



Share Purchase Plan (SPP) Offer Booklet

STATE GAS LIMITED

ACN 617 322 488

For an offer of fully paid ordinary State Gas Limited shares at an issue price of \$0.55 per share to raise approximately \$2,000,000

ASX Code: GAS

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

This Offer Booklet requires your immediate attention. It is an important document which is accompanied by a personalised Application Form and both should be read in their entirety. This Offer Booklet is not a prospectus under the Corporations Act and has not been lodged with the Australian Securities and Investments Commission.

These materials do not constitute an offer to sell, or a solicitation of an offer to buy, any Shares in the United States. The Shares to be offered and sold under the SPP have not been, and will not be, registered under the United States Securities Act of 1933 (U.S. Securities Act) or the securities laws of any state or other jurisdiction of the United States, and therefore will only be offered and sold to Eligible Shareholders in Australia or New Zealand in "offshore transactions" (as defined in Rule 902(h) under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act.

1 TIMETABLE TO THE OFFER

Date (and time if relevant)	Event	Description
7.00 pm (Sydney time) 22 September 2020	Record Date	The date and time on which State Gas Limited determined the eligibility of Eligible Shareholders.
23 September 2020 (prior to the commencement of trading)	Announcing SPP	Announcement of the SPP to the ASX.
1 October 2020	Opening Date	Dispatch of this offer booklet to Shareholders. SPP opens for acceptances.
5.00 pm (Sydney time) 22 October 2020	Closing Date	SPP closes for acceptances. Applications must be received by 5.00 pm (Sydney time).
27 October 2020	Scale Back Date	The date on which any Scale Back or over-subscription is announced.
28 October 2020	Issue Date	Shares will be issued and allotted on this date.
29 October 2020	Trading Date	Trading of Shares allotted under the SPP is expected to commence on ASX.
3 November 2020	Despatch Date	Transaction confirmations will be despatched to Shareholders.

This timetable is indicative only and State Gas Limited, may at its discretion, vary any of the above dates in accordance with ASX Listing Rules.

All times are Sydney time.

2 CHAIRMAN'S LETTER

1 October 2020

Dear Shareholders

SHARE PURCHASE PLAN OFFER

On 23 September 2020, State Gas Limited (**State Gas**) announced a \$11.5 million capital raising, consisting a \$9.5 million placement to sophisticated investors (**Placement**) and share purchase plan (**SPP**) targeting to raise \$2 million, at an issue price of \$0.55 per Share which is a 4.1% discount to the volume weighted average market price for the Company's Shares calculated over the last 5 days on which sales in the Company's Shares were recorded before the capital raising was announced on 23 September 2020.

On behalf of the Board, we are pleased to offer you the opportunity to participate in the SPP.

The offer

The SPP provides Eligible Shareholders, being Shareholders as at 7.00 pm (Sydney time) on 22 September 2020 (**Record Date**) with a registered address in Australia or New Zealand, with an opportunity to apply for up to \$30,000 in new Shares irrespective of the number of Shares they currently own.

The SPP targets to raise approximately \$2,000,000, however the Board has the discretion to accept over-subscriptions or scale back applications using whatever methodology the Board considers fit.

Background and Activities update

State Gas began the journey of de-risking its acreage in PL231 last year. CSG reserve accretion is a step by step process. With the programme to date, your Company has shown that gas-bearing coal is ubiquitous across its acreage, and we have established through the exceptional flow rates at Nyanda-4 that economic gas should exist at the very least in a large area surrounding Nyanda-4. To establish CSG reserves, it needs to be demonstrated that the results at Nyanda-4 are not just localised but extend kilometres away from Nyanda-4. This can only be done by drilling.

The potential for State Gas to be a significant player in the natural gas market has been materially enhanced by the award to the Company of PLR2020-1-5 from the latest Queensland Petroleum Land Release (**Block 5**). Block 5 surrounds PL231 on 3 sides and as such will be synergistically developed with PL231 as one project. This new acreage extends our geographic area under exploration nearly nine-fold. Our estimates are that over time it should quadruple our sales gas potential.

The award has come at a time when the ACCC earlier this year said "there is significant uncertainty about whether future supply from gas reserves and resources will be sufficient to meet overall demand on the east coast", and the Federal Government is promoting gas to help the nation to recover from its current economic woes.

The low water rates and the early desorption combined with the existence of conventional gas give your Board some confidence that our extraction costs should be amongst the lowest of all competitor new entrants in the Australian Eastern Seaboard Gas Market. Whilst the domestic market will remain our focus (why take on exchange and oil pricing risk if there is a viable alternative?), none of our acreage is constrained by permit conditions from being exported if that is the best path for shareholder returns. This also lowers the administrative burden on sales and opens up the avenue for spot sales when the price is attractive.

Your Board has decided that with this attractive new acreage and the achievements of flow rates in excess of 400,000 scf/day at Nyanda-4, now is the hour to step on the gas by fundraising. Our shareholders deserve the

opportunity to participate in this attractive offering and hence this SPP. I encourage every one of you to participate in this SPP.

Use of funds raised under the Placement and SPP

Funds raised under the Placement and SPP will be used to drill and production test at least three new gas wells (subject to approvals), provide funding for field geology, seismic reprocessing and infrastructure studies for PLR2020-1-5 (**Rolleston-West**) and PL231 (**Reids Dome**), and towards corporate and fundraising costs.

How to participate in the SPP

To apply for Shares under the SPP, please follow the instructions on the enclosed personalised Application Form. You can obtain a copy of your personalised Application Form and Offer Booklet and apply online from the SPP website at <https://www.stategas.com>.

This document and its attachments set out the details and Terms and Conditions of the SPP. We encourage you to read the enclosed material, including in particular the summary of key risks in section 4, and seek your own financial and tax advice in relation to the SPP before you decide whether to participate.

The SPP opens at 9.00 am (Sydney time) on Thursday 1 October 2020 and will close at 5.00 pm (Sydney time) on Thursday 22 October 2020. Late applications will not be accepted. However, State Gas reserves the right to scale-back investors, withdraw the SPP, or vary the Closing Date without prior notice subject to the Corporations Act and the ASX Listing Rules.

On behalf of the Board, we invite you to consider participation in the SPP.

Yours sincerely



Richard Cottee

Chairman

3 PROPOSED USE OF FUNDS

The Company intends to use proceeds from the Placement and SPP as follows:

Activity	Objective
2 firm + 1 contingent new wells to be production tested for a minimum of 6 months	a) To maximise reserves and resources around Nyanda; b) To provide the data necessary for development planning (eg well spacing, flow rates, gas composition, water profile etc); and c) To enable early development of Nyanda area.
Field geology, seismic reprocessing & G&G for Block 5	To confirm and prepare drilling target and assist identification of future drilling targets.
1 well drilled, cored, logged, DSTs in Block 5 (once permitting and approvals obtained)	To establish resources in the new acreage area.
Corporate costs and costs of fundraising	To maintain your Company's operations.

4 KEY RISKS

Shares are a speculative investment and the market price may change between the dates you apply for new Shares and the issue of new Shares to you. Accordingly, the value of new Shares applied for may rise or fall. This Offer Booklet is not a prospectus and does not require the types of disclosures required under the Corporations Act for a prospectus. You must rely on your own knowledge of the Company and previous disclosures made by the Company to ASX, and, if necessary, should consult your professional advisor when deciding whether or not to participate in the SPP.

There are a number of general and specific risks which may affect the future operating and financial performance and financial position of State Gas along with the trading price of the Shares and dividends (if any) paid on them in the future.

These risks include and are not limited to the following:

(a) Exploration and development risks generally

The exploration, appraisal and development of petroleum projects is highly speculative in nature. Careful evaluation, experience and knowledge will not eliminate this risk. There are numerous variables applied to the estimation of resources. For these reasons, estimates of the economically recoverable gas resources and targeted resources in any particular tenement are subject to assumptions made in the assessments and so may vary substantially from the final result.

State Gas' success will depend upon its ability to prove up gas reserves that can be recovered economically. There can be no assurance that State Gas' planned exploration and appraisal

programs will result in economic reserves or that it will have success consistent with expectations.

(b) Financial risks

State Gas has no operating revenue and is unlikely to generate any revenue in the short to medium term. As disclosed in the Company's 30 June 2020 Annual Report, the Company had a net loss of \$3,553,330 and net operating cash outflows of \$1,215,393 for the year ended on 30 June 2020. The Board anticipates that its existing cash resources, together with the proceeds under the Placement and the SPP, will be sufficient to progress the Company's projects and achieve the short term objectives described in this Booklet, after which further equity funding may be required.

If State Gas' appraisal program is successful, more substantive funding will likely be required to advance commercial development of the resource including for development drilling, gas and water gathering networks, processing facilities and the export pipeline. It is currently the intention of the Company to outsource construction and operation of processing facilities and the export pipeline from an infrastructure provider, however this may not be possible on acceptable terms.

Potential sources for funding include, in addition or as an alternative to equity funding, a farm-out of the project to an appropriately resourced partner, or some level of debt financing. Both additional equity funding and farm-out of the project may dilute existing members.

Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of appraisal and development or force the Directors to pursue less attractive funding alternatives. There are considerable financial risks in this.

(c) Gas market risks including supply and demand

The price of natural gas in Queensland is driven by the supply/demand balance in both the domestic East Coast gas market, and the international market for LNG, as well as the pricing of alternative supply of energy. While gas is frequently sold under long term contracts, short term or spot markets have become increasingly important in recent years. The balance of supply and demand and the impact of competing energy markets have contributed to considerable pricing volatility in the spot market, and also to considerable notice from regulators with threats of intervention.

Any substantial decline in the price of natural gas would likely have a material adverse effect on the value of State Gas. In addition to adversely affecting reserve estimates, declining gas prices can impact operations by requiring a reassessment of the feasibility of the Company's projects.

These risks are associated with an investment in Shares but are not an exhaustive list. In addition and as with an investment in any ASX listed company, the future prospects, operating and financial performance of the Company and the value of its Shares may be affected by a variety of factors, including changes in investor sentiment and overall performance or the Australian and overseas securities markets, and changes in general business, industry cycles and economic conditions. As a Shareholder, you will continue to be exposed to such risks.

There may also be additional risks and uncertainties not currently known which may have an adverse effect on State Gas' business and the value of the Shares.

Where possible, State Gas will seek to minimise its exposure to, and mitigate the effects of, these risks. However, certain risks relate to matters that are outside the control of State Gas, and there can be no assurance that any steps that State Gas takes will successfully protect it from any particular risk.

These risks do not take into account the investment objectives, financial situation, tax position or other circumstances of any particular Shareholder. Shareholders should have regard to their own investment objectives and financial circumstances and seek professional advice from their legal, financial or other independent adviser before determining whether or not to participate in the SPP.

5 QUESTIONS AND ANSWERS

What is the SPP? The SPP is an opportunity for Eligible Shareholders to purchase additional Shares of up to \$30,000 irrespective of the number of Shares they currently own.

You will not pay brokerage, commissions or other transaction costs.

All Shares issued to you under the SPP will rank equally with your existing fully paid Shares and will carry the same voting rights and entitlements to receive distributions.

Who may participate in the SPP? You may participate in the SPP if you are an Eligible Shareholder. You are an Eligible Shareholder if you are a registered holder of Shares on the Record Date with a registered address in:

- (a) Australia; or
- (b) New Zealand,

unless you hold Share for the account of another person, who resides outside Australia or New Zealand.

Certain Eligible Shareholders who are custodians holding Shares on behalf of certain beneficiaries are also able to participate in the SPP in accordance with the Terms and Conditions.

Each custodian, trustee or nominee must not distribute any documents relating to the SPP to any person in the United States and must not submit an Application or make payment by BPAY® or otherwise apply for Shares for any person for whose account or benefit it acts that is a person in the United States.

Do I have to participate in the SPP? No. Participation in the SPP is entirely voluntary.

If you do not wish to participate in the SPP, no action is required on your part.

Before you apply for Shares, State Gas recommends you seek independent financial and tax advice from your stockbroker, accountant or other professional advisor, and you monitor the price of Shares (which is quoted in the financial pages of the major metropolitan newspapers and on the ASX

	<p>website). This Offer Booklet does not purport to contain all of the information that you may need to make an investment decision.</p>
<p>Are there any risks in participating in the SPP?</p>	<p>There are risks associated with holding Shares and participating in the SPP, as set out in section 4 of this Booklet.</p> <p>In addition, there is a risk that the prevailing market price for Shares may change between the date of the offer and when Shares are issued to you under the SPP. The market price or value of Shares is subject to market volatility. It may be higher or lower, and the value of Shares you receive under the SPP may change depending upon the prevailing market price.</p>
<p>What is the Issue Price of the Shares under the SPP?</p>	<p>The Issue Price of Shares under the SPP is \$0.55 per Share, being a 4.1% discount to the volume weighted average market price for the Company's Shares calculated over the last 5 days on which sales in the Company's Shares were recorded immediately prior to the announcement of the SPP on 23 September 2020.</p> <p>You should note that the market price of Shares may rise or fall between the date of this offer and the date when the Company issues the Shares to you under the SPP. This means that the price you pay per Share under this offer may exceed, or be less than, the market price of the Shares at the time of issue of the Shares under this offer. You are encouraged to seek your own financial advice in relation to this offer and your participation under the SPP.</p>
<p>How many Shares can I apply for under the SPP?</p>	<p>If you are an Eligible Shareholder, you are entitled to apply for up to \$30,000 in new Shares, regardless of the number of Shares you currently hold. You may nominate one of the following values should you wish to apply for new Shares: \$5,000, \$10,000, \$15,000, \$20,000, \$25,000 or \$30,000 (Nominated Subscription).</p> <p>If you receive more than one copy of this Offer Booklet, or if you hold Shares in more than one capacity (e.g. because you are both a sole and joint holder of Shares), the maximum amount you may apply to invest under the SPP in all capacities, and in aggregate, is \$30,000. By applying to purchase Shares under the SPP, you certify you have not exceeded this \$30,000 limit.</p> <p>If the Issue Price cannot be divided into your Nominated Subscription, to give a whole number of Shares, there will be a rounding down of the number of Shares. By applying to purchase Shares under the SPP, you acknowledge that any remaining balance of your payment arising from any rounding down will be donated to a registered charity of State Gas' choosing. You will not receive a refund for this amount, which will always be less than the Issue Price of one Share.</p>
<p>Can I transfer my rights to a third party?</p>	<p>No. Your rights under this offer are personal to you and non-renounceable, so you may not transfer them.</p>

<p>What will happen if the SPP is oversubscribed?</p>	<p>The SPP targets to raise approximately \$2,000,000.</p> <p>State Gas may, at its absolute discretion, accept over-subscriptions or scale back the number of Shares that will be allotted to individual Shareholders under this SPP using whatever methodology it considers fit. If this happens, you may be allocated Shares to a value which is less than the value of Shares that you applied for and the difference will be refunded to you (without interest).</p>
<p>How do I apply for Shares under the SPP?</p>	<p>If you wish to participate in the SPP, you can apply for Shares in the following ways:</p> <p>(a) apply for Shares by making a payment of \$5,000, \$10,000, \$15,000, \$20,000, \$25,000, or \$30,000, using the BPAY® facility provided by your bank as per the instructions in the Application Form. If you make a payment by BPAY®, you will be deemed to have completed an Application Form accepting Shares to the value of \$5,000, \$10,000, \$15,000, \$20,000, \$25,000, or \$30,000. You do not need to return the Application Form if paying by BPAY®; or</p> <p>(b) follow the instructions set out in the enclosed Application Form. Send your completed Application Form with your cheque, bank draft or money order drawn on an Australian branch of a financial institution in Australian currency, made payable to “State Gas Limited” and crossed “Not Negotiable” to Link Market Services Limited in the enclosed reply paid envelope.</p> <p>You can obtain a copy of your personalised Application Form and Offer Booklet and apply online from the SPP website at https://www.stategas.com.</p> <p>You will not be able to withdraw or revoke your Application once you have made a payment by BPAY® or sent us the completed Application Form.</p> <p>If paying by BPAY®, payment must be received by the Registry by BPAY® by 5.00pm (Sydney time) on 22 October 2020. By paying by BPAY®, you will be deemed to have completed an Application Form for the number of Shares the subject of your Application.</p> <p>If you make a payment by BPAY® and the Company receives an amount which is not equal to either \$5,000, \$10,000, \$15,000, \$20,000, \$25,000, or \$30,000, the Company may round down the dollar amount of Shares that you are applying for to the next lowest parcel at their discretion. Your payment must be for a minimum of \$5,000.</p>
<p>Can I apply for Shares under the SPP if my Shares are held by a custodian,</p>	<p>If you are expressly noted on State Gas’ share register as the named beneficiary of Shares held by a custodian, trustee or nominee, and you reside in Australia or New Zealand, you will be eligible to participate in the SPP.</p>

trustee or nominee?	
How long is the SPP offer open for?	The SPP opens at 9.00 am (Sydney time) on Thursday 1 October 2020 and closes at 5.00 pm (Sydney time) on Thursday 22 October 2020. If you want to participate, you should ensure that Link Market Services Limited receives payment in cleared funds by no later than 5.00 pm (Sydney time) on 22 October 2020 (the Closing Date for the SPP).
Do I have a guaranteed allocation of Shares under the SPP?	No. The SPP is targeting to raise approximately \$2 million, and State Gas reserves the right (at its absolute discretion and subject to the Listing Rules) to scale back applications under the SPP using whatever methodology it considers fit. If this happens, you may be allocated fewer Shares than the parcel of Shares for which you applied, and you will be refunded the difference in the application amount (without interest payable on funds prior to your refund).
What is the market price of Shares?	The market price of Shares can be obtained from the ASX website by searching for "State Gas Limited" in the prices search screen.
Taxation	You should consult your own taxation advisor about the tax status and implications of your investment in Shares.
Further questions?	If you have any questions in relation to the SPP please call your stockbroker, accountant or other professional advisor. If you require information on how to complete the Application Form please contact the State Gas SPP Offer information line on 1300 420 208 from within Australia or (+61) 1300 420 208 from outside Australia between 8.30am and 5.30pm (Sydney time), Monday to Friday while the Offer remains open for acceptance.

6 TERMS AND CONDITIONS

6.1 Defined terms

Defined words and expressions used in this Offer Booklet are capitalised. See the Definitions section at the end of this Offer Booklet for their definition.

6.2 Offer timetable

This Offer Booklet is dated 23 September 2020.

The SPP opens at 9.00 am (Sydney time) on Thursday 1 October 2020 (**Opening Date**) and closes at 5.00 pm (Sydney time) on Thursday 22 October 2020 (**Closing Date**). Application Forms and cheques, bank drafts, money orders or BPAY® payments may not be processed and may not be valid if they have not

been received by the Closing Date. You must allow adequate time for Application Forms and cheques, bank drafts or money orders forwarded by post to be received by the Registry.

Any increase in Shares to be issued, or reduction in allotments of Shares under the SPP (**Scale Back**) is proposed to be announced on the Scale Back Date.

The Shares will be issued on the Issue Date and a transaction confirmation is expected to be dispatched to you shortly thereafter.

6.3 Eligible Shareholders

You may participate in the SPP if you are an Eligible Shareholder.

If you are the only registered holder of a holding of Shares, but you receive more than one offer under the SPP (due to multiple registered holdings), you may only contribute a maximum of \$30,000 in applying for Shares.

If two or more persons are recorded in State Gas' share register as jointly holding Shares, they are taken to be a single registered holder of Shares for the purposes of the SPP. If as joint holders you receive more than one offer under the SPP due to multiple identical holdings, you may still only contribute a maximum of \$30,000 in applying for Shares. An agreement, representation, acknowledgement or certification given by any joint holder of Shares is taken to be an agreement, representation, acknowledgement or certification given by all joint holders.

An Eligible Shareholder who is a custodian, trustee or nominee within the definition of "custodian" in ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547 (**Custodian**) may participate in the SPP on behalf of each Eligible Beneficiary on whose behalf the Custodian is holding Shares.

If you are a Custodian, you may contribute a maximum of \$30,000 in applying for Shares for each Eligible Beneficiary on whose behalf you or a downstream Custodian holds Shares (but joint holders are taken to be a single holder). This is subject to you providing State Gas with a certificate in accordance with section 6.4(f)(v) below. You can obtain a certificate form by contacting the State Gas SPP offer information line on 1300 420 208 if calling within Australia or +61 1300 420 208 if calling from outside of Australia. Applications received from Custodians in excess of \$30,000 that are not accompanied by a certificate may be rejected.

If you are not a Custodian, the rules for multiple single holdings apply and you may only contribute a maximum of \$30,000 in applying for Shares. You are not eligible to participate on behalf of a person who resides outside Australia or New Zealand.

If you are an Eligible Shareholder, your rights under this offer are personal to you and non-renounceable, so you may not transfer them.

The offer under the SPP is made on the same Terms and Conditions to each Eligible Shareholder (whether you are a custodian or hold Shares on your own account).

Participation in the SPP is entirely optional. If you are an Eligible Shareholder, you can choose whether or not to participate. If you are a Custodian, you can choose whether to extend the offer to your Eligible Beneficiaries.

6.4 Applications for Shares

(a) Limitations on Applications

If you are an Eligible Shareholder, you may apply to purchase a Parcel of Shares valued at \$5,000, \$10,000, \$15,000, \$20,000, \$25,000, or \$30,000 (**Nominated Subscription**).

This Parcel may be subject to a Scale Back and rounding.

Unless you are applying as a Custodian, the maximum amount of \$30,000 applies even if you receive more than one Application Form or if you hold Shares in more than one capacity (for example, if you are both a sole and joint holder of Shares – see section 6.3 above) and irrespective of the number of Shares you hold on the Record Date. State Gas can reject any application for Shares if State Gas believes you have not complied with this condition.

(b) Completing the Application Form and paying for Shares

If you wish to participate in the SPP, you must either:

- (i) make a payment by BPAY® if you have an Australian bank account enabled for this purpose. BPAY® customers must use the unique customer reference number shown on the instructions to the Application Form which is required to identify your holding. If paying by BPAY®, you do not need to return your Application Form.

Note: By using the BPAY® facility to apply for Shares, you represent to State Gas that the total of the application price for the following does not exceed \$30,000:

- (A) the Shares you are applying for;
 - (B) any other Shares you are applying for under the SPP, or Shares or interests in the class issued under a similar arrangement in the 12 months before your application under the SPP;
 - (C) any other Shares or interests in the class which you have instructed a Custodian to acquire on your behalf under the SPP; and
 - (D) any other Shares or interests in the class issued to a Custodian under an arrangement similar to the SPP in the 12 months before your application under the SPP as a result of you instructing the Custodian or another Custodian, which resulted in you holding a beneficial interest in the Shares or interests.
- (ii) complete the enclosed Application Form and return it with a cheque, bank draft or money order for \$5,000, \$10,000, \$15,000, \$20,000, \$25,000, or \$30,000, in accordance with the instructions on the Application Form. You can also obtain a copy of your personalised Application Form and Offer Booklet from the SPP website at <https://stategas.com>. Cheques, bank drafts and money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to “State Gas Limited” and crossed “Not Negotiable”. State Gas will not accept payment by cash.

Payment in cleared funds must be received by 5.00 pm (Sydney time) on the Closing Date.

(c) State Gas’ discretions regarding Applications

State Gas has a broad discretion to accept or reject your Application to purchase Shares under the SPP in whole or in part, including if:

- (i) your Application Form, cheque, bank draft, money order or BPAY® payment is late, incorrectly completed, incomplete or otherwise determined by State Gas to be invalid;
- (ii) your cheque or bank draft or money order is late, dishonoured or has not been completed correctly;
- (iii) the cheque, bank draft or money order that you enclose with your Application Form is not made out for the exact amount as indicated on the Application Form;
- (iv) your BPAY® payment is not received or is incomplete or invalid;
- (v) unless you are applying as a Custodian, it appears that you are applying to buy more than \$30,000 (in aggregate) of Shares under the SPP;
- (vi) you are a Custodian, State Gas is not satisfied with your certification for any reason, or if you have not provided a certification;
- (vii) cleared funds are not received until after the Closing Date. While State Gas has the discretion to accept late Application Forms, cheques, bank drafts, money orders or BPAY® payments, there is no assurance that it will do so. Late Application Forms and cheques, bank drafts or money orders, if not processed, will be returned to you at your registered address. Late BPAY® payments may be returned to you by cheque (or any other method as State Gas determines) to your registered address;
- (viii) the amount of your cheque, bank draft, money order or BPAY® payment is not equal to the amount indicated on the Application Form, in which event State Gas will:
 - (A) refund in full your application monies and not allot any Shares to you; or
 - (B) allot to you the number of Shares that would have been allotted had you applied for the highest Parcel that is less than the amount of your payment and refund to you the excess of your application monies by direct credit deposit to your nominated bank account or by cheque; or
 - (C) State Gas has reasons to believe that you are not an Eligible Shareholder (subject to compliance with any applicable ASIC or ASX requirements).

State Gas must reject applications if required to do so under ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547.

(d) Amount to be raised and Scale Back

The Company is targeting to raise approximately \$2,000,000, and the Company may in its absolute discretion, accept over-subscriptions or scale back applications.

If there is a Scale Back, you may not receive all the Shares for which you have applied. State Gas may, at its absolute discretion, scale back the number of Shares that will be allotted to individual Shareholders under this SPP using whatever methodology it considers fit. If a Scale Back produces a fractional number when applied to your Parcel, the number of Shares you will be allotted will be rounded down.

If there is a Scale Back, State Gas will refund to you by direct credit deposit to your nominated bank account or by cheque, the difference between your application money and the total Issue Price for the Shares allotted to you (provided that you will not receive a refund for an amount which is less than the Issue Price of one Share).

(e) Interest

No interest will be paid on any application money returned to you, or held pending the issue of Shares under the SPP.

(f) Significance of applying for Shares

If you apply to participate in the SPP:

- (i) your Application, on these Terms and Conditions, will be irrevocable and unconditional (it cannot be withdrawn or cancelled);
- (ii) you represent that all details and statements in your Application are true and complete, and not misleading (including by omission);
- (iii) you represent that you are and each person for whom you are acting is an Eligible Shareholder, and agree to provide (and, if applicable, direct your Custodian to provide) any requested substantiation of your eligibility to participate in the SPP;
- (iv) if you are applying on your own behalf (and not as a Custodian), you acknowledge and agree that:
 - (A) you are not applying for Shares with an application price of more than \$30,000 under the SPP (including by instructing a Custodian to acquire Shares on your behalf under the SPP);
 - (B) the total of the application price for the following does not exceed \$30,000: (A) the Shares you are applying for; (B) any other Shares you are applying for under the SPP, or Shares or interests in the class issued under a similar arrangement in the 12 months before your application under the SPP; (C) any other Shares or interests in the class which you have instructed a Custodian to acquire on your behalf under the SPP; and (D) any other Shares or interests in the class issued to a Custodian under an arrangement similar to the SPP in the 12 months before your application under the SPP as a result of you instructing the Custodian or another Custodian, which resulted in you holding a beneficial interest in the Shares or interests; and
 - (C) State Gas will take no responsibility for Applications in excess of \$30,000;
- (v) if you are a Custodian and are applying for Shares on behalf of an Eligible Beneficiary on whose behalf you hold Shares, you acknowledge and agree:
 - (A) that you are a Custodian (as that term is defined in paragraph 4 of ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547);
 - (B) that you held Shares on behalf of the Eligible Beneficiary as at the Record Date who has instructed you to apply for Shares on their behalf under the SPP and that the Eligible Beneficiary was provided with a copy of this Offer Booklet before giving such instruction;

- (C) that you are not applying for Shares on behalf of any Eligible Beneficiary with an application price of more than \$30,000 under the SPP; and
- (D) to certify to us in writing the matters required by paragraph 8(3) of ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547, and that the information given in that certification is true, correct and not misleading;
- (vi) you agree to these Terms and Conditions and you agree not to do anything which would be contrary to the spirit, intention or purpose of the SPP;
- (vii) you agree to be bound by the constitution of State Gas (as it may be amended from time to time);
- (viii) you represent that you are in compliance with all relevant laws and regulations;
- (ix) you authorise State Gas (and its officers or agents) to correct any error in, or omission from, your Application Form and to complete the Application Form by the insertion of any missing details;
- (x) you agree that State Gas may determine that your Application Form is valid and in accordance with these Terms and Conditions, even if it is incomplete, contains errors or is otherwise defective;
- (xi) you agree that your Application is only effective when received by the Registry and not when posted;
- (xii) you acknowledge that State Gas may vary the timetable set out in this Offer Booklet at its discretion by lodging a revised timetable with the ASX;
- (xiii) you accept the risk associated with any return of application monies (for example, in the event of a rejected Application) or other refunds that may be dispatched to you by to your address shown on State Gas' share register;
- (xiv) you agree to indemnify State Gas for, and to pay to State Gas within 5 business days of demand, any dishonour fees or other costs State Gas may incur in presenting a cheque or bank draft for payment which is dishonoured;
- (xv) you acknowledge that none of State Gas, its advisors or agents, or the Registry has provided you with investment advice, financial product advice or taxation advice, and that none of them has any obligation to provide this advice concerning your decision to apply for and purchase Shares;
- (xvi) you acknowledge that the Offer Booklet that incorporates these Terms and Conditions does not purport to contain all of the information that an investor may require to make an investment decision;
- (xvii) you acknowledge that there are risks associated with acquiring and holding Shares, including those described in the immediately preceding section;
- (xviii) you acknowledge that none of State Gas, its officers or agents are liable for any exercise of any discretions by any person referred to in these Terms and Conditions;
- (xix) you acknowledge that any remaining balance of your payment, due to a rounding down of the number of Shares, will be donated to a registered charity of State Gas'

choosing (provided that the remaining balance is less than the Issue Price of one Share);

- (xx) if you make payment of application money by BPAY®, you acknowledge that you will be taken to have made all representations, warranties and undertakings set out in the Application Form as if you had validly signed and submitted an Application Form;
- (xxi) you declare that you are at least 18 years of age and have full legal capacity and power to perform all your rights and obligations in respect of the SPP;
- (xxii) you acknowledge and agree that you are not in the United States and are not acting for the account or benefit of a person in the United States;
- (xxiii) you acknowledge that the Shares have not been, and will not be, registered under the Securities Act of 1933, as amended (U.S. Securities Act), or the securities laws of any state or other jurisdiction in the United States, or in any other jurisdiction outside Australia or New Zealand and accordingly, the Shares to be offered and sold under the SPP offer will only be offered and sold to Eligible Shareholders in Australia or New Zealand in “offshore transactions” (as defined in Rule 902(h) under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act;
- (xxiv) you acknowledge and agree that if you are acting as a trustee, nominee or Custodian, each beneficial holder on whose behalf you are participating in the SPP is resident in Australia or New Zealand; and
- (xxv) you agree not to send any materials relating to the SPP to any person outside Australia and New Zealand.

6.5 Parcel price and number of Shares

If you apply for Shares under the SPP, you will apply for a certain value, rather than a certain number, of Shares. You agree to pay the total application price of:

- (a) \$5,000;
- (b) \$10,000;
- (c) \$15,000;
- (d) \$20,000;
- (e) \$25,000;
- (f) \$30,000.

State Gas shall determine the number of Shares to be issued to each Eligible Shareholder who applies for a Parcel, by dividing the value of that Parcel by the Issue Price. If the Issue Price cannot be divided into your Nominated Subscription to give a whole number of Shares, there will be a rounding down of the number of Shares. In accordance with section 6.4(f)(xix) above, any remaining balance of your payment will be donated to a registered charity of State Gas’ choosing. You will not receive a refund for this amount, which will always be less than the Issue Price of one Share.

The SPP is targeting to raise approximately \$2,000,000, however the Company may in its absolute discretion, accept over-subscriptions or scale back applications using whatever methodology it considers fit.

6.6 Issue of Shares

On the Issue Date, State Gas will issue the number of Shares to each Eligible Shareholder on the basis set out in section 6.5.

Shares issued under the SPP will, at the time of issue, rank equally with, and have the same voting rights, distribution rights and other entitlements as existing Shares.

State Gas will apply for Shares issued under the SPP to be quoted on ASX.

6.7 Variation and termination

State Gas reserves the right at any time to:

- (a) amend or vary these Terms and Conditions;
- (b) waive compliance with any provision of these Terms and Conditions;
- (c) withdraw the SPP or suspend or terminate the SPP;
- (d) vary the timetable for the SPP, including the Closing Date;
- (e) not accept an Application, not issue Shares, or issue Shares to a value less than that applied for under the SPP by an Eligible Shareholder (including a Custodian applying on behalf of one or more Eligible Beneficiaries).

Any such amendment, variation, waiver, suspension, withdrawal, non-acceptance or termination will be binding on all Eligible Shareholders even where State Gas did not notify you of that event.

In the event the SPP is withdrawn or terminated, all application monies will be refunded. No interest will be paid on any money returned to you.

6.8 Underwriting

The SPP is not underwritten.

6.9 Settling disputes

State Gas may settle in any manner it sees fit, any difficulties, anomalies or disputes which may arise in connection with the operation of the SPP whether generally or in relation to any participant or any Application of Shares. The decision of State Gas is conclusive and binding on all participants and other persons to whom the determination relates. These rights may be exercised by State Gas, its Board of Directors or any of their delegates.

6.10 Privacy

Chapter 2C of the Corporations Act requires information about Shareholders (including their name, address and details of the securities they hold) to be included in the public register of the entity in which they hold securities. This information must continue to be included in the public register even if they cease to be a Shareholder.

State Gas and the Registry may collect personal information to process the application and implement the SPP, and to administer holdings of Shares.

The personal information contained in State Gas' share register is also used to facilitate payments and corporate communications (including financial results, annual reports and other information to be

communicated to Shareholders) and to ensure compliance with legal and regulatory requirements, including taxation laws and the Corporations Act.

The personal information State Gas collects in relation to Shareholders may include the name, address, other contact details, bank account details and details of their holdings of Shares.

Shareholders who are individuals and the other individuals in respect of whom personal information is collected, as outlined above, have certain rights to access, correct or update the personal information held about them, subject to some exceptions allowed by law. Such individuals should contact the State Gas SPP offer information line on 1300 420 208 from within Australia or (+61) 1300 420 208 from outside Australia between 8.30 am and 5.30 pm (Sydney time), Monday to Friday while the offer remains open.

Personal information regarding Shareholders may be disclosed to joint investors, the Registry, securities brokers, third party service providers (including print and mail service providers, technology providers, and professional advisors), related entities of State Gas and each of their agents and contractors, and ASX and other regulatory authorities, and in any case, where disclosure is required or allowed by law (which may include disclosures to the Australian Taxation Office and other government or regulatory bodies or where you have consented to the disclosure). In some cases, the types of organisations referred to above to whom State Gas will disclose personal information may be located overseas.

The main consequence of not providing the personal information outlined in this section 6.10 would be that State Gas may be hindered in, or prevented from, processing applications, and from conducting and implementing the SPP.

6.11 Shortfall

The SPP is not underwritten.

State Gas reserves its right to place any shortfall under the SPP at a price not less than the Issue Price in accordance with its share issue capacity under the Listing Rules.

6.12 Governing law

These Terms and Conditions are governed by the laws in force in Queensland and are to be interpreted in accordance with their spirit, intention and purpose.

6.13 Inconsistency

These Terms and Conditions prevail to the extent of any inconsistency with the Application Form.

7 GLOSSARY

Where the following terms are used in this Offer Booklet, they have the following meanings:

Application	A correctly completed and submitted Application Form and attached application monies or a payment via BPAY®.
Application Form	The Application Form relating to the SPP that you received with this Offer Booklet, including the instructions. This may include a deemed

	Application Form in the same terms, where a valid BPAY® payment is made.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited ABN 98 008 624 691 or the market operated by it, as the context requires.
Beneficiary	A person on whose behalf a Custodian is holding Shares as at the Record Date.
Board	The board of directors of the Company.
Closing Date	5.00 pm (Sydney time) on 22 October 2020.
Control	Has the meaning given in section 50AA of the Corporations Act.
Corporations Act	<i>Corporations Act 2001 (Cth)</i> .
Despatch Date	The date on which the transaction confirmation statements are despatched to participating Eligible Shareholders.
Dollars or \$	Australian dollars.
Eligible Beneficiary	A Beneficiary with a registered address in either Australia or New Zealand, provided that such Beneficiary is not in the United States.
Eligible Shareholder	A person who, at the Record Date, was recorded in State Gas Limited's share register as being a registered holder of Shares with a registered address in: <ul style="list-style-type: none"> a) Australia; or b) New Zealand, and who is not, or is not acting for the account or benefit of, a person in the United States.
Issue Date	The date on which Shares are issued under the SPP which is expected to occur on 28 October 2020.
Issue Price	\$0.55 per Share.
Listing Rules	The listing rules of the ASX.
State Gas or Company	State Gas Limited ACN 617 322 488.
Nominated Subscription	The total dollar amount subscribed for, being the Parcel multiplied by the Issue Price.

Offer Booklet	This offer booklet in respect of the SPP.
Opening Date	9.00 am (Sydney time) on 1 October 2020.
Parcel	A parcel of Shares in respect of an amount of \$5,000, \$10,000, \$15,000, \$20,000, \$25,000, or \$30,000, at the Issue Price.
Placement	The placement of 17,272,730 Shares announced by the Company on 23 September 2020.
Record Date	7.00 pm (Sydney time) on 22 September 2020.
Registry	Link Market Services Limited.
Related Entity	In respect of an entity, a second entity that: <ul style="list-style-type: none"> a) Controls the first entity; b) is under the Control of the first entity; or c) is under the Control of a third entity that also Controls the first entity.
Scale Back Date	27 October 2020
Share or Shares	A fully paid ordinary share in State Gas.
Shareholder(s)	Holder(s) of Shares.
SPP	This Share Purchase Plan.
Terms and Conditions	The terms and conditions of the SPP set out in section 6 of this Offer Booklet, and these Definitions and the Application Form.
U.S. Securities Act	The Securities Act of 1933, as amended.
VWAP	Volume weighted average price.



ACN 617 322 488

All Registry communications to:
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
Telephone: 1300 420 208
From outside Australia: +61 1300 420 208
ASX Code: GAS
Website: www.linkmarketservices.com.au

SRN/HIN:
Entitlement Number:
Record Date: 22 September 2020
Offer Opens: 1 October 2020

Offer Closes
5:00pm (Sydney Time): 22 October 2020

SHARE PURCHASE PLAN ("SPP") APPLICATION FORM

How do I apply for Shares under this offer?

- Carefully read the SPP Terms and Conditions accompanying this form.
Decide on the amount you wish to apply for.
Pay for the Shares in accordance with the instructions outlined in the Terms and Conditions Booklet and further important instructions on the reverse of this form.
Option 1: Paying by BPAY®.
Option 2: Paying by Cheque, Bank Draft or Money Order.
Payments must be in Australian dollars.

PAYMENT OPTIONS

Option 1: Paying by BPAY®

If paying by BPAY®, you do NOT need to complete or return the Acceptance Slip attached to this Application Form below. Payment must be received by the Registry by BPAY® by 5:00pm (Sydney Time) on 22 October 2020. By paying by BPAY®, you will be deemed to have completed an Application Form for the number of Shares the subject of your Application Payment.

If you make a payment by BPAY® and State Gas Limited receives an amount which is not equal to either A\$5,000, A\$10,000, A\$15,000, A\$20,000, A\$25,000 or A\$30,000, State Gas Limited may round down the dollar amount of Shares that you are applying for to the next lowest parcel at their discretion. Your payment must be for a minimum of A\$5,000.



Billers Code: [XXXXXXX]
Ref:

Telephone & Internet Banking – BPAY®

Contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. More info: www.bpay.com.au
Registered to BPAY Pty Ltd ABN 69 079 137 518

Option 2: Paying by Cheque, Bank Draft or Money Order

If paying by cheque, bank draft or money order, complete and return the Acceptance Slip attached to this Application Form with your Application Payment.

- A. Tick the box beside the amount you wish to apply for, either A\$5,000, A\$10,000, A\$15,000, A\$20,000, A\$25,000 or A\$30,000.
B. Enter your cheque, bank draft or money order details. The amount of your Application Payment should be equal to the amount applied for in section A of the Acceptance Slip. Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to "State Gas Limited" and crossed "Not Negotiable". Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. If you provide a cheque, bank draft or money order for an amount that is not equal to either A\$5,000, A\$10,000, A\$15,000, A\$20,000, A\$25,000 or A\$30,000, State Gas Limited may round down the dollar amount of Shares that you are applying for to the next lowest parcel at their discretion. Your payment must be for a minimum of A\$5,000.
C. Enter your contact telephone number at which we may contact you regarding your application for Shares, if necessary.

THIS IS A PERSONALISED FORM FOR THE SOLE USE OF THE SHAREHOLDER AND HOLDING RECORDED ABOVE.

Please detach and enclose with payment



ACN 617 322 488

SRN/HIN:
Entitlement Number:



A I/we wish to purchase a parcel of Shares to the dollar amount of (tick one box only):

Form with checkboxes for A\$5,000 OR, A\$10,000 OR, A\$15,000 OR, A\$20,000 OR, A\$25,000 OR, A\$30,000

B Make your cheque, bank draft or money order payable to "State Gas Limited" and crossed "Not Negotiable"

Form with fields for Drawer, Cheque Number, BSB Number, Account Number, Amount of Cheque (A\$.00)

C Telephone Number – Business Hours, Telephone Number – After Hours, Contact Name

Form with fields for telephone numbers and contact name

IMPORTANT INFORMATION

1. This is an important document which requires your immediate attention. If you are in any doubt as to how to deal with this Application Form, please consult a professional adviser.
2. If you do not wish to purchase additional Shares under this SPP, there is no need to take action.
3. Please ensure you have read and understood the SPP Terms and Conditions and this Important Information, before you make the Application Payment by BPAY® or you submit your Acceptance Slip with your Application Payment.
4. This SPP is non-renounceable. Applications can only be accepted in the name printed on the Application Form.
5. If you are a custodian, trustee or nominee within the definition of “custodian” in ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547 you must complete and submit an additional Schedule that contains additional certifications and details that must be provided (“the Schedule”) before your Application will be received. The Schedule can be obtained by contacting the State Gas Limited SPP Offer Information Line. Applications received by custodians that are not accompanied by the Schedule will be rejected.
6. For applicants that are not required to complete the Schedule, by submitting the Acceptance Slip (with a cheque, bank draft or money order) or making payment by BPAY®, you certify that the aggregate of the Application Payment paid by you for:
 - the parcel of New Shares indicated on this Application Form or BPAY® payment; and
 - any other Shares applied for by you, or which you have instructed a Custodian to acquire on your behalf under the SPP or any other similar arrangement in the 12 months prior to the date of submission of the Acceptance Slip or payment by BPAY® does not exceed A\$30,000.
7. State Gas Limited reserves the right to make amendments to this Application Form where appropriate.
8. Applicants are not assured of receiving the Shares for which they have applied as State Gas Limited may scaleback applications in its discretion.

How to Lodge your Acceptance Slip and Application Payment

A reply paid envelope is enclosed for you to return your Acceptance Slip and Application Payment. No postage stamp is required if it is posted in Australia.

Acceptance Slip and the payment for New Shares must be received by the Registry no later than the closing date shown overleaf. If paying by BPAY® you do not need to complete or return the Application Form. You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry by the close of the offer.

Mailing Address

State Gas Limited
C/- Link Market Services Limited
GPO Box 3560
Sydney NSW 2001

Make sure you send your Acceptance Slip and Application Payment allowing enough time for mail delivery, so Link Market Services Limited receives them no later than 5:00pm (Sydney Time) on 22 October 2020. Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. State Gas Limited reserves the right not to process any Acceptance Slips and Application Payments received after the Closing Date.

If you require information on how to complete this Acceptance Slip please contact the State Gas Limited SPP Offer Information Line on 1300 420 208 if calling within Australia or +61 1300 420 208 if calling from outside of Australia.