



ASX RELEASE

5 August 2024

STATE GAS UNDERTAKES INSTITUTIONAL PLACEMENT AND ACCELERATED NON-RENOUNCEABLE ENTITLEMENT OFFER

HIGHLIGHTS:

- ~\$2.0 million placement to sophisticated and institutional investors and a ~\$6.9 million 1 for 2 accelerated non-renounceable entitlement offer at \$0.05 per share, with attaching 12-month options exercisable at \$0.08 on a 1 for 2 New Shares issued basis
- Proceeds used to finalise costs associated with the construction and commissioning of the Company's High Density Natural Gas ("HDNG") production facilities at Rolleston-West and provide the Company with working capital
- Subject to offer take-up, the offer may also allow the Company to:
 - accelerate exploration and appraisal activities; and
 - improve efficiency and production capability of the HDNG plant

State Gas Limited (Company) (ASX:GAS) is pleased to announce an institutional placement (**Placement**) and 1 for 2 accelerated non-renounceable entitlement offer (**Entitlement Offer**) (jointly, the **Offer**) to institutional and sophisticated investors and existing shareholders, to raise up to approximately \$8.9 million before costs associated with the Offer.

The Offer comprises:

- An institutional Placement to raise approximately \$2.0 million; and
- A 1 for 2 accelerated non-renounceable entitlement offer to existing eligible shareholders as of the Record Date 7.00pm (AEST) on 7 August 2024, to raise approximately \$6.9 million (before costs), (with 1 option attaching for every 2 new shares issued).

Morgans Corporate Limited and Aitken Mount Capital Partners Pty Ltd have acted as joint lead managers to the Placement and Entitlement Offer. The Company's legal advisor to the offers is HWL Ebsworth Lawyers.

Institutional Placement

The Company has placed approximately 40.9 million shares (**New Shares**) and approximately 20.5 million options (**New Options**) to institutional and sophisticated investors on the same terms as the Entitlement Offer and expects to settle on or around 8 August 2024 and issue the New Shares on or

around 9 August 2024. The New Options will be issued subject to shareholder approval expected during September 2024.

Entitlement Offer

The Entitlement Offer is comprised of both an offer to eligible institutional shareholders (**Institutional Entitlement Offer**) and an offer to eligible retail shareholders (**Retail Entitlement Offer**).

Under the Entitlement Offer, the Company will offer a maximum of approximately 137.1 million New Shares, subject to rounding of entitlements, which, if the maximum number of Shares is issued, would result in the total Share capital of the Company, upon the completion of the Entitlement Offer, increasing to up to approximately 452.3 million Shares (including New Shares issued in the Placement).

New Shares issued under the Entitlement Offer will each rank equally with ordinary shares already on issue.

In addition, the Company will issue 1 New Option with an exercise price of 8 cents and expiry date of 30 August 2025 for every 2 New Shares issued under the Entitlement Offer.

Director participation

Directors and their associated entities have committed to subscribe for an aggregate of approximately 34.8 million New Shares and approximately 17.4 million attaching New Options. Where exceeding the participating Directors' pro rata entitlements, shareholder approval will be sought for the issue of New Shares and New Options to them.

Offer price

New Shares will be offered at an issue price of A\$0.05 per share (**Offer Price**), representing:

- 46.8% discount to the last close of A\$0.094 on 29 July 2024
- 52.6% discount to the 15-day VWAP of A\$0.1055
- 34.8% discount to the theoretical ex-rights price (TERP) of \$0.077

The Entitlement Offer gives eligible shareholders the opportunity to maintain their shareholding in the Company without paying brokerage fees or other transaction costs, irrespective of holding size and exposure to New Options.

Eligible Shareholders

Eligible shareholders under the Entitlement Offer are those persons who:

- are registered as a holder of Shares as at the Record Date, being 7.00pm (AEST) on 7 August 2024;
- have a registered address on the Company share register in Australia or New Zealand, or are, in the opinion of the Company, otherwise eligible to receive an offer of New Shares under the Entitlement Offer; and

- are not in the United States and are not acting for the account or benefit of a person in the United States.

If you are a shareholder who does not satisfy each of the criteria listed above, you are not entitled to participate in the Entitlement Offer to subscribe for New Shares and attaching New Options.

Use of funds

Proceeds from the Offers will be used to fund:

- payment of the remaining construction and commissioning costs associated with the development of the HDNG production facilities at Rolleston-West;
- working capital; and
- costs associated with the offer.

Subject to offer take-up, it may also allow the Company to:

- accelerate exploration and appraisal activities;
- improve efficiency and production capability of the HDNG plant; and
- further optimise the Company's balance sheet.

Institutional Entitlement Offer

The institutional component of the Entitlement Offer (**Institutional Entitlement Offer**) to the Company's eligible institutional shareholders closed on 2 August 2024. The Company received strong support from existing and new shareholders and has obtained firm commitments of approximately \$3 million under the Institutional Entitlement Offer.

Pursuant to the Institutional Entitlement Offer, approximately 59.3 million New Shares and approximately 29.6 million attaching \$0.08, 12-month New Options are expected to be issued on or around 9 August 2024. New Shares will rank equally with other shares on issue.

Retail Entitlement Offer

Eligible Shareholders with a registered address in Australia and New Zealand are being invited to apply (at the Offer Price) for one New Share for every two existing shares held as at the Record Date. The Entitlement Offer opens on 8 August 2024 and will close at 5:00pm (AEST) on 22 August 2024 (unless modified by the Company's Board).

The Entitlements are non-renounceable and accordingly cannot be traded on the ASX.

Additional Share Facility

The Company is also offering eligible shareholders, who take up their entitlements under the Entitlement Offer in full, the opportunity to apply for additional New Shares in excess of their entitlements pursuant to a shortfall facility, subject to applicable laws and the terms and conditions set out in the Prospectus to be

sent to eligible shareholders (**Prospectus**). The shortfall facility has been included to provide maximum opportunity for existing shareholders to apply for further shares in the Company.

Shortfall

If there remains any shortfall after the allocation of New Shares under the Entitlement Offer (including the shortfall facility), the directors of the Company reserve the right for up to three months after the close of the Entitlement Offer to place any shortfall to wholesale or exempt investors at the Board's discretion, but at a price no less than the Offer Price. To assist with the placement of any shortfall shares, the Company has executed a mandate with the Joint Lead Managers to place any shortfall on a best endeavours basis.

Prospectus

The Prospectus relating to the Entitlement Offer will be despatched to retail shareholders on or around 8 August 2024. Further information regarding the Entitlement Offer can be found in the Prospectus.

Timetable

The indicative timetable for the Entitlement Offer is as follows:

Date	Event
30 July 2024	Company requests trading halt
5 August 2024	<ul style="list-style-type: none"> Company requests one day voluntary suspension from trading to comply with ASX timetable rules Placement and Entitlement Offer announced Prospectus lodged with ASIC and ASX Appendix 3B lodged with ASX
6 August 2024	<ul style="list-style-type: none"> Voluntary suspension ceases Company announces results of Institutional Entitlement Offer and placement Trading resumes on an ex-entitlement basis
7 August 2024	Record Date
8 August 2024	Institutional Placement and Institutional Entitlement Offer settle
8 August 2024	Appendix 2A relating to placement and institutional shares and options lodged
8 August 2024	Prospectus and Entitlement Forms despatched to shareholders Company announces Prospectus despatch
8 August 2024	Retail Entitlement Offer Opens
19 August 2024	Last day to extend Retail Entitlement Offer
22 August 2024	Closing Date for retail entitlement offer
29 August 2024	Company announces results of the Retail Entitlement Offer and issues New Shares under the Retail Entitlement Offer
29 August 2024	Appendix 2A lodged with ASX
30 August 2024	Trading in New Shares under Retail Entitlement Offer commences

Note: This timetable is indicative only and subject to change. All references to time are to time in Sydney, Australia. Subject to the Corporations Act, the Listing Rules and other applicable laws, the Company reserves the right to vary the above dates without notice, in consultation with the Joint Lead Managers. Any extension of the Closing Date will have a corresponding delay on the anticipated date for issue of the New Shares and New Options. The Company also reserves the right not to proceed with the whole or part of the Entitlement Offer at any time before the issue of the New Shares and New Options. If that occurs, the relevant Application Monies (without interest) will be returned to Applicants.

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 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.

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.