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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 coal seam gas (CSG) wells in the Nyanda area at Reid's Dome (refer Figure 1) in order to appraise that area for early development.

Gas production at the Nyanda-4 well continues to build. As at 6am today (approximately three weeks after the well was recommissioned) the well was producing at the rate of 100,000 cubic feet a day, and rising. This rate is materially higher than the rates achieved at similar stages in prior testing (boosted by work the Company has done on the well). It is also an important milestone in achieving commercial viability for a CSG well.

Dewatering of the Nyanda-7 well commenced two weeks ago. The well has shown good recharge (a promising sign for permeability) and with the Company adopting a cautious approach to dewatering, the water level in the well is just now approaching the top of the coal seams. Gas production is expected to become measurable shortly after the level drops below the coals.

With dewatering also underway at Nyanda-8, the water level in that well has just dropped below the top coal seam, and gas produced from the well has now become measurable and is continuing to rise. Currently, the well is producing approximately 5,000 cubic feet of gas per day. The water level will continue to be lowered over the next few weeks.

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



Production testing at the Nyanda-7 well, January 2021

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

FOR FURTHER INFORMATION

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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).¹

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 market². State Gas' current focus has been to confirm the producibility of the gas through production testing of the wells.

¹ The information in this paragraph was previously announced on 31 October 2018, 5 December 2018 and 31 January 2020.

² Strategy announced on 21 August 2019

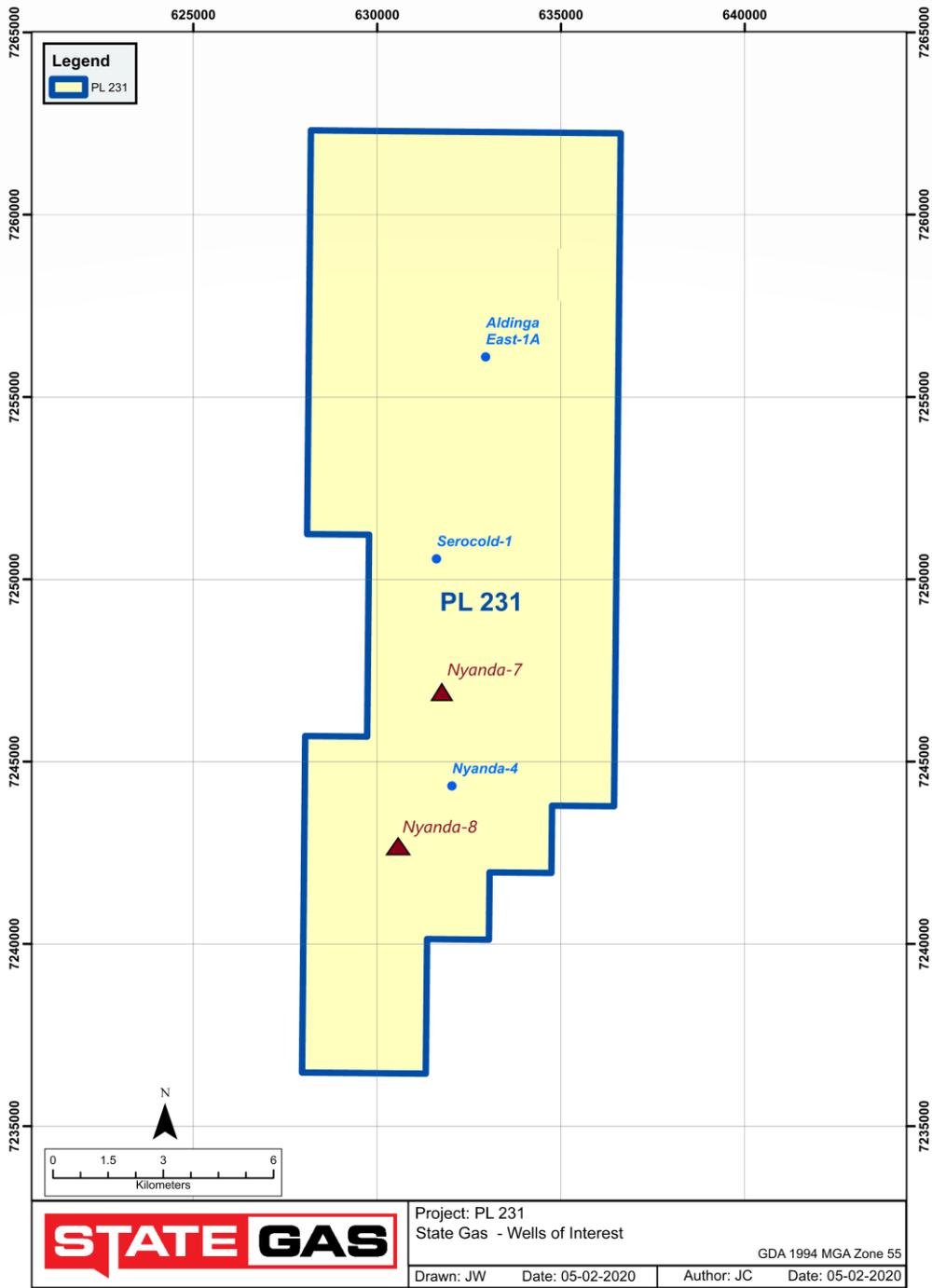


Figure 1: Map showing location of Nyanda-4, Nyanda-7 and Nyanda-8