



ASX RELEASE

31 January 2025

QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS:

- HDNG deliveries supporting successful trial demonstrating large mine trucks running on gas
- Mining services customer now working to expand trial to more trucks
- Resolution achieved in access dispute which impacted exploration drilling program

State Gas Limited (ASX: GAS) ("State Gas or "the Company") releases an update for the quarter ending 31 December 2024 ("the Quarter"). Through the end of the quarter the Company successfully resolved an access dispute with the landowner associated with the Rolleston West Project. Whilst this impacted the HDNG production schedule, the Company is looking forward to the execution of planned exploration activities during the March Quarter.

Commenting on the quarter and the outlook for the Company, State Gas Managing Director, Doug McAlpine said:

"Notwithstanding the short-term challenges experienced in recent months, 2025 will be an important and productive year for the Company. We are working towards, in the short term, completion of a two well drilling program and demonstration of the substantial underlying value in the Rolleston West Project.

"We have, with our partners, continued discussions with other coal mines near Rolleston West regarding HDNG supply. Those discussions also include the broader application of the Company's HDNG technology to capture fugitive emissions associated with de-gassing coal mine development. We remain optimistic that the HDNG technology 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. 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.

"Based on our ongoing exploration and development strategy for the underlying natural gas projects within ATP 2062 and PL231, we are well-positioned to support the growing energy demand on the East Coast of Australia. The outlook for energy markets in Australia remains positive, with a continuing recognition that natural gas will play a substantial role in the provision of base load power, along with diesel fuel displacement while battery technology continues to improve over the long term. The Company's exploration projects are located close to other successful gas projects and in proximity of existing major pipeline infrastructure.

“There are numerous risks which the Company continues to address, and if those can be successfully mitigated, there are a number of significant value drivers to be realised by the Company over the coming 12 months.”

HDNG Sales

During the Quarter, the Company continued to operate its first-of-its-kind, High Density Natural Gas (“HDNG”) production plant (“the Plant”) as part of the continuing trial of dual fuel engine technology at a local coal mine (“the Trial”). The objective of the Trial is to demonstrate that large mine trucks can operate efficiently on a dual fuel engine with consistent operating performance and a significantly reduced CO2 emission profile.

Production testing gas from the Company’s Rougemont 2/3 dual lateral well system (“Rougemont 2/3”) within ATP 2062 was captured and processed, and in conjunction with virtual pipeline (“VP”) trailer technology, was delivered to support the Trial, which occurs at a location remote from traditional gas infrastructure. HDNG supplied during the Quarter supported two dual fuel mine trucks as part of the Trial, and demonstrated the effectiveness of HDNG as a substitute fuel source, with both diesel substitution rates and truck performance within expected ranges. Pleasingly, Plant performance during the quarter continued to improve, reflecting refined operating practices and more stable gas production from Rougemont 2/3 as a consequence of daily gas production. Notwithstanding the interruption to production arising from the access dispute which arose during the Quarter, State Gas is encouraged by performance of the Plant during the period and is working with its customer to recommence HDNG supply in late Q1 2025 as part of an expanded trial.

State Gas continues to work with its partners to optimise Plant performance and the volume of gas which can be produced and delivered using VP trailer technology. Based on the continued success of the Trial, planning is now underway to expand HDNG supply to six mine trucks. To enable more efficient unloading of HDNG from the VP Trailers and support use of HDNG by a larger number of mining trucks, the customer will need to invest in improvements to its existing on-site fuelling infrastructure. State Gas and its partners are working with the customer to assist in delivering these improvements and support further extension of the trial.

Access Challenges

During the quarter, State Gas resolved access issues at its Rolleston West Project which arose as part of a dispute under the Conduct and Compensation Agreement (“CCA”) with the Landowner. Actions taken by the Landholder impacted our access to the property temporarily halting HDNG production and pushed back the Company’s two well exploration program. On November 18, 2024, a settlement was reached between the parties which allowed site access to resume, while the consequential delays resulted in the exploration timetable approaching the December wet season. The Company took the conservative position of deferring the two well exploration program until early in calendar 2025 when favourable weather conditions would be more certain.

Exploration Activities

The Company remains focussed on converting a substantial portion of its contingent resources into 2P reserves,

which will, in turn, 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. As previously reported, two new exploration/appraisal wells will be funded from a \$5.5 million exploration grant provided by the Queensland Government's Frontier Gas Exploration Program ("the Grant"). Anticipated successful drilling and production testing results from the two new wells will enable State Gas to seek accreditation for a maiden 2P reserve of 30-50PJ's for the Rolleston West Project. Establishing an initial 2P reserve is a critical next step in demonstrating the commercial viability of a substantial gas project at Rougemont West and supporting an application for a petroleum lease over a substantial portion of ATP 2062.

The two new vertical wells are located 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, reducing the Company's fugitive emission profile while simultaneously enhancing its revenue generating capacity.

Financial Position

During the Quarter, the Company applied part of the funds from the Quarter 1 capital raise to meet costs associated with the completion and commissioning of the HDNG plant. A further 13,207,421 shares were issued to Directors in accordance with shareholder approval obtained in November 2024.

Given the unanticipated costs arising from the access dispute and the resulting impact of interruption to HDNG sales the Company is currently working on a range of strategies to mitigate these costs and losses including, inter alia, a negotiated outcome with the landowner and claims under the Company's insurance policies. While the Company is confident of a successful outcome in this regard, these processes will take time.

In the short term, a significant cash inflow is expected in late February 2025, under the continued program of grant funding arising from the Company's R & D expenditure incurred in developing the HDNG plant. In conjunction with the Frontier Gas Exploration Program funding for the two new wells, the Company is expected to have sufficient capital to support its current plans over the medium term.

Along with the upcoming drilling program, the Company is focused on recommencing HDNG supply and is evaluating a range of strategies to accelerate and expand its HDNG supply capabilities. A successful ramp-up in operating cashflow from HDNG sales directly reduces the Company's reliance on additional equity capital. The Company has conducted another review of its overhead costs and is operating on a cost structure necessary to support execution of the strategy discussed in this update.

Tenements and Resources

Year	Asset	Net Acreage (km ²)	Estimated Contingent Resources* (PJ's Net to State Gas)		
			1C	2C	3C
2017	PL231 Reid's Dome (unconventional)	181	84	192	660
	PL231 Reid's Dome (conventional)		1.7	3.6	7.9
2020	ATP 2062 Rolleston-West (unconventional)	1,414	145	261	454
	ATP 2062 Rolleston-West (conventional)		6	18	52
2022	ATP 2068 (unconventional)	254	25	43	68
2022-23	ATP 2069 (unconventional)	108	12	17	24
Total		1,957	274	534	1,266

*State Gas estimate as at 12/09/2022

Payments to Related Parties

A total of \$105,000 was paid to Directors and their associates for salaries, director fees and superannuation during the quarter ended 31 December 2024.

Shareholder Engagement

We encourage shareholders and other parties to visit the Company's website: www.stategas.com to access information about the Company's projects. State Gas will continue to keep the market informed of its activities through regular Company updates and third-party publications, particularly as it moves into initial production and cashflows.

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

FOR FURTHER INFORMATION

Doug McAlpine

Managing Director

Phone: 0439 557 400

Email: doug@stategas.com

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 Rockmin Solutions 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.

ABOUT THE REID'S DOME PROJECT

The Reid's Dome Project (PL 231) is targeting conventional and coal seam gas assets associated with the Reid's Dome anticline, an area 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.

The Company is now evaluating how to best develop Reid's Dome in conjunction with Rolleston West to most efficiently leverage infrastructure and reduce operating costs.

ASX Listing Rules Chapter 5 - Reporting on Oil and Gas Activities

Additional Information about Contingent Resource Estimates

The Contingent Resource estimates for the Reid's Dome and Rougemont Gas Projects (State Gas 100%) and State Gas' 35% interest in ATP 2068 and PLR 2021-1-3, were estimated utilising the probabilistic method with totals summed arithmetically and have not been adjusted for commercial risk.

The Contingent Resource estimates are based on technical data for the permits, regional geologic and production interpretations, and in the case of the Reid's Dome and Rolleston-West Projects, data derived by State Gas from exploration activities on the permits, including reprocessing of seismic, drilling, core analyses, production testing and analyses of produced gas and water.

Additional exploration and appraisal is required to address the contingencies associated with these resources to confirm commercial viability and areal extent. If the contingencies are successfully addressed, some part of the Contingent Gas Resources may be reclassified as reserves. The estimates of Contingent Resources have not been risked to account for the possibility that the contingencies are not successfully addressed.

The estimates reported relate to unconventional petroleum reserves. The details of the project area, the method of extraction and number of wells that may be required are not yet finalised. The Contingent Resources estimated have been prepared in accordance with the definitions and guidelines set forth in the SPE-PRMS 2018. The estimates reported are not contingent on technology that remains under development.

Competent Persons Statement

The estimate of Contingent Resources for the Reid's Dome and Rolleston-West Gas Projects (of which State Gas holds 100%), and State Gas' 35% interest in ATP 2068 and PLR2021-1-3, provided in this document, is based on, and fairly represents, information and supporting documentation prepared by Mr James Crowley in accordance with Petroleum Resource Management System guidelines.

Mr Crowley is a qualified person as defined under the ASX Listing Rule 5.42. Mr Crowley holds a Bachelor of Science (Honours) from Macquarie University, Sydney and has over 36 years' experience in the industry. He is a member of The Petroleum Exploration Society of Australia and The Society of Petroleum Engineers. Mr Crowley has consented to the publication of the Contingent Resource estimates for the Reid's Dome and Rolleston-West Gas Projects, and ATP 2068 and PLR2021-1-3, in the form and context in which they appear in this Presentation.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

STATE GAS LIMITED

ABN

49 617 322 488

Quarter ended ("current quarter")

31 DECEMBER 2024

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	97	130
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(127)	(377)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(201)	(303)
	(e) administration and corporate costs	(407)	(972)
1.3	Dividends received (see note 3)		
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	(7)	(7)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)		
	- GST refunds	204	294
1.9	Net cash from / (used in) operating activities	(440)	(1,234)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(46)	(1,879)
	(d) exploration & evaluation (if capitalised)	(1,108)	(1,689)
	(e) investments	-	-
	(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)		
	Government grants and tax incentives	-	-
2.6	Net cash from / (used in) investing activities	(1,154)	(3,568)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	17	4,365
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	8	8
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2)	(411)
3.5	Proceeds from borrowings	173	933
3.6	Repayment of borrowings	(9)	(76)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	187	4,819

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,457	33
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(440)	(1,234)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,154)	(3,568)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	187	4,819

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	50	50

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	50	1,457
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	50	1,457

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

105

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payments to directors include accrued salaries, director fees and superannuation guarantee.

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	1,399	1,399
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	1,399	1,399

7.5 Unused financing facilities available at quarter end

-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

- Loan agreement with director Jon Stretch for \$425,000 of which \$54,067 was offset against his entitlement under the ANREO and a further \$128,465 was offset against his ANREO shortfall allocation. As at 31 December 2024 the loan has been fully drawn down. The loan accrues interest at 15% per annum. \$250,000 of the loan is repayable following the refinance the CNG Facility.
- Loan agreement with Monte Vista Holdings Pty Ltd, a related party of director Philip St Baker, for \$200,000. As at 31 December 2024 the loan has been fully drawn down. The loan accrues interest at 15% per annum. The loan is repayable following the refinance the CNG Facility.
- Loan agreement with The P&L St Baker Family Trust, a related party of director Philip St Baker, for \$1,225,000, of which \$485,562 was offset against his entitlement under the ANREO and a further \$514,438 was offset against his ANREO shortfall allocation. As at 31 December 2024 the loan has been fully drawn down. The loan accrues interest at 15% per annum. \$50,000 of the loan is repayable following the refinance the CNG Facility.
- Loan agreement with Allegro Capital Nominees Pty Ltd, a related party of director Greg Baynton, for \$425,000 of which \$175,000 was offset against his entitlement under the ANREO. As at 31 December 2024 the loan has been fully drawn down. The loan accrues interest at 15% per annum. The remaining loan is repayable following the refinance the CNG Facility.
- Loan agreement with Loch Explorations Pty Ltd, a related party of director Tony Bellas, for \$250,000. As at 31 December 2024 the loan has been fully drawn down. The loan accrues interest at 15% per annum. The loan is repayable following the refinance the CNG Facility.
- Loan agreement with AG Super Pty Ltd, a related party of director Tony Bellas, for \$175,000 of which \$152,102 was offset against his entitlement under the ANREO. As at 31 December 2024, the balance has been fully drawn down. The loan accrues interest at 15% per annum.
- Loan agreement with Richard Cottee for \$60,000, of which \$39,172 was offset against his entitlement under the ANREO. As at 31 December 2024, the balance has been fully drawn down. The loan accrued interest at 15% per annum.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(440)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(1,108)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,548)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	50
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	50
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions: -

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not? -

Answer: The Company has secured grant funding which will assist in meeting costs of the upcoming exploration program. The Company is working to recommence HDNG sales as soon as possible in calendar 2025 and continues to operate the Company on a low overhead cost base. The Company's overhead cost structure is expected to remain consistent with prior periods.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The Company has secured exploration grant funding which will assist in meeting costs of the upcoming exploration program and further working capital will be received under the continued program of grant funding arising from the Company's R & D expenditure incurred in developing the HDNG plant.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: The Company can control the timing of further discretionary expenditure (such as exploration activity beyond that funded by government grant) to coincide with the availability of the relevant source of capital. The Company's cashflow will improve as it increases HDNG gas sales. The Company anticipates that it has sufficient capital to continue its operations and meet its short-term business objectives.

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2025

Authorised by: Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

- This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.