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ASX RELEASE

20 March 2023

Rougemont hits 457,000 scf/day and CNG Project Update

HIGHLIGHTS:

- Daily gas production from Rougemont 2/3 testing well has exceeded 457,000 scf/day
- Delays in the deliver of the CNG Project compressor provides time to study alternative site locations

State Gas Limited (ASX: GAS) (“State Gas” or “the Company”) is pleased to report that production testing gas from the Rougemont 2/3 lateral well (“Rougemont”) has exceeded 457,000 scf/day. “Daily gas production is unquestionably economic at this rate, which is very encouraging given the top coals are still underwater.” said Richard Cottee, Executive Chairman. The Company expects the top coals of the Bandanna coal measures to be uncovered by the end of March, based on its careful approach to draw-down - at a rate of three to four metres of water per day. It is reasonable to expect improved daily gas production once the coal seams are exposed.

In parallel, State Gas continues to evaluate the quickest method by which it can have reserves declared at Rougemont that are sufficient to underwrite the financing of an approximately 20 km pipeline to a connection on the Wallumbilla to Gladstone Pipelines, allowing Rougemont gas to be brought to market.

CNG Project Update

Delivery of the compressor for the Reid’s Dome CNG Project has been delayed. The compressor was successfully unloaded at the Port of Brisbane, however as a result of delays in loading the compressor at the point of origin (Port of Houston, Texas), Australian Quarantine and Inspection Services have shipped the compressor offshore for fumigation. We are in the process of understanding when we will regain custody of the compressor, but at this point, we expect the compressor to be landed back in Brisbane by mid-May 2023. Our inability to commission the compressor will have a consequential delay to the original CNG project timetable. At this point, we expect the CNG Project to be producing gas by July 2023.

“While frustrating, given the flow rates being experienced, this should allow State Gas to relocate the CNG Project to Rougemont. This should result in considerable operating cost savings on the Project”, Mr Cottee said.

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On 17 March 2023, the Queensland Government approved changes to the Company's pre-existing environmental authority for PL 231, that allows State Gas to move forward with construction and commissioning activities for the CNG Project. This is an encouraging demonstration of the Queensland Government's desire to see new gas production brought on-line quickly.

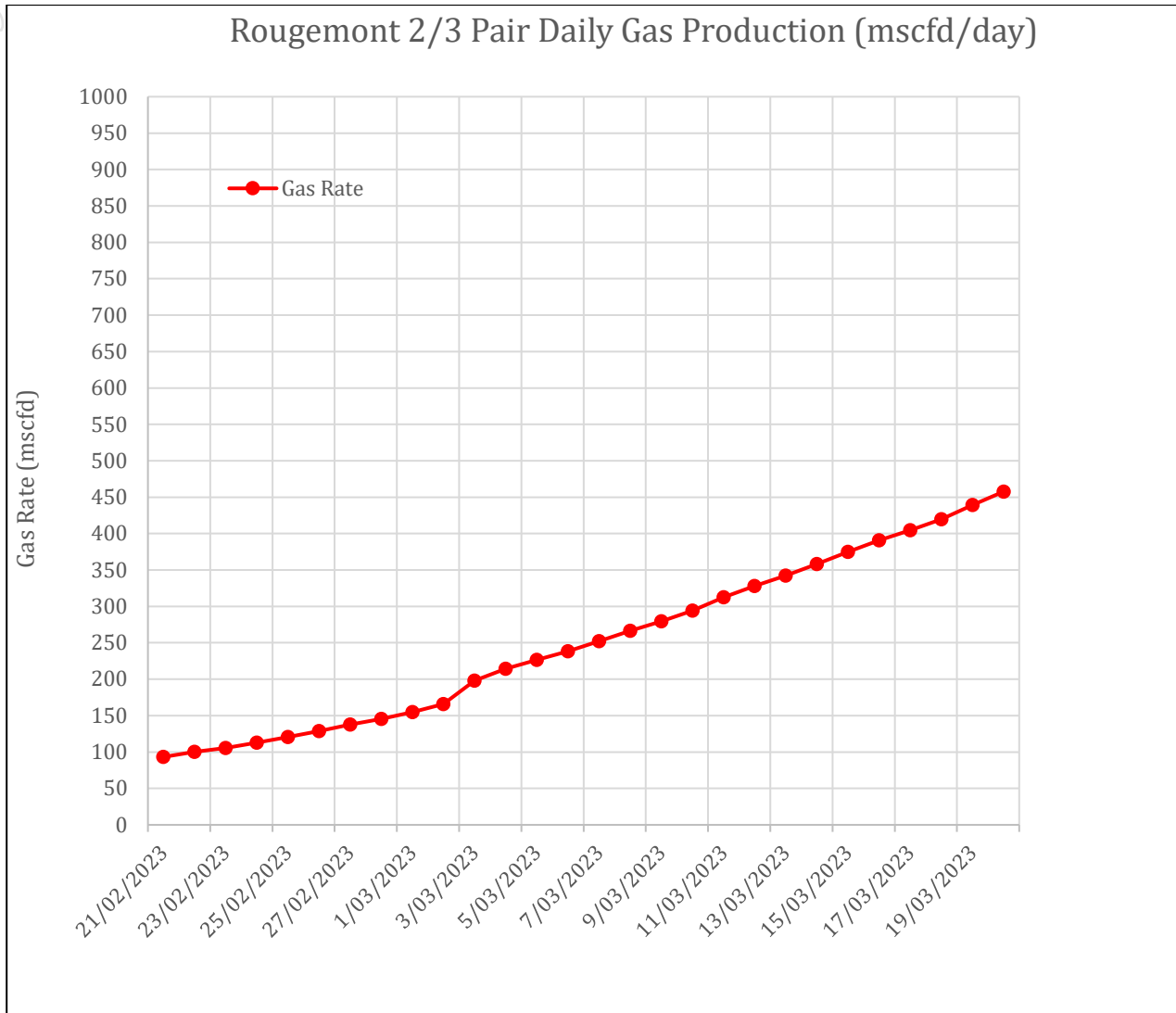


Figure 1: Daily gas production

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

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 intends to accelerate commercialisation of the conventional gas assets in Reid's Dome through the implementation of an innovative virtual pipeline solution which will see the Company transport gas by truck to a closely located inlet point on existing pipeline infrastructure.

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 mineralisation.