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ASX RELEASE

30 August 2022

State Gas to Commence Gas Sales with Trucking of CNG in Response to Australia's Gas Shortfall

Highlights

- State Gas to institute trucking of compressed natural gas (CNG) to commence early sales of gas in Eastern Australia. This form of 'virtual pipeline' is a substitute for a physical pipeline, where gas that would typically be conveyed through a conventional gas pipeline is instead transported as CNG in containers by road.
- Two stage development, commencing with the trucking via CNG, followed by development of a physical pipeline in stage-two and re-deployment of the virtual pipeline assets elsewhere within the State Gas portfolio.
- First gas sales expected in Q1 2023, coinciding with a predicted market shortfall in 2023.

As a response to the predicted domestic gas shortfall, **State Gas Limited (ASX:GAS) (State Gas or the Company)** has initiated a project to undertake trucking of CNG to enable commencement of gas sales from its Central Queensland projects within months.

Under the CNG trucking project, gas from the Company's 100% owned Reid's Dome Project (PL231) will be compressed and then trucked by road approximately 60km to a delivery point accessing the high-pressure gas infrastructure network, thereby creating a "virtual pipeline" for the gas.

Initial gas sales will be to the domestic spot market, taking advantage of the unprecedented prices currently available and responding to the national need.



Established wellhead infrastructure at PL231 Reid's Dome.

Deliveries will initially be sourced from the established conventional gas resource in the northern area of PL231. This Reid's Dome gas is immediately available and of pipeline quality, and requires only dehydration to meet pipeline specifications.

Gas was first discovered at Reid's Dome in 1954 when there was no market for the gas, and no pipeline or other techniques available to transport the gas.

State Gas has sourced compression and transportation equipment to enable sales of ~1TJ/d. Commencement of sales is targeted for early Q1 2023.

In the USA, CNG has historically been used onshore for gas supply over distances up to 800 km¹.

The CNG trucking project will facilitate early gas sales to generate revenue for State Gas and help meet the current market shortfalls, while work continues for a larger capacity “in-ground” export pipeline. On ground survey work to refine the preferred pipeline route is currently being planned, prior to seeking the requisite approvals.

Once the ‘in-ground’ pipeline is complete, the virtual pipeline system can be redeployed to enable the commercialisation of otherwise stranded gas, or sales of production test gas from the Company’s projects.

State Gas Executive Chairman Mr Richard Cottee commented on the development:

“I am particularly pleased to be announcing this project at this critical time. State Gas was established to be an alternative supplier bringing new, undeveloped gas resources into the constrained East Coast market. With this project we are bringing this ambition to reality.”

“Not only are we fulfilling an ambition, but doing so at a time of great need for gas, as highlighted by the ACCC report on the gas market released this month². The ACCC found in its latest gas report that the outlook for the east coast gas market has significantly worsened, with an expected shortfall of 56 PJ in 2023.”

“In addition, the CNG project will generate first revenues for the Company, helping to underwrite further development and expansion”.

Mr Cottee further noted that spot gas prices at Wallumbilla averaged \$27.31 over the June ‘22 quarter³.

This announcement was approved for release by Mr Richard Cottee, Executive Chairman.

FOR FURTHER INFORMATION

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¹ CNG for Commercialization of Small Volumes of Associated Gas, TRACTEBEL ENGINEERING S.A., October 2015

² ACCC Gas Inquiry Interim Report July 2022

³ AEMO Wallumbilla Gas Supply Hub Firm Benchmark Price average 1 April -30 June 2022

ABOUT STATE GAS

STATE GAS LIMITED (ASX: **GAS**) is a Queensland-based gas exploration and development company focussing on the Bowen Basin in Central Queensland. State Gas is 100%-owner of the contiguous Reid's Dome (PL-231) and Rolleston-West (ATP 2062) Gas Projects, both of which contain both 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. Neither project is restricted by domestic gas reservation requirements.

State Gas also holds a 35% interest in new permit ATP 2068 in joint venture with Santos QNT Pty Ltd (65%), and, also in the same joint venture, has been appointed Preferred Tenderer for an additional new exploration block PLR2021-1-3. These two new areas lie adjacent to or in the near vicinity of State Gas and Santos' existing interests in the area, providing for an alignment of ownership interests across the region, enabling synergies in operations and development.

None of State Gas' permits are restricted by domestic gas reservation requirements. State Gas is implementing its strategic plan to bring gas to market from Reid's Dome and Rolleston-West to meet shortfalls in the east coast domestic gas market.

State Gas is also undertaking a carbon management initiative with minerals explorer Rockminolutions Pty Ltd in respect of EPM 27596 on the western border of ATP 2062. This project is investigating the potential of basalts in the Buckland Basaltic Sequence to provide long term secure sequestration of carbon through mineralisation⁴.

⁴ For more information see State Gas Ltd announcement on 9 May 2022