



PROSPECTUS

for an offer of 26,250,000 shares in
State Gas Limited ACN 617 322 488 at
\$0.20 per Share to raise \$5.25 million



LEAD MANAGER



BROKER



LEGAL ADVISERS



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IMPORTANT NOTICES

General

This prospectus is dated 4 September 2017. A copy of this prospectus was lodged with ASIC on that date. Neither ASIC nor ASX takes any responsibility for the contents of this prospectus or the merits of the investment to which this prospectus relates. No Shares will be allotted or transferred on the basis of this prospectus after the expiry date. This prospectus expires on 4 October 2018.

No person is authorised to give any information or make representations about the Offer, which is not contained in this prospectus. Information or representations not contained in this prospectus must not be relied on as authorised by State Gas, or any other person, in connection with the Offer.

This prospectus provides information for investors to decide if they wish to invest in State Gas. Read this document in its entirety. Examine the assumptions underlying any forward looking statements and understand the risk factors that could impede State Gas' ability to achieve its objectives. Consider these factors carefully in light of your personal financial circumstances. Seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest. The Offer does not take into account the investment objectives, financial situation or needs of particular investors.

Australian residents only

The Offer is available to residents in each state and territory of Australia. The distribution of this prospectus in jurisdictions outside Australia may be restricted by law. Seek advice on and observe any restrictions. This prospectus is not an Offer in any place where, or to any person to whom, it would not be lawful to make the Offer.

Defined terms

Some terms used in this prospectus are defined in the Glossary.

Electronic prospectus

This prospectus is available electronically at <http://www.state-gas.com/>. Electronic versions of this prospectus should be downloaded and read in their entirety. Applications for Shares may only be made on the application form attached to this prospectus or in its paper copy form downloaded in its entirety from <http://www.state-gas.com/>.

Exposure period

State Gas will not process application forms during the seven day period after the date of lodgement of this prospectus with ASIC. This period may be extended by ASIC for up to a further seven days. This exposure period enables the prospectus to be examined by market participants. No preference will be given to application forms received during the exposure period.

Privacy

If you complete an application form you will be giving State Gas personal information. State Gas and the share registry collect, hold and use that personal information to assess your application and to communicate and provide services to you as a shareholder. State Gas may disclose information to its agents, service providers (such as the share registry) and government bodies. You may access, correct and update the personal information that we hold about you by contacting the share registry.

Currency

Monetary amounts shown in this prospectus are expressed in Australian dollars unless otherwise stated.

Photographs and diagrams

Photographs used in this prospectus without descriptions are only for illustration. The people shown are not endorsing this prospectus or the Offer. Diagrams used in this prospectus may not be drawn to scale. The assets depicted in photographs in this prospectus are not assets of State Gas unless otherwise stated.

**AN INVESTMENT IN SHARES SHOULD BE REGARDED AS SPECULATIVE
THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY**

Important dates[#]

Offer opens	Tuesday, 12 September 2017
Priority Offer closes	5.00pm Thursday, 28 September 2017
Public Offer closes	5.00pm Friday, 6 October 2017
Anticipated commencement of ASX trading	Tuesday, 17 October 2017

[#] Dates and times are indicative only and subject to change

LETTER FROM THE CHAIRMAN

4 September 2017

Dear Investor



On behalf of the Board, it gives me great pleasure to offer you this opportunity to invest in State Gas Limited, which 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.

PL 231 hosts a conventional gas project located in the Denison Trough, first discovered in the 1950s. PL 231 is not a coal seam gas target. The primary area of focus for State Gas is the shallow, conventional gas target in the Cattle Creek Formation, a marine sandstone source rock, with a major secondary target in the underlying Reids Dome beds. Both targets have produced gas during the drilling of exploration and appraisal wells on PL 231. A number of historical wells have flowed gas from the Cattle Creek Formation, which was reached at depths of as shallow as 130 meters. The shallow nature of this conventional target will greatly benefit the economics of the appraisal and development wells that State Gas intends to drill in PL 231 in the period following its admission to ASX.

The underlying Reids Dome beds are anticipated to be at least 2,770 metres thick and have not been fully tested in the Denison Trough. They provide an exciting future target for State Gas.

For more technical information on the project, see sections 1.1 and 2.3 and the Independent Technical Report in section 4.

In order to accelerate the options for bringing gas from PL 231 to market, State Gas has recently lodged a pipeline survey licence application with the Queensland Department of Natural Resources and Mines (PSL 2028) with the intention to investigate suitable routes for a feeder pipeline to connect PL 231 with the Queensland Gas Pipeline and the broader east coast gas market.

This is an exciting time to be an investor in the supply side of the Queensland gas market, with the gas industry on the east coast undergoing significant structural change with the growth of demand from the Queensland-based liquefied natural gas (LNG) export industry causing a tight supply market.

The Board has a preference, where possible, for maintaining any gas developed from PL 231 as uncontracted in order to maintain flexibility to take advantage of spot market opportunities.



Flaring of Aldinga East 1 drilled in about November 1993

The stewardship of the project is critical to State Gas' success. We have assembled an outstanding board with relevant leadership, project development and petroleum industry experience. In particular, the Board is fortunate to have secured Ian Paton as a technical non-executive director. Mr Paton is a geophysicist and petroleum engineer with substantial oil and gas industry experience. He began his career with BHP in 1976 as a geophysicist and worked in senior exploration and development roles in Santos and Conoco over the next two decades before becoming a consultant. State Gas intends to appoint a chief executive officer in the next 6-12 months. In the meantime, that role will be competently filled by Mr Greg Baynton, a substantial holder in State Gas who was instrumental in identifying the opportunity.

State Gas is inviting investors to subscribe for 26,250,000 Shares, at an Offer Price of \$0.20 per Share to raise \$5.25 million (before offer costs). State Gas will have a market capitalisation of about \$27 million on completion of the Offer (at the Offer Price).

The funds raised by this Offer, together with existing cash reserves, will provide State Gas with sufficient working capital to appraise the shallow, conventional gas target of the Cattle Creek Formation and, should the appraisal program be successful, commence steps to develop the resource. An ASX listing will provide State Gas with access to equity capital markets, facilitate corporate transactions by the issue of shares and give employees and contractors an opportunity to participate in the ownership of State Gas.

This prospectus contains detailed information about State Gas' project, financial position, experienced Board and future plans. The prospectus also summarises the Board's understanding of the potential risks associated with this investment. While the Board will endeavour to mitigate those risks to the extent practicable, many risk factors, such as geological and market risks, are outside the control of the Board. In preparing this prospectus, the Board has identified a range of key risks, which are set out in detail in section 5. I encourage you to read this document carefully before making your investment decision.

I look forward to welcoming you as a member at the beginning of this exciting journey.

Yours faithfully



Tony Bellas
Chairman
State Gas Limited

1 Investment overview



Flaring of Aldinga East 1 drilled in about November 1993

Offer overview

Offer price per Share	\$0.20
Total number of Shares offered	26,250,000
Total proceeds raised (before Offer costs)	\$5,250,000
Shares on issue on settlement of the Offer	134,812,500
Market capitalisation at \$0.20 per Share	\$26.9 million

1.1 Project overview

PL 231 is located in the Denison Trough in central eastern Queensland, approximately 545 km northwest of Brisbane and 50 km southwest of Rolleston.

State Gas has an interest in 60% of PL 231 and in an unincorporated joint venture formed to explore, appraise and develop PL 231 (Joint Venture). State Gas is the operator of the Joint Venture, the terms of which are summarised in section 8.2.

PL 231 hosts two targets: the primary focus for State Gas in the short to medium term is a conventional, shallow gas target in the Cattle Creek Formation, a marine sandstone source rock. A secondary target is the underlying Reids Dome beds. The underlying Reids Dome beds are anticipated to be at least 2,770 metres thick and have not been fully penetrated in the Denison Trough. They provide an exciting future target for State Gas, potentially through a farm-out. Both targets have produced gas during the drilling of exploration and appraisal wells on PL 231. A number of historical wells have flowed gas from the Cattle Creek Formation, which was reached at depths of as shallow as 130 m. The Board expects that the shallow nature of this conventional target will greatly benefit the economics of wells on PL 231.

The Independent Technical Expert has concluded that: “PL 231 has the potential to produce commercial quantities of conventional gas from the Cattle Creek Formation”. Although the Reids Dome beds are not the Board’s primary short-term focus, the Board notes the Independent Technical Expert’s conclusion that: “[w]hile work needs to be undertaken to clarify the potential of the Reids Dome beds, the potential exists within this formation to contain substantial volumes of commercial oil and gas.”

The Independent Technical Expert’s report is set out in section 4. The quotes above are a summary only and should be considered in the context of the full report.

1.2 East coast gas market

The gas industry on the east coast is undergoing significant structural change with the growth of demand from the Queensland-based liquefied natural gas (LNG) export industry.

The substantial increase in demand driven by LNG exports has put upward pressure on domestic gas prices. As long-term gas supply agreements expire, domestic users are being forced to negotiate new contracts, typically at higher prices, for shorter durations and with more restrictions on volume flexibility.¹ The 2015 ACCC inquiry into the east coast gas market, undertaken at the request of the Commonwealth Government, cautioned that the east coast gas supply outlook in the medium term was uncertain and emphasised that there was an urgent need for new gas supply from diverse sources to support the domestic market.

1.3 Opportunity

With the tight supply conditions for east coast gas, and the upward pressure those conditions are putting on gas prices, the Board have identified an opportunity to move swiftly to develop the shallow conventional gas resource at PL 231, with a view to the macro conditions in the east coast gas market providing a base to fund that development (whether through equity capital markets, farm-in partners or long-term gas buyers) and, if the initial appraisal results are sufficiently attractive, to fund a pipeline and associated infrastructure to take the gas to market.

While the development of this shallow resource is the Board’s primary focus over the coming 12 months, given the relatively low drilling costs, the Board is excited by the much larger Reids Dome bed target, which State Gas might farm-out or retain to test in the future.

1.4 Strategy (business plan)

State Gas’ strategy is to focus on bringing the shallow, conventional gas target of the Cattle Creek Formation in PL 231 to market as quickly as possible and, in doing so, benefit from the favourable supply constraints for gas on the east coast. Having regard to that strategy, State Gas will apply the funds raised under the Offer, together with its existing cash reserves, to progress the appraisal and development of the conventional gas resource at PL 231.

While appraising the shallow conventional gas project at PL 231, the Board intends to progress the necessary regulatory requirements for approval of a gas pipeline to connect the project with either existing pipeline infrastructure or nearby gas facilities. In that regard, State Gas has recently lodged a pipeline survey licence application with the Queensland Department of Natural Resources and Mines (PSL 2028) to evaluate potential routes for a gas feeder pipeline to connect PL 231 with the Queensland Gas Pipeline and the broader east coast gas market.

¹ ACCC, Inquiry into the east coast gas market, April 2016, p. 18.

In the medium term, and without compromising its primary objective of commercialising the shallow conventional gas resource, State Gas will consider the most efficient means of realising value from the deeper Reids Dome target at PL 231.

State Gas will maintain a strong focus on the development of PL 231 as its cornerstone asset. The Board may consider complementary gas prospects in the future that may be leveraged by its technical capabilities and commercial knowledge of the Queensland gas market.

State Gas' strategic priorities are summarised below:

- ❑ appraise the conventional gas resource of the Cattle Creek Formation in PL 231 by means of the Appraisal Program described in section 2.4;
- ❑ in parallel with the Appraisal Program, commence discussions with potential customers and progress the planning and permitting for a pipeline to take the gas to market; and
- ❑ without limiting the capital available for the commercialisation of the shallow gas resource, progress plans to test the deeper Reids Dome beds in the medium-term.

The appraisal and development of State Gas' project is only the first step. State Gas will need to take the gas to market. The Board is cognisant of the market dynamics for east coast gas. Market participants in the east coast gas market now require greater flexibility in how they buy and sell gas outside of bilateral gas contracts and new approaches to risk management. Short-term trading options are becoming increasingly important to users. Price volatility can be profitable for participants prepared to take advantage of opportunities at short notice, where mechanisms exist that allow them to do so. Where the gas price is low and a producer is able to reduce the supply of gas to the market, turn-off production, or inject gas into storage, this flexibility can be valuable - being attractive to certain market counterparties. For example, increased price volatility is expected to increase the demand for financial derivatives to manage the increased price risk on the trading markets, providing further opportunities for producers with uncontracted gas supply and other supply flexibility.

The Board has a preference, where possible, for maintaining any gas produced from PL 231 as uncontracted in order to maintain flexibility to take advantage of spot market price opportunities and position State Gas as a merchant gas producer for at least part of its available gas supply.

1.5 Use of funds

Use of funds [#]	Amount
Preliminary work: reprocessing existing seismic data, flow testing historical wells	\$308,740
Drilling and testing of two step out (appraisal) wells from Primero-1 and two development wells	\$2,056,250
Pipeline planning activity, permits and access	\$340,000
Payment of back-costs to Triangle Energy	\$267,841
Expenses of the Offer	\$359,712
Working capital (corporate expenses etc.)	\$1,917,457 ^{##}
TOTAL FUNDS	\$5,250,000

[#] Represents the Board's best estimate of the costs as at the date of this prospectus

^{##} Plus existing cash reserves, expected to be approximately \$250,000 at the date of admission

The Board considers that, following completion of the Offer, State Gas will have sufficient working capital to carry out the objectives outlined above.

1.6 Shareholding structure

The capital structure of State Gas at the date of this prospectus, and on admission to ASX, is set out in the table below:

Member	Now (m) [^]		On admission (m) ^{^^}	
Triangle Energy (founding shareholder) [#]	52.5	46.4%	47.8	35.5%
Directors ^{##}	31.1	27.4%	31.1	23.1%
Other seed investors ^{###}	29.7	26.2%	29.7	22.0%
IPO investors	Nil	Nil	26.2	19.4%
TOTAL	113.3	100%	134.8	100%

[#] Includes 30,000,000 class B shares issued to Triangle Energy, which convert to ordinary shares (see section 8.1)

^{##} Excludes 2,000,000 options over unissued Shares to be granted to Mr Paton (see section 10.4)

^{###} Excludes shares issued to Triangle Energy and the directors (and their associates) as seed investors

[^] Approximately 107.4 million Shares (80% of Shares on issue on admission) in the issued capital of State Gas will be subject to restriction agreements for periods from June 2018 to October 2019 (see section 8.4)

^{^^} Excludes any Shares taken up by Directors under the Offer

On completion of the Offer, Triangle Energy (35.5%) and Greg Baynton (19.7%) are expected to be the only substantial shareholders in State Gas.

1.7 Board and management

State Gas has assembled a board with commendable experience in petroleum exploration and development, project development and equity capital markets.

<input type="checkbox"/>	Tony Bellas	Independent, non-executive Chairman
<input type="checkbox"/>	Greg Baynton	Executive Director
<input type="checkbox"/>	Ian Paton	Independent, non-executive Director
<input type="checkbox"/>	Rob Towner	Non-executive Director

Mr Baynton's appointment as an executive is on an interim basis only. The Board will look to appoint an appropriately qualified and skilled chief executive officer (CEO) in the short to medium term and will otherwise rely on expertise of consultants, as and when required. In particular, the Board will rely on expert consultants in the areas of geological assessment, reserve and resource estimation, environmental assessment and engineering and procurement, construction and commissioning of gas gathering and pipeline facilities.

The Board will hold voting power in State Gas of in excess of 23% (excluding any Shares taken up by the directors under the Offer) on State Gas being admitted to the official list of ASX.

1.8 Interests, benefits and related party transactions

Messrs Paton and Towner are non-executive Directors and receive salary of \$40,000 per annum (including any superannuation). Mr Bellas, as chairman, receives \$50,000 per annum (including any superannuation). Mr Baynton will, until the appointment of a chief executive

officer, act as executive director for which he will receive \$100,000 per annum (including any superannuation), in addition to a director's fee of \$40,000.

The Directors also have the benefit of directors' and officers' insurance cover, an indemnity from State Gas and other customary rights under a deed of access, insurance and indemnity that State Gas has entered into with each Director.

The voting power of each Director of State Gas is set out in the table below:

Director	Now (m) [^]		On admission (m) ^{^^}	
Tony Bellas	4.5	4.0%	4.5	3.5%
Ian Paton [#]	Nil	Nil	Nil	Nil
Greg Baynton	26.6	23.5%	26.6	19.7%
Rob Towner	Nil	Nil	Nil	Nil

[^] The voting power of each Director is calculated on the basis of the undiluted total share capital of State Gas (excluding options, but including B class shares held by Triangle Energy)

^{^^} Does not include any Shares taken up by the relevant Director under the Offer

[#] Pursuant to Mr Paton's engagement letter, State Gas has agreed to grant Mr Paton 2,000,000 options over unissued Shares, 1,000,000 of which are exercisable at \$0.20, and the balance exercisable at \$0.40, in each case subject to vesting conditions and expiring on the date that is 36 months after the date of State Gas' admission to ASX (see section 10.4)

1.9 Key risks

An investment in State Gas should be considered in light of the following key risks:

- ☐ Exploration, appraisal and development risk - while historical drilling on PL 231 has confirmed the existence of a working petroleum system in the Cattle Creek Formation, the lateral extent of that system is not fully understood.
- ☐ Financial resources - the commercialisation of the resource at PL 231 will require substantial capital in the future, particularly to construct a feeder pipeline.
- ☐ Gas prices - State Gas' revenue will be affected by prevailing gas prices. While the current supply restraints for east coast gas enhance the economics of uncommitted projects, a material fall in the gas might make the Board's strategy uncommercial.
- ☐ Concentration risk - PL 231 is State Gas' only project. Anything that adversely affects the value of PL 231 (including some of the other risks particularised in section 5) may have a corresponding adverse impact on the price or value of Shares.
- ☐ Attracting and retaining key people - as State Gas progresses the project toward production it will require management with a broader range of skills.
- ☐ Counterparty risk - State Gas relies on the performance of counterparties under various agreements. Notwithstanding that State Gas may have contractual remedies for any breach by a counterparty, enforcement of those remedies may be time consuming and costly.
- ☐ Approval of later development plan - the Board's strategy to commercialise PL 231 will require various approvals, including (potentially) the approval of a new later development plan. There is no guarantee that such approvals will be given.

For detailed risk summaries, see section 5.

1.10 No dividends

State Gas will not be in a position to declare any dividends until it is generating material revenue. If that occurs, the Board will consider whether dividends are appropriate or whether excess capital ought to be re-invested.

IMPORTANT NOTICE

This section is not intended to provide full details of the investment opportunity. You must read this prospectus in full to make an informed investment decision. The Shares offered under this prospectus carry no guarantee of return of capital, return on investment, payment of dividends or on the future value of the Shares.

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY

2 State Gas and PL 231

2.1 History of exploration and appraisal on PL 231

Early exploration history

Fifteen exploration wells have been drilled within the area of PL 231 over the past 60 years. The first was AOE (Reids Dome) 1, drilled in 1955 to a depth of over 2,760 metres. Seven of these wells have had meaningful flows of gas to surface. All gas flows have been from the shallow Cattle Creek Formation at around 400m depth. In addition, shows of gas have been encountered from the Reids Dome beds, present at greater depths, in excess of 1,000 metres.

Grant of PL 231

PL 231 was granted in December 2005 under the Petroleum Act 1923 (Qld) for a thirty (30) year term. The original applicants were two wholly-owned subsidiaries of Senex Energy Ltd (Senex Entities). In 2005, Triangle Energy entered into a farm-in agreement pursuant to which it would drill one well to 2,700 meters to earn a 60% working interest in PL 231. Triangle Energy then farmed out a 40% interest for the budgeted well costs, leaving Triangle Energy with a free carry to earn 20%. In June 2006, Triangle Energy, as operator, spudded the Primero-1 well near the early exploration wells. In July 2006, Triangle Energy reported a flow of 2.8 mmcf/d of gas from a shallow interval between 135-151 metres (interpreted to be the Cattle Creek Formation). Triangle Energy and the farm-in partner earned a 20% and 40% working interest respectively.

In 2015, the Senex Entities transferred their interest in PL 231 to Triangle Energy. In February 2017, Triangle Energy registered State Gas as a wholly-owned subsidiary and subsequently transferred its 60% working interest in PL 231 to State Gas.

2.2 PL 231 - tenure and other important regulatory information

Location

PL 231, which covers an area of about covers about 181 km², is located in the Denison Trough (on the western flank of the Bowen Basin) in central eastern Queensland, approximately 545 km northwest of Brisbane and 50 km southwest of Rolleston.

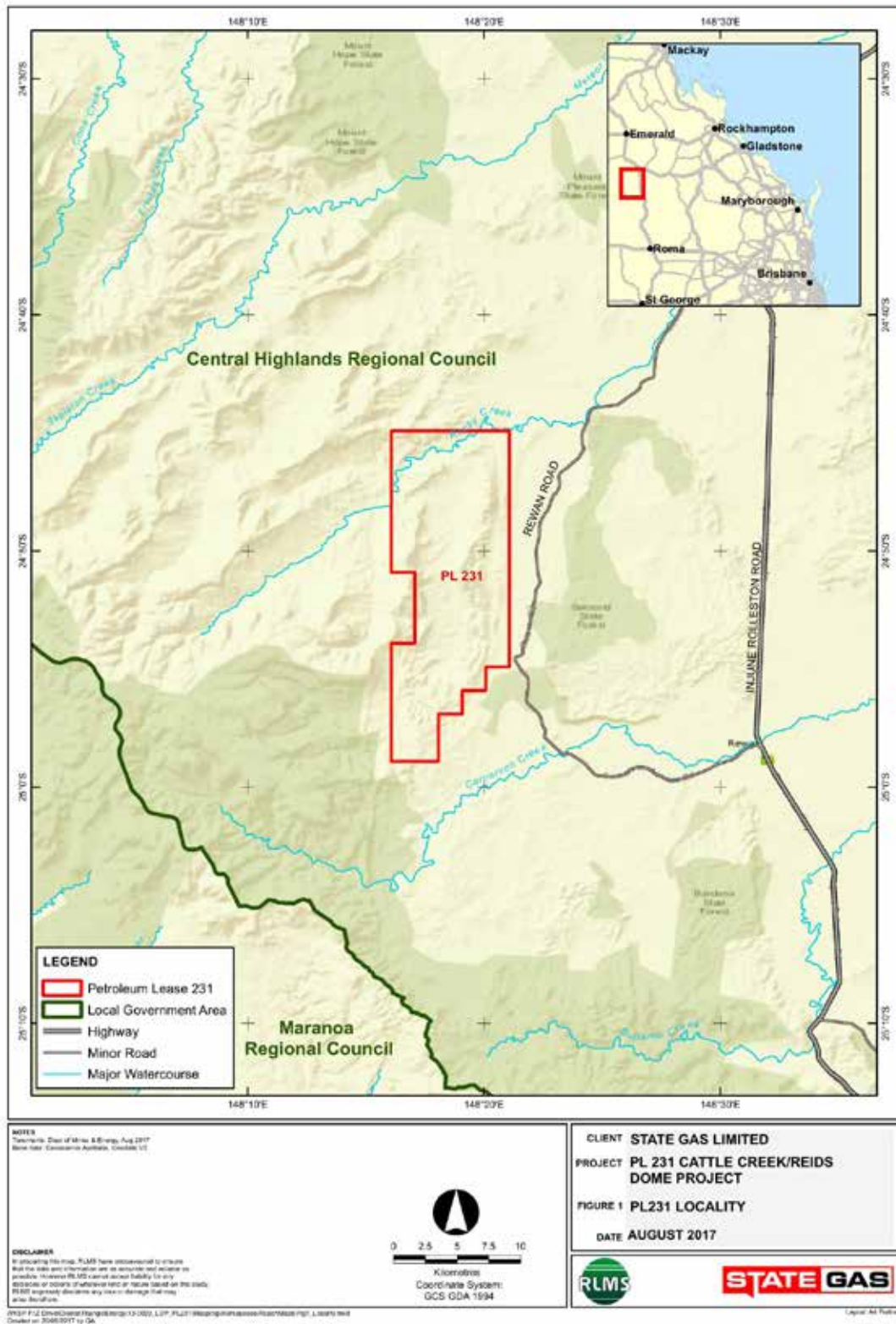


Figure 1: Location of PL 231

Interest

State Gas holds an interest in 60% of PL 231 and in an unincorporated joint venture formed to explore appraise and develop PL 231 (Joint Venture). State Gas is the operator of the Joint Venture, the terms of which are summarised in section 8.2.

At the date of this prospectus, State Gas is awaiting registration of the transfer of the interest in PL 231. The transfer has received 'indicative approval' pursuant to section 23 of the Mineral and Energy Resources (Common Provisions) Act 2014 (Qld) and the transfer has been stamped by the Queensland Office of State Revenue.

Landowners and land use

There are five private land parcels which underlie PL 231, although the majority of the area of interest for State Gas lies in two primary land parcels. The current land use in the area is principally cattle grazing, breeding and fattening. There are no townships in the PL. Rolleston is the nearest population centre, northeast of PL 231.

In order to access private land, State Gas must provide a notice of intention to enter the land and, depending on the level of impact of the activity, enter into a conduct and compensation agreement (CCA) with each owner and occupier of the land. At the date of the prospectus, there are no current CCAs in place. State Gas is currently in the process of negotiating a CCA on one land parcel for its planned Appraisal Program.

Overlapping tenures

PL 231 is overlapped by exploration permit for coal (EPC) 1468 held by Matilda Coal Pty Ltd (Matilda), EPC 833 held by Peabody West Rolleston Pty Ltd (Peabody) and petroleum survey licence (PSL) 2028 held by State Gas itself. Neither Matilda nor Peabody may undertake activities in the area of overlap between their respective EPCs and PL 231 without the written agreement of the PL holder. If either Matilda or Peabody applies for a mining lease over PL 231 they will be required to agree a coordination arrangement and safety management plan with the holder of PL 231 before that mining lease could proceed to grant.

Environmental constraints

There are limited environmental constraints over PL 231. These are restricted primarily to "of concern" vegetation (Category C Environmentally Sensitive Areas) along some of the creek lines within the PL. The PL is not impacted by strategic cropping land.

Native title

The grant of PL 231 is a 'pre-existing rights based act' for the purposes of native title, the effect of which is that the grant of PL 231 was valid to the extent it affected native title. Native title does not exist on the five land parcels underlying PL 231.

Development plan

In December 2013, the then permit holders lodged a 5 year development plan based on commercialisation of PL 231 by construction of a micro-LNG production facility at or near the existing Primero-1 well, for production from the Cattle Creek Formation (2013 LDP). The 2013 LDP was approved in December 2015. A number of key elements of the program for

the existing LDP are consistent with the Appraisal Program. Although the Board favours the construction of a feeder pipeline, it will consider the potential of micro-LNG, particularly as an interim step to commence early gas sales. Implementation of the Board's strategy to build a feeder pipeline may require the approval of an amended LDP consistent with that strategy.

2.3 Regional and local geology

PL 231 covers the Reids Dome Structure, which is a high-relief, four way dip-closed structure, with both surface and seismic expression. PL 231 hosts two targets: the primary focus for State Gas in the short to medium term is a conventional, shallow gas target in the Cattle Creek Formation, a marine sandstone source rock. A secondary target is the underlying Reids Dome beds. The underlying Reids Dome beds are anticipated to be at least 2,770 metres thick and have not been fully penetrated in the Denison Trough. They provide an exciting future target for State Gas, potentially through a farm-out. Both targets have produced gas during the drilling of exploration and appraisal wells on PL 231. A number of historical wells have flowed gas from the Cattle Creek Formation, which was reached at depths of as shallow as 130 m. The Board expects that the shallow nature of this conventional target will benefit the economics of wells in PL 231.

Gas was discovered in AOE (Reids Dome) 1 (AOE-1) in 1955 at a depth of about 137 meters (after which the formation was referred to as 'the 450 foot sand' in subsequent reports). Subsequent drilling confirmed the presence of a shallow conventional gas reservoir in the immediate vicinity of the initial discovery well. The Cattle Creek Formation is overpressured, considered likely to be the result of the original deeper burial and preservation of high pressure when the rocks were subsequently uplifted - implying that the seals are very effective and that the gas has been retained despite the uplift and current shallow depth of burial. An overpressured formation will generally have a higher recovery factor, and a greater volume of gas can be contained in the pore spaces than if the formation pressure was normal.

The lateral continuity of the Cattle Creek Formation in PL 231 is not well understood. One of the key outcomes sought under the Appraisal Program is to develop a more rigorous understanding of the lateral continuity of the Cattle Creek Formation in PL 231, which will be critical to support the capital expenditure required to construct a feeder pipeline.

2.4 Appraisal Program

The Appraisal Program is designed to give State Gas a better understanding of the lateral continuity of the Cattle Creek Formation, which is a critical step in achieving State Gas' short term strategy - to bring this shallow, conventional gas target to market as quickly as possible, benefiting from the favourable supply constraints for gas on the east coast (see section 2.6).

The Board proposes the following appraisal work in the 12 months after listing:

- ☐ Seismic reprocessing: The Board proposes to reprocess existing seismic surveys using modern methods to optimise the imaging of the target. The re-processed seismic would then be used to position two step out wells (from Primera-1).
- ☐ Other test work: The Board proposes to undertake other test work, including testing and assessment of gas flows from historical wells (including Primero-1).[^]

- ❑ Two appraisal wells: Two well sites will be selected, based on the re-processed seismic and other test work, likely to the southeast and northwest of Primero-1. The Board anticipates that these wells will intersect the RDPS at a depth of less than 500m.^

^ This work program is designed to satisfy the Free Carried Work, which State Gas has committed to perform (without contribution by its Joint Venture partner) in consideration of its Joint Venture partner entering into a new joint operating agreement in February 2017 (see section 8.2).

The objectives of the two appraisal wells are to:

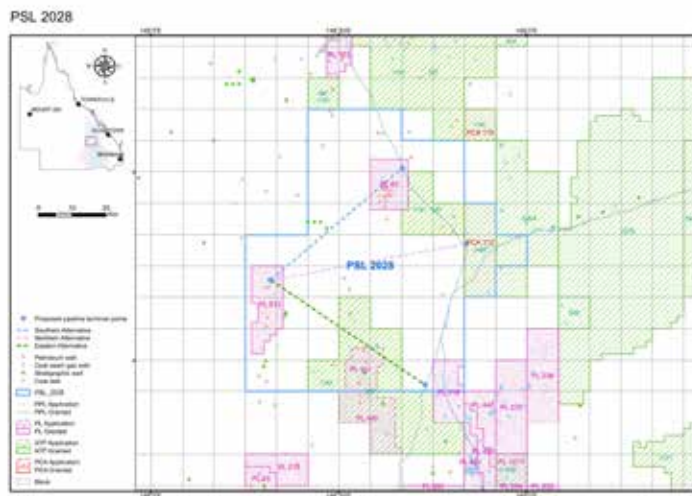
- ❑ determine the reservoir properties like net pay, formation pressure, porosity, permeability, mechanic properties, gas saturation, relative permeability and mineral components of the reservoir rock;
- ❑ evaluate the gas potential of the reservoirs; and
- ❑ equip the wells as production wells if the deliverability of the target reservoir is proved.

Assuming the Appraisal Program is successful, the Board believes State Gas has sufficient funds from the Offer proceeds to drill two further development wells.

While the Board anticipates that it will complete the Appraisal Program within 12 months of admission to ASX, State Gas does not control the timing of all necessary steps. For example, the works are subject to approval by the Joint Venture and the drilling of the appraisal wells will require State Gas to enter into landowner compensation agreements. Further, the broader work program (including the construction of a feeder pipeline), may need to be reflected in a new later development plan, which requires Government approval, and necessary amendments to the existing environmental authority.

2.5 Pipeline permit application

In parallel with the Appraisal Program (and in expectation that the results are positive and support the commercial development of the Cattle Creek Formation), the Board intends to commence discussions with potential customers and progress the planning and permitting



Given the lengthy timeframes for the approval of a pipeline licence, and the agreements that State Gas will need to negotiate and enter into prior to construction of a pipeline (e.g. landowners, lease holders, native title groups etc.), the Board considers it prudent to commence this process to run in parallel with the Appraisal Program. Initially, State Gas would undertake a desktop assessment of potential pipeline routes, with further analysis potentially requiring field studies. The pipeline, once constructed, would transport natural gas from PL 231 to either a tie-in with an existing pipeline to the east or north of PL 231 or to associated facilities on an existing gas field.

2.6 Strategy

East coast gas market

The gas industry on the east coast is undergoing significant structural change with the growth of demand from the Queensland-based liquefied natural gas (LNG) export industry driving an increase in demand from 694 petajoules (PJ) in 2014 to an expected 1,961 PJ in 2020, with consequential impacts on the level and variability of gas flows and wholesale prices.²

The substantial increase in demand driven by LNG exports has put upward pressure on domestic gas prices. As long-term gas supply agreements expire, domestic users are being forced to negotiate new contracts, typically at higher prices, for shorter durations and with more restrictions on volume flexibility.³ The 2015 ACCC inquiry into the east coast gas market, undertaken at the request of the Commonwealth Government, cautioned that the east coast gas supply outlook in the medium term was uncertain and emphasised that there was an urgent need for new gas supply from diverse sources to support the domestic market.

A year on from the ACCC inquiry, the Chairman of the ACCC, Rod Simms, reiterated the issues identified by the ACCC in that inquiry at the 5th Annual Australian Domestic Gas Outlook 2017 (14 March 2017) when he said: “[t]he outlook for gas supply is now even worse than it was a year ago; indeed, our worst fears are being realised. The word ‘crisis’ can be much overused. Some see it of grave concern that much less gas is now going to gas-fired electricity generation; at the margin, this will see more coal-fired generation than otherwise. This trend was clear a year ago, and even clearer now. By one estimate (Energy Quest) gas-fired generation in the NEM has fallen 37% from Q4 2015 to Q4 2016. No one should be surprised. We also observed a year ago that wholesale gas prices make up 15-30% of total residential gas bills and that household bills would increase by 5% in NSW and 11% in Victoria if wholesale gas prices increase by \$2 / GJ. We now know that wholesale gas prices have or will increase by many times \$2/GJ. To me, however, the real crisis is facing some industrial gas users, and this point is insufficiently recognised. The effects of the gas price shock will vary depending on whether they have alternatives to gas and the extent of their trade exposure. Many industrial users have no real alternative to gas, and gas can often be 5% and for some, 15-40% of input costs. The gas spot price recently has been above \$10/GJ, some 150% higher than past prices, and some companies are apparently being offered gas at \$20/GJ, if they receive supply offers at all.”

In response, in May 2017, the Commonwealth Government announced an investment \$28.7 million in new East Coast gas development programs with a view to accelerate gas development to underpin affordable and reliable domestic supply.

² AEMO, National Gas Forecasting Report, Forecasting Dynamic Interface, accessed May 2016.

³ ACCC, Inquiry into the east coast gas market, April 2016, p. 18.

Opportunity

With the tight supply conditions for east coast gas, and the upward pressure those conditions are putting on gas prices, the Board has identified an opportunity to move swiftly to develop the shallow conventional gas resource at PL 231, with a view to the macro conditions in the east coast gas market providing a base to fund that development (whether through equity capital markets, farm-in partners or long-term gas buyers) and, if the initial appraisal results are sufficiently attractive, to fund a pipeline and associated infrastructure to take the gas to market.

While the development of this shallow resource is the Board's primary focus over the coming 12 months given the relatively low drilling costs, the Board is excited by the much larger Reids Dome bed target, which State Gas might farm-out or retain to test in the future.

The appraisal and development of State Gas' project is, however, only the first step. State Gas will need to take the gas to market. The Board is cognisant of the market dynamics for east coast gas. Market participants in the east coast gas market now require greater flexibility in how they buy and sell gas outside of bilateral gas contracts and new approaches to risk management. Short-term trading options are becoming increasingly important to users. Price volatility can be profitable for participants prepared to take advantage of opportunities at short notice, where mechanisms exist that allow them to do so. Where the gas price is low and a producer is able to reduce the supply of gas to the market, turn-off production, or inject gas into storage, this flexibility can be valuable. For example, increased price volatility is expected to increase the demand for financial derivatives to manage the increased price risk on the trading markets, providing further opportunities for producers with uncontracted gas supply and other supply flexibility supply.

The Board has a preference, where possible, for maintaining its gas as uncontracted in order to maintain flexibility to take advantage of volatility in the spot market and consider opportunities in the area of financial derivatives and related risk management opportunities. In this regard, and subject to proving sufficient gas resources and building a gas feeder pipeline to connect the project with existing infrastructure, State Gas plans to position itself as a merchant gas producer for at least part of its available gas supply.

3 Board, management and governance

3.1 Board of Directors



Tony Bellas

Chairman and Independent Non-Executive Director

Tony Bellas is Chairman. He is also chairman of Corporate Travel Management Limited, ERM Power Limited, Shine Corporate Limited and Novonix Limited, and Chairman of Endeavour Foundation.

Mr Bellas has had a commercial career of almost 30 years in both the public and private sectors. After a long career with Queensland Treasury, reaching the position of Deputy Under Treasurer, Mr Bellas moved to the energy industry and was Chief Executive of CS Energy Ltd (which was, at the time, Queensland's largest generator of coal-fired and gas-fired generation) and Ergon Energy Ltd (Queensland's largest electricity distribution company and electricity retailer).

Mr Bellas subsequently became the CEO of the Seymour Group, one of Queensland's largest privately owned investment and development companies, and has developed a board career including both private and public companies.

Mr Bellas is also a Trustee of the Brisbane State High School Foundation.



Ian Paton

Technical Non-Executive Director

Ian Paton is a geophysicist and petroleum engineer with substantial experience in the oil and gas industry having held senior technical and management roles in both exploration and development with companies such as SANTOS, Conoco, Coogee Resources, New Standard Energy and PTTEP. Among other roles, he was Exploration and Development Manager for SANTOS.

He has been instrumental in many oil and gas discoveries in Australia and South East Asia over the last 30 years.



Greg Baynton

Executive Director

Greg Baynton founded Novonix Limited in 2012. He has been a Director of Australian energy and resource companies for over 20 years. Greg has experience in investment banking, infrastructure investment, exploration, IPOs, public company directorships, Queensland Treasury, and the Department of Mines and Energy.

Greg was instrumental in re-identifying the PL 231 opportunity and negotiating the restructuring of ownership and operating arrangements resulting in the IPO of State Gas.

He is currently a non-executive director of ASX-listed Superloop Limited and an executive director of Novonix Limited and Orbit Capital Pty Ltd, holder of an Australian financial services licence.

Greg holds a Bachelor of Business (Accountancy), a Master of Economic Studies (UQ), a Post-graduate Diploma in Applied Finance and Investment (SIA), and an MBA in New Venture Management (QUT).

He is currently a Fellow of the Governance Institute of Australia and was a Fellow of the Australian Institute of Company Directors for over a decade.



Rob Towner

Non-Executive Director

Mr Towner has over 20 years' experience in the corporate advisory and finance sectors. He was appointed managing director of Triangle Energy (Global) Ltd in February 2015, and managed Triangle Energy's transition from operating Indonesian based assets to establishing a portfolio of Australian oil and gas projects.

In 2009 Mr Towner founded Cornerstone Corporate Pty Ltd, consulting to Australian public companies on corporate planning & advisory, capital raisings and compliance. Cornerstone Corporate was engaged to recapitalise and act as Lead Manager to ASX listed Bone Medical Limited completing a capital raising \$3.8 million. Upon completion of the recapitalisation he accepted the role of non-executive chairman.

In March 2004, he founded and was executive director of bioMD Limited (now Admedus Limited) for over eight years. Mr Towner played an integral role in the merger of bioMD Limited with unlisted public company Allied Medical Limited.

Mr Towner currently is a non-executive director of Botanix Pharmaceuticals Limited (formerly Bone Medical) and a non-executive director of the Telethon Type 1 Diabetes Family Centre.

3.2 Senior management



Suzanne Yeates

Company Secretary and CFO

Suzanne is a Chartered Accountant and is the Founder and Principal of Outsourced Accounting Solutions. She has been working with public companies for over 20 years in various roles and provides both CFO and Company Secretarial services to a number of public and private companies in Australia.

At the date of this prospectus, the Board has commenced the process of identifying suitable candidates for executive management roles within State Gas, which positions would be responsible for management of State Gas' joint venture in respect of PL 231, (see section 8.2), the oversight and management of appraisal activities (to be conducted by contractors and consultants) and the implementation of the Board's development strategy for PL 231, including the identification of gas customers and the progress of permitting for a potential pipeline to take gas to market. No appointments have been made at this stage. Mr Baynton will act in an executive capacity until such time as a chief executive officer is appointed (see section 8.5).

The Board is considering the appropriate skills and qualifications required, the level of time commitment of those employees and balancing the cost of those employees against the likely cost and advantages and disadvantages of reliance on contractors and consultants. The Board intends to progress this process in the months following the admission of State Gas to the official list of ASX, with a view to making appointments in the short-term. The Board has established an equity plan as an incentive to officers, employees and contractors who will be instrumental in moving State Gas into development. A summary of that plan is set out in section 8.7.

3.3 Responsibilities of the Board

Responsibility for State Gas' corporate governance rests with the Board. The Board's governing principle in meeting this responsibility is to act honestly, conscientiously and justly, in accordance with the law, in the interests of members, employees and other stakeholders.

The Boards general function is to:

- ☐ chart strategy and outline operational targets State Gas;
- ☐ monitor the implementation of strategy and performance against agreed targets; and
- ☐ appoint and supervise the performance of executive management and generally to take and fulfil an effective leadership role in State Gas.

Power and authority in certain areas is specifically reserved to the Board – consistent with its functions as outlined above. These areas include:

- ☐ the composition of the Board and senior executives, including appointment and retirement or removal of Directors and senior executives;
- ☐ oversight of State Gas including its control and liability systems;
- ☐ reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance;
- ☐ observing the execution of strategy by senior executives and consultants, and confirming adequate resources are available;
- ☐ approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and sales;
- ☐ approving and monitoring financial and other reporting;
- ☐ performance of investment and treasury functions;
- ☐ monitoring industry developments relevant to State Gas and its business;
- ☐ developing key indicators of financial and operational performance of State Gas;
- ☐ approve corporate strategy and performance objectives;
- ☐ the overall corporate governance of State Gas including its strategic direction and goals for management and monitoring the achievement of these goals; and
- ☐ oversight of committees.

3.4 Composition of the Board

The Chairman is responsible for leadership of the Board and for the efficient organisation and conduct of the Board. The Chairman should facilitate the effective contribution by all Directors and promote constructive and respectful relations between Directors and between the Board, management and consultants. Otherwise, the Board must comprise members with a broad range of experience, expertise, skills and contacts relevant to State Gas and its assets.

3.5 Board charter

The Board has adopted a charter recognising the matters outlined above. This charter outlines various other matters that are important for effective corporate governance including:

- ☐ a definition of 'independence';
- ☐ a framework for the identification and selection of Board candidates;
- ☐ a framework for individual performance review and evaluation;
- ☐ proper training to be made available to Directors both at the time of their appointment and on an ongoing basis;
- ☐ basic procedures for meetings of the Board and its committees – frequency, agenda, minutes and private discussion of management issues among non-executive Directors;
- ☐ ethical standards and values – formalised in a detailed code of ethics and values;
- ☐ dealings in securities – formalised in a detailed code for securities transactions designed to ensure fair and transparent trading by Directors, management and their associates; and
- ☐ communications with Shareholders and the market.

The purpose of the charter is to institutionalise good corporate governance and to build a culture of best practice in State Gas' own practices.

3.6 Policies

Securities trading policy

The Board has adopted a securities trading policy to provide guidance on trading in shares to Directors and employees of State Gas, and to other parties who may have access to price sensitive information. The trading policy is designed to ensure that any trading in State Gas' securities is in accordance with the law.

Continuous disclosure policy

The Board has adopted a continuous disclosure policy, which outlines procedures to be implemented by the Board to ensure State Gas complies with its continuous disclosure obligations – in particular, that State Gas will promptly disclose to the market any information which may have a material effect on the price or value of State Gas' shares.

The continuous disclosure policy mandates a procedure to internally identify and report information which may need to be disclosed and outlines practical implementation processes in order to ensure any identified information is adequately considered and, if necessary, communicated to ASX and Shareholders.

Diversity policy

State Gas is committed to promoting diversity among the Board, employees, consultants and senior management, and believes a diverse workforce is important to State Gas' success.

Although State Gas does not have a diversity policy in place, the Board is committed to fostering a corporate culture that embraces diversity, facilitates opportunities for employment that are free from bias, discrimination and harassment, and aims to promote an inclusive environment where employees feel they are valued.

3.7 Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. On admission to ASX, the Board proposes to establish one standing committee, being the Audit and Risk Management Committee.

Other committees may be established by the Board as and when required. Membership of Board committees will be determined by the needs of State Gas, the skills and experience of individual Directors, relevant legislative and other requirements.

Audit and Risk Management Committee

The purpose of this committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of State Gas. The Audit and Risk Management Committee's charter provides that the committee should consist of a majority of independent Non-Executive Directors and should be chaired by an independent chairman who is not Chairman of the Board. Its current members are:

- ☐ Ian Paton (Chairman)
- ☐ Tony Bellas
- ☐ Rob Towner

The committee performs functions relevant to risk management and internal and external reporting and reports to the Board following each meeting. The committee's responsibilities include:

- ☐ Board and committee structure to facilitate a proper review function by the Board;
- ☐ internal control framework including management information systems;
- ☐ corporate risk assessment and compliance with internal controls;
- ☐ internal audit function and management processes supporting external reporting;
- ☐ review of financial statements and other financial information distributed externally;
- ☐ review of the effectiveness of the audit function;
- ☐ review of the performance and independence and independence of the external auditors;
- ☐ review of the external audit function to ensure prompt remedial action by management, where appropriate, in relation to any deficiency in or breakdown of controls;
- ☐ assessing the adequacy of external reporting for the needs of shareholders; and
- ☐ monitoring compliance with State Gas' code of ethics.

Meetings are held at least four times each year. A broad agenda is laid down for each regular meeting according to an annual cycle. The committee invites the external auditors to attend each of its meetings.

3.8 Compliance with ASX Corporate Governance Principles and Recommendations

The 'Third Edition Principles of Good Corporate Governance and Best Practice Recommendations' (**Guidelines**) were published by the ASX Corporate Governance Council with the aim of enhancing the credibility and transparency of Australia's capital markets. State Gas' corporate governance charter has been drafted in light of the Guidelines.

State Gas' current practice against the Guidelines is set out below:

Principles and recommendations	Compliance	Comply
Principle 1 – Lay solid foundations for management and oversight		
1.1 Establish the functions expressly reserved to the Board and those delegated to management, and disclose those functions.	<p>The Board is responsible for overall corporate governance of State Gas.</p> <p>The role of the Board and delegation to management is formalised in the Board Charter which outlines the main corporate governance practices in place for State Gas. The Board and each Director are committed to the Board Charter. The conduct of the Board is also governed by State Gas' constitution, and where there is inconsistency with that document, the constitution prevails to the extent of the inconsistency.</p> <p>The Board Charter will be reviewed and amended from time to time as appropriate taking into consideration practical experience gained in operating as a listed company.</p>	Complies.
1.2 Undertake appropriate checks before appointing a person as a director, and provide Shareholders with all material information relevant to a decision on whether or not to elect or re-elect a Director.	State Gas is completing police checks, insolvency and banned director searches in relation to the existing Directors. State Gas will conduct similar checks for future appointments.	Complies.
1.3 Have a written agreement with each Director and senior executive setting out the terms of their appointment.	State Gas has entered into written agreements with each Director (including Mr Baynton as an executive). The Board intends to enter into formal agreements with senior executives as and when appointed.	Complies.
1.4 The Company Secretary should be accountable directly to the Board on all matters to do with the proper functioning of the Board.	This is consistent with the Board Charter and corporate structure of State Gas. The Company Secretary has a direct communication with the Board in relation to these matters and it is intended that she will operate independently of the executive.	Complies.

1.5	<p>Establish a diversity policy and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them, for reporting against in each reporting period.</p>	<p>The Board has not adopted a diversity policy. However, the Board is committed to fostering a corporate culture that embraces diversity. It is the Board's intention to continue to consider matters of diversity in the course of its recruitment and retention on the basis of merit. Although this is a departure from recommendation 1.5, the Board considers it appropriate given the current size of State Gas and the limited nature of its operations. The Board does not believe this departure will be detrimental to State Gas.</p>	Does not comply.
1.6	<p>Have a process for periodically evaluating the performance of the Board, its committees and individual directors, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.</p>	<p>The Board Charter provides for regular performance reviews to be conducted.</p>	<p>Complies.</p> <p>State Gas intends to evaluate performance of the Board and disclose for each reporting period whether an evaluation has been undertaken.</p>
1.7	<p>Have a process for periodically evaluating the performance of State Gas' senior executives, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.</p>	<p>The Board's broad function is to formulate strategy and set financial targets for State Gas, monitor the implementation and execution of strategy and performance against financial targets, appoint and oversee the performance of executive management, and generally take an effective leadership role in relation to State Gas.</p> <p>The Chairman will annually assess the performance of Directors and senior executives, and the Chairman's performance is assessed by the other Directors.</p>	Complies.
Principle 2 – Structure the Board to add value			
2.1	<p>The Company should have a nomination committee, which has at least three members, a majority of independent directors and is chaired by an independent director.</p> <p>The functions and operations of the nomination committee should be disclosed.</p>	<p>State Gas has not established a nomination committee. Given that State Gas has only one executive (and no other employees), the Board considers that the role of such a committee is most effectively handled by the Board (with directors the subject of any deliberations excluding themselves). The Board will consider establishing a nomination committee as State Gas' operations grow.</p>	Does not comply.

2.2	Have and disclose a Board skills matrix, setting out what the Board is looking to achieve in its membership.	State Gas intends to informally monitor the experience, expertise, skills and qualifications necessary for the Board over time.	Does not presently comply, however the Board intends to formalise a skills matrix as the complexity of State Gas' business increases. In particular, as State Gas moves closer to commercialisation of PL 231, such a matrix is likely to add value.
2.3	Disclose the names of the directors that the Board considers to be independent directors, and an explanation of why the Board is of that opinion if a factor that impacts on independence applies to a director, and disclose the length of service of each director.	<p>Tony Bellas (appointed 16 June 2017) is an independent non-executive Director and is Chairman of the Board.</p> <p>Ian Paton (appointed 16 August 2017) is an independent non-executive Director.</p> <p>The Board does not consider Rob Towner or Greg Baynton to be independent. Mr Towner (appointed 10 February 2017) is a director of Triangle Energy, State Gas' largest member and a substantial shareholder.</p> <p>Mr Baynton (appointed 7 June 2017) is a substantial shareholder (with voting power in State Gas in excess of 5% on completion of the Offer) and is engaged in an executive capacity on an interim basis.</p>	Complies.
2.4	A majority of the Board should be independent directors.	State Gas currently has a four member Board, two of whom are independent non-executive directors (Messrs Bellas and Paton). The Board considers that the size and scope of State Gas' activities does not justify the cost of appointing an additional independent director at this stage.	Does not comply.
2.5	The chairman of the Board should be an independent director and should not be the CEO.	<p>The Chairman, Mr Bellas, is a non-executive Director and is independent.</p> <p>At the date of this prospectus, State Gas has not appointed a CEO, but Mr Baynton is fulfilling that role on an interim basis.</p>	Complies.

2.6	There should be a program for inducting new directors and providing appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	This is consistent with the Board Charter and processes implemented by State Gas.	Complies.
Principle 3 – Act ethically and responsibly			
3.1	Have a code of conduct for the Board, senior executives and employees, and disclose that code or a summary of that code.	State Gas has adopted a code of conduct, which sets out a framework to enable Directors to achieve the highest possible standards in the discharge of their duties and to give a clear understanding of best practice in corporate governance.	Complies.
Principle 4 – Safeguard integrity in corporate reporting			
4.1	The Company should have an audit committee, which consists of only non-executive directors, a majority of independent directors, is chaired by an independent chairman who is not chairman of the Board, and has at least three members. The functions and operations of the audit committee should be disclosed.	State Gas has established an Audit and Risk Management Committee to assist and report to the Board. The Audit and Risk Management Committee consists of three non-executive Directors, being Ian Paton (Chairman), Tony Bellas and Rob Towner. Mr Towner is the only Director on the Audit and Risk Management Committee not considered independent.	Complies.
4.2	The Board should, before approving financial statements for a financial period, receive a declaration from the CEO and CFO that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company, formed on the basis of a sound system of risk management and internal controls, operating effectively.	This is consistent with the approach to be adopted by the Audit and Risk Management Committee and Board.	Complies.

4.3	The company's auditor should attend the AGM and be available to answer questions from security holders relevant to the audit.	State Gas' auditor will be requested to attend the AGM and members will be entitled to ask questions in accordance with the Corporations Act and these Guidelines.	Complies.
Principle 5 – Make timely and balanced disclosure			
5.1	Have a written policy for complying with continuous disclosure obligations under the Listing Rules, and disclose that policy or a summary of it.	State Gas has a written continuous disclosure policy which is designed to ensure that all material matters are appropriately disclosed in a balanced and timely manner and in accordance with the requirements of the ASX Listing Rules.	Complies.
Principle 6 – Respect the rights of security holders			
6.1	Provide information about the Company and its governance to investors via its website.	The Board Charter and other applicable policies will be available on State Gas' website at http://www.state-gas.com/ .	Complies.
6.2	Design and implement an investor relations program to facilitate effective two-way communication with investors.	State Gas aims to ensure that all members are well informed of all major developments affecting the Company and that the full participation by members at State Gas' AGM is facilitated.	Does not comply. Given the scale of State Gas' operations, and having regard to the Board's intention to appoint executive management in the short-term, the Board has not implemented a formal investor relations program.
6.3	Disclose the policies and processes in place to facilitate and encourage participation at meetings of security holders.	State Gas intends to facilitate effective participation in the AGM, as well as the ability to submit written questions ahead of the AGM. State Gas intends to adopt appropriate technologies to facilitate the effective communication and conduct of general meetings.	Does not comply. State Gas does not have a formal policy or process, but has however engaged a recognised and reputable share registry service provider to further these objectives.
6.4	Give security holders the option to receive communications from, and send communications to, the Company and its share registry electronically.	State Gas will instruct its share registry to facilitate this option for investors, as well as future members, at appropriate times.	Complies.

Principle 7 – Recognise and manage risk

7.1	<p>The Board should have a risk committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members.</p> <p>The functions and operations of the risk committee should be disclosed.</p>	<p>State Gas has a combined Audit and Risk Management Committee, which consists of a majority of independent Directors and is chaired by an independent Director. Risk is a matter within the purview of the Audit and Risk Management Committee.</p> <p>The functions and operations of the committee are established under the charter.</p>	<p>Does not comply. State Gas does not have a separate risk committee, however the Board has formed the view that the Audit and Risk Management Committee is appropriately structured and independent to effectively fulfil its role.</p>
7.2	<p>The Board or a committee of the Board should review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, and disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>The Board Charter establishes the role of the Audit and Risk Management Committee. The committee will establish the risk management framework.</p>	<p>Does not comply to the extent that the Audit and Risk Management Committee is newly formed and has not conducted an annual review.</p>
7.3	<p>Disclose if the company has an internal audit function, how the function is structured and what role it performs, or if it does not have an internal audit function, that fact and the processes the company employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>Due to the limited scale of State Gas' operations, the costs of an independent internal audit function would be disproportionate to the risk it seeks to mitigate. State Gas has an external auditor, an experienced financial officer and the Audit and Risk Management Committee will monitor and evaluate material or systemic issues.</p>	<p>Does not comply due to the nature and scale of operations, however the Board believes that the Audit and Risk Management Committee has adequate oversight of the existing operations.</p>
7.4	<p>Disclose whether the company has any material exposure to economic, environmental and social sustainability risks and, if so, how it manages those risks.</p>	<p>State Gas has economic, environmental and social sustainability exposures typical for a small-cap petroleum company operating in a regional area. The Board considers sustainable and responsible business practices as an important long term driver of performance and shareholder value and is committed to transparency, fair dealing, responsible treatment of employees and stakeholders and positive interaction with the community.</p>	<p>Complies.</p>

Principle 8 – Remunerate fairly and responsibly

8.1	<p>The Board should have a remuneration committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members.</p> <p>The functions and operations of the remuneration committee should be disclosed.</p>	<p>The Board considers a remuneration committee unnecessary. The Board believes it can adequately deal with the matters typically within the purview of a remuneration committee.</p>	Does not comply.
8.2	<p>The policies and practices regarding the remuneration of non-executive directors, and the remuneration of executive directors and other senior executives, should be separately disclosed.</p>	<p>State Gas intends to adopt remuneration policies which comply with the Guidelines including separately disclosing the remuneration of Non-Executive Directors, and the remuneration of Executive Directors and other senior executives.</p> <p>No Director or senior executive is involved directly in deciding their own remuneration.</p>	Does not presently comply, however State Gas intends to disclose these policies and practices in its future annual reports.
8.3	<p>If the company has an equity-based remuneration scheme, it should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and disclose that policy or a summary of it.</p>	<p>State Gas operates an equity ownership plan. In accordance with State Gas' Securities Trading Policy participants are not permitted to enter into transactions which limit economic risk without written clearance.</p>	Complies.

4 Independent technical report



Steven Scott Geological Pty Ltd
ABN 12 140 327 802
8 Kurraree Place
Nudgee, Qld 4014

4 September 2017

The Directors
State Gas Limited
Level 8, 46 Edward Street
BRISBANE QLD 4000

Dear Sirs

INDEPENDENT TECHNICAL REPORT – PETROLEUM LEASE (PL) 231

This report has been prepared for inclusion in a prospectus of State Gas Limited ACN 617 322 488 (**State Gas**), dated on or about 4 September 2017.

Steven Scott Geological Pty Ltd (**SS Geo**) has been engaged by State Gas as the Independent Technical Expert to review the petroleum potential of Petroleum Lease (PL) 231. SS Geo is an independent, Australian-owned and managed geological consultancy. In preparing this report, the principal of SS Geo, Dr Steven Scott, provided expert opinion on matters related to his specific expertise.

In giving this report, SS Geo is not operating under an Australian financial services licence.

INTRODUCTION

Steven Scott Geological Pty Ltd (**SS Geo**) was engaged to review the geology and hydrocarbon potential of Petroleum Lease (PL) 231 which is located within the Denison Trough, one of two depocentres in the Permo-Triassic Bowen Basin. The targets for hydrocarbon exploration within PL 231 are the Cattle Creek Formation, a shallow, marine sandstone and the Reids Dome beds, a non-marine formation composed of siltstone, shale, sandstone. Sixteen wells have been drilled within PL 231, with the first being drilled in 1954 and the last in 2006. Of these 16 wells, 10 wells recorded conventional gas flows from rate too small to measure (RTSTM) to >2 million cubic feet per day (mmcf/d).

A number of different reports by the operators of the tenement, in its different forms over the last 60 years, have ascribed resources to the reservoirs within Reids Dome. These vary from an estimated 1 Bcf at a 1P level of confidence to a potential resource of 330 Bcf (Dome Petroleum Resources Plc, 2005 and White Sands Petroleum Pty Ltd, 2005).

At present the ownership of PL 231 is State Gas Limited 60% and Dome Petroleum 40%.

SUMMARY AND CONCLUSIONS

Steven Scott Geological Pty Ltd has reviewed the geology and petroleum potential of Petroleum Lease (PL) 231 and is satisfied that:

1. PL 231 has the potential to produce commercial quantities of conventional gas from the Cattle Creek Formation.
2. While work needs to be undertaken to clarify the potential of the Reids Dome beds, the potential exists within this formation to contain substantial volumes of commercial oil and gas.

SOURCES OF INFORMATION

This report is based on:

- Non-confidential data in the files of Steven Scott Geological Pty Ltd;
- Publicly available, non-confidential data available from the Queensland Department of Natural Resources and Mines; and
- Other publicly available data.

LOCATION

Petroleum Lease (PL) 231 is located approximately 545 km northwest of Brisbane in central eastern Queensland, 50 km southwest of Rolleston (Figure 1). The PL is located within the Central Highlands Regional Council area.

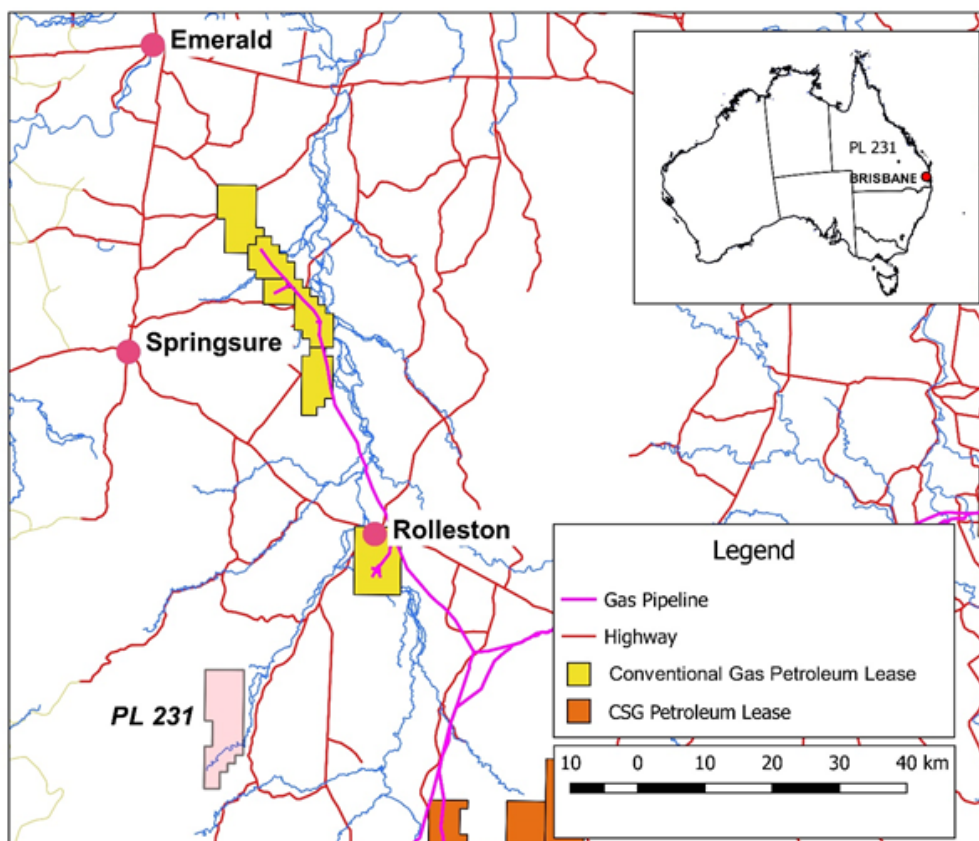
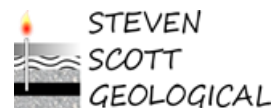


Figure 1: Location - PL 231



PL 231 covers 58 graticular sub-blocks (approximately 181 km²) as shown in Table 1.

Block Identification Map (BIM)	Block	Sub-blocks	Number
Charleville (CHAR)	700	b, c, d, e, g, h, j, k, m, n, o, p, r, s, t, u, w, x, y, z.	20
	701	a, f, l q, v.	5
	771	b, c, d, e, h, j, k, n, o, p, s, t, u, w, x, y, z.	17
	773	a, f, l q, v.	5
	844	b, c, d, e, g, h, j, m, n, r, s.	11
			58

Table 1: Block Description - PL 231

REGIONAL AND LOCAL GEOLOGY

PL 231 is located in the western Denison Trough, one of two major depo-centres of the Permian-Triassic Bowen Basin (Baker & de Caritat, 1992). The Denison Trough is more than 300 km long and up to 80 km wide and contains up to 6,500 m of marine and continental clastic sedimentary rocks (Brown et al., 1983). The trough is bounded on its western side by the Merivale Fault and on its eastern side by the Comet Ridge. Between these two boundaries, the trough consists of a series of north-south trending graben and half-grabens, which have been gently folded into a series of roughly north-south trending, sinuous anticlines and synclines (Baker & de Caritat, 1992).

The major fold within the Denison Trough is the asymmetrical Springsure-Serocold Anticline which is over 140 km in length (Mollan et al., 1969). The Reids Dome is a prominent high located midway along the anticline. PL 231 is located over the entirety of the Reids Dome.

Within PL 231, the surface geology is dominated by the Early Permian sediments of the Cattle Creek Formation, and Aldebaran Sandstone, with minor exposures of the Late Permian Freitag Formation, Ingelara Formation, Catherine Sandstone and Peawaddy Formation around the edges of the dome. The unit underlying the Cattle Creek Formation, the Reids Dome beds, is not exposed within the dome or within PL 231 (Table 2) (Figure 2).

Age	Map Symbol	Formation	Lithology
Late Permian	Pwj	Bandanna Formation	Mudstone, siltstone, sandstone and coal
	Pbs	Black Alley Shale	Shale, siltstone, tuff, coal and minor sandstone
	Pbp	Peawaddy Formation	Carbonaceous mudstone and siltstone, lithic sublabile sandstone and coquinitic siltstone

Early Permian	Pbh	Catherine Formation	Quartzose to sublabile sandstone, siltstone and mudstone	
	Pbi	Ingelara Formation	Conglomeratic sandy siltstone, mudstone and siltstone	
	Pbg	Freitag Formation	Thinly interbedded sandstone, siltstone and mudstone with minor coal seams	
	Pbl	Aldebaran Sandstone	Pebbly quartz sandstone, conglomerate, minor shale, siltstone and coal	
	Pbk	Cattle Creek Formation	Sirius Mudstone Member	Quartzose to sublabile sandstone and mudstone
			Staircase Sandstone Member	
			Moorooloo Mudstone Member	
			Riverstone Sandstone Member	
			Mostydale Mudstone Member	
	Pj	Reids Dome beds	"upper"	Siltstone, shale, labile sandstone, lithic conglomerate and coal
			"lower"	

Table 2: PL 231 - Generalised Stratigraphy

Both the Cattle Creek Formation and the Reids Dome beds are the major petroleum targets within PL 231. These two formations have produced gas during the drilling of exploration and appraisal wells in PL 231.

The Cattle Creek Formation consists of marine, fossiliferous, conglomeratic and silty sandstone with thin interbeds of limestone and calcareous sandstone (Gray, 1976). This formation has been sub-divided into five member units (Mollan et al., 1969, Balfe, 1982) (Table 2). As described above, the sandstones within the Cattle Creek Formation, the Staircase Sandstone Member and the Riverside Sandstone Member, are mostly sublabile to quartzose and poorly to well sorted.

Underlying the Cattle Creek Formations is the non-marine Early Permian Reids Dome beds which are composed of siltstone, shale, labile sandstone, lithic conglomerate and coal. It has been informally divided into "upper" and "lower" units. It is at least 2,770 m thick (Balfe, 1982) and has not been fully penetrated in the Denison Trough. Webb (1956) divided the Reids Dome beds into an upper "undivided Fresh-Water sediments" and a lower "Lower shales mudstones". Elsewhere there appears to be a thin basal conglomeratic section below the "Lower shales mudstones" (Webb, 1956).



EXPLORATION HISTORY

Geological investigations in the Springsure – Rolleston area commenced in the end of the 19th Century and continued into the early decades of the 20th Century with field reconnaissance by Government geologists (Mollan et al., 1969). The Reids Dome was first mapped by Reid (1930) who described the dome enclosed by the cliffs of Aldebaran Sandstone as such:

“This stream follows a corridor eroded in marine rocks that occupy the crest of a marked anticline, the valley sides consisting of tier on tier of pale buff sandstone cliffs dipping outwardly at gentle to moderate angles. These cliffs are incised with deep serrations giving occasionally vertical escapements, hundreds of feet in height, that tower about 700 ft. above, and on either side, of the two-mile wide valley.”

Exploration for oil and gas began during the 1940s and early 1950s when mapping undertaken by Shell (Qld.) Development Pty Ltd and Australasian Oil Exploration Ltd culminated in the drilling of the first two wells, AOE 1 (Reids Dome) and AOE 2 (Reids Dome) on Reids Dome (Webb, 1956) (Table 3).

Wells

AOE 1 (Reids Dome) was located 460 m east of the axial line of Reids Dome and 6,400m north of the crest of the dome. It reached a depth of 2,741.5 m (Webb, 1956). Gas flows were reported from sandstones in the Cattle Creek Formation between 136 and 142 m at a rate of >500 mcf/d, and sandstones in the Reids Dome beds between 795.2 and 827.3 m and between 1,359.4 and 1,364.6 m. The flows in the Reids Dome beds were at rates too small to measure. There were also numerous gas shows and fluorescence across both formations.

AOE 2 (Reids Dome) was located on the crest of Reids Dome and reached a depth of 1,237.5 m. Only fluorescence was noted between 220.7 and 223.7 m in sandstones of the Cattle Creek Formation.

Twenty years were to elapse until the next phase of exploration drilling commenced with the spudding of Reids Dome-1/1A which was a twin of AOE-1 (Reids Dome). These wells were designed to evaluate the gas bearing sands of the Cattle Creek Formation discovered in AOE-1 (Reids Dome) (GSQ, 1978). Reids Dome-1A intersected sandstone at 138.5 m and penetrated only 0.5 m of sandstone before being terminated. Two production tests gave calculated open flow rates of 1 mmcf/d and 0.875 mmcf/d.

Even with the success of these wells, it was another five years before four appraisal wells (Reids Dome-2 – Reids Dome-5) were drilled (Table 3). Reids Dome-2 was again a twin of AOE-1 (Reids Dome) and Reids Dome-1/1A and the other three wells were step-outs: 305 m west, (Reids Dome-3), 305 m south (Reids Dome-4) and 610 m northwest (Reids Dome-5) (Layton and Associates, 1980). All four wells targeted the same sandstone reservoir in the Cattle Creek Formation which was referred to as the “450 foot sand”. Reids Dome-2, Reids Dome-3 and Reids Dome-4 all flowed gas at rates between 0.5 and 1.0 mmcf/d. Reids Dome-5 when tested flowed a small quantity of water.

It was another seven years before the next well, Nyanda-1, was drilled. This well was drilled 6.5 km south of AOE-2 (Reids Dome) at the southern end of the dome (Groves, 1987). This well also targeted only the Cattle Creek Formation sandstones but on test the well flowed at a rate too small to measure and the well was plugged and abandoned.

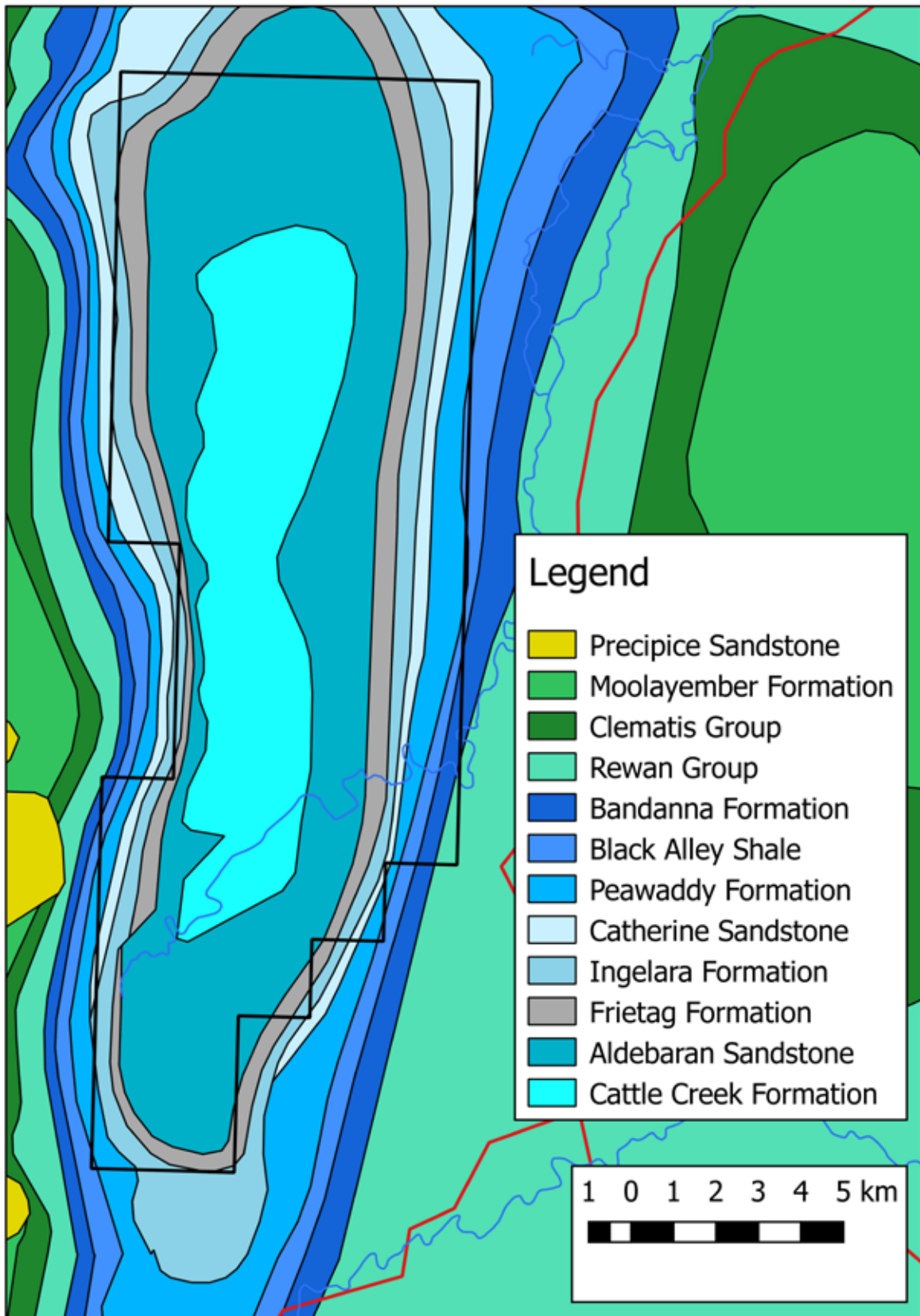
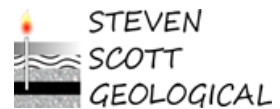


Figure 2: Geology - PL 231

This figure shows the subcropping geology across PL 231. The Reids Dome beds underlie the core of the structure.



In 1993, four wells, Aldinga North-1, Aldinga East-1, Aldinga West-1 and Nyanda North-1 were drilled, all targeting the Cattle Creek Formation reservoirs. Aldinga North-1 was drilled close to AOE-1 (Reids Dome) and Reids Dome-3 and tested at 1.2 mmcf/d on an open-hole flow test from the same “450 foot sand” in the Cattle Creek Formation (Groves, 1993). Aldinga East-1 was drilled 1.85 km south of Aldinga North-1 and when tested flowed at a rate less than 5 mcf/d (Groves, 1994A). Aldinga West-1 was drilled 900 m WSW of Aldinga East-1 and at this location, the “Reids Dome Production Sands” was poorly developed and no significant hydrocarbon shows were encountered (Groves, 1994B). The final well of the programme, Nyanda North-1, was located 2.8 km north of Nyanda-1. Also at this location, the “Reids Dome Production Sands” was poorly developed and no significant hydrocarbon shows were encountered (Groves, 1994C).

A further eight years passed before the next drilling programme commenced on the dome. This programme consisted of two wells, Nyanda-2 and Nyanda-3, again targeting the Cattle Creek Formation reservoirs. Both wells were twins of Nyanda-1. Nyanda-2 tested a sandstone interval between 130.5 and 143.9 m which resulted in a gas rate too small to measure (Malson & Suchocki, 2002A). Nyanda-3 cored two intervals in the Cattle Creek Formations, no significant hydrocarbon shows were recorded during drilling but gas bubbles were observed on the core immediately after retrieval from the core barrel (Malson & Suchocki, 2002B).

The final well drilled within PL 231 was Primero-1. This well again was a twin of AOE-1 (Reids Dome) Reids Dome-1/1A and Aldinga North-1 and again targeted the “Reids Dome Production Sands” within the Cattle Creek Formation (Lane, 2008). A flow rate of 2.8 mmcf/d was reported from this well.

Seismic

Four seismic surveys have been recorded within PL 231 (Table 4, Figure 3). These surveys were conducted in the early 1980s, mid-1990s and early 2000s but are limited in their coverage of the total petroleum lease.

The first survey was a wide-spaced survey recorded in 1981. The contractors and consultants were never paid, the data was never processed and the whereabouts of the original field tapes is unknown (Prepet Pty Ltd, 1997).

The second survey, the Reids Dome Survey, was recorded in 1994. 5.41 km of mini-SOSIE seismic data was recorded to attempt to delineate the productive “Reids Dome Production Sands” (RDPS) a gas bearing sandstone within the Cattle Creek Formation. This reservoir had produced gas from a number of wells drilled on the northern end of the Reids Dome Anticline but had had only gas shows, at best, from other wells drilled in the locality (Dups, 1994). As such the survey was designed to determine if the RDPS and its areal extent could be mapped, and if so, with what confidence. Interpretation of the survey suggests that the RDPS lies within a NW/SE channel-like body orthogonal to the north plunge of the anticline. The trap is stratigraphically sealed to the south at the channel boundary (Dups, 1994). The gas bearing reservoir may continue significantly downdip to the NW and SE as the channel follows the dip of the anticline’s limb. The RDPS was interpreted to have a closure of at least 875 acres with good reservoir and at least a further 375 acres with poorer and/or thinner reservoir (Dups, 1994).

The third survey, the Aldinga Survey, was a follow-up to the Reids Dome Survey and recorded in 1995. This survey was designed as an extension of the Reids Dome Survey recording an additional 10 lines across the northern limit of the anticline and two lines across the southern limit of the anticline (Prepet Pty Ltd, 1997). The results from this survey confirmed that the RDPS could be imaged on seismic and confirmed the size of the channel-like structure imaged on the Reids Dome Survey. In addition, the Aldinga Survey confirmed that the RDPS was present in the southern end of the anticline as a northeast trending series of stacked barrier/beach sands (Prepet Pty Ltd, 1997). Approximately 900 hectares of potential improved and thicker reservoir is interpreted in this area.



Well Name	Well Type	Latitude	Longitude	Spud Date	Total Depth (m)	Result
Aldinga East-1	Exploration	24° 48' 20.3"	148° 18' 51.4"	31-Oct-1993	228.50	<0.005 mmcf/d
Aldinga North-1	Exploration	24° 47' 19.6"	148° 18' 53.4"	27-Oct-1993	162.50	1.2 mmcf/d
Aldinga West-1	Exploration	24° 48' 26.3"	148° 18' 19.6"	3-Nov-1993	228.50	No flow
AOE-1 (Reids Dome)	Exploration	24° 47' 25.0"	148° 19' 18.0"	30-Aug-1954	2,761.49	0.55 mmcf/d
AOE-2 (Reids Dome)	Exploration	24° 51' 00.0"	148° 19' 00.0"	2-Jun-1955	1,237.49	No flow
Nyanda North-1	Exploration	24° 53' 11.3"	148° 18' 30.6"	8-Nov-1993	228.50	No "RDPS"
Nyanda-1	Exploration	24° 54' 41.0"	148° 18' 22.0"	17-Jul-1987	450.80	RTSTM
Nyanda-2	Exploration	24° 54' 42.5"	148° 18' 21.6"	3-Apr-2001	214.90	RTSTM
Nyanda-3	Exploration	24° 54' 40.6"	148° 18' 23.3"	13-Apr-2001	215.50	No flow
Primero-1	Appraisal	24° 47' 11.4"	148° 19' 06.1"	11-Jun-2006	1,565.00	2.8 mmcf/d
Reids Dome-1	Exploration	24° 47' 25.0"	148° 19' 18.0"	24-Apr-1975	102.00	DNRT
Reids Dome-1A	Exploration	24° 47' 25.0"	148° 19' 18.0"	28-Apr-1975	139.00	~1 mmcf/d
Reids Dome-2	Appraisal	24° 47' 25.0"	148° 19' 18.0"	5-Mar-1980	150.57	0.85 mmcf/d
Reids Dome-3	Appraisal	24° 47' 19.4"	148° 19' 11.1"	16-Mar-1980	149.05	0.97 mmcf/d
Reids Dome-4	Appraisal	24° 47' 29.3"	148° 19' 22.0"	23-Mar-1980	152.40	0.49 mmcf/d
Reids Dome-5	Appraisal	24° 47' 06.1"	148° 19' 06.9"	28-Mar-1980	182.88	No flow

DNRT = Did not reach target, RTSTM = Rate too small to measure

Table 3: PL 231 - Previous drilling

Survey	Date	Number of lines	Total Line Kilometres
Not known	1981	Not known	Not known
Reids Dome	June 1994	3	5.41
Aldinga	April 1995	12	25.05
Southern Cross	January 2001	5	12

Table 4: PL 231 - Previous seismic surveys



The fourth survey, the Southern Cross Survey, was recorded in 2001. This survey appears to have been an extension of the two southern lines recorded during the Aldinga Survey. While the line positions are available from the Queensland Department of Natural Resources and Mines (Figure 3), no acquisition, processing or interpretation reports are available.

GAS TESTING

Drill Stem Testing (DST) and/or open-hole flow testing have been conducted on most of the wells drilled within PL 231 (Table 5). Flow rates from zones identified as the “Reids Dome Production Sands” have ranged from RTSTM to >2 mmcf/d. Gas quality testing demonstrates that gas from the “Reids Dome Production Sand” is “dry” and composed of mostly methane, with minor amounts of carbon dioxide and nitrogen.

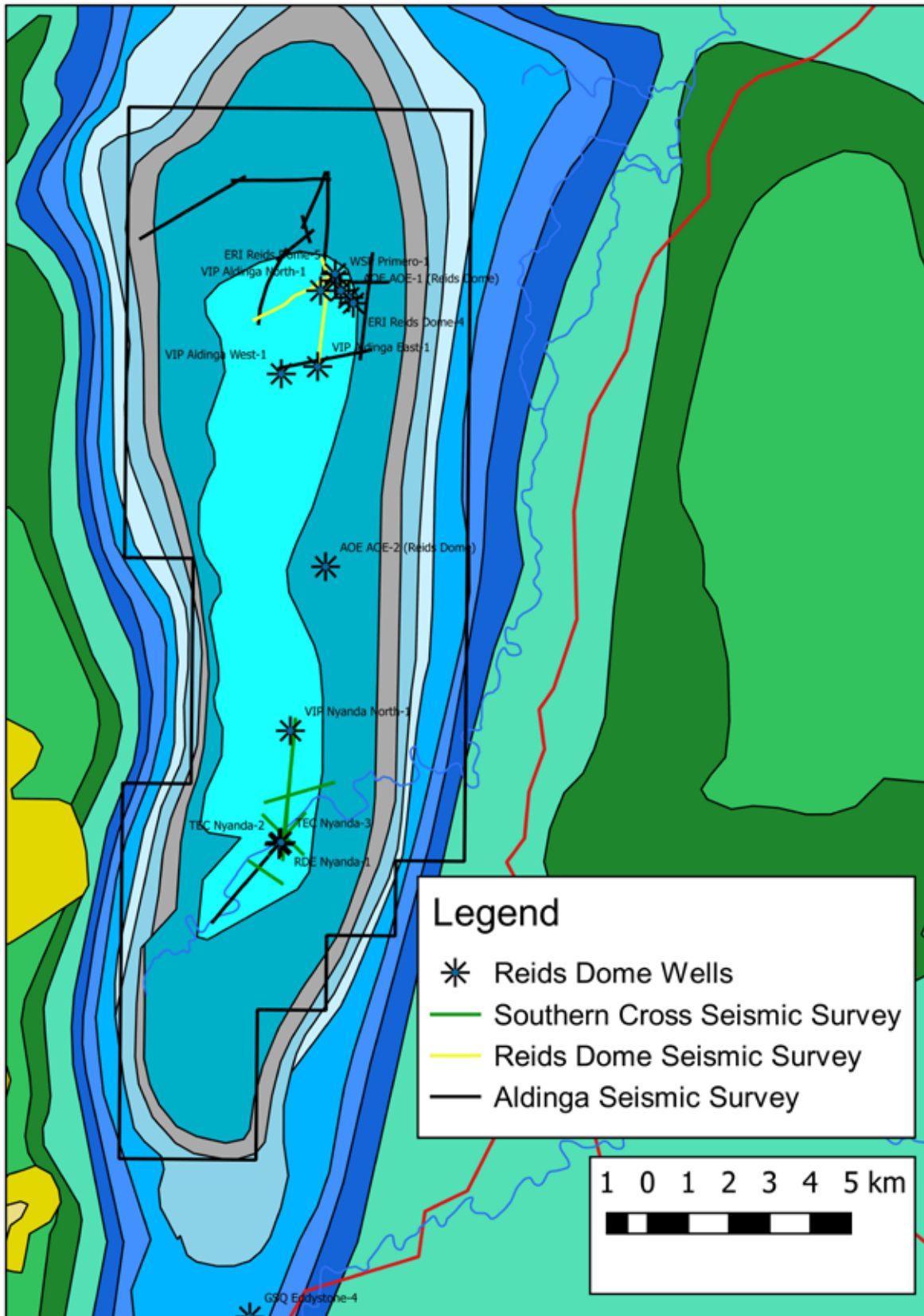


Figure 3: PL 231 - Wells and Seismic Surveys



Well	Test	Formation	Test Interval	Rate	CH ₄ (%)	C ₂ H ₆ + (%)	CO ₂ (%)	N ₂ (%)	O ₂ (%)
AOE-1 (Reids Dome)	DST-1	Cattle Creek Fm	136.6-142.3m	0.55 mmcf/d	97.4	-	1.2	0.9	0.5
	DST-6	Reids Dome beds	822.7-827.8m	RTSTM	80.7	11.8	5.6	1.9	-
	DST-9	Reids Dome beds	1,359.4-1,364.6m	RTSTM	83.6	15.66	0.7	-	0.1
Reids Dome-1A	PT-1	Cattle Creek Fm	138.5-139.0m	1.0 mmcf/d	96.7	<0.1	1.5	1.7	-
	PT-2	Cattle Creek Fm	138.5-139.0m	0.875 mmcf/d					
Reids Dome-2	FT	Cattle Creek Fm	138.1-150.6m	0.85 mmcf/d					
Reids Dome-3	FT	Cattle Creek Fm	135.0-149.1m	0.973 mmcf/d					
Reids Dome-4	FT	Cattle Creek Fm	126.8-152.4m	0.485 mmcf/d					
Reids Dome-5	FT	Cattle Creek Fm	168.6-182.9m	No flow					
Nyanda-1	DST-1	Cattle Creek Fm	136.2-142.0m	RTSTM	83.7	<0.1	15.3	1.0	-
Aldinga North-1	FT	Cattle Creek Fm	151.0m	1.2 mmcf/d					
	FT	Cattle Creek Fm	162.5m	1.2 mmcf/d					
Aldinga East-1	FT	Cattle Creek Fm	228.5m	<0.005 mmcf/d					
Nyanda-2	FT	Cattle Creek Fm	130.5-143.9m	RTSTM	80.8	-	18.3	0.9	-
					80.9	-	18.1	1.0	-
Primero-1	FT	Cattle Creek Fm	134.0-146.5m	2.8 mmcf/d					

DST= Drill stem test, PT = Production test, FT = Flow test

Table 5: PL 231 - Gas Testing

Gas from the only testing conducted from sands within the Reids Dome beds indicates that the gas is “wet”, with significant amounts of ethane and higher hydrocarbons.

As described above, some of this testing has been haphazard, some of it has been very poorly reported, and in many cases the correlation of zones tested in different wells, especially between the northern and southern localities, has been non-existent.

The poor correlation between zones tested can be largely attributed to the lack of adequate seismic across the petroleum lease. The work by the previous PL operator, Victoria Petroleum NL, to initiate the mini-SOSIE surveys and attempt to tie this seismic to the wells drilled and image the “Reids Dome Production Sands” was the first attempt to undertake this correlation. The results of this correlation indicates that some wells did not reach the required depth to intersect the RDPS (Nyanda North-1) (Prepet Pty Ltd, 1997).



RESOURCES

While no reserves are estimated for PL 231, a number of reports have estimated resources within the Reids Dome anticline. As discussed previously, many of the tests conducted on the wells drilled within PL 231 were carried out over short time periods, the radius of investigation around the wells is commensurately small. As such, the condition of the near well bore would heavily influence the outcome of the test.

The first attempt to estimate resources within the Reids Dome was undertaken in the Reids Dome-1/1A well completion report (Geological Survey of Queensland, 1978). This estimate was made after a simplified isochronal flow test was carried out using three choke sizes over a period of 1.5 hours. The gas-in-place volume was estimated at 303 mmcf per 0.4 km² (100 acres). A recoverable resource is 240 mmcf per 0.4 km² (100 acres).

The first significant review of the resources within the Reids Dome was undertaken by Scotia Energy, Inc in 1983 for the then operator of ATP 333P (Scotia Energy, Inc, 1983). The reservoir parameters used to estimate the resources within Reids Dome were based on the cores analyses from AOE-1 (Reids Dome):

- Average net pay: 7.6 m
- Gas saturation: 80%
- Porosity: 17.5%
- Permeability: 6.5 – 9 md
- Northern anticlinal area: 2.3 km² (580 acres)

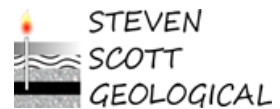
Using this data Scotia Energy, Inc (1983) calculated a gas-in-place of 1.25 BCF around the AOE-1 (Reids Dome) and the Reids Dome-1/1A to Reids Dome-5 wells. They went further and estimated a recoverable resource of 1 BCF. These estimates are in line with these given in the Reids Dome-1/1A well completion report.

In 1993, the then operator, Victoria Petroleum N.L., undertook a review of the feasibility of a commercial development of the gas resources in Reids Dome (Victoria Petroleum N.L., 1993). In Appendix 3 of this review, a number of estimates of the potential gas-in-place for the “RDPS” were made (Watson, 1991).

This estimate made use of the work by McTaggart (1989) who estimated a resource of 1 BCF contained in an area of 0.3 km² (80 acres) around the AOE-1 (Reids Dome) and Reids Dome-1/1A to Reids Dome-4 wells. Watson (1991) took McTaggart’s (1989) estimate at face value and calculated that another nine similar areas were needed to enable a commercial project to proceed. Neither McTaggart (1989) nor Watson (1991) reviewed reservoir parameters or results other than those from the AOE-1 (Reids Dome) well and subsequently drilled wells close by.

In the Aldinga Seismic Survey report (Prepet Pty Ltd, 1997) the calculated resources potential of the “proven” “RDPS” distributary channel in the northern anticlinal area and the “RDPS” beach/barrier bar sand in the southern anticlinal area were estimated. This estimate was calculated using the following reservoir parameters:

- Average net pay: 8 m
- Gas saturation: 70%
- Porosity: 20%
- Expansion factor: 20
- Recovery factor: 75%
- Northern anticlinal area: 8.5 km² (2,100 acres)
- Southern anticlinal area: 9.0 km² (2,224 acres)



The result was 11.2 BCF. The report went further and assumed that the “RDPS” covered 40 km² (9,884 acres) which is only half the interpreted productive area, then the potential recoverable resource would be 26 BCF (Prepet Pty Ltd, 1997).

All of these estimates are only calculated for the “RDPS” within the Cattle Creek Formation. As discussed above only seven wells with PL 231 have intersected the Reids Dome beds and only three; AOE-1 (Reids Dome), AOE-2 (Reids Dome) and Primero-1 have intersected a significant thickness. Of these three wells, only AOE-1 (Reids Dome) had gas and oil shows from intervals within the Reids Dome beds. Two DSTs (DST-6 and DST-9) produced gas to surface at RTSTM (Australasian Oil Exploration Limited, 1955).

Resources have been inferred for the Reids Dome beds by the independent technical expert (RobSearch Australia Pty Limited) for the initial prospectus for Dome Petroleum Resources Plc and White Sands Petroleum Pty Ltd (Dome Petroleum Resources Plc, 2005 and White Sands Petroleum Pty Ltd, 2005). In both of these documents, RobSearch used the following reservoir parameters to estimate recoverable resources:

Reservoir at 1,400 m		Reservoir at 2,500 m	
• Average net pay:	10 m	• Average net pay:	10 m
• Gas saturation:	70%	• Gas saturation:	70%
• Porosity:	12%	• Porosity:	10%
• Expansion factor:	125	• Expansion factor:	200
• Recovery factor:	70%	• Recovery factor:	75%
• Areal extent:	83 km ² (20,510 acres)	• Areal extent:	83 km ² (20,510 acres)

Using these parameters, then the Reids Dome beds could contain 217 BCF and 309 BCF respectively.

It should be noted that the Reids Dome beds reservoirs have only been intersected in the one well (AOE-1 (Reids Dome) within PL 231 but gas production has occurred from the Reids Dome beds in other fields located in the Denison Trough (Merivale, Maintop, Westgrove) (Anthony, 2004).

RECOMMENDED APPRAISAL PROGRAMME

Work to date has shown that that a substantial conventional gas resource exists within sands in the Cattle Creek Formation at Reids Dome. To confirm this resource and extend it beyond its current boundaries the following programme is recommended:

1. Seismic Re-Processing

The Aldinga, Reids Dome and Southern Cross seismic surveys should be re-processed using modern methods to optimise the imaging of the RDPS. The re-processing of the 42.5km of the three surveys should be relatively quick to process and inexpensive. The reprocessed data would then be used to position two step out wells to confirm the resource in the northern area of PL 231.

2. Appraisal Wells

As discussed above, a number of wells drilled on the northern culmination of the Reids Dome Anticline have tested gas at commercial rates. The Aldinga Seismic Survey showed that the thicker, porous and gas saturated RDPS could be identified on seismic data as a lateral increase in amplitude. As such the RDPS was interpreted as a northwest-southeast channel-like body. To follow up this interpretation, and the re-processing discussed above, it is recommended that two wells be drilled, one to the southeast and one northwest of Primero-1 (Figure 4). These wells will intersect the RDPS at a depth less than 500 m.

These two wells and Primero-1 should then be put on a long-term production test to confirm deliverability of the RDPS.

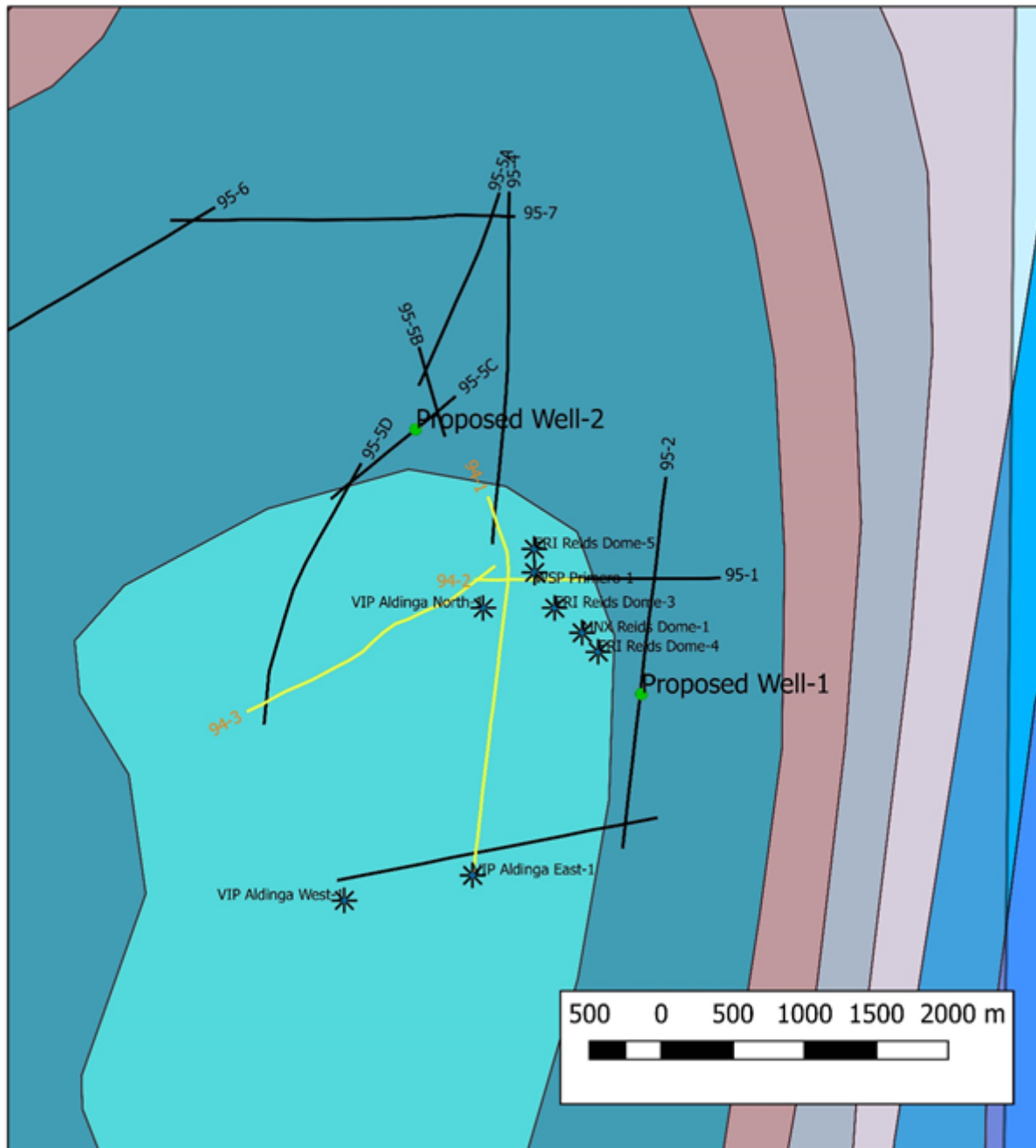


Figure 4: Recommended Appraisal Wells



DECLARATIONS

Qualification

Steven Scott Geological Pty Ltd was established in 2009 with core activities in coal, oil and gas exploration and development.

Steven Scott

Director, Steven Scott Geological Pty Ltd
Ph.D., B.Sc. (Hons.), MGSA, MAAPG (CPG), MPESA

Steven Scott is a geologist with over 40 years of experience in the coal and petroleum industry. He started in the Coal Section of the Geological Survey of Queensland as a geological cadet and spent 12 years assisting in the departmental exploration and evaluation of the coal resources of Queensland. He transferred into the Petroleum Section of the Geological Survey of Queensland in 1987 and during the next 13 years Steven assisted in the regulatory overview of the petroleum industry in Queensland. In addition, he oversaw the initial exploration and development of the coal seam gas industry in Queensland, assisting in promoting the industry and reviewing changes in the overriding legislation.

In 2000, he joined the fledging coal seam gas explorer, Queensland Gas Company Ltd, as Senior Geologist and supervised the company's initial exploration and appraisal programmes in the Surat Basin. During Steven's time with QGC, he became Exploration Manager and after the takeover by BG Group Vice-President Exploration, he oversaw the exploration and appraisal of QGC's exploration, appraisal and developmental geology in the Surat Basin. In addition, he also reviewed CSG opportunities for QGC in Europe, America and Asia.

He left BG Group in 2009 and formed Steven Scott Geological as a private geological consulting company. In 2010, he joined Senex Energy Limited (previously Victoria Petroleum NL) as Exploration Manager overseeing the company's exploration, appraisal and development for oil in the Cooper Basin. He was also part of the team that negotiated the acquisition by Senex of the Western Surat Gas Project from QGC and its initial appraisal. In 2016, he resigned from Senex Energy and reformed Steven Scott Geological as a private consulting company.

Independence

Neither Steven Scott Geological Pty Ltd or the author of this report have any pecuniary or professional interests which could reasonably be regarded in any way as affecting their abilities to report impartially on the petroleum exploration interests of State Gas Limited.

Purpose of Report

This report has been prepared solely for State Gas Limited for inclusion in the prospectus and should not be relied on for any other purpose.

Historical estimates

The historical petroleum estimates quoted in this report are from third party sources and are not reported and classified in accordance with the Petroleum Resources Management System (SPE-PRMS). The data underlying those estimates cannot be verified by SS Geo. The estimates are presented on the basis that the author considers them useful for an understanding of the scope of historical exploration and appraisal work done on PL 231. The estimates are not adopted by SS Geo. The full source details of the historical petroleum estimates quoted in this report from third party sources are set out in the references.

Consents

Steven Scott Geological has given and has not, before the date of this Report withdrawn its consent to the issue of the prospectus with this report in the form and context in which it appears. Steven Scott Geological was only commissioned to prepare, and has only authorised the issue of this Independent Technical Report. Steven Scott Geological has not been involved in the preparation of, nor has authorised or caused the issue of any part of the prospectus in which his report included.

Steven Scott, PhD, BSc (Hons)
Director, Steven Scott Geological Pty Ltd



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5 Key risks

5.1 Introduction

This section identifies the major risks the Board believes ought to be considered in the context of an investment in State Gas.

State Gas is subject to risk factors, both specific to the Project, and risks of a general nature. Individually, or in combination, these might affect the value of an investment in State Gas. State Gas may not achieve its objectives and the forward looking statements in this prospectus may not eventuate. An investment in State Gas should be considered in light of relevant risks, both general and specific. Each of the risks set out below could, if it occurs, have a material adverse effect on State Gas, its assets and the market price or value (or both) of the Shares.

Before deciding to invest in State Gas, you should:

- ☐ read the entire prospectus;
- ☐ consider the assumptions underlying any forward looking statements, and the risk factors that could affect State Gas;
- ☐ review these factors in light of your personal circumstances; and
- ☐ seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

5.2 Specific investment risks

Exploration, appraisal and development risk

The exploration, appraisal and development of petroleum projects is highly speculative in nature. Careful evaluation, experience and knowledge will not eliminate this risk. There are numerous variables applied to the estimation of reserves. For these reasons, estimates of the economically recoverable gas reserves and targeted reserves in any particular tenement are subject to assumptions made in the assessments and so may vary substantially from the final result. State Gas' success will depend upon its ability to prove up gas reserves that can be recovered economically. There can be no assurance that State Gas' planned appraisal program will result in economic reserves or that it will have success consistent with historic drilling on PL 231. In particular, while historic drilling has identified the gas potential of PL 231, a number of the wells drilled have failed to demonstrate meaningful gas flow rates. While various theories have been proposed, including damage to formations by the use of excessive mud weights, further work is required. In particular, understanding the geological and technical reasons for these varying results will assist in a better understanding of the lateral continuity of the Cattle Creek Formation and will be a key focus of the Board in the Appraisal Program.

Financial resources

State Gas has no operating revenue and is unlikely to generate any revenue in the short to medium term. The Board anticipates that its existing cash resources, together with the proceeds of the Offer, will be sufficient to progress the Project and achieve the short term objectives described in this prospectus, after which further equity funding will be required. For planning purposes, State Gas has assumed 100% of the funding costs, although its interest in PL 231 is only 60%. As an alternative to raising further equity capital, the Board may consider a farm-out of PL 231 to an appropriately resourced partner. Beyond that, if State Gas' appraisal program is successful, more substantive funding will likely be required to advance commercial

development of the resource, including the substantial cost of processing facilities and pipeline. Some level of debt financing may be available to construct those facilities, particularly if State Gas is able to secure a long term buyer of gas. Until such time, funding will likely be by way of equity issuance, or farm-out, both of which will dilute existing members. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of appraisal and development or force the Directors to pursue less attractive funding alternatives.

Gas prices

The value of State Gas' assets is likely to be positively affected with current gas supply constraints in Queensland (see section 2.6). The price of natural gas in Queensland is driven by the supply/demand balance and the pricing of alternative supplies of energy. Contracts for gas supply tend to be for the longer term. As there is no quoted and traded spot market in Queensland gas pricing is relatively opaque, although there appears to be a general upward trend over time in line with overall energy price trends. The balance of supply and demand and the impact of competing energy markets contribute to some price volatility. Any substantial decline in the price of natural gas would likely have a material adverse effect on the value of State Gas. In addition to adversely affecting reserve estimates, declining gas prices can impact operations by requiring a reassessment of the feasibility of projects.

Concentration risk

At present, State Gas has a single project (PL 231). Adverse developments in respect of PL 231 affect the prospects of State Gas to a greater extent than a similar petroleum company that holds a number of prospects. This 'concentration risk' will likely mean that positive and negative developments in respect of State Gas' sole project will affect the price or value of Shares to a greater extent than had the same thing occurred to a company with a number of prospects.

Attracting and retaining key people

Skilled employees and consultants are essential to the successful delivery of State Gas' strategy. Given its relatively modest operations as a 'single project company', State Gas will, in the short to medium term, rely heavily on the services of contractors, the loss or delay in the appointment of any of which could delay the pursuit of State Gas' strategy. As set out in section 3.2, the Board has indicated its intention to appoint a chief executive officer (CEO) and other key management in the short-term to progress of the Project. Any delay in the Board's ability to identify or appoint an appropriately qualified CEO could also delay the pursuit of State Gas' strategy, require the use of contractors and consultants in an inefficient (costly) manner or place increased reliance on non-executive Directors who may have limited time to commit to the necessary tasks.

Counterparty risk

State Gas has entered into, and will in the future enter into, agreements that may be material to the company. Under those arrangements, State Gas relies on the performance of counterparties over which it may have limited or no control. Notwithstanding that State Gas may have contractual remedies for any breach by a counterparty, enforcement of those remedies may be time consuming and costly. For example, State Gas has only recently been transferred the 60% interest in PL 231. The joint operating agreement was entered into in February 2017 (section 8.2) (**JOA**) and, at the date of this prospectus, the operating committee had not met to approve a budget for operations. Delays in agreeing the program and budget may delay expenditure on the Project and make the timing of milestones estimated by the Board unachievable. Accordingly, even if State Gas is able to define an economic resource, it may not be able to progress commercial development in a timely manner without the agreement of any other joint venture participants at the time.

Approval of later development plan

The Board's commercialisation strategy for PL 231 is different to that of the previous holder. In particular, the Board is now focused on identifying sufficient resources to support the construction of a feeder pipeline to connect PL 231 to existing pipeline infrastructure. The current five (5) later development plan (**LDP**) for PL 231 was approved by the Government in December 2015. The commercialisation strategy in that plan was based on a micro-LNG plant. A number of key elements of the development program of the existing LDP are consistent with the Appraisal Program. Although the Board favours the construction of a feeder pipeline, it will consider the potential of micro-LNG, particularly as an interim step to commence early gas sales. Implementation of the Board's strategy to build a feeder pipeline will require that the Joint Venture propose, and the Government approve, an amended LDP consistent with that strategy.

Operating risks and insurance

In the short to medium term, the Board expects that the value of an investment in State Gas will be affected by a range of factors, particularly the success of the Appraisal Program. In the longer term, if State Gas is able to prove-up a resource that supports development (which would likely require the construction of a pipeline), it will assume different risks in connection with those operations. In either case, State Gas' operations will involve a degree of risk. In particular, State Gas' operations would be subject to all of the hazards and risks normally encountered in petroleum exploration, appraisal and development. Such risks include blowouts, mechanical failures, explosions, uncontrollable flows of natural gas, fires, formations with abnormal pressure, environmental hazards, industrial accidents, periodic interruptions due to adverse weather conditions, labour disputes, political unrest and theft. The occurrence of any of those could result in damage to, or destruction of, mineral properties or interests, production facilities, personal injury, damage to life or property, environmental damage, delays or interruption of operations, increases in costs, monetary losses, legal liability and adverse government action. State Gas does not currently carry insurance against all these risks and there is no assurance that such insurance will be available in the future, or if available, at reasonable premiums or on acceptable terms.

The occurrence of any of those risks could also cause the cost of the activity to be materially more than the Board's estimates or may necessitate a change in strategy. Accordingly, the Board's expectations as to how it will use the Offer proceeds, and cost of the relevant activity may need to change in response to this and other risks identified in this section.

Historical data

In assessing the prospectivity of PL 231, the Board has relied on results from historical drilling data (summarised in the Independent Technical Report in section 4). Such data, given the duration of time since the relevant data was recorded and the different standards and practices that may have existed at the time, is inherently less reliable. Accordingly, the Board's knowledge of the petroleum system in the Cattle Creek Formation may change as new drilling data becomes available and this may require the Board to modify its strategy.

Laws and regulations

Exploration for and the appraisal and development of petroleum resources, is subject to extensive laws and regulations, including complex tax laws and environmental laws and regulations, native title, landowner and tenure arrangements. Existing laws or regulations, as currently interpreted or reinterpreted in the future, or future laws or regulations could adversely affect State Gas. There can be no assurance that State Gas will obtain on reasonable terms or at all the permits and approvals, and the renewals thereof, which it may require for the conduct of its future operations. Possible future environmental and petroleum tax legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delay on State Gas' planned exploration and operations, the extent of which cannot be predicted.

For example, in order to access private land for certain activities (such as drilling), State Gas must enter into agreements with each owner and occupier of the land. Any delay in negotiating and entering into the agreements with relevant landowners could delay the appraisal and development of the conventional gas resource at PL 231. In the event that compensation terms cannot be agreed, State Gas has recourse under the *Mineral and Energy Resources (Common Provisions) Act 2014* (Qld) which allows State Gas to apply to the Land Court for a determination, however that process may be costly and would likely delay State Gas' Appraisal Program.

Change in government policy

Changes in government policy, particularly policy that directly affects gas industry participants could have an adverse effect on the prospects of State Gas. As a potential producer of gas (and an emitter of greenhouse gases), policies relating to, for example, the reservation of gas (to address supply concerns) or carbon emissions, would likely affect State Gas, potentially in a material adverse way. Such changes to policy (and law) may result in additional costs and administrative burden for State Gas (for example, costs associated with monitoring carbon emissions) or may materially limit the supply of gas by State Gas.

Environmental risks

All phases of State Gas' operations are subject to environmental laws, regulations and approvals. Delays in the receipt of requisite approvals, or failure to receive requisite approvals, may delay the project or adversely affect the project's development. Failure to comply with environmental laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial requirements, and the imposition of injunctions to force future compliance. Statutes and regulations require permits for drilling operations, drilling bonds and reports concerning operations. In addition, there are statutes, rules and regulations governing conservation matters.

Health and safety

Petroleum operations, such as drilling, are inherently hazardous. In addition to the risk of injury or damage to persons or property, health and safety failures represent a substantial reputational and regulatory risk for State Gas. Health and safety management policies may not be effective in eliminating this risk.

Limited operating history

While the Board has significant experience in business, equity markets and the petroleum industry, State Gas was only registered in February 2017 and currently has limited executive capacity. State Gas also has limited historical, financial or operating information and processes. Accordingly, State Gas' ability to achieve the objectives described in this prospectus depend on the capacity of the Board to implement those objectives.

5.3 General investment risks

Equity market sentiment

Once the Shares are quoted on ASX, their price might rise or fall and they might trade at prices below the Offer Price. Equity market conditions, particularly the appetite for investments in the small-cap petroleum industry, may deteriorate. In that case, the prices of securities of small-cap petroleum companies may fall, irrespective of the quality of assets or operating performance of the relevant company. Those fluctuations might adversely affect the price of the Shares.

State Gas' share price might fall materially from the Offer Price. Given the composition of the register and the likely market capitalisation, it is likely, at least in the short to medium term

following listing, that trading in shares in State Gas will be relatively illiquid. There can also be no assurance that an active trading market will develop for the Shares. Illiquidity tends to exacerbate share price movements (up and down).

Other factors that may affect the price at which State Gas shares are traded on ASX or their value could include domestic and international economic conditions. In particular, the price or value of State Gas shares may be affected by factors that are unrelated to the prospects of State Gas, including the level of inflation, interest rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates, could also have an adverse effect on State Gas.

General economic conditions

State Gas' operating and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, interest rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates, could be expected to have a corresponding adverse impact on State Gas' operating and financial performance.

Accounting standards

Australian accounting standards are set by the Australian Accounting Standards Board (AASB) and are outside the Directors' and State Gas' control. Changes to accounting standards issued by AASB could materially adversely affect the financial performance and position reported in State Gas' financial statements.

Taxation risks

Changes to the rate of taxes imposed on State Gas or tax legislation generally may affect State Gas and its members. In addition, an interpretation of Australian taxation laws by the Australian Taxation Office that differs to State Gas' interpretation may lead to an increase in State Gas' taxation liabilities and a reduction in member returns.

Personal tax liabilities are the responsibility of each individual investor. State Gas is not responsible either for taxation or penalties incurred by investors.

5.4 Cautionary statement

Statements contained in this prospectus may be forward-looking statements.

Forward-looking statements can be identified by the use of forward-looking terminology such as, but not limited to, 'may', 'will', 'expect', 'anticipate', 'estimate', 'would be', 'believe', or 'continue' or the negative or other variations of comparable terminology. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected.

The Directors' expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis, including without limitation, based on the examination of historical operating trends, data contained in State Gas' records and other data available from third parties. There can be no assurance, however, that the Directors' expectations will eventuate. Investors should not place undue reliance on these forward looking statements.

Additional factors that could cause actual results to differ materially from those indicated in the forward looking statements are discussed earlier in this section.

6 Financial information

6.1 Introduction

This section sets out historical and pro-forma financial information. The basis for preparation and presentation of this information is also set out below.

The financial information has been prepared by management and adopted by the Board. The Board is responsible for the inclusion of all financial information in this prospectus. BDO Audit Pty Ltd has prepared an Investigating Accountant's Report in respect of the historical and pro-forma financial information. A copy of the report is contained in section 7.

The historical and pro-forma financial information has been prepared in accordance with the recognition and measurement criteria of Australian Accounting Standards and the significant accounting policies set out in section 6.5. The historical and pro-forma financial information comprises financial information of State Gas Limited (referred to in this section as 'State Gas'). The historical and pro-forma financial information is presented in an abbreviated form insofar as it does not include all the disclosures and notes required in an annual financial report prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001* (Cth).

6.2 Historical financial information

The historical financial information for State Gas set out below comprises:

- ☐ the reviewed Statement of Financial Position as at 30 June 2017; and
- ☐ selected notes to the reviewed Statement of Financial Position.

The historical financial information has been extracted from the audited financial statements of State Gas for the period from its registration to 30 June 2017. The historical financial information does not include a Statement of Comprehensive Income or a Statement of Cash Flows. State Gas is an exploration company, holding petroleum lease PL 231 and exploring for conventional gas in Queensland. During the period from registration to 30 June 2017, State Gas has not earned any revenue from operations and therefore presentation of the Statement of Comprehensive Income and Statement of Cash Flows is not considered relevant.

6.3 Pro-forma financial information

The pro-forma financial information for State Gas set out below comprises:

- ☐ the unaudited Pro-Forma Statement of Financial Position as at 30 June 2017; and
- ☐ selected notes to the unaudited Pro-Forma Statement of Financial Position.

The unaudited Pro-Forma Statement of Financial Position has been derived from the audited Statement of Financial Position as at 30 June 2017 adjusted for the following transactions as if they had occurred at 30 June 2017 (pro-forma transactions):

- i. The 3 for 1 subdivision of capital resulting in each share on issue converting to 3 shares.
- ii. The settlement of loans and other amounts owing to related parties of State Gas totalling of \$15,581.
- iii. The grant of 2,000,000 options over unissued ordinary shares to Ian Paton, a director of State Gas. 1,000,000 of the options are exercisable at \$0.20 and vest on 16 August 2018, the remaining 1,000,000 options are exercisable at \$0.40 and vest on 16 August 2019. All options expire on the date that is 36 months after the admission of State Gas to the official list of ASX. These options have been valued at \$1,210 and will be expensed over two years.
- iv. The issue of 8,250,000 fully paid ordinary shares to seed investors at an issue price of \$0.0133333' cash, including 4,125,000 issued to a related party.

- v. The issue of 26,250,000 ordinary shares at an issue price of \$0.20 per share to raise \$5,250,000 cash before expenses of the Offer. All ordinary shares issued pursuant to this prospectus will be issued as fully paid.
- vi. Total cash costs expected to be incurred in connection with the preparation of the prospectus and ASX listing of Shares of \$359,712. \$11,925 of these costs have been prepaid at 30 June 2017 and are included in other debtors. Of these share issue costs it is estimated that \$213,382 will be classified as share issue costs in equity, relating to the issue of new shares. The remaining costs of \$146,330 will be charged to profit or loss, relating to the listing of existing shares.
- vii. The issue of 25,312,500 fully paid ordinary shares in State Gas, on conversion of 30,000,000 class B shares.
- viii. The payment of \$267,840 to Triangle Energy in relation to back costs paid by Triangle Energy for reimbursement of expenditure incurred in developing PL 231.

6.4 State Gas historical and pro-forma

The historical and pro-forma financial information should be read in conjunction with the notes in section 6.5.

Statement of Financial Position	Notes	Audited Historical Financial Information 30 June 2017 \$	Reviewed Pro-Forma Financial Information 30 June 2017 \$
Current assets			
Cash and cash equivalents	6.5.3	500,208	5,229,000
Trade and other receivables	6.5.4	21,244	9,319
Total current assets		521,452	5,238,319
Non-current assets			
Exploration and evaluation assets	6.5.5	1,815,293	2,083,133
Total non-current assets		1,815,293	2,083,133
Total assets		2,336,745	7,321,452
Current liabilities			
Trade and other payables	6.5.6	71,538	55,957
Total current liabilities		71,538	55,957
Non-current liabilities			
Provisions		427,969	427,969
Total non-current liabilities		427,969	427,969
Total liabilities		499,507	483,926

Net assets		1,837,238	6,837,526
Equity			
Issued capital	6.5.7	463,754	6,964,995
Reserves	6.5.8	1,380,968	27,555
Accumulated losses	6.5.9	(7,484)	(155,024)
Total equity		1,837,238	6,837,526

6.5 Notes to and forming part of the financial information

The following is a summary of the material accounting policies adopted by State Gas in the preparation of the financial information. The accounting policies have been consistently applied unless otherwise stated. The financial information is in compliance with the recognition and measurement requirements of Australian Accounting Standards.

6.5.1. Basis of Preparation

Going concern

The financial information has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. State Gas has not generated revenues from operations. As such, State Gas' ability to continue to adopt the going concern assumption will depend upon a number of matters including the successful closure of its initial public offering, its subsequent successful raising in the future of necessary funding and the successful exploration and subsequent exploitation of State Gas' tenements.

Reporting basis and conventions

The financial information has been prepared on an accruals basis and is based on historical costs, except for certain financial instruments measured at fair value.

6.5.2. Accounting Policies

a. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

b. Exploration and evaluation assets

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

A regular review has been undertaken on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

A provision is raised against exploration and evaluation assets where the directors are of the opinion that the carried forward net cost may not be recoverable or the right of tenure in the area lapses. The increase in the provision is charged against the results for the year.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

c. Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to State Gas prior to the end of the financial period that are unpaid and arise when State Gas becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30-60 days of recognition.

d. Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured at the best estimate of the present value amounts required to settle the obligation at the end of the reporting period.

e. Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note (g) for further discussion on the determination of impairment losses.

f. Share-based payments

Equity-settled share-based compensation benefits are provided to employees. Equity-settled transactions are awards of shares, options or performance rights over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is determined using the Monte Carlo Simulation method that takes into account the exercise price, the term of the performance right, the impact of dilution, the share price at grant date and expect price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the performance right.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made.

An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of State Gas or the employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of State Gas or the employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Share based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded in the share based payments reserve.

g. Impairment of Assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

h. Issued capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

i. GST

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

j. Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial information based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within State Gas.

Key judgements – exploration & evaluation assets

State Gas performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. These reviews are based on the continuing rights to explore the area of interest, planned future expenditure and an assessment of economically recoverable reserves, if known.

6.5.3. Cash and Cash Equivalents

Reconciliation of movements in Pro-Forma cash and cash equivalents	Reference	\$
Cash and cash equivalents at 30 June 2017		500,208
Settlement of related party loans and other amounts owing	6.3(ii)	(15,581)
Proceeds from the issue of shares to seed investors	6.3(iv)	110,000
Proceeds from the issue of shares pursuant to this prospectus	6.3(v)	5,250,000
Payment of estimated costs with respect to this prospectus	6.3(vi)	(347,787)
Payment of back-costs to Triangle Energy	6.3(viii)	(267,840)
Pro-Forma cash and cash equivalents		<u>5,229,000</u>

6.5.4. Trade and Other Receivables

Reconciliation of movements in Pro-Forma trade and other receivables	Reference	\$
Trade and other receivables at 30 June 2017		21,244
Prepaid costs associated with this prospectus	6.3(vi)	(11,925)
Pro-Forma trade and other receivables		<u>9,319</u>

6.5.5. Exploration and evaluation assets

Reconciliation of movements in Pro-Forma exploration and evaluation assets	Reference	\$
Exploration and evaluation assets at 30 June 2017		1,815,293
Payment of back costs to Triangle Energy Limited	6.3(viii)	267,840
Pro-Forma exploration and evaluation assets		<u>2,083,133</u>

6.5.6. Trade and Other Payables

Reconciliation of movements in Pro-Forma trade and other payables	Reference	\$
Trade and other payables at 30 June 2017		71,538
Settlement of related party loans and other amounts owing	6.3(ii)	(15,581)
Pro-Forma trade and other payables		<u>55,957</u>

6.5.7. Issued Capital

Reconciliation of movements in Pro-Forma issued capital	Reference	Number of shares
Shares on issue at 30 June 2017		25,000,000
3 for 1 subdivision of share capital	6.3(i)	50,000,000
Issue of shares to seed investors	6.3(iv)	8,250,000
Issue of shares pursuant to this prospectus	6.3(v)	26,250,000
Issue of shares on conversion of Class B shares	6.3(vii)	25,312,500
Pro-Forma issued capital		<u>134,812,500</u>
Reconciliation of movements in Pro-Forma issued capital	Reference	Subscription
		\$
Issued capital at 30 June 2017		463,754
Proceeds from the issue of shares to seed investors	6.3(iv)	110,000
Proceeds from the issue of shares pursuant to this prospectus	6.3(v)	5,250,000
Payment of estimated costs with respect to this prospectus (share issue costs)	6.3(vi)	(213,382)

Transfer from share based payments reserve on conversion of Class B shares	6.3(vii)	1,354,623
Pro-Forma issued capital		<u>6,964,995</u>

6.5.8. Reserves

Reconciliation of movements in Pro-Forma reserves	Reference	\$
Share based payment reserve at 30 June 2017		1,380,968
Issue of options to a Director (see below)	6.3(iii)	1,210
Transfer to issued capital on conversion of Class B shares	6.3(vii)	<u>(1,354,623)</u>
Pro-Forma reserves		27,555

6.5.9. Accumulated Losses

Reconciliation of movements in Pro-Forma accumulated losses	Reference	\$
Accumulated losses at 30 June 2017		(7,484)
Payment of estimated issue costs (listing of existing shares)	6.3(vi)	(146,330)
Issue of options to a Director	6.3(iii)	<u>(1,210)</u>
Pro-Forma accumulated losses		(155,024)

6.5.10. Commitments

Later development plan (LDP)

So as to maintain current rights to tenure of PL 231, State Gas will be required to outlay amounts in satisfaction of commitments in the 'Later Development Plan' approved by the Government. The outlays may be varied from time to time, subject to approval of the relevant government departments, and may be relieved if the PL is relinquished. The LDP commitment is calculated at \$15,600,000 on the assumption that the current LDP will continue until its expiry in 2020 and that State Gas will fund its share of commitments, being equal to its 60% working interest in PL 231.

6.5.11. Contingent Liabilities

State Gas has notice of the existence of a potential royalty payable in respect of petroleum produced from PL 231, being an overriding royalty interest in seven percent (7%) of the gross production of oil, gas and associated hydrocarbons produced and saved pursuant to the terms of the authority to prospectus (ATP 333-P, as it was at the time), calculated on the arm's length sale price of petroleum less: (i) all costs and expenses incurred in or attributable to the treating, processing dehydrating, compressing and transporting such petroleum; (ii) levies and other taxes on production; and (iii) all fuel oil and gas used in conducting exploration, drilling, completion, equipping, producing, and other operations pursuant to the authority (Override). The royalty interest appears to have been established as part of a transfer of ATP 333-P in 1983. It requires each subsequent assignor of the authority to make the conveyance subject to the assignee covenanting to pay the Override and the assignor remains obliged to pay the Override until such agreement has been consented to by the Override holder. Given the time that has passed since the Override was created, and the fact that State Gas does not have records evidencing each transfer of the authority, State Gas is unable to determine if the Override remains on-foot.

6.5.12. Subsequent Events

Since 30 June 2017, 2,750,000 options were forfeited. These options were granted to Orbit Capital Pty Ltd during the year 30 June 2017 and had an exercise price of \$0.04.

The Directors are not aware of any other significant changes in the state of affairs of State Gas or events subsequent to 30 June 2017 that would have a material impact on the historical or pro-forma financial information.

7 Investigating accountant's report



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To The Directors
State Gas Limited
Level 8, 46 Edward Street
BRISBANE QLD 4000

4 September 2017

Dear Directors

INDEPENDENT LIMITED ASSURANCE REPORT ON STATE GAS LIMITED HISTORICAL AND PRO FORMA HISTORICAL FINANCIAL INFORMATION

Introduction

We have been engaged by State Gas Limited ("the company") to report on the Statutory Historical Financial Information and Pro Forma Historical Financial Information of State Gas Limited for inclusion in the public document dated on or about 4 September 2017 and relating to the issue of 26,250,000 shares in State Gas Limited ("the document").

Expressions and terms defined in the document have the same meaning in this report.

Scope

Historical financial information

You have requested BDO Audit Pty Ltd to review the Statutory Historical Statement of Financial Position (hereafter referred to as the "Statutory Historical Financial Information") as 30 June 2017 of State Gas Limited (the responsible party) included in the public document.

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the company's adopted accounting policies.

The Statutory Historical Financial Information has been extracted from the financial report of State Gas Limited for the year ended 30 June 2017, which was audited by BDO Audit Pty Ltd in accordance with the Australian Auditing Standards. BDO Audit Pty Ltd issued an unmodified audit opinion on the financial report including a paragraph relating to the material uncertainty on going concern.

The Statutory Historical Financial Information is presented in the public document in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.



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You have requested BDO Audit Pty Ltd to review the Pro Forma Historical Statement of Financial Position as at 30 June 2017 (hereafter referred to as the “Pro Forma Historical Financial Information”) of State Gas Limited (the responsible party) included in the public document.

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of State Gas Limited Pty Ltd, after adjusting for the effects of pro forma adjustments described in section 6.3 of the public document. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 6.3 of the public document, as if those event(s) or transaction(s) had occurred as at the date of the Statutory Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the company’s actual or prospective financial position, financial performance, and/or cash flows.

Directors’ responsibility

The directors of State Gas Limited are responsible for the preparation of the historical financial information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in section 6.2 of the public document, and comprising the Statutory Historical Statement of Financial Position as at 30 June 2017 is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 6.5 of the document.



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Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as described in section 6.3 of the public document, and comprising the Pro Forma Historical Statement of Financial Position as at 30 June 2017 are not presented fairly in all material respects, in accordance with the stated basis of preparation as described in section 6.5 of the public document.

Restriction on use

Without modifying our conclusions, we draw attention to section 6.1 of the public document, which describes the purpose of the financial information, being for inclusion in the public document. As a result, the financial information may not be suitable for use for another purpose.

Consent

BDO Audit Pty Ltd has consented to the inclusion of this independent limited assurance report in the public document in the form and context in which it is included.

Liability

The liability of BDO Audit Pty Ltd is limited to the inclusion of this report in the public document. BDO Audit Pty Ltd makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the public document.

General advice warning

The report has been prepared, and included the document to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Independence or Disclosure of Interest

BDO Audit Pty Ltd does not have any interest in the outcome of proposed listing, or any other interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. BDO Audit Pty Ltd will receive normal professional fees for the preparation of this report.

BDO Audit Pty Ltd are auditors of State Gas Limited and from time to time BDO Audit Pty Ltd also provides State Gas Limited with certain other professional services for which normal professional fees are received.

Yours faithfully,

BDO Audit Pty Ltd

Director

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

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8 Material agreements

8.1 Constitution

The following is a summary of the major provisions of State Gas' constitution. This summary is not exhaustive, nor does it constitute a definitive statement of a Shareholder's rights and obligations.

Shares (general rights)

The Directors are entitled to issue and cancel Shares in the capital of State Gas, grant options over unissued shares and settle the manner in which fractions of a Share are to be dealt with. The Directors may decide the persons to whom, and the terms on which, Shares are issued or Options are granted as well as the rights and restrictions that attach to those Shares or Options.

The Constitution also permits the issue of preference shares on terms determined by the Directors.

State Gas may also sell a Share that is part of an unmarketable parcel of shares under the procedure set out in the Constitution.

Shares (B class shares)

At the date of this document, State Gas has on issue 30,000,000 class B shares held by Triangle Energy. The class B shares were issued to Triangle Energy in connection with the transfer of Triangle Energy's interest in PL 231 to State Gas. The class B shares have the same rights as ordinary shares in all respects, however, in the event of an initial public offer of shares in State Gas, the class B shares will convert to a fixed number (25,312,500) of ordinary shares immediately prior to listing.

Variation of class rights

The rights attached to any class of Shares may, unless their terms of issue state otherwise, only be varied with the consent in writing of members holding at least three-quarters of the Shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of Shares of that class.

Share certificates

Subject to the requirements of the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules, State Gas need not issue share certificates if the Directors so decide.

Calls

The Directors may, from time to time, call upon Shareholders for unpaid monies on their shares. The Directors must give Shareholders notice of a call at least 30 business days before the amount called is due, specifying the time and place of payment. If a call is made, Shareholders are liable to pay the amount of each call by the time and at the place specified.

A call is taken to have been made when a Directors' resolution passing the call is made or on any later date fixed by the Board. A call may be revoked or postponed at the discretion of the Directors.

Forfeiture and lien

State Gas may forfeit Shares to cover any call, or other amount payable in respect of Shares, which remains unpaid following any notice to that effect sent to a Shareholder. Forfeited Shares become the property of State Gas and the Directors may sell, reissue or otherwise dispose of the Shares as they think fit.

A person whose Shares have been forfeited may still be required to pay State Gas all calls and other amounts owing in respect of the forfeited Shares (including interest) if the Directors so determine.

State Gas has a first and paramount lien for unpaid calls, instalments and related interest and any amount it is legally required to pay in relation to a Shareholder's Shares. The lien extends to all distributions relating to the Shares, including dividends.

State Gas' lien over Shares will be released if it registers a transfer of the Shares without giving the transferee notice of its claim.

Share transfers

Shares may be transferred by any method permitted by the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules or by a written transfer in any usual form or in any other form approved by the Directors. The Directors may refuse to register a transfer of Shares where it is not in registrable form, State Gas has a lien over any of the Shares to be transferred or where it is permitted to do so by the Listing Rules or the ASX Settlement Operating Rules.

General meetings

Each Shareholder, Director and auditor is entitled to receive notice of and attend any general meeting of State Gas. Two Shareholders must be present to constitute a quorum for a general meeting and no business may be transacted at any meeting except the election of a chair and the adjournment of the meeting, unless a quorum is present when the meeting proceeds to business.

Voting rights

Subject to any rights or restrictions attached to any Shares or class of shares, on a show of hands each Shareholder present has one vote and, on a poll, one vote for each fully paid Share held, and for each partly paid Share, a fraction of a vote equivalent to the proportion to which the Share has been paid up. Voting may be in person or by proxy, attorney or representative.

Remuneration of Directors

Each Director is entitled to remuneration from State Gas for his or her services as decided by the Directors but the total amount provided to all Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by State Gas in general meeting (currently \$250,000). The remuneration of an executive Director must not include a commission on, or a percentage of, profits or operating revenue.

Remuneration may be provided in the manner that the Directors decide, including by way of non-cash benefits. There is also provision for Directors to be paid extra remuneration (as determined by the Directors) if they devote special attention to the business of State Gas or otherwise perform services which are regarded as being outside of their ordinary duties as Directors or, at the request of the Directors, engage in any journey on State Gas' business.

Directors are also entitled to be paid all travelling and other expenses they incur in attending to State Gas' affairs, including attending and returning from general meetings or Board meetings, or meetings of any committee engaged in State Gas' business.

Interests of Directors

A Director who has a material personal interest in a matter that is being considered by the Board must not be present at a meeting while the matter is being considered nor vote on the matter, unless the Corporations Act allows otherwise.

Election and retirement of Directors

There must be a minimum of three Directors and a maximum of 12 Directors unless State Gas in general meeting resolves otherwise.

Where required by the Corporations Act or Listing Rules, State Gas must hold an election of directors each year. No Director, other than the managing director, may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected. A Director appointed to fill a casual vacancy, who is not a managing Director, holds office until the conclusion of the next annual general meeting following his or her appointment. If there would otherwise not be a vacancy, and no Director is required to retire, then the director who has been longest in office since last being elected must retire.

If a number of Directors were elected on the same day, the Directors to retire is (in default of agreement between them) determined by ballot.

Dividends

If the Directors determine that a final or interim dividend is payable, it is (subject to the terms of issue on any Shares or class of Shares) paid on all Shares proportionate to the amount for the time being paid on each Share. Dividends may be paid by cash, electronic transfer or any other method as the Board determines.

The Directors have the power to capitalise and distribute the whole or part of the amount from time to time standing to the credit of any reserve account or otherwise available for distribution to Shareholders. The capitalisation and distribution must be in the same proportions which the Shareholders would be entitled to receive if distributed by way of a dividend.

Subject to the Listing Rules, the Directors may pay a dividend out of any fund or reserve or out of profits derived from any source.

Proportional takeover bids

State Gas may prohibit registration of transfers purporting to accept an offer made under a proportional takeover bid unless a resolution of State Gas has been passed approving the proportional takeover bid under the provisions of the Constitution.

The rules in the Constitution relating to proportional takeover bids cease on the third anniversary of the adoption of the Constitution, or the renewal of the rules, unless renewed by a special resolution of Shareholders.

Indemnities and insurance

State Gas must indemnify current and past Directors and other executive officers (**Officers**) of State Gas on a full indemnity basis and to the fullest extent permitted by law against all liabilities incurred by the Officer as a result of their holding office in State Gas or a related body corporate.

State Gas may also, to the extent permitted by law, purchase and maintain insurance, or pay or agree to pay a premium for insurance, for each Officer against any liability incurred by the Officer as a result of their holding office in State Gas or a related body corporate.

8.2 Joint operating agreement

State Gas and Dome Petroleum Resources PLC (**JV Partner**) executed a petroleum joint operating agreement on or about 13 February 2017 (**JOA**). The respective participating interests of the joint venture participants are: State Gas (60%) and JV Partner (40%). In summary, the JOA regulates the exploration, appraisal and development of petroleum in PL 231. The JOA

replaces an earlier joint operating agreement (dated 1 July 2003). In consideration of entry into the JOA, State Gas undertook to conduct certain initial works on PL 231, with the JV Partner free carried for those works. In particular, State Gas is required to fund at its own cost the drilling of one well to test the Cattle Creek Formation and use reasonable endeavours to re-enter the Primero-1 wellbore for the purpose of conducting testing and assessment of the gas flow from the geological unit (**Free Carried Work**). The Board anticipates that the Free Carried Work will be completed as part of the Appraisal Program. The JOA otherwise addresses matters customarily addressed in an agreement of this nature, including the establishment of an unincorporated joint venture in respect of PL 231, the rights and obligations of the participants in the joint venture, customary warranties given by the participants and the establishment of an operating committee as the governing body of the venture. Under the rules of the operating committee, a participant may have a representative on the operating committee for every 25% participating interest in the joint venture, although the representatives cast votes equal to their participants' ownership interest in the venture. Other than specific decisions which require the unanimous approval of the operating committee (including approval of certain high value related party transactions, use of joint venture assets by an individual participant, surrender of the PL, suspension of joint operations and suspension of production), all decisions of the committee are determined by representatives of one or more participants having a participating interest in at least 60%. The JOA permits a party to undertake sole risk operations, subject to customary notification and disclosure processes. Under the JOA, State Gas is named as operator and, in that capacity, acts as agent of each participant. State Gas continues as operator until the JOA is terminated, it resigns, it ceases to hold the largest participating interest or commits a material breach that is not rectified. At the date of this prospectus, State Gas (as operator) had prepared and provided a proposed work program and budget to the operating committee, but State Gas and the JV Partner had not met to consider the program and budget. The program that has been prepared is consistent with the Appraisal Program, including the Free Carried Work.

8.3 Royalty obligations

The current royalty rate for petroleum and gas in Queensland is 10% of the wellhead value disposed of or produced in the relevant period. The wellhead value of the petroleum is reduced by certain expenses, including pipeline tariffs or processing toll, depreciation of capital expenditure on the petroleum facility or pipeline and direct operating costs.

State Gas has notice of the existence of a potential royalty payable in respect of petroleum produced from PL 231, being an overriding royalty interest in seven percent (7%) of the gross production of oil, gas and associated hydrocarbons produced and saved pursuant to the terms of the authority to prospect (ATP 333-P, as it was at the time), calculated on the arm's length sale price of petroleum less: (i) all costs and expenses incurred in or attributable to the treating, processing dehydrating, compressing and transporting such petroleum; (ii) levies and other taxes on production; and (iii) all fuel oil and gas used in conducting exploration, drilling, completion, equipping, producing, and other operations pursuant to the authority (**Override**). The royalty interest appears to have been established as part of a transfer of ATP 333-P in 1983. It requires each subsequent assignor of the authority to make the conveyance subject to the assignee covenanting to pay the Override and the assignor remains obliged to pay the Override until such agreement has been consented to by the Override holder. Given the time that has passed since the Override was created, and the fact that State Gas does not have records evidencing each transfer of the authority, State Gas is unable to determine if the Override remains on-foot. Further, State Gas has notice that, pursuant to a letter of variation, the royalty holder agreed to relinquish one percent of the Override if certain events occurred. Until such time as State Gas is in a position to form a view on whether the Override is payable (and at what rate), it intends to provision for the payment of the Override at 7%

8.4 Mandatory restriction agreements

As a condition of Listing, ASX will classify certain Shares as restricted securities. The restriction agreements will be in a form consistent with the Listing Rules and restrict the applicable Shareholder from disposing of, creating any securities interest in or transferring effective ownership or control of, the escrow Shares, subject to customary exclusions in respect of control transactions for State Gas. State Gas anticipates that 107.4 million Shares (which will represent about 80% of the Shares on issue following completion of the Offer) will be subject to mandatory restriction agreements. Of that number, State Gas expects about 59% and 21% to be restricted for 24 months from the date of State Gas' listing on ASX and June 2018 respectively. The expected free float of State Gas on completion of the Offer is about 20%. In addition, State Gas expects that all of the options to be granted to Mr Ian Paton (see section 10.4), and any Shares issued on exercise of those options, will be subject to escrow restrictions for 24 months from listing on ASX.

8.5 Executive employment agreement

Greg Baynton is engaged in an interim executive capacity, until State Gas engages a chief executive officer. Either party may terminate without cause with three months' notice. State Gas has the right to terminate immediately with cause. On termination, Mr Baynton is entitled to be paid his accrued and untaken annual leave and any accrued and untaken long service leave (if so entitled) calculated as at the last day of employment. Mr Baynton's salary package is \$100,000 per annum (for 2.5 days / week). Mr Baynton's agreement otherwise contains standard terms and conditions for agreements of this nature, including confidentiality, restraint on competition and retention of intellectual property.

8.6 Deeds of access, insurance and indemnity

State Gas has entered into standard deeds of access, insurance and indemnity with the Directors. Under those deeds, State Gas has undertaken, consistent with the Corporations Act, to indemnify each Director in certain circumstances and to maintain directors' and officers' insurance cover in favour of the Director for seven years after the Director ceases to be a Director. State Gas has further undertaken to maintain State Gas' board papers and to make them available to the Director for seven years after the Director ceases to be a Director.

8.7 Equity option plan

Eligibility criteria

The equity option plan (EOP) will be open to participants (including Directors, employees and consultants) of State Gas (and in some cases any related body corporate of State Gas) who the Board designates as being eligible.

Performance criteria

The vesting of options under the EOP will be subject to certain performance hurdles being achieved (by either the participant, State Gas, or both). Performance hurdles (or any other relevant vesting conditions) will be set out in the terms of the offer made to the relevant participant.

Grant of options

All options are to be offered to participants for no consideration. The offer must be in writing and specify, amongst other things, the number of options which the participants may accept, the period within which the options may be exercised and any conditions to be satisfied before exercise, the option expiry date (as determined by the Board), any restrictions on disposal, and the exercise price for the options.

Exercise

The options may be exercised, subject to any exercise conditions, by the participant giving a signed notice of exercise to State Gas and paying the exercise price in full. State Gas will apply for official quotation of any Shares issued on exercise of any options.

Lapse

The options shall lapse upon the occurrence of events contained in the EOP rules, including where the participant resigns from the Board, employment or consultancy with State Gas (as the case may be), or a vesting condition is unable to be met.

Rights of participants

Once Shares are allotted upon exercise of the options, the participant will hold the Shares free of restrictions. The Shares will rank for dividends declared on or after the date of issue but will carry no right to receive any dividend before the date of issue.

Should State Gas undergo a reorganisation or reconstruction of capital or any other such change, the terms of the options will be correspondingly altered to the extent necessary to comply with the Listing Rules, or as determined by the Board (acting reasonably). In the event of a change of control, the Board may decide to buy-back the options for either fair value or an amount agreed with the option holder, arrange for options to acquire shares in the substituted corporation, or otherwise allow the options to continue in accordance with their terms (or implement any combination of such actions).

A holder of options is not entitled to participate in a new issue of Shares or other securities made by State Gas to Shareholders without exercising their options.

Quotation

State Gas will apply for official quotation of any Shares issued under the EOP.

Assignment

Subject to limited exceptions, the options are not transferable or assignable.

Administration

The EOP will be administered by the Board which may determine appropriate policies and regulations for its administration, in accordance with the EOP, and delegate functions and powers under the EOP as it considers appropriate for the efficient administration of the EOP.

Termination and amendment

The EOP may be terminated or suspended at any time by the Board. The EOP may be amended at any time by the Board except where the amendment materially adversely affects or prejudices the rights of the option holders (unless the amendment is to comply with the Constitution, Corporations Act, Listing Rules, or any other applicable law, to correct a manifest error, or to address potential adverse tax implications affecting the EOP, in which case the amendment will be permitted notwithstanding the prejudicial effect on option holders).

9 Details of the Offer

9.1 How to apply

Priority Offer

Shareholders on the register of Triangle Energy who hold a marketable parcel or 20,000 shares or more on the date of this prospectus are entitled to receive a priority allocation of Shares. If you are eligible to participate in the priority allocation, you will receive a letter setting out how to download the prospectus and make an application for Shares online. There is no limit to the number of Shares you may apply for, but the priority offer is capped at 5,000,000 Shares (\$1,000,000). If there is excess demand under the priority Offer, the Board will allocate those Shares amongst the applicants. The minimum application is \$2,000 (10,000 Shares).

Public Offer

Applications for Shares under the public Offer may only be made on the application form attached to or accompanying this prospectus or in its paper copy form which may be downloaded in its entirety from <http://www.state-gas.com/>. Application forms must be completed in accordance with the instructions on the application form. If you wish to apply for Shares online, please visit <http://www.state-gas.com/> then click on the 'initial public offer' button. By making an application, you declare that you were given access to this prospectus (or any replacement prospectus), together with an application form. The minimum application is \$2,000 (10,000 Shares).

9.2 Allocation of Shares

State Gas may allocate all, or a lesser number, of Shares for which an application has been made, accept a late application or decline an application. Where applications are scaled back, there may be a different application of the scale-back policy to each Applicant. Where no allocation is made to an Applicant or the number of Shares allocated is less than the number applied for by an Applicant, surplus Application Money is returned to that Applicant without interest. Any interest earned on Application Money is the property of State Gas. Successful Applicants are given written notice of the number of Shares allocated to them after the public Offer closes. It is the responsibility of Applicants to confirm the number of Shares allocated to them before trading. Applicants who sell Shares before then, do so at their own risk.

9.3 Withdrawal

State Gas reserves the right to withdraw the Offer, at any time before the allotment of Shares. If the Offer does not proceed, the application money is refunded. No interest is paid on any application money refunded as a result of the withdrawal of the Offer.

9.4 Taxation consequences

The taxation consequences of an investment in State Gas depends upon your circumstances. You should make your own enquiries about the taxation consequences of an investment. If you are in doubt as to the course you should follow, you should consult your accountant, stockbroker, lawyer or other professional adviser.

9.5 Foreign selling restrictions

No action has been taken to register or qualify the Shares or the Offer in any jurisdiction outside Australia, or otherwise to permit a public offering of the Shares outside Australia.

The prospectus does not constitute an offer or invitation in any jurisdiction where, or to any person to whom, the offer or invitation would be unlawful. The distribution of this prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this prospectus should seek advice on and observe any of those restrictions. Any failure to comply with the restrictions may constitute a violation of applicable securities laws.

Each Applicant warrants and represents that: (a) the Applicant is an Australian citizen or resident in Australia, is located in Australia at the time of the application and is not acting for the account or benefit of any person in the United States or any other foreign person; and (b) the Applicant will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia or to a United States person, except in transactions exempt from registration under the US Securities Act 1933 as amended, and in compliance with all applicable laws in the jurisdiction in which the Shares are offered and sold.

10 Additional information

10.1 Capital structure

On completion of the Offer, State Gas will have 134.8 million Shares on issue. The rights attaching to Shares in State Gas are set out in the constitution and summarised in section 8.1.

State Gas also committed to grant Mr Ian Paton 2 million options over unissued Shares, the details of which are participated in section 10.4.

State Gas has also established an equity plan to incentivise key contributors to State Gas. A summary of the equity plan, and the Board's preliminary estimate of grants under the plan in the short-term is set out in section 8.7.

10.2 Consents to statements

None of the parties below has made any statement included in this prospectus or any statement on which a statement made in this prospectus is based, except as specified below. Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for, any part of this prospectus, other than the reference to its name and a statement included in this prospectus with the consent of that party, as specified below.

McCullough Robertson has given, and has not withdrawn, its written consent to be named as solicitors advising State Gas in relation to the Offer in the form and context in which it is named.

Steven Scott Geological Pty Ltd has given, and has not withdrawn, its written consent to be named as independent technical expert to State Gas in the form and context in which it is named and for the inclusion of its Independent Technical Report in section 4 in the form and context in which it is included. For further information, refer to the 'important notices' section and section 4 of the Independent Technical Report.

BDO Audit Pty Ltd has given, and has not withdrawn, its written consent to be named as Investigating Accountant and Auditor, in the form and context in which it is named and for the inclusion of its Investigating Accountant's Report in section 7 in the form and context in which it is included.

Link Market Services Limited has given, and not withdrawn, its written consent to be named as share registrar in the form and context in which it is named.

Orbit Capital Pty Limited has given, and not withdrawn, its written consent to be named as lead manager for the Offer in the form and context in which it is named.

Morgans Corporate Limited has given, and not withdrawn, its written consent to be named as broker for the Offer in the form and context in which it is named.

10.3 Interests of experts and advisers

Except as set out in this prospectus, no person named in this prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this prospectus:

- ☐ has any interest or has had any interest during the last two years, in the formation or promotion of State Gas, or in property acquired or proposed to be acquired by State Gas in connection with its formation or promotion, or the Offer of the Shares; and

- no amount has been paid or agreed to be paid, and no benefit has been given, or agreed to be given, to any of those persons in connection with the services provided by the person in connection with the formation or promotion of State Gas, or the Offer.

McCullough Robertson has acted as legal adviser to State Gas in relation to the Offer and has been involved in undertaking due diligence enquiries and providing legal advice on the Offer. McCullough Robertson will be paid an amount of \$70,000 (excluding GST) for these services. Further amounts may be paid to McCullough Robertson in accordance with normal time-based charges.

Steven Scott Geological Pty Ltd has acted as independent technical expert to State Gas and has prepared the Independent Technical Report for State Gas in connection with the Offer. Steven Scott Geological Pty Ltd will be paid an estimated fee of \$18,000 (excluding GST) for these services.

BDO Audit Pty Ltd has acted as Investigating Accountant to the Offer and has prepared the Investigating Accountant's Report in section 7 and performed work on due diligence enquiries. BDO Audit Pty Ltd will be paid an estimated fee of \$8,500 (excluding GST) for these services. BDO Audit Pty Ltd is also the auditor to State Gas, in which capacity it will be paid an estimated fee of \$7,000 (excluding GST) for the audit of the financial report for the year ended 30 June 2017. Further amounts may be paid to BDO Audit Pty Ltd, in its either capacity, in accordance with their normal time-based charges.

Orbit Capital Pty Ltd (Orbit Capital) was appointed as corporate adviser in respect of the initial seed raising of State Gas and in respect of the Offer. In consideration of its role as corporate adviser, Orbit Capital received, or is entitled to receive, a fee of 2% of the capital raised. Orbit Capital also invested seed capital in State Gas, together with other seed investors.

Morgans Corporate Limited has acted as broker to the Offer. Morgans Corporate Limited will be paid a fee of \$25,000 (excluding GST), plus 2.5% on the value of funds it raises under the Offer.

10.4 Interests of directors

Shareholdings

The Directors and their associates have voting power in State Gas:

Director	Now (m) [^]		On admission (m) ^{^^}	
Tony Bellas	4.5	4.0%	4.5	3.5%
Ian Paton [#]	Nil	Nil	Nil	Nil
Greg Baynton	26.6	23.5%	26.6	19.7%
Rob Towner	Nil	Nil	Nil	Nil

[^] The voting power of each Director is calculated on the basis of the undiluted total share capital of State Gas (excluding options, but including B class shares held by Triangle Energy)

^{^^} Does not include any Shares taken up by the relevant Director under the Offer.

[#] Pursuant to Mr Paton's engagement letter, State Gas has agreed to grant Mr Paton 2,000,000 options over unissued Shares, 1,000,000 of which are exercisable at \$0.20 (Tranche 1), and the balance (Tranche 2) exercisable at \$0.40, with each option expiring on the date that is 36 months after the date of State Gas' admission to ASX. Tranche 1 vests on the first anniversary of Mr Paton's appointment as a director. Tranche 2 vests on the second anniversary.

Payments to Directors

Each non-executive Director (or his nominee) will receive fees of \$40,000 per annum. Mr Bellas, as Chairman of State Gas, will receive fees of \$50,000 per annum. Mr Baynton, as an executive of State Gas, will receive salary of \$100,000 per annum (in addition to a director fee of \$40,000 per annum). The fees include any superannuation commitments that State Gas is required to pay. The Directors do not receive any additional amounts for participation on committees. Director fees accrue on and from the date that State Gas is admitted to the official list of ASX.

The constitution of State Gas provides that the Directors may be paid, as remuneration for their services, a sum set from time to time by State Gas members in general meeting, with that sum to be divided among the Directors as they agree. The maximum aggregate amount to be approved by members for payment to the Directors is \$250,000 per annum.

Transactions with related parties

Various Directors have lent funds to State Gas. Those funds have been repaid in full without interest.

Mr Baynton controls Orbit Capital Pty Ltd, an Australian financial services licensee. Triangle Energy and State Gas engaged Orbit Capital to provide services in connection with the initial seed capital raising and initial public offering (IPO) of State Gas. Orbit Capital received a fee of \$10,000 in connection with the initial capital raising. Orbit Capital is entitled to receive a fee of 2% of the funds raised under the Offer (\$105,000). Entities associated with Mr Baynton participated in the seed capital raisings for State Gas.

Other than set out above or elsewhere in this prospectus:

- ☐ no Director or proposed Director of State Gas has, or has had in the two years before lodgement of this prospectus, any interest in the formation or promotion of State Gas, or the Offer of Shares, or in any property proposed to be acquired by State Gas in connection with information or promotion of the Offer of the Shares; and
- ☐ no amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given, to any Director or proposed Director of State Gas either to induce him or her to become, or to qualify him or her as a Director, or otherwise for services rendered by him or her in connection with the promotion or formation of State Gas or the Offer of Shares.

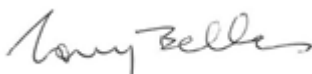
10.5 Expenses of the Offer

The total estimated expenses of the Offer payable by State Gas including ASX and ASIC fees, broker and lead manager fees, accounting fees, legal fees, share registry fees, printing costs and other miscellaneous expenses are estimated to be approximately \$360,000.

10.6 Authorisation

This prospectus is issued by State Gas. Each Director has consented to the lodgement of the prospectus with ASIC.

Dated 4 September 2017



Tony Bellas
Chairman

11 Glossary

Applicant	means a person who submits an application form attached to this prospectus.
Appraisal Program	means the program described in section 2.4.
ASIC	means Australian Securities and Investments Commission.
ASX	means the Australian Securities Exchange, as operated by ASX Limited ACN 008 624 691.
Board	means the board of Directors of State Gas.
Cattle Creek Formation	means the petroleum system described in section 4.
Constitution	means the constitution of State Gas.
Corporations Act	means <i>Corporations Act 2001</i> (Cth).
Director	means a director of State Gas.
Existing Shareholders	means the holders of Shares at the date of this prospectus.
FY	means the financial year ended or ending 30 June (e.g. a reference to FY17 means the financial year ended 30 June 2017).
Free Carried Work	has the meaning given to that term in section 8.2.
IPO	means initial public offering.
Independent Technical Expert	means Steven Scott Geological Pty Ltd.
Independent Technical Report	means the report prepared by the Independent Technical Expert, incorporated as section 4.
Investor	means a person or entity who makes an application under the Offer.
Joint Venture	means the joint venture in respect of PL 231, the terms of which are summarised in section 8.2.
Listing Rules	means the official listing rules of ASX.
Offer	means the offer of Shares under this prospectus.
Offer Price	means \$0.20 per Share.
PL 231	means petroleum lease 231.
prospectus	means this document, including the application form accompanying it.
Shareholders	means any person who is the registered holder of Shares.
Shares	means fully paid ordinary shares in State Gas.
State Gas	means State Gas Limited ACN 617 322 488.
Triangle Energy	means Triangle Energy (Global) Limited ACN 110 411 428.
us or we	means State Gas.
you	means the investors under this prospectus.

Corporate directory

Company

State Gas Limited (ASX:GAS)
Level 8, 46 Edward Street
BRISBANE QLD 4000
www.state-gas.com

Directors

Tony Bellas (Non-Executive Chairman)
Greg Baynton (Executive Director)
Rob Towner (Non-Executive Director)
Ian Paton (Non-Executive Director)

Company Secretary and Chief Financial Officer

Suzanne Yeates

Lead Manager

Orbit Capital Pty Ltd
+ 61 414 970 566
www.orbitcapital.com.au

Broker

Morgans Corporate Limited
Level 29, Riverside Centre, 123 Eagle Street
BRISBANE QLD 4000
+ 61 7 3334 4888
www.morgans.com.au

Lawyers to the Offer

McCullough Robertson
Level 11, Central Plaza Two, 66 Eagle Street
BRISBANE QLD 4000
+ 61 7 3233 8888
www.mccullough.com.au

Auditor

BDO Audit Pty Ltd
12 Creek Street
BRISBANE QLD 4000
+ 61 7 3237 5999
www.bdo.com.au

Share Registry

Link Market Services Limited
Level 15, 324 Queen Street
BRISBANE QLD 4000
1300 554 474 (within Australia)
+61 7 3320 2200 (outside Australia)
www.linkmarketservices.com.au



Tony Bellas, Chairman of State Gas at the Nyanda North-1 Wellhead in PL 231



Greg Baynton, Executive Director of State Gas at the Primero-1 Wellhead in PL 231



Wellhead infrastructure at Aldinga North-1 in PL 231



ABN 49 617 322 488

Broker Code

Adviser Code

Public Offer Application Form

This is an Application Form for Shares in State Gas Limited under the Public Offer on the terms set out in the Prospectus dated 1 September 2017. You may apply for a minimum of 10,000 Shares and multiples of 2,500 thereafter. This Application Form and your cheque or bank draft must be received by **5:00pm (Sydney time) on 2 October 2017**.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

Shares applied for

Price per Share

Application Monies

A

at

A\$0.20

B A\$

(minimum 10,000, thereafter in multiples of 2,500)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

+

Applicant #1

Surname/Company Name

C

Title

First Name

Middle Name

Joint Applicant #2

Surname

Title

First Name

Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

TFN/ABN/Exemption Code

First Applicant

Joint Applicant #2

Joint Applicant #3

D

TFN/ABN type – if NOT an individual, please mark the appropriate box

☐ Company

☐ Partnership

☐ Trust

☐ Super Fund

PLEASE COMPLETE ADDRESS DETAILS

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

E

Unit Number/Level

Street Number

Street Name

Suburb/City or Town

State

Postcode

Email address (only for purpose of electronic communication of shareholder information)

CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

F

+

Please note: that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.

Telephone Number where you can be contacted during Business Hours

Contact Name (PRINT)

G

Cheques or bank drafts should be made payable to “**State Gas Limited**” in Australian currency and crossed “Not Negotiable”.

Cheque or Bank Draft Number

BSB

Account Number

H

Total Amount

A\$

LODGEMENT INSTRUCTIONS

You must return your application so it is received before 5:00pm (Sydney time) on 2 October 2017 to:
Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235.

GAS IPO001



Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are State Gas Limited ("State Gas") Shares. Further details about the shares are contained in the Prospectus dated 1 September 2017 issued by State Gas Limited. The Prospectus will expire 13 months after the date of this Prospectus. While the Prospectus is current, State Gas Limited will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 10,000 Shares and thereafter in multiples of 2,500. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, State Gas Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from State Gas Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Shares will be issued to State Gas Limited's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
Make your cheque or bank draft payable to **"State Gas Limited"** in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.
If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

LODGEMENT INSTRUCTIONS

This Application Form and your cheque or bank draft must be mailed or delivered so that it is received before 5:00pm (Sydney time) on 2 October 2017 at:

Mailing Address

State Gas Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Hand Delivery

State Gas Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138

(do not use this address for mailing purposes)

PERSONAL INFORMATION COLLECTION NOTIFICATION STATEMENT

Personal information about you is held on the public register in accordance with Chapter 2C of the *Corporations Act 2001*. For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at www.linkmarketservices.com.au for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

