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ASX RELEASE

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Spud of First Well in Production Well Campaign

State Gas Limited (ASX: GAS) (“the Company”) is pleased to advise that the Nyanda-7 well, the first well in its Phase 2 exploration and appraisal program for the Reid’s Dome Gas Project (PL 231), spudded at 9 am this morning, 15 December 2020.

The Nyanda-7¹ well is part of State Gas’ 100% owned Reid’s Dome Gas Project on PL231, located in the Bowen Basin in Central Queensland. State Gas’ Phase 2 exploration and appraisal program is being undertaken to implement the Company’s strategic plan to bring gas to market to meet near term forecast shortfalls in the east coast market. Focused on the area around the highly successful Nyanda-4 well, the program has been designed to provide additional data to secure a significant certified reserves booking and enable field development planning and infrastructure design for commercialisation of gas in the Reid’s Dome Coal Beds in the area.²

Approximately 2.6 km north of the Nyanda-4 well, the Nyanda-7 well is being drilled as a step out well to Nyanda-4, from which gas was produced at rates approaching 500,000 cubic feet per day³. The Company plans to log the new well once it reaches total depth (planned at 1200m), and subsequently commence production testing.

Nyanda-7 will be followed by at least three further production wells on PL231, with timing of the further wells dependent on weather. The Company is hoping to complete drilling of at least two wells, and commence production testing of three (including Nyanda-4), before the wet season impacts.

State Gas is also planning the drilling of two coreholes at its new Rolleston-West Project (ATP 2062) to commence in the New Year. These wells will investigate the gas potential of the highly prospective Bandanna Coals in the eastern region of the permit.

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

FOR FURTHER INFORMATION

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¹ Well numbering reflects location of site, rather than drilling order

² Announced on 23 September 2020

³ Announced on 23 September 2020



Figure 1: Silver City Drilling Rig 25 drilling Nyanda-7 at Reid's Dome

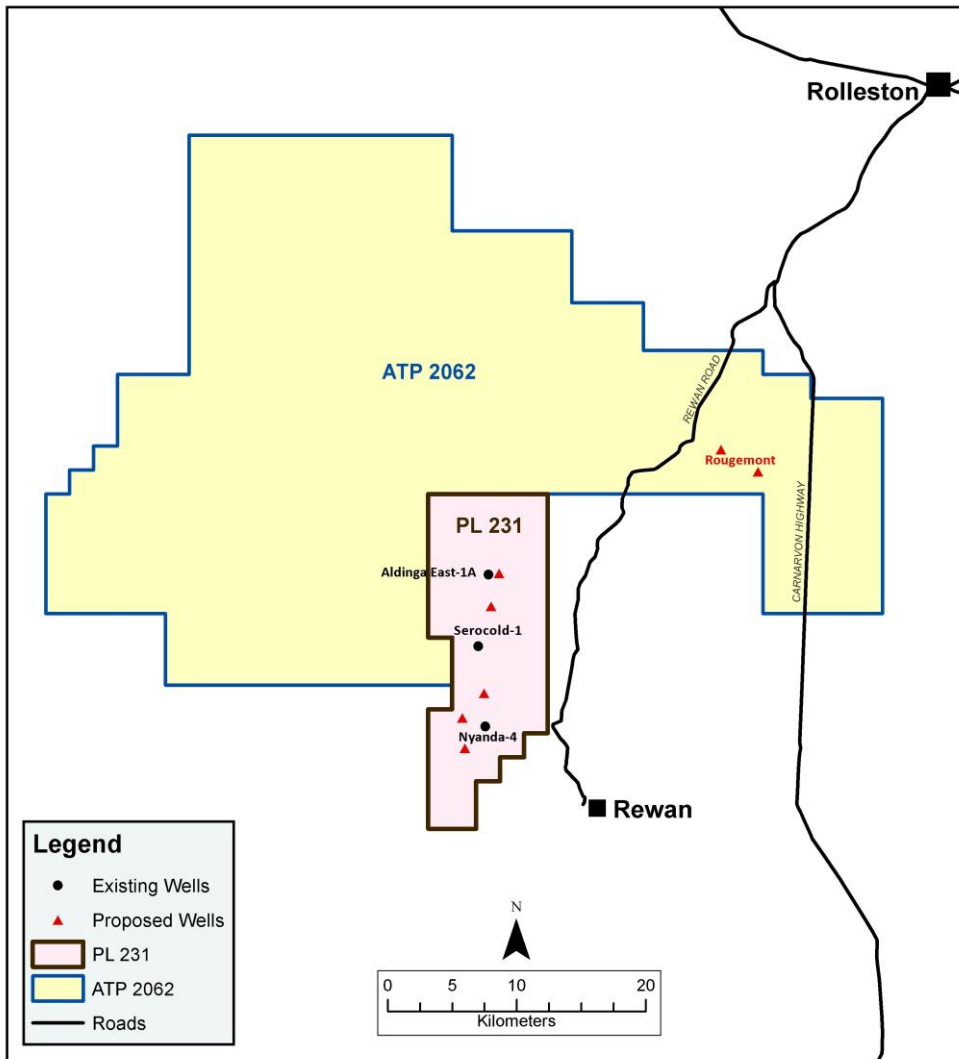


Figure 2: Map showing location of proposed new wells at Reid's Dome and Rolleston-West Gas Projects

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).⁴

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 market⁵. State Gas' current focus has been to confirm the producibility of the gas through production testing of the wells.

⁴ The information in this paragraph was previously announced on 31 October 2018, 5 December 2018 and 31 January 2020.

⁵ Strategy announced on 21 August 2019