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ASX RELEASE

16 September 2020

Exponential increase in gas flow at Nyanda-4 - Reid's Dome Project

State Gas Limited (ASX: GAS) ("the Company") advises that gas flow rates at its Nyanda-4 well at the Reid's Dome Gas Project (PL231) have increased exponentially since the Company's last production update on Friday, 11 September. The Nyanda-4 well has been flowing gas at rates exceeding peak production recorded during testing in January this year, with rates overnight above 240mscf (or 240,000 standard cubic feet) per day.

State Gas Executive Chairman, Richard Cottee, said that the leap forward in gas production at Nyanda-4 followed the installation of customised pumping equipment built in Canada to suit the local conditions at Reid's Dome.

"I am really pleased with the performance of the Nyanda-4 well" Mr Cottee said.

"Seeing the well improve gas production and now exceed previous flow rates using the customized pumps is very encouraging for the development of the whole Reid's Dome gas field."

As previously advised¹, Nyanda-4, drilled by the Company in late 2018, was the first coal seam gas (CSG) well within the Company's 100% owned Reid's Dome Gas Project (PL231). Located in the southern region of the PL231, the well intersected 40m net coal and a further 25m of carbonaceous shales, as well as a number of conventional tight gas sands. With an average gas content of 13.75 m³/t (measured by desorption of the coal cores acquired from the well), the Nyanda-4 results confirmed the potential for a significant CSG project at Reid's Dome.

The Company has since embarked on Phase 1 of an exploration and appraisal programme and confirmed the widespread presence of CSG across PL231. A key element of this programme involved production testing the Nyanda-4 well to confirm the producibility of the gas in the coals. The production test commenced in December 2019 and as previously advised, sustained gas flows from the well commenced after only five days of dewatering. In signs very encouraging for commerciality at the time, the gas rate built to a rate of 227 mscf/d after six weeks with low water make, before technical problems intervened and pumping ceased. The downhole pressure increased and the flow rate fell² when dewatering ceased in January.

Following investigation of the pump issues and the installation of customised pumps, the Nyanda-4 production test recommenced in July³. After eight weeks of dewatering, gas flow rates have suddenly increased exponentially in recent days, reaching more than 240 mscf/d overnight. Water production continues to be low.

Other milestones during the successful Phase 1 exploration and appraisal program at Reid's Dome have included drilling the Serocold-1 and Aldinga East-1A wells, confirming a significant coal seam gas field across more than 12 kilometres north-south within PL 231, along with

¹ Announcements on 5 December 2019 and 31 January 2020

² Information in this paragraph was announced on 16 December 2019 and 31 January 2020

³ Announced on 20 July 2020

production testing of Serocold-1. Gas flows continue to build slowly at Serocold-1 using the new pumping solution, also confirming producibility of the gas.

Previously advised⁴ damage to the Serocold-1 well bore restricted the depth at which the pump could be placed, resulting in approximately 46% of the targeted coal seams below the pump and unlikely contributors to this test. The increasing flow rates and low water-make at Serocold-1 is encouraging and bodes well for commercial production.

The dramatic production increase at Nyanda-4, and its implications for Serocold-1 and future wells at Reid's Dome, also provide further support for commercial production from PL231 as tightening is expected in the east coast gas market over the coming two-to-three years.



Gas flare at Nyanda-4, 15 September 2020

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

FOR FURTHER INFORMATION

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⁴ Announced 12 August 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.

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).⁵

State Gas is implementing its strategic plan to bring gas to market from PL 231 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 market⁶. State Gas' current focus has been to confirm the producibility of the gas through production testing of the wells.

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

⁶ Strategy announced on 21 August 2019