



State Gas Pty Ltd
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ASX RELEASE

30 July 2018

QUARTERLY ACTIVITIES REPORT

1st April 2018 – 30th June 2018

HIGHLIGHTS:

- Preparation for drilling of targets identified by the reprocessing of historic seismic in the north west of PL 231, and below the already discovered gas pool in the Cattle Creek gas sands.
- Detailed review indicates PL 231 may have potential for significant quantities of coal seam gas hosted in the early-Permian Reid's Dome beds..
- Continued investigation of monetisation options for Cattle Creek Formation gas.
- Appointment of Chief Executive Officer.

Brisbane-based conventional gas developer **State Gas Limited (ASX: GAS)** is pleased to provide its inaugural Quarterly Activities Report, for the March Quarter, 2018.

Background

State Gas Limited (State Gas or the Company) has a 60% interest in, and is operator of, a petroleum lease (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 a conventional gas accumulation discovered in the 1950's within the Denison Trough.

The accumulation is hosted within good quality sandstones of the marine Cattle Creek Formation at depths of as shallow as 130 meters. Testing of this reservoir achieved sustained flow rates of 1.2 million cubic feet per day of pipeline-quality gas. Pressure data indicates the accumulation is over-pressured and confirms the integrity of the sealing shales. Fluvial reservoirs of the underlying Reids Dome Beds form a major secondary target. This target also produced gas on test during the drilling of the initial exploration and appraisal wells.

PROJECT ACTIVITIES

As previously announced, Phase 1 of the reprocessing of historic seismic acquired over PL 231 identified a new potential gas pool located in the north-west of PL 231 (North-West Gas Prospect). The North-West Gas Prospect appears to be hosted within the Cattle Creek gas sands and appears to consist of multiple zones to a depth of approximately 500 metres.

The Phase 1 reprocessing also identified a further, previously unidentified target below the already discovered gas pool in the Cattle Creek Gas Sands in the area to the west of Primero-1.

The Company is currently preparing to undertake drilling to test both the North-West Gas Prospect and the deeper target near Primero-1. If successful, the wells will be logged and tested to provide information on the flow and permeability characteristics of the formations. The drilling of the first of these wells will complete the Company's sole funding obligations under the Joint Operating Agreement for PL 231.

The Company has also undertaken a detailed review of the geology of the permit and the results of historical drilling, both in the permit area and of analogous wells into the same formations beyond the permit boundaries. This review indicates that in addition to conventional gas in the Cattle Creek Formation and Reids Dome Beds, PL 231 may have potential for significant quantities of coal seam gas due to positive pressure maintenance. In this regard, potential for coal seam gas exists within the early Permian Reid's Dome beds, which are composed of interbedded coals, siltstones, shales, sandstones and, conglomerates..

The Company is currently in discussions with its Joint Venture Partner with a view to including in the current drilling program a core-hole to evaluate this coal seam gas potential.

Drilling is expected to be undertaken during the 4th Quarter of 2018.

During the previous quarter the Company commissioned the Phase 2 reprocessing of historic seismic in the southern area of the permit. This work is expected to be completed in the 3rd Quarter of 2018. Seismic data in the southern area is more limited than that available for the northern area.

The Company has continued to investigate options to monetise the gas identified in the Cattle Creek Formation in the Central North gas pool centred around Primero-1, as well as any new gas located in the North-West Prospect, meeting with potential customers and development partners.

ADDITIONAL CORPORATE MATTERS

During the Quarter, the Company appointed Mr James Crowley to a new role of Chief Operating Officer. Mr Crowley holds a Bachelor of Science (Hons) and brings global expertise in petroleum exploration, appraisal, development and production. With a petroleum career spanning 34 years in Australia, Egypt, New Zealand and the North Sea, Mr Crowley has held senior executive roles for AGL Energy Ltd, Senex Ltd, Origin Energy Ltd, and Apache Corporation. Mr Crowley joined the Company on 2 July 2018.

FOR FURTHER INFORMATION

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ABOUT STATE GAS

STATE GAS LIMITED (ASX: **GAS**) is a developer of a conventional gas field located in the Bowen Basin in Central Queensland. It is Operator and 60%-owner of the Cattle Creek and Reid's Dome Conventional Gas Project located 50 kilometres south west of Rolleston, approximately 50 kilometres from the Queensland Gas Pipeline.