



State Gas Limited
(ACN 617 322 488)
GPO Box 10348
BRISBANE QLD 4001

ASX RELEASE

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Operational Update

PL-231 Reid's Dome Gas Project

Highlights

- Substantial progress being made towards Target 2021 gas delivery strategy
- First coherent picture of the subsurface Reid's Dome structure and coal beds now available as a result of completion of WOWCO seismic processing and interpretation
- Commencement of 2019 Coal Seam Gas (CSG) Drilling and Testing Campaign expected late September 2019

State Gas Limited (ASX: GAS) ("State Gas" or "the Company") refers to its announcement on 21 August 2019 outlining its strategy to bring gas to market from PL 231 to meet shortfalls in the east coast domestic gas market forecast for 2021. The Company is pleased to announce progress towards that strategy, with a number of factors coalescing in recent weeks to accelerate the Reid's Dome Gas Project.

State Gas has recently completed processing of the historic WOWCO seismic survey data referred to in its 21 August update. The WOWCO seismic survey was recorded in 1981 but never processed. The raw data was obtained recently by the Company's geophysical advisors. Recent field activities successfully located several of the seismic survey markers which, combined with satellite imagery, have allowed recreation of the lost navigation data that was required for processing.

Interpretation of the newly processed WOWCO data provides the first coherent picture of the subsurface Reid's Dome structure. Correlation of the Reid's Dome Beds coal measures from Nyanda-4 across the permit area from south to north, and creation of a "Top Coals" depth map, is now complete and is illustrated in Figure 1 below. The Top Coals map supports the Company's prior understanding of the geology in the permit and improves confidence in the parameters used by State Gas for estimating the area prospective for CSG within PL 231.

The forthcoming exploration wells will be located on the WOWCO seismic lines, enabling a further direct tie to the seismic data and thus increased confidence in its interpretation.

State Gas' preparations for its 2019 drilling and testing campaign are also progressing well, with the first well expected to spud in the coming weeks.

Aldinga East 1A is planned to be drilled to a total depth of 1,200 metres to investigate the gas potential of the Reid's Dome Beds coal measures in the northern area of the PL 231. The

presence of gas in the coal measures was confirmed at Nyanda-4 (drilled by the Company in 2018), within the permit approximately 12km to the south of proposed Aldinga East 1A. Core samples will be obtained to confirm gas content and wireline logging will be used to determine net pay. Permeability measurements will be obtained by wireline formation testing.

Following the drilling of Aldinga East-1A, the Company plans to drill Serocold-1, approximately half way between Aldinga East-1A and Nyanda-4, to explore the central portion of the Reid's Dome anticline. The well is planned to be drilled to 1,200 metres, again targeting the gas potential of the Reid's Dome Beds coal measures. Wireline logging and testing will be used to determine net pay and permeability.

Subject to the results of testing, State Gas may complete one or both of the new wells, or alternatively re-enter and complete the suspended Nyanda-4 well, for production testing. It is envisaged that two tests will commence in Q4 2019 and continue for a period of 3-6 months. State Gas anticipates that within this time gas would be produced to surface at a stabilised rate.

The Company will provide interim updates to the market during the upcoming drilling and testing program.

State Gas Executive Chairman, Richard Cottee, said that the short-term focus for State Gas was on assembling the dataset for the Company's Target 2021 gas supply strategy.

"The production and desorption results from the upcoming drilling program, together with the extensive seismic analysis now available from the WOWCO survey, will provide critical data to inform planning for the development of the Reid's Dome Gas Project," Mr Cottee said.

ENDS

FOR FURTHER INFORMATION

Lucy Snelling

Chief Executive Officer

Phone: 0439 608 241

e-mail: lucy@stategas.com

Richard Cottee

Executive Chairman

Phone: 0458 517 850

e-mail: richard@stategas.com

www.stategas.com

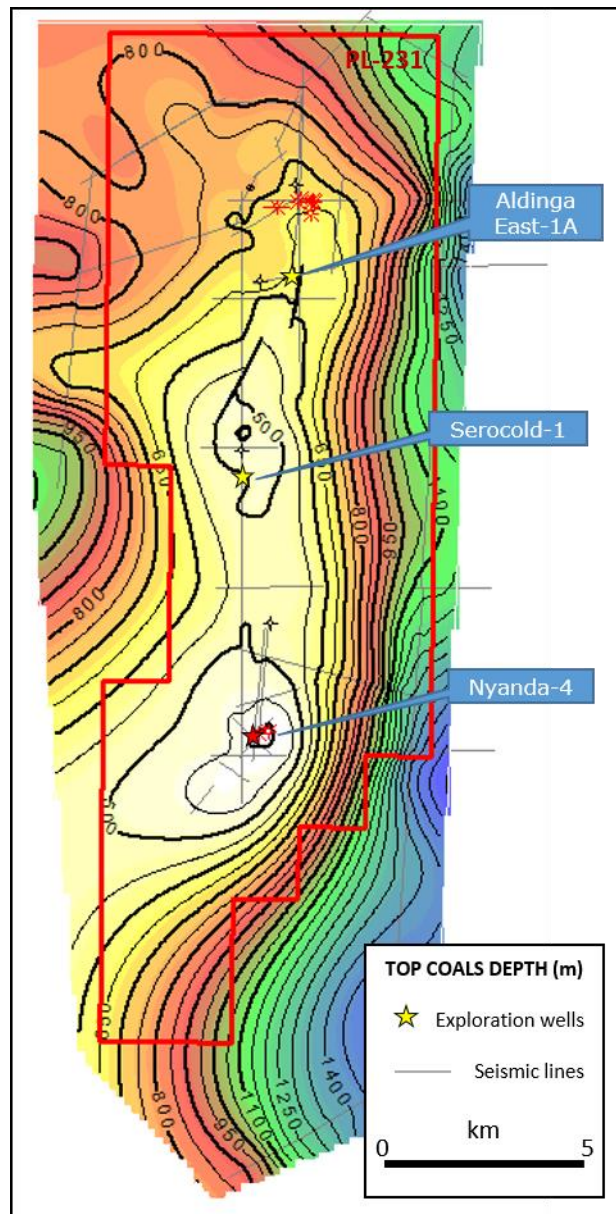


Figure 1: Depth structure map of PL 231

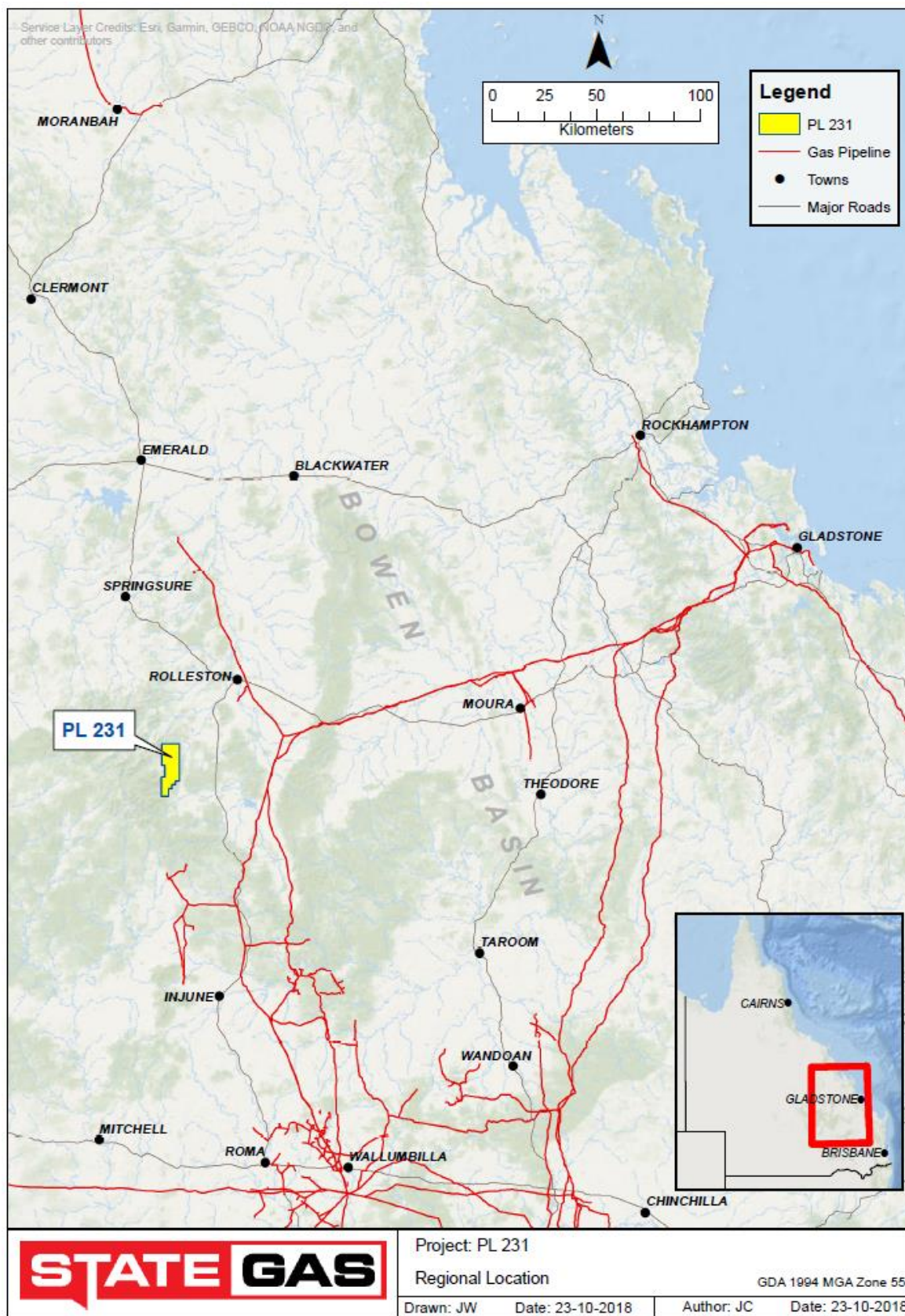


Figure-2: PL 231 Regional Location Map showing pipeline infrastructure