



State Gas Limited
ACN 617 322 488
PO Box 10348
BRISBANE QLD 4000

ASX RELEASE

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CNG Supply Arrangements and Project Update

HIGHLIGHTS:

- Initial CNG supply contract signed with Thiess to support the ongoing trial of diesel/gas hybrid mine-trucks at Curragh Coal Mine
- First shipment of CNG expected in mid-April 2024, with final stages of CNG facility commissioning now being completed
- Rougemont 2/3 dual lateral well system performing better than expected, with sustainable daily gas production likely to be higher than originally anticipated

Initial off-take arrangements

The Company has entered into an initial offtake agreement with Thiess Pty Ltd ("Thiess") for delivery of CNG to the Curragh Coal Mining operation, near Blackwater in Central Queensland ("Curragh"). As part of its role as contract miner at Curragh, Thiess has been evaluating hybrid mine-truck engine technology and has now agreed with the Curragh mine owner to extend and expand the trial ("the Trial"). Initial CNG supply volumes will be small to support an orderly ramp up of production from the CNG Facility and to establish efficient loading and unloading processes for the Virtual Pipeline at Curragh. Ongoing success of the Trial and progressive optimisation of loading and unloading using the Virtual Pipeline, could ultimately support up to 100GJ of CNG per day, for each mine truck included in the Trial. The Trial will initially support two trucks, with a view to converting more engines to hybrid technology subject to Thiess and the Curragh mine-owner's satisfaction with the Trial results.

The provision of CNG using the Virtual Pipeline is a bundled gas supply solution, which reflects significant added value when compared to raw natural gas sourced from the traditional pipeline network. Raw coal seam gas from Rougemont 2/3 is processed by the CNG Facility to meet gas specifications and pressures required for the efficient operation of the hybrid mine-truck engines in the Trial. The ability for State Gas to supply increasing quantities of CNG to a location on the Curragh mine-site where the mine-trucks can be safely loaded is a unique aspect of State Gas' value proposition. For this reason, the contracted price for CNG under this supply arrangement is at a premium to the spot price of raw pipeline gas.

As part of the CNG supply arrangement, it is the intention of State Gas and Thiess to work together to

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increase the volume of gas supplied during the Trial and investigate opportunities to include additional trucks and extend the length of the supply arrangement. Subject to the success of this initial supply arrangement and the Trial, State Gas anticipates identifying other opportunities where State Gas CNG could be applied to support similar projects in the mining sector.

CNG Project Commissioning

State Gas is in the final stages of commissioning its “first-of-its-kind” in Australia, coal seam gas (“CSG”) to compressed natural gas (“CNG”) pilot plant (“the CNG Facility”). Once commissioned, the CNG Facility will be able to compress up to 1.7TJ/day of pipeline quality natural gas for supply to users in the Southern Bowen Basin and surrounding areas. CNG will be transported using specially designed gas tube trailers which allow gas to be delivered to customers that are remote from traditional gas pipeline infrastructure (“a Virtual Pipeline”). CSG will be sourced from State Gas’ Rougemont 2/3 dual lateral exploration and appraisal well (“Rougemont 2/3”), located within the Rolleston West Project area of ATP 2062.

The need for environmentally superior fuel sources (natural gas compared to diesel) are required to support the long-term orderly transition of major industrial fuel users to more sustainable renewable energy sources. State Gas’ CNG Facility in conjunction with its Virtual Pipeline solution uniquely positions it to meet this growing demand.

Production Capability of the CNG Facility

The CNG Facility will dehydrate and then compress the gas provided by the gathering system connected to Rougemont 2/3, which is now expected to produce substantially more than the 0.5TJ of CSG per day (which was generated during the first stage of production testing conducted in early calendar 2023). Rougemont 2/3 has been progressively dewatered during March 2024 in preparation for connection to the CNG Facility. During this dewatering process, the Company has observed significantly higher water production than during the first stage of de-watering, which suggests greater permeability across a wider zone of influence around the dual lateral well structure.

Upon commissioning, the Plant will have substantial available capacity (total processing capacity 1.7TJ/day) and the Company is now actively following up incremental sales leads for its CNG. State Gas believes that this “first-of-its-kind” in Australia CNG supply approach 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. The CNG technology developed by State Gas provides it with significant first mover advantage to support increased demand for natural gas to support the ongoing orderly de-carbonisation of industrial activities, such as coal mining operations.

Although the Company’s immediate focus is to provide CNG to end users, it continues to evaluate the development of CNG intake infrastructure at a suitable location on the existing gas pipeline network close to the CNG Facility. This would allow State Gas to support domestic or export gas supply opportunities

using future production volumes up to the maximum compression capacity of the CNG Facility of 1.7TJ/day.

In addition to the supply flexibility provided by CNG and the Virtual Pipeline, the technology also 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. State Gas sees significant opportunity in being able to license this technology to other gas producers to support more environmentally sustainable exploration and appraisal activities.

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State Gas' Executive Chairman, Mr Richard Cottee said, "My own business experience bears witness to the fact that whenever one pioneers innovation, there are always some hurdles to overcome before one reaches the finish line. The signing of this contract is testimony that those hurdles are largely behind State Gas, now meaning CNG will now become available at source in Queensland facilitating its journey towards a cleaner, more environmentally friendly future."

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

FOR FURTHER INFORMATION

Richard Cottee
Executive Chairman
Phone: 0458 517 850
Email: richard@stategas.com

Doug McAlpine
Chief Executive Officer
Phone: 0439 557 400
Email: doug@stategas.com

www.stategas.com

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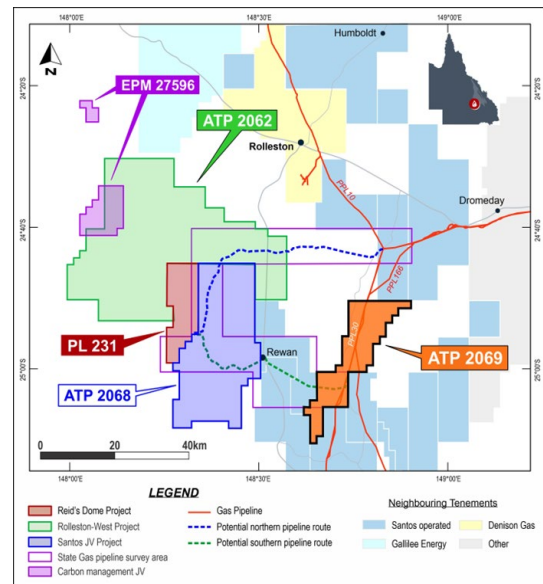
ABOUT STATE GAS LIMITED

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.