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ASX RELEASE

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Central Queensland Production Testing Update

State Gas Limited (ASX: GAS) is pleased to give an update on its current production testing activities.

Good progress is being made in its production testing of the Rougemont-2 well at the Company's Rolleston-West Project (ATP 2062) in Central Queensland, where the Company is working to confirm the potential of the area for gas development. The well, drilled mid 2021, is being gradually dewatered to ensure a controlled reduction in downhole pressures and facilitate gas flow. Gas flows commenced approximately four weeks ago and have been consistently building since, even though the water levels remain above the top of the coals (currently ~35m above). Production is expected to materially increase once the coals are fully exposed, still some several weeks away. Sampling conducted in 2021 indicated gas of near pipeline quality at Rougement-2¹.

At its Reid's Dome Project (PL 231), State Gas is production testing two wells, Nyanda-8 and Serocold-1, as it looks to confirm the commerciality of the Project for delivery of new gas supplies into the east coast market.

The Nyanda-8 well continues to consistently produce gas with small but steady increases daily. The consistency of the well is encouraging, suggesting that skin damage caused to the formation may be slowly resolving.

The Company has recently completed a workover of Serocold-1 and returned the well to production. The water level is currently just above the coals, and gas flows are expected to commence over the next few days.

State Gas will continue to provide updates as activities progress.

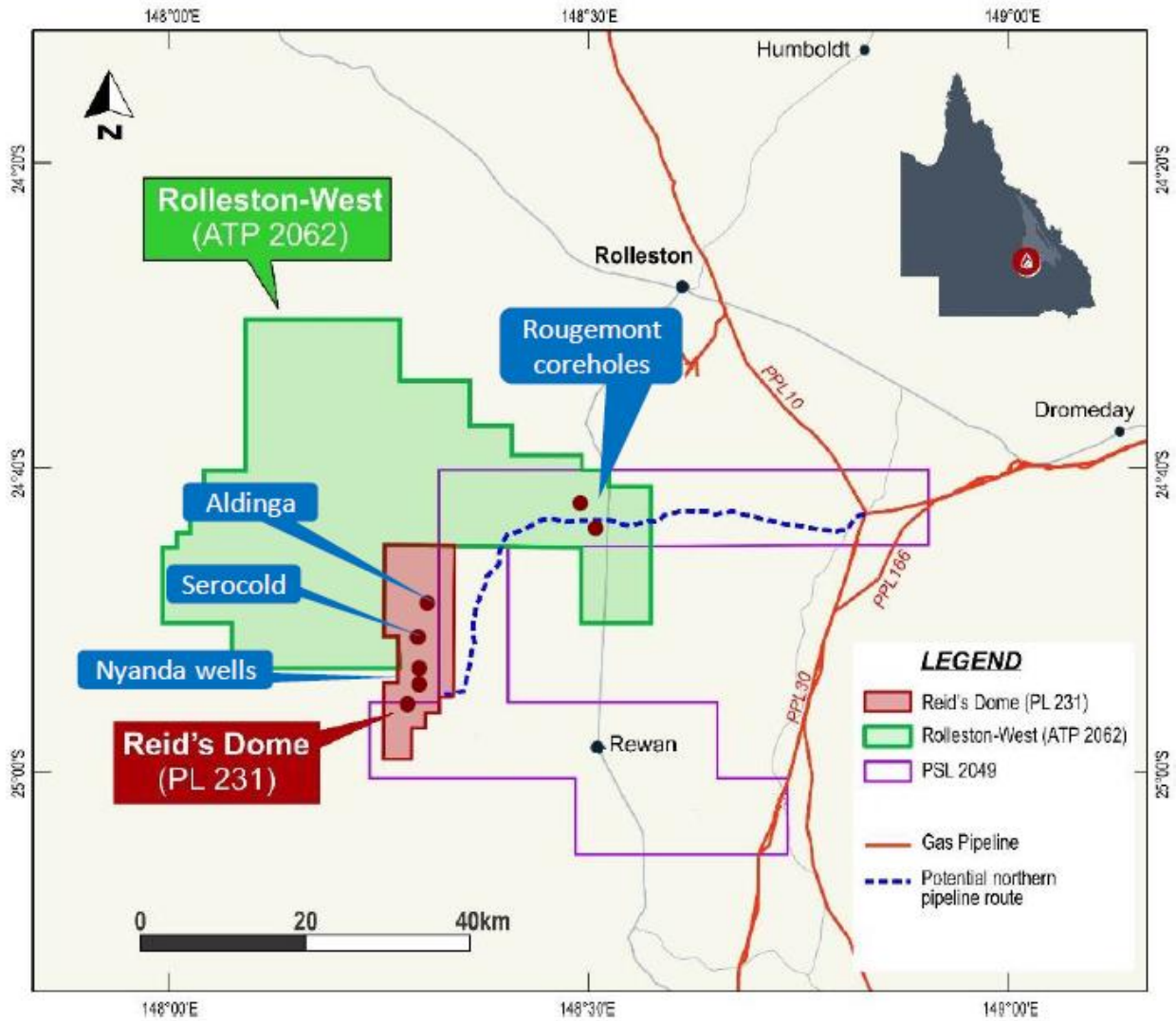
This announcement was approved for release by Mr Richard Cottee, Executive Chairman.

FOR FURTHER INFORMATION

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¹ Announced 27 August 2021




Map showing location of Projects and key wells

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).²

² The information in this paragraph was previously announced on 31 October 2018, 5 December 2018 and 31 January 2020.



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