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ASX RELEASE

30 March 2026

UPDATE ON ASSET SALE AND R&D CLAIM

State Gas Limited (ASX Code: GAS) refers to its request for voluntary suspension of its securities from trading on 26 March 2026 pending an announcement regarding a proposed material asset sale involving the Company's R&D pilot plant, and to clarify the status of its R&D incentive claims in relation to the plant.

Potential Asset Sale

The Company has been evaluating a formal, unsolicited offer to acquire its High Density Natural Gas ("HDNG") Pilot Plant ("the Pilot Plant") and simultaneously enter into a long-term gas supply agreement for compressed gas produced from the Pilot Plant under new ownership ("the Transaction"). The Parties have not been able to finalise definitive terms for the Transaction and after careful evaluation, the Directors have decided not to proceed with the Transaction at this time.

R & D Grant Claim

The Company had anticipated that the Australian Taxation Office ("ATO") would have completed its review of the Company's 30 June 2024 R & D Claim by 31 March 2026. The ATO has advised that they are seeking further information to support the Company's claim which largely relates to cost associated with the development of the HDNG Pilot Plant. The Company is continuing to work with the ATO to expedite the completion of its review and release the R & D grant monies to which the Company and its R&D Tax Advisors believe it is entitled to.

The Company is not aware of any reason why the suspension should not be lifted.

This announcement has been authorised for release by the Board of the 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 1,595km^2, 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.

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 within the ATP and in adjoining areas. The capability to produce CSG at commercial levels from these coal formations has already been established at the Arcadia Valley field to the south-east, and at Mahalo to the north-east.

Historical drilling programs undertaken in the eastern part of the tenement have 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. Gas desorption data, laboratory core sample analyses and permeability data were obtained from the Rougemont 2 vertical well drilled in late 2022 and the subsequent production test (comprising a vertical production well intersected by a lateral well) which provided confidence on both permeability and gas flow.

Production testing has established sustainable commercial gas flow rates and confirmed excellent permeability within the targeted coal seams. Using its first-of-its-kind in Australia HDNG technology, State Gas compressed and sold gas from the Rougemont 2/3 dual lateral well system during the second half of calendar 2024 demonstrating both productive capability and gas quality from the project area. This data has been combined with the extensive existing dataset of coal industry and CSG data in and adjacent to Rolleston West.

ABOUT THE REID'S DOME PROJECT

The Reid's Dome Gas Project (PL 231) is within the Bowen Basin on the apex of the Springsure-Serocold Anticline. The Company is targeting conventional and coal seam gas assets in areas 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. There are immediately available pockets of conventional gas capable of immediate, low cost extraction, subject to the delivery of supporting infrastructure.
There are substantial operational and financial synergies between ATP 2062 and PL231 and the Company is evaluating how to best develop Reid's Dome in conjunction with Rolleston West as part of an integrated gas precinct which utilised a combination of traditional pipeline and virtual pipeline infrastructure.

ABOUT THE HDNG 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.