



Notice of Annual General Meeting

The Annual General Meeting of the Company will be held:

- by the Virtual Meeting Facility; and
- at 10:00am (AEST) on Wednesday 18 November 2020.

In accordance with subsection 5(f) of the *Corporations (Coronavirus Economic Response) Determination (No. 1) 2020*, the Company will not be dispatching physical copies of the Notice. For shareholders that the Company has email addresses on records, the Company will send a copy of this Notice and material relating to the Meeting or provide a link to where the Notice and other material can be viewed or downloaded by email. To the other Shareholders, the Company will send a letter or postcard setting out a URL for viewing or downloading the Notice and other material. Shareholders can access a copy of the Notice at the following link: <https://stategas.com/>.

This notice of Annual General Meeting should be read in its entirety. If Shareholders are in any doubt as to how they should vote, they should seek advice from their professional advisor prior to voting. Please contact the Company Secretary on 0439 310 818 or suzanne.yeates@oasolutions.com.au if you wish to discuss any matter concerning the Meeting.

State Gas Limited
ACN 617 322 488

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of State Gas Limited will be held by the Virtual Meeting Facility at 10:00am (AEST) on 18 November 2020 (Meeting).

In light of the evolving COVID-19 situation and the Commonwealth and State government restrictions on public gatherings in place at the date of this Notice of Meeting, the Directors have made a decision that there will not be a physical meeting where Shareholders can attend in person. ACCORDINGLY, THE DIRECTORS STRONGLY ENCOURAGE ALL SHAREHOLDERS TO EITHER LODGE A DIRECTED PROXY FORM PRIOR TO THE MEETING OR ATTEND AND VOTE ONLINE AT THE VIRTUAL MEETING.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Meeting. The Explanatory Statement and Proxy Form forms part of this Notice of Meeting.

Shareholders are encouraged to participate in and vote at the Meeting virtually via the Virtual Meeting Facility or vote by returning a completed Proxy Form or vote online. Instructions on how to complete a Proxy Form and vote online are set out in the Explanatory Statement.

Proxy Forms must be received by no later than 10:00am (AEST) on 16 November 2020.

Terms and abbreviations used in this Notice and Explanatory Statement are defined in Schedule 1 of the Explanatory Statement.

The business of the Meeting affects your shareholding and your vote is important. This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisors prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 7:00pm (AEDT) on 16 November 2020.

AGENDA

ANNUAL REPORT

To receive and consider the financial statements of the Company and the reports of the Directors (Directors' Report) and Auditors for the financial year ended on 30 June 2020 (Annual Report).

RESOLUTION 1 - REMUNERATION REPORT (NON-BINDING)

To consider, and if thought fit, to pass the following as a **non-binding resolution**:

“That for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as set out in the Directors’ Report for the financial year ended on 30 June 2020.”

A voting exclusion statement is set out below.

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

RESOLUTION 2 - RE-ELECTION OF DIRECTOR - MR ROBERT TOWNER

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

“That, for the purpose of rule 18.4(b) of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Robert Towner, a Director, retires by rotation, and being eligible and offering himself for re-election, is re-elected as a Director.”

RESOLUTION 3 - APPROVAL OF 10% PLACEMENT FACILITY

To consider and, if thought fit, to pass the following as a **special resolution**:

“That, for the purposes of Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2, and otherwise on the terms and conditions in the Explanatory Statement.”

RESOLUTION 4 - RATIFICATION OF PRIOR ISSUE OF SHARES UNDER PLACEMENT 1

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

“That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 1,538,461 Shares at an issue price of \$0.65 per Share to institutional and sophisticated investors, and otherwise on the terms set out in the Explanatory Statement.”

A voting exclusion statement is set out below.

RESOLUTION 5 - RATIFICATION OF PRIOR ISSUE OF SHARES UNDER PLACEMENT 2

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

“That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 769,230 Shares at an issue price of \$0.65 per Share to institutional

and sophisticated investors, and otherwise on the terms set out in the Explanatory Statement.”

A voting exclusion statement is set out below.

RESOLUTION 6 - RATIFICATION OF PRIOR ISSUE OF SHARES UNDER PLACEMENT 3

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

“That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 17,272,730 Shares at an issue price of \$0.55 per Share to institutional and sophisticated investors, and otherwise on the terms set out in the Explanatory Statement.”

A voting exclusion statement is set out below.

VOTING PROHIBITION AND EXCLUSION STATEMENTS

Corporations Act

The Corporations Act prohibits votes being cast (in any capacity) on the following resolutions by any of the following persons:

Resolution	Persons Excluded from Voting
Resolution 1 - Remuneration Report (Non-Binding)	<p>A vote on this Resolution must not be cast (in any capacity) by or on behalf of the following persons:</p> <ul style="list-style-type: none">(a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or(b) a Closely Related Party of such a member. <p>However, a person described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:</p> <ul style="list-style-type: none">(c) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or(d) the voter is the Chair of the Meeting and the appointment of the chair as proxy:<ul style="list-style-type: none">(i) does not specify the way the proxy is to vote on this Resolution; and

-
- (ii) expressly authorises the Chair to exercise the proxy even if this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company.
-

ASX Listing Rules

Under Listing Rule 14.11, the Company will disregard any votes cast in favour of a resolution by or on behalf of:

- (a) the below named person or class of persons excluded from voting; or
- (b) an associate of that person or those persons:

Resolution	Persons excluded from voting
Resolution 4 - Ratification of prior issue of Shares under Placement 1	Persons who participated in the issue or is a counterparty to the agreement being approved, or any associate of those persons.
Resolution 5 - Ratification of prior issue of Shares under Placement 2	Persons who participated in the issue or is a counterparty to the agreement being approved, or any associate of those persons.
Resolution 6 - Ratification of prior issue of Shares under Placement 3	Persons who participated in the issue or is a counterparty to the agreement being approved, or any associate of those persons.

However, this does not apply to a vote cast in favour of a resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- (c) a holder acting solely as nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

By order of the Board of Directors

A handwritten signature in black ink, appearing to read 'S. Yeates', written in a cursive style.

Ms Suzanne Yeates
Company Secretary
19 October 2020

Explanatory Statement

1 INTRODUCTION

This Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held by the Virtual Meeting Facility at 10:00am (AEST) on 18 November 2020. The purpose of this Explanatory Statement is to provide information to Shareholders in deciding how to vote on the Resolutions set out in the Notice.

This Explanatory Statement should be read in conjunction with and forms part of the accompanying Notice, and includes the following:

1	INTRODUCTION	7
2	ACTION TO BE TAKEN BY SHAREHOLDERS	7
3	ANNUAL REPORT	10
4	RESOLUTION 1 - REMUNERATION REPORT	11
5	RESOLUTION 2 - RE-ELECTION OF DIRECTOR - ROBERT TOWNER.....	12
6	RESOLUTION 3 - APPROVAL OF 10% PLACEMENT FACILITY.....	12
7	RESOLUTIONS 4 TO 6 - RATIFICATION OF PRIOR ISSUE OF SHARES	17

A Proxy Form is located at the end of this Explanatory Statement.

ASX takes no responsibility for the contents of the Notice or Explanatory Statement.

Please contact the Company Secretary on 0439 310 818 or suzanne.yeates@oasolutions.com.au if you wish to discuss any matter concerning the Meeting.

2 ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders should read the Notice and this Explanatory Statement carefully before deciding how to vote on the Resolutions.

2.1 Participating in the meeting through the Virtual Meeting Facility

Shareholders can participate in and vote at the meeting through the virtual meeting facility at <https://agmlive.link/GAS20> (Virtual Meeting Facility).

In light of the COVID-19, the Company encourages shareholders to attend the Meeting by making use of this technology.

To access the Virtual Meeting Facility, enter <https://agmlive.link/GAS20> into a web browser on your computer or online device and follow the prompts. To lodge your votes or ask questions:

- (a) Shareholders will need their Shareholder Reference Number (SRN) or Holder Identification Number (HIN) printed at the top right of the Proxy Form/holding statement; and
- (b) Proxyholders will need their proxy code which Link Market Services will provide via email no later than 12 hours prior to the Meeting.

Further information on how to participate virtually is set out in this Notice and the Online Platform Guide at www.stategas.com.

Shareholder Questions

A discussion will be held on all items to be considered at the Meeting.

All shareholders will have a reasonable opportunity to ask questions during the Meeting via the Virtual Meeting Facility.

To ensure that as many Shareholders as possible have the opportunity to ask questions, Shareholders are requested to observe the following:

- (a) all Shareholder questions should be stated clearly and should be relevant to the business of the Meeting;
- (b) if a Shareholder has more than one question on an item, all questions should be asked at the one time; and
- (c) Shareholders should not ask questions at the Meeting regarding personal matters or those that are commercial in confidence.

Shareholders who prefer to register questions in advance of the Meeting are invited to do so. A Shareholder question form has been included with this Notice and is also available on the Company's website: <https://stategas.com/>.

Written questions must be received by the Company or Link Market Services Limited by 5pm (AEST) on 13 November 2020 and can be submitted online.

Each resolution considered at the Meeting will be conducted by poll, rather than a show of hands. The Chair considers voting by poll to be in the interests of the shareholders as a whole, and to ensure the representation of as many shareholders as possible at the Meeting.

How to Vote at the Virtual Meeting

Shareholders may vote through the Virtual Meeting Facility. We recommend logging into Virtual Meeting Facility at least 15 minutes prior to the scheduled start time for the Meeting using the instructions below:

- (a) Enter <https://agmlive.link/GAS20> into a web browser on your computer or online device and follow the prompts;
- (b) Shareholders will need their SRN or HIN (printed at the top right of the Proxy Form/holding statement); and
- (c) Proxyholders will need their proxy code which Link Market Services will provide via email no later than 12 hours prior to the Meeting.

Voting through the Virtual Meeting Facility will be open between the commencement of the Meeting at 10:00am (AEST) on 18 November 2020 and the time at which the Chair announces voting closure.

More information about participation of the Meeting via the Virtual Meeting Facility is available in the Online Platform Guide at www.stategas.com.

2.2 Voting by Proxy

To vote by proxy, please complete, sign and return the Proxy Form to the Company in accordance with the instructions on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- (a) each Shareholder has the right to appoint a proxy;
- (b) the proxy need not be a Shareholder of the Company; and
- (c) a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise half of the votes.

The Company encourages Shareholders completing a Proxy Form to direct the proxy how to vote on the Resolutions.

The Proxy Form must be received no later than 48 hours before the commencement of the Meeting, i.e. by no later than 10:00am (AEST) on 16 November 2020. Any Proxy Form received after that time will not be valid for the Meeting.

Shareholders can appoint the Chair of the Meeting as their proxy. Shareholders can complete the proxy form to provide specific instructions on how a Shareholder's vote is to be cast on each item of business, and the Chair of the Meeting must follow your instructions.

2.3 Voting in person

In light of the evolving COVID-19 situation and the Commonwealth and State government restrictions on public gatherings in place at the date of this Notice of Meeting, the Directors have made a decision that there will not be a physical meeting where Shareholders can attend in person. ACCORDINGLY, THE DIRECTORS STRONGLY ENCOURAGE ALL SHAREHOLDERS TO EITHER LODGE A DIRECTED PROXY FORM PRIOR TO THE MEETING OR ATTEND AND VOTE ONLINE AT THE VIRTUAL MEETING.

2.4 Corporate representatives

Shareholders who are body corporates may appoint a person to act as their corporate representative at the Meeting by providing that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as

the body corporate's representative. The authority may be sent to the Company and/or registry in advance of the Meeting.

2.5 Eligibility to vote

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 7:00pm (AEDT) on 16 November 2020.

2.6 Voting by Shareholders at the Meeting

All Resolutions will be determined by a poll at the Meeting.

The Company encourages Shareholders who submit proxies to direct their proxy on how to vote on the Resolutions. As at the date of this Notice the Chairman of the Meeting intends to vote all undirected proxies in favour of each of the Resolutions.

3 ANNUAL REPORT

There is no requirement for Shareholders to approve the Annual Report.

Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report for the financial year ended on 30 June 2020 which is available on the ASX platform at www.asx.com.au; and
- (b) ask questions about or make comment on the management of the Company.

The chair of the Meeting will allow reasonable opportunity for the Shareholders as a whole at the Meeting to ask the auditor or the auditor's representative questions relevant to:

- (a) the conduct of the audit;
- (b) the preparation and content of the auditor's report;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit.

In addition to taking questions at the Meeting, written questions to the Company's auditor about:

- (a) the content of the auditor's report to be considered at the Meeting; and
- (b) the conduct of the audit of the annual financial report to be considered at the Meeting,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

4 RESOLUTION 1 - REMUNERATION REPORT

4.1 Introduction

The Remuneration Report is in the Directors' Report section of the Company's Annual Report.

By way of summary, the Remuneration Report:

- (a) explains the Company's remuneration policy and the process for determining the remuneration of its Directors and executive officers;
- (b) addresses the relationship between the Company's remuneration policy and the Company's performance; and
- (c) sets out remuneration details for each Director and each of the Company's executives and group executives named in the Remuneration Report for the financial year ended on 30 June 2020.

Section 250R(2) of the Corporations Act requires companies to put a resolution to their members that the Remuneration Report be adopted. The vote on this resolution is advisory only, however, and does not bind the Board or the Company. The Board will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the Meeting when reviewing the Company's remuneration policies.

The Chair will give Shareholders a reasonable opportunity to ask questions about or to make comments on the Remuneration Report.

4.2 Voting consequences

Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution that a further meeting is held at which all of the Company's Directors who were directors when the resolution to make the directors report considered at the later annual general meeting was passed (other than the Managing Director) must go up for re-election (**Spill Resolution**).

If more than 50% of votes cast are in favour of the Spill Resolution, the Company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were directors of the company when the resolution to make the directors' report considered at the second annual general meeting was passed, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Shareholders approved the Company's Remuneration Report for financial year ended on 30 June 2019, and as a result there is no requirement to vote on a Spill Resolution if 25% or more of the votes cast vote against Resolution 1.

5 RESOLUTION 2 - RE-ELECTION OF DIRECTOR - ROBERT TOWNER

5.1 Introduction

ASX Listing Rule 14.4 and rule 18.4(b) of the Company's Constitution provides that a director of an entity must not hold office (without re-election) past the third annual general meeting following the director's appointment or 3 years, whichever is the longer. The Managing Director of the Company is exempt from retiring by rotation under rule 18.4(b) of the Constitution.

5.2 Robert Towner

Robert Towner was re-elected as a director of the Company at the Company's annual general meeting in 2018. In accordance with ASX Listing Rule 14.4 and rule 18.4(b) of the Company's Constitution, Robert Towner retires as a director at this Meeting and offers himself for re-election.

Details of the qualifications and experience of Robert Towner are set out in the Company's 2020 Annual Report.

5.3 Directors' recommendations

The Board (excluding Robert Towner) recommends that Shareholders vote in favour of Resolution 2.

6 RESOLUTION 3 - APPROVAL OF 10% PLACEMENT FACILITY

6.1 General

The Company seeks Shareholder approval to issue Equity Securities up to 10% of its issued share capital through placements over a Relevant Period following shareholder approval (**10% Placement Facility**).

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 6.2(a) below).

Any funds raised will be used towards the Company's PLR2020-1-5 (Rolleston-West) and PL231 (Reids Dome) projects and general working capital. The allocation of any funds raised will be depending on the timing of the funds raised and the stages of the development of those projects.

Resolution 3 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

If Resolution 3 is passed, the Company will be able to issue equity securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further Shareholder approval. If Resolution 3 is not passed, the Company will not be able to access the additional 10% capacity to issue equity securities without Shareholder approval provided for in Listing Rule 7.1A and will remain subject to the 15% limit on issuing equity securities without Shareholder approval set out in Listing Rule 7.1.

6.2 Listing Rule 7.1A

Listing Rule 7.1A enables eligible entities to issue quoted Equity Securities up to 10% of its issued share capital through placements over a Relevant Period following shareholder approval by way of a special resolution. The 10% Placement Facility is subject to conditions and is addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalization of \$300 million or less. The Company is an eligible entity.

(a) Maximum number of Equity Securities which may be issued

The number of Equity Securities which may be issued, or agreed to be issued, under the 10% Placement Facility is prescribed in Listing Rule 7.1A.2 and is calculated as follows:

$\text{Number of Equity Securities} = (A \times D) - E$

"A" the number of fully paid ordinary shares on issue at the commencement of the Relevant Period:

- (A) plus the number of fully paid shares issued in the Relevant Period under an exception in Listing Rule 7.2 other than exception 9,16 or 17;
- (B) plus the number of fully paid ordinary shares issued in the Relevant Period on the conversion of convertible securities within Listing Rule 7.2 exception 9 where:
 - the convertible securities were issued or agreed to be issued before the commencement of the Relevant Period; or
 - the issue of, or agreement to issue, the convertible securities was approved, or taken under the Listing Rules to have been approved, under Listing Rule 7.1 or Listing Rule 7.4;

- (C) plus the number of fully paid ordinary shares issued in the Relevant Period under an agreement to issue securities within Listing Rule 7.2 exception 16 where:
 - the agreement was entered into before the commencement of the Relevant Period; or
 - the agreement or issue was approved, or taken under the Listing Rules to have been approved, under Listing Rule 7.1 or Listing Rule 7.4;
- (D) plus the number of any other fully paid ordinary shares issued in the Relevant Period with approval under Listing Rule 7.1 or Listing Rule 7.4;
- (E) plus the number of partly paid shares that became fully paid in the Relevant Period;
- (F) less the number of fully paid ordinary shares cancelled in the Relevant Period.

“D” is 10%.

“E” is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the Relevant Period where the issue or agreement has not been subsequently approved by Shareholders under Listing Rule 7.4.

The actual number of Equity Securities that may be issued under Listing Rule 7.1A is calculated at the date of issue of the Equity Securities in accordance with the above formula.

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

As the date of this Notice, the Company has:

- (i) the following securities on issue:
 - (A) 164,129,744 fully paid ordinary shares;
 - (B) 5,875,000 unlisted Options; and
 - (C) 10,600,000 performance rights.
 - (ii) the capacity to issue:
 - (A) 2,101,977 Equity Securities under Listing Rule 7.1; and
 - (B) 14,454,932 Equity Securities under Listing Rule 7.1A.
- (b) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be for a cash consideration per security which is not less than 75% of the VWAP of

Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed by the Company and the recipient of the Equity Securities; or
- (ii) if the Equity Securities are not issued within 10 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

6.3 Specific information required by Listing Rule 7.3A

For the purposes of Listing Rule 7.3A, the following information is provided about the proposed issue:

- (a) The approval will be valid for the period commencing on the date of the Meeting and expires on the first to occur of the following:
 - (i) the date that is 12 months after the date of the Meeting;
 - (ii) the time and date of the Company's next annual general meeting; and
 - (iii) the time and date of the approval by Shareholders of a transaction under Listing Rule 11.1.2 or Listing Rule 11.2.
- (b) The Equity Securities will be issued for a cash consideration per security which is not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:
 - (i) the date on which the price at which the Equity Securities are to be issued is agreed by the Company and the recipient of the Equity Securities; or
 - (ii) if the Equity Securities are not issued within 10 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (c) The issue under Listing Rule 7.1A can only be made for cash consideration. The Company intends to use any funds raised towards an acquisition of new assets or investments (including expense associated with such acquisition), the development of the Company's PLR2020-1-5 (Rolleston-West) and PL231 (Reids Dome) and/or general working capital. Refer to section 6.1 for details on the Company's development strategy of the project and fund allocation policy.
- (d) There is a risk of economic and voting dilution to existing Shareholders in approving the 10% Placement Facility, including the risks that:
 - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than when Shareholders approve the 10% Placement Facility; and

- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date, or issued for non-cash consideration for the acquisition of a new asset.

Following is a table that sets out the potential dilution of existing Shareholders if Equity Securities are issued under the 10% Placement Facility:

Variable "A" in Listing Rule 7.1A.2		10% Voting Dilution		
		50% decrease in Issue Price (\$0.34)	Issue Price (\$0.67)	50% increase in Issue Price (\$1.01)
Current Variable A (144,549,323 Shares)	Shares issued	14,454,932	14,454,932	14,454,932
	Funds Raised	\$4,842,402	\$9,684,805	\$14,527,207
50% increase in current Variable A (216,823,985 Shares)	Shares issued	21,682,398	21,682,398	21,682,398
	Funds Raised	\$7,263,603	\$14,527,207	\$21,790,810
100% increase in current Variable A (289,098,646 Shares)	Shares issued	28,909,865	28,909,865	28,909,865
	Funds Raised	\$9,684,805	\$19,369,609	\$29,054,414

The table has been prepared on the following assumptions:

- (i) The Company issues, or agrees to issue, the maximum number of Equity Securities available under the 10% Placement Facility.
- (ii) No Options have been exercised before the date of the issue of the Equity Securities.
- (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (iv) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes quoted options, it is assumed that those quoted options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (v) The issue price is \$0.67 being the closing price of the Shares on ASX on 28 September 2020.

The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.

The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 upon issue of any Equity Securities.

- (e) The Company is yet to identify the persons to whom Equity Securities will be issued to under the 10% Placement Facility. The Company's policy for allocating Equity Securities issued under the 10% Placement Facility will be determined on a case-by-case basis depending upon the purpose, and prevailing market conditions at the time, of any issue and having regard to factors including but not limited to the following:
 - (i) The fundraising methods available to the Company, including but not limited to, rights issue or other issue which may minimise dilution to Shareholders.
 - (ii) The effect of the issue of the Equity Securities on the control of the Company.
 - (iii) The financial situation and solvency of the Company.
 - (iv) Advice from corporate, financial and broking advisers (if applicable).

The subscribers may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

- (f) There is no issue of Equity Securities under Listing Rule 7.1A.2 in the 12 months preceding the date of the Meeting, no details under Listing Rule 7.3A.6 is required to be set out in this Notice. There is no circumstance that the Company has agreed before the 12 month period to issue Equity securities under Listing Rule 7.1A.2 but as at the date of the Meeting not yet issued those Equity Securities.
- (g) At the date of the Notice, the Company is not proposing to make an issue of Equity Securities under Listing Rule 7.1A.2, no voting exclusion statement is required for the Notice.

6.4 Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 3. This will allow the Company to issue securities and raise funds whilst preserving the Company's 15% annual limit permitted by Listing Rule 7.1.

7 RESOLUTIONS 4 TO 6 - RATIFICATION OF PRIOR ISSUE OF SHARES

7.1 Introduction

As announced on 11 December 2019, the Company undertook a placement of 1,538,461 Shares to institutional, sophisticated and professional investors, at an

issue price of \$0.65 per Share, raising a total of \$1 million (**Placement 1**). Morgans Corporate Limited acted as the lead manager to the Placement 1.

Funds raised from the Placement 1 were used to fully assess the outcomes of the Company's drilling and testing campaign at the time and plan the pilot program to be undertaken in 2020, as well as to meet costs of the issue.

The securities under the Placement 1 were issued on 19 December 2019 using the Company's 15% capacity under Listing Rule 7.1. Resolution 4 seeks Shareholders approval under Listing Rule 7.4 to ratify the issue of 1,538,461 Shares under the Placement 1.

As announced on 19 December 2019, the Company undertook a placement of 769,230 Shares to institutional, sophisticated and professional investors, at an issue price of \$0.65 per Share, raising a total of \$0.5 million (**Placement 2**).

Funds raised from the Placement 2 were used to conduct additional testing and fully assess the outcomes of its drilling and testing campaign at the time and plan the pilot program to be undertaken in 2020.

The securities under the Placement 2 were issued on 30 December 2019 using the Company's 15% capacity under Listing Rule 7.1. Resolution 5 seeks Shareholders approval under Listing Rule 7.4 to ratify the issue of 769,230 Shares under the Placement 2.

As announced on 23 September 2020, the Company announced a capital raising consisting of a share purchase plan targeting to raise around \$2 million (**SPP**) and a placement of 17,272,730 Shares to institutional, sophisticated and professional investors, at an issue price of \$0.55 per Share, raising a total of \$9.5 million (**Placement 3**).

Funds raised from the Placement 3 are intended to be used to drill and production test at least three new gas wells, and provide funding for field geology, seismic reprocessing and infrastructure studies for PLR2020-1-5 (Rolleston-West) and PL231 (Reids Dome), along with corporate and fundraising costs.

The securities under the Placement 3 were issued on 2 October 2020 using the Company's 15% capacity under Listing Rule 7.1. Resolution 6 seeks Shareholders approval under Listing Rule 7.4 to ratify the issue of 17,272,730 Shares under the Placement 3.

A summary of Listing Rule 7.1 is set out in section 7.3 below. If Resolutions 4, 5 and 6 are passed, the issues will be excluded in calculating the Company's 15% limit under Listing Rule 7.1, effectively increasing the number of equity securities it can issue without Shareholder approval over the 12 months following the issues. If Resolution 4, 5 or 6 is not passed, the issue will be included in calculating the Company's 15% limit under Listing Rule 7.1, effectively limiting the number of equity securities it can issue without Shareholder approval over the 12 months following the issue.

7.2 Effect on the capital structure of the Company and dilution

The effect of the various issues on the capital structure of the Company is as follows (assuming no other Shares are issued):

Items	Number	%
Shares currently on issue (excluding Shares issued under Resolutions 4, 5 and 6)	144,549,323	88.07%
Shares issued under Placement 1 (Resolution 4)	1,538,461	0.94%
Shares issued under Placement 2 (Resolution 5)	769,230	0.47%
Shares issued under Placement 3 (Resolution 6)	17,272,730	10.52%
Total	164,129,744	100.00%

7.3 Listing Rules

Broadly speaking and subject to a number of exceptions, Listing Rule 7.1 limits the number of equity securities a company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid up ordinary securities it had on issue at the start of that period.

Listing Rule 7.4 allows shareholders to ratify an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1, and so does not reduce the company's capacity to issue further equity securities without shareholder approval under that rule.

7.4 Resolution 4 - Information required by Listing Rule 7.5

For the purposes of Listing Rule 7.5, the following information is provided about Placement 1:

- (a) The Shares were issued to institutional, sophisticated and professional investors managed by Morgans Corporate Limited, who are not a related parties to the Company or otherwise persons to whom Listing Rule 10.11 applies.
- (b) The number of securities issued by the Company was 1,538,461 Shares.
- (c) The securities issued were fully paid ordinary shares that rank equally with existing Shares on issue.
- (d) The price of the securities issued was \$0.65 per Share.
- (e) The issue was made on 19 December 2019.

- (f) The issue was made to raised funds, a total of \$1 million were raised from the issue. The use of funds raised from the issue is set out in section 7.1.
- (g) Other than those set out in this section **Error! Reference source not found.**, there are no other material terms in relation to the issue.
- (h) A voting exclusion statement is included in the Notice.

7.5 Resolution 5 - Information required by Listing Rule 7.5

For the purposes of Listing Rule 7.5, the following information is provided about Placement 2:

- (a) The Shares were issued to institutional, sophisticated and professional investors, who are not a related parties to the Company or otherwise persons to whom Listing Rule 10.11 applies.
- (b) The number of securities issued by the Company was 769,230 Shares.
- (c) The securities issued were fully paid ordinary shares that rank equally with existing Shares on issue.
- (d) The price of the securities issued was \$0.65 per Share.
- (e) The issue was made on 30 December 2019.
- (f) The issue was made to raised funds, a total of \$0.5 million were raised from the issue. The use of funds raised from the issue is set out in section 7.1.
- (g) Other than those set out in this section **Error! Reference source not found.**, there are no other material terms in relation to the issue.
- (h) A voting exclusion statement is included in the Notice.

7.6 Resolution 6 - Information required by Listing Rule 7.5

For the purposes of Listing Rule 7.5, the following information is provided about Placement 3:

- (a) The Shares were issued to institutional, sophisticated and professional investors, who are not a related parties to the Company or otherwise persons to whom Listing Rule 10.11 applies.
- (b) The number of securities issued by the Company was 17,272,730 Shares.
- (c) The securities issued were fully paid ordinary shares that rank equally with existing Shares on issue.
- (d) The price of the securities issued was \$0.55 per Share.
- (e) The issue was made on 2 October 2020.
- (f) The issue was made to raised funds, a total of \$9.5 million were raised from the issue. The use of funds raised from the issue is set out in section 7.1.

- (g) Other than those set out in this section 7Error! Reference source not found., there are no other material terms in relation to the issue.
- (h) A voting exclusion statement is included in the Notice.

7.7 Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of each of Resolutions 4, 5 and 6. These will restore the Company's 15% annual limit permitted by Listing Rule 7.1 and allow the Company to issue further securities as permitted by Listing Rule 7.1 without Shareholder approval.

SCHEDULE 1 GLOSSARY

\$ or A\$ means Australian dollars.

AEDT means Australian Eastern Daylight Time.

AEST means Australian Eastern Standard Time.

Annual General Meeting or Meeting means the meeting convened by the Notice.

ASX Listing Rules means the Listing Rules of ASX.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means a spouse or child of the member; or a child of the member's spouse; or a dependent of the member or the member's spouse; or anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or a company the member controls; or a person prescribed by the Corporations Regulations 2001 (Cth).

Company means State Gas Limited (ACN 617 322 488).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning given in the Listing Rules.

Notice or Notice of Meeting means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to be issued a Share.

Proxy Form means the proxy form accompanying the Notice.

Relevant Period has the meaning given in Listing Rule 7.1.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

 **ONLINE**
www.linkmarketservices.com.au

 **BY MAIL**
State Gas Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

 **BY FAX**
+61 2 9287 0309

 **BY HAND**
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138

 **ALL ENQUIRIES TO**
Telephone: +61 1300 554 474

PROXY FORM

I/We being a member(s) of State Gas Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy (an email will be sent to your appointed proxy with details on how to access the virtual meeting)

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **10:00am (AEST) on Wednesday, 18 November 2020** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a virtual meeting and you can participate by logging in online at <https://agmlive.link/GAS20> (refer to the Virtual Guide and **Notice of Annual General Meeting and Explanatory Notes**).

Important for Resolution 1: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 1, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than **48 hours before the Meeting**.

Please read the voting instructions overleaf before marking any boxes with an

Resolutions

Resolutions	For	Against	Abstain*	For	Against	Abstain*
1 Remuneration Report (Non-Binding)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Ratification of prior issue of shares under Placement 2	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Director – Mr Robert Towner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Ratification of prior issue of shares under Placement 3	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
4 Ratification of prior issue of shares under Placement 1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name and email address of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting Virtually the appropriate "Certificate of Appointment of Corporate Representative" must be received at vote@linkmarketservices.com.au prior to admission in accordance with the Notice of Annual General Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10.00am (AEST) on Monday, 16 November 2020**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



BY MAIL

State Gas Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* During business hours (Monday to Friday, 9:00am–5:00pm)