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ASX RELEASE

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CNG Off-take Arrangements

State Gas Limited (ASX: GAS) ("State Gas" or "the Company") is pleased to provide an update on the sale arrangements for gas produced from its Rolleston West (ATP 2062) project in the southern Bowen Basin. Using its virtual pipeline trucking approach, the Company intends to commence shipping and sale of CNG to end users in the Bowen Basin as early as November 2023 after the successful construction and commissioning of its compressed natural gas ("CNG") facility.

The Company has entered into a Memorandum of Understanding ("MOU") with Mine Energy Solutions Pty Ltd ("MES") to supply CNG immediately after commissioning of the CNG Facility. MES are working with a number of organisations to install dual fuel (diesel to gas) engines in mining trucks as part of decarbonisation initiatives in the coal sector. The dual fuel engines require CNG. The majority of the organisations working with MES are remote from traditional gas infrastructure and consequently State Gas's virtual pipeline trucking solution uniquely positions it to provide CNG to these projects. Under the terms of the MOU, State Gas are MES' exclusive supplier of CNG.

To support future production volumes up to the maximum compression capacity of the CNG Facility of 1.7TJ/day and beyond, State Gas has also entered into an MOU with Denison Gas [insert] ("Denison") under which it will jointly develop a CNG intake facility ("the Intake Facility") at Denison's Rolleston Gas Plant. State Gas and Denison have been working closely to jointly develop the relevant engineering solutions which will allow the Intake Facility to efficiently receive CNG delivered using State Gas' virtual pipeline trucking solution for processing at the Rolleston Plant. As part of this arrangement, Denison will purchase up to 1.0TJ/day from State Gas for on-sale into the domestic gas market in conjunction with its existing daily spot capacity.

Executive Chairman, Richard Cottee said "State gas has shown itself to be at the forefront of innovation with its CNG Project being the first time CSG from the field is being sold as Compressed Natural Gas. The MES offtake for conversion of diesel fleets to a lower carbon dual fuel highlights how important natural gas remains in the transition to a lower carbon future. The Company has developed an initial path to market for its initial cargoes of CNG, in addition to a longer-term solution which will provide a pathway for much greater volumes of CNG to be processed and sold into domestic and export gas markets. These off-take arrangements reflect the value that the Company has unlocked through its flexible virtual pipeline trucking solution and provides it with multiple markets for its production over time."

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

FOR FURTHER INFORMATION

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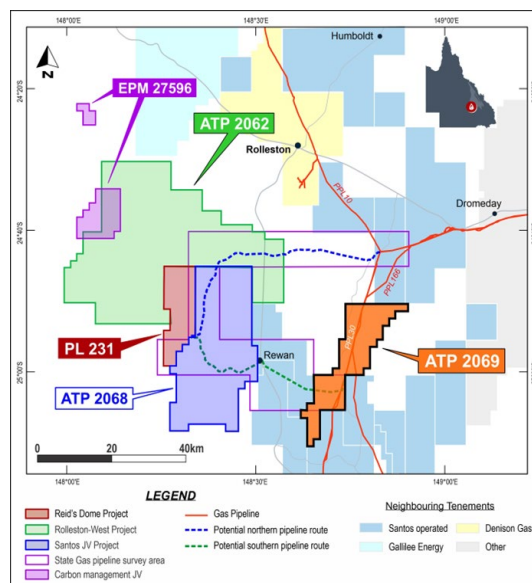
ABOUT STATE GAS LIMITED

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 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.