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ASX RELEASE

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Operational Update – Initial Results Aldinga East-1A

Highlights:

- Up to 14m of net coal encountered in the Aldinga East-1A between 560m and 884m in the Reid's Dome Beds. Gas was observed bubbling from the coals in core samples. The best permeability occurs between 592m and 753m.
- A conventional gas pool has been discovered in approximately 9m of gas sands in the Cattle Creek Formation, confirmed via logging and permeability testing.
- An additional 9m of gas sands were encountered in the deeper Reid's Dome Beds between 732m and 802m.
- A total of 18m of gas sands intersected in Aldinga East-1A to 802m.
- Initial results are encouraging for the economics of the Reid's Dome Project and the Company's 2021 Gas-to-Market strategy.

State Gas Limited (ASX: GAS) ("State Gas" or "the Company") refers to its previous announcements¹ relating to the Aldinga East-1A well in the Reid's Dome Gas Project (PL 231).

Aldinga East-1A

Wireline logging and permeability testing of the well has now been completed and the initial results from the well have positive implications for the Company's 2021 Gas-to-Market strategy.

The Aldinga East-1A well was drilled to 884m (confirmed by logging). 86m of core samples were taken between the depths of 563m and 649m, containing ~4m of coal. Gas was noted bubbling from the coal core samples prior to their placement into the desorption canisters. The coal samples are currently undergoing desorption testing in the ALS laboratory with data from that analysis expected over the coming months.

Logging has identified between 10m and 14m of net coal in the well. More precise estimates of coal seams will become available following correlation of logging with core samples taken from the well, to be undertaken over the coming weeks. The best permeabilities in the well occur between 592m and 753m.

The logging and permeability testing has also established the discovery of a conventional gas pool located in approximately 9m of gas sand in the Cattle Creek Formation.

Aldinga East-1A was sited immediately adjacent to a well drilled in 1993 (Aldinga East-1) by previous explorers. That 1993 well intersected the top of the Cattle Creek Formation only and did not encounter significant gas shows or hydrocarbon fluorescence. The gas pool was

¹ 4 October 2019, 18 October 2019, 23 October 2019 & 7 November 2019

discovered by State Gas in Aldinga East-1A approximately 60m deeper than the total depth of the adjacent 1993 well.

Within the Red's Dome Beds, deeper drilling in Aldinga East-1A encountered approximately 9m of gas sands between 732m and 802m.

A total of 18m of gas sands were intersected in the Aldinga East-1A well to a depth of 802m.

These initial results are encouraging for the economics of the Reid's Dome Project and further analysis is required to estimate the likely size and volume of the conventional gas pools.

Based on these positive results the Company has suspended the well to enable further testing in the coming weeks. It is planned to return to Aldinga East-1A with TDC Drilling Pty Ltd's Rig 4 and conduct drill stem tests of the new Cattle Creek gas pool and the gas sands in the Reid's Dome Beds, to obtain gas samples and indicative flow rates.

TDC's Rig 4 is currently rigging up for re-entry and completion of the Nyanda-4 well (drilled by State Gas in November 2018) and will move to Aldinga East-1A following completion of those activities.

Serocold-1

The latest discovery of gas in the Cattle Creek Formation has caused the Company to reassess its proposed well design for the planned Serocold-1, to consider whether an alternative design would better facilitate the testing of both the Cattle Creek conventional gas and the Reid's Dome Beds (both coal seam gas and conventional gas targets). State Gas is aiming to drill the planned Serocold-1 well during the remainder of 2019. In the meantime, State Gas has approved the release of Gas Field Services Rig 12 upon completion of the operations at Aldinga East-1A. It is planned to drill Serocold-1 using TDC Rig 4 currently located at Nyanda-4 within PL 231.

Target 2021 Gas-to-Market Strategy

State Gas Chairman, Mr Richard Cottee said he was excited about the initial findings from Aldinga East-1A, including both coal seam gas and conventional gas zones in the same well.

"Our Target 2021 Gas-to-Market strategy has been validated by the results received from Aldinga East-1A to date. The fortunate combination of both CSG and conventional gas will help underpin our early Gas-to-Market opportunity, and the longer-term economics of Reid's Dome. This well has proven that the gas bearing coal measures are extensive and is the source of gas in more than one conventional sand."

Mr Cottee said that the Reid's Dome Gas Project was shaping-up as a unique conventional gas and CSG province close to pipeline infrastructure, following decades of sporadic exploration activities since gas was first discovered at Reid's Dome in 1954 by American oil drillers.

"Since the discovery of conventional gas at Reid's Dome 65 years ago, a robust market for gas has emerged, facilitated by an east coast pipeline network and competing domestic and international customers."

"More recently, coal seam gas has been commercialised in eastern Australia, and State Gas is the first developer to have explored for CSG at Reid's Dome."

"Gas prices have reached international parity pricing in recent years as a result of a tightening in the east coast market, which shows no real signs of abating prior to our anticipated first

delivery”, Mr Cottee said.

“The success at Aldinga East-1A, along with the results from Nyanda-4 approximately 12 km south within PL 231 and the extensive seismic data processing completed this year, provide us even greater confidence in proving-up an extensive gas project at Reid’s Dome, well-timed to help address the gas shortage in the east coast market.”

Further updates will be provided as further results become available.

ENDS

FOR FURTHER INFORMATION

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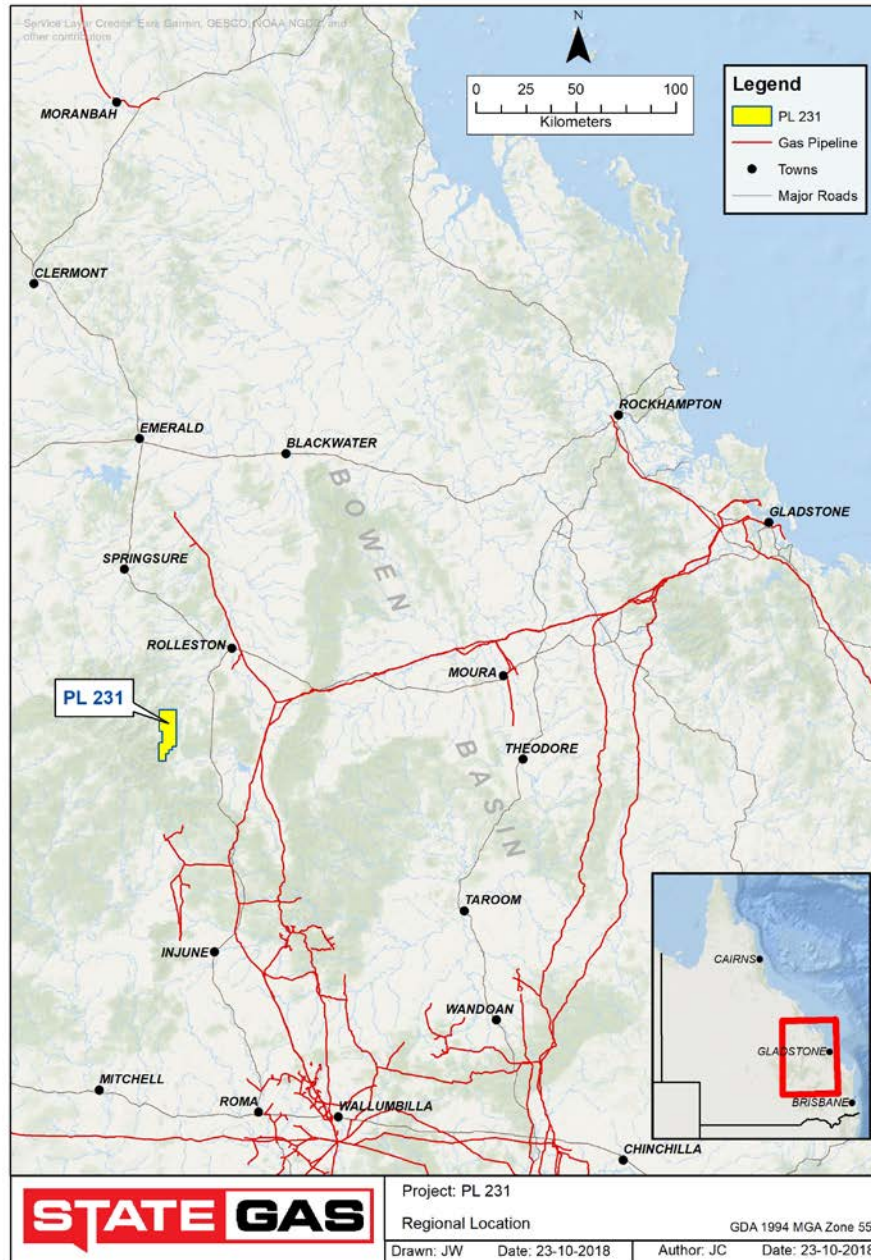


Fig 1: Location of PL 231

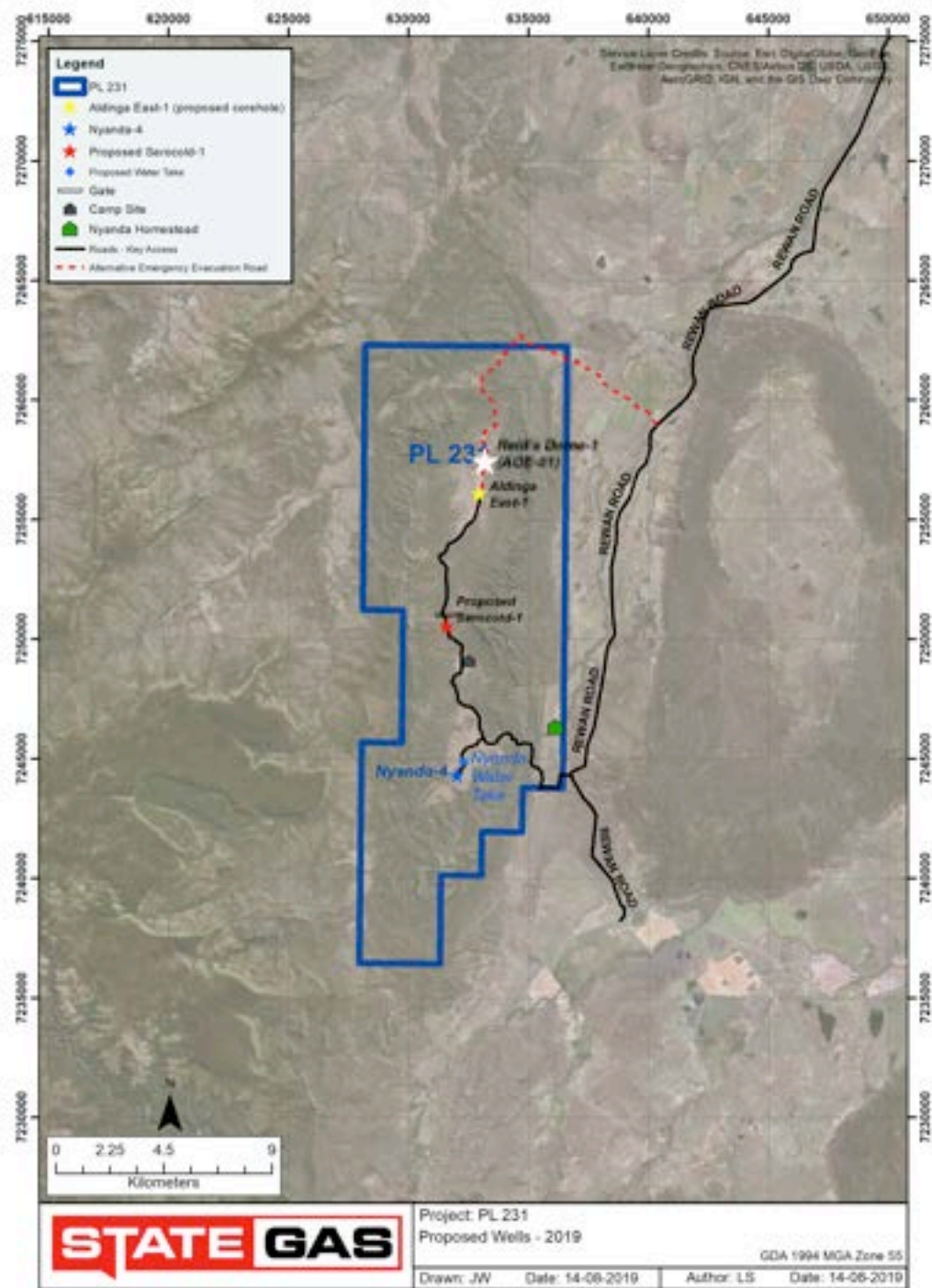


Fig 2: Location of Aldinga East-1A, Nyanda-4, Reid's Dome-1 (AOE-1) wells, and proposed Serocold-1 well