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ASX RELEASE

12 March 2018

OPERATIONAL UPDATE

HIGHLIGHTS

- Completed Phase 1 (Northern Area) of seismic reprocessing.
- Identified new potential gas pool target in the north-west of PL 231 from seismic reprocessing.
- Reviewed flow-test results and well inspections from December 2017 together with new seismic interpretation.
- Commenced Phase 2 (Southern Area) seismic data reprocessing.
- Commenced desktop review of Reid's Dome (deeper) gas and oil targets within PL 231.

Brisbane-based conventional gas developer **State Gas Limited (ASX: GAS)** is pleased to provide an operational update on its PL 231 Reid's Dome – Cattle Creek conventional gas project located South West of Rolleston in the Bowen Basin in Central Queensland.

The Company has received the results of the Phase 1 (Northern Area) seismic reprocessing. The Phase 1 reprocessing was calibrated to known gas sands from existing wells and is providing more advanced geophysical information that includes the Central North gas pool (centred on Primero-1) and other areas further to the north-west, where existing seismic data was available.

The interpretation results from the reprocessed seismic in the Northern Area of PL 231 have been considered by the Company in the context of the flow-testing results and well inspections conducted in December 2017.

With the flow-testing and well inspections data, it appears that there are two-to-three existing wells currently in place that will be sufficient to produce from the Central North Gas Pool.

The Phase 1 reprocessing also identified a new potential gas pool located in the north-west of PL 231 (North-West Gas Prospect). The North-West Gas Prospect appears to be hosted within the Cattle Creek Gas Sands and is anticipated to occur at a depth of approximately 220 metres in this area of the Permit.

Work is now underway to better define the scope of the North-West Gas Prospect and assess appropriate exploration and drilling options.

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In order to optimise drilling costs and related exploration activities for the 2018 program, the Phase 2 (Southern Area) seismic reprocessing has been commissioned. Seismic data in the Southern Area is available but is more limited than that available for the Northern Area. It is anticipated that the results of Phase 2 will be available within the next three-to-four months.

The Company is now investigating options for monetising the known Cattle Creek Formation gas in the Central North gas pool centred on Primero-1.

A review of the Reid's Dome (deeper) gas and oil targets within PL 231 has also been commenced, with certain historical exploration reports recently uncovered that were previously unavailable.

FOR FURTHER INFORMATION

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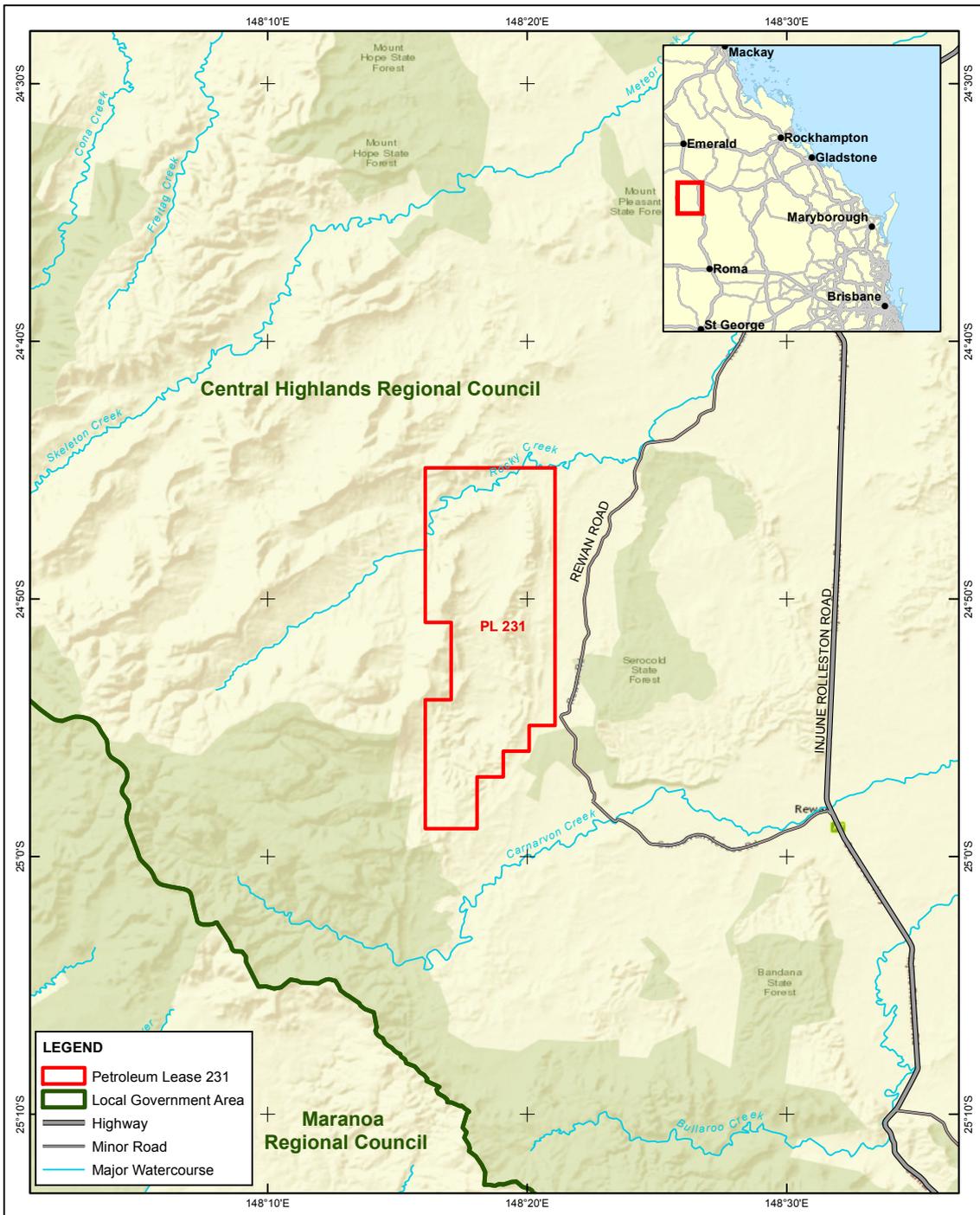
ABOUT STATE GAS

STATE GAS LIMITED (ASX: **GAS**) is a Queensland-based developer of a conventional gas field located in the Bowen Basin in Central Queensland. It is Operator and 60%-owner of the Reid's Dome and Cattle Creek Conventional Gas Project located 30 kilometres south west of Rolleston, approximately 50 kilometres from the Queensland Gas Pipeline.

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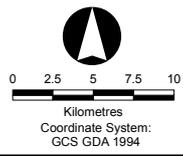


LEGEND

- Petroleum Lease 231
- Local Government Area
- Highway
- Minor Road
- Major Watercourse

NOTES
 Templates: Dept of Mines & Energy, Aug 2017
 Base data: Geoscience Australia, Geocdata V3

DISCLAIMER
 In preparing this map, RLMS have endeavoured to ensure that the data and information are as accurate and reliable as possible. However, RLMS cannot accept liability for any decisions or actions of whatever kind or nature based on this study. RLMS expressly disclaims any loss or damage that may arise therefrom.



CLIENT STATE GAS LIMITED
PROJECT PL 231 CATTLE CREEK/REIDS DOME PROJECT
FIGURE 1 PL231 LOCALITY
DATE AUGUST 2017



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