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ASX RELEASE

20 July 2020

RESTART OF PRODUCTION TESTING AT REID'S DOME

Highlights:

- Production tests recommence at the Reid's Dome Gas Project
- Customised pumps have been installed in Serocold-1 and Nyanda-4, with water flowing again
- Gas flowing again at Nyanda-4 after only three days of pumping water
- Casing pressure increases at Serocold-1 after 1 day of pumping a promising indication for gas flow
- Well productivity test confirms conventional gas pool at Aldinga East-1A

Recommencement of production testing at Serocold-1 and Nyanda-4 wells

State Gas Limited (ASX:GAS) is pleased to announce the recommencement of production testing at the Company's 100%-owned Reid's Dome Gas Project (PL 231) in the Bowen Basin in Central Queensland. Gas production testing has recommenced at both the Nyanda-4 the Serocold-1 wells.

State Gas is appraising the potential for the Reid's Dome Beds in PL231 to host a significant coal seam gas project¹.

Production tests of the Nyanda-4 and Serocold-1 wells in late 2019 - early 2020 produced very encouraging early results that were interrupted by pump issues in both wells. As announced on 2 June 2020, State Gas undertook an investigation of those issues and arranged for the manufacture in Canada of customised replacement pumps designed for the conditions. The pumps arrived in Australia early this month.

The new pumps have now been installed into the Serocold-1 and Nyanda-4 wells. Dewatering recommenced at Nyanda-4 on 16 July and at Serocold-1 on 18 July.

Nyanda-4 started producing measurable quantities of gas (10mscf) after only three days of pumping water. At Serocold-1 the casing pressure has increased after 1 day of pumping, a promising indication for gas production. The water levels are being drawn down slowly to maximise producibility with gas expected to flow once downhole pressures are sufficiently lowered.

Aldinga East-1A

As announced on 13 November 2019, a new conventional gas pool was discovered during the drilling of the Aldinga East-1A well. Subsequent tests of the gas sand failed to achieve gas flow,

¹ Annual Report 2019

suggesting a water block (caused by the drilling fluid) has impeded flow. The Company has been monitoring a pressure build up at the well for several months and has now conducted a productivity test. This test has produced gas, indicating some dissipation of the water block and confirming the gas pool. The well will continue to be monitored for ongoing gas pressure build up and further testing will be considered.

State Gas is looking forward to announcing further positive results from Reid's Dome and will provide further updates in the near future.

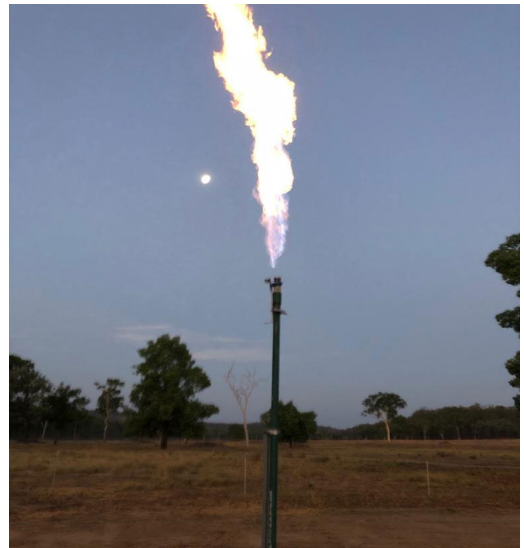
This announcement was approved for release by Mr Richard Cottee, Executive Chairman.

FOR FURTHER INFORMATION

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*Gas flare at
Nyanda-4,
Reid's Dome
Gas Project,
on 9
January
2020*



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.