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ASX RELEASE

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CNG Asset Commissioning Update

State Gas Limited (ASX: GAS) ("State Gas" or "the Company") is pleased to provide an update on the commissioning and construction of its compressed natural gas ("CNG") facility to support ongoing testing and early-stage gas sales from its Rolleston West (ATP 2062) project in the southern Bowen Basin. Utilising its virtual pipeline trucking approach, the Company intends to commence shipping CNG to end users in the Bowen Basin in late November 2023.

The Company will shortly execute a construction contract for the CNG facility and associated works with Wasco (Australia) Pty Ltd ("Wasco"). State Gas and Wasco have been working together over the last eight months to design and engineer the CNG facility to support the compression of up to 1.7TJ/day of gas. Gas will be sourced from the Rougemont 2/3 lateral well system ("Rougemont 2/3") which produced strong production testing results during the period of February 2023 to May 2023. The Company expects that when connected to the CNG facility, Rougemont 2/3 could produce up to 0.75TJ/day of CNG which will support modest initial revenues and cashflows for the Company.

Wasco and the Company are committed to a rapid construction and commissioning timetable of ten weeks, subject to weather. All components necessary for the CNG Plant have passed factory acceptance testing at Wasco's Brisbane yards. State Gas is working closely with the landowner to identify the most efficient date to commence field activities, but we anticipate mobilisation for initial civil works as early as next month.

Executive Chairman, Richard Cottee said "Now that the relevant funding has been secured, the Company can move forward with confidence and make the important transition from explorer to early-stage producer. Our partners Wasco have enabled us to deliver a flexible, low-cost production solution that will enable State Gas to conduct further production and appraisal testing of the Rolleston West project, but more importantly start generating initial cashflow for the Company. The Company is now focussed on the rapid execution of the construction and commissioning process."

This announcement was approved for release by the Board of Directors.

FOR FURTHER INFORMATION

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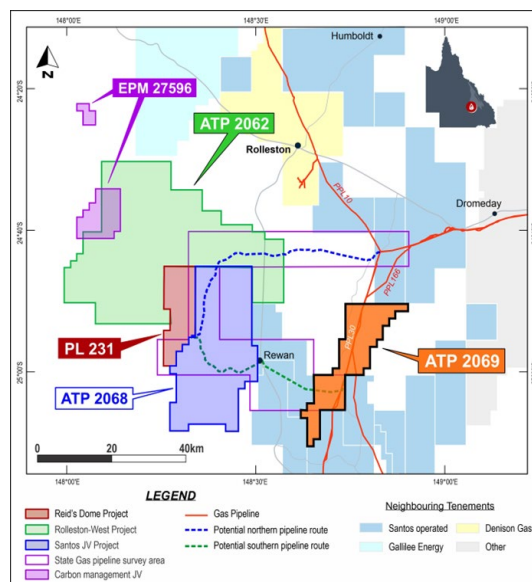
ABOUT STATE GAS LIMITED - www.stategas.com

STATE GAS LIMITED (ASX: GAS) is a Queensland-based gas exploration and development company with highly prospective gas exploration assets located in the southern Bowen Basin. State Gas Limited's mission is to support east coast energy markets through the efficient identification and development of new high quality gas assets. It will do this by applying an agile, sustainable but low-cost development approach and opportunistically expanding its portfolio in areas that are well located to gas pipeline infrastructure.

State Gas is 100%-owner of the contiguous Reid's Dome (PL-231) and Rolleston-West (ATP 2062) gas projects, both of which contain CSG and conventional gas. The Projects, together some 1,595km², are located south of Rolleston, approximately 50 and 30 kilometres respectively from the Queensland Gas Pipeline and interconnected east coast gas network. State Gas intends to accelerate commercialisation of these assets through the application of an innovative virtual pipeline ("VP") solution which will see the Company transport compressed gas by truck to existing pipeline infrastructure or to an end user.

State Gas also holds a 35% interest in ATP 2068 and ATP 2069 in joint venture with Santos QNT Pty Ltd (65%). These two new areas lie adjacent to or in the near vicinity of State Gas and Santos' existing interests in the region, providing for the potential of an alignment in ownership interests across the region over time and enabling synergies in operations and development.

State Gas is also participating in a carbon capture and sequestration initiative with minerals explorer Rockminolutions Pty Ltd in respect of EPM 27596 which is located on the western border of ATP 2062. This project is investigating the potential of the unique basalts located in the Buckland Basaltic Sequence (located in EPM 27596) to provide a variety of in-situ and ex-situ carbon capture applications.



ABOUT THE ROLLESTON WEST PROJECT

The Rolleston West Project (ATP 2062), is 100% owned by State Gas Limited and is focussed on evaluating the viability of conventional and coal seam gas (CSG) production from Bandanna Formation coals, which are extensive across large areas of this and adjoining permits. The capability to produce CSG at commercial levels has already been established at the Arcadia Valley field to the south-east, and at Mahalo to the north-east.

The recent drilling program undertaken in the eastern part of the tenement (Rougemont 1,2 and 3) has intersected approximately 8 metres of net coal, with the thickest seams laterally continuous over many kilometres. The gas content of the coals is between 5 and 6 m³/tonne dry ash free. Gas is at or near pipeline quality, between 93.8% and 96% methane.

Production testing has established sustainable commercial gas flow rates and confirmed excellent permeability within the targeted coal seams State Gas is seeking to expand the project ("Rougemont") and move to early-stage production. The Company is currently evaluating a further step-out drilling campaign to confirm the continuity and permeability of the coal down dip of Rougemont 1 and 2 and establish initial gas resource and reserve estimates for the project.

ABOUT THE REID'S DOME PROJECT

The Reid's Dome Project (PL 231) is targeting conventional and coal seam gas assets associated with the Reid's Dome anticline, an area of sharply uplifted coals, shales and sandstone formations. State Gas' exploration activities have established in excess of 30 m of net coals, with gas contents averaging a very high 13.75m³/tonne dry ash free. Commercial levels of sustainable production of conventional gas have been established at the Nyanda-4 well and the Company continues to evaluate a range of techniques to successfully liberate gas from the deeper formations. The Company is now evaluating how to best develop Reid's Dome in conjunction with Rolleston West to most efficiently leverage infrastructure and reduce operating costs.