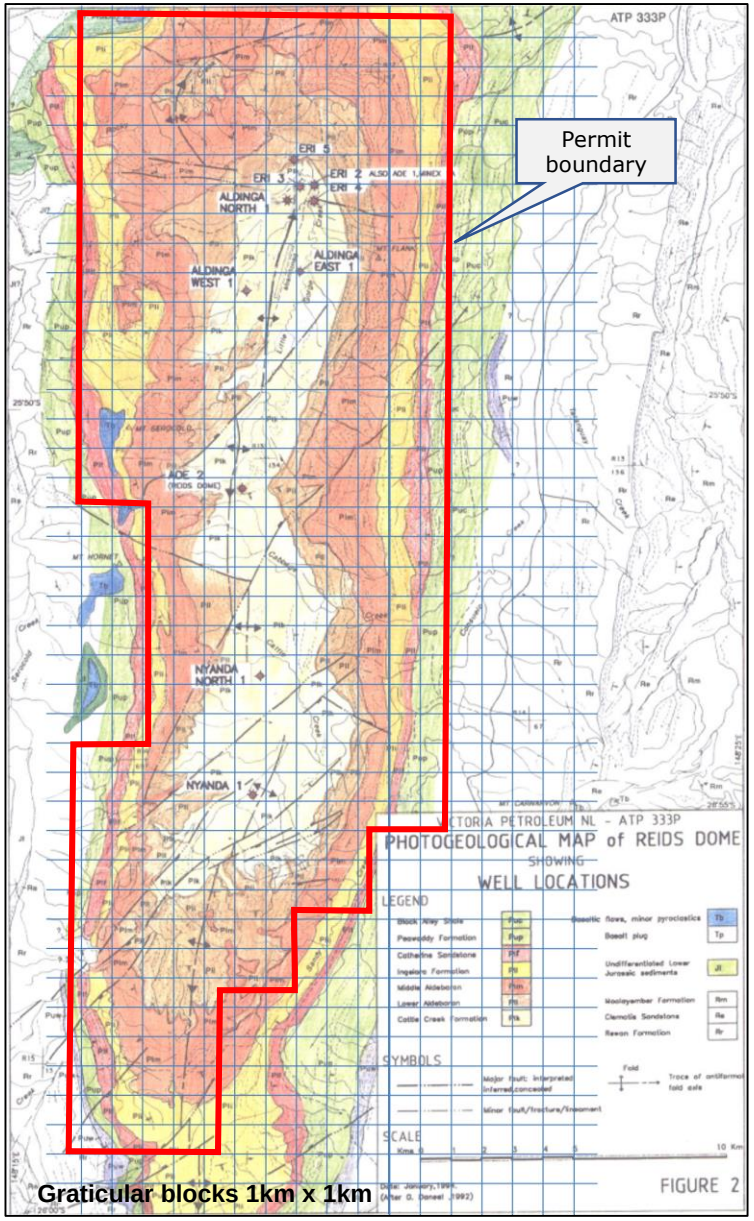
* *Pending final lab data*

Basis of CSG Volumetrics; 2

- **Area:**
  - Well correlations used to establish extent of coal seams
  - Geological map overlain with 1 km^2 grid
  - Area of Lower Aldebaran Sst outcrop assumed to mimic the maximum limit of viable CSG (P1=120 km^2). Minimum area (P99=60 km^2) assumed to be less than area of Cattle Creek Fm outcrop (~80 km^2)
  - Mean area (~85 km^2) to be accessed with vertical or slightly deviated wells
  - P10 area (~103 km^2) to be accessed with deviated wells drilled from outside the dome, i.e. well-pads on the flanks of the dipping Aldebaran Sst

- **Permeability floor:**
  - Assumed to be analogous to Reids-1 (10-20 mD @ 1139 – 1163 m)

- **Net Coal:**
  - Data ground-truthed at Nyanda-4
  - SP and Resistivity-defined coal at AOE-1,2
  - Discount applied for tight seams and edge effects

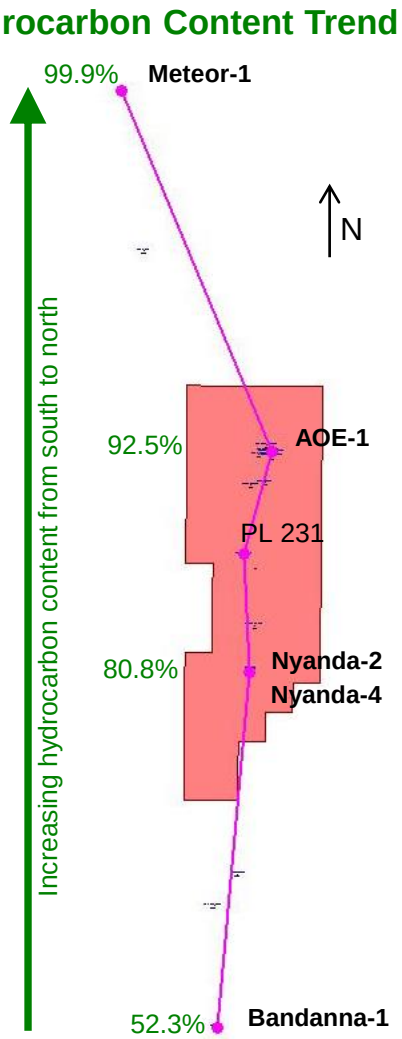


RDB Regional Gas Composition

Trends:

- CO_2 content generally reducing with depth: AOE-1 and Westgrove-3, which showed <3% CO_2 at 3,750m
- CO_2 diminishing from south to north across PL-231 area
- Variability most likely related to stratigraphy and geologic domains

	Methane (%)	Ethane (%)	Propane (%)	Higher hydro-carbons (%)	CO_2 (%)	N_2, O_2 (%)
Meteor-1 (RDB coal)	82.2	13.7	2.0	0.0	0.1	0.0
AOE-1 (RDB sandstone, 822m)	82.7	11.8	NR	NR	5.6	1.9
AOE-1 (RDB sandstone 1365m)	83.6	15.6	NR	NR	0.7	0.1
Nyanda-2 (Cattle Creek sandstone)	80. 8	0.0	0.0	0.0	18.3	0.9
Nyanda-4 (well-head sample 14 Feb)	99.8	0.0	0.0	0.0	0.0	0.04
Bandanna-1 (RDB sandstone)	45.0	5.1	2.2	1.3	45.6	0.9



Nyanda-4 desorbed gas latest results (cored-zone):

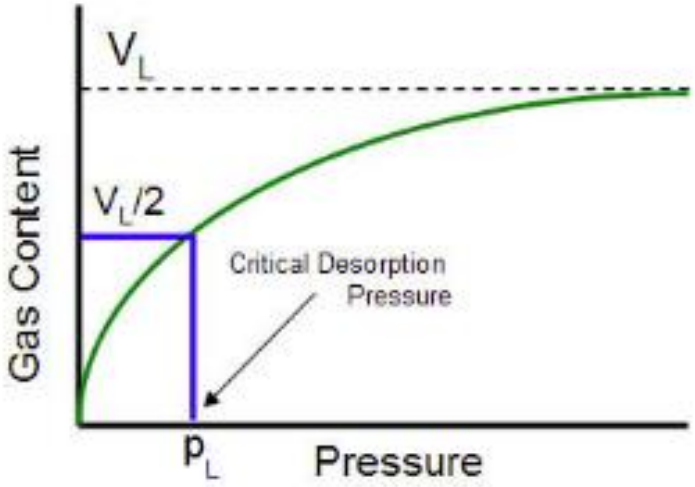
- Weighted Average: 80% Methane, 20.1% CO_2
- Thickest seam: 87.6% Methane, 12.4% CO_2

RDB CSG water production

The volume and rate of CSG water production at Reids Dome is currently unknown, however:

- Nyanda-4 DST#3 indicates ~100 psi over-pressure
- Over-pressure means that the reservoir is closer to the desorption isotherm, and less de-watering is required to commence gas production. Alternatively, if the coals are saturated with respect to gas, there will be a greater volume for a given depth.
- Late-time derivative data from DST#3 in Nyanda-4 suggests desorption occurred during testing. Therefore under production conditions, gas will be produced with little if any de-watering of the coals.
- Bowen Basin coals historically have produced less water than initially anticipated

All of which indicate the possibility for low water production at Reids Dome



Schematic Langmuir Isotherm

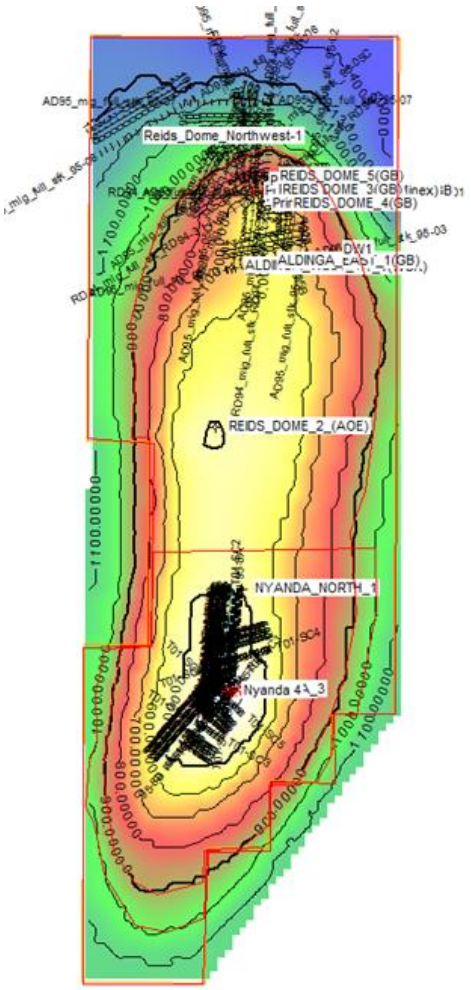
PL-231; CSG Resource Potential

Currently in appraisal phase, Monte-Carlo analysis with wide range of uncertainty used

	90% prob.	50% prob.	Mean prob.	10% prob.
Gas Content (m^3/ton raw)	Redacted			
Bulk Density Coal (g/cc reservoir)				
Pure Coal Mass Fraction				
Area (km^2)				
Areal Net to Gross Ratio				
Gross Reservoir Thickness (m)				
Vertical Net to Gross Ratio				
Average Net Pay (m)				
Recovery Factor				
Sales Gas Losses*				
GIP (bcf)				
Potential Sales Gas (PJ)				

* *Sales Gas Losses assumed to be fuel gas plus CO_2*

Depth to top RDB coal



RDB Tight-gas Volumetrics

Reid's Dome Conventional Gas –Analogues

Regional Analogues: APLNG's Merivale Gasfield and Westgrove Deep Gas Play (PL-44)

- **Merivale gasfield:**
  - Regional anticline located on-trend 40 km south of PL-231
  - Reid's Dome Beds conventional sandstone below 1492 m
  - **Merivale-2, 5, 6 & 8; DST and Production Tests flowed gas at 0.33 – 1.78 mmscfd from RDB (**Post fracture stimulation rates purported to be 2.5 – 4 times test rates.)
  - **Merivale-7; DST's in RDB flowed at RTSTM. Post fracture stimulation, flow was 0.8 mmscfd**

- **Westgrove Deep tight gas play:**
  - Located beneath Merivale
  - Reservoir: Reid's Dome Beds tight sandstones
  - Gas column penetrated by Westgrove-3 (1963), gas to surface from ~3750 m
  - 200m gross gas column penetrated (thought to be only partially penetrated)
  - Gas composition of 97% methane with ~3% inert components
  - Westgrove-9 appraisal well recently drilled by APLNG

PL-231; Reids Dome Deep Prospect Potential

- **AOE-1 tested gas at low rates from two sandstones in the Reids Dome Beds (RDB)**
- **Prospective section: >2500m (450 – 3000 m+)**
- **Continuing gas shows at TD in Nyanda-4 indicate strong likelihood of a deeper tight gas play >1200m**

Monte Carlo Assessment	90% prob.	Mean prob.	10% prob.
Area (km^2)	3.0	48.4	130
Net Pay (m)	15	30	50
Porosity (%)	8.0	11.0	14.0
Gas saturation (%)	50	60	70
FVF	120	149	180
GIIP (bcf)		Redacted	
Surface Losses* (%)	10	25	45
Recovery Factor (%)		Redacted	
Potential Sales Gas (PJ)		Redacted	

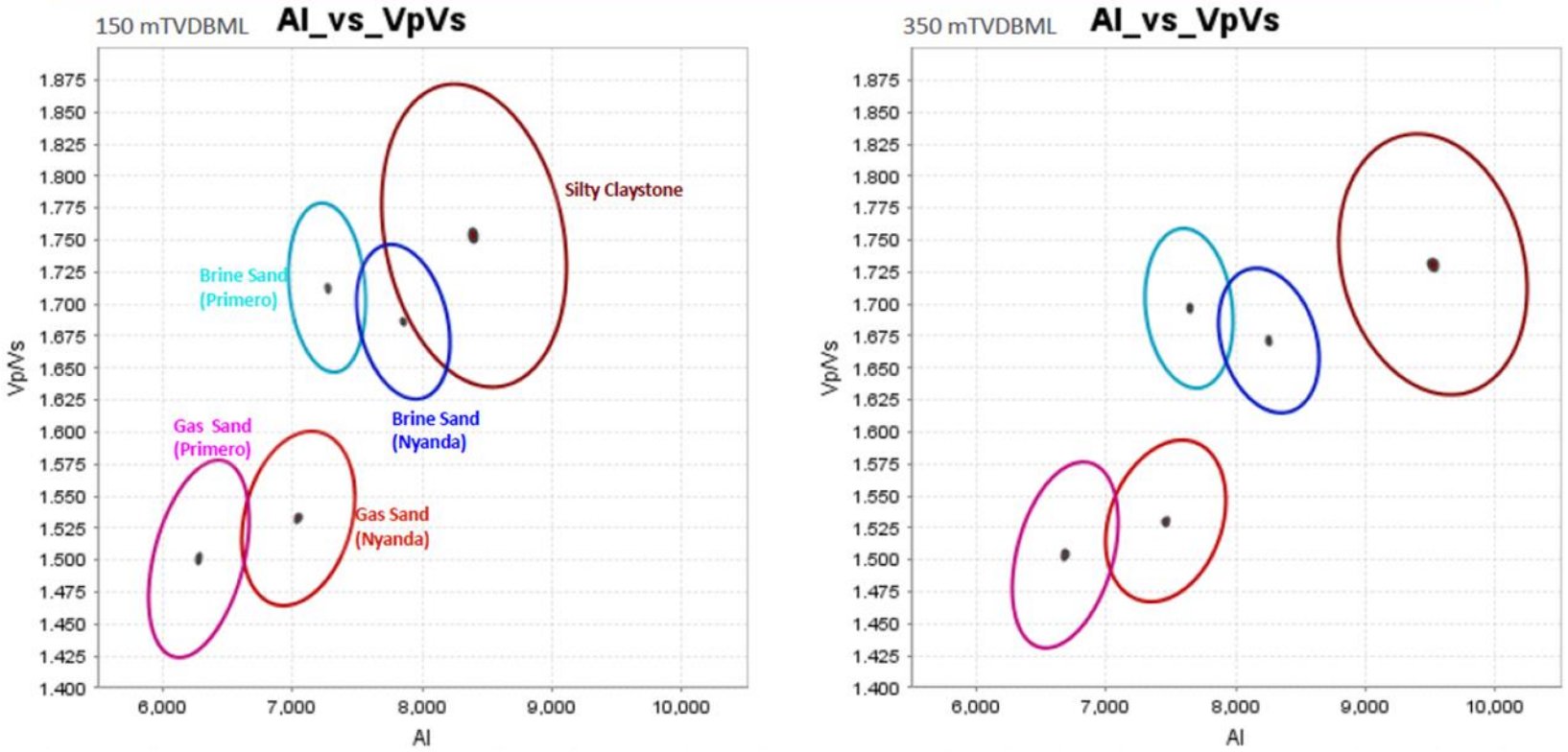
* *Surface Losses assumed to be fuel gas plus CO_2*

Cattle Creek Formation Exploration Opportunity at PL-231 Reids Dome

Seismic evaluation of Cattle Creek gas at PL-231

Sandstone Nyanda and Sandstone Primero

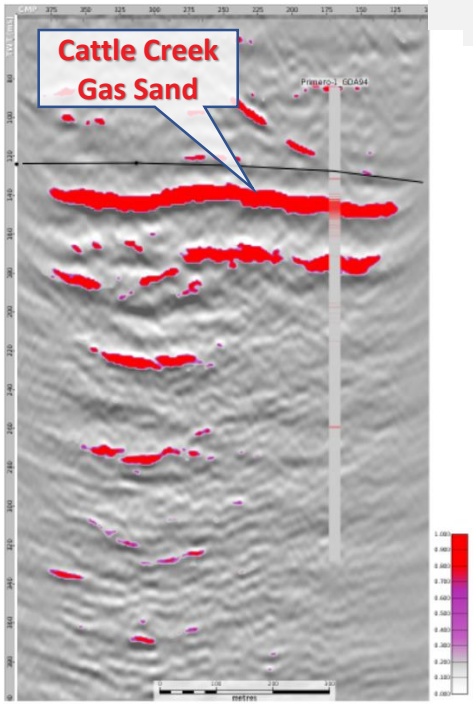
Vres = 80%, Mixing lithology = Silty Claystone

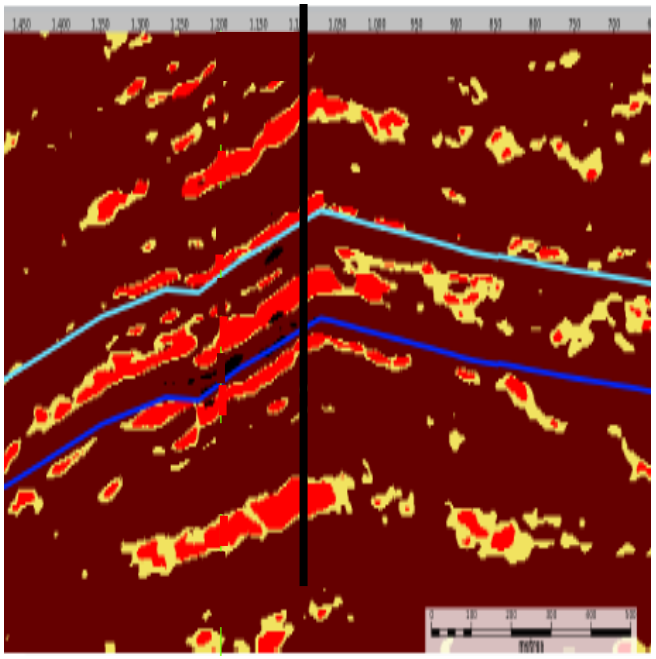


- Lithology discrimination between both Sandstones (Nyanda and Primero) with Silty Claystone is generally good at the shallow depth and it significantly improves with increasing depth, in particular at 350 mTVDBML.
- Fluid discrimination in the same sand trend is generally good at all modelled depth ranges. However, Sandstone Nyanda gas case has similar AI ranges compared with the Sandstone Primero brine case, however they are well discriminated using the VpVs value.

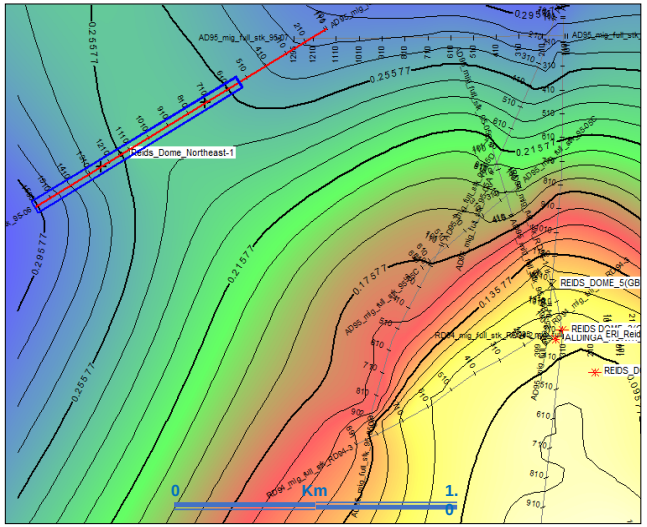
Cattle Creek Prospectivity

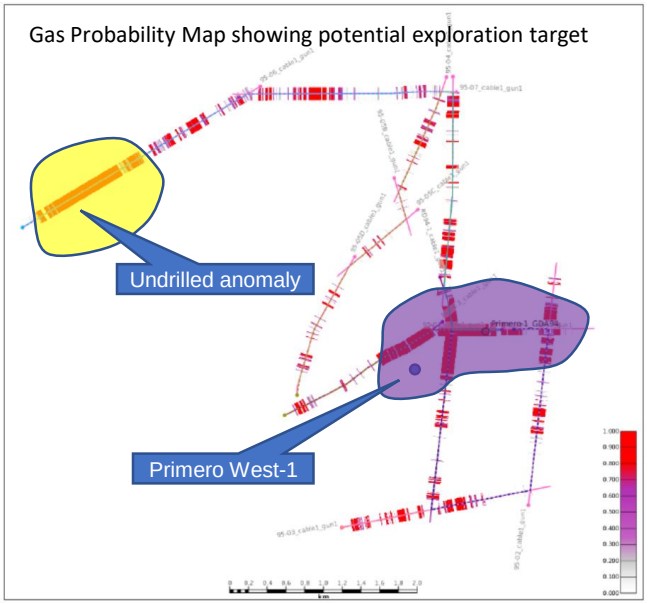
Far stack with probability of gas sand overlay





Cattle Creek Gas sand time structure map





Cattle Creek Leads

- Primero West-1 confirmed reprocessed seismic signature
- Good quality conventional sandstone with ~100 psi over-pressure
- Depth to targets 200 – 500 m
- Components exist of both structural and stratigraphic traps
- Estimated prospect size 1 – 10 bcf each
- Additional seismic required to define and delineate

Development Scenario

Conceptual PL-231 appraisal and development

PHASE-1:

- Reprocess WOWCO seismic survey
- Nyanda-4 conventional and CSG flow test
- 2 x RDB vertical appraisal CSG wells with extensive cores and multiple DST's
- Review results and conduct scoping economics

PHASE-2:

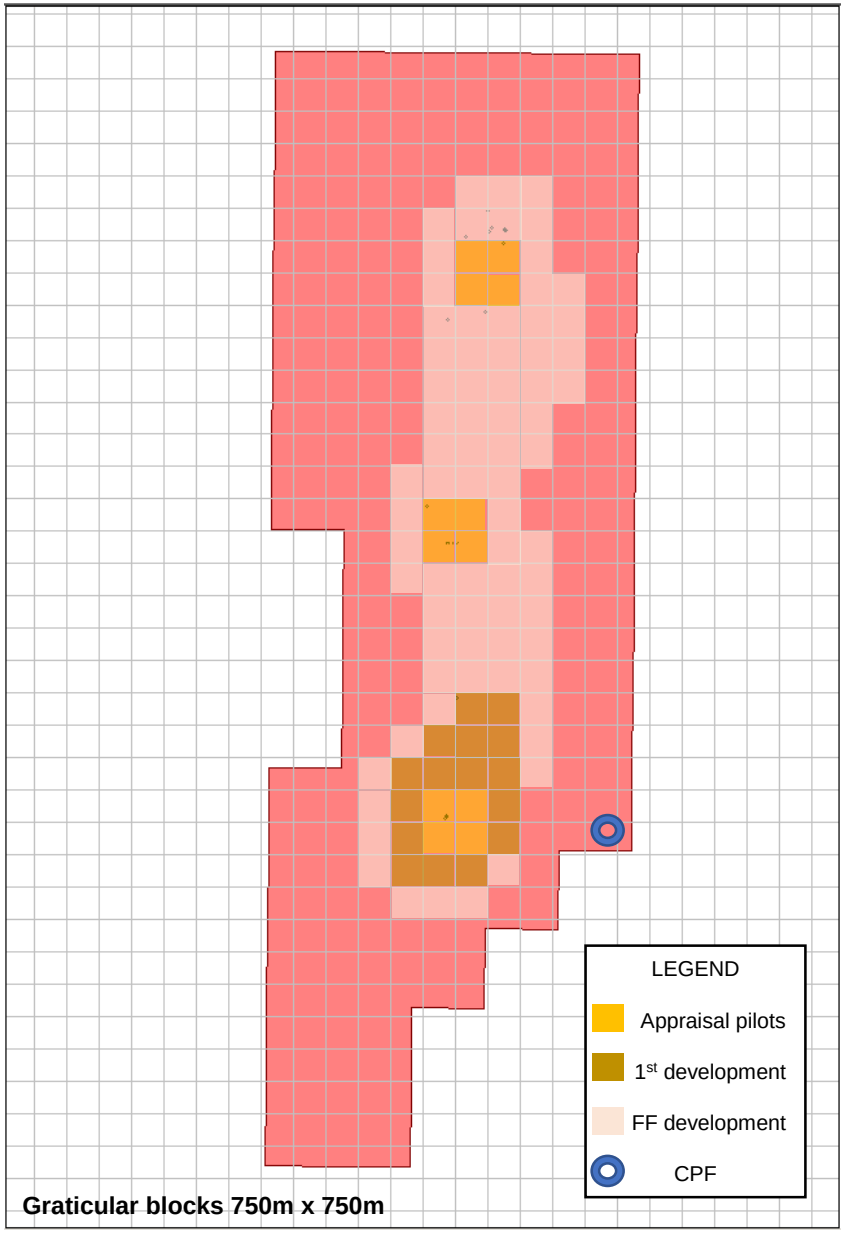
- RDB CSG production pilots, 6-12 vertical production wells surrounding appraisal wells (3 or 5 spot pattern)
- 1 x Cattle Creek exploration well
- Pipeline route studies
- Review results, engineering studies and conduct scoping economics

PHASE-3:

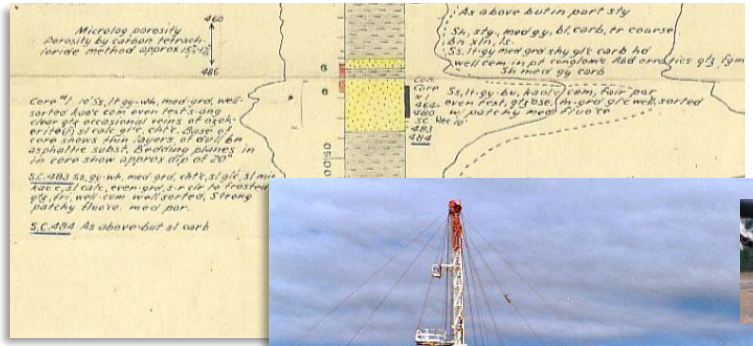
- FEED and economic review leading to FID
- 80 km^2 3D seismic
- Install Primero area Cattle Creek gas sand surface facilities and initial CSG gathering to CPF location
- Expand Tier-I pilot with 16 well initial development
- Install surface facilities and pipeline underpinned by Cattle Creek conventional development.
- Review results

PHASE-4:

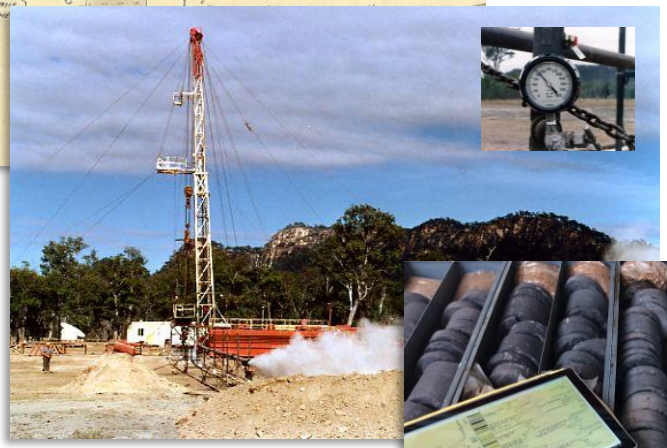
- Full-field Development, 100-150 wells
- Central Processing Facility (CPF) with gas processing, water & condensate handling
- Compression
- Export pipeline



Reids Dome Time-Line



1954: gas discovered by AOE Reids Dome-1



1975-2006: 13 wells drilled to appraise Cattle Creek gas sand

Jul. 2018: State Gas reviews historic data

Nov 2018: drilling

2018: Large new CSG play discovered

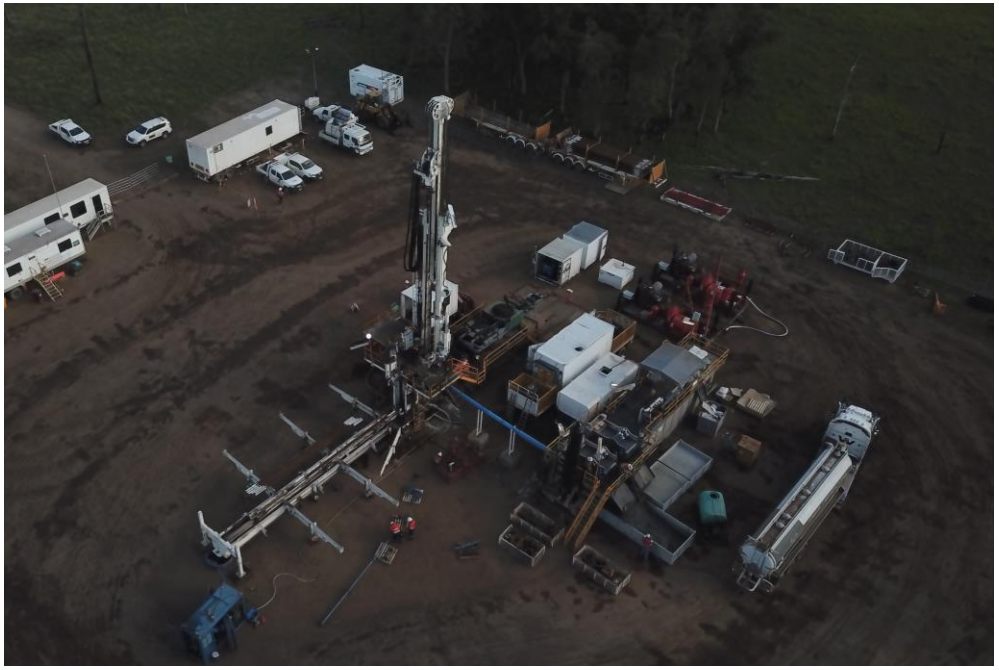
State Gas Capital Structure

Shareholder	Shares Held	%
Founders, Directors & related entities	80.8 million	60%
Public	54.6 million	40%
TOTAL*	**135.4** million	**100**%

*Excludes 7 million management options exercisable between $0.20 and $0.60 with vesting conditions and 2.5 million performance shares issued to Highbury Partnership vesting on various transaction conditions and pricing hurdles between $1.10 and $2.00 per share

Contacts

Silver City Rig-25 drilling Nyanda-4 during November 2018



Lucy Snelling
CEO
State Gas Limited

m: +61 439 608 241
lucy@stategas.com

Greg Baynton
Executive Director
State Gas Limited

m: +61 414 970 566
greg@stategas.com

www.stategas.com **ASX: GAS**