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ASX RELEASE

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Production Update - Reid's Dome



Production testing underway at Nyanda-4, Reid's Dome Gas Project

State Gas Limited (ASX: GAS) ("the Company") advises that production testing of the Reid's Dome Beds at its 100%-owned PL231 project is continuing, with the gathering of additional data to support pipeline development, planning and gas production.

As previously advised, the Company has been investigating the potential for a significant coal seam gas (CSG) resource at the Reid's Dome Gas Project (PL231), undertaking Phase 1 of an exploration and appraisal programme to confirm the widespread presence of CSG across PL231. The successful Phase 1 confirmed significant coal seam gas across more than 12 kilometres within PL 231 through drilling and testing of three wells (Nyanda-4, Aldinga East-1A and Serocold-1).

The latest data from the current testing indicates increased growth in gas production at the Nyanda-4 well, with each day's production rate above 3% more than the day prior. As of this morning gas was being produced at the rate of 89 mscf/d, boding well for longer term commercial production. Water flows continue to register at very low levels.

Gas production at the Serocold-1 well in the centre of the permit also continues to build. Although nearly half (46%) of the targeted coals are below the level of the pump (well damage limiting the depth the pump can be placed at), recent results indicate that some lower seams are producing gas. These indications of gas flow from seams below the pump level are supported by the results of permeability testing undertaken during drilling, which suggested deep seams would contribute to gas production in the Serocold-1 well. The limitations of the current production test, where these deeper seams cannot be fully exposed, will prevent the true potential of these lower seams from being tested. Despite these constraints, the early signs for gas production from both shallow and deeper coal seams at PL231 are very encouraging for wells optimised for production in the future.

As previously announced¹, the Company has commissioned Netherland Sewell & Associates to undertake certification of the gas resource at the Project. The certification results are expected to be available for release by late September 2020.

This announcement was approved for release by Mr Greg Baynton, Executive Director.

FOR FURTHER INFORMATION

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ABOUT STATE GAS

STATE GAS LIMITED (ASX: GAS) is a Queensland-based developer of the Reid's Dome gas field, originally discovered during drilling in 1955, located in the Bowen Basin in Central Queensland. State Gas is 100%-owner of the Reid's Dome Gas Project (PL-231) a CSG and conventional gas play, which is well-located 30 kilometres southwest of Rolleston, approximately 50 kilometres from the Queensland Gas Pipeline and interconnected east coast gas network.

Permian coal measures within the Reid's Dome Beds are extensive across the entire permit but the area had not been explored for coal seam gas prior to State Gas' ownership. In late 2018 State Gas drilled the first coal seam gas well in the region (Nyanda-4) into the Reid's Dome Beds and established the potential for a significant coal seam gas project in PL 231. The extension of the coal measures into the northern and central areas of the permit was confirmed in late 2019 by the Company's drilling of Aldinga East-1A (12 km north) and Serocold-1 (6 km to the north of Nyanda-4).²

State Gas is implementing its strategic plan to bring gas to market from PL 231 to meet near term forecast shortfalls in the east coast domestic gas market. The strategy involves progressing a phased appraisal program in parallel with permitting for an export pipeline and development facilities to facilitate the fastest possible delivery of gas to market³. State Gas' current focus has been to confirm the producibility of the gas through production testing of the wells.

¹ 18 August 2020

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

³ Strategy announced on 21 August 2019