



State Gas Limited  
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## ASX RELEASE

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### Restructuring for Growth

Following the recent successful re-capitalisation, State Gas Ltd (State Gas) (ASX: GAS) is in the enviable position to be able to plan for the reserve certification necessary to underwrite a pipeline connection of its gas exploration and development projects to the gas-short domestic market. The Company is also well placed to further develop the market for its innovative high density natural gas (HDNG) technology.

The Company aims to position the sale of HDNG to replace diesel in coal trucks in Queensland with the near-term goal of enabling the Company to become cash positive. Given this milestone, the Board has decided to structure the Company's management to optimise the exciting opportunities ahead. Doug McAlpine, who has been the Chief Executive Officer for the last two years, will now join the board as Managing Director.

The Board believes that Mr McAlpine's appointment to the role of Managing Director will allow more co-ordinated and rapid execution of the Company's Strategy and more effectively leverage the broader capability of the Company's Directors and Management Team. Mr McAlpine joined State Gas as Chief Executive Officer in November 2022 and since that time has worked closely with the Board to reposition the Company. He has played an important role in progressing exploration and appraisal activity (including securing a government grant of \$5.5M for two new exploration wells) at Rolleston West (ATP 2062) and has laid the foundations for an Alternative Fuels Business through leading the delivery and commissioning of the Company's HDNG production facility at Rolleston West.

To further support the rapid execution of the Company's Alternative Fuels strategy, State Gas is also pleased to appoint Mr Daniel Marcus to the role of Executive General Manager – Alternative Fuels. Mr Marcus is an experienced mining industry executive having held a variety of senior commercial and operational roles over his thirty-year career. He is a mechanical engineer by training and has deep experience in the day-to-day aspects of running efficient mining operations, in particular, the effective management of mining truck fleets. Mr Marcus' mining industry experience will be invaluable in developing and growing the Company's alternative fuels business that centres on the efficacy of HDNG as an alternative fuel source to replace diesel in the mining sector.

As a further demonstration of confidence in the expanded management team, Mr Richard Cotttee is stepping down from his position as role as Executive Chairman but will remain as Non-Executive Chairman of the Company.

Richard Cottée said: "Having guided the company through difficult capital markets to being on the cusp of being cash positive, now is the right time for the Company to revert to the more traditional structure with an independent Chairman. This decision underlines my confidence in the Company's Executive Team led by Doug McAlpine and my optimism for State Gas' future".

Managing Director, Mr Doug McAlpine, said: "It has been my privilege to work with the Directors and Management Team over the last two years, having now established solid foundations for progressing the Rolleston West Project toward development, but also creating first mover advantage as an Alternative Fuels provider using HDNG. I am proud to have the opportunity to work with the Company's expanded leadership team as we deliver on the Company's vision and demonstrate increasing value for shareholders."

The key terms of Mr Doug McAlpine's services contract are included in Appendix 1. Mr McAlpine's compensation package is structured to align his total reward with share price growth and the delivery of key operational and commercial milestones which will create long term value of the Company and its stakeholders.

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

#### **FOR FURTHER INFORMATION**

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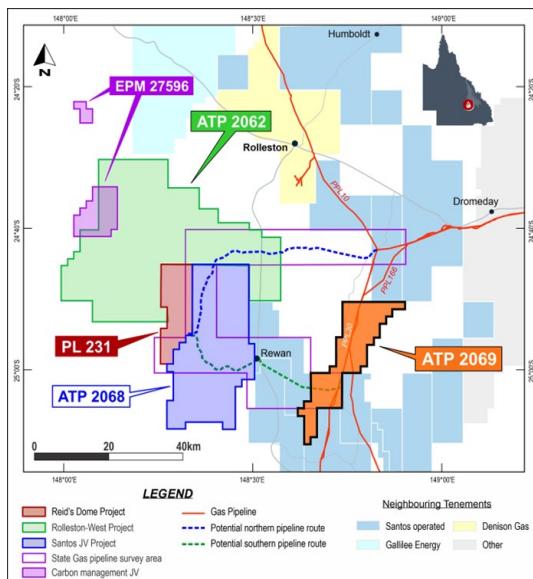
## ABOUT STATE GAS LIMITED

**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 1,595km<sup>2</sup>, 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 Rockminisolutions 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.

## Appendix 1

Position	Managing Director			
Commencement date	9 September 2024			
Term	Appointment on an on-going basis			
Total Fixed Remuneration	AUD\$390,000 base salary excluding superannuation.			
Equity based compensation (proposed as part of MD employment package and subject to shareholder approval)	Number of performance rights	Tranche/Milestone		Expiry Date
	1,000,000	<p>Upon successful achievement of the following objectives during FY25:</p> <ul style="list-style-type: none"> <li>• Successful execution of the Rougemont 4 and 5 exploration program on time and within budget</li> <li>• Establishment of an initial 2P reserve for Rolleston West Project</li> <li>• Achieve business development objectives for the HDNG business</li> </ul>		1 year from grant date
	<p>A summary of the key terms of the above performance rights are included in Appendix 2.</p>			
Equity based compensation (existing compensation associated with employee's original engagement as CEO and already on issue)	Tranche	Number of performance rights	Tranche/Milestone	Expiry Date
	Tranche 1 (Vested)	375,000	Vest upon the first commercial delivery of gas from any of the Group's producing assets (based on the Group's assets held on the date of issue of the performance rights), either by truck or pipeline, at any time before the Expiry Date.	5 Dec 27
	Tranche 2 (unvested)	375,000	Vest upon the Board making a FID to proceed with construction of a physical pipeline from any of the Group's producing assets (based on the Group's assets held on the date of issue of the Performance Rights).	5 Dec 27

	Tranche 3 (unvested)	375,000	Vest upon the Group securing minimum annual gas sales of 2PJ per annum on terms acceptable to the Board.	5 Dec 27	
	Tranche 4 (unvested)	375,000	Vest if the volume weighted average market price of the Company's Shares on ASX over 20 consecutive trading days on which the Company's shares have actually traded on ASX, is not less than \$0.70.	5 Dec 27	
	Tranche 5 (unvested)	1,000,000	Vest upon the Board recommending a transaction, whether by takeover bid, scheme of arrangement or otherwise, that results in a change of control of the Company and the transaction becomes unconditional.	5 Dec 27	
Termination	The company and the executive can terminate the agreement by providing six months' notice.				

## Appendix 2

### 1. General terms and conditions of Performance Rights

The terms of the Performance Rights, are as follows:

#### (a) **Notification to holder**

The Company will notify the holder in writing when the relevant Milestone has been satisfied.

#### (b) **Conversion**

Upon satisfaction of the applicable Milestone and the issue of the notice referred to in paragraph (a) above, each Performance Right will automatically convert into one Share.

#### (c) **Conversion on change of control**

Notwithstanding the relevant Milestone being satisfied or not, upon the occurrence of either:

- (i) a takeover bid under Chapter 6 of the Corporations Act 2001 (Cth) having been made in respect of the Company having received acceptances for more than 50% of the Company's Shares on issue and being declared unconditional by the bidder; or
- (ii) a Court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme of arrangement for the reconstruction of the Company or its amalgamation with any other company or companies,

the Performance Rights will automatically convert into Shares, provided that if the number of Shares that would be issued upon such conversion is greater than 10% of the Company's Shares on issue as at the date of conversion, then only that number of Performance Rights which is equal to 10% of the Company's Shares on issue as at the date of conversion under this paragraph, will automatically convert into an equivalent number of Shares. The conversion will be completed on a pro rata basis across each class of Performance Rights then on issue, as well as on a pro rata basis for each holder of Performance Rights. Performance Rights that are not converted into Shares under this paragraph, will continue to be held by the holders on the same terms and conditions.

#### (d) **Lapse of a Performance Right**

Any Performance Right that has not been converted into a Share prior to the Expiry Date will automatically lapse.

#### (e) **Fraudulent or dishonest action**

If a holder ceases to be an employee or Director of the Company in circumstances where the cessation or termination is specifically referenced to the holder having been found to have acted fraudulently or dishonestly in the performance of his or her duties, then:

- (i) the Board must deem any Performance Rights of the holder to have immediately lapsed and be forfeited; and
- (ii) any Performance Rights that have vested will continue in existence in accordance with their terms of issue, only if the relevant Milestone has previously been met, and any Shares issued on satisfaction of the applicable Milestone will remain the property of the holder.

#### (f) **Ceasing to be an employee or Director**

If a holder ceases to be an employee or Director of the Company in circumstances where the cessation or termination arises because the holder:

- (i) voluntarily resigns his or her position (other than to take up employment with a subsidiary of the Company);
- (ii) wilfully breaches the terms of the engagement of the holder or any policy of the Company's published policies regulating the behaviour of holder;
- (iii) is convicted of a criminal offence which, in the reasonable opinion of the Company, might tend to injure the reputation or the business of the Company; or
- (iv) is found guilty of a breach of the Corporations Act and the Board considers that it brings the holder or the Company into disrepute,

then:

- (v) unless the Board decides otherwise in its absolute discretion, will deem any Performance Rights of the holder to have immediately lapsed and be forfeited; and
- (vi) any Performance Rights that have vested will continue in existence in accordance with their terms of issue, only if the relevant Milestone has previously been met and any Shares issued on satisfaction of the applicable Milestone, will remain the property of the holder.

**(g) Other Circumstances**

The Performance Rights will not lapse and will not be forfeited where the holder ceases to be an employee or Director of the Company for one of the following reasons:

- (i) death or total permanent disability (in respect of total permanent disability being that because of a sickness or injury, the holder is unable to work on his or her own or any occupation for which they are suited by training, education, or experience for a period beyond one year);
- (ii) redundancy (being where the holder ceases to be an employee or Director due to the Company no longer requiring the holder's position to be performed by any person); or
- (iii) any other reason, other than a reason listed in paragraph (e) and (f) (not including (f)(i), in which case the Board may exercise its absolute discretion to allow the holder to retain his or her Performance Right), that the Board determines is reasonable to permit the holder to retain his or her Performance Rights,

and in those circumstances the Performance Rights will continue to be subject to the applicable Milestone.

**(h) Shares issued on exercise**

Shares issued on exercise of the Performance Rights will rank equally with the then issued Shares of the Company.

**(i) Not Quoted**

The Performance Rights will not be quoted on ASX.

**(j) Transferability**

The Performance Rights are not transferable but may be issued to an entity or family member nominated by the Director.

**(k) Timing of issue of Shares on exercise**

Within the time period prescribed by the ASX Listing Rules, the Company will:

- (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Performance Rights converted; and
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to ensure that there are not secondary trading restrictions on the Shares issued upon exercise of Performance Rights.

(l) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of a Performance Right holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(m) **Participation in new issues**

There are no participation rights or entitlements inherent in the Performance Right and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Right without exercising the Performance Right, subject to the Listing Rules.

(n) **No rights to return of capital**

A Performance Right does not entitle the holder to a return of capital, whether in a winding up, upon a reduction of capital, or otherwise.

(o) **Rights on winding up**

A Performance Right does not entitle the holder to participate in the surplus profits or assets of the Company upon winding up.

(p) **No other rights**

A Performance Right gives the holder no rights other than those expressly provided by these terms and those provided at law, where such rights at law cannot be excluded by these terms.

(q) **ASX Listing Rule compliance**

The Board reserves the right to amend any term of the Performance Rights to ensure compliance with the ASX Listing Rules.