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STATE GAS

INTERIM REPORT

31 DECEMBER 2025

STATE GAS LIMITED

ACN 617 322 488

Interim Report – 31 December 2025

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CORPORATE DIRECTORY

Directors	P St Baker G A J Baynton A Bellas D McAlpine J Stretch
Secretary	S M Yeates
Principal Place of Business	Suite 4, Level 1, 40 Edward Street Brisbane, QLD 4000
Registered Office	Suite 4, Level 1, 40 Edward Street Brisbane, QLD 4000
Auditor	BDO Audit Pty Ltd Level 18, 360 Queen Street Brisbane QLD 4000 www.bdo.com.au
Solicitors	HWL Ebsworth Lawyers Level 19, 480 Queen Street Brisbane QLD 4000 https://hwlebsworth.com.au/
Bankers	Westpac Banking Corporation
Website address	www.stategas.com

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Competent Persons Statement - Reserves

Joseph M. Wolfe is an employee of Netherland, Sewell & Associates, Inc. (NSAI) and a Licensed Professional Engineer in the State of Texas (Texas License No. 116170). He is a Qualified Petroleum Reserves and Resources Evaluator, which is defined by the Australian Securities Exchange (ASX) as a person who (1) has obtained a bachelor's degree or advanced degree in petroleum engineering, geology, geophysics, or other discipline of engineering or physical science; (2) has more than five years of practical experience in petroleum engineering, petroleum production geology, or petroleum geology, with at least three years of such experience being in the evaluation and estimation of petroleum reserves, contingent resources, and prospective resources; and (3) is a member of good standing of a professional organization of engineers, geologists, or other geoscientists whose professional practice includes petroleum reserves, contingent resources, and prospective resources evaluations and/or audits. Mr. Wolfe attended Texas A&M University and graduated in 2009 with a Master of Engineering Degree in Petroleum Engineering; he attended Northwestern State University and graduated in 1999 with a Bachelor of Science Degree in Mathematics, has in excess of 17 years of experience in petroleum engineering studies and evaluations, and he is a member of the Society of Petroleum Engineers (SPE No. 3283427).

John G. Hattner is an employee of Netherland, Sewell & Associates, Inc. (NSAI) and a Licensed Professional Geoscientist in the State of Texas (Texas License No. 559). He is a Qualified Petroleum Reserves and Resources Evaluator, which is defined by the Australian Securities Exchange (ASX) as a person who (1) has obtained a bachelor's degree or advanced degree in petroleum engineering, geology, geophysics, or other discipline of engineering or physical science; (2) has more than five years of practical experience in petroleum engineering, petroleum production geology, or petroleum geology, with at least three years of such experience being in the evaluation and estimation of petroleum reserves, contingent resources, and prospective resources; and (3) is a member of good standing of a professional organization of engineers, geologists, or other geoscientists whose professional practice includes petroleum reserves, contingent resources, and prospective resources evaluations and/or audits. Mr. Hattner attended Saint Mary's College of California and graduated in 1989 with a Master of Business Administration Degree; he attended Florida State University and graduated in 1980 with a Master of Science Degree in Geological Oceanography; he attended University of Miami, Florida in 1976 and graduated with a Bachelor of Science Degree in Geology, has in excess of 45 years of experience in petroleum geology studies and evaluations, and is a member of the Society of Exploration Geophysicists.

Additional Information in respect to Reserves required by the ASX Listing Rules (LR)

Listing Rule (LR)	Reporting Requirements
LR 5.25.1	The 2P (Proved plus Probable) Unconventional Gas Reserves for the Rolleston West Project (State Gas 100%) have been independently certified as at 20 November 2025. The Reserves were estimated by Netherland, Sewell & Associates, Inc. ("NSAI"), an internationally recognised subsurface consultancy and qualified petroleum reserves evaluator in accordance with ASX Listing Rule 5.41. The Reserves information is based on, and fairly represents, work conducted by Mr John G. Hattner and Mr Joseph M. (Joe) Wolfe of NSAI, each of whom meets the qualification requirements of ASX Listing Rule 5.41. Both have consented to the inclusion of the Reserves information in the form and context in which it appears. Mr Wolfe and Mr. Hattner do not have, nor does not expect to receive, any direct or indirect interest in the securities of State Gas Limited or its affiliated companies. In accordance with the definition of independent under Rule 141 of the NGR, both Mr Wolfe and Mr. Hattner are independent of State Gas Limited, its directors, its senior management, and its advisors.
LR 5.25.2	The Reserves have been prepared in accordance with the SPE-PRMS 2018 and SPE PRMS 2024 guidelines and ASX Listing Rule 5.25–5.31 requirements
LR 5.25.3	Unconventional Gas Reserves have been certified in the 2P and 3P categories. There has been no adjustment for risk.
LR 5.25.5	The reported estimate of Gas Reserves applicable to the Rolleston West Project are reported at State Gas 100% economic interest in the project. No contractual royalty obligations exist over ATP 2062. Allowance has been made for State royalties in evaluating project economics.
LR 5.25.6	The 2P Reserves have been assessed using deterministic methods and have not been adjusted for risk. The certification is based on detailed geological, petrophysical, reservoir engineering and production test data acquired across ATP 2062, including gas desorption measurements, core analyses, permeability tests, and extended production testing from the Rougemont well system. NSAI also incorporated historical coal and CSG industry data relevant to the Bandanna Formation coals within and adjacent to the permit.
LR 5.25.7	The reported Gas Reserves are stated in cubic feet and gigajoules and have not been reported in or converted from other units of equivalency.
LR 5.26.1	State Gas has a high degree of confidence in the commerciality of the Rolleston West Project and evidence of the economic producibility of the reservoir. This confidence is based on internal geological and economic modelling and is now supported by independent assessment by NSAI. The Company has already demonstrated the commercial viability of gas from the Rolleston West existing well system, through sales supported by the Company's unique gas compression technology. NSAI independently reviewed the Company's assumptions regarding development concept, well count, operating parameters, anticipated recoveries, capital and operating costs, and economic cut-offs. Based on this assessment, NSAI has concluded that the certified 30.2 PJ of 2P gas reserves, together with the associated 3P reserve volume, are economically capable of supporting development of a long-life ~10 TJ/day CSG project, supplying pipeline-quality gas to the east coast market.
LR 5.26.4	Gas reserves in the reserve table are stated before any assumption of fuel gas usage and shrinkage losses associated with production activities such as wellsite compression and water treatment. Detailed plan design is insufficiently advanced to determine if use of Rolleston West gas is the most efficient fuel source to support field activities.
LR 5.26.5	The 2P Reserve estimates have been reported on a 100% working interest basis, and the reference point for the reserves is the inlet to the Gladstone–Wallumbilla Pipeline at the Rolleston Jemena Compression Station.
LR 5.31.1	All economic assumptions that form the basis of the commerciality test were provided as actual or planned expenditures and revenues by State Gas. All assumptions on capital or operating costs were based on actual costs which the Company has previously incurred and are suitable proxies for long term cost modelling or based on third party cost disclosures available in public gas industry reports. When including these costs in economic models, the Company has included appropriate cost contingencies based on the fact that it is at the pre-development stage. Economic consideration has been given to State based royalties when assessing the resulting net project cashflows. State Gas provided NSAI with drilling logs, completion reports, LAS files, gas analysis reports, production test data, and license data from the Rolleston West Project (and surrounding areas) in the Bowen Basin in Queensland, Australia. In addition, the Company provided NSAI with shape files of its geologic interpretation of fractures and other geological features within the tenement area, including public seismic data. NSAI conducted its own petrophysical review and evaluation of the core and wireline log data and included extensive pre-existing coal industry data over and adjacent to the Project area. The tenement is not subject to an Australian market

Listing Rule (LR)	Reporting Requirements
	supply condition and consequently the Company has used the calendar 2025 average LNG netback price (after applying a 5% discount) for the purposes of determining forward sales revenue.
LR 5.31.2	State Gas has 100% ownership and is operator of the Rolleston West Project
LR 5.31.3	State Gas holds an Exploration Permit (ATP 2062) over the area which encompasses the Rolleston West Project for a term of six years. State Gas is now in the process of applying for a petroleum lease over the eastern area of the ATP which supports the Rolleston West Project. The tenement is not subject to an Australian market supply condition.
LR 5.31.4 and 5.31.5	Unconventional 2P Reserves listed in the above table are supported by three existing wells and 24 future "undeveloped" vertical wells which are required to support the Company's current assessment of minimum project size necessary to support the development of a permanent gas pipeline connection. The expected recovery rates from these wells are based on production performance from existing wells and conservative estimation of likely performance of future wells based on NSAI's experience of similar wells developed for other CSG projects targeting the similar coal measures. The 3P reserve case assumes the development of a further 16 wells to maintain daily production of 10TJ/day over a minimum operating period of 10 years. Final well numbers, extraction methods, production strategy and plant configuration remain subject to detailed FEED studies, financing, regulatory approvals and commercial arrangements.
LR 5.31.6	The Rolleston West Project is in the pre-development phase and remains conditional on finalising financing facilities and other sources of capital necessary to support project development, securing requisite permits and approvals and finalising detailed plant and pipeline design. State Gas believes there is now sufficient technical data available and sufficient reserves certified to progress each of these development pre-conditions. The Company will seek to obtain relevant regulatory and environmental approvals by the end of calendar 2027, which would allow construction to commence in early calendar 2028, with first material gas expected in calendar 2029. Now that a substantial 2P reserve base has been established, State Gas believes it is in a strong position to engage with potential customers around the negotiation of foundational gas supply contracts and now has a range of options available to progress the project toward development, including introducing project partners and the application of government supported infrastructure finance. The Company has identified potential pipeline routes (under a previous survey license) for the connection of Rolleston West to the Gladstone Wallumbilla Pipeline system (37 kilometres).

Competent Persons Statement - Resources

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 ATP 2069 described in Table 2 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 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 document. The Contingent Resources estimated have been prepared in accordance with the definitions and guidelines set forth in the SPE–PRMS 2018.

Additional Information in respect to Resources required by the ASX Listing Rules (LR)

Listing Rule (LR)	Reporting Requirements
LR 5.25.1	Unconventional contingent Resources within ATP 2062 for the Rolleston West Project were previously assessed and announced on 12 September 2022 and have been amended on 20 November 2025 in conjunction with classification of the previous resource as part of a 2P reserve. All other conventional and unconventional contingent Resources were previously assessed and announced on 12 September 2022 and remain unchanged.
LR 5.25.2	Gas Resources have been reported in accordance with SPE-PRMS 2018 and the SPE 2024 PRMS guidelines and ASX Listing Rule Requirements
LR 5.25.3	Gas Resources have been certified in the 1C, 2C and 3C categories. There has been no adjustment for risk.
LR 5.25.5	The reported estimate of Gas Resources applicable to the Company's exploration tenements are reported at State Gas economic interest in the project, as reported in the relevant table. No contractual royalty obligations exist over the Company's tenements.
LR 5.25.6	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 ATP 2069, were estimated utilising the probabilistic method with totals summed arithmetically and have not been adjusted for commercial risk.
LR 5.25.7	The reported Gas Resources are stated in cubic feet and gigajoules and have not been reported in or converted from other units of equivalency.
LR 5.31	The estimates reported relate to unconventional petroleum resources. The details of the project area, the method of extraction and number of wells that may be required are not yet finalised. The Contingent Resources estimated have been prepared in accordance with the definitions and guidelines set forth in the SPE–PRMS 2018. The estimates reported are not contingent on technology that remains under development

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Listing Rule (LR)	Reporting Requirements
LR 5.33	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. No decisions can yet be made about the proposed extraction method for these resources or whether additional processing is required before gas can be sold.

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Chairman's Letter

State Gas Limited ("State Gas" or "the Company") made significant progress during the last half year with its Rolleston West Coal Seam Gas ("CSG") Project and its continuing efforts to establish an alternative fuels business utilising its high-density natural gas ("HDNG") technology. I am pleased to report the Company has now established a maiden 30PJ 2P reserve for the Rolleston West Project which validates many years of geological work, drilling and production testing within the Company's primary exploration tenure ATP 2062. This is a significant value marker for the Company and demonstrates an intrinsic value in the Company's assets many times the Company's current market capitalisation. The substantial 2P reserve provides a strong foundation to progress the Rolleston West Project toward development and to reposition State Gas in the eyes of investors.

Rolleston West CSG Project – 30 PJ 2P Reserve

The Company has established an independently certified, bankable gas reserve of 30PJs, which is sufficient to underpin the economics of a substantial CSG project. The 2P reserve is only a portion of the larger 2C resource within the Rolleston West Project area (on the eastern flank of ATP 2062) therefore providing significant expansion opportunity for the Project.

State Gas has progressed the Rolleston West project to this critical milestone at the right time. The macroeconomic outlook for gas producers in Australia remains positive, with a continuing recognition that gas-fired electricity generation is critical to the stability and reliability of Australia's electricity grid. Recent events in the northern hemisphere highlight the volatility in global energy markets and reinforces the benefits of Australia as a stable environment for investment in long term gas supply projects.

The Company is now progressing the next stage of studies on the Rolleston West Gas Project including environmental baseline monitoring to support an application for permanent production tenure. The establishment of a large gas reserve capable of economically supporting the first 10 years of gas production positions the Project strongly and opening up funding options previously not available to the company including large gas consumers, traders, retailers and exporters, infrastructure investors and funders.

Alternative Fuels – HDNG diesel fuel replacement solution

During the period, State Gas continued to promote its HDNG technology and bespoke fuels supply-chain solutions as a diesel fuel alternative. This remains a significant opportunity for State Gas, with diesel fuel consumption by coal miners in the Bowen Basin more than $2bn per annum and our solution potentially able to replace between 50 and 70% of that diesel. Although challenging coal market conditions have meant the Company is yet to secure new customers for its HDNG solution, we believe that sustained increase in diesel costs expected over the short to medium term, means that the gas/diesel price arbitrage created by our HDNG solution will become increasingly attractive to coal mines and industrial users in the Bowen Basin and surrounding areas.

Landholder dispute

State Gas continues to incur significant direct and indirect costs and losses arising from what is in the Company's view, the unlawful actions by the landowner of locking the Company off the property in November 2024 and May 2025 and continued threats of disrupting our activities on site. The landowner's actions are in response to an ongoing access and compensation dispute dating back to September 2024.

The parties have been unable to resolve these matters through independent mediation and both the Company and the Landowner are seeking resolution through the Land Court of Queensland.

While management of this issue is an enormous drain on the Board and Management's time, enforcing the Company's rights and protecting our assets is in the best interests of all shareholders as is ensuring that there is a commercially sustainable regime for access and compensation for activities on the property as we continue to advance the Rolleston West Project.

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Finances and Capital Management

The Directors remain cognisant of the Company's restricted capital position and continue to implement a range of initiatives to preserve capital in accordance with a Capital Management plan first described in the announcement of 27 May 2025.

The Company is working with the ATO to expedite its review and release R & D grant monies which were originally anticipated in September 2025. Receipt of these funds will restore the Company's balance sheet and establish a solid foundation for achieving the objectives described in this report. As a consequence of the delay in receiving the R & D grant monies, the Directors (who are major shareholders of the Company) have continued to provide substantial ongoing financial support to the Company by way of working capital loans, demonstrating their commitment to the Company's strategy and the challenges associated with raising new equity solely for exploration activities.

In December 2025, the Company raised $3.2 million from sophisticated and professional investors through the issue of unsecured convertible notes and attaching options. The issue of convertible notes was subject to shareholder approval, which was received on 21 January 2026. The transaction was priced at a premium to the Company's prevailing share price at the time reflecting a more efficient capital solution for existing shareholders than the alternative, which would have been a dilutionary placement or entitlement offer. Funds raised through issue of convertible notes provide an improved financial platform upon which State Gas can advance its planning and pre-development activities for the Rolleston West Project. Funds raised from the Convertible Note placement in conjunction with R & D grant monies when received means, the Company has sufficient funding to continue its study and planning activities for the Rolleston West Project over at least the next twelve months.

Outlook

With the attainment of 2P Reserve Certification for the Rolleston West Project, the Company is now focused on progressing funding options not previously available (prior to our recent 2P certification), development planning and identifying long term co-investment partners for the Project. After the R&D grant monies have been received and the balance sheet restored, the Company plans to accelerate planning and develop activities while simultaneously seeking to commercialise our unique HDNG alternate fuels solution to foundational customers seeking to drive down their fuel costs and emissions.

The Company must also resolve the ongoing Landholder dispute through the Land Court Process or direct commercial negotiation. These actions will require significantly less capital than prior years and will add substantial value to the Rolleston West Project.

The Company has a highly prospective portfolio of gas acreage in the Southern Bowen Basin, which is in close proximity to productive gas projects which are targeting similar coal measures. These exploration areas are also close to critical existing pipeline infrastructure and in conjunction with initial revenues from HDNG sales, positions the Company well for continued exploration, appraisal and development.

The Directors believe that the Company's exploration assets combined with its pioneering HDNG technology means it is well positioned to contribute gas supply toward addressing the substantial east-coast gas shortfall and supporting a sustainable energy security policy for Australia.

Yours faithfully



Phil St Baker
Non-Executive Chairman

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DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2025

Your directors present their report on State Gas Limited (the Company) for the half-year ended 31 December 2025.

DIRECTORS

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

Gregory Baynton
Anthony Bellas
Douglas McAlpine
Jon Stretch
Philip St Baker

PRINCIPAL ACTIVITIES

Principal Activities

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

During the half-year, the Company achieved independent certification of a maiden 2P gas reserve for its flagship Rolleston West Project (ATP 2062) and is now undertaking additional studies and commencing the regulatory process necessary to develop the project. The Company also continued to promote its High Density Natural Gas ("HDNG") technology to potential customers in the Bowen Basin as part of its alternative fuels strategy.

Rolleston West Project – Maiden 2P Reserve Certification

On 20 November 2025, the Company announced independent certification of a maiden proven plus probable (2P) gas reserve of 30.2 petajoules (PJ) for the Rolleston West Project. The reserve was independently certified by Netherland, Sewell & Associates, Inc. ("NSAI"), an internationally recognised subsurface consultancy and reserves auditor, in accordance with SPE-PRMS 2018 and 2024 guidelines.

Noting the Rolleston West Project is in the pre-development stage, NSAI independent assessment confirms that the 30.2PJ of 2P gas reserves (in conjunction with a further 13.9PJ of 3P reserve) are economically capable of supporting the economics of a long life, 10TJ/day coal seam gas ("CSG") project, capable of providing pipeline quality gas to both the East Coast domestic and export markets. The independently reviewed project feasibility model demonstrates attractive returns on capital required for the gas field development, an appropriately sized gas processing plant and permanent pipeline infrastructure that would connect the Rolleston West Project area to the Gladstone/Wallumbilla gas pipeline network. Assuming success in future drilling campaigns in the 3P reserve zone and adjacent area which contains a large 2C resource base, the development and operation of a long-life gas project in the Rolleston West area is attractive.

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The 2P reserve provides a strong economic foundation for State Gas to advance funding solutions previously not available to the Company, thereby allowing it to more rapidly progress detailed engineering and gas sales negotiations, engagement with infrastructure providers and discussions with co-investment partners necessary for the long-term development the Project. State Gas is now focused on enhancing Project value through:

- Completing concept and pre-FEED/FEED studies for gas processing, compression and export infrastructure, including integration with State Gas' existing HDNG facilities;
- Seeking the relevant environmental and regulatory approvals for a petroleum lease which will support the development and operation of the Project;
- Advancing commercial discussions with potential gas off-takers (both domestic and international), including industrial users and power generators seeking to secure medium to long-term gas supply; and
- Negotiating the introduction of project co-investment partner/s who are capable of supporting long term development of the Project.

During the half year, State Gas commenced initial engagement with potential co-investment partners about strategic and financial support for the Project through potential farm-out, joint venture participation, off-take and/or gas presale. Based on positive initial feedback, the Company intends commencing a formal process over the coming quarter to competitively test investment appetite for the Project from both domestic and international counterparties. State Gas will simultaneously commence discussions about project infrastructure financing solutions with both private and public sector lenders.

Alternative Fuels - High Density Natural Gas (HDNG)

During the half-year the Company continued to promote the efficacy of HDNG as a diesel fuel alternative and is in ongoing advanced discussions with several coal mine owners regarding HDNG supply. Current coal market conditions have resulted in slowing in the Company's sales cycle, the Company remains confident that natural gas remains a superior fuel alternative for mining trucks due to both cost and emission savings which State Gas can offer using its unique HDNG technology and service offering.

Within a backdrop of increasing price of diesel over the short to medium term, State Gas continues to actively promote its HDNG technology and is strategically well positioned to respond to increasing demand from the coal mining sector as they seek to de-risk their cost of fuel and reduce carbon emissions.

An integrated gas precinct (ATP 2062 and PL 231)

There are significant physical and commercial synergies between the Reid's Dome conventional gas deposits (PL 231) and Rolleston West which provide State Gas with optionality to increase HDNG production. In addition to the potential for increased HDNG supply, the Company has commenced investigations into the use of conventional gas at Reid's Dome including local power generation to support remote data centres, accelerated computing and token generation. The Company is in early-stage discussions with parties around jointly creating shared gas infrastructure (both of HDNG technology and traditional gas pipelines) capable of commercialising gas from both PL 231 and ATP 2062.

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Land Access

During the half year, the Company continued to incur significant management and legal costs in defending its interests and protecting its Rolleston West Project assets as part of an ongoing access and compensation dispute with the landowner at ATP 2062, dating back to September 2024. Both the Company and the landowner have now respectively instigated proceedings for claims of costs and losses, and these matters are currently at an early stage in the Land Court of Queensland. A significant portion of the engagement between the parties has been confidential or subject to legal privilege and consequently the Company is restricted in what it is capable of publicly disclosing about these matters.

State Gas' objective is to undertake its exploration and appraisal activities in a co-operative manner with landowners and through the payment of appropriate compensation for access and disturbance which arises as a consequence of these activities. Enforcing the Company's access rights and protecting its assets is in the best interests of all shareholders as it is ensuring that there is a commercially sustainable regime for access and compensation for activities on the property as we continue to advance the Rolleston West Project.

Financial Position

For the half year period, the Company continued to reduce overhead costs and preserve capital in accordance with the Capital Management Plan first described in the ASX announcement of 27 May 2025. The Company's liquidity position was significantly improved in December 2025, through new capital provided under a convertible note facility described below. The Company ended the half-year with cash of approximately $0.5 million having spent $0.5 million of Company funds on exploration activities where were not covered by the State Government Exploration Grant; and on group overheads of approximately $0.6 million (net of insurance claim proceeds associated with the access dispute).

In December 2025, the Company secured commitments of $3.2 million from sophisticated and professional investors for the issue of unsecured convertible notes ("the Notes") and attaching options. In addition to the $3.2 million raised, Directors converted $0.5 million of their outstanding loans into convertible notes. The conversion price of the Notes and strike price of attaching options were both at a premium to the Company's prevailing share price at the time, reflecting investor recognition of the intrinsic value in the Company's assets following the 2P reserve announcement. In the Company's view, the transaction reflected a more efficient capital solution for existing shareholders than the alternative, which would have been a dilutionary placement or entitlement offer. $1.0 million of funding from this transaction was released to the Company prior to 31 December 2025, with the balance held in escrow, pending shareholder approval for transaction. Approval was obtained at a general meeting of shareholders on 21 January 2026, with remaining proceeds received by the Company thereafter.

The Notes have a conversion price of $0.04 (4.0 cents) for the first 16 weeks after the payment date and thereafter have a conversion price which is the lesser of $0.04 (4.0 cents) or a 20% discount to the 15-day VWAP of State Gas shares at the time. The Company can require conversion of Notes into ordinary shares of State Gas if not converted or redeemed prior to their maturity in June 2028. In lieu of interest State Gas has issued each Note holder unlisted options ("Options"). Note holders will receive one (1) attaching option for every (2) ordinary share entitlements under the issue. Options are exercisable at $0.05 (5.0 cents) and expire 30 months from the date of issue. State Gas has conversion and early redemption rights subject to certain conditions which are outlined in the detailed terms of the Notes and Options set out in the ASX announcement made by the Company on 8 December 2025.

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In response to delays in the receipt of a material R&D tax incentive refund in respect of the development costs of the HDNG plant, the Directors who are major shareholders of the Company – continued to provide substantial financial support by way of working capital loans. Total debt facilities (fully drawn) at 31 December 2025 are approximately $4.7 million comprising: $1.0 million of R & D funding secured against the FY2024 R&D tax incentive refund, $1.8M of directors loans and $1.7 million in respect of convertible note proceeds received before 31 December 2025.

The Company continues to work with the ATO to complete its review and release the R & D grant monies owned to the Company. Receipt of these funds will facilitate repayment of the original R & D loan outstanding director loans and return additional net capital to the Company. In conjunction with the funds raised from the Convertible Note placement, the Company has sufficient funding to continue its study and planning activities for the Rolleston West Project over at least the next twelve months.

The Company has adjusted overhead staffing levels to reflect the lower level of operational field activity following completion of the current exploration program, and in line with the deferred timing of HDNG sales. Non-executive directors have agreed to defer payment of their remuneration until the Company has successfully executed its Capital Management Strategy and outstanding director loans are repaid in full. The Company has curtailed all non-essential expenditure and retains discretion over the timing and scale of future exploration and development activities, which can be aligned with near-term objectives and the availability of capital.

Outlook

With the attainment of a maiden 2P reserve certification for the Rolleston West Project, the Company is now focused on progressing funding options, development planning and securing long-term co-investment partners for the Project. The Board considers the macroeconomic backdrop for east coast Australian gas to be highly supportive of its strategy, with a continuing recognition by government, industry and investors that gas-fired electricity generation is critical to the reliability of Australia's electricity grid as non-dispatchable intermittent renewable generation capacity is slowly added to the system. Global energy markets are also experiencing significant disruption making Australian gas relatively more attractive in respect of both risk adjusted investment returns and reliability of supply.

There are a series of significant value catalysts ahead for the Company over the coming year:

1. Receipt of the R&D tax incentive refund to restore the balance sheet and retire director working capital loans;
2. Recommencement and growth of HDNG sales as part of the Company's alternative fuels strategy, targeting coal miners and industrial users in the Bowen Basin;
3. Completion of a Concept Study for the Rolleston West Project, providing more granular project definition and development costs to support commercial and financing discussions;
4. Advancement of commercial discussions with potential gas offtakers and infrastructure partners capable of connecting the Rolleston West Project to the Gladstone-Wallumbilla pipeline network; and
5. Introduction of co-investment partners, including potential farm-out or joint venture participants, to support the long-term financing and development of the Project.

The resolution of the ongoing Landholder dispute through the Land Court Process or direct commercial negotiation remains a priority, as does continuing to pursue customers for the Company's HDNG technology. However, with a reduced cost structure, a significantly improved capital position, and a narrowed focus, State Gas is well-positioned to capitalise on what it believes is an expanding and increasingly valuable opportunity set for natural gas assets on the east coast of Australia.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the matters described in this report, there have been no other significant changes in the state of affairs of the Company.

EVENTS OCCURRING AFTER THE REPORTING DATE

Since 31 December 2025 the Company has Received shareholder approval on 21 January 2026 for the issue of $3.2 million of unsecured convertible notes to sophisticated and professional investors, with all proceeds received by the Company following that date. In addition to the $3.2 million raised, Directors converted $0.5 million of their outstanding loans into convertible notes. The notes carry a conversion price of $0.04 per share for the first 16 weeks after the payment date, and thereafter the lesser of $0.04 or a 20% discount to the 15-day VWAP at the time of conversion. Note holders received one attaching option for every two ordinary share entitlements under the issue, exercisable at $0.05 per share and expiring 30 months from the date of issue.

No other matters or circumstances have arisen since 31 December 2025 that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

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DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2025
(continued)

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Reserve and Resource Estimates

Independently Certified Gas Reserves (PJs net to State Gas)					
Year last amended	***Asset***	***Net Acreage (km2)***	***1P***	***2P***	***3P***
2025	*ATP 2062 Rolleston-West (unconventional)*	*1,414*	*0*	*30*	*44*

Notes:

1. 2P reserves = Proven + Probable Reserves; 3P Reserves = Proven + Probable + Possible Reserves
2. Refer additional commentary about assumptions underpinning the above reserve estimate and the Competent Person's Statement on page 3 of this report
3. No 1P reserves have been included in this reserve certification as gas production from currently developed wells is insufficient to support full project development including pipeline infrastructure
4. The effective date of the reserve estimate is 20 November 2025. No changes have occurred to this estimate since that date

Independently Certified Contingent Resources (PJs net to State Gas)					
Year last amended	***Asset***	***Net Acreage (km2)***	***1C***	***2C***	***3C***
2017	*PL231 Reid's Dome (unconventional)*	*181*	*84*	*192*	*660*
	PL231 Reid's Dome (conventional)		*1.7*	*3.6*	*7.9*
2025	*ATP 2062 Rolleston-West (unconventional)*	*1,414*	*145*	*231*	*410*
	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		***1,957***	***274***	***505***	***1,222***

Notes:

1. Refer additional commentary about assumptions underpinning the above resource estimate and the Competent Person's Statement on page 3 of this report
2. The Company's previous unconventional 2C resource estimate for Rolleston West (within ATP 2062) of 261PJ was adjusted downward by Mr Crowley on 20 November 2025 to take into account recognition of 30PJ of 2P reserve certified by NSAI

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under s307C of the *Corporations Act 2001* is set out on page 15.

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



P St Baker
Chairman

Brisbane
16 March 2026

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AUDITOR'S INDEPENDENCE DECLARATION

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Australia

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

As lead auditor for the review of State Gas Limited for the half-year ended 31 December 2025, I declare that, to the best of my knowledge and belief, there have been:

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

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

D P Wright
Director

BDO Audit Pty Ltd

Brisbane, 16 March 2026

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2025

	Note	Half-year 2025 $	Half-year 2024 $
Other income	3	425,004	111,728
Gain on fair value of derivative financial instruments		40,322	-
Administrative and other expenses	4	(735,098)	(1,181,883)
Employee benefits expense		(326,509)	(277,452)
Exploration expensed		(74,044)	(493,838)
Share based payments expense	15	(81,874)	(47,520)
Financing costs		(339,117)	(154,224)
Loss before income tax expense		(1,091,316)	(2,043,189)
Income tax expense		-	-
Loss after income tax expense		(1,091,316)	(2,043,189)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(1,091,316)	(2,043,189)
		Cents	Cents
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share	14	(0.28)	(0.65)
Diluted earnings per share	14	(0.28)	(0.65)

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

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

	Notes	31 December 2025 $	30 June 2025 $
ASSETS			
Current assets			
Cash and cash equivalents		481,680	2,160,062
Trade and other receivables	5	169,710	87,899
Total current assets		651,390	2,247,961
Non-current assets			
Exploration and evaluation assets	6	41,064,374	39,264,913
Property, plant and equipment	7	8,759,333	9,296,822
Security deposits		402,595	402,595
Total non-current assets		50,226,302	48,964,330
Total assets		50,877,692	51,212,291
LIABILITIES			
Current liabilities			
Trade and other payables	8	1,377,382	4,076,701
Borrowings	9	4,705,985	1,787,366
Derivative financial instruments	10	250,359	-
Total current liabilities		6,333,726	5,864,067
Non-current liabilities			
Provisions	11	2,887,570	2,688,041
Total non-current liabilities		2,887,570	2,688,041
Total liabilities		9,221,296	8,552,108
Net assets		41,656,396	42,660,183
EQUITY			
Contributed equity	12	55,499,252	55,493,597
Reserves		3,202,505	3,120,631
Accumulated losses		(17,045,361)	(15,954,045)
Total equity		41,656,396	42,660,183

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

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2025

	Contributed equity $	Share based payments reserve $	Accumulated losses $	Total $
Balance at 1 July 2024	50,009,838	2,975,563	(12,669,809)	40,315,592
Loss for the period	-	-	(2,043,189)	(2,043,189)
Other comprehensive loss	-	-	-	-
Total comprehensive loss	-	-	(2,043,189)	(2,043,189)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	5,483,759	-	-	5,483,759
Share-based payments	-	47,520	-	47,520
Balance at 31 December 2024	55,493,597	3,023,083	(14,712,998)	43,803,682
Balance at 1 July 2025	55,493,597	3,120,631	(15,954,045)	42,660,183
Loss for the period	-	-	(1,091,316)	(1,091,316)
Other comprehensive loss	-	-	-	-
Total comprehensive loss	-	-	(1,091,316)	(1,091,316)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 12)	5,655	-	-	5,655
Share-based payments (note 15)	-	81,874	-	81,874
Balance at 31 December 2025	55,499,252	3,202,505	(17,045,361)	41,656,396

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

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STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2025

	Note	Half-year 2025 $	Half-year 2024 $
Cash flows from operating activities			
Receipts from customers (GST inclusive)		588,494	423,766
Payments to suppliers and employees (GST inclusive)		(1,110,185)	(1,273,591)
Payments for exploration and expenditure expensed		(74,044)	(377,449)
Interest paid		(39,914)	(7,227)
Interest received		4	653
Net cash outflow from operating activities		(635,645)	(1,233,848)
Cash flows from investing activities			
Payments for exploration expenditure		(3,986,588)	(1,689,257)
Payments for plant and equipment		(63,410)	(1,878,737)
Net cash outflow from investing activities		(4,049,998)	(3,567,994)
Cash flows from financing activities			
Proceeds on issue of shares		-	4,372,739
Payments for capital raising costs	12	(95)	(411,387)
Proceeds from borrowings		3,356,107	933,875
Repayment of borrowings		(348,751)	(75,782)
Net cash inflow from financing activities		3,007,261	4,819,445
Net increase (decrease) in cash and cash equivalents		(1,678,382)	17,603
Cash and cash equivalents at the beginning of the year		2,160,062	31,751
Cash and cash equivalents at the end of the year		481,680	49,354

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2025

Note 1 Summary of material accounting policies

These general purpose interim financial statements for the half-year reporting period ended 31 December 2025 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001,* as appropriate for for-profit oriented entities.

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

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

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

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

Note 1 Summary of material accounting policies (continued)

Going Concern

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

As disclosed in the financial statements, the Company incurred a net loss of $1,091,316 and net operating cash outflows of $635,645 for the half-year ended 31 December 2025. As at 31 December 2025 the Company had a cash balance of $481,680.

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

- the ability to secure additional funding through borrowings in the short term;
- the ability of the Company to successfully raise capital, as and when necessary;
- the ability to complete successful development and commercialisation of its projects, namely Reid's Dome (PL231) and Rolleston-West (ATP2062);
- the ability to successfully resolve the landowner dispute;
- the receipt of R&D tax incentive claims sufficient to repay the financing arrangement with the R&D financier entered into on 25 August 2025 as per note 9;
- the ability to negotiate new HDNG contracts for the sale of gas; and/or
- the continued financial support of the directors by not demanding repayment of director loans until sufficient funds have been secured through either an asset sale, equipment finance, receipt of R&D refund, or future capital raises.

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

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

- the proven track record of capital raising, including the recent placement of convertible notes that raised $3,700,000 in 2026;
- the Directors believe that successful execution of the conditions set out above will provide sufficient cash for the company to continue operating until it can raise sufficient further capital to fund its ongoing activities.

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

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.

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Note 2 Segment information

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

Note 3 Other income

	31 December 2025 $	31 December 2024 $
Other income		
HDNG gas sales	-	111,075
Insurance proceeds	425,000	-
Interest received from unrelated parties	4	653
	425,004	111,728

Note 4 Loss for the period

Loss before income tax includes the following specific items:

	31 December 2025 $	31 December 2024 $
Administration and other expenses		
Insurance expense	95,076	108,591
Auditors remuneration	150,517	105,195
Depreciation expense	12,421	559,565
Director remuneration	112,000	103,339
Compliance costs	44,994	58,309
Legal fees	210,451	137,523
Other	109,639	109,361
	735,098	1,181,883
Share based payments expense	81,874	47,520
Total share-based payments expense	81,874	47,520

Note 5 Current assets – trade and other receivables

Loss before income tax includes the following specific items:

	31 December 2025 $	30 June 2025 $
Trade receivable	-	-
Prepayments	146,780	57,671
Other receivables	22,930	30,228
Total trade and other receivables	169,710	87,899

Prepayments consists primarily of prepaid insurance premiums.

Note 6 Non-current assets – exploration and evaluation assets

	31 December 2025 $	30 June 2025 $
Exploration and evaluation assets – at cost	41,064,374	39,264,913

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

Balance at the beginning of the period	39,264,913
Expenditure incurred during the period	1,638,478
Rehabilitation asset (refer note 10)	160,983
Balance at the end of the period	41,064,374

Capitalised exploration and evaluation assets include initial acquisition costs, capitalised costs and a rehabilitation liability (refer note 10).

The Directors have assessed that for the exploration and evaluation assets recognised at 31 December 2025, 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 Australian Accounting Standard AASB *6 Exploration for and Evaluation of Mineral Resources*.

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Note 7 Non-current assets – Property, plant and equipment

	31 December 2025 $	30 June 2025 $
Property, plant and equipment	8,759,333	9,296,822

The capitalised property, plant and equipment carried forward above have been determined as follows:

	Plant and equipment $	CNG asset[1] $	Field assets[1] $	Total $
At 31 December 2025				
Cost	7,414	9,826,266	1,484,020	11,317,700
Accumulated depreciation	(7,414)	(1,481,672)	(1,069,281)	(2,558,367)
Net book amount	-	8,344,594	414,739	8,759,333
Period ended 31 December 2025				
Opening net book amount	-	8,736,594	560,228	9,296,822
Additions	-	50,990	-	50,990
Transfers	-	-	-	-
Depreciation charge	-	(442,990)	(145,489)	(588,479)
Closing book amount	-	8,344,594	414,739	8,759,333

[1]Depreciation expense relating to the CNG assets and field assets has been charged to exploration and evaluation assets. They are accounted for as a tangible exploration and evaluation assets under *AASB 6 Exploration and Evaluation Assets.*

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Note 8 Current liabilities – Trade and other payables

	31 December 2025 $	30 June 2025 $
Unsecured liabilities:		
Trade payables	741,229	3,648,160
Sundry payables and accrued expenses	503,839	312,808
Provision for annual leave	132,314	115,733
	1,377,382	4,076,701

Note 9 Current liabilities – Borrowings

		31 December 2025 $	30 June 2025 $
Director loans (principal and interest)	(a)	1,850,029	1,504,926
Convertible notes	(b)	669,457	
Short-term borrowings	(c)	1,000,000	264,519
Insurance premium funding		119,832	17,921
Convertible note subscription liability	(d)	1,066,667	-
		4,705,985	1,787,366

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Note 9 Current liabilities – Borrowings (continued)

(a) Director loans

During the half year period, the Company's directors entered into short-term loan agreements as set out in the table below. The loan funds were fully drawn down at 31 December 2025. The loans accrue interest from the date of drawdown, compounding monthly. Interest on the loans will capitalise and be paid in full at the time the principal is repaid. Details of loan movements during the financial year are set out in the table below:

Lender	Director	Interest rate	Balance at the start of the year	Loans advanced	Interest & borrowing costs accrued	Balance at the end of the year
Secured[1]						
Jon Stretch	Jon Stretch	15%	301,264	55,000	25,466	381,730
Monte Vista Holdings Pty Ltd	Philip St Baker	15%	241,913	55,000	20,865	317,778
The P&P St Baker Family Trust	Philip St Baker	15%	305,271	-	23,671	328,942
Unsecured						
Loch Explorations Pty Ltd	Tony Bellas	15%	300,959	-	23,337	324,296
AG Super Fund Pty Ltd	Tony Bellas	15%	28,292	-	2,194	30,486
Tony Bellas	Tony Bellas	15%	-	55,000	2,085	57,085
Allegro Capital Nominees Pty Ltd	Greg Baynton	15%	302,803	55,000	25,586	383,389
Other	Other	15%	24,424	-	1,899	26,323
TOTAL			**1,504,926**	**220,000**	**125,103**	**1,850,029**

[1] The loans are secured by a general security interest over the assets and undertakings of the Company.

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Note 9 Current liabilities – Borrowings (continued)

(b) Secured convertible loan notes

During the half-year period, the Company entered into short-term loan agreements with certain Directors, as set out in the table below.

The Director loans include a conversion feature that allows the outstanding balance to be converted into ordinary shares of the Company at a price determined based on the volume weighted average price (VWAP) of the Company's shares over a 10-day period.

As the conversion price is determined with reference to the Company's share price, the number of shares that may be issued on conversion will vary. Accordingly, the conversion feature does not meet the "fixed-for-fixed" criteria for equity classification, and the loans have been accounted for as convertible notes, comprising a host debt liability measured at amortised cost and an embedded derivative liability measured at fair value through profit or loss (refer Note 10).

The loans are secured by a general security interest over the assets and undertakings of the Company. The loans bear interest at 20% per annum. The loans mature on 30 June 2026, unless earlier converted or redeemed.

	The P&P St Baker Trust $	Jon Stretch $	Total $
Borrowings (current liability)			
Balance at 1 July 2025	-		
Initial recognition	412,118	166,393	578,511
Interest expense*	62,899	25,140	88,039
Establishment fee payable	6,192	2,500	8,692
Costs of issue of convertible notes	(4,121)	(1,664)	(5,785)
Balance at 31 December 2025	477,088	192,369	669,457

* Interest expense is calculated by applying the effective interest rate of 85.95% to the liability component.

(c) R&D financing

During the half year period the Company entered into a Loan agreement with RH Capital Finance Co., LLC for $1,000,000. The loan is secured against the Company's anticipated Research and Development (R&D) tax incentive refund for the year ended 30 June 2024. Interest accrues at a rate of 17% per annum. As at 31 December 2025 the has been fully drawn down.

(d) Convertible note subscription liability

During the half year period, the Company secured $3,200,000 through the issue of unsecured convertible loan notes. These convertible loan notes were approved by shareholders at a general meeting held on 21 January 2026. As at 31 December 2025 the Company had received $1,066,667 of convertible note subscription funds in advance.

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Note 10 Current liabilities –Derivative Financial Instruments

The derivative financial instruments presented on the balance sheet consist of:

	The P&P St Baker Trust $	Jon Stretch $	Total $
Derivative Financial Instruments (current liability)			
Balance at 1 July 2025			
Initial recognition	207,074	83,607	290,681
Fair value gain	(28,724)	(11,598)	(40,322)
Balance at December 31, 2025	178,350	72,009	250,359

The fair value of the conversion option (derivative financial liability) was determined using Monte Carlo simulation methodology. The key assumptions include:

- The risk-free rate;
- The volatility of the State Gas share price.

The derivative financial liability is carried at fair value at each reporting date, with gains or losses being recognised in the consolidated statement of profit or loss and other comprehensive income. The remainder of the proceeds were allocated to borrowings with the liability recognised at amortized cost until extinguished on conversion or maturity of the notes.

Note 11 Non-current liabilities – Provisions

	31 December 2025 $	30 June 2025 $
Provision for rehabilitation	2,887,570	2,688,041
Reconciliation of carrying amount:		
Opening balance	2,688,041	
Additions (refer note 6)	160,983	
Unwinding of discount	38,546	
Balance at the end of the half-year	2,887,570	

Rehabilitation provision

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2025

Note 12 Contributed equity

		31 Dec 2025 Shares	30 June 2025 Shares	31 Dec 2025 $	30 June 2025 $
(a)	**Share capital**				
	Fully paid ordinary shares	392,850,869	392,600,869	55,499,252	55,493,597

(b) Ordinary share capital

Date	Details	Note	Number of Shares	Issue Price	$
1 July 2025	Balance		392,600,869		55,493,597
16 July 2025	Placement shares	(c)	250,000	$0.023	5,750
	Share issue costs				(95)
31 Dec 2025	Balance		392,850,869		55,499,252

(c) Facility fee

The issue of 250,000 shares to Panchek Pty Limited as consideration for a facility fee charged for a short-term loan advanced during the half year period. The loan was for $250,000 and accrued interest at 1.66% per month. The loan was drawn down and repaid in the half year period.

(d) Options on issue

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

	Number	Weighted Average Exercise Price
Options outstanding as at 30 June 2025	**67,445,015**	**$0.11**
Options exercisable as at 30 June 2025	**67,445,015**	**$0.11**
Granted	-	-
Exercised	-	-
Expired	(59,045,015)	$0.08
Options outstanding as at 31 December 2025	**8,400,000**	**$0.31**
Options exercisable as at 31 December 2025	**8,400,000**	**$0.31**

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Note 13 Contingent liabilities & Commitments

Contingent liabilities

Landowner dispute

State Gas is attempting to resolve access issues at its Rolleston West Project which arose as part of a dispute under the Conduct and Compensation Agreement ("CCA") with the Landowner dating back to September 2024. State Gas is strenuously defending the claims for cost and loss brought by the Landowner in respect of this matter. State Gas has lodged is own claims for significant costs and losses as a result of actions taken by the Landholder to lock State Gas out of its tenement area which impacted the production and sale of HDNG and caused significant delay to the Company's exploration activities.

The parties have been unable to reach a negotiated settlement through the mediation process prescribed by the CCA and consequently both parties claims have been referred to the Land Court of Queensland. Based on the status of those proceedings at the date of this report, it is not possible quantify any asset or liability which might arise to the Company through determination by the Court.

Royalty

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.

Research and development receivable

The Company has an unrecognised receivable in relation to the Australian Government's Research and Development (R&D) Tax Incentive program of $4,161,714. The receivable represents an amount expected to be received in cash following the ATO processing of the Company's income tax return for the year ended 30 June 2024. The ATO are currently reviewing the claim and the outcome of their review is not yet known.

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Note 13 Contingent liabilities & Commitments (continued)

Commitments

	31 December 2025 $	30 June 2025 $
Commitments for payments under exploration permits in existence at the reporting date but not recognised as liabilities payable is as follows:		
- payable within one year	2,940,000	2,940,000
- payable between one year and five years	2,345,000	2,345,000
	5,285,000	5,285,000

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

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

Later Development Plan

So as to maintain current rights to tenure of PL231, the Company will be required to outlay amounts in respect of the Later Development Plan (LDP) commitments. The outlays may be varied from time to time, subject to approval of the relevant government departments, and may be relieved if the PL is relinquished. As at 30 June 2025, the full LDP expenditure commitment had been met.

Note 14 Earnings per share

	31 December 2025 $	31 December 2024 $
Earnings per share for loss from continuing operations		
Profit (loss) after income tax attributable to the owners of State Gas Limited	(1,091,316)	(2,043,189)

	Number	Number
Weighted average number of shares used in calculating basic earnings per share	392,829,130	315,350,167
Weighted average number of shares used in calculating diluted earnings per share	392,829,130	315,350,167

	Cents	Cents
Basic earnings per share	(0.28)	(0.65)
Diluted earnings per share	(0.28)	(0.65)

Information concerning the classification of securities

Options and performance rights

Options and performance rights on issue are not included in the calculation of diluted earnings per share in the current period because the company had generated losses, hence they are antidilutive for the half-year ended 31 December 2025.

Note 15 Share-based payments

OPTIONS

There have been no options granted, forfeited or expired during the half year period.

PERFORMANCE RIGHTS

There have been no performance rights granted, forfeited or expired during the half year period.

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Note 16 Events occurring after the reporting period

Since 31 December 2025 the Company has Received shareholder approval on 21 January 2026 for the issue of $3.2 million of unsecured convertible notes to sophisticated and professional investors, with all proceeds received by the Company following that date. In addition to the $3.2 million raised, Directors converted $0.5 million of their outstanding loans into convertible notes. The notes carry a conversion price of $0.04 per share for the first 16 weeks after the payment date, and thereafter the lesser of $0.04 or a 20% discount to the 15-day VWAP at the time of conversion. Note holders received one attaching option for every two ordinary share entitlements under the issue, exercisable at $0.05 per share and expiring 30 months from the date of issue.

No other matters or circumstances have arisen since 31 December 2025 that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

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DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *'Interim Financial Reporting*', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2025 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Philip St Baker
Chairman

16 March 2026
Brisbane

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of State Gas Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of State Gas Limited (the Company), which comprises the statement of financial position as at 31 December 2025, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, material accounting policy information and other explanatory information, and the directors' declaration.

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

i) Giving a true and fair view of the company's financial position as at 31 December 2025 and of its financial performance for the half-year ended on that date; and

ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty relating to going concern

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

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Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2025 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit Pty Ltd

BDO

D P Wright
Director

Brisbane, 16 March 2026

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