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ASX RELEASE

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First Lateral at Rougemont-3 Reaches Target Extent

State Gas Limited (ASX:GAS) (State Gas or the Company) is pleased to advise that the first lateral of the Rougemont-3 horizontal well has reached its full target length of approximately 1,300 metres with 97.8% (1,263.3 m) within the target coal seam.

Excellent gas shows were observed throughout the drilling of the lateral, with gas peaks of up to 29.5% and an overall average throughout the lateral of 24%, of which 99% was methane.

The lateral has passed in close proximity to the Rougemont-2 vertical well, enabling easy connection between the two wells to connect the full nearly 1300 metres of the lateral with the gas production well bore in Rougemont-2.

The first lateral will be cased for production, prior to commencement of drilling of the second lateral some 30 m below the first. Once the second lateral has been completed and cased the Rougemont-2 vertical well will be combined with the Rougemont-3 horizontal well, and the pair will be placed on production.

The Rougemont-3 horizontal well is being drilled to confirm the gas potential of the Rougemont area within State Gas' 100%-owned Rolleston-West Project (ATP 2062) and to provide gas for a future pipeline to connect the project area with the east coast gas pipeline network¹.

The well is being drilled laterally through the coals of the Bandanna Formation (in commercial production at the Arcadia Valley to the south-east) to meet the vertical Rougemont-2 well.

State Gas will provide further updates as drilling progresses.

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

¹ See announcements of 12, 16 and 21 September 2022

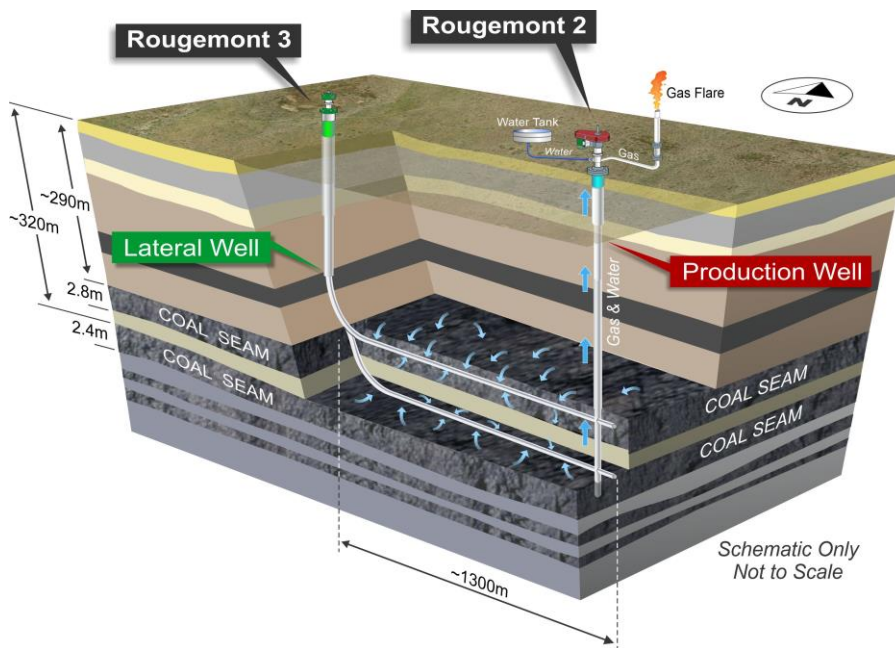


Figure 1: Rougemont-3 Well, showing first and second lateral wells completed or planned in the current drilling program and the previously-drilled Rougemont-2 vertical well.

FOR FURTHER INFORMATION

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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 mineralisation².

² For more information see State Gas Ltd announcement on 9 May 2022