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ANNUAL REPORT
2024

STATE GAS LIMITED

ACN 617 322 488

Annual Report – 30 June 2024

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Corporate directory

Directors	R Cottee A Bellas G Baynton P St Baker J Stretch
Company Secretary	S M Yeates
Principal Place of Business	Suite 4, Level 1, 40 Edward Street, Brisbane QLD 4000
Registered Office	Suite 4, Level 1, 40 Edward Street, Brisbane QLD 4000
Share register	Link Market Services Limited Level 21 10 Eagle Street, Brisbane, QLD, 4000, Australia www.linkmarketservices.com.au
Auditor	BDO Audit Pty Ltd Level 10, 12 Creek Street Brisbane QLD 4000 www.bdo.com.au
Solicitors	HWL Ebsworth Lawyers Level 19, 480 Queen Street Brisbane QLD 4000 www.allens.com.au
Bankers	Westpac Banking Corporation
Stock exchange listing	State Gas Limited shares are listed on the Australian Securities Exchange (ASX: GAS).
Website address	www.stategas.com

Competent Persons Statement

The estimate of Reserves and Contingent Resources for the Reid's Dome and Rougemont Gas Projects provided in this Presentation, 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 Rougemont Gas Projects in the form and context in which they appear in this Presentation.

The Contingent Resource estimates for the Reid's Dome and Rougemont Gas Projects, of which State Gas holds 100%, were estimated utilising the probabilistic method and have not been adjusted for commercial risk.

Chairman's letter

Dear Fellow Shareholders,

This year has been one of challenges culminating in several groundbreaking firsts for your Company. Production testing on the lateral Rougemont 2/3 wells encouraged your Company to think innovatively about how to commercialise the production testing gas that would traditionally be flared at a time of a domestic market gas shortfall.

CNG compression at the wellhead from conventional gas wells had occurred in the United States of America. Conventional gas wells flow initially at high pressure whereas Coal Seam Gas relies on de-watering of the coal seams with the concomitant de-pressurisation of the coals to release the gas so trapped in the coals. Whilst contemplating the technical challenges of compressing natural gas from coal seams to commercially sustainable volumes and specifications, we became aware of the MES/Thiess trials to convert coal trucks engines from diesel to a hybrid natural gas/diesel. The objective of that trial was to allow miners to decrease mine truck CO₂ emissions by a quarter whilst keeping operating costs neutral.

We now had a strong environmental reason to cease flaring the gas released as required for production testing - a pre-requisite of reserve certification - by converting it to HDNG thereby substantially reducing the CO₂ emissions released by coalmine trucks.

State Gas is now selling HDNG for two trucks with the expectation that this will ramp up to at least 5 trucks in the not-too-distant future. Each truck consumes around 100GJ/day. The modular HDNG plant developed during the year allows us to produce up to 1.7 TJ/day. This provides substantial growth capacity, which we expect will be absorbed as the demand for hybrid fuel solutions in the coal mining industry rapidly increases.

With the proposed drilling of the Rougemont 4&5 wells in October, the Company should not only be able to supply the gas for 1.7TJ/day but also obtain reserve certification hopefully sufficient to underwrite the short distance pipeline required to connect Rougemont to the existing pipeline grid.

This outcome should see the pricing for HDNG to be more influenced by diesel pricing whilst natural gas sales would be more influenced by LNG netback pricing. This presents excellent optionality and consequential market arbitrage opportunities.

HDNG is a bundled gas supply solution, and our plant is modular by design. This will open up many opportunities to support either stranded gas assets or commercialise any flared gas from exploration. The opportunities for HDNG appear boundless. As a result, the board has decided to employ Daniel Marcus as Executive General Manager – Alternative Fuels to work with the wider team to build the business case for this endeavour and accelerate the development of the market.

With the drilling of the two new wells in October 2024 that will be funded by the Queensland Government grant, the active development of the HDNG market and the planned initial 2P reserve certification in sufficient quantity to underwrite the pipeline connection (provided Rougemont 4 &5 are successful), the next 12 months should see the bearing of the fruit from the proverbial trees which were so successfully planted in the last 12 months

Yours faithfully



Richard Cottee, Chairman

Directors' report

Your Directors present their report on the Company for the year ended 30 June 2024.

Directors and Company Secretary

The following persons were Directors of State Gas Limited during the whole of the financial year and up to the date of this report:

R Cottee
G Baynton
A Bellas
P St Baker
J Stretch

D McAlpine was appointed as a Director on 10 September 2024 and continues in office at the date of this report.

R Towner was a director from the beginning of the financial year until his resignation on 30 November 2023.

The Company Secretary, Suzanne Yeates, was appointed to the position on 7 June 2017. She is a Chartered Accountant, Founder and Principal of Outsourced Accounting Solutions Pty Ltd. She holds similar positions with other public and private companies.

Principal activities

State Gas Limited ("State Gas" or the "Company") is a natural gas exploration and development company with operations in the southern Bowen Basin in Central Queensland. The Company's existing 100% owned exploration projects, when considered in conjunction with joint venture interests over adjoining areas, means State Gas has a highly prospective and substantial portfolio of natural gas assets with substantial gas resources and likely reserves.

State Gas' strategy is to support energy markets through the efficient commercialisation of previously undeveloped gas assets. It does this by applying an innovative, sustainable but low-cost development approach and opportunistically expanding its acreage into areas that can either:

- gain efficient access to traditional gas pipeline infrastructure; or
- be commercialised using the Company's recently developed high density natural gas ("HDNG") technology.

Dividends

The Directors do not recommend the payment of a dividend. No dividend was paid during the year.

Review of operations

Highlights

- \$8,318,132 invested in delivering the HDNG production plant, which was commissioned in June 2024
- HDNG sales commenced in line with initial offtake agreement and other new gas supply opportunities are being negotiated

- \$5.5 million of Queensland Government grant funding secured for two new exploration wells within ATP 2062

Corporate

- Total capital from share placements in August, September and October 2023 raised \$7.4 million, with a further \$5.3 million raised post year end enabling the Company to:
 - complete the construction and commissioning of the HDNG production plant
 - meet additional costs of exploration activity which fall outside the government grant funding
 - provide the Company with sufficient capital to support execution of its strategy until HDNG revenues are sufficient to cover overhead costs
- Underlying accounting loss after tax of \$3.6 million (2023: loss \$1.2 million)

Company Overview

Successful development and commissioning of the HDNG production plant means State Gas has diversified its operations and created a platform upon which it can generate operating cashflows and accelerate the ongoing exploration and appraisal of its natural gas projects. The alternative fuel supply opportunity utilising HDNG will realise revenue significantly in advance of the commercial timetable applicable to traditional gas project development and at much lower capital intensity. In conjunction with the Company's ongoing exploration and development strategy for its underlying natural gas projects within PL231 and ATP 2062, State Gas is now in a stronger position to deliver its vision and create sustainable value to shareholders. The diversified business model incorporating a growing earnings stream from HDNG supply creates a notable point of difference to other exploration companies that in most cases, remain many years from operating cashflow.

Exploration Strategy

The Company has established a substantial resource base across its portfolio of acreage in the Southern Bowen Basin. The Company is now focussed on accelerating conversion of those resources into 2P reserves, which will in turn support project investment decisions, in particular gaining access to pipeline infrastructure which can connect the Rolleston West Project to the Gladstone to Wallumbilla pipeline network.

State Gas' core exploration projects (Rolleston West and Reids Dome) are both 100% owned, providing optionality around how these projects are financed and delivered. Neither of these projects are subject to gas pricing caps or domestic reservation restrictions.

The Company is strategically well positioned with a portfolio of geographically contiguous, highly prospective exploration areas in the Southern Bowen Basin, underpinned by the Company's core exploration projects – Rolleston West and Reids Dome. These assets are located close to existing gas infrastructure and can produce low cost, pipeline quality gas. This is a key gas development precinct for Queensland and State Gas' projects have the hallmarks of world class development assets. The Company's permits is not restricted by domestic gas reservation requirements, and therefore, can be sold to either local customers or export markets. State Gas is not impacted by the Gas Mandatory Code of Conduct and therefore no subject to pricing controls.

Rolleston West (ATP 2062) – A substantial CSG opportunity

The Rolleston West CSG Project has the hallmarks of a large-scale traditional gas project. Production testing results from the Company's dual lateral well system (Rougemont 2/3) are extremely encouraging when compared with other high performance CSG projects (both the Surat Basin and Bowen Basin) at a similar stage of production testing.

Through several rounds of production testing, Rougemont 2/3 has demonstrated sustainable daily gas production of 0.5TJ per day. The Rougemont production test has been highly successful, in that it:

- proved the effectiveness of the lateral well drilling technique in this area;
- confirmed excellent permeability within the target Bandanna coal seams;
- has delivered stable, economic gas flow rates; and
- is now providing raw gas feedstock to the HDNG production plant.

During the year, State Gas was successful in securing \$5.5 million of exploration grant funding through the Queensland Government's Frontier Gas Exploration Program ("the Grant"). The Grant will be used to further delineate gas resources and reserves within the project area, by drilling two new vertical wells ("the Campaign"). The Grant reflects a strong endorsement for the Rolleston West Project and demonstrates that the Queensland Government shares State Gas' view that the area is highly prospective and capable of supporting new gas production and development. State Gas' HDNG production plant will enable it to immediately capture and commercialise production testing gas from these new wells.

The two wells are close to Rougemont 2/3 in an area that has proven gas content and commercial productivity. The wells are designed to intersect the entire Bandanna Formation coal measures and will have the ability to produce from all the permeable seams. This design will maximise the resultant reserves proven up by the wells, which may be sufficient to underwrite a pipeline connection to the Gladstone - Wallumbilla Pipeline system which is approximately 30km to the east of Rolleston West.

Drilling and production testing results from the Campaign will enable State Gas to seek accreditation for a maiden 2P reserve of 30-50PJ's. Establishing an initial 2P reserve is 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.

Reids Dome – A flexible conventional gas project with synergies with Rolleston West

The Reid's Dome Project 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 within the southern Bowen Basin in Queensland. State Gas acquired PL231 as its first project in 2017. The Company's exploration activities have established in excess of 30 metres of net coals in the producible zones with high gas content and good continuity of coal seams across the majority of the permit.

The gas bearing areas within PL231 are located within very challenging terrain and consequently the Company continues to evaluate a range of techniques to successfully liberate gas from the deeper formations and establish a larger resource base and cost structure which would enable the project to be successfully advanced.

Given PL231 is an active production permit, the Company's intention is to commercialise the conventional gas accumulation at Reid's Dome through construction of a small pipeline system which would connect directly to the HDNG production plant at Rolleston West.

The HDNG Production Plant

The HDNG production plant has the capacity to produce 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.

Challenging weather and site conditions impacted the Company's original construction and commissioning timetable with flow-on impacts to total project costs. Pleasingly however, mechanical completion was achieved in ninety-two days of uninterrupted construction, which is an excellent outcome for a project of this type and generally in line with original time estimates. Through the discipline and collaboration of its construction teams, the landholder and other stakeholder groups, the construction phase was completed with no reportable incidents and no lost time injuries.

The HDNG production plant is first of its kind technology in Australia, and the provision of HDNG from CSG as a fuel source into a live mining environment has never before been operationalised at scale. The construction and commissioning process and the first three months of HDNG supply saw the Company, its partners and customer identify and resolve a range of technical and operational issues associated with operationalising this new fuel supply arrangement. The HDNG production plant and the VP trailers are operating efficiently and State Gas is now focussed on increasing daily delivery volumes in line with the offtake arrangement and the customer's demand profile.

Commencement of gas sales

Post successful commissioning of the HDNG production plant in late May 2024, the Company commenced supplying HDNG in accordance with its initial offtake agreement to a local coal mine. The customer is using HDNG as part of the trial of hybrid (diesel/natural gas) mine-truck engine technology that can assist in reducing carbon emissions. The mining sector has been, and continues to be, the highest industrial contributor to growth in global carbon emissions. The application of HDNG in dual fuel mining truck engines has the potential to reduce diesel fuel consumption by around seventy percent and associated carbon emissions by twenty-five percent. Currently, diesel fuel consumption by coal miners in the Bowen Basin is in excess of \$2bn per annum and the majority of mining operations are remote from traditional gas infrastructure.

The first few months of HDNG supply volume was small, but consistent with the Company's expectations around establishing efficient loading and unloading processes for the VP trailers and ensuring that HDNG delivery was successfully integrated into the customer's ongoing mining operations. Under the initial offtake arrangement HDNG supply will increase to support up to five mining haul trucks (currently two trucks), requiring in total approximately 500GJ of HDNG per day.

State Gas is in advanced stages of discussions with a number of other coal mines owners in close proximity to Rolleston West about HDNG supply and the broader application of its HDNG technology

to capture fugitive emissions associated with de-gassing coal mine development.

The provision of HDNG using the Virtual Pipeline is a bundled gas supply solution, which reflects significant added value when compared to natural gas sourced from the traditional pipeline network. Raw coal seam gas from Rougemont 2/3 is processed by the HDNG production plant to meet gas specifications and pressures required for the efficient operation of the hybrid mine-truck engines. As such, the contracted price for HDNG under this supply arrangement is at a premium to the spot price of raw pipeline gas and more correlated with the price of diesel on an energy equivalent basis.

Changes to Board and Management

R Towner did not offer himself for re-election as a director at the Company's annual general meeting in November 2023. The Company thanks Mr Towner for his outstanding dedication to the progress of State Gas since before its listing on the ASX.

Subsequent to year end, Mr McAlpine, who has been the Chief Executive Officer, has now joined the Board as Managing Director, and, Mr Cottee has stepped down from his position as Executive Chairman but remains as non-executive Chairman of the Company.

The Company's Board and Management have the experience and capability to expedite the commercialisation of its projects with a philosophy of low capital and operating costs. The acceleration of the Company's activities to development and early-stage production is now its priority.

Capital Management

In the first half of the financial year, the Company raised \$7,385,101 (before fees and transaction costs) from the issuance of shares to new and existing shareholders at \$0.15 per share. This transaction, structured as an institutional share placement followed by a retail share purchase plan, received strong support from new and existing shareholders. Capital raised from the Placement and SPP was used to fund the construction and commissioning of the Company's HDNG production plant.

Post year-end, State Gas raised \$5.3 million through a placement and entitlement offer of 105,071,959 new shares to sophisticated investors. A further 13,207,421 new shares will be issued to Directors subject to shareholder approval.

Due to the high level of risk and technical complexity associated with applying a HDNG solution to CSG, the Company qualified for \$1 million of research and development grant funding.

State Gas continues to operate with limited fixed overheads and continues to carefully align its activities with the timing of first gas sales. It continues to explore a range of financing options to free up working capital, including refinancing of the HDNG production plant post commissioning. The Company's reliance on additional equity capital will significantly reduce in line with growth in operating cashflow from HDNG sales.

Outlook

The gas and energy sectors are complex operating environments and the regulatory framework for supporting new project development remaining challenging. Pleasingly however, there have been recent gas project approvals and an increasing recognition, both politically and commercially, that natural gas remains a critical bridging fuel on the road to the 2050 national renewable energy targets.

It is the Company's view, in line with that shared by many energy sector experts, that natural gas remains the only reliable source of base and peaking electricity production and remains preferable to

thermal coal and diesel from an emissions standpoint. Reliable ongoing gas supply is required to meet both domestic and export energy supply obligations over the short to medium term and to ensure that sustainable electricity prices are maintained for both domestic consumer and commercial users.

As the Company moves into initial production, the Directors believe that the Company's assets are well positioned to address (in part) the substantial gas shortfall which the ACCC currently forecasts to arise by 2027 and continue to support both an orderly transition to renewables and a sustainable energy security policy for Australia. The Company's portfolio of gas projects possess the relevant characteristics to underpin long term shareholder value:

1. substantial deposits of pipeline quality gas with a low carbon emission profile sourced from a known gas production region;
2. comparable gas projects, targeting similar coal measures, suggest that the State Gas projects will be low on the cost curve;
3. gas assets are strategically located to existing transmission infrastructure and the cost of additional infrastructure to support production is modest; and
4. the Company's HDNG technology enables it to commercialise its gas assets more quickly and potentially build a large alternative fuel supply business, while simultaneously continuing to advance the Company's traditional gas projects.

Successful commissioning of the HDNG production plant provides immediate revenues and uniquely positions State Gas to meet the increasing demand for diesel fuel substitutes from miners in the Bowen Basin. It simultaneously supports the proposition that the Rolleston West Project has the hallmarks of a world class development project and, importantly, begins to unlock part of the substantial value inherent in the Company's asset base. This asset base will be further enhanced by the establishment of a maiden 2P reserve for Rolleston West early in calendar 2025.

The HDNG technology developed by State Gas provides it with significant first mover advantage to support increased demand for natural gas to support the ongoing orderly de-carbonisation of industrial activities, such as coal mining. There are a series of significant value catalysts ahead for the Company in the coming year:

1. growth in HDNG sales and development of a sustainable alternative fuels business;
2. external verification of a maiden 2P reserve for the Rolleston West Project and ultimately support the financing of pipeline infrastructure to the HDNG production plant; and
3. wider application of HDNG technology to support increased future production, but also to commercialises the significant intellectual property and know-how the Company has created through developing the production plant.

State Gas' Board and Management have the experience and capability to expedite the commercialisation of its projects with a philosophy of low capital and operating costs. State Gas is confident that it is on the path to delivering improved returns to shareholders through its diversified business model and high quality exploration assets, which are being progressed toward development.

State Gas tenement interests

State Gas' projects are underpinned by the following tenure:

<i>Project</i>	<i>Permit</i>	<i>State Gas Interest</i>	<i>Area (km2) [at 100%]</i>
Reid's Dome	PL 231	100%	181
Rolleston-West	ATP 2062	100%	1,414
Santos JV	ATP 2068	35%	727

<i>Project</i>	<i>Permit</i>	<i>State Gas Interest</i>	<i>Area (km2) [at 100%]</i>
Santos JV	ATP 2069	35%	308
Carbon Management JV	EPM 27596	Note ¹	140

¹ State Gas is farming-in to EPM 27596 in a staged farmin, the first stage of which is to earn 25%. The tenement is currently held 100% by Rockminolutions Pty Ltd

The contingent and prospective gas resources established by State Gas in respect of each of its areas of interest are:

<i>Year</i>	<i>Asset</i>	<i>Net Acreage (km²) (State Gas share)</i>	<i>Estimated Contingent Resources* (PJ's Net to State Gas)</i>		
			<i>1C</i>	<i>2C</i>	<i>3C</i>
2017	<i>PL231 Reid's Dome (unconventional)</i>	181	84	192	660
	<i>PL231 Reid's Dome (conventional)</i>		1.7	3.6	7.9
2020	<i>ATP 2062 Rolleston-West (unconventional)</i>	1,414	145	261	454
	<i>ATP 2062 Rolleston-West (conventional)</i>		6	18	52
2022	<i>ATP 2068 (unconventional)</i>	254	25	43	68
2022-23	<i>ATP 2069 (unconventional)</i>	108	12	17	24
Total		1957	274	534	1266

<i>Year</i>	<i>Asset</i>		<i>Estimated Prospective Resources* (PJ's Net to State Gas)</i>		
			<i>P10</i>	<i>P50</i>	<i>P10</i>
2020	<i>ATP 2062 Rolleston-West (conventional)</i>		1.0	4.7	22.7
2022	<i>ATP 2069 (conventional)</i>		0.7	3.0	12.8
Total			2	8	35

*State Gas estimate as at 12/09/2022

PL 231: Reids Dome Project (100% State Gas)

The Reid's Dome Project 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 within the southern Bowen Basin in Queensland. Gas was first discovered in the area during early exploration in 1955,

prior to the development of the currently extensive pipeline infrastructure. The area was sporadically explored over the ensuing decades, until State Gas acquired PL231 as its first project in 2017.

The Company's activities have established in excess of 30 metres of net coals in the producible zones in the beds (proven to extend below 1100m), with gas contents averaging a very high 13.75m³/tonne dry ash free. Commercial levels of production have been established at the Nyanda-4 well, with stabilised rates of 140mscf/d, punctuated by peaks of up to 700mscf/d. Wells drilled during the 2019-20 and 2020-21 financial years confirmed the continuity of the Reid's Dome coal seams across the majority of the permit, as well as discovering additional conventional gas in the northern area of the tenement.

The Company continues to evaluate a range of techniques to successfully liberate gas from the deeper formations and establish a resource base and cost structure which would enable the project to be successfully advanced.

ATP 2062: Rolleston-West Project (100% State Gas)

ATP 2062, containing highly prospective Bandanna coals (currently under production by Santos in the southeast) and conventional gas targets, was issued to State Gas in October 2020. Directly adjacent to Reid's Dome, the Rolleston-West project enables the Company to build on its existing knowledge of the area, achieve economies of scale and operations, and develop the projects synergistically to optimise efficiencies, optionality and scale.

The Company has drilled wells which intersected approximately 8 metres of net coals with the thickest seams in each well (~2.4m and ~2.8m) laterally continuous over many kilometres. The gas content of the coals was, as predicted, at between 5 and 6 m³/tonne dry ash free. Gas is at or near pipeline quality, between 93.8% and 96% methane with excellent permeability ranging from a good 26 millidarcies to a particularly impressive 395 millidarcies.

A significant 2C contingent resource has already been established for the wider Rolleston West Project, and in conjunction with commencing initial production, the Company is seeking to establish an initial 2P reserve in the range of 20-30PJ in the short to medium term (for the area surrounding Rougemont 2/3 on the eastern extremity of ATP 2062).

Santos JV Project

State Gas, in joint venture with Santos QNT Pty Ltd (State Gas 35%, Santos 65%), is undertaking initial exploration activities on two new exploration permits, ATP 2068 and ATP 2069 which are adjacent or in close proximity to both State Gas' existing Reid's Dome and Rolleston-West Projects.

These areas are adjacent to the Arcadia Valley gas field and consequently present significant development synergies for the area in respect of capital investment, operational efficiencies and off-take. ATP 2069 is also bisected by two high pressure export pipelines.

Both blocks are highly prospective for coal seam gas in the Bandanna Formation as indicated by commercial production on adjacent acreage. The blocks also contain targets for conventional gas. The Joint Venture is now planning early-stage exploration activities in the most prospective areas of the tenements.

Carbon Management

State Gas is in joint venture with minerals explorer Rockminolutions Pty Ltd (“Rockminolutions”), holder of minerals exploration permit EPM 27596 over the Buckland Basaltic Sequence on the western border of ATP 2062. The Company has entered into a Memorandum of Understanding (MoU) with Rockminolutions to investigate the feasibility of carbon sequestration through carbon mineralisation in basalt formations on the western border of the Rolleston-West Project area. Through jointly conducting successful exploration and appraisal activities in this area, State Gas has the ability to acquire a farm-in interest in Rockminolutions’ EPM 27595 tenement.

Basalt rocks are highly reactive and contain the elements needed for permanently immobilising CO₂ through the formation of carbonate minerals (eg calcium carbonate (limestone) and magnesium carbonate). The Buckland Tableland basalts in EPM 27596 are non-welded ignimbrites, a relatively unusual form of basalt likely to be particularly suitable for reaction with CO₂. The size and thickness of the basalts provides the potential for very significant quantities of carbon to be mineralised. Projects of this nature have been undertaken successfully for some years by Carbfix in Iceland, and now by Rio Tinto in Minnesota, USA.

Planning is now underway for a round of initial testing activities that investigate the potential of the Buckland basaltic ignimbrite for a range of ex-situ mineral carbonation purposes such as soil mineral carbonation and the manufacture of low-carbon cements. This initial work will also assist in evaluating the potential of the deposit for in-situ mineral carbonation.

MATERIAL BUSINESS RISKS

The material business risks for State Gas at 30 June 2024 are outlined in this section. These risks may materialise independently, concurrently or in combination. The active management of these risks through our risk management framework is imperative to State Gas meeting strategic objectives and delivering shareholder value. This summary is neither an exhaustive list of risks that may affect State Gas, nor are the risks listed in order of importance. It reflects a cross section of risks which users of this financial report may find relevant in understanding the Company’s operating environment and the scope of risk management considerations which the Company undertakes on a regular basis. Specific financial risks are addressed at Note 25 to the Financial Statements.

Measurement and Transportation of HDNG

The application of virtual pipeline technology to transport HDNG by truck to customers is mature technology globally, but has not been historically undertaken at scale in Australia. The Company must ensure that transport contractors and the virtual pipeline assets are compliant and regularly integrity tested. The transmission of HDNG at high pressure requires a strict control regime to ensure it is undertaken safely and not subject to contamination of pressure loss. The end-to-end process involves multiple parties and different equipment at each stage of the supply chain. The Company must work with all parties in the supply chain, including the end customer carefully to ensure relevant risk management procedures are in place and followed for the production and delivery of HDNG. Any failure of risk management procedures in the Company’s supply chain could lead to injury to persons or property, financial and reputational loss for the Company and impact adversely on its regulatory approvals.

Optimisation of Plant and Well Performance

The Company’s ability to meet its gas supply commitments and further expand its gas production capability is dependent on the reliable operation of its HDNG plant and the Company’s gas wells which are supplying raw coal seam gas (“CSG”). The Company must ensure that equipment is monitored and appropriately maintained and operates within specified performance guidelines. Well pressure must be maintained to ensure constant gas flow which is sufficient to support the dehydration and

compression processes inherent in the HDNG plant. Any failure of the Company's plant and equipment or issues impacting performance of its gas wells could materially adversely affect the Company.

Development risk

The Company's development projects may be delayed or be unsuccessful for many reasons, including unanticipated financial, operational or regulatory events, the failure to receive government approvals, whether a final investment decision is reached, cost overruns, decline in petroleum prices or demand, equipment and labour shortages, technical concerns including with respect to reserves and deliverability difficulties, increases in operational cost structures, contractual issues with securing sales contracts for petroleum products or with engineering procurement and construction contracts, community or industrial actions, changes in construction costs, design requirements and delays in construction or other circumstances which may result in the delay, suspension or termination of the development projects. In addition, the ability of counterparties of the relevant sales contracts to meet their commitments under such arrangements may impact on the Company's investment in these projects. Development projects to which the Company is or may become involved are subject to the abovementioned risks (and the other risks outlined in this document), and may adversely affect the commerciality and economics of project development

Project cost control

Execution of the Company's exploration and development activities requires an appropriate framework of internal controls including obtaining robust project cost estimates, ensuring investment decisions are supported by the appropriate financial analysis and that appropriate procedures are in place to ensure work is executed on time and on budget. Failure to implement these controls effectively could mean that long term funding decisions for the business are incorrect and the Company's ability to deliver on its plans within specified timeframes are compromised.

Business Interruption

Pandemic-type restrictions, natural disaster impacts, or cyber-attack may prevent or disrupt ongoing operations as planned. The Company's exploration operations and profitability may be adversely impacted or delayed.

Operating Risks

Industry operating risks include the risk of fire, explosions, blow-outs, pipe failure, weather conditions, industrial disputes, unexpected equipment shortages or cost increases, mechanical failure or breakdown, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures or discharges of toxic gases. The occurrence of any of these risks could result in substantial losses to the Company due to injury or loss of life, severe damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations or claims against the Company resulting from damages, especially where such risks are not covered or not fully covered by its insurances.

Production risk

The business of petroleum exploration and development is subject to a variety of risks and hazards. Such occurrences may delay production, increase production costs or result in damage to and destruction of petroleum properties or production facilities, personal injury, environmental damage and legal liability. Ongoing production and commissioning of staged expansions to production may not proceed to plan, with potential for delay in the timing of targeted production and/or a failure to achieve the level of targeted production. In certain circumstances, these potential delays or difficulties may necessitate additional funding requirements which could lead to additional equity and / or debt requirements for the Company. In addition to potential delays, there is a risk that capital and/or operating costs will be higher than expected or there will be other unexpected changes in variables upon which expansion and commissioning decisions were made. These potential scope changes

and/or cost overruns may also lead to additional funding requirements. The Company's activities may be affected by numerous other factors beyond its control. Mechanical failure of the Company's operating plant and equipment, and general unanticipated operational and technical difficulties, may adversely affect its operations.

Access to Funding

The ability of the Company to meet future proposed development programs may be dependent on the Company's ability to raise further funds in future. There can be no assurance that sufficient capital funding will be available to the Company on favourable terms or at all. If the Company is unable to raise necessary capital, there may be a reduction in planned capital expenditure (by a scaling back of development works), which could have an adverse effect on the Company's ability to expand its business and/or maintain operations at desired levels; this could, in turn, have a material adverse effect on the Company's business, financial condition and operations.

If the Company undertakes additional equity offerings in the future, in addition to diluting existing Shareholders who do not participate, the increase in the number of Shares issued could have a depressive effect on the price of the Company's Shares.

Climate Change

There has been increasing concern by the public and regulators globally on climate change issues. As a gas development company, the Company is exposed to both transition risks and physical risks associated with climate change. Transitioning to a lower-carbon economy may entail extensive policy, legal, technology and market changes and, if demand for gas declines, the Company may find it difficult to commercialise any resources it discovers. In particular:

- (i) the emergence of new or expanded regulations associated with the transitioning to a lower-carbon economy and market changes related to climate change mitigation. The Company may be impacted by changes to local or international compliance regulations related to climate change mitigation efforts, or by specific taxation or penalties for carbon emissions or environmental damage. These examples are among an array of possible restraints on industry that may further impact the Company and its profitability. While the Company will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that the Company will not be impacted by these occurrences; and
- (ii) climate change may cause certain physical and environmental risks that cannot be predicted by the Company, including events such as increased severity of weather patterns and incidences of extreme weather events and longer term physical risks such as shifting climate patterns. All these risks associated with climate change may significantly change the industry in which the Company operates.

The Company does not consider its Shares to be currently suitable for investors looking for exposure to net zero financial products.

Health and safety

The Company's activities are subject to operating hazards which could result in harm to our people or our communities. In addition to injury or negative effects to the health or wellbeing of affected people, impacts may include reputational damage and financial penalties. The identification, effective control and overall management of health and safety risks are the highest priority for the Company.

Commodity price volatility

The demand for, and price of gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, actions taken by governments and major gas corporations, global economic and political developments, the pricing of alternative supplies of energy and other factors all of which are beyond the control of the Company. As such, it is impossible to predict future commodity prices with confidence.

International gas prices fluctuate and at times the fluctuations can be quite wide. A material decline in the price of gas may have a material adverse effect on the economic viability of a project. Examples of such uncontrollable factors that can affect gas price are unrest and political instability in countries that have increased concern over supply.

Resource and reserve estimates

Estimates of reserves, and contingent resources and prospective resources are not precise and no assurance can be given that reserves, contingent resources and prospective resource estimates will be recovered during production. Production estimates are dependent on, among other things, the accuracy of reserves, contingent resources and prospective resources estimates, the accuracy of assumptions regarding the resource calculations and recovery rates. Reserves, contingent resources and prospective resources estimates are based on limited sampling. The failure of the Company to achieve its production estimates could have a material and adverse effect on any or all of its future cash flows, access to capital, profitability, results of operations, financial condition and prospects. Commodity price fluctuations, as well as increased production costs or reduced recovery rates, may render reserves uneconomic and may ultimately result in a restatement of such reserves. Moreover, short-term operating factors relating to reserves, such as the need for sequential development of resource bodies and the processing of new or different resource types may cause an operation to be unprofitable in any particular accounting period.

Drilling Risks

Oil and gas drilling activities are subject to numerous risks, many of which are beyond the Company's control. The Company's drilling operations may be curtailed, delayed or cancelled due to several factors including weather conditions, mechanical difficulties, shortage or delays in the delivery of rigs and/or other equipment and specialist service providers, as well as compliance with governmental requirements. Hazards incidental to the exploration and development of oil and gas properties such as unusual or unexpected formations, pressure, temperatures and/or other factors are inherent in drilling and operating wells and may be encountered by the Company. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. Whilst wells drilled may yield some hydrocarbons there can be no guarantee that the discovery will be sufficiently productive to justify commercial development or cover operating costs.

Exploration and development

The growth of the Company is dependent on its ability to successfully discover, develop and deliver new resources and reserves. Exploration and drilling activities are highly uncertain and dependent on capital funding and the acquisition and analysis of data.

The Company's ability to deliver its strategy may be impacted by the success of its exploration and development efforts.

Environmental risks

The operations and proposed activities of the Company are subject to environmental laws and regulations. These laws and regulations set standards regulating certain aspects of health and environmental quality and provide for penalties and other liabilities for the violation of such standards, as well as establishing obligations to rehabilitate locations where activities were conducted.

As with most exploration projects and hydrocarbon production operations, the Company's activities are expected to have an impact on the environment. Significant liability could be imposed on the Company for damages, clean-up costs, or penalties in the event of certain discharges into the environment, environment damage caused by previous owners on property acquired by the Company, or noncompliance with environmental laws or regulations.

Amendments to current laws, regulations, policies and permits governing operations and activities of mining and energy companies, or more stringent implementation, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or a reduction in level of producing properties or require abandonment or delays in development of new properties.

Competition risk

The Company competes with numerous other organisations in the search for, and the acquisition of, gas assets. The Company's competitors include gas companies that have substantially greater financial resources, staff and facilities than those of the Company and a longer operating history. The Company's ability to increase its resources and reserves in the future will depend not only on its ability to explore and develop its current projects, but also on its ability to select and acquire suitable producing assets or prospects for exploration. There is also no guarantee that the Company will be able to compete effectively with future competitors, including from organisations specialising in alternative sources of energy. Future competition may adversely impact the Company's financial performance.

Risk of superseding energy technology

There is a risk that new technology will be developed and deployed in the energy market that will move current and potential customers for the Company's products towards new energy products, including renewable energy such as solar or wind and battery storage. In that event, the Company's current projects may be adversely affected and the Company may not be in a position to invest and economically compete in such emerging energy markets.

Compliance risk

The leases and permits in which the Company has an interest are subject to ongoing obligations to satisfy minimum drilling and expenditure obligations. If these obligations were not satisfied, the relevant lease may expire or be forfeited, which would result in a loss of the reserves attributable to the Company's interest in that lease. Oil and gas exploration permits are subject to periodic review and renewal. There is no guarantee that applications for future exploration permits or production permits will be approved. Government authorities' review, renewal and transfer conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the permits comprising the Company's projects. The imposition of new conditions or the inability to meet conditions may adversely affect the operations, financial positions and/or performance of the Company.

Legislation and Regulatory Risk

The Company's activities are subject to legislation, regulation and approvals. The introduction of new legislation, amendments to existing legislation, the application of developments in existing common law or policies or the interpretation of those laws or policies, particularly in relation to land access arrangements, environmental approvals, a carbon tax or similar, the effect of greenhouse gases legislation, royalties, generation, production and exploration licensing may adversely affect the Company's future operations and financial performance. The Company will, from time to time, require various government regulatory approvals for its transactions and operations and must comply with those approvals, applicable laws, regulations and policies. In particular, the Company may require licences and approvals in relation to exploration, development and production activities, environmental matters and the supply of gas. There is a risk that the Company or a future joint venture

to which it is a party may not obtain, or there may be a delay in obtaining, the necessary licences and approvals. This may affect the timing and scope of transactions and work that can be undertaken. Further, a failure to comply with a licence, approval or applicable law may affect the timing and scope of work that can be done. The loss of granted tenements or failure to obtain relevant approvals in relation to them may have a material adverse effect on the Company.

Reliance on Key Personnel Risk

The Company is reliant on its senior management and key personnel. There is a risk that the Company may not be able to retain or hire all necessary personnel. The Company's progress in pursuing its development, exploration and appraisal programs within the timeframes and currently envisaged cost structure could be influenced by the loss of existing key personnel or a failure to secure and retain additional key personnel as its production, development, exploration and appraisal programs, progress. The result of such loss would depend on the quality and timing of the employee's replacement.

Land Access

Land access is critical for the success of the Company's exploration and development activities. The Company relies on being able to negotiate mutually satisfactory access arrangements with landholders and other stakeholders for lands on which the Company's exploration and production activities are conducted. The Company's exploration operations and profitability may be adversely impacted or delayed in the event of a dispute with a landowner or user that delays or prevents the Company from carrying out its projects.

Native title and heritage risk

The Company is required to comply with the Native Title Act 1993 (Cth) since native title has been determined for part of the land underlying the petroleum lease and granted exploration tenements. As such, consultations and negotiations with the registered native title body corporate or native title claimant may be required. Further, under the Aboriginal Cultural Heritage Act 2003 (Qld), any person carrying out an activity must take all reasonable and practicable measures to ensure that the activity does not harm Aboriginal cultural heritage. This applies whether or not such places are recorded in an official register and whether or not they are located on private land. Failure to comply with the Aboriginal cultural duty of care is an offence for which large penalties apply. These legislative regimes may affect the existing or future activities of the Company and impact on its ability to develop projects and its operational and financial performance.

Community opposition risk

Given community opposition to certain gas projects from time to time, there is a risk of community opposition to the Company's operations. Disapproval of local communities or other interested parties may lead to direct action that impedes the Company's ability to carry out its lawful operations, resulting in project delay, reputational damage and increased costs and thus impact the financial performance of the Company. Such action by community opposition may include undertaking legal proceedings, media campaigns and protests.

Insurance

The Company aims to maintain insurance with ranges of coverage that the Company believes to be consistent with industry practice and having regard to the nature of activities being conducted and associated risks. No assurance, however, can be given that the Company will be able to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any such claims. Moreover, insurance against risks such as environmental protection or other hazards as a result of exploration, development and production activities is not generally available to the Company or to other companies in the energy and resources industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards that may not be insured against or which the Company may elect not to insure against because of premium costs or other

reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Significant government policy change

Changes in government policy, legislation, regulations and/or policy can result from changes in community expectations, changes in market conditions, or compliance with international treaties or other obligations. These changes may impact on use, exploration and development of the Company's assets as well as the energy markets in which it operates. In turn, such changes may impact on sustainable returns for investors, through profit erosion and loss of company value. Retrospective or unexpected regulatory changes potentially may impact the longer-term viability of projects. The Company actively monitor regulatory and public policy developments and constructively engages with government, regulators and industry bodies.

Force majeure

Events may occur within or outside the markets in which the Company operates that could impact upon the global and in particular, the Australian economy, the operations of the Company and the market price of its Shares. These events include acts of terrorism, outbreaks of international hostilities, fires, pandemics, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease, and other man-made or natural events or occurrences that can have an adverse effect on the demand for the Company's services and its ability to conduct business. Given that the Company has only a limited ability to insure against some of these risks, its business, financial performance and operations may be materially and adversely affected if any of the events described above occur.

Dividends

The Directors are unable to say if and when the Company will be able to pay dividends. Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of profit, operating results, the financial position of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurances in relation to the payment of dividends, or the franking credits attached to such dividends, can be given.

Significant changes in the state of affairs

Other than the matters described in this report, there were no other significant changes in the state of affairs of the Company during the financial year.

Likely developments and expected results of operations

Comments on likely developments and expected results of operations are included in the review of operations above.

Events after reporting period

Since 30 June 2024 the Company has:

- (a) entered into short-term loan agreements with Directors of the Company, Tony Bellas, Philip St Baker, Jon Stretch and Greg Baynton for \$175,000 each, and, Richard Cottee for \$60,000. The loans are unsecured and accrue interest at 15% pa from the date of drawdown, compounding monthly. Interest on the loans will capitalise and be paid in full at the time the principal is repaid. Loans are repayable on completion of a capital raise;
- (b) issued 86,970,272 fully paid ordinary shares at \$0.05 per share and 29,614,111 free attaching options to institutional and professional investors under a placement and Accelerated Non-Renounceable Entitlement Offer (ANREO), representing gross proceeds of \$4,348,514. Director entitlements of \$905,904 were offset against outstanding Director loans; and
- (c) issued 18,101,687 fully paid ordinary shares at \$0.05 per share and 9,050,857 free attaching options under the retail component of the ANREO, representing gross proceeds of a further \$905,084.
- (d) appointed Doug McAlpine as Managing Director on 10 September 2024.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Environmental regulation

The Company's operations are subject to environmental and other regulations. The Company has a policy of engaging appropriately experienced contractors and consultants to advise on and ensure compliance with environmental regulations in respect of its exploration activities. The Company monitors compliance with relevant legislation on a continuous basis and the Directors are not aware of any compliance breaches up to the date of this report.

Information on Directors

The following information is current as at the date of this report.

R Cottee. *Chair – Non-executive Chairman from 10 September 2024 (formerly Executive Chairman until 9 September 2024)*

Experience and expertise	Mr Cottee is internationally renowned for his energy experience, commercial strategy and acumen within the energy and utilities sector. As former Managing Director of the Queensland Gas Company (QGC) from 2002 to 2008, he took the company from an early-stage explorer to a major non-conventional gas supplier building the market value from \$20 million to \$5.7 billion and facilitating the sale of QGC to Britain's BG Group. During his extensive career, he has also been CEO of Queensland Government-owned electricity generator CS Energy, NRG Europe and Managing Director of petroleum explorer-producers Nexus Energy Limited and Central Petroleum Limited.
Other current directorships	Chairman of Elixir Petroleum Limited (ASX: EXR).
Former listed directorships in last 3 years	None.
Special responsibilities	Chairman of the Board. Chairman of the Nomination Committee. Member of the Risk Committee.
Interests in shares, options and performance rights	2,350,344 ordinary shares 266,771 options

A Bellas. Non-Executive Deputy Chairman

Experience and expertise	<p>Mr Bellas brings over 35 years of experience in the public and private sectors. Tony was previously CEO of the Seymour Group, one of Queensland's largest private investment and development companies. Prior to joining the Seymour Group, Tony held the position of CEO of Ergon Energy, a Queensland Government-owned corporation involved in electricity distribution and retailing. Before that, he was CEO of CS Energy, also a Queensland Government-owned corporation and the State's largest electricity generation company, operating over 3,500 MW of gas-fired and coal-fired plant at four locations.</p> <p>Tony had a long career with Queensland Treasury, achieving the position of Deputy Under Treasurer.</p> <p>He is a Fellow of the Geological Society of London.</p>
Other current directorships	Deputy Chairman of NOVONIX Limited (ASX: NVX).
Former listed directorships in last 3 years	intelliHR Limited (ASX: IHR)(ceased 2023)
Special responsibilities	Deputy Chairman of the Board Chair of the Audit Committee. Member of the Remuneration Committee, Nomination Committee and Risk Committee.
Interests in shares, options and performance rights	9,126,147 ordinary shares. 1,035,843 options

D McAlpine. Managing Director from 10 September 2024 (formerly CEO until 9 September 2024)

Experience and expertise	Mr McAlpine has over twenty years experience in public company management across the finance, mineral exploration and construction sectors. He has significant experience in leading companies through periods of substantial organisational change and growth. Mr McAlpine has a strong commercial and financial background, with strong experience in prudent sourcing and allocation of capital and in the negotiation and management of complex commercial arrangements.
Other current directorships	None.
Former listed directorships in last 3 years	None.
Special responsibilities	Managing Director
Interests in shares, options and performance rights	160,475 ordinary shares. 2,500,000 performance rights.

P St Baker. Non-Executive Director

Experience and expertise	Mr St Baker is an experienced entrepreneur, investor, director and executive, with over twenty years' experience in technology, energy, and resources sectors. He experienced at leading large, medium, small, and startup companies, in private and public companies, domestic and international.
Other current directorships	None.
Former listed directorships in last 3 years	None.
Special responsibilities	Member of the Risk Committee.
Interests in shares, options and performance rights	17,058,731 ordinary shares. 1,936,212 options.

G Baynton. Non-Executive Director

Experience and expertise	Mr Baynton has been a Director of Australian exploration companies for over 20 years. He is founder and Executive Director of investment and advisory firm, Orbit Capital Pty Ltd. Mr Baynton has experience in investment banking, infrastructure investment, IPOs, public company directorships, Queensland Treasury and the Department of Mines and Energy. He is a Fellow of the Geological Society of London.
Other current directorships	None.
Former listed directorships in last 3 years	Non-executive Director of intelliHR Limited (ASX: IHR)(ceased 2021). Non-executive Director of NOVONIX Limited (ASX: NVX) (ceased 2021).
Special responsibilities	Member of the Remuneration Committee.
Interests in shares, options and performance rights	38,393,623 ordinary shares. 2,383,558 options

J Stretch. Non-Executive Director

Experience and expertise	Mr Stretch has broad international experience in the information technology (IT), telecommunications and energy sectors. He was formerly Managing Director of ERM Power Limited, an ASX-listed electricity generator and retailer. Prior to that Mr Stretch was Executive Vice President and Member of the Management Board of Landis + Gyr, the global leader in smart gas and electricity metering based in Zug, Switzerland.
Other current directorships	None.
Former listed directorships in last 3 years	None
Special responsibilities	Chair of the Risk Committee
Interests in shares, options and performance rights	3,244,004 Shares 368,204 options

Meetings of Directors

The number of meetings of the Company's Board of Directors and of each board committee held during the year ended 30 June 2024, and the number of meetings attended by each Director were:

	Full meetings of Directors		Meetings of Audit Committee		Meetings of Risk Committee		Meetings of Nomination Committee		Meetings of Remuneration Committee	
	A	B	A	B	A	B	A	B	A	B
A Bellas	11	12	2	2	2	2	1	1	1	1
G Baynton	10	12	2	2	-	-	-	-	1	1
R Cottee	11	12	-	-	2	2	1	1	-	-
P St Baker	12	12	2	2	2	2	-	-	-	-
J Stretch	12	12	-	-	2	2	1	1	-	-
R Towner	5	6	-	-	-	-	-	-	-	-

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

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Remuneration report (Audited)

The Directors present the State Gas Limited 2024 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

The report is structured as follows:

- (a) Key management personnel (KMP) covered in this report
- (b) Remuneration policy and link to performance
- (c) Elements of remuneration
- (d) Link between remuneration and performance
- (e) Remuneration expenses for executive KMP
- (f) Contractual arrangements for executive KMP
- (g) Non-executive Director arrangements
- (h) Additional statutory information

(a) *Key management personnel covered in this report*

Non-Executive and Executive Directors

R Cottee (Executive Chairman)
A Bellas (Non-Executive Deputy Chairman)
G Baynton (Non-Executive Director)
P St Baker (Non-Executive Director)
J Stretch (Non-Executive Director)
R Towner (Non-Executive Director) – ceased 30 November 2023

Other key management personnel

<i>Name</i>	<i>Position</i>
D McAlpine	Chief Executive Officer
M Herrington	Chief Operating Officer

Changes since the end of the reporting period

Since the end of the reporting period D McAlpine has been appointed Managing Director from 10 September 2024. R Cottee has stepped down from his position as Executive Chairman on 9 September 2024 but remains as Non-executive Chairman of the Company.

(b) *Remuneration policy and link to performance*

The Remuneration Committee reviews and determines the remuneration policy and structure to ensure it remains aligned to business needs and meets our remuneration principles. This review is conducted annually and recommendations provided to the full Board of Directors for consideration. In undertaking its review, the Committee aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the Company to attract and retain key talent
- aligned to the Company's strategic and business objectives and the creation of shareholder value
- transparent and easily understood, and
- align with shareholder interests and are acceptable to shareholders.

Remuneration report (Audited) (continued)

Element	Purpose	Performance metrics	Potential value	Changes for FY 2024
Fixed remuneration (FR)	Provide competitive market salary including superannuation and non-monetary benefits	Nil	Positioned at median market rate	No changes
LTI	Alignment to long-term shareholder value	Performance vesting conditions	Variable subject to share price.	No changes

Long term incentives are assessed periodically and are designed to promote long-term stability in shareholder returns.

Assessing performance

The Remuneration Committee is responsible for assessing performance against KPIs and recommending to the board the LTI to be paid.

(c) Elements of remuneration

(i) Fixed annual remuneration (FR)

Executives receive their fixed remuneration as cash. FR is reviewed annually and is benchmarked against market data for comparable roles in companies in a similar industry and with similar market capitalisation. The board has the flexibility to take into account capability, experience, value to the organisation and performance of the individual. The Company has not engaged an external remuneration consultant during FY2024.

Superannuation is included in FR for executives.

(ii) Short term incentives

No short-term incentive plans were in place for FY 2024.

(iii) Long-term incentives

Executive KMP participate, at the board's discretion, in the Long-term Incentive Program ("LTIP") comprising one off grants of shares, options or performance rights with varying vesting conditions. The company does not have a formal LTIP, rather incentives are awarded at the discretion of the Board.

Options

No options were granted during FY 2024. No options affected remuneration during FY 2024.

Remuneration report (Audited) (continued)

Performance Rights

The following performance rights were granted to KMP in prior periods.

Executive	Grant Date	Number of rights	Expiry date	Vesting date*	Vesting Conditions
Doug McAlpine	30/11/2022	375,000	05/12/2027	20/05/2024	First commercial delivery of gas from any of the Group's producing assets.
	30/11/2022	375,000	05/12/2027	30/06/2026	Final investment decision to proceed with construction of a physical pipeline.
	30/11/2022	375,000	05/12/2027	30/06/2025	Securing minimum annual gas sales of 2PJ per annum.
	30/11/2022	375,000	05/12/2027	03/02/2027	VWAP over 20 consecutive trading days of not less than \$0.70.
	30/11/2022	1,000,000	05/12/2027	N/A	Board recommending a corporate transaction, whether by takeover bid, scheme of arrangement or otherwise, that results in a change of control of the Company.

*The vesting dates in the table represent the current estimate of when the vesting conditions will be met.

Refer to the tables on page 31 of this report for details of performance rights on issue affecting remuneration.

Remuneration report (Audited) (continued)

(d) *Link between remuneration and performance*

During the year, the Company has generated losses from its principal activity of exploring and developing PL231 and ATP 2062. As the Company is still growing the business, the link between remuneration, Company performance and shareholder wealth is difficult to define. Share prices are subject to the influence of fluctuations in the world market price for gas and general market sentiment towards the sector, and, as such, increases or decreases may occur quite independently of Executive performance.

Given the nature of the Company's activities and the consequential operating results, no dividends have been paid. There have been no returns of capital in the current or previous financial periods. The details of market price movements and profits (losses) reported are as follows:

	Share price	Profit (loss) after income tax
Year end 30 June 2024	9.3 cents	(3,630,596)
Year end 30 June 2023	18.0 cents	(1,188,144)
Year end 30 June 2022	17.0 cents	1,342,263
Year end 30 June 2021	50.0 cents	(2,947,133)
Year end 30 June 2020	37.0 cents	(3,553,330)

(e) *Remuneration expenses for KMP*

The following table shows details of the remuneration expense recognised for the Company's key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards. No KMP received any non-monetary benefits during the current or previous financial year.

Remuneration report (Audited) (continued)

Name	Year	Fixed remuneration			Variable remuneration			Total	Performance related remuneration %
		Cash salary (Short term benefit)	Annual leave	Post-employment benefits	Cash Bonus (Short term benefit)	Performance/Share Rights*	Reversal of Performance Rights**		
<i>Executive Directors</i>									
R Cottee	2024	90,073	-	9,927	-	-	-	100,000	-
	2023	90,498	-	9,502	-	-	-	100,000	-
<i>Other key management personnel (Company)</i>									
D McAlpine (appointed 30/11/2022)	2024	300,000	15,000	27,500	-	121,432	-	463,932	26%
	2023	177,308	10,178	14,948	-	161,866	-	364,300	44%
J Crowley (ceased 2/12/22)	2023	138,450	(9,832)	12,010	-	-	-	140,628	-
L Snelling (ceased 23/12/22)	2023	76,923	(32,716)	8,077	40,000	-	(24,533)	67,751	23%
M Herrington	2024	238,919	(1,507)	26,281	-	-	-	263,693	-
	2023	120,221	8,064	12,623	-	-	(278,635)	(137,727)	-202%
<i>Non-Executive Directors</i>									
G Baynton ¹	2024	40,000	-	4,400	-	-	-	44,400	-
	2023	54,992	-	5,799	-	-	-	60,791	-
A Bellas	2024	50,000	-	5,500	-	-	-	55,500	-
	2023	50,000	-	5,282	-	-	-	55,282	-
R Towner (ceased 30/11/23)	2024	17,538	-	1,929	-	-	-	19,467	-
	2023	40,000	-	4,226	-	-	-	44,226	-
I Paton (ceased 15/11/22)	2023	15,000	-	-	-	-	-	15,000	-
P St Baker (appointed 10/10/22)	2024	40,000	-	4,400	-	-	-	44,400	-
	2023	29,096	-	3,080	-	-	-	32,176	-
J Stretch (appointed 10/10/22)	2024	40,000	-	4,400	-	-	-	44,400	-
	2023	29,096	-	3,080	-	-	-	32,176	-
Total KMP remuneration expensed	2024	816,530	13,493	84,337	-	121,432	-	1,035,792	-
	2023	821,584	(24,306)	78,627	40,000	161,866	(303,168)	774,603	-13%

* Performance rights and options granted under the executive performance rights and options plan are expensed over the performance period, which includes the year in which the rights and options are granted and the subsequent vesting periods.

** The credits relate to the reversal of share-based payments expense recognised in prior periods as a result of the reassessment of vesting conditions that the Directors consider are less likely to be satisfied prior to expiry of the performance rights. The tranches in question relate to the delivery and completion of a change-of-control transaction for State Gas that is recommended to shareholders by the Board of Directors, the completion of a material strategic acquisition by State Gas, and delivery of the phase 2 work program by 1 November 2022.

¹ Ceased being an executive director on 30 November 2022

Remuneration report (Audited) (continued)

(f) Contractual arrangements with executive KMP's

Component	Executive Chairman description	Chief Executive Officer description	COO description
Fixed remuneration	\$100,000 per annum on a part time basis, inclusive of superannuation	\$300,000 per annum on a full-time basis, exclusive of superannuation.	\$265,200 per annum on a part time basis, inclusive of superannuation (increased from \$66,667 effective 1 March 2023)
Contract duration	Ongoing	Ongoing	Ongoing
Notice by the individual / company	3 months	6 months	3 months

The contracts do not provide for any early termination payments.

(g) Non-Executive Director arrangements

The Non-Executive Deputy Chair receives fees of \$50,000 per annum plus superannuation. Other Non-Executive Directors receive \$40,000 per annum excluding superannuation. Fees are reviewed annually by the board taking into account comparable roles. The current base fees were reviewed with effect from 1 October 2017.

The maximum annual aggregate Non-Executive Directors' fee pool limit is \$250,000 and was set out in the 2017 Prospectus.

All Non-Executive Directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration relevant to the office of Director.

(h) Additional statutory information

(i) Performance based remuneration granted and forfeited during the year

The table below shows for each KMP the value of options and performance rights that were granted, exercised and forfeited during FY 2024. The number of options and performance rights and percentages vested / forfeited for each grant are disclosed in section (iii) below.

	LTI Options			LTI Performance Rights		
	Value granted \$	Value exercised\$	Value forfeited \$	Value granted \$	Value exercised* \$	Value forfeited** \$
2024						
R Cottee	-	-	-	-	-	-
D McAlpine	-	-	-	-	-	-
M Herrington	-	-	-	-	-	-
L Snelling	-	-	-	-	-	-

* The value at the exercise date of options/performance rights that were granted as part of remuneration and were exercised during the year has been determined as the intrinsic value of the options at that date.

** The value forfeited has been calculated by reference to the value at grant date.

Remuneration report (Audited) (continued)

(ii) Terms and conditions of the share-based payment arrangements

Performance Rights

The terms and conditions of each grant of performance rights affecting remuneration in the current or a future reporting period are as follows:

	Grant date	Vesting date	Expiry date	Grant date value
Doug McAlpine	30/11/2022	20/05/2024	05/12/2027	\$0.265
Doug McAlpine	30/11/2022	30/06/2026	05/12/2027	\$0.265
Doug McAlpine	30/11/2022	30/06/2025	05/12/2027	\$0.265
Doug McAlpine	30/11/2022	03/02/2027	05/12/2027	\$0.206

The number of performance rights over ordinary shares in the Company provided as remuneration to key management personnel is shown in the table below on page 26. The performance rights carry no dividend or voting rights. See page 27 above for conditions that must be satisfied for the performance rights to vest.

When exercisable, each performance right is convertible into one ordinary share of State Gas Limited.

If an executive ceases employment before the rights vest, the rights will be forfeited.

Share Rights

Under Doug McAlpine's employment agreement he was entitled to be issued shares to the aggregate value of \$50,000, 12 months after his commencement date. The grant date of these shares was 30 November 2022. In accordance with this arrangement, 160,475 ordinary shares were issued to Doug McAlpine on 22 December 2023. The number of rights was calculated using the 14-day VWAP (\$0.31) of the Company's Shares traded on the ASX in the 14 days prior to the execution of his employment agreement.

Remuneration report (Audited) (continued)

(iii) Reconciliation of options, performance rights, and ordinary shares held by KMP

Options

There were no options held by KMP during FY2024.

Performance Rights

The table below shows how many performance rights were granted and vested during the year. The vesting condition of first commercial delivery of gas from any of the Group's producing assets was achieved during the financial year and therefore 375,000 performance rights became vested and exercisable.

Name	Year granted	Balance at the start of the year		Granted as compensation	Vested during the year		Forfeited during the year	Expired during the year	Balance at the end of the year		Maximum value yet to vest*
		Unvested	Vested		Number	%			Vested and exercisable	Unvested	
D McAlpine	2023	2,500,000	-	-	375,000	15%	-	-	375,000	2,125,000	142,189

* The maximum value of the performance rights yet to vest has been determined as the amount of the grant date fair value of the rights that are yet to be expensed. The minimum value of performance rights yet to vest is nil, as the performance rights will be forfeited if the vesting conditions are not met.

Remuneration report (Audited) (continued)

Shareholdings

Name	Balance at the start of the year	Issued on exercise of options or performance rights	Changes during the year	Balance at the end of the year
2024				
Ordinary shares				
A Bellas	4,750,765	-	1,333,333 ¹	6,084,098
G Baynton	29,060,289	-	2,333,334 ¹	31,393,623
R Cottee	1,566,896	-	-	1,566,896
M Herrington	300,000	-	-	300,000
P St Baker	9,039,153	-	2,333,334 ¹	11,374,487
J Stretch	829,336	-	1,333,333 ¹	2,162,669
D McAlpine	-	-	160,475 ²	160,475
R Towner	-	-	-	-

¹ Placement shares approved by Shareholders at the 2023 Extraordinary General Meeting held on 27 September 2023.

² Shares issued in accordance with CEO employment agreement.

(iv) Other transactions with key management personnel

During the financial year the Company entered into short-term loan agreements with Directors as set out in the table below. The loans are unsecured and accrue interest at 15% pa from the date of drawdown, compounding monthly. Interest on the loans will capitalise and be paid in full at the time the principal is repaid. \$1,000,000 of the loans are repayable following the refinancing of the CNG facility, and \$1,000,000 is repayable from proceeds of the capital raising announced in August 2024.

Lender	Director	Loan amount	Interest accrued to 30 June 2024
Loch Explorations Pty Ltd	Tony Bellas	\$250,000	\$9,510
Jon Stretch	Jon Stretch	\$250,000	\$9,773
Allegro Capital Nominees Pty Ltd	Greg Baynton	\$250,000	\$9,403
Monte Vista Holdings Pty Ltd	Philip St Baker	\$200,000	\$8,597
The P&P St Baker Family Trust	Philip St Baker	\$1,050,000	\$2,037
TOTAL		\$2,000,000	\$39,320

There have been no other transactions with key management personnel.

End of remuneration report (audited)

Shares under option and performance rights

Unissued ordinary shares

Unissued ordinary shares of State Gas Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of Shares	Number under option
09/08/2024	30/08/2025	\$0.08	29,614,111
12/09/2024	30/08/2025	\$0.08	9,050,857
30/11/2023	31/08/2026	\$0.20	1,600,000
30/11/2023	31/08/2026	\$0.30	4,000,000
30/11/2023	31/08/2026	\$0.40	2,800,000
		TOTAL	47,064,968

Unissued ordinary shares of State Gas Limited under performance right at the date of this report are as follows:

Date rights granted	Expiry date	Number under performance right
12/02/2019	Termination of agreement	2,500,000
30/11/2022	05/12/2027	2,500,000
	TOTAL	5,000,000

Details of the performance rights granted to key management personnel are disclosed on page 31 above.

No performance right holder or option holder has any right to participate in any other share issue of the Company or any other entity.

No options or performance rights have been exercised since the end of the financial year.

No performance rights have been granted to the Directors of the Company since the end of the financial year.

5,990,588 options have been granted to Directors as part of the ANREO since the end of the financial year.

Insurance of officers and indemnities

(a) Insurance of officers

During the financial year, State Gas Limited paid a premium of \$176,000 to insure the Directors and Officers of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to

apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

(b) Indemnity of auditors

State Gas Limited has not agreed to indemnify its auditors.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

The Board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year, no fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 36.

This report is made in accordance with a resolution of Directors.



R Cottee
Chairman
Brisbane
27 September 2024

DECLARATION OF INDEPENDENCE BY D P WRIGHT TO THE DIRECTORS OF STATE GAS LIMITED

As lead auditor of State Gas Limited for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of State Gas Limited and the entities it controlled during the year.



D P Wright
Director

BDO Audit Pty Ltd

Brisbane, 27 Spetember 2024

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Corporate governance statement

State Gas Limited and the board are committed to achieving and demonstrating the highest standards of corporate governance. State Gas Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council.

The 2024 Corporate Governance Statement is dated as at 30 June 2024 and reflects the corporate governance practices in place throughout the 2024 financial year. The 2024 Corporate Governance Statement was approved by the board on 27 September 2024. A description of the Company's current corporate governance practices is set out in the Company's Corporate Governance Statement which can be viewed at <https://www.stategas.com/corporate-governance/>.

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STATE GAS LIMITED

ACN 617 322 488

Annual financial report – 30 June 2024

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These financial statements are for State Gas Limited.

The financial statements are presented in the Australian currency.

State Gas Limited is a Company limited by shares, incorporated and domiciled in Australia. Its principal place of business is:

State Gas Limited
Suite 4, Level 1, 40 Edward Street
Brisbane QLD 4000

All press releases, financial reports and other information are available at our website:
www.stategas.com.

Statement of profit or loss and other comprehensive income for the year ended 30 June 2024

	Notes	2024 \$	2023 \$
Other income	2	69,487	45,436
Administrative and other expenses	3	(1,087,337)	(873,202)
Capital work in progress written off	11	(782,062)	-
Employee benefits expense		(457,234)	(419,848)
Financing costs	3	(219,511)	(108,155)
Research and development costs		(1,032,508)	-
Share based payment expense		(121,431)	167,625
		<hr/>	<hr/>
Loss before income tax expense		(3,630,596)	(1,188,144)
Income tax benefit	4	-	-
		<hr/>	<hr/>
Loss after income tax expense		(3,630,596)	(1,188,144)
Other comprehensive income for the period, net of tax		-	-
		<hr/>	<hr/>
Total comprehensive loss for the period		(3,630,596)	(1,188,144)
		<hr/>	<hr/>
		Cents	Cents
Earnings per share for loss attributable to the ordinary equity holders of the Company:			
Basic earnings per share	7	(1.4)	(0.6)
Diluted earnings per share	7	(1.4)	(0.6)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

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Balance sheet

As at 30 June 2024

	Notes	2024 \$	2023 \$
ASSETS			
Current assets			
Cash and cash equivalents	8	31,751	453,347
Trade and other receivables	9	<u>164,306</u>	<u>126,910</u>
Total current assets		<u>196,057</u>	<u>580,257</u>
Non-current assets			
Exploration and evaluation assets	10	37,289,188	36,092,523
Plant and equipment	11	10,432,973	3,841,324
Other assets	12	<u>402,471</u>	<u>400,171</u>
Total non-current assets		<u>48,124,632</u>	<u>40,334,018</u>
Total assets		<u>48,320,689</u>	<u>40,914,275</u>
LIABILITIES			
Current liabilities			
Trade and other payables	13	2,765,014	1,167,831
Borrowings	14	<u>2,137,042</u>	<u>200,000</u>
Total current liabilities		<u>4,902,056</u>	<u>1,367,831</u>
Non-current liabilities			
Provisions	15	<u>3,103,041</u>	<u>2,938,682</u>
Total non-current liabilities		<u>3,103,041</u>	<u>2,938,682</u>
Total liabilities		<u>8,005,097</u>	<u>4,306,513</u>
Net assets		<u>40,315,592</u>	<u>36,607,762</u>
EQUITY			
Contributed equity	16	50,009,838	42,917,843
Reserves	17	2,975,563	2,729,132
Accumulated losses		<u>(12,669,809)</u>	<u>(9,039,213)</u>
Total equity		<u>40,315,592</u>	<u>36,607,762</u>

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 30 June 2024

	Contributed equity \$	Accumulated losses \$	Share based payments reserve \$	Total \$
Balance as at 1 July 2022	36,252,155	(7,851,069)	2,896,757	31,297,843
Loss for the period	-	(1,188,144)	-	(1,188,144)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(1,188,144)	-	(1,188,144)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	6,665,688	-	-	6,665,688
Share-based payments	-	-	(167,625)	(167,625)
Balance as at 30 June 2023	<u>42,917,843</u>	<u>(9,039,213)</u>	<u>2,729,132</u>	<u>36,607,762</u>
Profit for the period	-	(3,630,596)	-	(3,630,596)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(3,630,596)	-	(3,630,596)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	7,091,995	-	-	7,091,995
Share-based payments	-	-	246,431	246,431
Balance as at 30 June 2024	<u>50,009,838</u>	<u>(12,669,809)</u>	<u>2,975,563</u>	<u>40,315,592</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

For the year ended 30 June 2024

	Notes	2024 \$	2023 \$
Cash flows from operating activities			
Receipts from customers (GST inclusive)		1,104,026	828,644
Payments to suppliers and employees (GST inclusive)		(3,194,631)	(2,205,106)
Interest received		24,550	21,158
Interest paid		(64,995)	-
Government incentives received	10&11	-	24,279
Net cash outflow from operating activities	19	<u>(2,131,050)</u>	<u>(1,331,025)</u>
Cash flows from investing activities			
Government incentives received		1,229,536	953,445
Payments for exploration assets		(1,582,124)	(5,976,064)
Payments for plant and equipment	11	(7,130,378)	(3,284,140)
Proceeds from sale of plant and equipment		80,000	-
Payments for security deposits		(2,300)	-
Net cash outflow from investing activities		<u>(7,405,266)</u>	<u>(8,306,759)</u>
Cash flows from financing activities			
Proceeds on issue of shares	16(b)	7,385,101	7,000,000
Payment of capital raising costs and listing expenses	16(b)	(168,106)	(334,312)
Proceeds from borrowings	14	2,451,697	200,000
Repayment of borrowings		(553,972)	-
Net cash inflow from financing activities		<u>9,114,720</u>	<u>6,865,688</u>
Net increase (decrease) in cash and cash equivalents		(421,596)	(2,772,096)
Cash and cash equivalents at the beginning of the year		<u>453,347</u>	<u>3,225,443</u>
Cash and cash equivalents at the end of the year	8	<u>31,751</u>	<u>453,347</u>
Non-cash financing and investing activities	19(b)		

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements for the year ended 30 June 2024

Note 1 Material accounting policies

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards and Interpretations as issued by the International Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs.

The financial statements were authorised for issue by the Directors on 27 September 2024. The Directors have the power to amend and reissue the financial statements.

State Gas Limited has two subsidiaries, State Gas (CQ) Pty Ltd and State Gas (Carbon Management) Pty Ltd, which are considered immaterial, therefore the financial statements only represents State Gas Limited.

Going Concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial report, the Company achieved a net loss of \$3,630,596 and net operating cash outflows of \$2,131,050 for the year ended 30 June 2024. As at 30 June 2024, the Company had cash of \$31,751 and a net current liability position of \$4,705,999.

The ability of the Company to continue as a going concern is principally dependent upon the following conditions:

- the ability of the Group to successfully raise capital, as and when necessary; and
- the ability to complete successful development and commercialisation of its projects, namely Reid's Dome (PL231) and Rolleston-West (ATP2062).

These conditions give rise to material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern.

The Directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- the proven track record of capital raising, including the recent placement and entitlement offer that raised \$5.3M in August and September 2024; and
- the Directors believe there is sufficient cash available for the company to continue operating until it can raise sufficient further capital to fund its ongoing activities.

Further to the above, the Company's reliance on new capital to fund its ongoing operations will reduce overtime as cash inflows HDNG sales increase.

Notes to the financial statements for the year ended 30 June 2024

Note 1 Material accounting policies (continued)

Should the Company be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial report. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Company be unable to continue as a going concern.

a. Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Notes to the financial statements for the year ended 30 June 2024

Note 1 Material accounting policies (continued)

b. Income recognition

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Grant revenue

Grants from government bodies are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. When the grant relates to an asset, it is recognised by deducting the grant in arriving at the carrying amount of the asset.

Other income

Other income is recognised when it is received or when the right to receive payment is established.

c. Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

d. Current and non-current classification

Assets and liabilities are presented in the balance sheet based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Notes to the financial statements for the year ended 30 June 2024

Note 1 Material accounting policies (continued)

e. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the Statement of Cash Flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the balance sheet.

f. Exploration and evaluation assets

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

A regular review has been undertaken on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

A provision is raised against exploration and evaluation assets where the Directors are of the opinion that the carried forward net cost may not be recoverable or the right of tenure in the area lapses. The increase in the provision is charged against the results for the year. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Notes to the financial statements for the year ended 30 June 2024

Note 1 Material accounting policies (continued)

g. Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	5 years
Field assets	5-10 years
CNG asset	10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

h. Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

i. Provisions

Provision for rehabilitation is recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Notes to the financial statements for the year ended 30 June 2024

Note 1 Material accounting policies (continued)

j. Employee benefits

Share-based payments

Equity-settled transactions are awards of shares, options or performance rights over shares, that are provided to employees and contractors in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is determined using various valuation methods including Cox, Ross & Rubinstein Binomial Tree, Black Scholes and the Monte Carlo Simulation method that takes into account the exercise price, the term of the performance right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the performance right.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made.

An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-market vesting condition is within the control of the Company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Company or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if it were a modification.

Share-based payments to non-employees are accounted for on the same basis as share-based payments to employees as described above.

Notes to the financial statements for the year ended 30 June 2024

Note 1 Material accounting policies (continued)

k. Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

l. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of State Gas Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

m. New and Amended Accounting Policies Adopted by the Company

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. There has been no material impact on the financial statements by their adoption.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The adoption of these new and amended accounting standards will not have a material impact to the financial statements on adoption date.

Notes to the financial statements for the year ended 30 June 2024

Note 1 Material accounting policies (continued)

n. Critical accounting estimates and judgements

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the Company intends to commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. Key judgements are applied in determining that the technical feasibility and commercial viability of extracting a mineral resource have not yet been demonstrated, and the projects remain within the scope of AASB 6 *Exploration for and Evaluation of Mineral Resources*.

In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant petroleum interest. Factors that could impact the future commercial production at the project include the level of reserves and resources, future technology changes which could impact the cost of production, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made. Refer to Note 10 for further details of exploration and evaluation assets.

Provision for restoration and rehabilitation

A provision for rehabilitation is recognised when there is a present obligation as a result of development activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of abandoning sites, removing facilities and restoring affected areas.

The provision for future rehabilitation costs is the best estimate of the present value (including an appropriate discount rate relevant to the time value of money plus any risk premium associated with the liability) of the expenditure required to settle the restoration obligation at the reporting date. Future rehabilitation costs are reviewed annually and any changes in the estimate are reflected in the present value of the rehabilitation provision.

Notes to the financial statements for the year ended 30 June 2024

Note 1 Material accounting policies (continued)

n. Critical accounting estimates and judgements (continued)

The initial estimate of the rehabilitation provision is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset. Refer to Note 15 for further details of provision for rehabilitation.

Share based payment transactions

The Company measures the cost of equity settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either a Cox, Ross & Rubinstein Binomial Tree or Monte Carlo option pricing model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions, including share price volatility, interest rates and vesting periods would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact the profit or loss and equity. Refer to Note 20 for further details of share-based payments.

Notes to the financial statements for the year ended 30 June 2024

Note 2 Other income

	2024	2023
	\$	\$
Other income		
Interest received from cash deposits	24,551	21,157
Profit on sale of assets	26,793	-
HDNG gas sales	17,410	-
Government incentives	-	24,279
Other	733	-
	<u>69,487</u>	<u>45,436</u>
Total other income	<u>69,487</u>	<u>45,436</u>

Note 3 Loss for the year

Loss before income tax includes the following specific expenses:

	2024	2023
	\$	\$
Finance costs		
Provisions: Unwinding of discount (Note 15)	115,196	108,155
Interest expense on borrowings	104,315	-
	<u>219,511</u>	<u>108,155</u>
Superannuation expense	137,145	100,734
Administration and other expenses		
Insurance expense	182,005	197,649
Depreciation expense	197,806	1,736
Director remuneration	187,538	160,318
Auditor remuneration	68,809	88,521
Compliance costs	79,104	94,261
Other	372,075	330,717
	<u>1,087,337</u>	<u>873,202</u>
Share based payments expense		
Performance rights expensed	121,431	160,076
Reversal of share-based payments expense *	-	(327,701)
Total share-based compensation expense	<u>121,431</u>	<u>(167,625)</u>
Capital work in progress written off [^]	<u>782,062</u>	<u>-</u>

[^]Capital work in progress write-off relates to costs previously capitalised to capital work in progress relating to engineering and design costs associated with the CSG project, net of related R&D refund received, in addition to the write-off of a part that required replacement.

* The credits in the prior year relate to the reversal of share-based payments expense recognised in prior periods as a result of the reassessment of vesting conditions that the Directors consider are less likely to be satisfied prior to expiry of the performance rights. In the prior year the tranches in question related to the delivery and completion of a change-of-control transaction for State Gas that is recommended to shareholders by the Board of Directors and the completion of a material strategic acquisition by State Gas. In the current year the tranches in question related to the delivery of the phase 2 work program and associated testing at PL231 and completion of a corporate transaction (refer to note 5).

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Notes to the financial statements for the year ended 30 June 2024

Note 4 Income tax expense

This note provides an analysis of the Company's income tax expense, shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Company's tax position.

	2024 \$	2023 \$
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax expense	(3,630,596)	(1,188,144)
Tax at the Australian tax rate of 25% (2023: 30%)	(907,649)	(356,443)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	30,358	(50,288)
Capital work in progress written off	195,516	-
Research and development costs	258,126	-
Research and development tax incentive	-	(7,284)
Other	28,799	32,447
Adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised	394,850	381,568
Income tax expense / (benefit)	-	-
(b) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	9,262,441	7,456,919
Potential tax benefit @ 25% (2023: 30%)	2,315,610	2,237,076

Notes to the financial statements for the year ended 30 June 2024

Note 4 Income tax expense

	2024 \$	2023 \$
(c) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Tax losses	9,929,738	11,626,370
Rehabilitation provision	775,760	881,605
Share issue costs	137,674	182,642
Employee leave provisions	15,824	11,077
Accrued expenses	4,024	21,003
	<hr/>	<hr/>
Total deferred tax assets	10,863,020	12,722,697
Set-off of deferred tax liabilities pursuant to set-off provisions	(8,547,410)	(10,485,621)
Deferred tax assets not recognised	(2,315,610)	(2,237,076)
	<hr/>	<hr/>
Net deferred tax assets	-	-
(d) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Exploration and evaluation assets	8,547,410	10,485,621
	<hr/>	<hr/>
Total deferred tax liabilities	8,547,410	10,485,621
Set-off of deferred tax liabilities pursuant to set-off provisions	(8,547,410)	(10,485,621)
	<hr/>	<hr/>
Net deferred tax liabilities	-	-

Unused losses which have not been recognised as an asset, will only be obtained if:

- (i) the Company derives future assessable income of a nature and of an amount sufficient to enable the losses to be realised;
- (ii) the Company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the Company in realising the losses.

Notes to the financial statements for the year ended 30 June 2024

Note 5 Key Management Personnel Compensation

The totals of remuneration paid to KMP of the Company during the year are as follows:

	2024	2023
	\$	\$
Short-term employee benefits	830,023	837,278
Post-employment benefits	84,337	78,627
Share-based compensation		
Performance rights and shares expensed	121,432	161,866
Reversal of performance rights expensed	-	(303,168)
Total KMP compensation	<u>1,035,792</u>	<u>774,603</u>

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Directors as well as all salary, paid leave benefits and fringe benefits paid to Executive Directors and employees.

Post-employment benefits

These amounts are the current-year's superannuation contributions made during the year.

Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, performance rights and shares granted on grant date.

In the prior year a credit of \$303,168 relates to the reversal of share based payments expense recognised in prior periods as a result of the reassessment of vesting conditions that the Directors consider are less likely to be satisfied prior to expiry of the performance rights. The tranches in question relate to the delivery of the phase 2 work program and associated testing at PL231 and completion of a corporate transaction.

Further information in relation to KMP remuneration can be found in the Remuneration Report.

Note 6 Auditor's Remuneration

	2024	2023
	\$	\$
Remuneration of the auditor for:		
- Auditing or reviewing the financial report	68,809	88,521
	<u>68,809</u>	<u>88,521</u>

Notes to the financial statements for the year ended 30 June 2024

Note 7 Earnings per share

	2024 Cents	2023 Cents
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	<u>(1.4 cents)</u>	<u>(0.6 cents)</u>
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	<u>(1.4 cents)</u>	<u>(0.6 cents)</u>
(c) Reconciliations of earnings used in calculating earnings per share		
	2024 \$	2023 \$
<i>Basic earnings per share</i>		
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	<u>(3,630,596)</u>	<u>(1,188,144)</u>
<i>Diluted earnings per share</i>		
Loss attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	<u>(3,630,596)</u>	<u>(1,188,144)</u>
(d) Weighted average number of shares used as the denominator		
	2024 Number	2023 Number
Weighted average number of shares used in calculating basic earnings per share	<u>265,954,015</u>	<u>217,524,673</u>
Weighted average number of shares used in calculating diluted earnings per share	<u>265,954,015</u>	<u>217,524,673</u>

(e) Information concerning the classification of securities

(i) Options and performance rights

Options and performance rights on issue in the year are not included in the calculation of diluted earnings per share because they are antidilutive. Details relating to options and performance rights are set out in note 20.

Notes to the financial statements for the year ended 30 June 2024

Note 8 Cash and cash equivalents

	2024	2023
	\$	\$
Cash at bank and on hand	31,751	453,347
	<u>31,751</u>	<u>453,347</u>

Note 9 Trade and other receivables

	2024	2023
	\$	\$
Trade receivable	19,152	-
Prepayments	111,863	61,671
Other receivables	33,291	65,239
	<u>164,306</u>	<u>126,910</u>

Management has determined based on the assessment of expected credit loss associated with trade and other receivables is immaterial.

Note 10 Exploration and evaluation assets

	2024	2023
	\$	\$
Exploration and evaluation assets – at cost	<u>37,289,188</u>	<u>36,092,523</u>

The capitalised exploration and evaluation assets carried forward above have been determined as follows:

Balance at the beginning of the year	36,092,523	29,385,879
Expenditure incurred during the year	1,855,371	7,151,440
Research and development tax incentive received	(707,869)	(953,445)
Rehabilitation asset increment (refer to note 15)	49,163	508,649
	<u>37,289,188</u>	<u>36,092,523</u>

The Directors have assessed that for the exploration and evaluation assets recognised at 30 June 2024, the facts and circumstances do not suggest that the carrying amount of an asset may exceed its recoverable amount. In considering this, the Directors have had regard to the facts and circumstances that indicate a need for an impairment as noted in Accounting Standard AASB 6 *Exploration for and Evaluation of Mineral Resources*.

Notes to the financial statements for the year ended 30 June 2024

Note 11 Plant and equipment

	Plant and equipment \$	CNG asset \$	Field assets \$	Total \$
At 30 June 2022				
Cost	6,006	-	990,353	996,359
Accumulated depreciation	(2,536)	-	(252,132)	(254,668)
Net book amount	3,470	-	738,221	741,691
Year ended 30 June 2023				
Opening net book amount	3,470	-	738,221	741,691
Additions	1,406	2,658,818	623,916	3,284,140
Depreciation charge	(1,736)	-	(182,771) ¹	(184,507)
Closing book amount	3,140	2,658,818	1,179,366	3,841,324
At 30 June 2023				
Cost	7,412	2,658,818	1,614,269	4,280,499
Accumulated depreciation	(4,272)	-	(434,903)	(439,175)
Net book amount	3,140	2,658,818	1,179,366	3,841,324
Year ended 30 June 2024				
Opening net book amount	3,140	2,658,818	1,179,366	3,841,324
Additions	-	8,318,132	-	8,318,132
Depreciation charge	(2,090)	(79,289)	(288,167)	(369,546)
Disposals	-	-	(53,207)	(53,207)
Write-off	-	(782,062)	-	(782,062)
R&D tax incentive received	-	(521,668)	-	(521,668)
Closing book amount	1,050	9,593,931	837,992	10,432,973
At 30 June 2024				
Cost	7,414	9,673,220	1,468,095	11,148,729
Accumulated depreciation	(6,364)	(79,289)	(630,103)	(715,756)
Net book amount	1,050	9,593,931	837,992	10,432,973

¹Depreciation expense relating to field assets has been charged to exploration and evaluation assets.

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Notes to the financial statements for the year ended 30 June 2024

Note 12 Other assets

	2024 \$	2023 \$
Security deposits	402,471	400,171
	<u>402,471</u>	<u>400,171</u>

Note 13 Trade and other payables

	2024 \$	2023 \$
Unsecured liabilities:		
Trade payables	2,599,915	602,315
Sundry payables and accrued expenses	101,804	528,594
Provision for annual leave	63,295	36,922
	<u>2,765,014</u>	<u>1,167,831</u>

Note 14 Borrowings

	2024 \$	2023 \$
Director loans (principal and interest)	2,039,319	200,000
Insurance premium funding	97,723	-
	<u>2,137,042</u>	<u>200,000</u>

During the financial year, the Company's directors entered into short term loan agreements as set out in the table below. The loan funds were drawn down at 30 June 2024. The loans are unsecured and accrue interest at 15% pa from the date of drawdown, compounding monthly. Interest on the loan will capitalise and be paid in full at the time the principal is repaid. \$1,000,000 of the loans are repayable following the refinancing of the CNG facility, and \$1,000,000 repayable from proceeds of the capital raising announced in August 2024.

Lender	Director	Loan amount
Loch Explorations Pty Ltd	Tony Bellas	\$250,000
Jon Stretch	Jon Stretch	\$250,000
Allegro Capital Nominees Pty Ltd	Greg Baynton	\$250,000
Monte Vista Holdings Pty Ltd	Philip St Baker	\$200,000
The P&P St Baker Family Trust	Philip St Baker	\$1,050,000
TOTAL		\$2,000,000

Notes to the financial statements for the year ended 30 June 2024

Note 15 Provisions

	2024	2023
	\$	\$
Provision for rehabilitation	3,103,041	2,938,682
Reconciliation of carrying amount:		
Opening balance	2,938,682	2,321,878
Additions (refer to note 10)	49,163	508,649
Unwinding of discount (refer to note 3)	115,196	108,155
	<u>3,103,041</u>	<u>2,938,682</u>

Rehabilitation provision

The rehabilitation provision relates to the Reid's Dome production lease PL231 (located in Bowen Basin, Queensland) and ATP2062 'Rolleston West'. State Gas Limited is liable to pay 100% of rehabilitation liability for wells and infrastructure on the lease.

The liability associated with the provision has been present valued in accordance with the Company's accounting policy.

Notes to the financial statements for the year ended 30 June 2024

Note 16 Contributed equity

	2024 Shares	2023 Shares	2024 \$	2023 \$
(a) Share capital				
Fully paid ordinary shares	274,226,789	224,832,305	50,009,838	42,917,843

(b) Ordinary share capital

Date	Details	Note	Number of Shares	Issue Price	\$
1 July 2022	Balance		199,832,305		36,252,155
13 Oct 2022	Placement shares	(e)	24,339,284	\$0.28	6,815,000
16 Dec 2022	Director placement shares	(e)	660,716	\$0.28	185,000
	Share issue costs	(f)	-	-	(334,312)
30 Jun 2023	Balance		224,832,305		42,917,843
16 Aug 2023	Placement shares	(c)	26,000,000	\$0.15	3,900,000
6 Sept 2023	Share purchase plan		15,900,675	\$0.15	2,385,101
3 Oct 2023	Director placement shares	(c)	7,333,334	\$0.15	1,100,000
22 Dec 2023	CEO shares	(d)	160,475	\$0.31	-
	Share issue costs	(f)	-		(293,106)
30 June 2024	Balance		274,226,789		50,009,838

(c) Placement shares

The issue of 33,333,334 shares (26,000,000 on 16 August 2023 and 7,333,334 on 3 October 2023) under a placement to sophisticated investors (including Directors Greg Baynton 2,333,334 shares, Philip St Baker 2,333,334 shares, Tony Bellas 1,333,333 shares and Jon Stretch 1,333,333 shares).

(d) CEO shares

The issue of Shares to the aggregate value of \$50,000 to CEO, Doug McAlpine, in accordance with his executive services agreement. The number of shares issued was based on the an issue price per Share calculated using the 14 day volume weighted average price (VWAP) of the Company's Shares traded on ASX in the 14 days prior to the execution of the CEO Executive Services Agreement.

(e) Placement shares

The issue of 25,000,000 shares (24,339,284 on 13 October 2022 and 660,716 on 16 December 2022) under a strategic investment and associated placement to strategic investments and sophisticated investors (including Directors Greg Baynton 446,429 shares, Tony Bellas 178,572 shares and Richard Cottee 35,715 shares).

(f) Share issue costs

Share issue costs in the current financial year consists of cash costs of \$168,106 (2023: \$334,312) and options issued to brokers with a fair value of \$125,000 (refer note 20).

Notes to the financial statements for the year ended 30 June 2024

Note 16 Contributed equity (continued)

(g) Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company includes equity attributable to equity holders, comprising issued capital, reserves and accumulated losses. In order to maintain or adjust the capital structure, the Company may issue new shares, sell assets to reduce debt or adjust the level of activities undertaken by the Company.

The Company monitors capital on the basis of cash flow requirements for operational, and exploration and evaluation expenditure. The Company will continue to use capital market issues and joint venture participant funding contributions to satisfy anticipated funding requirements.

The Company has no externally imposed capital requirements. The Company's strategy for capital risk management is unchanged from prior years.

Note 17 Reserves

	2024 \$	2023 \$
Share-based payment reserve	<u>2,975,563</u>	<u>2,729,132</u>
Movements:		
Opening balance	2,729,132	2,896,757
Share based payments expensed	121,431	161,866
Reversal of share-based payments expense*	-	(329,491)
Joint lead manager options (refer note 16(f))	<u>125,000</u>	<u>-</u>
Closing balance	<u>2,975,563</u>	<u>2,729,132</u>

The share-based payment reserve records items recognised as expenses on valuation of director, employee and contractor options and performance rights.

* Refer to note 3 for details of prior year reversal.

Notes to the financial statements for the year ended 30 June 2024

Note 18 Operating segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (Chief Operating Decision Makers) in assessing performance and determining the allocation of resources. The Company is managed primarily on an operational basis. Operating segments are determined on the basis of financial information reported to the Board.

Management currently identifies the Company as having only one operating segment, being the exploration and development of gas fields in Australia. All significant operating decisions are based upon analysis of the Company as one segment. The financial results from the segment are equivalent to the financial statements of the Company as a whole.

Note 19 Cash flow information

(a) Reconciliation of profit / (loss) after income tax to net cash inflow from operating activities

	2024	2023
	\$	\$
Loss for the year	(3,630,596)	(1,188,144)
Adjustments for		
Share based payments	121,431	(167,625)
Depreciation expense	197,806	1,736
Financing costs	154,516	108,155
Capital work in progress written off	782,062	-
Profit from sale of plant and equipment	(26,793)	-
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(37,502)	(31,134)
Increase/(decrease) in trade creditors and other payables	308,026	(54,013)
Net cash outflow from operating activities	<u>(2,131,050)</u>	<u>(1,331,025)</u>

(b) Non-cash financing and investing activities

Non-cash investing and financing activities disclosed in other notes are:

- i. Provision for rehabilitation – note 15
- ii. Options and shares issued to employees – note 20
- iii. Depreciation of field assets capitalised to exploration and evaluation assets – note 11

Notes to the financial statements for the year ended 30 June 2024

Note 19 Cash flow information (continued)

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each period presented.

Net debt

	30 June 2024	30 June 2023
	\$	\$
Cash and cash equivalents	31,751	453,347
Borrowings – repayable within one year	(2,137,042)	(200,000)
Net cash (debt)	<u>(2,105,291)</u>	<u>253,347</u>
Cash and cash equivalents	31,751	453,347
Gross debt – fixed interest rates	(2,137,042)	(200,000)
Net cash (debt)	<u>(2,105,291)</u>	<u>253,347</u>

	Cash \$	Liabilities from financing activities		Total \$
		Borrowings due within 1 year \$	Borrowings due after 1 year \$	
Net cash as at 1 July 2022	3,225,443	-	-	3,225,443
Cash flows	(2,772,096)	(200,000)	-	(2,972,096)
Other non-cash movements	-	-	-	-
Net cash as at 30 June 2023	453,347	(200,000)	-	253,347
Cash flows	(421,596)	(1,897,723)	-	(2,319,319)
Other non-cash movements	-	(39,319)	-	(39,319)
Net debt as at 30 June 2024	31,751	(2,137,042)	-	(2,105,291)

Notes to the financial statements for the year ended 30 June 2024

Note 20 Share-based payments

Share based payments expense for the year is derived as follows:

	2024	2023
	\$	\$
Share rights granted in current year	20,661	29,338
Performance rights granted in current year	-	132,528
Performance rights granted in prior years	100,770	(329,491)
Share based payment expense	<u>121,431</u>	<u>(167,625)</u>
Lead manager options (refer note 16)	125,000	-
Movement in share based payment reserve	<u>246,431</u>	<u>(167,625)</u>

OPTIONS

A summary of movements of all options issued is as follows:

	Number	Weighted Average Exercise Price
Options outstanding as at 1 July 2022	6,000,000	\$0.51
Options exercisable as at 1 July 2022	6,000,000	\$0.51
Granted	-	-
Exercised	-	-
Forfeited	(3,000,000)	\$0.60
Expired	-	-
Options outstanding as at 30 June 2023	3,000,000	\$0.42
Options exercisable as at 30 June 2023	3,000,000	\$0.42
Granted	8,400,000	\$0.31
Exercised	-	-
Forfeited	-	-
Expired - 24 April 2024	(3,000,000)	\$0.42
Options outstanding as at 30 June 2024	8,400,000	\$0.31
Options exercisable as at 30 June 2024	8,400,000	\$0.31

The weighted average remaining contractual life of options outstanding at year end was 2.3 years (2023: 0.25 years).

8,400,000 options were granted to Aitken Mount Capital Partners under and Option Deed, as part payment for lead manager services relating to the capital raising completed during the half year period. The issue of the options extinguished and discharged the Company's obligation to pay Aitken Mount Capital Partners the sum of \$125,000 pursuant to the mandate.

Notes to the financial statements for the year ended 30 June 2024

Note 20 Share-based payments (continued)

The options are exercisable as follows:

Tranche	Number	Exercise price	Expiry date
Tranche 1	1,600,000	\$0.20	31 August 2026
Tranche 2	4,000,000	\$0.30	31 August 2026
Tranche 3	2,800,000	\$0.40	31 August 2026

SHARE RIGHTS

Under Doug McAlpine's employment agreement, he is entitled to \$50,000 of shares on the 1 year anniversary of his commencement with the Company, with a grant date of 30 November 2022. In accordance with this agreement, these shares were issued on 22 December 2023. The number of shares issued was be calculated using the 14 day volume weighted average price of the Company's Shares traded on the ASX in the 14 days prior to the execution of his employment agreement. For the current financial year an expense of \$20,661 has been recognised in respect of these.

PERFORMANCE RIGHTS

A summary of movements of all performance rights issued is as follows:

	Number	Weighted Average Exercise Price
Performance rights outstanding as at 30 June 2022	5,600,000	-
Performance rights exercisable as at 30 June 2022	-	-
Granted	2,500,000	-
Exercised	-	-
Forfeited	(2,950,000)	-
Expired	-	-
Performance rights outstanding as at 30 June 2023	5,150,000	-
Performance rights exercisable as at 30 June 2023	-	-
Granted	-	-
Exercised	-	-
Forfeited	(150,000)	-
Expired	-	-
Performance rights outstanding as at 30 June 2024	5,000,000	-
Performance rights exercisable as at 30 June 2024	375,000	-

The performance rights exercisable as at 30 June 2024 vested on 20 May 2024, being the date the Group achieved the first commercial gas sale.

In a prior financial year 2,500,000 performance rights were granted to Highbury Partnership Pty Ltd for their role as financial advisor. No expense has been recognised relating to these rights as the vesting conditions, which relate to a takeover event, are not expected to be achieved.

The weighted average remaining contractual life of performance rights outstanding at year end was 3.4 years (2023: 2.2 years).

Notes to the financial statements for the year ended 30 June 2024

Note 20 Share-based payments (continued)

Further details of the performance rights expensed during the year are set out in the table below:

Name	Grant date	Number	Vesting condition / date	Fair value at grant date	Expiry	Estimated(E) ² / Actual(A) vesting date	Expense recognised \$
D McAlpine	30/11/2022	375,000	Vest upon the first commercial delivery of gas from any of the Group's producing assets, either by truck or pipeline, at any time before the Expiry Date.	\$0.265	05/12/2027	20/05/2024 (A)	30,074
D McAlpine	30/11/2022	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.	\$0.265	05/12/2027	30/06/2026 (E)	27,731
D McAlpine	30/11/2022	375,000	Vest upon the Group securing minimum annual gas sales of 2PJ per annum on terms acceptable to the Board.	\$0.265	05/12/2027	30/06/2025 (E)	24,461
D McAlpine	30/11/2022	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.	\$0.2063	05/12/2027	03/02/2027(E)	18,504
D McAlpine	30/11/2022	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.	\$0.265	05/12/2027	N/A ¹	-
Total expense recognised							100,770

¹ Assumed that the vesting condition will not be achieved. This will be reassessed each reporting period.

² Estimated vesting date has been reassessed for the current financial year and reflects the current estimate of when the vesting condition will be satisfied. (A) was achieved on 20 May 2024, being the date the Group achieved the first commercial gas sale.

Notes to the financial statements for the year ended 30 June 2024

Note 21 Events after the reporting date

Since 30 June 2024 the Company has:

- (a) entered into short-term loan agreements with Directors of the Company, Tony Bellas, Philip St Baker, Jon Stretch and Greg Baynton for \$175,000 each, and, Richard Cottee for \$60,000. The loans are unsecured and accrue interest at 15% pa from the date of drawdown, compounding monthly. Interest on the loans will capitalise and be paid in full at the time the principal is repaid. Loans are repayable on completion of a capital raise;
- (b) issued 86,970,272 fully paid ordinary shares at \$0.05 per share and 29,614,111 free attaching options to institutional and professional investors under a placement and Accelerated Non-Renounceable Entitlement Offer (ANREO), representing gross proceeds of \$4,348,514. Director entitlements of \$905,904 were offset against outstanding Director loans; and
- (c) issued 18,101,687 fully paid ordinary shares at \$0.05 per share and 9,050,857 free attaching options under the retail component of the ANREO, representing gross proceeds of a further \$905,084.
- (d) appointed Doug McAlpine as Managing Director on 10 September 2024.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Note 22 Related party transactions

Related Parties

The company's main related parties are as follows:

a. **Ultimate parent entity**

The company does not have an ultimate parent entity.

b. **Key management personnel**

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 5.

c. **Other related parties**

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

Notes to the financial statements for the year ended 30 June 2024

Note 22 Related party transactions (continued)

d. Transactions with related parties

During the financial year the Company entered into short-term loan agreements with Directors as set out in the table below. The loans are unsecured and accrue interest at 15% pa from the date of drawdown, compounding monthly. Interest on the loans will capitalise and be paid in full at the time the principal is repaid. \$1,000,000 of the loans are repayable following the refinancing of the CNG facility, and \$1,000,000 in repayable from proceeds of the capital raising announced in August 2024.

Lender	Director	Loan amount	Interest accrued to 30 June 2024
Loch Explorations Pty Ltd	Tony Bellas	\$250,000	\$9,510
Jon Stretch	Jon Stretch	\$250,000	\$9,773
Allegro Capital Nominees Pty Ltd	Greg Baynton	\$250,000	\$9,403
Monte Vista Holdings Pty Ltd	Philip St Baker	\$200,000	\$8,597
The P&P St Baker Family Trust	Philip St Baker	\$1,050,000	\$2,037
TOTAL		\$2,000,000	\$39,320

Note 23 Contingent liabilities

State Gas Limited has notice of the existence of a potential royalty payable in respect of petroleum produced from PL 231, being an overriding royalty interest in seven percent (7%) of the gross production of oil, gas and associated hydrocarbons produced and saved pursuant to the terms of the authority to prospect (ATP 333-P, as it was at the time), calculated on the arm's length sale price of petroleum less: (i) all costs and expenses incurred in or attributable to the treating, processing dehydrating, compressing and transporting such petroleum; (ii) levies and other taxes on production; and (iii) all fuel oil and gas used in conducting exploration, drilling, completion, equipping, producing, and other operations pursuant to the authority (Override). The royalty interest appears to have been established as part of a transfer of ATP 333-P in 1983.

It requires each subsequent assignor of the authority to make the conveyance subject to the assignee covenanting to pay the Override and the assignor remains obliged to pay the Override until such agreement has been consented to by the Override holder. Given the time that has passed since the Override was created, and the fact that State Gas Limited does not have records evidencing each transfer of the authority, State Gas Limited is unable to determine if the Override remains on-foot.

Notes to the financial statements for the year ended 30 June 2024

Note 24 Commitments

Exploration commitments

	30 June 2024	30 June 2023
	\$	\$
Commitments for payments under exploration permits in existence at the reporting date but not recognised as liabilities payable is as follows:		
- payable within one year	5,210,000	447,000
- payable between one year and five years	4,515,000	5,016,000
	<u>9,725,000</u>	<u>5,463,000</u>

So as to maintain current rights to tenure of various exploration tenements, the Group will be required to outlay amounts in respect of tenement exploration expenditure commitments. These outlays, which arise in relation to granted tenements are noted above. The outlays may be varied from time to time, subject to approval of the relevant government departments, and may be relieved if a tenement is relinquished.

Exploration commitments are calculated on the assumption that each of these tenements will be held for its full term. But, in fact, commitments will decrease materially as exploration advances and ground that is shown not to be prospective is progressively surrendered. Expenditure commitments on prospective ground will be met out of existing funds, farm-outs, and new capital raisings.

Later Development Plan

So as to maintain current rights to tenure of PL231, the Company will be required to outlay amounts in respect of the Later Development Plan (LDP) commitments. The outlays may be varied from time to time, subject to approval of the relevant government departments, and may be relieved if the PL is relinquished. As at 30 June 2024, the full LDP expenditure commitment had been met.

Notes to the financial statements for the year ended 30 June 2024

Note 25 Financial risk management

The Company's financial instruments consist mainly of deposits with banks, security deposits and accounts receivable and payable and borrowings.

The totals for each category of financial instruments, measured in accordance with AASB 9: *Financial Instruments* as detailed in the accounting policies to these financial statements, are as follows:

	Notes	2024 \$	2023 \$
Financial assets			
Cash and cash equivalents		31,751	453,347
Trade and other receivables		145,154	126,910
Other assets – security deposits		402,471	400,171
Total financial assets		<u>579,376</u>	<u>980,428</u>
Financial liabilities			
Trade and other payables		2,701,719	1,130,909
Borrowings		2,137,042	200,000
Total financial liabilities		<u>4,838,761</u>	<u>1,330,909</u>

The Board has established a risk committee to assist in management and oversight of risk but retains overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Credit risk

Credit risk is managed on a Company basis. Credit risk arises primarily from cash and cash equivalents and deposits with banks and financial institutions. For bank and financial institutions, only independently rated parties with a minimum rating of 'AA' are accepted. The Company currently banks with Westpac Banking Corporation and the Commonwealth Bank of Australia.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet obligations when due.

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows. No finance facilities were available to the Company at the end of the reporting period.

Notes to the financial statements for the year ended 30 June 2024

Note 25 Financial risk management (continued)

All financial assets and financial liabilities mature within one year, with the exception of security deposits.

Market risk

Market risk is the risk that the change in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

The Company is not exposed to market risks other than interest rate risk.

Cash flow and fair value interest rate risk

As the Company has interest-bearing cash assets, the Company's income and operating cash flows are exposed to changes in market interest rates. The Company manages its exposure to changes in interest rates by using fixed term deposits.

At 30 June 2024, if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables held constant, post-tax profit / (loss) for the year would have been \$318 (2023: \$4,533) lower/higher, as a result of higher/lower interest income from cash and cash equivalents.

Fair Value

The carrying value of all financial assets and financial liabilities approximate their fair value, due to their short-term nature.

Consolidated Entity Disclosure Statement

The following table contains details of each entity within the company's consolidated group:

Entity name	Entity Type	Place of incorporation	% of share capital held	Tax residency
State Gas Limited	Body Corporate	Australia	N/A	Australian
State Gas (CQ) Pty Ltd	Body Corporate	Australia	100%	Australian
State Gas (Carbon Management) Pty Ltd	Body Corporate	Australia	100%	Australian

Basis of preparation

This Consolidated Entity Disclosure Statement (CEDs) has been prepared in accordance with the Corporations Act 2001. It includes certain information for each entity that was part of the consolidated entity at the end of the financial year.

Determination of tax residency

Section 295(3A) of the Corporations Act 2001 defines tax residency as having the meaning in the Income Tax Assessment Act 1997. The determination of tax residency involves judgment as there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the consolidated entity has applied the following interpretations:

Australian tax residency

The consolidated entity has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling TR 2018/5.

Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 38 to 73 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Company's financial position as at 30 June 2023 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the consolidated entity disclosure statement required by section 295(3A) of the *Corporations Act 2001* (Cth) is true and correct.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Executive Chairman and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.



R Cottee

Director

Brisbane, 27 September 2024

INDEPENDENT AUDITOR'S REPORT

To the members of State Gas Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of State Gas Limited (the Company), which comprises the statement of financial position as at 30 June 2024, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion the accompanying financial report of State Gas Limited, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Company's financial position as at 30 June 2024 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Recoverability and classification of exploration and evaluation assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Refer to Note 10 of the financial statements.</p> <p>The Company carries exploration and evaluation assets as at 30 June 2024 in accordance with the Company's accounting policy for exploration and evaluation assets.</p> <p>The recoverability of exploration and evaluation assets is a key audit matter due to the significance of the total balance and the level of procedures undertaken to evaluate management's application of the requirements of AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> in light of any indicators of impairment that may be present.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Obtaining evidence that the Company has valid rights to explore in the areas represented by the capitalised exploration and evaluation expenditure by obtaining supporting documentation such as license agreements and also considering whether the Company maintains the tenements in good standing; • Making enquiries of management with respect to the status and future strategy of ongoing exploration programs in the respective areas of interest, and reviewed the Company's cash flow budget for the level of budgeted expenditure across the respective area of interest; • Reviewing the current commercial status of the asset to determine the classification of the asset as exploration and evaluation continues to be valid; and • Enquiring of management, reviewing ASX announcements and reviewing directors' minutes to ensure that the Company had not decided to discontinue activities in any applicable areas of interest and to assess whether there are any other facts or circumstances that existed to indicate impairment write-downs were required.

Accounting for CNG Asset

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Refer to Note 11 of the financial statements.</p> <p>During the financial year the company capitalised costs to plant and equipment relating to the CNG Facility. The asset commenced being used in the current financial year.</p> <p>The accounting for this asset is a key audit matter due to the significance of the balance and level of procedures undertaken to assess the additions in accordance with AASB 116 <i>Property, Plant and Equipment</i> as well as the assessment for indicators of impairment in accordance with AASB 136 <i>Impairment of Assets</i>.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Agreeing a sample of additions of costs capitalised to the plant during the year to supporting documentation and ensuring the amounts meet the recognition criteria under AASB 116 <i>Property, Plant and Equipment</i>; • Reviewing whether any indicators of impairment exist at 30 June 2024 in accordance with AASB 136 <i>Impairment of assets</i>; • Assessing the amounts written off during the year; and • Reviewing the disclosures made in the Financial Statements.

Other information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of:

- a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

- ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included pages 25 to 33 of the directors' report for the year ended 30 June 2024.


In our opinion, the Remuneration Report of State Gas limited, for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards

BDO Audit Pty Ltd

BDO



D P Wright

Director

Brisbane, 27 September 2024

Shareholder information

The shareholder information set out below was applicable as at 4 September 2024.

A Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Class of equity security
	Ordinary shares
1 - 1,000	88
1,001 – 5,000	227
5,001 – 10,000	200
10,001 – 100,000	600
100,001 and over	406
	1,521

There were no holders of less than a marketable parcel of ordinary shares.

B Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares	
	Number held	% of issued shares
Allegro Capital Nominees Pty Ltd	21,000,000	5.81
HSBC Custody Nominees (Australia) Limited	18,234,396	5.05
Philip Matthew St Baker & Peta Jane St Baker	14,722,121	4.08
Sunset Power Pty Ltd	13,670,499	3.78
Investment for Retirement Pty Ltd	9,000,000	2.49
Bond Street Custodians Limited	7,792,814	2.16
National Nominees Limited	6,934,924	1.92
Immanuel Developments Pty Ltd	7,057,299	2.65
Harrison St Baker & Sook Mun Chan	6,000,000	1.66
Timber Wolf Holdings Pty Ltd	6,000,000	1.66
Citicorp Nominees Pty Limited	5,378,568	1.49
Property Contacts Pty Ltd	5,000,000	1.38
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd	4,871,828	1.35
Mr Jamie Pherous	4,537,601	1.26
Geomar Two Pty Ltd	4,500,000	1.25
Australian Philanthropic & Services Foundation P/L	4,426,500	1.23
Kyriaco Barber Pty Ltd	4,000,000	1.11
Kokoris Superannuation Pty Ltd	3,859,656	1.07
Immanuel Developments Pty Ltd	3,723,966	1.03
Mr Jonathan Hugh Stretch	3,244,004	0.90
Total	153,954,176	43.33

Unquoted equity securities

	Number on issue	Number of holders
Options	38,014,111	253
Performance rights	5,000,000	2

Holders of more than 20% of unquoted share options on issue

	Number held	% of total on issue
Aitken Mount Capital Partners Pty Ltd	8,400,000	22.1%

Holders of more than 20% of unquoted performance rights on issue

	Number held	% of total on issue
Highbury Partnership Pty Ltd	2,500,000	50%
Doug McAlpine	2,500,000	50%

C Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
Ordinary shares		
Greg Alexander John Baynton, Allegro Capital Nominees Pty Ltd, Intercontinental Pty Ltd Investment for Retirement Pty Ltd and Baynton Brothers Pty Ltd	38,060,289	10.54%
Philip & Peta St Baker	25,110,091	6.95%

D Voting rights

The voting rights attaching to each class of equity securities are set out below:

- (a) Ordinary shares: On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
- (b) Share options: No voting rights
- (c) Performance rights: No voting rights