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ASX RELEASE

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Chairman's Address to Annual General Meeting

Good morning, everyone. My name is Phil St Baker.

I am a Director of State Gas and a major shareholder in the Company. Subject to the outcome of voting later in today's proceedings, it is my intention to nominate for the position of Non-Executive Chairman of the Company, following Richard Cottee's decision not to stand for re-election as a Director. Richard is unable to attend in person today, and consequently I am providing these opening remarks in his absence, and as Chairman elect.

Can I begin by thanking Richard for his service and commitment to the Company over a number of years in his capacity as Executive Chairman. He has been instrumental across a range of important strategic initiatives, including expanding the Company's tenure footprint and putting in place the initial foundations of the Company's compressed natural gas strategy. Unfortunately, due to a personal matter which called Richard away, he is unable to attend today. Richard has been a great servant of the energy sector for more than 40 years and his contribution to the development of the natural gas industry in Australia is an incredible achievement. My fellow Directors and I wish Richard all the best.

It has been a mixed year for the Company. On the positive side, we completed the HDNG plant – the first of its kind in Australia - and commenced initial gas sales. Importantly, we secured \$5.5million of government grant funding to support the next round of exploration activity at Rolleston West. However, these important positive milestones were offset by a challenging capital raise outcome completed in September 2024, which frustratingly saw a new round of capital sourced at a deep discount to the immediately preceding price. While we have had great support from the Qld Government, there is no doubt it is a difficult environment for early-stage companies to raise capital, let alone in the Gas industry. Policy and political uncertainty at both the state and federal levels have raised risks that make pricing and sourcing capital much more challenging, notwithstanding a macro-overlay of increasing gas demand. In this context we are thankful for the support of new and existing shareholders who continue to support the Company.

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Further, In the last month, a new challenge has arisen for the Company as we have tried to resolve a dispute with the landowner associated with the Rolleston West Project. Thankfully the matter has now been resolved and State Gas and the Landowner entered into a settlement arrangement that allows State Gas to immediately recommence the Company's gas production activities on the Landowner's property. The arrangement also allows State Gas to continue its planned two-well exploration program subject to implementing access protocols for the well sites as prescribed in the Conduct and Compensation Agreement ("CCA").

The Company is now in the process of mobilising its field teams to recommence its gas compression and exploration activities as soon as possible. The underlying compensation dispute with the landowner remains unresolved, and State Gas has agreed to discontinue legal action against the Landowner, subject to its access rights being preserved while the parties continue to resolve the underlying dispute in accordance with the process set out in the CCA. The Company continues to work collaboratively with the landowner to address any residual matters and complete the current exploration program.

As I propose to take on the role of Non-Executive Chairman, my immediate priorities are to work with the Executive to support our exploration and gas production operations and improve our working relationship with the landowner at the Rolleston West Project. I believe the right foundations are in place to restore the recently impacted share price and leverage the Company's diversified business model to begin to deliver long term shareholder value.

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.

State Gas and its partners in the mine-truck technology trial identified and resolved a range of technical and operational issues associated with early-stage 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.

On an overall basis, the hybrid engine trial, which is reliant on our HDNG, is demonstrating favourable results with gas for diesel substitution rates in line with expectations. State Gas and its partners are now working with the customer to deliver improvements and support further extension of the trial and expansion of fuel supply arrangements to an increasing fleet of mining trucks.

The mining industry remains one of the largest industrial emitters of CO₂ globally. CO₂ reduction (offset)

obligations for large emitters is now increasing every year in Australia which is driving the mining industry to seek operational solutions to reduce emissions. Diesel substitution with HDNG has great potential to deliver significant CO2 reductions, quickly, at low cost, with existing fleets of equipment, and minimal disruption to operations.

We believe that the HDNG technology will create substantial opportunities for natural gas, which is 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 company is committed to the alternative fuels opportunity and continues to invest financial and human resources to increase its capability in this area. We have appointed an experienced engineering resource to the team whose sole focus is on engineering better supply chain solutions which will enable us to scale the HDNG business. My fellow directors and I have significant experience in developing and scaling new technologies in the energy sector and I am highly engaged with management around implementing the appropriate enabling technologies which will see us continue to grow that business.

The Company is also focussed on converting a substantial portion of its contingent resources into 2P reserves, which will 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. To accelerate the establish of a maiden reserve estimate, the Company has secured \$5.5 million of exploration grant funding through the Queensland Government's Frontier Gas Exploration Program. 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.

The Company is now in the process of completing preparatory civil works to allow mobilisation of the drill rigs to site as soon as possible.

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.

Prices for natural gas remain strong, reflecting continuing tightening of demand on the Eastern Seaboard.

The stabilisation of Federal Government energy policy and the more public recognition that natural gas remains a critical part of the country's energy mix for longer are all encouraging macroeconomic drivers for the Company. Strong Queensland Government support for the Rolleston West Project, by virtue of grant funding, in conjunction with strategic interest the company's HDNG technology, gives us confidence that we have a good asset base and the right strategy.

With the HDNG plant now operating and expansion of gas volumes underway through the current drilling program, many of the challenges during 2024 are behind us, uncertainties have been resolved, and the year ahead looks to be very positive for State Gas.

Establishment of a maiden 2P reserve for the Rolleston West Project will accelerate discussions with infrastructure providers around connection to the Gladstone to Wallumbilla pipeline network and ultimately national gas markets.

In concluding this address, I will also take the opportunity to share with you my personal reasons for investing in State Gas, and for doubling and tripling down on that investment in recent rounds.

I believe demand for gas is going to massively increase, like nothing we have seen before.

The main drivers will be the widespread mass deployment of subsidised intermittent renewables without matching firming/storage capacity, and the need to tackle CO2 emission in the transport/mining sector.

Firstly, speaking to the electricity sector problem.

Most people don't realise this, and I have never seen anyone write about this, but Australia has experienced this type of mega electricity market disruption threat before, on a smaller scale.

By the time Australia had finally ratified the Kyoto Protocol in March 2008, setting the first ever emission targets for the country, investment in base load coal power in Australia, historically funded by government, had basically stopped for years already, in anticipation.

The result of this was that Australia was well on its way to an electricity supply crisis.

Continued steady electricity demand growth had absorbed most of the country's System Reserve Capacity (the surplus capacity needed to keep the lights on and avoid black outs), and back-up solutions meet peaking demands were desperately needed.

It is by no mistake that the St Baker family led the building of six major gas fired peaking power stations, ~3,000 MW, around Australia, over five years between 2006 and 2011, to help Australia keep the lights on and avoid black outs.

These peaking gas fired power stations represented approximately 5% of Australia's total electricity supply capacity, at the time.

Gas fired peaking power stations were by far the best solution to manage the gap between "Peak Demand" and "Base Load Capacity".

Here we are again, but the problem of the gap between "Peak Demand" and "Base Load Capacity" is going to be magnitudes larger.

Australia has gone down the path of mass adoption of subsidised underwritten intermittent (unreliable) renewable power without matching firming/storage capacity being installed at the same time.

This has caused the economic destruction of our fleet of base load coal power stations resulting in the early closure of these critical base load power stations, without a base load replacement solution ready.

So here we have it, the same problem that occurred with the ratification of Kyoto, but 10+ times larger in magnitude.

Today we have much better and cheaper chemical batteries, as well as historically available pumped hydro (water batteries), to help us try and manage the problem, but these are very expensive, and in the case of pumped hydro take huge amounts of time and local environmental and social impact (Snowy Hydro 2 is a very notable example that is current).

Electricity users have been finding ways to improve the efficiency of their usage and for some to provide demand response to help the grid, but this will only tackle a small but important fraction of the bigger problem that has been created.

In my opinion, like the electricity crisis that threatened two decades ago, gas fired peaking power stations (open cycle and combined cycle with boost peaking) will be the best solution by far to deal with this problem, the gap between "Peak Demand" and "Base Load Capacity".

Gas fired generation has many x-factor advantages over batteries and pumped hydro:

- It is proven technology that can be deployed quickly;
- It is highly dynamic and responsive, and can be started and stopped and turned up and down instantly, and by remote control;
- It is safe and comparatively low cost and has a long-life cycle; and
- It has less than half the CO2 emissions of coal and oil, so when it gets dispatched to keep the lights on when the wind is not blowing and/or the sun is not shining, the emission are much lower.

Now onto the transport/mining sector challenges in reducing CO2 emissions.

On-road transport has a pathway to CO2 reduction via transition to electric vehicles which amplifies the problem just covered above with the electricity sector.

Off-road/mining is more challenging as equipment never stops operating 24/7, is remote, has extremely limited time available for recharge/fuel, and because they are moving vehicles, you are trading weight and space with payloads.

Despite this, the electrification of mining equipment is being worked on, but it is a much bigger challenge.

Electric vehicle solutions for the mining sector are way off, far from proven at scale, and will be very expensive and disruptive to implement.

This is why State Gas is focused on HDNG alternate fuel solutions specifically targeted at the mining sector.

The mining sector is growing every year and so are CO2 emissions, and little have been achieved in mining to reducing CO2 so far.

With the right HDNG supply chain solution, large CO2 reductions can be achieved by mining companies right now, quickly, using existing fleets, and with minimal cost, and operational disruption.

State Gas is focused on making this a real and compelling option for mining companies.

In summary, I believe these two future mega demand trends for gas are under rated by the mainstream and the investment community, and this underpins my investment and involvement decision with State Gas.

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 HDNG PRODUCTION FACILITY

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

