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ASX RELEASE

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Operational Update –Workover completed at Nyanda-4

Highlights:

- Re-entry and completion of Nyanda-4 well finished this morning.
- TDC Rig 4 mobilising to Aldinga East-1A well to enable drill stem testing of the newly discovered conventional gas in the Cattle Creek Formation, as well as gas sands and coal seams in the Reid's Dome Beds.

State Gas Limited (ASX: GAS) ("State Gas" or "the Company") provides an update on its Reid's Dome Gas Project (PL 231).

Nyanda-4

As advised on 13 November 2019, TDC Drilling Pty Ltd's Rig 4 has been undertaking workover activities at State Gas' Nyanda-4 well on PL 231. Those activities have now been completed and the rig was released from the well this morning.

The Nyanda-4 well was drilled by State Gas in late 2018 as the first well investigating the gas potential of the coals in the Reid's Dome Beds in the region of PL 231. The well encountered 40 metres net coal and a further 25 metres carbonaceous shales¹. The average measured gas content in the 10 coal samples taken from the well was 13.75 m³/t.² The positive results achieved by the well led the Company to suspend it for later production testing, rather than plugging and abandoning it as had originally been planned.

In the current activities TDC Drilling Rig 4 has re-entered the Nyanda-4 well. The well was completed for production testing by installing a pump to enable dewatering of the coals. The workover activities have also involved under-reaming the coals, a process by which the damaged face of the coals in the well bore is cut away to reveal a fresh surface and increase the area exposed for production. During under-reaming good coal returns and encouraging indications of gas were encountered.

Following the demobilisation of the rig from the well the surface production testing facilities will be installed and the production test commenced. This is anticipated prior to Christmas. The testing process will involve gradually reducing the water level, and as a result the pressure, in the formations in the well, enabling the gas in the coals to desorb and be produced. The test is anticipated to continue for a period of between three and six months.

¹ Announced 5 December 2018

² Announced 4 November 2019

Aldinga East-1A

TDC Drilling's Rig 4 is now mobilising to the Aldinga East-1A well, drilled by State Gas during the last month. As foreshadowed by the Company's announcement of 13 November 2019, drill stem tests will be undertaken of the new conventional gas discovery in the Cattle Creek Formation in the well, as well as the gas sands and coal seams in the Reid's Dome Beds. These tests are expected to provide a gas sample and indicative flow rates. The results of this testing are expected in the next weeks.

Serocold-1

The Company remains committed to drilling and completing Serocold-1 prior to the end of the calendar year and expects to have further announcements in this regard shortly.

Target 2021 Gas-to-Market Strategy

State Gas Chairman, Mr Richard Cottee said he was pleased with progress made by the current program of activities towards the Company's Target 2021 Gas-to-Market strategy.

"The ongoing program of activities is providing essential data to inform the design of the appraisal activities to be undertaken next year. On completion of this current program we will be well placed to design the activities to properly assess the resource and provide the critical inputs for field and facility, as well as pipeline, development of the Project", he said.

Further updates will be provided as further results become available.

ENDS

FOR FURTHER INFORMATION

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Fig 1: TDC Drilling Rig 4 on location at Nyanda-4

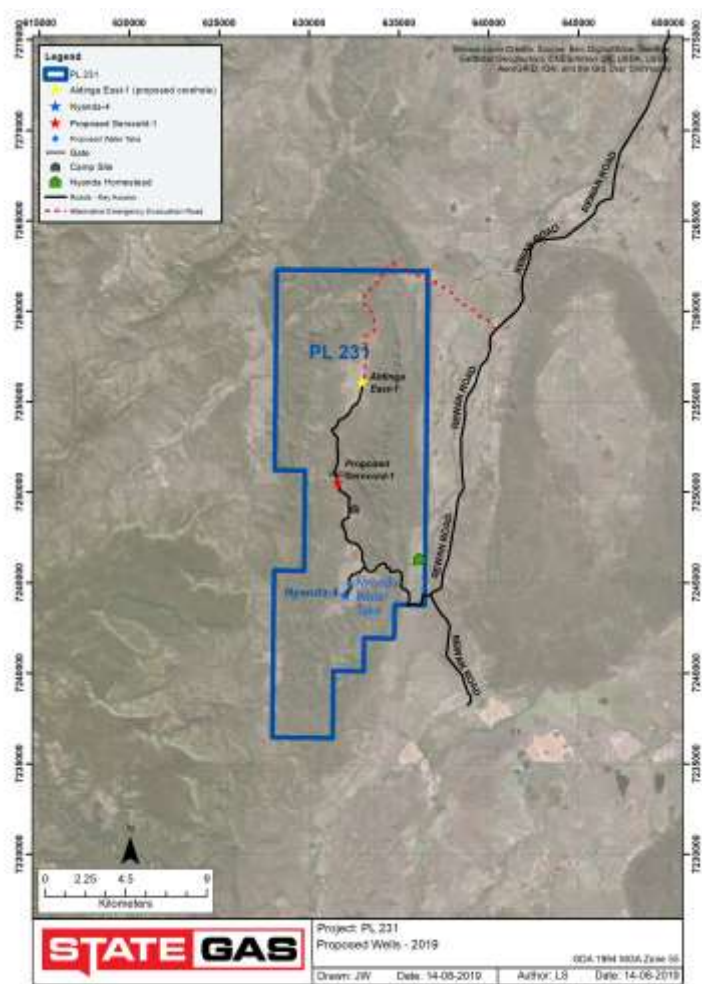


Fig 2: Location of Aldinga East-1A, Nyanda-4 and proposed Serocold-1 wells