ANNUAL REPORT
2022

STATE GAS LIMITED

ACN 617 322 488

Annual Report – 30 June 2022

Corporate directory

Directors	R Cottee *BA, LLB (Hons)* A Bellas *B.Econ, DipEd, MBA, FAICD, FCPA, FGS* G Baynton *M.Econ St, MBA, B.Bus , FGIA, FGS* R Towner I Paton *BSc MPetEng MBA*
Company Secretary	S M Yeates *CA, B.Bus*
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	Allens Linklaters Level 26, 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 Contingent Resources for the Reid's Dome and Rolleston-West Gas Projects (of which State Gas holds 100%), and State Gas' 35% interest in ATP 2068 and PLR2021-1-3, provided in this document, is based on, and fairly represents, information and supporting documentation prepared by Mr James Crowley in accordance with Petroleum Resource Management System guidelines.

Mr Crowley is a 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 Rolleston-West Gas Projects, and ATP 2068 and ATP 2069, in the form and context in which they appear in this Report.

Chairman's letter

Dear Fellow Shareholders,

This year and next will see your Company focus increasingly on the potential gas resource around the Rougemont area. The Rougemont production testing carried out during the year confirmed that the well completion technique of a horizontal lateral intersecting a vertical well as used in the Bandanna coals such as at Mahalo and Acadia should be replicated around Rougemont. The spudding of the lateral well has commenced at the time of writing.

The global energy market has faced its biggest year of change since the first and second oil shocks of the 1970s. Whilst the democratic world was focussing on the decarbonising process, the tragedy of Ukraine brought into sharp relief the need for energy security and reliability. Your Company has responded to this increased need for gas security (which need has resulted in high prices) by commencing a CNG project to monetise the conventional discoveries in PL231. Under this project the first gas should be delivered to the pipeline by February next year. Provided the price is about 90% of last Quarter's average spot price the capital for this development will be paid back within 6 months. The resultant cash flow should cover all exploration commitments of the Company for the foreseeable future.

This CNG project works for State Gas because of its close proximity to existing pipelines. As Rougemont gas is also of pipeline quality and the CNG is scalable, the Company will consider capturing for sale the otherwise flared gas from the upcoming Rougemont production testing. The resultant revenues should aid in the financing of the long-term pipeline connecting PL231 through Rougemont to the Wallumbilla to Gladstone pipelines.

This year we had further success in being awarded ATP2068 and PLR 2021-1-3 in joint venture with Santos. State Gas has a 35% interest in the JV with Santos holding the other 65% and being the Operator. This brings the total acreage position of the Company to 2630 square kilometres (gross), all centred around the same geographical area and therefore capable of ultimately sharing the same infrastructure. The present acreage position is a 14-fold increase in the area available for exploration since I joined State Gas.

Finally, I'd like to note our carbon management project, started last year. This innovative project has the potential to make a significant contribution towards a sustainable future.

I look forward to continuing to update you on your Company's progress.

Yours faithfully

Richard Cottee
Chairman
State Gas Limited

Directors' report

Your Directors present their report on the Company for the year ended 30 June 2022.

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
I Paton
R Towner

The Company Secretary is Mrs S Yeates. Mrs Yeates was appointed to the position of Company Secretary 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

The principal activity of the company during the financial year was the exploration and evaluation of PL231 ('Reid's Dome') and ATP 2062 ('Rolleston West').

No significant change in the nature of these activities occurred during the year.

Dividends

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

Review of operations

Highlights

- Excellent results from Rougemont drilling in Rolleston-West Project and commencement of production testing of Rougemont-2 well
- First announcement of estimated Contingent Resources
- Initiation of carbon management project with specialist mineral exploration company Rockminsolutions Pty Ltd
- Responded to East Coast gas market by prioritising rapid access to market for Reid's Dome conventional gas
- Initiation of on-the-ground route surveys for export pipeline route
- Awarded two new exploration permits in joint venture with Santos QNT Pty Ltd (with first granted in July 2022)

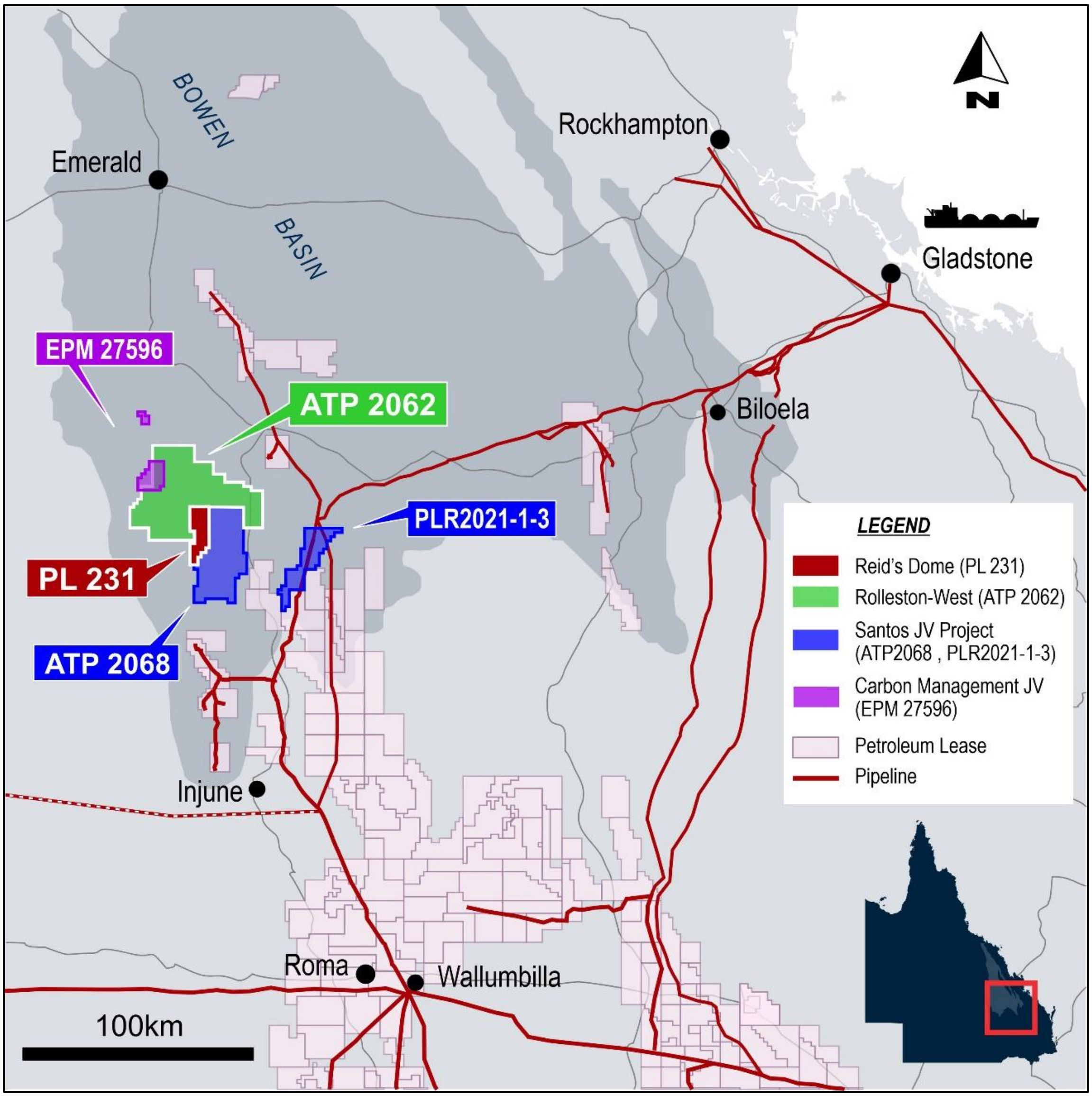
Projects Overview

State Gas is a gas exploration and development company with operations in the southern Bowen Basin in Central Queensland. The Company is expanding its portfolio with highly prospective acreage close to pipeline infrastructure in an established gas producing basin.

From its beginnings with PL 231 (Reid's Dome), State Gas has acquired the adjacent extensive tenement ATP 2062 (in 2020), and in May 2022 was announced preferred developer, in joint venture with Santos QNT Pty Ltd, of an additional two permits in the area. The first of these two permits, ATP 2068, was granted to State Gas and Santos in July 2022.

This acreage award, and the joint venture with Santos, is significant as it establishes an alignment of interests with adjacent tenements across an extensive area of the southern Bowen Basin, providing opportunities for synergistic and coordinated development.

State Gas has also commenced a CO_2 sequestration project using basalt strata located in some of the western area of ATP 2062. That project is being advanced jointly with specialist mineral exploration company, Rockminsolutions Pty Ltd, which has a partially overlapping EPM.



Map showing State Gas tenement interests

Reid's Dome Project (100% State Gas)

State Gas' Reid's Dome Project encapsulates 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, in a period well before necessary infrastructure was in place. The area was sporadically explored over the ensuing decades, until State Gas acquired PL231 as its first project in 2017.

State Gas recognised the potential for the area to host a significant coal seam gas project producing gas from coals in the Reid's Dome Beds. State Gas' activities have established in excess of 30 metres of net coals in the producible zones in the beds (proven to extend below 1100m[1]), with gas contents averaging a very high 13.75m^3/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.

Further 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. Subsequent production testing efforts were affected by technical issues and weather preventing consistent operations and production. During the 2022 financial year the Company trialled a number of options to resolve these challenges but further work will be required to determine the optimum technique to liberate the gas.

The conventional gas in the northern area of Reid's Dome, which is smaller in volume, is readily producible. Developments in international and the East Coast gas markets have led the Company to refocus its efforts and explore innovative ways to bring this gas rapidly to market. On 29 August this year we announced our project to truck the gas to the pipeline network, thereby accessing the market in advance of pipeline construction. First sales are targeted for early 2023.

During the 2022 financial period, State Gas completed baseline environmental studies as part of the process to obtain environmental approvals for further development.

Rolleston-West Project (100% State Gas)

ATP 2062, containing highly prospective Bandanna coals (currently under production by GLNG to the south east) and conventional targets, was issued to State Gas in October 2020. Directly adjacent to Reid's Dome, the new 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 and optionality.

State Gas moved quickly to commence drilling of two core holes into the Bandanna coals in the eastern arm of the permit. The wells were drilled in May and June 2021.

Both wells 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 m^3/tonne dry ash free. Particularly good news is that the gas is at or near pipeline quality, between 93.8% and 96% methane. The permeability of the two primary seams

[1] Through production log tests of the Nyanda-4 well, see announcement 24 June 2021

at Rougemont 2 was truly excellent, ranging from a good 26 millidarcies to a particularly impressive 395 millidarcies.

Following these results, the Company has commenced production testing of the Rougemont-2 well. Turned on in late 2021, the test has provided critical reservoir data essential to inform next steps, including the drilling of a new horizontal well to intersect the Rougemont-2 well. The new horizontal well, Rougemont-3, is in the last stages of planning with spud expected before the end of the third quarter 2022. The combined horizontal - vertical well pair will then be production tested to determine flow rates and inform future development.

Export pipeline

The Company's revised focus on securing market access for the Reid's Dome gas has led to new thinking about how best to access markets. A small scale, low cost pipeline is under consideration, and initial on-the-ground surveys of the pipeline route have been undertaken to identify the best route. The success of the Rougemont drilling program to date has provided strong arguments to prefer the Company's proposed northern route: construction of a pipeline through this area will facilitate early access to Rougemont test gas as well as the resource at Reid's Dome. The on-the-ground surveys have confirmed this option, with more detailed work to come.

Santos JV Project

In May 2022 State Gas, in joint venture with Santos QNT Pty Ltd (State Gas 35%, Santos 65%), was announced preferred tenderer for two new exploration permits, ATP 2068 and ATP 2069. ATP 2068 was granted to the joint venturers in July 2022, while ATP 2069 is to be issued once native title processes are complete.

The two new areas are adjacent or in close proximity to both State Gas' existing Reid's Dome and Rolleston-West Projects (to the west and north), as well as Santos interests to the east. ATP 2068 effectively provides acreage connectivity between State Gas' Reid's Dome and the Santos interests to the east, while ATP 2069, some 20 km to the east, provides both potential access to markets (it is bisected by two high pressure export pipelines) and connectivity to the Santos operated Arcadia Valley project to the east.

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.

As is the case for State Gas' existing acreage, neither block is subject to domestic gas reservation.

The award of the areas to the State Gas–Santos Joint Venture results in an alignment of the partners' ownership interests across the gas resource in the majority of the southern Bowen Basin, providing the opportunity for broader coordinated and synergistic development.

Carbon Management

In a significant development, the 2021-22 financial year has also seen State Gas embark on the decarbonisation journey.

In September 2021, State Gas entered into a Memorandum of Understanding with minerals explorer Rockminsolutions Pty Ltd, holder of minerals exploration permit EPM 27596 over the Buckland Basaltic Sequence on the western border of ATP 2062. This MOU was followed in May 2022 with agreement on the terms of a joint venture to investigate the potential of the basalts in the Buckland Formation Sequence to provide long term secure sequestration of carbon through mineralisation.

Basalt rocks are highly reactive and contain the elements needed for permanently immobilising CO_2 through the formation of carbonate minerals (eg calcium carbonate (limestone) and magnesium carbonate). The Buckland Tableland basalts in EPM 27596are non-welded ignimbrites, a relatively unusual form of basalt likely to be particularly suitable for reaction with CO_2. The size and thickness of the basalts provides the potential for very significant quantities of carbon to be mineralised.

The Joint Venture will initially investigate the potential of the Buckland basaltic ignimbrite for a range of ex-situ mineral carbonation purposes such as soil mineral carbonation, while also investigating its potential as a supplementary cementitious material to make low-carbon cements. Important information as to the potential of the deposit for in-situ mineral carbonation - applying the process currently being successfully implemented by Carbfix[2] in Iceland - will be revealed as a consequence of this initial work.

Sustainability: Health & Safety, Environment, Community and Cultural Heritage

State Gas is committed to conducting its activities safely and sustainably, safeguarding the environment in which we work and engaging with our community.

Managing the impact of the Covid-19 pandemic remained a core focus during 2021-22, particularly during the first half of the period with restrictions in place until the New Year. State Gas has managed its operations with limited impact from the pandemic, monitoring staff absences and working closely with suppliers to manage potential delays.

Respecting the infection concerns of local communities, State Gas has limited its engagement with local groups, minimising interactions and respecting the wishes of those preferring to isolate. However, we have still been able to meet with relevant stakeholders, including landholders, cultural heritage custodians, and local environmental advisers to ensure access for activities and protection of cultural heritage and environmental values.

Resources Estimation

During 2021-22 financial period, State Gas announced its first estimate of the resources in its portfolio. These resources are 100% natural gas and are situated solely within the Denison Trough within the Bowen Basin in Central Queensland. For the purpose of this Report, the numbers have been refined and split into Contingent Unconventional, Contingent Conventional and Prospective Conventional.

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

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

*State Gas estimate as at 12/09/2022

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

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

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

The details of the project area, the method of extraction and number of wells that may be required are not yet finalised. The estimates reported are not contingent on technology that remains under development.

The Contingent Resources estimated have been prepared in accordance with the definitions and guidelines set forth in the SPE–PRMS 2018.

Material Business Risks

The material business risks for State Gas at 30 June 2022 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.

Exploration and development

Our growth is dependent on our 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. State Gas's ability to deliver our strategy may be impacted by the success of our exploration and development efforts. To ensure the highest possibility of success and therefore confidence of investors, we seek to employ the most technically capable staff, who analyse our existing acreage for drilling prospects by applying best-in-class technologies and process for exploration and development. State Gas seeks partnering and farm-in opportunities to diversify risk.

Land Access

Land access is critical for the success of State Gas's exploration and development activities. We rely on being able to negotiate mutually satisfactory access arrangements with landholders and other stakeholders for lands on which State Gas' exploration and production activities are conducted. State Gas' 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 carrying out its projects. We seek to work closely and respectfully with landholders and other stakeholders. We engage with them as early as possible to ensure that they are kept appraised of our proposed activities and seek to develop mutually beneficial working partnerships with these parties wherever possible.

Business Interruption

Pandemic restrictions, natural disaster impacts, or cyber attack may prevent or disrupt State Gas' ongoing operations as planned. If so, State Gas' exploration operations and profitability may be adversely impacted or delayed. We closely monitor threats and seek to respond accordingly. We seek to minimise operations in likely affected areas when necessary, scheduling activities to avoid periods of highest risk. State Gas office is set up to transition easily to remote operations. Information technology mitigations are in place to minimise cyber threats.

Access to Funding

State Gas' growth aspirations require the investment of significant capital to generate returns. Volatility, uncertainty or adverse sentiment in capital markets could restrict the willingness of investors and financiers to provide additional capital. State Gas' proposed CNG "virtual pipeline" to enable gas sales will provide revenues which will offset external funding requirements. In addition, the Company retains optionality on expenditure. We have prudent expenditure monitoring and management within a Board approved budget. We develop relationships with relevant stakeholders and develop strategies to minimise dependence on capital markets. Where appropriate, we seek partnering opportunities to help fund key activities on a project by project basis.

Climate Change
Government and community expectations about carbon emissions and how companies are managing the impacts of climate change are increasing. State Gas' growth may be impacted by increasing regulation and costs associated with climate change and the management of carbon emissions. State Gas actively monitors current and emerging areas of climate change risk and associated regulation. The Company has initiated a decarbonisation project to help address carbon management. We continuously focus on improving energy efficiency and emissions management in delivering cost efficiencies.

Health and safety
Our 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 State Gas. We have developed detailed health and safety management plans, as well as rigorous processes to ensure we operate at the highest standards of safety management.

Significant regulatory change
A change in government policy and/or changes to legislation and regulation may significantly impact State Gas financially and operationally. Changes in legislation, regulations and/or policy can result from changes in community expectations, changes in market conditions, or compliance with international treaties or other obligations. Changes in legislation, regulation and/or policy may impact on exploration and development of our assets as well as the energy markets in which we operate. 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. We actively monitor regulatory and public policy developments and constructively engage with government, regulators and industry bodies.

Tenement list

Tenement	Permit Holder	Grant date	GAS Interest	Expiry date
PL 231	State Gas Limited	15/12/2005	100%	14/12/2035
ATP 2062	State Gas Limited	01/10/2020	100%	30/09/2026
ATP 2068[1]	Santos QNT Pty Ltd	11/07/2022	35%	10/07/2028
EPM 27596	Rockminsolutions Pty Ltd	21/09/2020	-[2]	20/09/2025

[1] On 17 May 2022 State Gas subsidiary State Gas (CQ) Pty Ltd (35%) and Santos QNT Pty Ltd (65%) were appointed preferred tenderers for ATP 2068. ATP 2068 was subsequently granted to the joint venturers on 11 July 2022.

[2] 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 Rockminsolutions Pty Ltd.

Significant changes in the state of affairs

During the financial year 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.
c) was appointed preferred tender, in Joint Venture with Santos QNT Pty Ltd, of two new strategic gas exploration areas, PLR2021-1-2 (subsequently issued as ATP2068) and PLR2021-1-3.

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

No 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 – Executive Chairman*	
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	Managing Director of Central Petroleum Limited (ASX: CTP) (2012 – 2019)
Special responsibilities	Chairman of the Board. Chairman of the Nomination Committee. Member of the Risk Committee.
Interests in shares, options and performance rights	1,531,181 ordinary shares

A Bellas. *Non-Executive Deputy Chairman*	
Experience and expertise	Mr Bellas brings over 30 years of experience in the public and private sectors. Tony was previously CEO of the Seymour Company, one of Queensland's largest private investment and development companies. Prior to joining the Seymour Company, 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. Tony had a long career with Queensland Treasury, achieving the position of Deputy Under Treasurer.
Other current directorships	Deputy Chairman of NOVONIX Limited (ASX: NVX) and Non-executive Director of intelliHR Limited (ASX: IHR).
Former listed directorships in last 3 years	Shine Justice Limited (ASX: SHJ)(2013-2020)
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	4,572,193 ordinary shares.

G Baynton. *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 Superloop Limited (ASX: SLC)(ceased 2020). Non-executive Director of intelliHR Limited (ASX: IHR)(ceased 2021). Non-executive Director of NOVONIX Limited (ASX: NVX) (ceased 2021).
Special responsibilities	Executive Director. Member of the Remuneration Committee.
Interests in shares, options and performance rights	28,613,860 ordinary shares.

I Paton. *Non-Executive Director*	
Experience and expertise	Mr Paton is a geophysicist and petroleum engineer with substantial experience in the oil and gas industry having held senior technical and management roles in both exploration and development with companies such as Santos, Conoco, Coogee Resources, New Standard Energy and PTTEP. Among other roles, he was Exploration and Development Manager for Santos. He has been instrumental in many oil and gas discoveries in Australia and South East Asia over the last 30 years.
Other current directorships	None.
Former listed directorships in last 3 years	None.
Special responsibilities	Chairman of the Risk Committee. Member of the Nomination Committee and Audit Committee.
Interests in shares, options and performance rights	900,000 ordinary shares

R Towner. *Non-Executive Director*	
Experience and expertise	Mr Towner has 25 years in Executive Management and Corporate Advisory positions in the energy, biotech and wine industries. Most recently he was Managing Director and CEO of ASX listed Triangle Energy (Global) Ltd for 8 years until his resignation in February 2022. Prior to Triangle, engagements included Sydney Gas Ltd, Sunshine Gas Ltd, New Guinea Energy Ltd, bioMD Ltd and Botanix Pharmaceuticals Ltd. Private interests include a director of Flametree Wines and Chairman of non-for-profit Type 1 Diabetes Family Centre in Perth Western Australia.
Other current directorships	None.
Former listed directorships in last 3 years	Non-Executive director of Botanix Pharmaceuticals Limited (ASX: BOT)(ceased 2020). Managing Director of Triangle Energy (Global) Limited (ASX: TEG)(ceased 2022).
Special responsibilities	Chair of the Remuneration Committee. Member of the Audit Committee, Risk Committee and Nomination Committee.
Interests in shares, options and performance rights	None.

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 2022, and the number of meetings attended by each Director were:

	Full meetings of Directors		**Meetings of Audit Committee**		**Meetings of Risk Committee**		**Meetings of Remuneration Committee**	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
A Bellas	12	13	2	2	2	2	1	1
G Baynton	13	13	N/A	N/A	N/A	N/A	1	1
R Cottee	13	13	N/A	N/A	2	2	N/A	N/A
R Towner	11	13	2	2	2	2	1	1
I Paton	13	13	2	2	2	2	N/A	N/A

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

Remuneration report (Audited)

The Directors present the State Gas Limited 2022 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 (Executive Director) R Towner (Non-Executive Director) I Paton (Non-Executive Director)

Other key management personnel

Name	*Position*
J Crowley	Executive General Manager – Exploration and Development
L Snelling	Head, Corporate and Commercial
M Herrington	Chief Operating Officer

Changes since the end of the reporting period
No changes.

(b) Remuneration policy and link to performance

The remuneration committee was formed during the financial year. The 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

Remuneration report (Audited) (continued)

- transparent and easily understood, and
- align with shareholder interests and are acceptable to shareholders

Element	Purpose	Performance metrics	Potential value	Changes for FY 2021
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 FY2022.

Superannuation is included in FR for executives.

(ii) Short term incentives

No short term incentive plans were in place for FY 2022.

(iii) Long-term incentives

Executive KMP participate, at the board's discretion, in the Long-term Incentive Program ("LTIP") comprising one off grants of 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 2022. Refer to the tables on pages 23-24 of this report for details of options on issue affecting remuneration.

Performance Rights

No performance rights were awarded during the current financial year.

Performance rights yet to vest are subject to the following vesting conditions:

Grant date	Number of rights	Vesting date	Vesting condition	% Vested
27/04/2021	112,500	13/04/2024	Board approval of a successful corporate transaction being a substantial merger or acquisition, or change of control transaction.	0%
23/01/2020	500,000	01/11/2022	Assist the Executive Chairman to develop and deliver the Phase 2 Work Program and associated production testing within PL 231.	0%

Refer to the tables on page 23-24 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 a profit 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 fluctuation 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 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)
Year end 30 June 2019	65.0 cents	(1,983,355)
Year end 30 June 2018	15.5 cents	(702,030)

(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 Rights*	Reversal of Performance Rights**		
Executive Directors									
G Baynton	**2022**	76,182	-	7,618	-	-	-	83,800	-
	2021	76,531	-	7,270	-	-	-	83,801	-
R Cottee	**2022**	90,909	-	9,091	-	-	(1,900,264)	(1,800,264)	-106%
	2021	92,021	-	8,676	-	1,267,207	-	1,367,904	93%
Other key management personnel (Company)									
J Crowley	**2022**	306,432	(9,141)	27,500	-	-	-	324,791	-
	2021	309,738	6,894	23,569	-	-	-	340,201	-
L Snelling	**2022**	154,545	4,353	15,455	-	14,528	-	188,881	8%
	2021	155,249	11,363	14,749	-	10,005	-	191,366	5%
M Herrington	**2022**	60,606	4,651	6,061	-	43,649	(897,962)	(782,995)	-109%
	2021	62,847	846	5,784	-	742,410	-	811,887	91%
Non-Executive Directors									
A Bellas	**2022**	50,000	-	5,000	-	-	-	55,000	-
	2021	50,000	-	4,750	-	-	-	54,750	-
R Towner	**2022**	40,000	-	4,000	-	-	-	44,000	-
	2021	40,000	-	3,800	-	-	-	43,800	-
I Paton	**2022**	41,818	-	-	-	-	-	41,818	-
	2021	40,000	-	-	-	-	-	40,000	-
Total KMP remuneration expensed	**2022**	820,492	(137)	74,725	-	58,177	(2,798,226)	(1,844,969)	-149%
	2021	826,386	19,103	68,598	-	2,019,622	-	2,933,709	69%

* 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 period.

** The credit of $2,798,226 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.

Remuneration report (Audited) (continued)

(f) Contractual arrangements with executive KMP's

Component	Executive Chairman description	Executive Directors description	Head, Corporate and Commercial description	COO description	Executive General Manager description
Fixed remuneration	\$100,000 per annum on a part time basis, inclusive of superannuation	\$83,800 per annum on a part time basis, inclusive of superannuation	\$170,000 per annum on a part time basis, inclusive of superannuation	\$66,667 per annum on a part time basis, inclusive of superannuation	\$330,000 per annum, inclusive of superannuation
Contract duration	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Notice by the individual / company	3 months	3 months	3 months	3 months	2 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 2022. 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** \$*
2022						
R Cottee	-	-	-	-	480,000	2,625,000
M Herrington	-	-	-	-	96,000	-

* 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	Grant date value
R Cottee	13/11/2019	03/06/2022	$0.75
R Cottee	13/11/2019	31/12/2021	$0.75
M Herrington	23/01/2020	31/12/2021	$0.635
M Herrington	23/01/2020	03/06/2022	$0.635
M Herrington	23/01/2020	01/11/2022	$0.635
L Snelling	27/04/2021	13/04/2024	$0.55

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 24. The performance rights carry no dividend or voting rights. See page 19 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.

Remuneration report (Audited) (continued)

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

Options

The table below shows a reconciliation of options held by each KMP from the beginning to the end of FY2022. No options were forfeited during the year.

Name & Grant dates	Balance at the start of the year		Granted as compensation	Vested				Balance at the end of the year	
	Unvested	Vested		Number	%	Exercised	Expired	Vested and exercisable	Unvested
J Crowley Granted 2/07/2018	-	3,000,000	-	-	-	-	-	3,000,000	-

Performance Rights

The table below shows how many performance rights were granted and vested during the year.

Name	Year granted	Balance at the start of the year		Granted as compensation	Vested during the year		Exercised during the year	Forfeited during the year	Balance at the end of the year		Maximum value yet to vest*
		Unvested	Vested		Number	%	Number	Number	Vested and exercisable	Unvested	
R Cottee	2019	3,500,000	1,500,000	-	-	0%	(1,500,000)	(3,500,000)	-	-	-
M Herrington	2020	2,800,000	300,000	-	-	0%	(300,000)	-	-	2,800,000^	38,865
L Snelling	2021	150,000	-	-	-	0%	-		-	150,000#	37,342

* 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 deferred shares yet to vest is nil, as the shares will be forfeited if the vesting conditions are not met.

^ 2,300,000 of these performance rights are not expected to vest due to vesting conditions not being satisfied.

37,500 of these performance rights are not expected to vest due to vesting conditions not being satisfied.

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
2021				
Ordinary shares				
A Bellas	4,572,193	-	-	4,572,193
G Baynton	28,613,860	-	-	28,613,860
R Cottee	31,181	1,500,000	-	1,531,181
J Crowley	-	-	-	-
M Herrington	-	300,000	-	300,000
I Paton	900,000	-	-	900,000
L Snelling	125,000	-	-	125,000
R Towner	-	-	-	-

(iv) Other transactions with key management personnel

During the financial year, Valmap Pty Ltd, a company of which Mr Ian Paton is a shareholder and director, was paid $1,818 in consulting fees. Consulting services were provided on normal commercial terms and conditions.

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 (2021: 3,000,000):

Date options granted	Expiry date	Issue price of Shares	Number under option
02/07/2018	Cessation of employment	$0.40	1,000,000
02/07/2018	Cessation of employment	$0.60	1,000,000
02/07/2018	Cessation of employment	$0.80	1,000,000
17/09/2021	29/09/2023	$0.42	3,000,000

Unissued ordinary shares of State Gas Limited under performance right at the date of this report are as follows 5,600,000 (2021: 9,100,000):

Date rights granted	Expiry date	Number under performance right
27/04/2021	27/04/2024	300,000
23/01/2020	01/11/2022	2,800,000
12/02/2019	Termination of agreement	2,500,000

Details of the performance rights granted to key management personnel are disclosed on pages 23-24 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 granted to the Directors of the Company 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 $236,285 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 29.

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

R Cottee
Chairman

Brisbane
14 September 2022

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

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

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 2022, 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.

D P Wright
Director

BDO Audit Pty Ltd

Brisbane, 14 September 2022

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 2022 Corporate Governance Statement is dated as at 30 June 2022 and reflects the corporate governance practices in place throughout the 2022 financial year. The 2022 Corporate Governance Statement was approved by the board on 14 September 2022. 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/.

STATE GAS LIMITED

ACN 617 322 488

Annual financial report – 30 June 2022

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 2022

	Notes	2022 $	2021 $
Other income	2	368	145,742
Administrative and other expenses	3	(752,283)	(605,656)
Employee benefits expense		(604,319)	(525,579)
Financing costs	3	(27,024)	67,984
Share based payment expense		2,725,521	(2,029,624)
Profit / (loss) before income tax expense		1,342,263	(2,947,133)
Income tax benefit	4	-	-
Profit / (loss) after income tax expense		1,342,263	(2,947,133)
Other comprehensive income / (loss) for the period, net of tax		-	-
Total comprehensive income / (loss) for the period		1,342,263	(2,947,133)
		Cents	Cents
Earnings per share for profit / (loss) from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	7	0.7	(1.8)
Diluted earnings per share	7	0.7	(1.8)

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

Balance sheet
As at 30 June 2022

	Notes	2022 $	2021 $
ASSETS			
Current assets			
Cash and cash equivalents	8	3,225,443	3,160,029
Trade and other receivables	9	128,543	255,818
Total current assets		3,353,986	3,415,847
Non-current assets			
Exploration and evaluation assets	10	29,385,879	24,829,466
Plant and equipment	11	741,691	919,425
Other assets	12	400,171	378,029
Total non-current assets		30,527,741	26,126,920
Total assets		33,881,727	29,542,767
LIABILITIES			
Current liabilities			
Trade and other payables	13	262,006	2,583,542
Total current liabilities		262,006	2,583,542
Non-current liabilities			
Provisions	14	2,321,878	1,777,911
Total non-current liabilities		2,321,878	1,777,911
Total liabilities		2,583,884	4,361,453
Net assets		31,297,843	25,181,314
EQUITY			
Contributed equity	15	36,252,155	29,219,955
Reserves	16	2,896,757	5,154,691
Accumulated losses		(7,851,069)	(9,193,332)
Total equity		31,297,843	25,181,314

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

Statement of changes in equity
For the year ended 30 June 2022

	Contributed equity $	Accumulated losses $	Share based payments reserve $	Total $
Balance as at 1 July 2020	14,801,273	(6,246,199)	3,125,067	11,680,141
Loss for the period	-	(2,947,133)	-	(2,947,133)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(2,947,133)	-	(2,947,133)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	14,418,682	-	-	14,418,682
Share-based payments	-	-	2,029,624	2,029,624
Balance as at 30 June 2021	29,219,955	(9,193,332)	5,154,691	25,181,314
Profit for the period	-	1,342,263	-	1,342,263
Other comprehensive income	-	-	-	-
Total comprehensive income	-	1,342,263	-	1,342,263
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	7,032,200	-	-	7,032,200
Share-based payments	-	-	(2,257,934)	(2,257,934)
Balance as at 30 June 2022	36,252,155	(7,851,069)	2,896,757	31,297,843

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 2022

	Notes	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers (GST inclusive)		587,347	1,151,911
Payments to suppliers and employees (GST inclusive)		(1,785,409)	(2,400,383)
Interest received		368	6,042
Government incentives received		-	139,700
Net cash outflow from operating activities	18	(1,197,694)	(1,102,730)
Cash flows from investing activities			
Payments for exploration assets		(6,210,376)	(9,697,589)
Payments for property plant and equipment	11	(4,161)	(990,353)
Payments for security deposits		(22,142)	(343,029)
Net cash outflow from investing activities		(6,236,679)	(11,030,971)
Cash flows from financing activities			
Proceeds on issue of shares	15(b)	8,000,000	14,496,410
Payment of capital raising costs and listing expenses	15(b)	(500,213)	(77,728)
Net cash inflow from financing activities		7,499,787	14,418,682
Net increase (decrease) in cash and cash equivalents		65,414	2,284,981
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	8	3,225,443	3,160,029

Non-cash financing and investing activities 18(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 2022

Note 1 Summary of significant 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 14 September 2022. The Directors have the power to amend and reissue the financial statements.

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 profit of $1,342,263 and net operating cash outflows of $1,197,654 for the year ended 30 June 2022. As at 30 June 2022, the Company has cash of $3,225,443.

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

- the ability of the Company to raise capital as and when necessary; and / or
- the successful exploration and subsequent exploitation of the Company's tenements.

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:

- capital raising to institutional and sophisticated investors in September 2021 raising $8,000,000 (excluding costs of the raise); 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.

Notes to the financial statements for the year ended 30 June 2022

Note 1 Summary of significant accounting policies (continued)

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.

Note 1 Summary of significant 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.

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 2022

Note 1 Summary of significant 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. Trade and other receivables

Trade and other receivables are recognised at amortised cost, less any provision for expected credit loss.

g. 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 2022

Note 1 Summary of significant accounting policies (continued)

h. 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 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.

i. 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.

j. 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 2022

Note 1 Summary of significant accounting policies (continued)

k. Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for long service leave not expected to be settled within 12 months of the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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.

Note 1 Summary of significant accounting policies (continued)

k. Employee benefits (continued)

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.

l. 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.

m. 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.

Note 1 Summary of significant accounting policies (continued)

n. Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

o. 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.

p. 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.

Note 1 Summary of significant accounting policies (continued)

p. Critical accounting estimates and judgements (continued)

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.

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 14 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 19 for further details of share-based payments.

Notes to the financial statements for the year ended 30 June 2022

Note 2 Other income

	2022 $	2021 $
Other income		
Interest received from unrelated parties	368	6,042
Government incentives	-	139,700
Total other income	368	145,742

Note 3 Loss for the year

Loss before income tax includes the following specific expenses:

	2022 $	2021 $
Finance costs		
Provisions: Unwinding of discount (Note 14)	27,024	(67,984)
Superannuation expense	98,525	93,019
Administration and other expenses		
Insurance expense	247,216	129,667
Director remuneration	140,818	138,550
Auditor remuneration	49,700	50,717
Compliance costs	80,448	70,594
Other	234,101	216,128
	752,283	605,656
Share based payments expense		
Performance rights expensed	72,705	2,029,624
Reversal of share-based payments expense *	(2,798,226)	-
Total share-based compensation expense	(2,725,521)	2,029,624

* The credit of $2,798,226 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.

Notes to the financial statements for the year ended 30 June 2022

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.

	2022 $	2021 $
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax expense	1,342,263	(2,947,133)
Tax at the Australian tax rate of 30% (2021: 26%)	402,679	(766,255)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	(817,656)	527,703
Other	8,186	(17,153)
Adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised	406,791	255,705
Income tax expense / (benefit)	-	-
(b) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	5,687,878	3,619,113
Potential tax benefit @ 30% (2021: 26%)	1,706,363	940,969

Note 4 Income tax expense

	2022 $	2021 $
(c) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Tax losses	9,276,047	6,545,997
Share issue costs	142,567	46,356
Employee leave provisions	19,984	-
Accrued expenses	12,001	10,025
Total deferred tax assets	9,450,599	6,602,378
Set-off of deferred tax liabilities pursuant to set-off provisions	(7,744,236)	(5,661,409)
Deferred tax assets not recognised	(1,706,363)	(940,969)
Net deferred tax assets	-	-

	2022 $	2021 $
(d) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Exploration and evaluation assets	7,744,236	5,661,409
Total deferred tax liabilities	7,744,236	5,661,409
Set-off of deferred tax liabilities pursuant to set-off provisions	(7,744,236)	(5,661,409)
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.

Note 5 Key Management Personnel Compensation

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

	2022	2021
	$	$
Short-term employee benefits	820,492	845,489
Post-employment benefits	74,588	68,598
Share-based compensation		
Performance rights expensed	58,177	2,019,622
Reversal of performance rights expensed	(2,798,226)	-
Total KMP compensation	(1,844,969)	2,933,709

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 current year a credit of $2,798,226 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.

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

Note 6 Auditor's Remuneration

	2022	2021
	$	$
Remuneration of the auditor for:		
- Auditing or reviewing the financial report	49,700	48,000
	49,700	48,000

Note 7 Earnings per share

	2022 Cents	2021 Cents
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	0.7 cents	(1.8 cents)
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	0.7 cents	(1.8 cents)

(c) Reconciliations of earnings used in calculating earnings per share

	2022 $	2021 $
Basic earnings per share		
Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	1,342,263	(2,947,133)
Diluted earnings per share		
Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	1,342,263	(2,947,133)

(d) Weighted average number of shares used as the denominator

	2022 Number	2021 Number
Weighted average number of shares used in calculating basic earnings per share	193,150,661	165,533,885
Weighted average number of shares used in calculating diluted earnings per share	207,051,483	165,533,885

(e) Information concerning the classification of securities

(i) Options and performance rights

Options and performance rights on issued during the current financial year were included in the calculation of diluted earnings per share for the year ended 30 June 2022. Options and performance rights on issue on issue in the prior year are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2021. Details relating to options and performance rights are set out in note 19.

Note 8 Cash and cash equivalents

	2022	2021
	$	$
Cash at bank and on hand	3,225,443	3,160,029
	3,225,443	3,160,029

Note 9 Trade and other receivables

	2022	2021
	$	$
Prepayments	428	93,596
Other receivables	128,115	162,222
Total current trade and other receivables	128,543	255,818

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

Note 10 Exploration and evaluation assets

	2022	2021
	$	$
Exploration and evaluation assets – at cost	29,385,879	24,829,466
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 year	4,039,470	12,006,739
Rehabilitation asset increment (refer to note 14)	516,943	994,848
Balance at the end of the year	29,385,879	24,829,466

The Directors have assessed that for the exploration and evaluation assets recognised at 30 June 2022, 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*.

Note 11 Plant and equipment

	Plant and equipment $	Field assets $	Total $
At 30 June 2020			
Cost	1,844	-	1,844
Accumulated depreciation	(1,227)	-	(1,227)
Net book amount	617	-	617
Year ended 30 June 2021			
Opening net book amount	617	-	617
Additions	-	990,353	990,353
Depreciation charge	(617)	(70,928)	(71,545)
Closing book amount	-	919,425	919,425
At 30 June 2021			
Cost	1,844	990,353	992,197
Accumulated depreciation	(1,844)	(70,928)	(72,772)
Net book amount	-	919,425	919,425
Year ended 30 June 2022			
Opening net book amount	-	919,425	919,425
Additions	4,162	-	4,162
Depreciation charge	(692)	(181,204)	(181,896)
Closing book amount	3,470	738,221	741,691
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

Notes to the financial statements for the year ended 30 June 2022

Note 12 Other assets

	2022 **$**	2021 $
Security deposits	400,171	378,029
	400,171	378,029

Note 13 Trade and other payables

	2022 **$**	2021 $
Unsecured liabilities:		
Trade payables	93,465	2,376,208
Sundry payables and accrued expenses	101,926	120,021
Provision for annual leave	66,615	87,313
	262,006	2,583,542

Note 14 Provisions

	2022 **$**	2021 $
Provision for rehabilitation	2,321,878	1,777,911
Reconciliation of carrying amount:		
Opening balance	1,777,911	915,389
Additions (refer to note 10)	516,943	994,848
Provisions reversed	-	(64,342)
Unwinding of discount (refer to note 3)	27,024	(67,984)
	2,321,878	1,777,911

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 2022

Note 15 Contributed equity

		2022 Shares	2021 Shares	2022 $	2021 $
(a)	**Share capital**				
	Fully paid ordinary shares	173,032,305	173,032,305	29,219,955	29,219,955

(b) Ordinary share capital

Date	Details	Note	Number of Shares	Issue Price	$
1 July 2020	Balance		146,357,014		14,801,273
1 Oct 2020	Exercise of options	(c)	500,000	$0.20	100,000
2 Oct 2020	Placement shares	(d)	15,427,275	$0.55	8,485,001
6 Oct 2020	Placement shares	(d)	1,845,455	$0.55	1,015,000
28 Oct 2020	Placement shares	(e)	8,902,561	$0.55	4,896,409
	Share issue costs		-	-	(77,728)
30 Jun 2020	**Balance**		**173,032,305**		**29,219,955**
29 Sept 2021	Placement shares	(g)	25,000,000	$0.32	8,000,000
29 Sept 2021	Exercise of performance rights	(f)	1,800,000	-	-
	Share issue costs	(h)	-	-	(967,800)
30 Jun 2022	**Balance**		**199,832,305**		**36,252,155**

(c) Exercise of options

The issue of 500,000 fully paid ordinary shares to director, Ian Paton, on the exercise of options.

(d) Issue to sophisticated investors

The issue of a total of 17,272,730 fully paid ordinary shares to sophisticated investors at an issue price of $0.55 cash.

(e) Securities Purchase Plan

The issue of 8,902,561 fully paid ordinary shares to Shareholders under a Securities Purchase Plan.

(f) 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.

(g) 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.

(h) Share issue costs

Share issue costs consists of cash costs of $500,213 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.

Note 15 Contributed equity (continued)

(i) 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.

The Covid 19 pandemic has not impacted on the Company's ability to raise capital and the Company's strategy for capital risk management is unchanged from prior years.

	2022	2021
	$	$
Share-based payment reserve	2,896,757	5,154,691
Movements:		
Opening balance	5,154,691	3,125,067
Share based payments expensed	72,705	2,029,624
Reversal of share-based payments expense*	(2,798,226)	-
Joint lead manager options (refer note 15(h))	467,587	-
Closing balance	2,896,757	5,154,691

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

* The credit of $2,798,226 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 17 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 18 Cash flow information

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

	2022 $	2021 $
Profit / (loss) for the year	1,342,263	(2,947,133)
Adjustments for		
Share based payments	(2,725,521)	2,029,624
Depreciation expense	692	617
Financing costs	27,024	(67,985)
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	160,044	(158,282)
Increase/(decrease) in trade creditors and other payables	(2,196)	40,429
Net cash inflow (outflow) from operating activities	(1,197,694)	(1,102,730)

(b) Non-cash financing and investing activities

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

i. Provision for rehabilitation – note 14
ii. Options and shares issued to employees – note 19
iii. Depreciation of field assets capitalised to exploration and evaluation assets – note 11

(c) Net debt reconciliation

The Company does not have any debt on its balance sheet and therefore no net debt reconciliation has been provided.

Notes to the financial statements for the year ended 30 June 2022

Note 19 Share-based payments

OPTIONS

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

	Number	Weighted Average Exercise Price
Options outstanding as at 1 July 2020	**4,500,000**	**$0.51**
Options exercisable as at 1 July 2020	**4,500,000**	**$0.51**
Granted	-	-
Exercised	(500,000)	$0.20
Forfeited	-	-
Expired	(1,000,000)	$0.40
Options outstanding as at 30 June 2021	**3,000,000**	**$0.60**
Options exercisable as at 30 June 2021	**3,000,000**	**$0.60**
Granted	3,000,000	$0.42
Options outstanding as at 30 June 2022	**6,000,000**	**$0.51**
Options exercisable as at 30 June 2022	**6,000,000**	**$0.51**

The weighted average remaining contractual life of options outstanding at year end was 4 years (2021: 7 years).

The 3,000,000 options outstanding as at 30 June 2021 vested in FY2019 and expire on cessation of KMP's employment. 1,000,000 of the options are exercisable at $0.40, 1,000,000 are exercisable at $0.60 and the remaining 1,000,000 are exercisable at $0.80.

Details of options issued during the financial year are as follows:

3,000,000 options 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 Blac Scholes 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 year ended 30 June 2022

Note 19 Share-based payments (continued)

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 2020	**10,600,000**	**-**
Performance rights exercisable as at 30 June 2020	**150,000**	**-**
Granted	300,000	-
Forfeited	-	-
Expired	-	-
Performance rights outstanding as at 30 June 2021	**10,900,000**	**-**
Performance rights exercisable as at 30 June 2021	**1,800,000**	**-**
Granted	-	-
Exercised	(1,800,000)	
Forfeited	(3,500,000)	-
Expired	-	-
Performance rights outstanding as at 30 June 2022	**5,600,000**	**-**
Performance rights exercisable as at 30 June 2022	**-**	**-**

The weighted average remaining contractual life of performance rights outstanding at year end was 0.3 years (2021: 0.9 years).

300,000 performance rights were granted to employees on 27 April 2021 (including 150,000 granted to Ms L Snelling). The fair value of these performance rights was $165,000. This value was calculated based on the share price at the date the performance rights were granted and the share based payment expense is being recognised on the basis that all performance rights will vest.

Grant date	Number of Rights	Vesting conditions	Vesting date	% Vested	Expiry date	Fair value at grant date per right
27/04/2021	75,000	Completion of the Phase 2 exploration program before 30 June 2021.	Vesting not achieved.	0%	27/04/2024	$0.55
27/04/2021	225,000	Board approval of a successful corporate transaction being a substantial merger or acquisition, or change of control transaction.	13/04/2024	0%	27/04/2024	$0.55

2,500,000 performance rights were granted to an advisor on 4 February 2019. No value will be ascribed to these rights until such time as the vesting conditions are satisfied.

Notes to the financial statements for the year ended 30 June 2022

Note 19 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	Expense recognised $	Expense reversed $	Net expense (credit) $
R Cottee	03/06/2019	1,000,000	Deliver Phase 2 Work Program within the Reid's Dome Gas Project - Vesting not achieved	$0.75	03/06/2022	-	(603,503)	(603,503)
R Cottee	03/06/2019	2,000,000	Completion of a change-of-control transaction - Vesting not achieved	$0.75	03/06/2022	-	(1,037,409)	(1,037,409)
R Cottee	03/06/2019	500,000	Completion of a material strategic acquisition - Vesting not achieved	$0.75	03/06/2022	-	(259,352)	(259,352)
M Herrington	23/01/2020	500,000	Deliver the Phase 2 Work Program and associated production testing within PL 231 - Estimated vesting date 1/11/2022	$0.635	01/11/2022	43,649	-	43,649
M Herrington	23/01/2020	1,500,000	Delivery of first material gas production under a gas sale agreement by 31 December 2021 - Vesting not achieved	$0.635	01/11/2022	-	(704,958)	(704,958)
M Herrington	23/01/2020	500,000	Assistance with the delivery and completion of a change-of-control transaction - Vesting not expected to be achieved	$0.635	01/11/2022	-	(193,004)	(193,004)
L Snelling	27/04/2021	112,500	Successful corporate transaction that involves greater than 50% of the shares in GAS – Estimated vesting date 27/04/2024	$0.55	27/04/2024	14,528	-	14,528
Non-KMP employees	27/04/2021	112,500	Successful corporate transaction that involves greater than 50% of the shares in GAS – Estimated vesting date 27/04/2024	$0.55	27/04/2024	14,528	-	14,528
					Total expense recognised	**72,705**	**(2,798,226)**	**(2,725,521)**

Note 19 Share-based payments (continued)

The expense reversed of $2,798,226 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 20 Events after the reporting date

No 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 21 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.

d. **Transactions with related parties**

During the financial year, Valmap Pty Ltd, a company of which Mr Ian Paton is a shareholder and director, was paid $1,818 in consulting fees. No such payments were made during the year ended 30 June 2021.

Notes to the financial statements for the year ended 30 June 2022

Note 22 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 23 Commitments

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. As at 30 June 2022 the full LDP expenditure commitment had been met.

Note 24 Financial risk management

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

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	**2022** $	2021 $
Financial assets			
Cash and cash equivalents		3,225,443	3,160,029
Trade and other receivables		128,115	162,222
Other assets – security deposits		400,171	378,029
Total financial assets		3,753,729	3,700,280
Financial liabilities			
Trade and other payables		160,080	2,463,521
Total financial liabilities		160,080	2,463,521

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.

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.

Note 24 Financial risk management (continued)

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 2022, 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 $32,254 (2021: $31,600) 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.

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 31 to 62 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 2022 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.

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, 14 September 2022

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

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

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 balance sheet as at 30 June 2022, 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 a summary of significant accounting policies, 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 2022 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

Key audit matter	*How the matter was addressed in our audit*
Refer to Note 10 of the financial statements. The Company carries exploration and evaluation assets as at 30 June 2022 in accordance with the Company's accounting policy for exploration and evaluation assets. The recoverability of exploration and evaluation asset 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 Exploration for and Evaluation of Mineral Resources in light of any indicators of impairment that may be present.	Our procedures included, but were not limited to the following: • 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 Share Based Payments

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 19, the Company has issued a number of performance rights and options during the current and prior financial years. Share-based payment arrangements are a complex accounting area which include assumptions utilised in the fair value calculation and estimation regarding the number of performance rights and options that are expected to become exercisable. We consider the Group's accounting for share-based payment arrangements to be a key audit matter.	Our procedures included, but were not limited to the following: • Holding discussions with management to understand the share-based payment arrangements in place; • Examining the accounting treatment for performance rights and options under AASB 2 Share –based Payment; • Reviewing management's determination of fair value of the share-based payments issued, considering the appropriateness of the valuation model used and assessing the valuation inputs; • Reviewing the performance rights expense reversals relating to the reassessment of vesting condition probabilities during the period; • Assessing the allocation of the share-based payment expense over the expected vesting periods; and • Assessing the adequacy of the disclosures in Note 19.

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 2022, 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 the 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 financial report that gives a true and fair view and is free from material 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 in pages 17 to 25 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of State Gas Limited, for the year ended 30 June 2022, 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 14 September 2022

Shareholder information

The shareholder information set out below was applicable as at 8 September 2022.

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	93
1,001 – 5,000	220
5,001 – 10,000	179
10,001 – 100,000	479
100,001 and over	193
	1,164

There were 163 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:

	Ordinary shares	
Name	Number held	% of issued shares
Triangle Energy (Global) Limited	47,884,693	23.96
Allegro Capital Nominees Pty Ltd	14,000,000	7.01
Investment for Retirement Pty Ltd	9,000,000	4.50
HSBC Custody Nominees (Australia) Limited	5,289,761	2.65
Sunset Power Pty Ltd	4,948,864	2.48
H&G Investment Management Ltd	4,910,750	2.46
Bond Street Custodians Limited	4,572,193	2.29
Immanuel Developments Pty Ltd	3,723,966	1.86
Physick SMSF Pty Ltd	3,218,622	1.61
National Nominees Limited	2,900,443	1.45
Mr Jamie Pherous	2,870,935	1.44
Ms Amanda Elizabeth Kitson Collins	2,442,025	1.22
Australian Philanthropic & Services Foundation P/L	2,200,000	1.10
Graeme Eric Fielding & Noelle Lee Halpin	2,054,187	1.03
Allegro Capital Nominees Pty Ltd	1,916,668	0.96
Foligno Pty Limited	1,644,387	0.82
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd	1,624,728	0.81
Green Ashlar Pty Ltd	1,600,000	0.80
Bridgestar Pty Ltd	1,600,000	0.80
HSBC Custody Nominees (Australia) Limited – A/c 2	1,545,307	0.77
Mr Richard Cottee	1,531,181	0.77
Total	**121,478,710**	**60.79**

Unquoted equity securities

	Number on issue	Number of holders
Options	6,000,000	4
Performance rights	5,600,000	4

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

	Number held	% of total on issue
James Crowley	3,000,000	50.0%

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

	Number held	% of total on issue
Highbury Partnership Pty Ltd	2,500,000	44.6%
Mike Herrington	2,800,000	50.0%

C Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
Ordinary shares		
Triangle Energy (Global) Limited	47,884,693	24.0%
Greg Alexander John Baynton, Allegro Capital Nominees Pty Ltd, Intercontinental Pty Ltd Investment for Retirement Pty Ltd and Baynton Brothers Pty Ltd	28,613,860	14.3%

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