

INTERIM REPORT
31 DECEMBER 2021

STATE GAS LIMITED

ACN 617 322 488

Interim Report – 31 December 2021

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CORPORATE DIRECTORY

Directors	R Cottee G A J Baynton A Bellas R Towner I Paton
Secretary	S M Yeates
Principal Place of Business	Level 8, 46 Edward Street Brisbane QLD 4000
Registered Office	Level 8, 46 Edward Street Brisbane, QLD 4000
Auditor	BDO Audit Pty Ltd Level 10, 12 Creek Street Brisbane QLD 4000 www.bdo.com.au
Solicitors	Allens Level 26, 480 Queen Street Brisbane QLD 4000 www.allens.com.au
Bankers	Westpac Banking Corporation
Website address	www.stategas.com

Competent Person 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 full-time employee of State Gas, and 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

It has been an eventful half year. The Company is in the midst of production testing at both its Reid's Dome and Rolleston-West Projects. The former will determine the speed with which the Company can reach commercial production whilst the latter will determine our contribution to ameliorating the global gas shortage.

In the past I have written about the impending domestic gas shortage as corroborated by The ACCC Reports (see Figure 1) and the failure of the market to respond to the increased demand signals (see Figure 2). Never in my wildest imagination could I have envisaged the geopolitical upheaval arising from the Russian invasion of Ukraine. The impact of these cataclysmic events on the economics of gas production, and in a smaller way, the survival of the rules based international order, cannot be under-estimated. The result of this Black Swan event is illustrated by the fact that in September the ACCC was indicating a January Domestic LNG netback price of over \$29/GJ, whereas in fact it was \$41.24/GJ - a 50% increase, and that was before the invasion of Ukraine. This price increase clearly makes the threshold for an economic gas project lower – the price will enable even relatively high cost projects to be economic, let alone projects which are low and mid-cost. Significantly, none of our acreage has export restrictions.

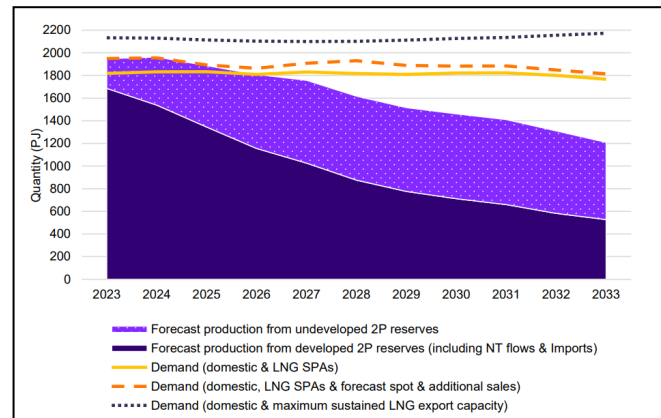


Figure 1: ACCC Forecast Gas supply and Demand, Southern States
Source: ACCC Gas Inquiry January 2022 Interim Report



Figure 2: Average North America rigs operating per year v Oil Price

In a further sign of the new times - the Ukrainian situation being the catalyst - the UK Government this month announced that its fracking moratorium implemented in 2019 is being re-considered. Even if those countries that believe in a rules based order reversed today the decisions that prevented a supply response to the gas shortage occasioned by increased demand, it will take many years before that supply reaches the market. And if Russian gas – currently 11% of the global gas market – doesn't continue to flow the situation will be even more extreme: the market was already under-supplied without taking into account any disruption to Russia's supply.

The results of our production testing could not come at a more important time.

Yours faithfully

Richard Cottee
Executive Chairman

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Your directors present their report on State Gas Limited (the Company) for the half-year ended 31 December 2021.

DIRECTORS

The following persons were directors of State Gas Limited during the whole of the half-year and up to the date of this report, unless otherwise stated:

Richard Cottee
Gregory Baynton
Anthony Bellas
Ian Paton
Rob Towner

PRINCIPAL ACTIVITIES

During the financial half-year the principal activity of the Company was the appraisal of PL231 ('Reid's Dome') and exploration of ATP 2062 'Rolleston West').

REVIEW OF OPERATIONS

The December 2021 Half Year Period (**the Period**) saw State Gas focus on its program to confirm the commerciality of the Reid's Dome Project (PL231) in Central Queensland, as well as advance the exploration of its new Rolleston-West Project in adjacent ATP 2062. State Gas is appraising the Reid's Dome Project for rapid development to provide new gas supplies into the east coast gas market, with the gas at Rolleston-West envisaged to supplement and, over time, supersede the Reid's Dome supplies.

State Gas' previous programs have established very high gas contents in the Reid's Dome coal beds at PL231¹, and commercial levels of production at the Nyanda-4 well². The current works are to confirm the size and scope for development with production tests at additional wells.

At Rolleston-West the Company is targeting the Bandanna Formation coals, which are extensive across large areas of the permit. The potential of these areas is underpinned by Santos' commercial production of gas from the Bandannas at the Arcadia Valley field to the south-east, and Comet Ridge's progress towards commercial production from the Bandannas at Mahalo to the north-east.

The Period started with receipt of the final results from its drilling of the two Rougemont wells on ATP 2062. ATP 2062 was issued to the Company in October 2020, and the Company moved quickly, notwithstanding the challenges of Covid-19 and a heavy wet season, to obtain the relevant approvals and drill the two Rougemont wells in Q2 2021.

¹ 13.75m³/tonne average at the Nyanda-4 well – see announcement 4 November 2019

² Close to 700,000scf/d at peak rate, with steady state production of 140,000 scf/d and rising - see Quarterly Activities Report 30 July 2021

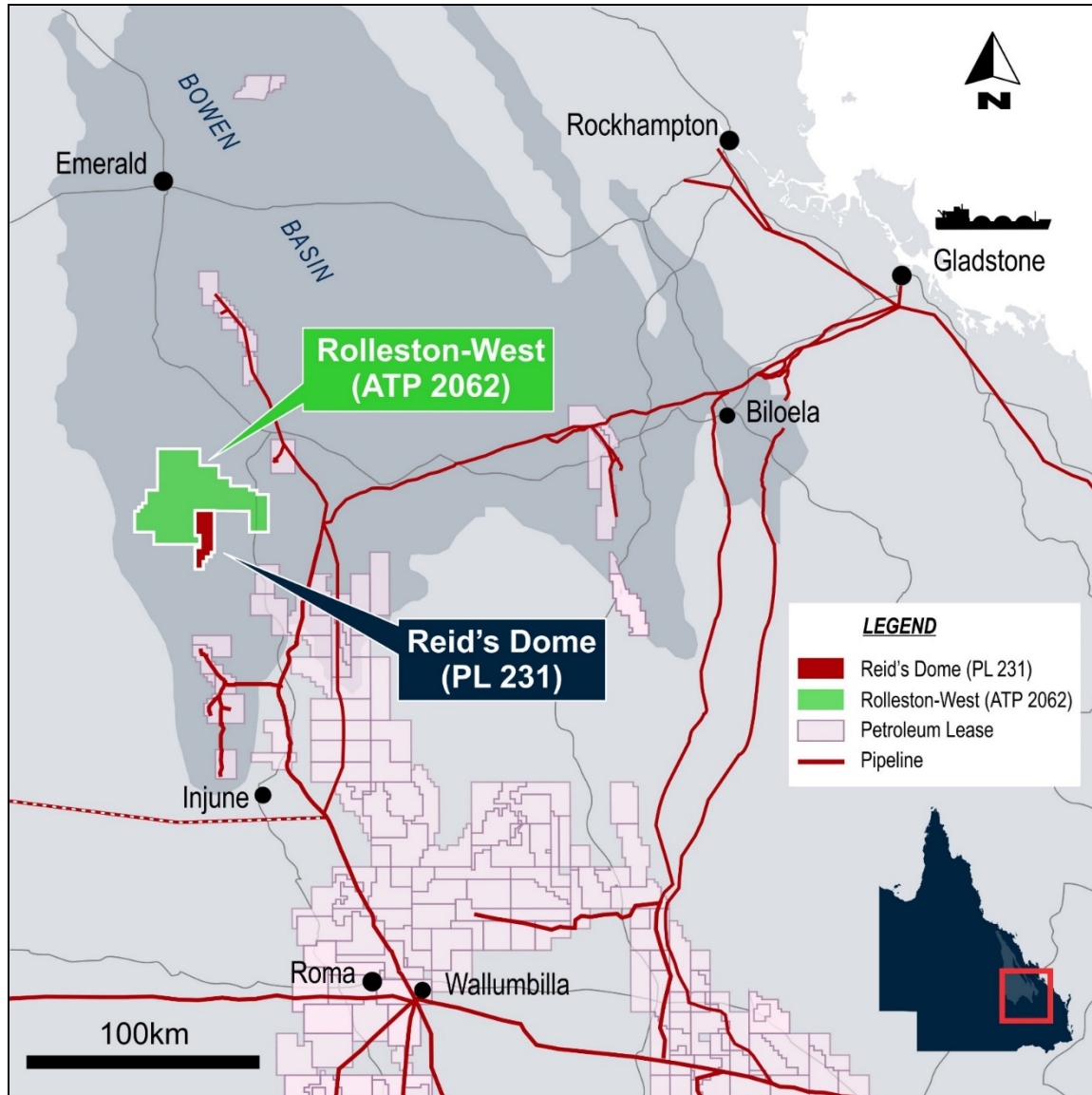


Figure 3: Location of State Gas Projects

The two wells provided some excellent results: approximately 8m of net coal, and near pipeline quality gas (average ~94% methane) in both wells, good gas contents (~6m³/tonne) and in the thickest, most promising seams, and in Rougemont-2 in particular, outstanding permeability at up to 395mD.

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2021 (continued)

These results enabled the Company to estimate the gas resource in the eastern portion of the Bandannas in ATP 2062 (referred to as the East Bandanna Fairway) as follows:

Estimated Resources East Bandanna Fairway		
1C	2C	3C
53 PJ	91 PJ	161 PJ

The Company also took the opportunity to estimate the gas resource at Reid's Dome:

Estimated Resources Reid's Dome		
1C	2C	3C
74 PJ	126 PJ	223 PJ

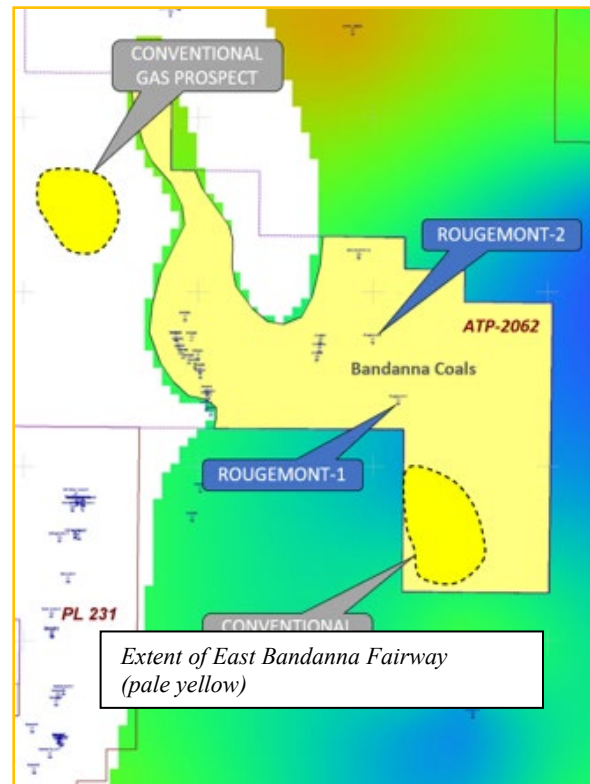
Following a successful capital raising (\$8m) in late September 2021, the Company proceeded to commence the next phase of appraisal works at Reid's Dome, undertaking works at the Nyanda-8 and Serocold-1 wells to improve production performance, with the wells placed back on production. The tests are continuing.

At Rolleston-West, the next step has been to prove the producibility of the gas the Company has confirmed to be in place. Rougemont-2 has been completed with casing and pumping equipment and the well placed on production. The test is ongoing.

The Company has also been working on two of the long lead items for development, undertaking baseline environmental studies at Reid's Dome (necessary for environment approvals) working on export pipeline options and discussions with pipeline owners and developers.

And with an eye to sustainability and the growing markets in emissions, the Company entered into a Memorandum of Understanding (MoU) with minerals company Rockminolutions Pty Ltd to investigate carbon sequestration through carbon mineralisation in basalt formations on the western border of the Company's Rolleston-West Project. While a novel concept, it has been undertaken successfully for some years by Carbfix in Iceland³, and now by Rio Tinto in Minnesota, USA⁴.

Your Company looks forward to updating you on our further progress.



³ www.carbfix.com

⁴ www.riotinto.com/news/releases/2022/DOE-backs-Rio-Tinto-led-team-to-explore-carbon-storage-at-Tamarack

**DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021 (continued)**

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the half year period the Company:

- a) raised \$8,000,000 through the issue of 25,000,000 fully paid ordinary shares at \$0.32 per share through a private placement;
- b) issued 1,800,000 fully paid ordinary shares on the vesting of 1.8M performance rights.

EVENTS OCCURRING AFTER THE REPORTING DATE

No matters or circumstances have arisen since the end of the financial period 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.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under s307C of the *Corporations Act 2001* is set out on page 6.

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

A handwritten signature in black ink, appearing to read "R Cottee".

R Cottee
Chairman

Brisbane

11 March 2022

AUDITOR'S INDEPENDENCE DECLARATION



Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY R M SWABY TO THE DIRECTORS OF STATE GAS LIMITED

As lead auditor for the review of State Gas Limited for the half-year ended 31 December 2021, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.



R M Swaby
Director

BDO Audit Pty Ltd

Brisbane, 11 March 2022

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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR
THE HALF-YEAR ENDED 31 DECEMBER 2021**

	Note	Half-year	
		2021	2020
		\$	\$
Other income		147	141,364
Administrative and other expenses		(332,543)	(211,532)
Legal fees		-	(4,801)
Employee benefits expense	3	(892,726)	(1,584,168)
Reversal of share based payments expense	3	1,489,765	-
Financing costs	6	(93,019)	(22,215)
Profit (loss) before income tax expense		171,624	(1,681,352)
Income tax expense		-	-
Profit (loss) after income tax expense		171,624	(1,681,352)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		171,624	(1,681,352)
		Cents	Cents
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share	10	0.09	(1.06)
Diluted earnings per share	10	0.09	(1.06)

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

	Notes	31 December 2021 \$	30 June 2021 \$
ASSETS			
Current assets			
Cash and cash equivalents		6,061,887	3,160,029
Trade and other receivables		296,268	255,818
Total current assets		6,358,155	3,415,847
Non-current assets			
Property, plant and equipment		828,855	919,425
Exploration and evaluation assets	4	27,402,971	24,829,466
Security deposits		378,029	378,029
Total non-current assets		28,609,855	26,126,920
Total assets		34,968,010	29,542,767
LIABILITIES			
Current liabilities			
Trade and other payables	5	1,200,925	2,583,542
Total current liabilities		1,200,925	2,583,542
Non-current liabilities			
Provisions	6	1,870,930	1,777,911
Total non-current liabilities		1,870,930	1,777,911
Total liabilities		3,071,855	4,361,453
Net assets		31,896,155	25,181,314
EQUITY			
Contributed equity	7	36,252,156	29,219,955
Reserves		4,665,708	5,154,691
Accumulated losses		(9,021,709)	(9,193,333)
Total equity		31,896,155	25,181,314

The above statement of financial position should be read in conjunction with the accompanying notes.

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

	Contributed equity \$	Share based payments reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2020	14,801,273	3,125,067	(6,246,199)	11,680,141
Loss for the period	-	-	(1,681,352)	(1,681,352)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(1,681,352)	(1,681,352)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	14,425,208	-	-	14,425,208
Share-based payments	-	1,276,014	-	1,276,014
Balance at 31 December 2020	29,226,481	4,401,081	(7,927,551)	25,700,011
Balance at 1 July 2021	29,219,955	5,154,691	(9,193,333)	25,181,314
Profit for the period	-	-	171,624	171,624
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	171,624	171,624
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	7,032,201	-	-	7,032,201
Share-based payments	-	(488,983)	-	(488,983)
Balance at 31 December 2021	36,252,156	4,665,708	(9,021,709)	31,896,155

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

**STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

		Half-year	
		2021	2020
		\$	\$
Cash flows from operating activities			
Receipts from customers (GST inclusive)		456,502	104,153
Payments to suppliers and employees (GST inclusive)		(1,260,003)	(977,702)
Interest received		147	1,665
Government incentives received		-	139,700
Net cash outflow from operating activities		(803,354)	(732,184)
Cash flows from investing activities			
Payments for exploration expenditure		(3,794,576)	(1,493,565)
Payments for plant and equipment		-	(257,901)
Payments for security deposits		-	(343,029)
Net cash outflow from investing activities		(3,794,576)	(2,094,495)
Cash flows from financing activities			
Proceeds on issue of shares	7	8,000,000	14,496,410
Payments for capital raising costs	7	(500,212)	(71,202)
Net cash inflow from financing activities		7,499,788	14,425,208
Net increase (decrease) in cash and cash equivalents		2,901,858	11,598,529
Cash and cash equivalents at the beginning of the year		3,160,029	875,048
Cash and cash equivalents at the end of the year		6,061,887	12,473,577

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Note 1 Summary of significant accounting policies

These general purpose interim financial statements for the half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities.

These general purpose interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

Historical cost convention

The financial statements have been prepared under the historical cost convention.

New standards, interpretations and amendments adopted by the group

There are no new standards, interpretations or amendments that have affected the current reporting period and neither has there been a retrospective adjustment or current period adjustment as a result of new standards, interpretations or amendments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Note 1 Summary of significant accounting policies (continued)

Going Concern

The interim financial statements have 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 statements, the Company earned a net profit of \$171,624 and net operating cash outflows of \$803,354 for the half-year ended 31 December 2021. As at 31 December 2021 the Company had a cash balance of \$6,061,887.

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 a 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 and continued strong share price; 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.

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.

Note 2 Segment information

The Company operates solely within one segment, being the gas exploration and development industry in Australia.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Note 3 Employee benefits expenses

	31 December 2021 \$	31 December 2020 \$
Employee benefits expense consists of:		
Salary and wages	359,531	309,153
Share based payments expense	533,195	1,275,015
	<u>892,726</u>	<u>1,584,168</u>

The reversal of share based payments expense of \$1,489,765 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 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.

Note 4 Non-current assets – exploration and evaluation assets

	31 December 2021 \$	30 June 2021 \$
Exploration and evaluation assets – at cost	<u>27,402,971</u>	<u>24,829,466</u>
The capitalised exploration and evaluation assets carried forward above have been determined as follows:		
Balance at the beginning of the year	24,829,466	11,827,879
Expenditure incurred during the period	2,573,505	12,006,739
Rehabilitation asset increment (refer note 5)	<u>-</u>	<u>994,848</u>
Balance at the end of the half-year	<u>27,402,971</u>	<u>24,829,466</u>

Capitalised exploration and evaluation assets include initial acquisition costs, capitalised costs and a rehabilitation asset (refer note 6).

The Directors have assessed that for the exploration and evaluation assets recognised at 31 December 2021, 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 HALF-YEAR ENDED 31 DECEMBER 2021

Note 5 Current liabilities – Trade and other payables

	31 December 2021 \$	30 June 2021 \$
Unsecured liabilities:		
Trade payables	1,046,841	2,376,208
Sundry payables and accrued expenses	79,864	120,021
Provision for annual leave	74,220	87,313
	<u>1,200,925</u>	<u>2,583,542</u>

Note 6 Non-current liabilities – Provisions

	31 December 2021 \$	30 June 2021 \$
Provision for rehabilitation	<u>1,870,930</u>	<u>1,777,911</u>
Reconciliation of carrying amount:		
Opening balance	1,777,911	915,389
Additions*	-	994,848
Provisions reversed	-	(64,342)
Unwinding of discount	<u>93,019</u>	<u>(67,984)</u>
Balance at the end of the half-year	<u>1,870,930</u>	<u>1,777,911</u>

* Increase in provision for rehabilitation due to additional wells drilled and other infrastructure established during the prior period.

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 discounted to present value in accordance with the Company's accounting policy.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Note 7 Contributed equity

	31 Dec 2021 Shares	30 June 2021 Shares	31 Dec 2021 \$	30 June 2021 \$
(a) Share capital				
Fully paid ordinary shares	199,832,305	173,032,305	36,592,543	29,219,955

(b) Ordinary share capital

Date	Details	Note	Number of Shares	Issue Price	\$
1 July 2021	Balance		173,032,305		29,219,955
29 Sept 2021	Placement shares	(d)	25,000,000	\$0.32	8,000,000
29 Sept 2021	Exercise of performance rights	(c)	1,800,000	-	-
	Share issue costs	(e)	-	-	(967,799)
31 Dec 2021	Balance		199,832,305		36,252,156

(c) Exercise of performance rights

The issue of 1,800,000 fully paid ordinary shares to Key Management Personnel (Richard Cottee 1,500,000; Mike Herrington 300,000), on the vesting and exercise of performance rights.

(d) Issue to sophisticated investors

The issue of a total of 25,000,000 fully paid ordinary shares to sophisticated investors at an issue price of \$0.32 cash.

(e) Share issue costs

Share issue costs consists of cash costs of \$500,212 and the fair value of options issued to the Joint Lead Managers of the September 2021 capital raise of \$467,587.

The options, 3,000,000 in total, were granted to the Joint Lead Managers on 15 September 2021 and subsequently issued on 17 December 2021. The options are exercisable at \$0.42 each and expire on 29 September 2023. The options have no voting or dividend rights and are not transferable.

The fair value of these options at grant date was \$467,587. This value was calculated using a Monte Carlo option pricing model applying the following inputs:

Number of options	3,000,000
Exercise price	\$0.42
Grant date	29/09/2021
Expiry date	29/09/2023
Volatility	61%
Dividend yield	0%
Risk-free interest rate	5%
Weighted average fair value at grant date	\$0.1559

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Note 8 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.

Note 9 Commitments

PL 231 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.

The LDP commitment is calculated at \$6,570,000 to be spent over the period 1 January 2020 through to the expiry of the LDP on 31 December 2022. To 31 December 2021, \$5,882,669 has been spent on the LDP.

ATP 2062 Initial Work Program

On 1 October 2020 State Gas was awarded ATP 2062, with conditions requiring certain exploration activities to be undertaken and expenditure to be incurred as nominated in the Initial Work Program (IWP) for the tenure in order to maintain the rights under the tenure. The activities and expenditure required under the IWP may be varied from time to time, subject to approval of the relevant government departments, and may be relieved if the ATP is relinquished.

The IWP commitment is calculated at \$8,000,000 to be spent over the period 1 October 2020 through to the expiry of the IWP on 30 September 2024. To 31 December 2021, \$3,765,447 has been spent on the IWP.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

Note 10 Earnings per share

	2021	2020
	\$	\$
<i>Earnings per share for loss from continuing operations</i>		
Profit (loss) after income tax attributable to the owners of State Gas Limited	171,624	(1,681,352)
	<hr/>	<hr/>
	Number	Number
Weighted average number of shares used in calculating basic earnings per share	186,577,957	158,157,722
	<hr/>	<hr/>
Weighted average number of shares used in calculating diluted earnings per share	200,722,522	158,157,722
	<hr/>	<hr/>
	Cents	Cents
Basic earnings per share	0.09	(1.06)
Diluted earnings per share	0.09	(1.06)

Information concerning the classification of securities

Options and performance rights

Options and performance rights on issue are not included in the calculation of diluted earnings per share in the prior period because the company had generated losses, hence they are antidilutive for the half-year ended 31 December 2020.

Note 10 Events occurring after the reporting period

No matters or circumstances have arisen since 31 December 2021 that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *'Interim Financial Reporting'*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'R. Cottee', written in a cursive style.

Richard Cottee
Chairman

11 March 2022
Brisbane

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of State Gas Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of State Gas Limited (the Company), which comprises the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Company does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Company's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating 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 Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd



R M Swaby
Director

Brisbane, 11 March 2022