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ASX RELEASE

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Company Update and Capital Management Strategy

On 30 April 2025, **State Gas Limited (ASX: GAS)** ("State Gas or "the Company") released its Quarterly Activities Report and Appendix 5B for the quarter ended 31 March 2025. In response to a query received from the ASX, the Company offers further information provides the following additional information regarding its financial position and strategic outlook over the short to medium term, as follows:

1. At item 8.7 of the Appendix 5B the Company reported that it had '0' quarters of funding available, and the Company should have reported that it had 0.44 quarters of funding available as at 31 March 2025.
2. At item 8.8.2 the ASX has requested further information to clarify how the Company intends to fund its operations. Further details of the Company's Capital Management Strategy are set out in this announcement.
3. The Company confirms that it is in a position to pay its debts as and when they fall due.

The Company provides the following update regarding its progress in executing key elements of the Capital Management Strategy.

1. <u>Queensland Government Exploration Funding</u>

Notwithstanding the interruption to site access announced on 26 May 2025, the Company remains in compliance with the terms of the Frontier Gas Exploration Grant ("FGEG"), which provides $5.5 million in funding towards the completion of a two well drilling program at the Rolleston West CSG Project. The exploration program funded under the FGEG is well advanced with positive results from the first stage of drilling completed in April 2025 and previously released to the market. Only a small amount of work remains to finalise the wells in preparation for flow testing.

The Company expects that the land court process announced on 26 May 2025 will restore access to the site in the near term. Subject to this outcome, it's the remaining exploration work is expected to be completed by 30 June 2025, with no impact anticipated on the Company's objective of establishing a maiden 2P reserve for the project.

2. Research and Development Grant Funding

The Company continues to invest in the development of its first-of-its-kind High Density Natural Gas ("HDNG") technology as part of an eligible Research and Development ("R & D") project. This project is focussed on producing HDNG directly from raw coal seam gas ("CSG") at the well head (a process not previously attempted in Australia), and delivering that natural gas for industrial applications.

The Company's HDNG technology is a key part of a new supply chain designed to deliver natural gas (an environmentally superior and significantly cheaper alternative to diesel and LNG) to users who lack access to traditional pipeline infrastructure and are seeking to diversify their fuel sources.

Design and engineering costs associated with the HDNG plant have supported successful R & D grant claims during the FY23 and FY24 tax years. Subsequent to commissioning of the HDNG plant in June 2024, the Company is confident that further material R & D claims can be made in respect of the operational facility. The Company has also advanced discussions with parties interested in providing funding secured against those R & D claims. Further successful claims, in conjunction with an associated financing solution, have the potential to materially strengthen the Company's financial position over the next two quarters.

3. Insurance Claim Process - September 2024 Access Dispute

The Company is continuing to progress its cost recovery process under its insurance policies, in relation to expenses incurred during the access dispute that arose in September 2024. While this process is ongoing and may take some time to finalise, initial feedback from the insurer regarding the eligibility of claim costs has been positive. A successful outcome from the insurance recovery process would restore working capital was allocated to legal and other costs associated with the Company resolving the access dispute with the landowner.

4. HDNG sales revenue

The Company continues to work with its partners and customers to advance the next phase of the dual fuel engine technology trial, which uses State Gas produced HDNG in large mining trucks. The planned expansion of the trial from two trucks to six trucks remains subject to external approval processes beyond the Company's control. State Gas remains confident that progress is being made toward a formal commitment by all parties and the establishment of a long-term HDNG supply contract. Subject to those approvals, the Company expects that HDNG supply under this arrangement could commence as early as Q2, FY26. Once the six-truck trial is operating at full capacity, the Company expects to generate significant monthly gross HDNG sales revenue and cashflow, substantially improving State Gas' financial capacity.

In the interim, the Company is also progressing negotiations with a number of other prospective gas customers who are remote from existing pipeline infrastructure or are operating under gas supply constraints who see the efficacy of HDNG delivered by virtual pipeline trailers. Securing a supply arrangement of this type, would provide a material improvement to the Company's short term liquidity position.

5. Overheads and Outlook

Given the nature of its operations, the Company can control the timing of discretionary expenditure, including exploration activities beyond those funded under the FGEG). This enables the alignment of future spending with the availability of capital.

The Company has adjusted staffing to reflect lower activity levels once the current exploration program is completed and to align with the timing of HDNG sales recommencing.

While the commencement of HDNG revenue now expected to occur later than originally forecast, the Company believes that funds available from the successful execution of the above Capital Management Strategy will be sufficient to support the Company's operations in the meantime.

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

FOR FURTHER INFORMATION

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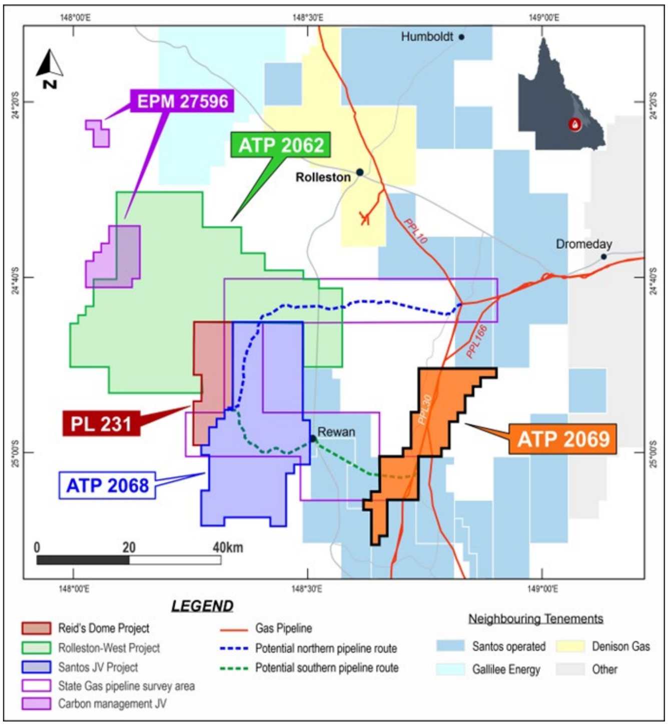
ABOUT STATE GAS LIMITED

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 1,595km^2, 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.

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 PRODUCTION FACILITY

State Gas has developed a "first of its kind" in Australia CSG to HDNG plant ("the HDNG Facility"). 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.