



State Gas Pty Ltd
(ACN 617 322 488)
PO Box 10348
BRISBANE QLD 4000

ASX RELEASE

21 August 2019

Target 2021

Drilling and Testing Planned for Reid's Dome

Highlights

- State Gas progressing a targeted strategy to bring gas to market from the Reid's Dome Gas Project (PL 231) in 2021 to meet east coast shortfalls
- Two new wells (one cored) and two production tests planned; with works to commence Q3 2019
- Historic seismic data to be processed and interpreted
- Export pipeline route investigations to commence

Brisbane-based gas developer **State Gas Limited (ASX: GAS)** is pleased to provide an update on its short-term plans for the Reid's Dome Gas Project (PL 231), located South West of Rolleston in the Bowen Basin in Central Queensland.

Background

State Gas Limited (State Gas or the Company) holds a majority interest in, and is operator of, the Reid's Dome Gas Project (PL 231) in Central Eastern Queensland, approximately 545 km northwest of Brisbane and 50 km southwest of Rolleston, in the Bowen Basin Central Queensland. The Petroleum Lease hosts both conventional and unconventional gas and is less than 50 km from the high pressure gas pipeline network in Queensland (see Figure-1).

Drilling in late 2018 confirmed the western extent of the "Primero" conventional gas sand in the northern area of the permit, and the Nyanda-4 corehole, the first dedicated coal seam gas well at Reid's Dome, established the potential for a significant coal seam gas project in PL 231.

Target 2021

Gas market forecasting by independent parties has indicated a further tightening of gas available in the east coast domestic market from 2021. Conscious of these forecasts, State Gas is progressing a targeted strategy to bring gas to market from PL 231 at lowest cost, as soon as possible, to meet these shortfalls. State Gas has developed a program targeting first gas in 2021.

To this end, the Company is currently planning a program to appraise the potential of the Reid's

Dome coals and sands across PL 231, expected to commence in Q3 2019. The Nyanda-4 corehole (drilled in November 2018) provided a data suite on the coals in the southern area of the permit; the Company will now drill in the north and central areas of the permit to extend its knowledge across the Petroleum Lease. Following drilling and subject to results, State Gas plans to undertake at least two short term production tests to obtain gas production metrics for PL 231. The wells will be selected for production testing based on the initial results of the new wells and the recent results of the existing Nyanda-4 well.

Establishment of commercial permeability in the coal seams will enable the Company to immediately progress development planning (including assessing options for cooperative delivery of necessary infrastructure), in tandem with undertaking more comprehensive testing.

The testing regime supports the Company's Target 2021 program and is designed to de-risk the asset, take advantage of the buoyant gas market, and smooth the path to early commercialisation.

Planned Drilling and Testing

State Gas is proposing to drill two wells as part of the 2019 program, commencing with a well in the northern area of the permit adjacent to the existing Aldinga East-1 well (drilled to 228m in 1993), taking advantage of known top hole conditions. New Aldinga East-1A is planned to reach 1,200m total depth. The program will seek to acquire approximately 150m of core samples (as was acquired from Nyanda-4) as well as logging and permeability testing on multiple seams. Subject to the outcomes of testing, the well will be completed for production testing.

Following the deepening of Aldinga East-1A, State Gas will move the rig to the central area of the permit to drill the proposed second well, Serocold-1, also to a target total depth of 1,200m. As with Aldinga East-1A, this well will be logged and multiple seams tested for permeability, and subject to the outcomes of that testing, completed for production testing.

Drilling is targeted to commence in late Q3 2019. The locations of Aldinga East-1A and proposed Serocold-1 are shown on Figure 2.

Production testing

Based on the results of the new wells and the recent Nyanda-4 results, State Gas plans to conduct production tests on at least two of those wells. Accordingly, production testing may include the new Aldinga East-1A, new Serocold-1, or re-entry of the suspended Nyanda-4 well to complete it for production tests. It is envisaged the production tests will commence in Q4 2019 and continue for a period of 3-6 months, by which time State Gas anticipates that gas would be produced to surface at a stabilised rate. The production tests (together with the desorption data from the corehole) are expected to provide critical data to inform planning for the development of the project.

Processing of Historic Seismic Data

This program will be complemented by the initial processing and interpretation of historic raw 2D seismic data covering approximately 123 line kilometres within PL 231, enabled by the recovery in late 2018 of previously lost locational data. This seismic will provide important data on the structure, areal extent and depth of the coals in PL 231, which are key inputs to an assessment

of project size.

Pipeline Route Investigations

In August 2018 the Company was issued Pipeline Survey Licence 2028 to enable survey of an export pipeline route. In the coming months, State Gas will be undertaking a study into potential routes for an export pipeline, with a view to identifying a single preferred route and enabling commencement of permitting activities. The permitting activities will occur therefore in parallel with the formulation of the development plan as determined by the results of the drilling and seismic.

State Gas Executive Chairman, Richard Cottee, said the Reid's Dome Gas Project would gain significant momentum from the upcoming drilling and testing program.

"It is an exciting time for State Gas as it strives to ensure that the Eastern Seaboard gas market has a new source of supply at the most favourable time in the gas market cycle," he said.

"The Company is focussed on ensuring its gas is available for the domestic market. By the New Year, we should have sufficient information to determine the production phase."

FOR FURTHER INFORMATION

Richard Cottee

Executive Chairman

Phone: 0458 517 850

Email: richard@stategas.com

Lucy Snelling

Chief Executive Officer

Phone: 0439 608 241

e-mail: lucy@stategas.com

ABOUT STATE GAS

STATE GAS LIMITED (ASX: **GAS**) is a Queensland-based developer of the Reid's Dome gas field (including both CSG and conventional gas). Originally discovered during oil drilling in 1955, Reid's Dome is located in the Bowen Basin in Central Queensland on the apex of the Springsure-Serocold Anticline. State Gas is sole Operator and 80%-owner of the Reid's Dome gas project, which is well-located 50 kilometres southwest of Rolleston, approximately 47 kilometres from the Queensland Gas Pipeline.

www.stategas.com

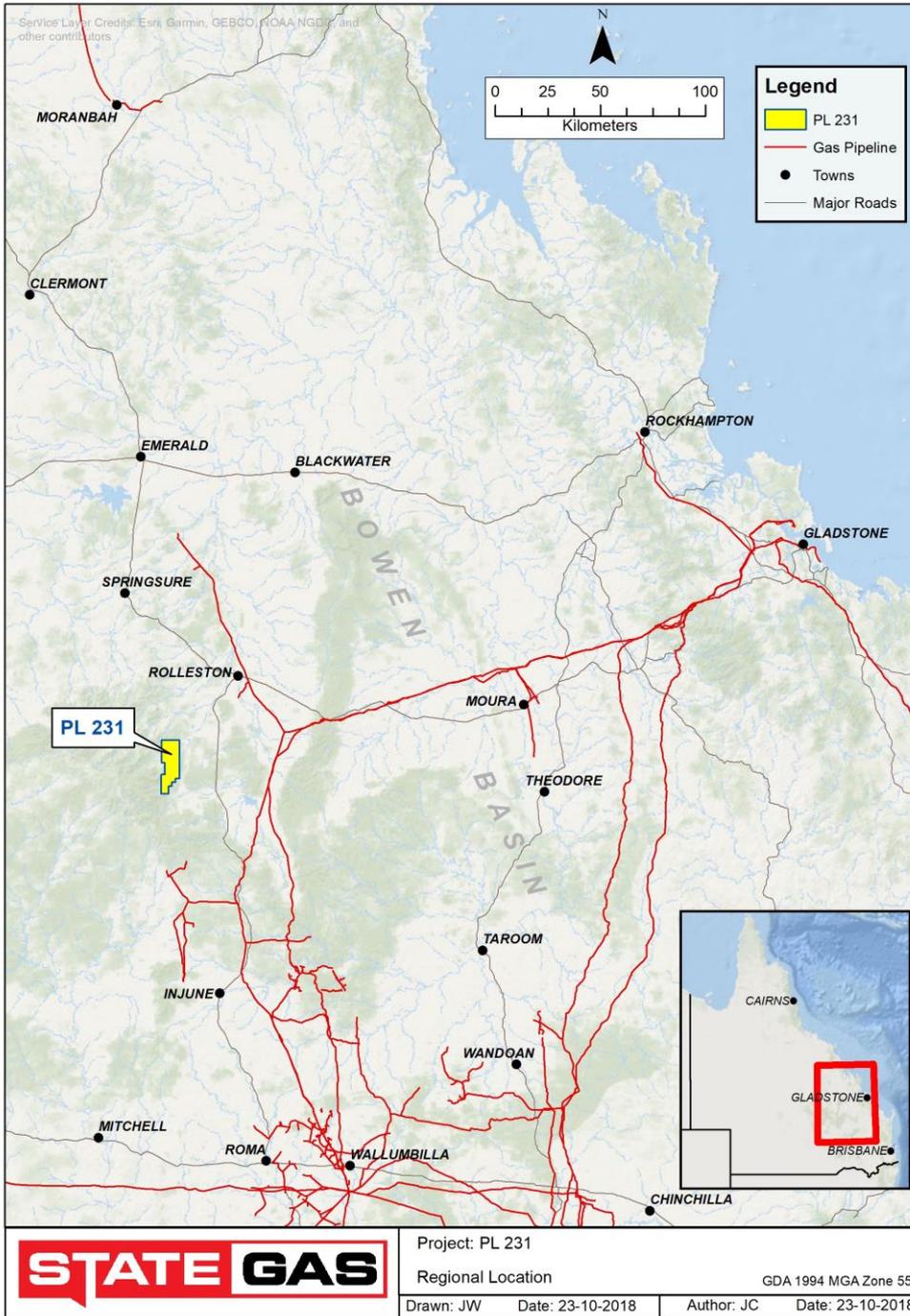


Figure 1 Location of PL 231

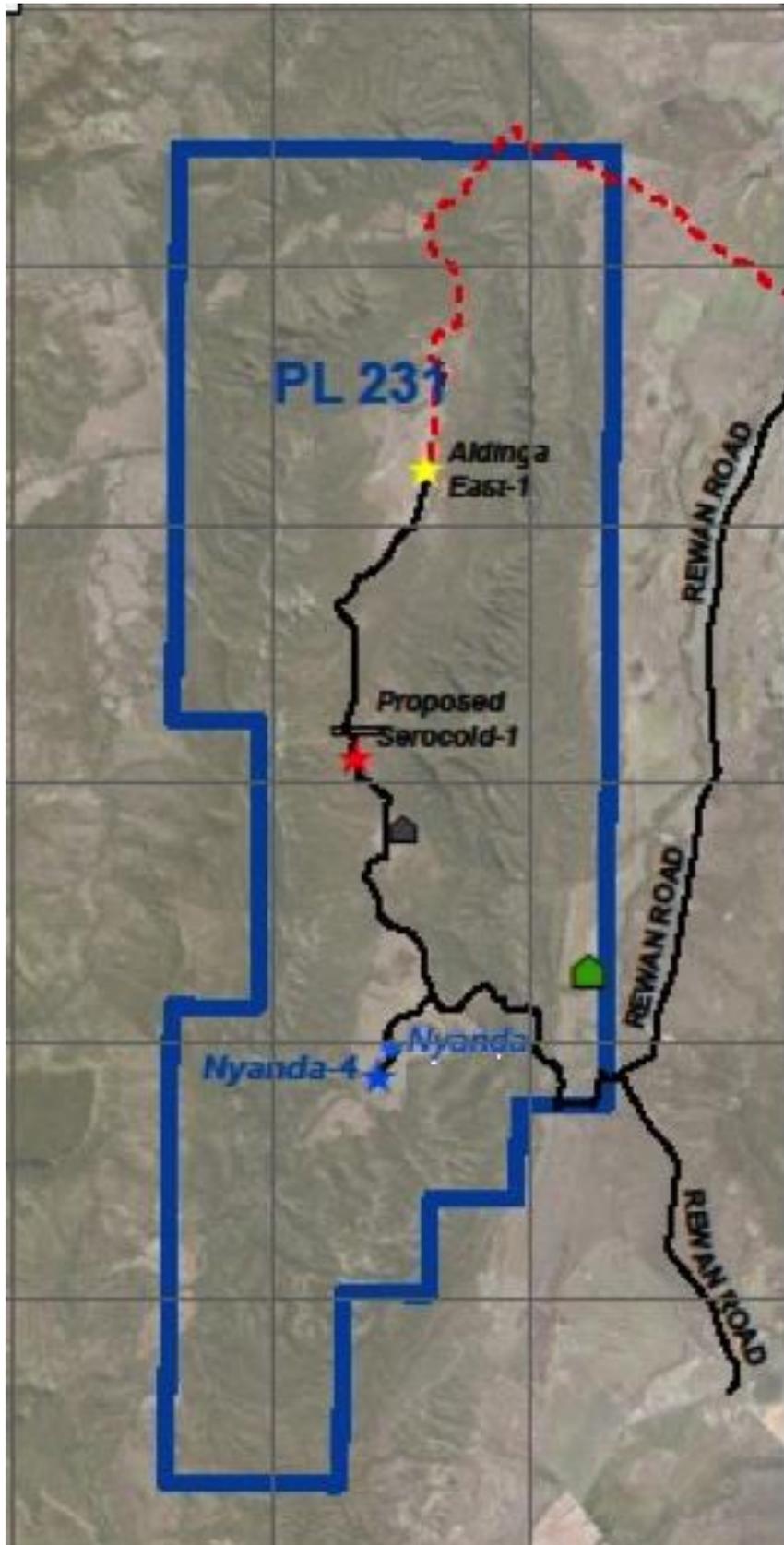


Figure 2: Location of proposed new wells