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ASX RELEASE

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Coring Commences at Aldinga East-1A Reid's Dome

State Gas Limited (ASX: GAS) ("State Gas" or "the Company") is pleased to advise that coring commenced this morning at the Reid's Dome Gas Project (PL 231) at the first well in its 2019 drilling program, Aldinga East-1A.

Gas has been observed bubbling from drill muds at Aldinga East-1A, as was similarly encountered in drilling and coring activities approximately 12 kilometres to the south within PL 231 on Nyanda Station.

The drilling activities at Aldinga East-1A encountered the top of the coals in the Reid's Dome Beds at 560m, which pleasingly, is at the shallowest of the Company's prognosed range of 560m-600m. The Company plans to cut approximately 150m of core samples prior to drilling ahead to the planned total depth of 1200m and conducting logging and permeability testing.

The core samples will be used in desorption testing to confirm gas content, while the logging of the completed well will be used to determine net pay. Wireline formation testing will be conducted to measure the permeability of the coals and sands in the Reid's Dome Beds encountered within the well.

On completion of the Aldinga East-1A well the rig, *Gas Field Services Rig 12*, will move approximately 7 km to the south to drill the Sercold-1 well in the central area of PL 231. The Sercold-1 well is also planned to be drilled to a total depth of 1200m, prior to logging and testing.

The two new wells will provide important data about the gas potential of the Reid's Dome Beds in the northern and central areas of the Company's 181 square kilometre Petroleum Lease.

Subject to the results of testing, State Gas may complete one or both of the new wells, and / or re-enter and complete the suspended Nyanda-4 well (drilled in November 2018), for production testing.

Following the successful outcome of Nyanda-4 in November 2018, on completion of drilling and testing of the two new wells at PL 231, State Gas will have obtained representative data on the gas content and permeability of the Reid's Dome Beds in the north, central and southern areas of the permit. This data, along with the encouraging results of the seismic processing and interpretation across PL 231 announced on 9 September this year will support resource modelling and planning activities for the Reid's Dome Gas Project.

Initial production metrics will be provided by the proposed production testing anticipated to follow the completion of these wells.

The current drilling and production testing at the Reid's Dome Gas Project is critical to the Company's strategy to bring gas to market from the permit to meet impending shortfalls forecast in the east coast domestic gas market.

Further updates will be provided during the current program as drilling and testing milestones are achieved and results become available.

ENDS

FOR FURTHER INFORMATION

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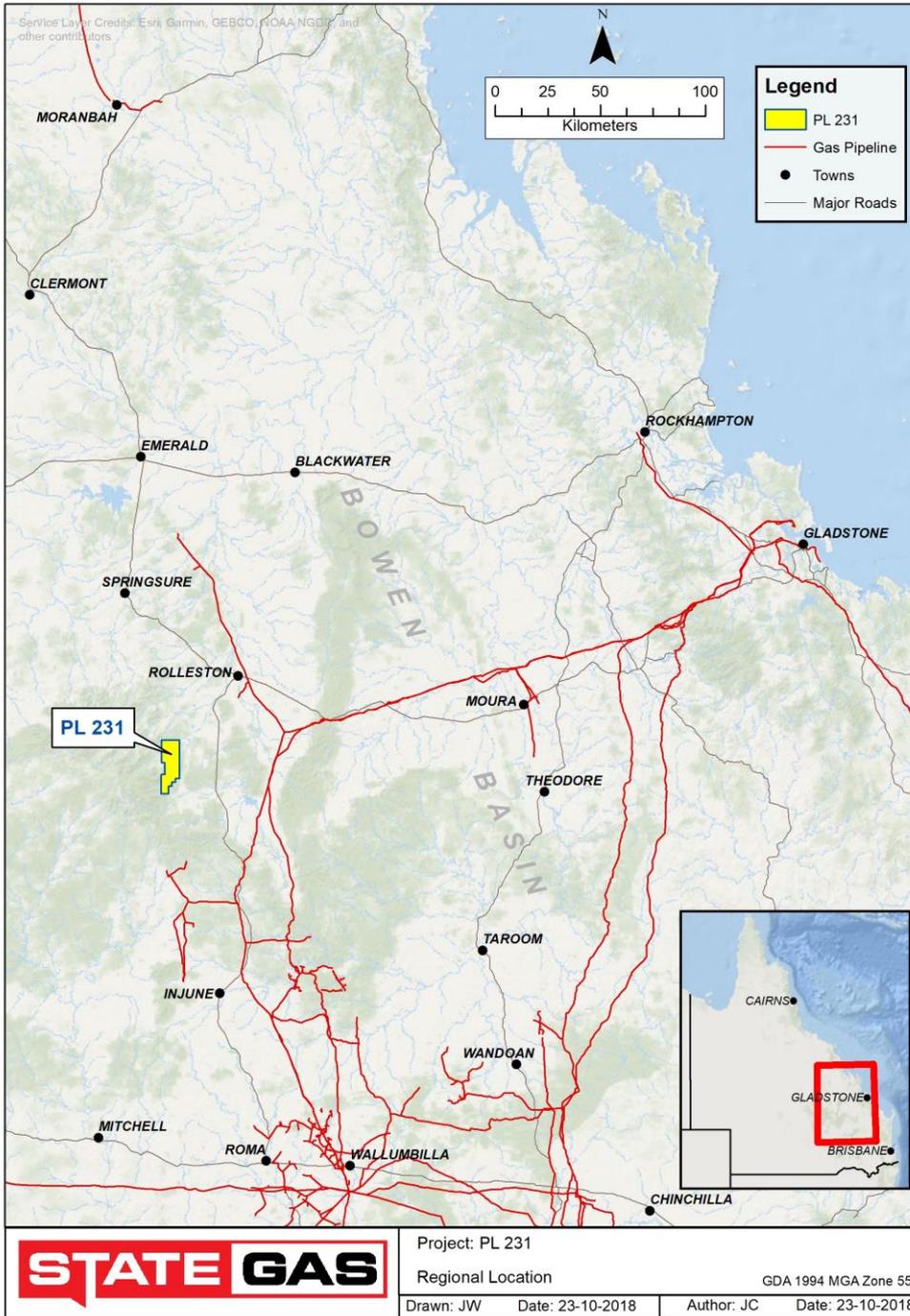


Fig 1: Location of PL 231

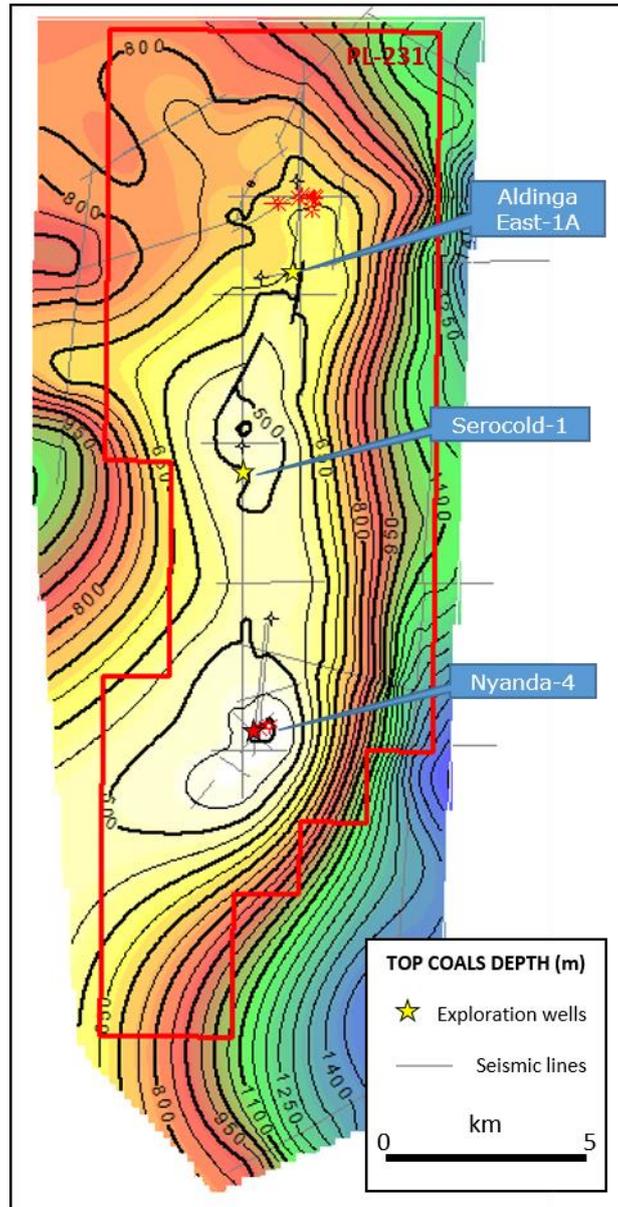


Fig 2: Depth structure map of PL 231