



ASX RELEASE

31 October 2024

QUARTERLY ACTIVITIES REPORT

1 July 2024 – 30 September 2024

HIGHLIGHTS:

- First revenues from sale of compressed natural gas
- Pre-mobilisation activities for new drilling campaign underway
- Capital raise successfully completed

State Gas Limited (ASX: GAS) ("State Gas or "the Company") is pleased to provide this update for the quarter ended 30 September 2024 ("the Quarter"). The Company achieved the major milestone during the Quarter of delivering first revenues from gas sales.

In addition to the long-term value created through its traditional exploration and development activities, the Company now owns and operates a strategic asset and related IP - a "first-of-its-kind" in Australia, High Density Natural Gas ("HDNG") production plant ("the Plant"). The Plant sources raw gas feedstock from the Company's Rougemont 2/3 dual lateral well system ("Rougemont 2/3") within ATP 2062 and in conjunction with virtual pipeline ("VP") trailer technology, enables State Gas to deliver up to 1.7TJ/day of pipeline quality natural gas to end users in the Southern Bowen Basin and surrounding areas.

State Gas believes that the HDNG technology will create substantial opportunities for natural gas (an environmentally superior fuel source to diesel) to be used in a range of commercial applications which support lower carbon emissions. In addition to the environmental benefits which arise from capturing production testing gas, the HDNG production plant will allow State Gas to grow an organic revenue stream which will enable it to self-fund an increasing share of its ongoing exploration and development activities.

The alternative fuel supply opportunity utilising HDNG will realise revenue significantly in advance of the commercial timetable applicable to traditional gas project development and at lower capital intensity.

In conjunction with the Company's ongoing exploration and development strategy for its underlying natural gas projects within PL231 and ATP 2062, State Gas is now in a stronger position to deliver its vision and sustainable value to shareholders.

Exploration Activities

The Company is focussed on converting a substantial portion of its contingent resources into 2P reserves, which will, in turn, support long term project investment in the Rolleston West Project. Of particular focus is gaining access to pipeline infrastructure which can connect the Rolleston West Project to the Gladstone to Wallumbilla pipeline network.

As previously reported, State Gas has secured \$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 Rolleston West Project area, by drilling two new vertical wells which are close to Rougemont 2/3 in an area that has proven gas content and good permeability. State Gas' HDNG plant will enable it to immediately capture and commercialise production testing gas from these new wells.

During the quarter the Company completed planning and preparatory activities to commence the drilling program for the two new exploration/appraisal wells to be funded by the Grant. The Company experienced delays to mobilisation of the rigs because of the rigs not being released by the previous user in line with the original timetable. The Company is now in the process of completing preparatory civil works to allow mobilisation of the drill rigs to site. The Company is in the process of optimizing access arrangements to facilitate completion of the planned drilling activities as soon as practicable.

HDNG Sales

Post commissioning the HDNG production plant in late May 2024, the Company commenced supplying HDNG in accordance with its initial offtake agreement to a local coal mine. State Gas' customer is using HDNG as part of the ongoing trial of hybrid (diesel/natural gas) mine-truck engine technology that can assist in reducing carbon emissions.

During the quarter, State Gas and its partners identified and resolved a range of technical and operational issues associated with early stage of operation of the HDNG plant and to increase the scope of the HDNG supply arrangement. The Company also participated in planning activities to support further expansion of the trial to six mining haul trucks, in accordance with the customer's previously stated intentions. The HDNG plant and the VP trailers are operating efficiently, and State Gas is delivering increasing daily volumes of HDNG. This reflects improved operating practices at the Plant and more stable performance from the Rougemont 2/3 well system. On an overall basis, the hybrid engine trial (reliant on HDNG) is also demonstrating favourable results with gas for diesel substitution rates in line with expectations. To enable more efficient unloading of HDNG from the VP Trailers and support use of HDNG by a larger number of mining trucks, the customer will need to invest in improvements to its existing on-site

infrastructure. State Gas and its partners are working with the customer to assist in delivering these improvements and support further extension of the trial.

State Gas and its partners continue discussions with a number of other coal mines in close proximity to Rolleston West about HDNG supply. Those discussions also include the broader application of the Company's HDNG technology to capture fugitive emissions associated with de-gassing coal mine development.

Financial Position

Post year-end, State Gas raised \$5.3 million through a placement and entitlement offer of 105,071,959 new shares to sophisticated investors and existing shareholders. A further 13,207,421 new shares will be issued to Directors subject to shareholder approval.

During the quarter, the Company expended approximately \$1.8 million on construction and commissioning costs to complete the HDNG Project and \$0.5 million on the ongoing production testing of the Rougemont 2/3 dual lateral well system. Company overheads were slightly lower than the run-rate observed in previous quarters, reflecting alignment of its activities with the timing of first gas sales and available cash reserves.

Moving forward, the Company's reliance on additional equity capital is expected to progressively reduce with the ramp-up in production and as operating cashflow from HDNG sales increases.

Changes to Board Composition

During the quarter, the Company's Non-executive Chairman, Richard Cottee, indicated his intention not to stand for re-election as a Director at the Company's upcoming Annual General Meeting. The Company thanks Mr Cottee for his valuable contribution to the development of State Gas over the last five years. This has been a time of significant change for the business and Mr Cottee's experience has been critical to the successful navigation of a range of challenges.

Outlook

The Company is focussed, in the short term, on completing its two well drilling program and continuing to increase its HDNG supply volume. The Company's assets are well positioned to address (in part) the substantial gas shortfall which the ACCC currently forecasts to arise by 2027 and continue to support both an orderly transition to renewables and a sustainable energy security policy for Australia. The Company's portfolio of gas assets possesses the relevant characteristics to underpin long term shareholder value:

1. substantial deposits of pipeline quality gas with a low carbon emission profile sourced from a known gas production region;
2. comparable gas projects, targeting similar coal measures, suggest that the State Gas projects will be low on the cost curve;
3. gas assets are strategically located in close proximity to existing transmission infrastructure;
4. the cost of additional infrastructure to support production is modest; and
5. the Company's HDNG technology enables it to commercialise its gas assets more quickly and potentially build a large alternative fuel supply business, while simultaneously continuing to advance the Company's traditional gas projects.

Anticipated successful drilling and production testing results from the two new wells will enable State Gas to seek accreditation for a maiden 2P reserve of 30-50PJs. Establishing an initial 2P reserve is a critical next step in demonstrating the commercial viability of a substantial gas project at Rougemont West and supporting an application for a petroleum lease over a substantial portion of ATP 2062.

Tenements and Resources

Year	Asset	Net Acreage (km ²)	Estimated Contingent Resources* (PJ's Net to State Gas)		
			1C	2C	3C
2017	PL231 Reid's Dome (unconventional)	181	84	192	660
	PL231 Reid's Dome (conventional)		1.7	3.6	7.9
2020	ATP 2062 Rolleston-West (unconventional)	1,414	145	261	454
	ATP 2062 Rolleston-West (conventional)		6	18	52
2022	ATP 2068 (unconventional)	254	25	43	68
2022-23	ATP 2069 (unconventional)	108	12	17	24
Total		1,957	274	534	1,266

*State Gas estimate as at 12/09/2022

Payments to Related Parties

A total of \$210,000 was paid to Directors and their associates for salaries, director fees and superannuation during the quarter ended 30 September 2024.

Shareholder Engagement

We encourage shareholders and other interested parties to visit the Company's website: www.stategas.com to access information about the Company's projects. State Gas will continue to keep the market informed of its activities through regular Company updates and third-party publications, particularly as it moves into initial production and cashflows.

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 CNG FACILITY

State Gas has developed a "first of its kind" in Australia CSG to CNG plant ("the CNG Facility"). When implemented in conjunction with virtual pipeline ("VP") trailer technology, the CNG 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.

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.

ASX Listing Rules Chapter 5 - Reporting on Oil and Gas Activities

Additional Information about Contingent Resource Estimates

The Contingent Resource estimates for the Reid's Dome and Rougemont Gas Projects (State Gas 100%) and State Gas' 35% interest in ATP 2068 and PLR 2021-1-3, were estimated utilising the probabilistic method with totals summed arithmetically and have not been adjusted for commercial risk.

The Contingent Resource estimates are based on technical data for the permits, regional geologic and production interpretations, and in the case of the Reid's Dome and Rolleston-West Projects, data derived by State Gas from exploration activities on the permits, including reprocessing of seismic, drilling, core analyses, production testing and analyses of produced gas and water.

Additional exploration and appraisal is required to address the contingencies associated with these resources to confirm commercial viability and areal extent. If the contingencies are successfully addressed, some part of the Contingent Gas Resources may be reclassified as reserves. The estimates of Contingent Resources have not been risked to account for the possibility that the contingencies are not successfully addressed.

The estimates reported relate to unconventional petroleum reserves. The details of the project area, the method of extraction and number of wells that may be required are not yet finalised. The Contingent Resources estimated have been prepared in accordance with the definitions and guidelines set forth in the SPE-PRMS 2018. The estimates reported are not contingent on technology that remains under development.

Competent Persons Statement

The estimate of Contingent Resources for the Reid's Dome and Rolleston-West Gas Projects (of which State Gas holds 100%), and State Gas' 35% interest in ATP 2068 and PLR2021-1-3, provided in this document, is based on, and fairly represents, information and supporting documentation prepared by Mr James Crowley in accordance with Petroleum Resource Management System guidelines.

Mr Crowley is a qualified person as defined under the ASX Listing Rule 5.42. Mr Crowley holds a Bachelor of Science (Honours) from Macquarie University, Sydney and has over 36 years' experience in the industry. He is a member of The Petroleum Exploration Society of Australia and The Society of Petroleum Engineers. Mr Crowley has consented to the publication of the Contingent Resource estimates for the Reid's Dome and Rolleston-West Gas Projects, and ATP 2068 and PLR2021-1-3, in the form and context in which they appear in this Presentation.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

STATE GAS LIMITED

ABN

49 617 322 488

Quarter ended ("current quarter")

30 SEPTEMBER 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	33	33
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(102)	(102)
(e) administration and corporate costs	(815)	(815)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)		
- GST refunds	90	90
1.9 Net cash from / (used in) operating activities	(794)	(794)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(1,833)	(1,833)
(d) exploration & evaluation (if capitalised)	(581)	(581)
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material) Government grants and tax incentives	-	-
2.6	Net cash from / (used in) investing activities	(2,414)	(2,414)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,348	4,348
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(409)	(409)
3.5	Proceeds from borrowings	760	760
3.6	Repayment of borrowings	(67)	(67)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	4,632	4,632

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	33	33
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(794)	(794)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,414)	(2,414)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,632	4,632

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,457	1,457

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,457	33
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,457	33

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
210
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payments to directors include accrued salaries, director fees and superannuation guarantee.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	1,854	1,854
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	1,854	1,854

7.5 Unused financing facilities available at quarter end

-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

- Loan agreement with director Jon Stretch for \$425,000 of which \$54,067 was offset against his entitlement under the ANREO. As at 30 September 2024 the loan has been fully drawn down. The loan accrues interest at 15% per annum. \$250,000 of the loan is repayable following the refinance the CNG Facility with the balance repayable following the completion of a capital raising.
- Loan agreement with Monte Vista Holdings Pty Ltd, a related party of director Philip St Baker, for \$200,000. As at 30 September 2024 the loan has been fully drawn down. The loan accrues interest at 15% per annum. The loan is repayable following the refinance the CNG Facility.
- Loan agreement with The P&L St Baker Family Trust, a related party of director Philip St Baker, for \$1,225,000, of which \$485,562 was offset against his entitlement under the ANREO. As at 30 September 2024 the loan has been fully drawn down. The loan accrues interest at 15% per annum. \$50,000 of the loan is repayable following the refinance the CNG Facility, with the balance repayable following the completion of a capital raising.
- Loan agreement with Allegro Capital Nominees Pty Ltd, a related party of director Greg Baynton, for \$425,000 of which \$175,000 was offset against his entitlement under the ANREO. As at 30 September 2024 the loan has been fully drawn down. The loan accrues interest at 15% per annum. The remaining loan is repayable following the refinance the CNG Facility.
- Loan agreement with Loch Explorations Pty Ltd, a related party of director Tony Bellas, for \$250,000. As at 30 September 2024 the loan has been fully drawn down. The loan accrues interest at 15% per annum. The loan is repayable following the refinance the CNG Facility.
- Loan agreement with AG Super Pty Ltd, a related party of director Tony Bellas, for \$175,000 of which \$152,102 was offset against his entitlement under the ANREO. As at 30 September 2024, the balance has been fully drawn down. The loan accrues interest at 15% per annum. The loan is repayable following the completion of a capital raising.
- Loan agreement with Richard Cottee for \$60,000, of which \$39,172 was offset against his entitlement under the ANREO. As at 30 September 2024, the balance has been fully drawn down. The loan accrued interest at 15% per annum. The loan is repayable following the completion of a capital raising.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(794)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(589)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,383)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	1,457
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	1,457
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0.9

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions: -

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not? -

Answer: The Company has secured exploration grant funding which will assist in meeting project exploration costs.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The Company has secured exploration grant funding which will assist in meeting project exploration costs and intends to refinance the CNG Facility to recycle capital and improve the Company's average cost of capital. The commencement of gas sales subsequent to plant commissioning will also assist in meeting the Company's ongoing operating costs.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: The Company commenced initial gas sales in June 2024 through its virtual pipeline and in accordance with the offtake agreement announced in April 2024. The Company can control the timing of further discretionary expenditure (such as exploration activity) to coincide with the availability of the relevant source of capital. The Company anticipates that it has sufficient capita to continue its operations and meet its business objectives.

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 31 October 2024

Authorised by: Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

- This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.