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ASX RELEASE

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Production Testing Update Promising Early Gas Shows

State Gas Limited (ASX: GAS) advises that the three production test wells continue to provide encouraging results after early testing.

Following highly successful production testing of the Nyanda-4 well earlier this year, State Gas undertook jetting at the nearby Nyanda-8 well last month. After 20 days on production test, the well is averaging 16 bwpd and has a steady flare at 36% drawdown. The Nyanda-8 production test was commenced on 28 November 2021

The Serocold-1 production test is part of the Company's program of work to confirm the commerciality of its Reid's Dome Project (PL 231) in Central Queensland for delivery of new gas supplies into the east coast market. State Gas performed a foam squeeze on the well last month in order to control the unwanted production of silt and sand. After 14 days on production test the well is averaging 55 bwpd and has an intermittent flare of gas at only 25% drawdown.

The production testing at Rougemont-2 has yielded encouragement with gas production at 8 mcf/d and water production at 36 bwpd after 32 days with the well at 43% drawdown.

The Rougemont-1 and -2 wells are the first wells drilled in the eastern area of ATP 2062, which was issued to the Company in October 2020. The wells targeted the Bandanna Formation coals – currently in commercial production to the south-east at the Santos operated Arcadia Valley project and under development at the Comet Ridge operated Mahalo project to the north-east. The drilling results confirmed the presence of good quantities of gas at or near pipeline quality and the current test is to confirm its producibility.

Water levels are being monitored and drawn down carefully to control the reduction in downhole pressures to optimise production. The early gas flows were unexpected.

"I am pleased that we are successfully producing from these wells in a controlled fashion, and the early gas production has been both unexpected and fortuitous", said the Company's Executive Chairman Richard Cottee.

"Remote control of the production via SCADA means we are now much less vulnerable to weather instability at this season of the year", he added.

"The Reid's Dome gas contents are high – an average of 13.75 m³/tonne at Nyanda-4¹, so I am looking forward to seeing the results of these new production tests", said Mr. Cottee.

State Gas will continue to provide updates as the production tests progress.

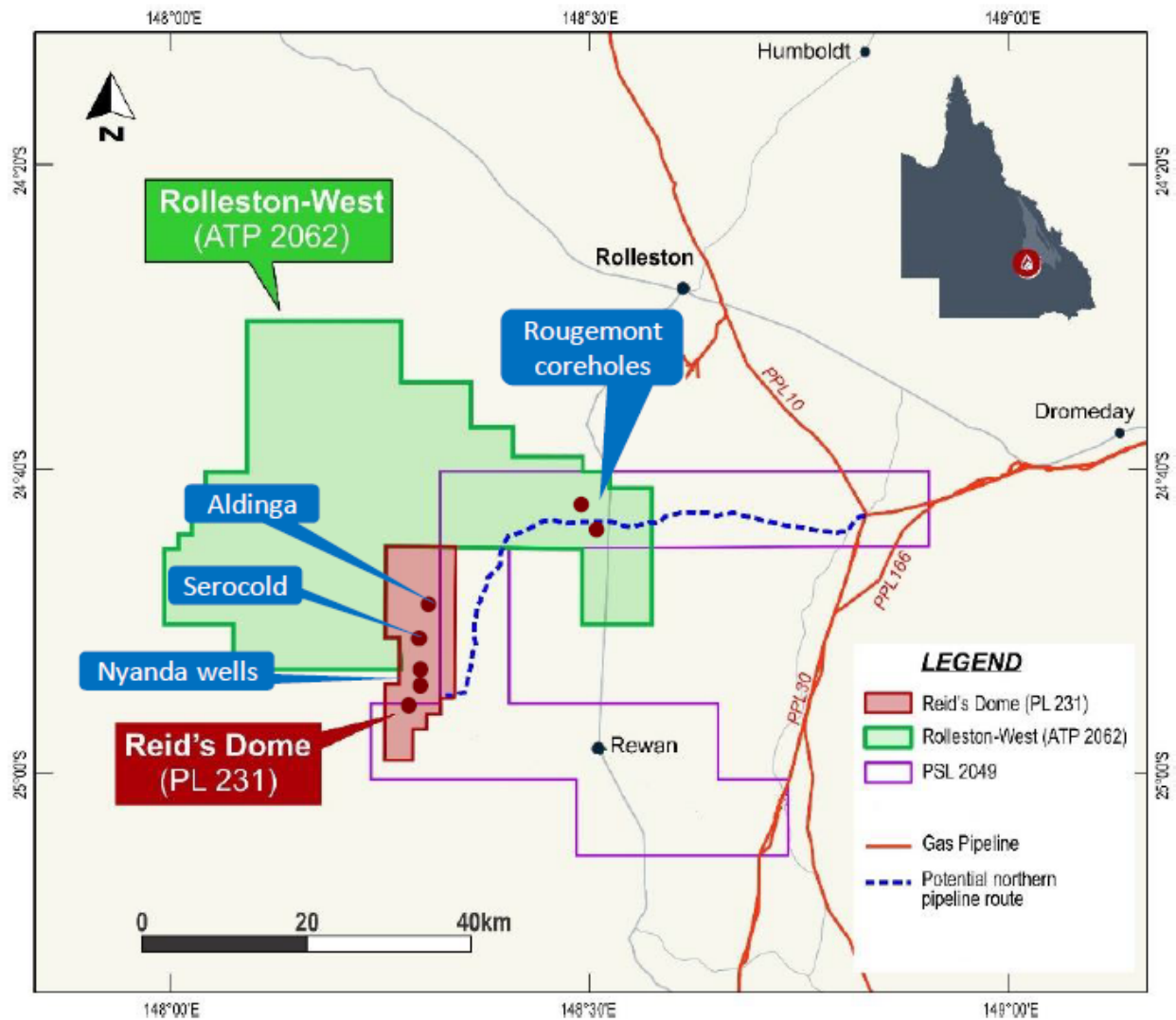
This announcement was approved for release by Mr Richard Cottee, Executive Chairman.

¹ Announced 4 November 2019

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).²

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 market³. State Gas' current focus has been to confirm the producibility of the gas through production testing of the wells.

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

³ Strategy announced on 21 August 2019