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ASX RELEASE

10 May 2024

\$5.5 million Exploration Grant Funding

HIGHLIGHTS:

- Awarded \$5.5 million from Queensland Government's Frontier Gas Exploration Grants Program
- Supports the drilling and completion of two new exploration and appraisal wells
- Supports declaration of maiden 2P reserves and provides additional gas for production and sales of High Density Natural Gas (HDNG) through our existing HDNG facility.

State Gas Limited (ASX: GAS) ("State Gas" or "the Company") has been awarded \$5.5 million of exploration grant funding through the Queensland Government's Frontier Gas Exploration Program ("the Grant"). The Grant will be used to further delineate gas resources and reserves within the Company's Rolleston West coal seam gas ("CSG") project, through drilling of two new vertical wells ("the Campaign"). Successful results from the Campaign will accelerate the Company's application for a petroleum lease over a substantial portion of the project area and support the ongoing evaluation of a significant CSG project in the area.

A key aspect of State Gas' successful Grant application is that through applying the Company's compression and virtual pipeline assets, production testing gas from new wells can be captured instead of flared. This unique capability was essential in satisfying the assessment criteria for the Grant, in particular, being able to rapidly deliver new gas supply to Queensland and the East Coast domestic market.

State Gas' exploration permit ATP-2062 is located approximately 24 km southwest of the Rolleston Gas Plant and 35 km west of the Queensland Gas Pipeline (QGP) and the Wallumbilla to Gladstone Gas Pipeline (WGP). The acreage lies within the southwestern portion of the Bowen Basin in an area known as the Denison Trough. The Late Permian Bandanna formations located in the Denison Trough contain coal measures that produce prolific pipeline quality gas in the Arcadia Valley and Fairview CSG fields 80 – 120 km to the southeast of Rougemont, within the Comet Ridge structural trend. The seams within the Bandanna coal measures can be correlated for many kilometres and generally range in thickness from 0.3 to 3 m with total coal of 7 – 10 m. Gas content is generally consistent throughout, ranging from 4.5 – 6.5 m³/ton with composition greater than 92% methane.

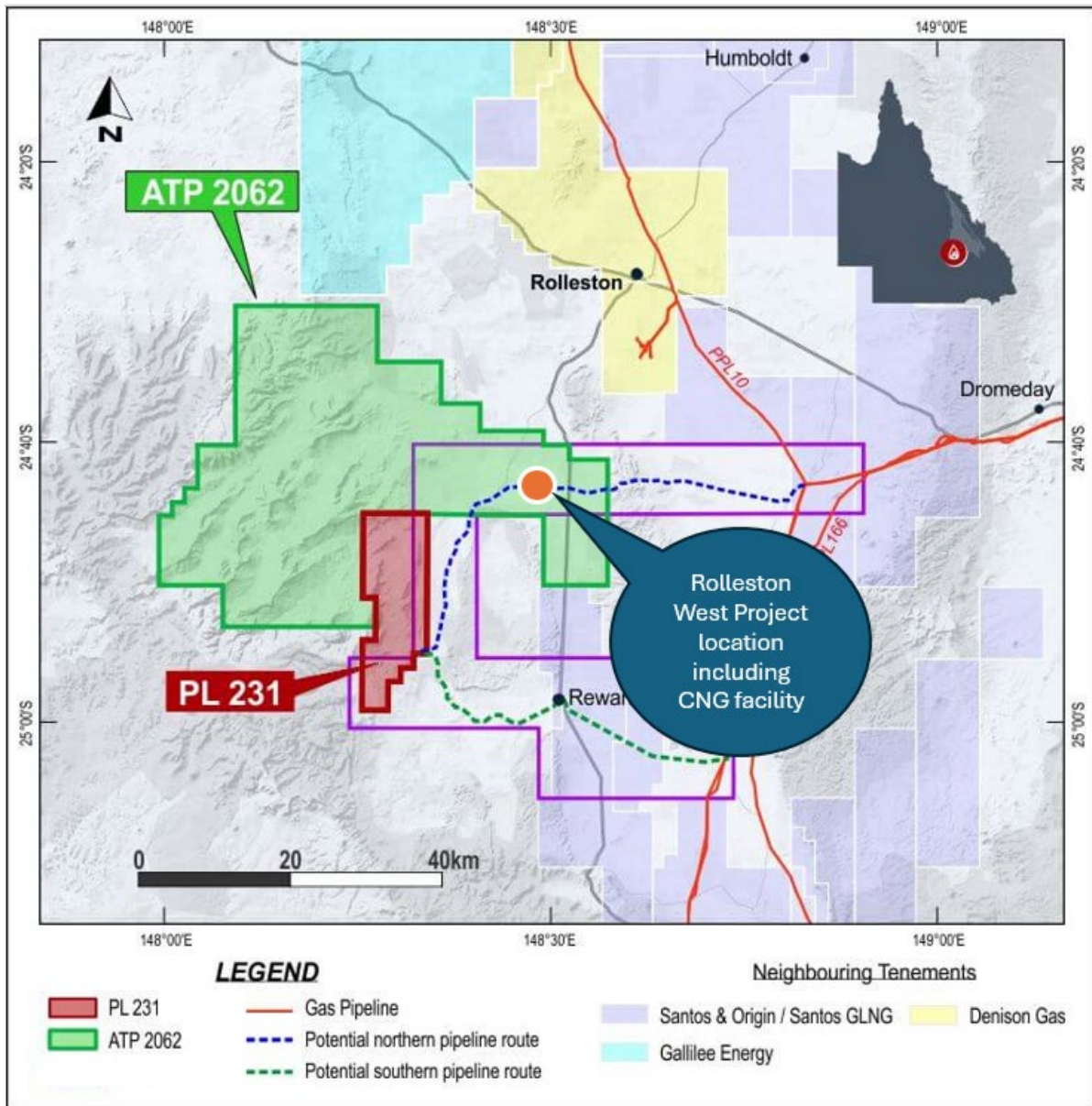


Figure 1: Rolleston West Project Location within ATP 2062

State Gas has already established 279 petajoules of gas Contingent Resources within the project area, having successfully drilled, cored and logged two vertical and one dual-lateral exploration well. State Gas conducted preliminary production testing on its dual lateral well system (“Rougemont 2/3”) during calendar years 2022 and 2023. The production testing achieved a stabilised flow rate of 474,000 cubic feet of gas per day which, when processed, is equivalent to approximately 0.5 terra joules of pipeline quality gas per day.

With the support of Grant funding, the Company intends to drill two new vertical wells as identified in Figure 2. The two wells are adjacent to Rougemont 2/3 in an area that has proven gas content and commercial productivity. The wells are designed to intersect the entire Bandanna Formation coal measures and will have the ability to produce from all the permeable seams. This design will maximise the resultant reserves proven up by the wells, and which may be sufficient to underwrite a pipeline connection to the national pipeline grid.

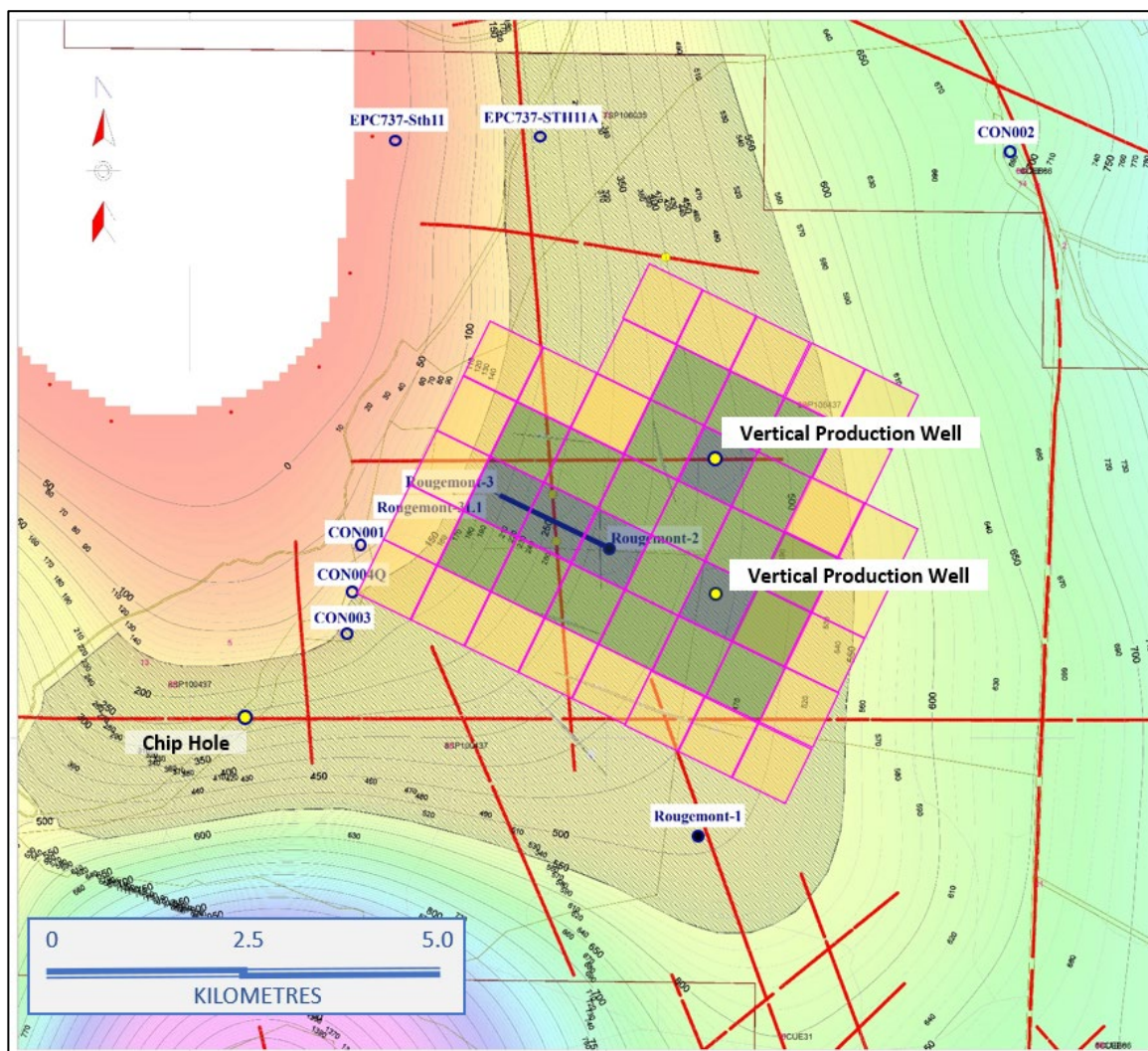


Figure 2: Map showing proposed vertical well locations and potential reserves designation zones

The company considers that the delivery of additional exploration and appraisal wells stepped out from its existing dual lateral well system will serve multiple purposes:

1. further delineate gas resources for the purpose of supporting recognition of initial Proved and Probable 2P reserves:
2. demonstrate the commercial viability of a larger scale gas project, potentially capable of attracting third party funding for pipeline infrastructure; and
3. bring to market new gas supply which can be immediately processed into HDNG and sold using the Company's existing HDNG production facility and Virtual Pipeline (VP) technology.

Additional production testing gas from these new wells will contribute to increased utilisation of the HDNG production facility and will support local coal mining operations that are seeking to reduce emissions through use of HDNG in place of diesel in their mining truck fleets.

State Gas' Executive Chairman, Mr Richard Cottee said, "Qualifying for this exploration grant funding is a strong endorsement for the Rolleston West Project and the Company. It demonstrates that the Queensland Government shares State Gas' view that the area is highly prospective and capable of supporting new gas project development. State Gas' HDNG Facility will enable it to capture and commercialise production testing gas from these wells, thereby supporting the Frontier Grant Program dual objectives of increasing geological knowledge of the area and accelerating new gas supply to Queensland and the East Coast domestic gas market. The Queensland Government's foresight in stimulating investment in increased natural gas supply, and continued support of innovation in the gas sector should be acknowledged. The State's objectives are consistent with those outlined in the Federal Government's recently released Future Gas Strategy report which identifies the critical role natural gas will continue to play in supporting an orderly transition to lower emission fuel sources over time."

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

FOR FURTHER INFORMATION

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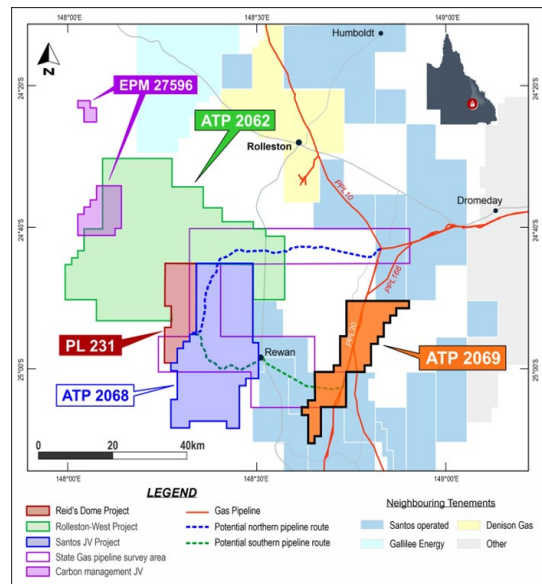
ABOUT STATE GAS LIMITED

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 HDNG FACILITY

State Gas has developed a "first of its kind" in Australia CSG to High Density Natural Gas plant ("the HDNG Facility"). HDNG is natural gas compressed to a much higher pressure and energy density than is typical in a gas pipeline. HDNG is stored in specially designed pressure vessels that can be safely transported by road. When implemented in conjunction with virtual pipeline ("VP") trailer technology, the HDNG Facility will be able to deliver up to 1.7TJ/day of pipeline quality natural gas to end users in the Southern Bowen Basin and surrounding areas. This technology has a range of benefits and potential use cases:

- delivers substantial environmental benefits to gas producers, as it provides a reliable method for capturing and commercialising production testing gas which has historically been released to the atmosphere;
- provides a new path to market for pipeline quality natural gas which the Company believes will become increasingly important across a range of industries, including critical minerals, while the economy continues its long-term transition to renewable energy sources;
- is modular and can be efficiently expanded and easily relocated to support gas testing and processing opportunities in new locations; and
- provides access to a new fuel source for end users who are seeking access to smaller, flexible quantities of natural gas, but don't have access to traditional pipeline infrastructure and need to accelerate a transition away from diesel.