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ASX RELEASE

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Production Testing Update

State Gas Limited (ASX: GAS) is pleased to give an update on its current production testing activities at its Reid's Dome and Rolleston-West Projects in Central Queensland.

At Rolleston-West State Gas is targeting the Bandanna Formation coals, which are extensive across large areas of the permit. The potential of these areas is underpinned by Santos' commercial production of gas from the Bandannas at the Arcadia Valley field to the south-east, and Comet Ridge's progress towards commercial production from the Bandannas at Mahalo to the north-east.

Following very encouraging results from the drilling of the first two wells in the permit¹, the Company is now working to confirm the potential of the area for gas development by production testing to prove the producibility of the gas from the Rougemont-2 well.

Rougemont-2 pumping has demonstrated it is accessing a large drainage area that augurs well for future gas production. The well is presently flowing gas at a rate of 7,500 cubic feet / day with a pleasingly steady incline in the gas-to-water ratio. Rougemont-2 has excellent permeability at optimal depth and pressure. The Company's analysis indicates that desorption from coals commenced in mid-January and current gas production is from both desorption and gas dissolved in the water. The Company anticipates that optimal desorption will be achieved once a large area of the reservoir has been drained. Following successful pumping at Rougemont-2, it was only as recently as 15 March that all coals were exposed to the well bore.

As previously advised, at Reid's Dome (PL231) the Company is appraising the Project for early delivery of new gas supplies into the tight east coast market. Following excellent results at the Nyanda-4 well², State Gas is looking to confirm the size and scope of the development with production tests at additional wells.

Production tests were commenced in November 2021 at Nyanda-8 (a step out well, approximately 2.5km to the south-west of Nyanda-4), and Serocold-1 (in the central permit area, approximately 6km north of Nyanda-4).

Also at Reid's Dome, Nyanda-8 is presently producing at 9,000 cubic feet / day, and when requisite stabilised flow rates are reached, a Production Log Test (similar to the one conducted at Nyanda-4 in June 2021³) will be conducted to ascertain which seams are contributing to the gas flows.

Serocold-1 at Reid's Dome has also given promising indications of strong gas flow.

¹ See announcement 27 August 2021

² An average gas content of 13.75m³/tonne (announced 4 November 2019) and gas production at close to 700,000scf/d at peak rate, with steady state production of 140,000 scf/d and rising - see Quarterly Activities Report 30 July 2021

³ See announcement 24 June 2021

In addition, the Nyanda-7 well (approximately 2.5km to the north of Nyanda-4) is being refitted to production test that well. The test is expected to commence in the next week.

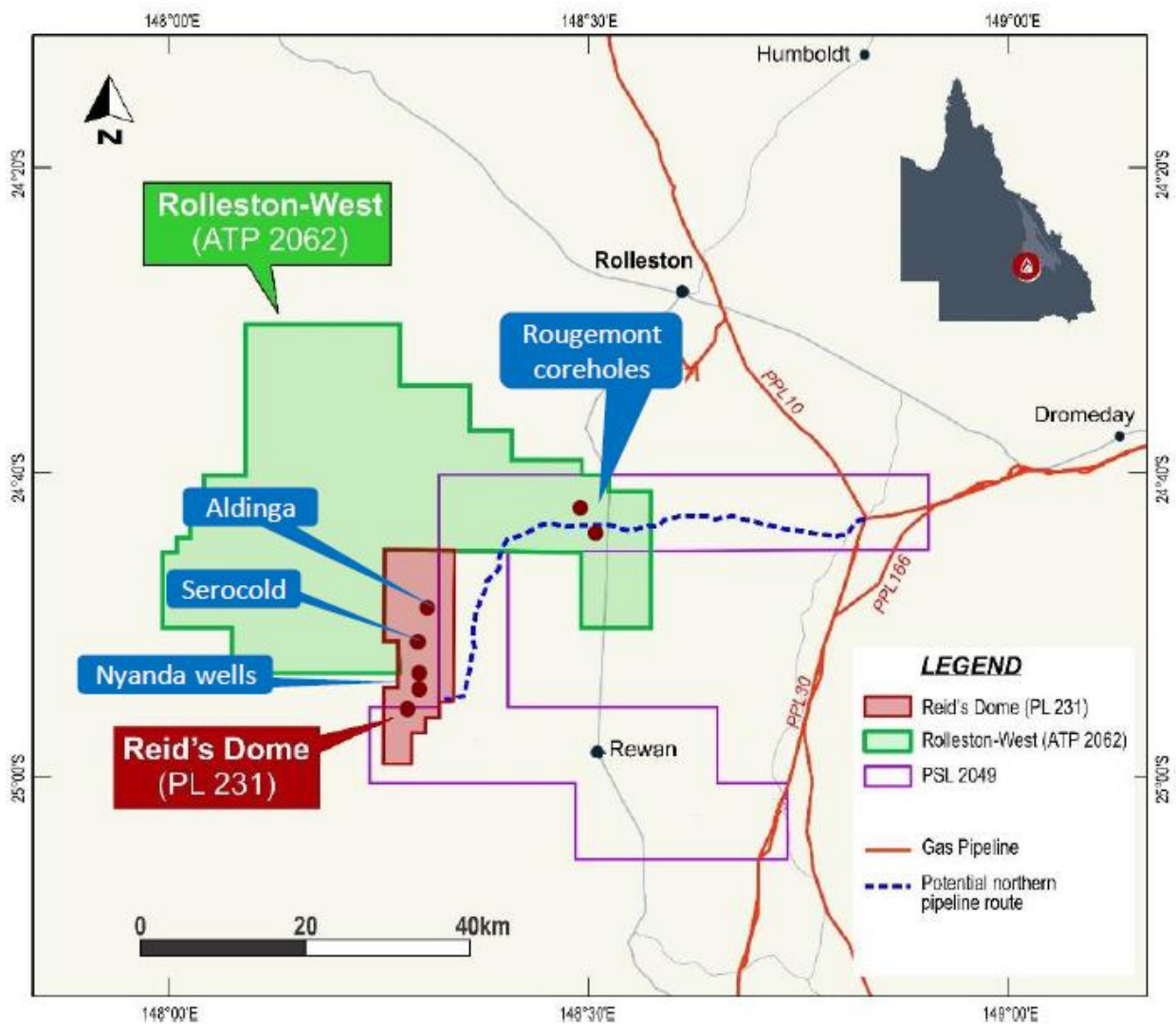
The Company is presently reviewing its development plans to determine whether it now has sufficient gas to underwrite a pipeline connection via Rougemont to the existing Central Queensland gas trunkline, based on gas production from its Nyanda-4 discovery, combined with its conventional gas at Aldinga at Reid's Dome.

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

FOR FURTHER INFORMATION

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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).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 market. 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.