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ASX RELEASE

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Reid's Dome Production Testing Update

State Gas Limited (ASX: GAS) is pleased to provide its weekly update on production testing activities at its 100%-owned Reid's Dome Gas Project (PL 231) in the Bowen Basin in Central Queensland.

As advised on 27 January 2021, State Gas is undertaking production testing of three wells in the Nyanda area at Reid's Dome (refer Figure 1) in order to appraise that area for early development.

The Nyanda-4 well, which produced at rates approaching 500,000 cubic feet per day in testing late last year¹, was re-established for production on 19 January 2021², with the water being gradually drawn down to release the gas. As at 6am this morning the well was producing at the rate of 78 cubic feet per day, a result that is at least as good as, if not better than, the current stage during prior testing.

Nyanda-7, drilled just prior to Christmas last year³, was placed on production test on 25 January 2021⁴. The well commenced producing gas on 1 February 2021 after just 6 days, a performance analogous with the performance of the successful Nyanda-4 well during its initial production test. Gas production is expected to build steadily as the water level reduces in the well.

Dewatering of the Nyanda-8 well (drilled over the New Year period⁵) commenced on Saturday (30 January 2021), with gas production currently too early to measure.

State Gas will continue to update the market as production testing continues.

This announcement was approved for release by Mr Richard Cottee, Executive Chairman.

FOR FURTHER INFORMATION

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¹ Announced on 23 September 2020

² Announced on 27 January 2020

³ See announcement on 24 December 2020 for results of the well.

⁴ Announced on 27 January 2020

⁵ See announcement on 6 January 2021 for results of the well.

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).⁶

State Gas is also the 100% holder Authority to Prospect 2062 ("Rolleston-West"), a 1,414 km² permit (eight times larger than PL 231) that is contiguous with the Reid's Dome Gas Project. Rolleston-West contains highly prospective targets for both coal seam gas (CSG) and known conventional gas within the permit area. It is not restricted by domestic gas reservation requirements.

The contiguous areas (Reid's Dome and Rolleston-West), under sole ownership by State Gas, enable integration of activities and a unified super-gasfield development, providing economies of scale, efficient operations, and optionality in marketing.

State Gas is implementing its strategic plan to bring gas to market from Reid's Dome and Rolleston-West 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 market⁷. State Gas' current focus has been to confirm the producibility of the gas through production testing of the wells.

⁶ The information in this paragraph was previously announced on 31 October 2018, 5 December 2018 and 31 January 2020.

⁷ Strategy announced on 21 August 2019

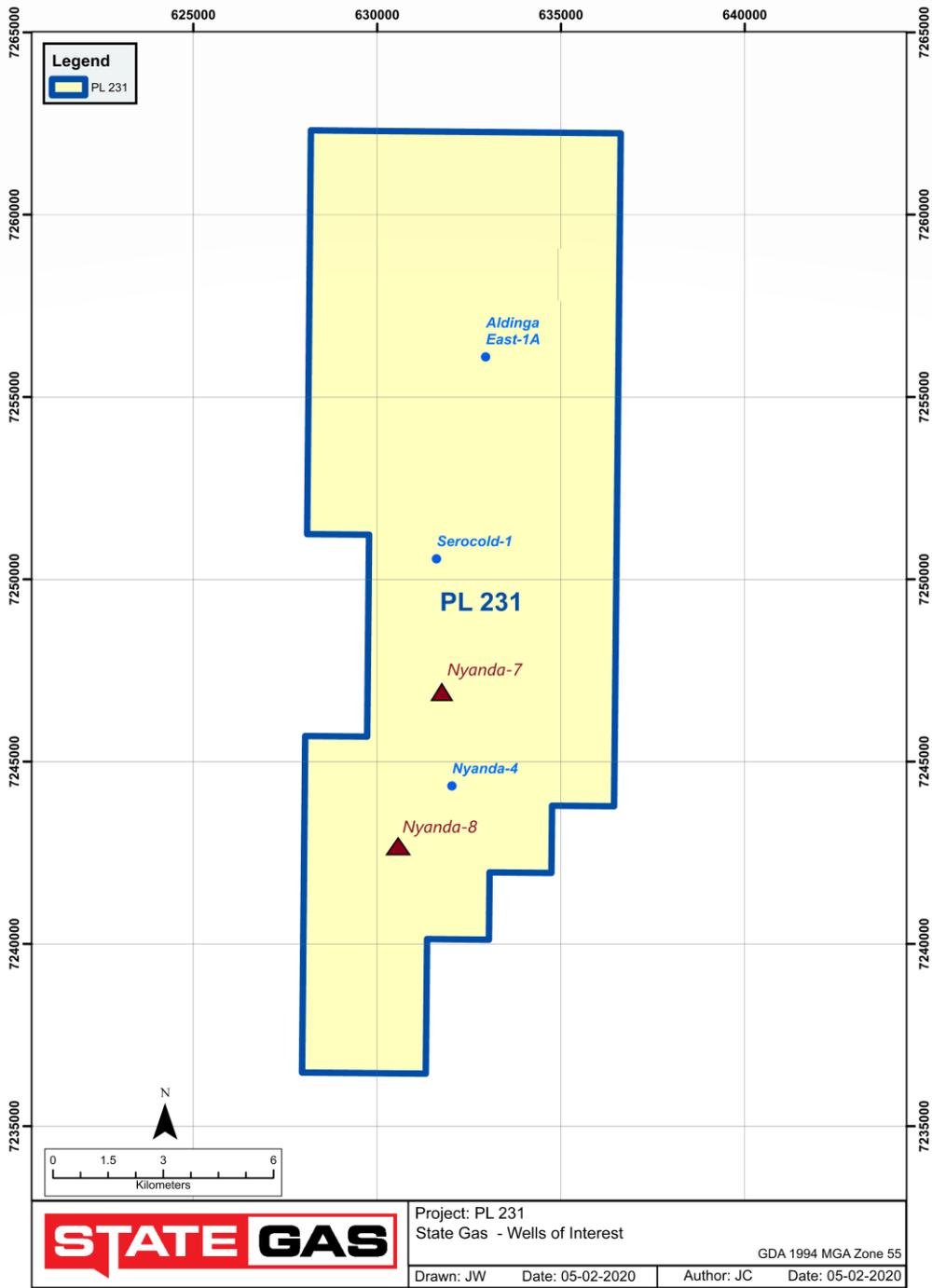


Figure 1: Map showing location of Nyanda-4, Nyanda-7 and Nyanda-8