



QUEENSLAND GAS COMPANY LIMITED

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Companies Announcement Officer
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Exchange Centre
20 Bridge Street
SYDNEY NSW

To whom it may concern

2008 ANNUAL REPORT

Queensland Gas Company Limited is pleased to provide its 2008 Annual Report after an exciting year of growth and transformation for the company.

The Annual Report contains a letter from the chairman of Queensland Gas Company Limited, Mr Robert Bryan, in which he foreshadows his upcoming resignation.

Yours faithfully

Mark Anning
Company Secretary



TRANSFORMATION

— ANNUAL REPORT 2008 —





QGC is leading a transformation
of the Australian energy sector:
cleaner, greener and more secure

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Investor backs a winner

To retired school principal Tom Abraham, a decision in 2001 to take a punt on shares in a little-known gas explorer has since proven as lucky as picking the winner of the Melbourne Cup.

"When I bought these QGC shares, they weren't an investment – they were a gamble," Mr Abraham laughs. "It's like backing the roughie in the Melbourne Cup and then he comes through to win."

When he decided to take some healthy profits earlier this year, the funds went into the purchase of a new toy: a golf buggy at Hervey Bay Golf & Country Club, about 300km north of Brisbane.

"I was sad to sell but, at my age, 65, you have to take the profits sometime or it will be the kids who are spending it," Mr Abraham says.

After buying the golf buggy, Mr Abraham walked into QGC's headquarters to thank management for the dream run that reached a high of \$6.39 in May, from a low in 2001 of less than 20c. At 30 June 2008, the share price was \$5.37.

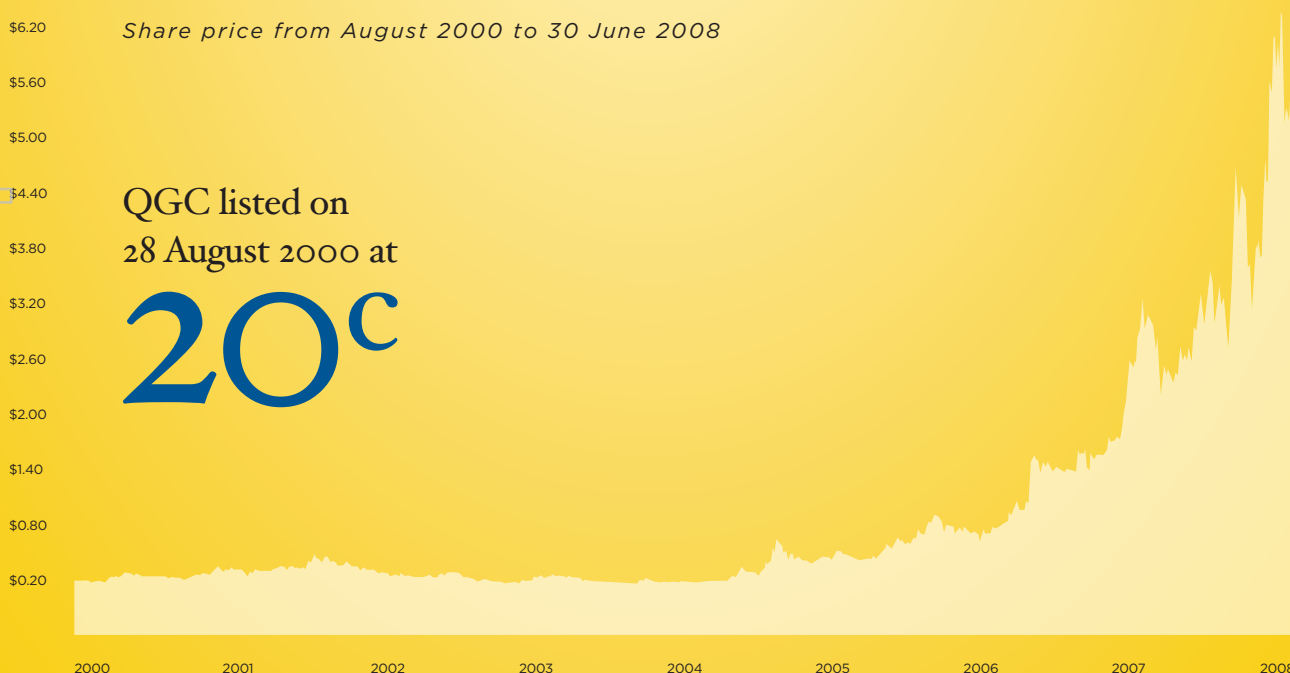
As a long-term shareholder, he also wanted a QGC sticker for the golf buggy so he could respond to curious fellow golfers with the story of his QGC success.



When his investment club mates voted to sell the club's QGC shares a few years ago, Mr Abraham and another member who had been outvoted asked if they could buy up the club's holdings.

"We bought the whole 20,000; they weren't worth a lot then, but they are now," he smiles. "Every time we run into the other members, we quietly mumble 'QGC'. They get irate."

Share price from August 2000 to 30 June 2008



Company profile

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Queensland Gas Company is a rapidly evolving integrated energy business strategically positioned to meet rising demand for its abundant coal seam gas, cleaner power and ample water.

Since listing on the Australian Stock Exchange in 2000, QGC has become the country's leading specialist coal seam gas producer, one of Queensland's largest companies and an award-winning business noted for nimble and innovative action. It has a workforce of more than 240 people and had cash reserves of \$704 million at 30 June 2008.

QGC was confirmed by Link Market Services as the standout leader in the S&P/ASX 100 in terms of Total Shareholder Return over both one and two years to 30 June.

Its world-class coal seam gas reserves in the Surat Basin are projected to supply about 20 per cent of Queensland's domestic gas market in 2009. QGC has dedicated a significant proportion of its fast-growing reserves to meet Australia's energy needs.

QGC's strengths are underpinned by Queensland Government policy, firm long-term contracts, Australia's move to cleaner, more efficient fuel sources and the advent of a national carbon trading scheme.

The qualities and depth of QGC's assets and management have been recognised by BG Group (formerly British Gas), a global energy company seeking to partner with QGC to export gas to higher-value overseas markets through the Queensland Curtis LNG Project.

QGC and BG Group are seeking approval to develop a potential capacity of up to 12 million tonnes a year of liquefied natural gas (LNG) to be produced on Curtis Island, near the city of Gladstone. The first production train will export 3 to 4 million tonnes a year. As part of the transaction QGC has received \$664 million from BG Group.

The LNG alliance involves targeting more than 7,000 PJ of 2P reserves, construction of a 380km pipeline to Gladstone, development of an LNG terminal and about 4,400 new jobs. The project contractor, Bechtel, is developing the front-end engineering and design (FEED) process for a two-train project.

In May 2008, QGC announced plans to conduct a feasibility study into building and part-owning a new gas-fired power station in New South Wales, with a capacity of up to 600 MW. It would be supplied by QGC's coal seam gas, which would be transported by a proposed new pipeline stretching from the heart of QGC's acreage to the city of Newcastle.

In June 2008, QGC was admitted to the S&P/ASX 100 index. At the close of trade on 30 June, QGC had a market capitalisation of \$4.4 billion.

QGC is scheduled to join the National Electricity Market in February, when the Company will be supplying coal seam gas to its new Condamine Power Station. The ground-breaking 140 MW power station will produce electricity with relatively lower emissions.

Innovation is a core value that has played a major role in the development of Condamine Power Station, in QGC's unique well-completion technique and in its approach to coal seam water.

In 2008, the Company made an agreed takeover offer for Sunshine Gas, a Queensland coal seam gas explorer and developer with more than 30,000sq km of acreage in the Surat and Bowen basins. QGC also acquired a major shareholding in Victoria Petroleum and has secured control of Roma Petroleum. All three companies are expected to significantly expand QGC's existing coal seam gas assets.

QGC invests in applications for large volumes of water yielded during the release of coal seam gas. The water has the potential to help drought-affected communities, towns and farms in the Surat Basin.





Left: Des Caling drilling contractors, from left, Shaun Lakin, Daniel Hickey and Grant Brodbeck, draw the night shift on Rig No 2 at the Nangram property on QGC's Berwyndale South acreage.

Below: Plant operator Travis Collie works on Berwyndale South compression plant.

Opposite page: QGC senior Aboriginal liaison officer Averil Dillon, left, and cultural heritage officer Jo-Anne MacNeil wrap protection markers around a scar tree, from which a shield was once carved.



Financial year highlights

Including significant events after 30 June 2008

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	Date	Event
2007	1 July	Gas sales begin to Incitec Pivot
	18 July	Development approved for QGC's 140 megawatt (MW) Condamine Power Station
	30 July	QGC accelerates its Condamine Power Station program, targeting first electricity in February 2009
	16 August	QGC's share of proved and probable (2P) reserves is upgraded 20 per cent to 1,105 petajoules (PJ)
	19 September	QGC announces an operating profit of \$23.8 million for the financial year ended 30 June 2007
	19 October	Construction begins on Condamine Power Station
	14 November	QGC and AGL Energy enter into a hedging agreement for 66 per cent of the generation output of Condamine Power Station
	18 December	QGC announces a further 19 per cent upgrade of its share of 2P reserves, bringing total 2P reserves to 1,317 PJ
	19 December	QGC flags involvement in a gas pipeline linking its gasfields with the Hunter Valley in New South Wales
2008	17 January	QGC and AGL Energy agree on the rapid development of a 115km gas pipeline connecting QGC's gasfields to the Wallumbilla gas hub, east of Roma
	22 January	QGC and Murilla Shire Council agree a plan to supply drinking water to the town of Miles in southern Queensland
	1 February	QGC announces an LNG export alliance with BG Group, to be known as Queensland Curtis LNG
	3 February	Queensland Premier Anna Bligh joins QGC and BG Group at QGC's Brisbane headquarters to announce the QCLNG Project
	1 March	QGC's annual Drama At The Gasfields festival attracts more than 1,200 people, including Deputy Premier Paul Lucas, BG Group Chief Executive Frank Chapman and Opposition Leader Lawrence Springborg to "Windibri Homestead" at Berwyndale South gasfields
	March quarter	QGC signs two coal seam water off-take agreements with local customers
	April	Ms Bligh accelerates planning for the beneficial use of coal seam water
	11 April	QGC Managing Director Richard Cottee escorts Ms Bligh on a tour of BG Group's facilities in Mumbai, India
	11 April	QGC receives \$664 million from BG Group on completion of the QCLNG alliance transaction, in exchange for a 20 per cent share in QGC's acreage and a 9.9 per cent stake in the Company
	27 May	QGC announces a feasibility study into building a new 400 to 600 MW gas-fired power station in New South Wales
	10 June	The Boards of QGC and Roma Petroleum announce that they have agreed on terms for QGC to make a friendly bid for all the issued shares in Roma. On the same day QGC acquires a further 12.11 per cent of Victoria Petroleum, becoming the largest shareholder with an interest of 19.24 per cent

Date	Event
20 June	QGC is promoted to the S&P/ASX 100 index of publicly listed companies
30 June	QGC's gas sales revenue more than doubles to \$55.1 million in 12 months. Production capacity reached 108.2 terajoules (TJ) a day, more than double the daily capacity of 53.0 TJ a year earlier
1 July	Independent certifiers Netherland, Sewell and Associates, Inc. confirm QGC/BG's 1P coal seam gas reserves have risen 28 per cent to 609 PJ, 2P reserves are up 83 per cent to 2,415 PJ and 3P reserves are up 130 per cent to 7,163 PJ. QGC's share is 80 per cent of each
3 July	The international social responsibility ratings agency RepuTex names QGC as Australia's equal top energy company in minimising carbon emissions
4 July	Queensland Government declares QCLNG a significant project, for which an environmental impact statement is required. On the same day, QGC welcomes the Queensland Government's announcement of a \$5 million grant to study the beneficial use of coal seam water
15 July	QGC and BG Group announce Bechtel Oil, Gas and Chemicals, Inc. as the project contractor for their QCLNG Project. The front-end engineering and design (FEED) process begins
31 July	QGC announces it has effective control of Roma Petroleum, with 54.75 per cent shareholder acceptance of QGC's friendly takeover offer of 10 June
7 August	QGC announces a 12-month partnership with Queensland's La Boite Theatre Company to bring theatre to the gasfields
20 August	QGC and Sunshine Gas announce an agreed takeover for Sunshine under an \$830 million scrip or cash/scrip offer. QGC's offer, which is unanimously recommended by Sunshine's voting directors, has a pre-bid agreement with Sunshine's largest shareholder for 15 per cent of shares
28 August	QGC announces record results for the financial year ended 30 June 2008, including net profit after tax (NPAT) of \$244.6 million and underlying NPAT of \$30.6 million
9 September	QGC and La Boite win the 2008 Australia Business Arts Foundation's QantasLink Regional Award for Drama At The Gasfields 08
16 September	QGC secures more than 80 per cent of Roma Petroleum
17 September	NSAI increases QGC/BG's 1P reserves to 705 PJ (up almost 16 per cent), 2P reserves to 2,703 PJ (up almost 12 per cent) and marginally decreases 3P reserves to 7,103 PJ. QGC's share is 80 per cent. The focus of drilling since QGC's 1 July upgrade has been on development of 1P and 2P reserves
22 September	Independent Expert Report determines that QGC's offer for all the issued shares in Sunshine Gas is "fair and reasonable"
Late September	The Chairman, Managing Director and a non-executive director of Sunshine Gas accept into QGC's agreed takeover offer, five days earlier than a deadline to accept in the absence of a superior offer
Early October	The largest shareholder in Sunshine Gas accepts into QGC's offer

2008

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240⁺
staff



2000

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founders

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Letter from the Chairman

Four key words account for the electricity running through QGC today. Four key qualities have powered QGC's rise into the ranks of the S&P/ASX 100, and to its position of leadership in coal seam gas development in Australia: foresight; innovation; decisiveness; and integrity.

This time last year, QGC was finding its feet after fending off two unwelcome takeover attempts. As our current market capitalisation will attest, we came out of those tussles stronger than ever. Indeed, so much has happened since then that it all seems a very long time ago.

In an ironic twist, QGC has channelled some of its own energy in 2008 into launching friendly takeovers. The Company now holds a commanding interest in Roma Petroleum and is working towards a merger with Sunshine Gas. Unashamedly, the object of these two exercises is to increase QGC's already substantial gas reserves. Scale is vital and this has been underscored by the arrival in Queensland's coal seam gas industry of international energy giants such as Shell, ConocoPhillips, BG Group (formerly British Gas) and Petronas. QGC, with its alliance partner BG Group, is well placed to match it in this company.

QGC is now a major gas producer in Queensland and is close to completing its state-of-the-art gas-fired Condamine Power Station near Miles. With a wholly-owned proved, probable and possible (3P) gas reserve base of 5,683 PJ and some 7,500sq km of highly prospective ground in the Surat Basin to develop, we are in a very strong position; and this takes no account of the 20 per cent of reserves that BG Group has acquired through its joint venture with QGC.

Roma's acreage is also highly prospective for coal seam gas, though a good deal of work will be required to establish the reserve position. Sunshine Gas would add 1,097 PJ of 3P reserves to the QGC total and more than 30,000sq km of exploration territory. Furthermore, QGC's extensive experience in the Surat Basin has shown that, after the necessary drilling and testing, most of these 3P reserves are likely to be converted into 2P reserves.

This is a very big quantum of gas, but QGC has big plans to match. As shareholders would be aware, QGC has entered into an alliance with BG Group to develop a world-scale liquefied natural gas (LNG) facility at Curtis Island off Gladstone, using coal seam gas as the feedstock. The project is developing exceptionally well. QGC will supply gas for at least the first production train, which will produce 3 to 4 million tonnes of LNG from 190 PJ of gas a year.

We are very confident that QGC/BG will reach a 2P reserve number of 4,000 PJ to fuel the first LNG train for a minimum of 20 years as well as meeting ongoing domestic gas commitments. The real thrust of field development is to prove up further reserves of 3,000 PJ to 4,000 PJ to supply a second LNG train. QGC is hopeful that this will be a reality by 2013.

Both QGC and BG Group remain fully committed to the development of the Queensland Curtis LNG Project. The QGC/BG alliance has already appointed Bechtel to engineer the LNG plant on the basis of two production trains and I suspect that we are now clearly ahead of the competing LNG projects planned for Gladstone.

While it is a moot point just how many LNG plants will end up being built at Gladstone, I believe you can count on at least two production trains from the QGC/BG alliance; and our facilities are being developed for a potential capacity of three trains. We are planning on a final investment decision by 2010 and first production of LNG by late 2013. By way of comparison, Woodside and its partners on the North West Shelf have taken some 20 years to build five liquefied gas trains of equivalent size.



Opposite page: Great partnership – Richard Cottey and Robert Bryan.

Letter from the Chairman



While much of the public's focus has centred on plans for LNG exports, I would like to stress that QGC has a much broader agenda for its coal seam gas. We intend to play an increasingly important role in the Australian domestic market as climate change policy drives a shift to cleaner fuels for electricity generation. In addition to Condamine Power Station in southern Queensland, QGC hopes to build further large-scale gas-fired generating capacity to meet market demands.

QGC is also working towards increasing the flexibility of its gas-delivery supply system for the benefit of all consumers through the development of a pipeline hub at Berwyndale South and the establishment of underground gas storage capacity nearby. Both will be especially important in the domestic market, where we have to cater for peak and off-peak load demands on a daily and seasonal basis.

In this new, cleaner energy environment that we are all working towards, Australia should have the expectation of adequate domestic gas supplies going forward. I am pleased to advise that QGC will be playing its part.

As shareholders would be aware, large quantities of water are also produced as a by-product of coal seam gas. A good deal of this water is suitable for stock and irrigation purposes without further treatment. However, with reverse osmosis processing, much of this water can be made potable – that is, suitable for human consumption. Given the drought-prone environment where we are operating, water is a very valuable commodity; and I am confident that QGC can make a huge difference to communities on the Western Downs and in the Maranoa area, in terms of drought mitigation.

We are, of course, delighted that the Queensland Government has set aside funds to research the use of this water and QGC has already pledged its full co-operation. The present practice of evaporating large quantities of water is far from optimum, when it would appear to be entirely feasible to put this water to use for the benefit of the wider community.

This story of QGC's achievements and future opportunities was way beyond the expectations of myself and my three friends when we came up with the idea of establishing a coal seam gas explorer in late 1999 – a company that we chose to call Queensland Gas Company. Moreover, this has all happened in less than nine years. At the time of QGC's public listing and float in 2000, many investors were, frankly, sceptical as to whether coal seam gas had any future at all in Australia. Ironically, a deal of this scepticism was attributable to Conoco's failed coal seam gas exploration programme in Queensland that had wound down some years before. Now, that same company, under the ConocoPhillips flag, has turned around and struck an agreement to spend about \$6 billion buying back some of those self-same coal seam gas assets.

I should add, however, that in the early years we wondered from time to time whether these sceptics might not be right. QGC was certainly doing it tough. However, the start of the transformation came in late 2002 when Richard Cottee was recruited as Managing Director. It has been substantially his drive and his vision that has brought QGC to its present standing. Given Richard's commitment to stay on as Managing Director until 2014, I have no doubt about the continuance of QGC's growth trajectory.

Ladies and gentlemen, my term as Chairman will come to an end at the Annual General Meeting on 27 November 2008, when I will step down from the Board. My retirement is, of course, tinged with a deal of personal sadness. However, I am pleased to report that all is



Left and opposite page: After decades of drilling and exploring in the Surat Basin, QGC Chairman Robert Bryan announces his retirement.

Opposite page: Drilling contractor Andrew Heidrich works through the night at the Nangram property on QGC's Berwyndale South acreage.



well with QGC and that the Board has appointed Tim Crommelin as Chairman, effective from the close of the Annual Meeting. Tim is a worthy successor and I know that he will serve the Company with distinction.

This just leaves it for me to wish Tim all the best in his new role and to thank my colleagues on the Board for such valuable guidance and support over the years. In this context, it would be proper for me to express special thanks to Frank Connolly, who, like myself, has served as a Director of QGC from the very outset.

To the management team headed by Richard Cottee, my thanks and my admiration for a taxing job performed outstandingly; and again, special wishes and thanks to Dr Steve Scott, who was the very first employee of the Company back in 2000 and who continues to play such an important role at QGC today.

Finally, as always, my thanks to our shareholders, numbers of whom I have come to know well, having been on the register almost as long as I have.

It has been a great ride; but I have no doubt that the best is yet to come!

Goodbye and good luck.

Robert Bryan

CHAIRMAN OF DIRECTORS

Managing Director's report

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Top: The construction of the ground-breaking Condamine Power Station marks QGC's move into power generation.

Above: Richard Cottey hosts BG Group Chief Executive Frank Chapman at the award-winning Drama At The Gasfields 08 at "Windibri Homestead".

Preparing the ground

QGC is a pioneering company in an incredible industry that barely existed just eight years ago. When many derided the potential of coal seam gas, arguing that the resource was uneconomic and unpredictable, one of Queensland's most astute geologists and businessmen saw the future.

Bob Bryan is a man who has made his mark on Queensland and on the resources sector. His vision has spread to the many thousands of people who have invested in and helped to build the powerhouse that is QGC. I am proud to have worked alongside Bob for the past six years, and to see this vision become a reality.

Two years ago, QGC surveyed the Australian energy sector and saw untold opportunities available through coal seam gas. We saw the possibility of international pricing within our reach. We saw solid value in vertical integration and arbitrage. We were determined to prepare for these opportunities with deliverable reserves. We acted early, investing millions in exploration and development, and by the end of June 2009 about \$500 million will have been spent on exploration and development.

Today, the changes we envisaged have become evident to the wider energy sector. In the meantime, QGC has been running hard and fast. Most competitors would have to spend at least the \$500 million we have earmarked for exploration and development just to catch up. And that wouldn't be easy. The proving up of coal seam gas reserves has a different risk profile to more conventional natural gas and, importantly, takes a lot longer.

In August 2006, when QGC moved to raise \$60 million for its concerted exploration and development drive, it was making an investment in the strategic vision of management.

Far-sighted shareholders responded to the call, enabling QGC to launch its Growth Acceleration Strategy (GAS). We had heard the first rumblings of a dynamic shift in the Australian energy sector and aimed to position QGC ahead of the pack.

In our 2006 capital-raising prospectus we cited the doubling of export prices for Australian thermal coal, the trebling of oil prices and a strengthening community push for cleaner, more secure energy. We argued that gas prices, traditionally low in Australia, would rise significantly in the period from 2011 to 2016. We flagged QGC's interest in converting our gas into related products, such as LNG, to secure higher international pricing. We predicted stronger demand for reliable gas supplies on the eastern seaboard, particularly in Queensland.

GAS to LNG

To this end, we took that \$60 million and put it into the ground. We explored, we drilled, we tested, we pushed hard to prove up reserves and prepare QGC to meet the future. While many still doubted the viability of coal seam gas, we were out of the blocks and sprinting. "QGC is poised to take advantage of this increased demand," we told shareholders in the GAS prospectus.

In mid-2006, our 2P reserves stood at 423 PJ and we had drilled 30 wells in the previous 12 months. After two years of the GAS program, our 2P reserves stood at 1,932 PJ (or 2,415 PJ when combined with QCLNG partner BG Group) and we drilled 109 wells during the 2007-08 financial year. In the current financial year, QGC's target is 200 wells.

Much of our growth since February 2008 has come from our world-class alliance with BG Group to develop LNG. We are looking five years ahead to first production of LNG in 2013 at our jointly owned liquefaction plant to be built at Curtis Island near Gladstone.

QGC is transforming
the energy equation
through foresight,
innovation, integrity
and decisiveness



The signals that drove GAS and, in turn, the QCLNG Project are stronger than ever. Recent dramatic rises in the prices of thermal coal and oil, coupled with carbon pricing signals, will mean there is enormous opportunity as Australia turns to natural gas as its preferred energy source going forward.

Acquiring new interests

I am very proud of the fact that QGC has achieved its growth not through acquisition but organically, through our own efforts, strategic foresight and GAS. However, QGC has always been agile enough to recognise and capitalise on opportunities. Our shareholding in Victoria Petroleum, which is accelerating its coal seam gas exploration and development in the Surat Basin, is one such example. The more recent acquisition of Roma Petroleum will further expand our coal seam gas acreage. And, of course, QGC's agreed takeover offer for Sunshine Gas, with its certified 2P reserves of 469 PJ and some 30,000sq km of exploration ground in the Surat and Bowen basins, would further strengthen our position.

Looking to the future

QGC will be looking to strike an appropriate balance between the export and domestic markets. We will be supplying at least 190 PJ of coal seam gas a year from 2013 to our LNG export project. However, these additional acquisitions will buttress our domestic position. The imminent commissioning of our innovative Condamine Power Station will mark QGC's entry into the National Electricity Market. We are also investigating another new power station, supplied from our Surat Basin reserves. Berwyndale South is earmarked to become one of the eastern seaboard's major gas hubs, with pipelines connecting it to Brisbane, Gladstone, western Queensland and NSW.

With QGC firing on all cylinders and the prospect of exciting international and domestic projects ahead, I am more than happy to commit to the Company until mid-2014. I will continue to drive QGC's strategies and ventures, including the first gas delivery to our world-class LNG project. In the words of our GAS prospectus, we remain positioned for growth well into the future.

QGC is committed to foresight, innovation, integrity and decisiveness. These are the qualities that Bob brought to his fledgling company in 2000, and they are the values that make QGC a leader in the transformation of the energy sector today.

While I am sad to see Bob retiring, I am delighted to welcome Tim Crommelin as our Chairman and I look forward to working as closely, and as fruitfully, with him in the years to come.

Richard Cottee
MANAGING DIRECTOR



Managing Director Richard Cottee, in his office at QGC House, the Company's headquarters, has driven QGC's development since October 2002.

2,415^{*} PJ
July 2008



423PJ

February 2006

*Figure refers to QGC/BG share to enable like-for-like comparison with February 2006. In September 2008, QGC/BG's 2P reserves were upgraded to 2,703 PJ. Since April 2008, QGC's share has been 80 per cent.

Innovation and experience are transforming **QGC**'s resources into a world-class reserves base



Gas production, infrastructure and sales

Revenue from gas sales has more than doubled to \$55.1 million during the 12 months to 30 June 2008, reflecting increases both in gas sales and in the weighted average sales price. Sales almost doubled from 11.5 PJ in 2006-07 to 22.1 PJ – despite 20 per cent being attributed to BG Group from April 11 – in line with substantial production increases.

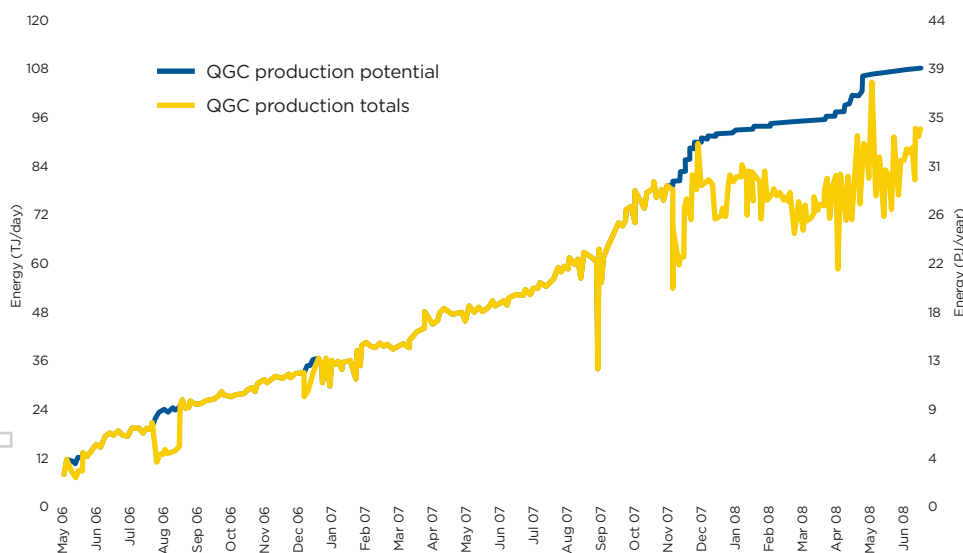
Production

Gas production has continued to rise sharply. Production rates have nearly doubled, while production potential has more than doubled.

On 1 July 2007, daily production and production potential stood at 53.0 terajoules per day (TJ/d); by 30 June 2008, production had increased to 91.1 TJ/d. During this period QGC's production potential rose to 108.2 TJ/d (equivalent to 39.5 PJ a year).

The chart below shows daily production potential alongside actual daily production. The Company has expanded its production potential to a level greater than current requirements, in line with a strategy of shutting-in a proportion of wells for future use. QGC has demonstrated that its production wells can be shut-in and re-opened without water recharge or a decrease in production. Production potential is increasing as more wells are drilled, completed and brought online and it is increasing further with the dewatering of existing wells.

Potential and gross actual daily gas production



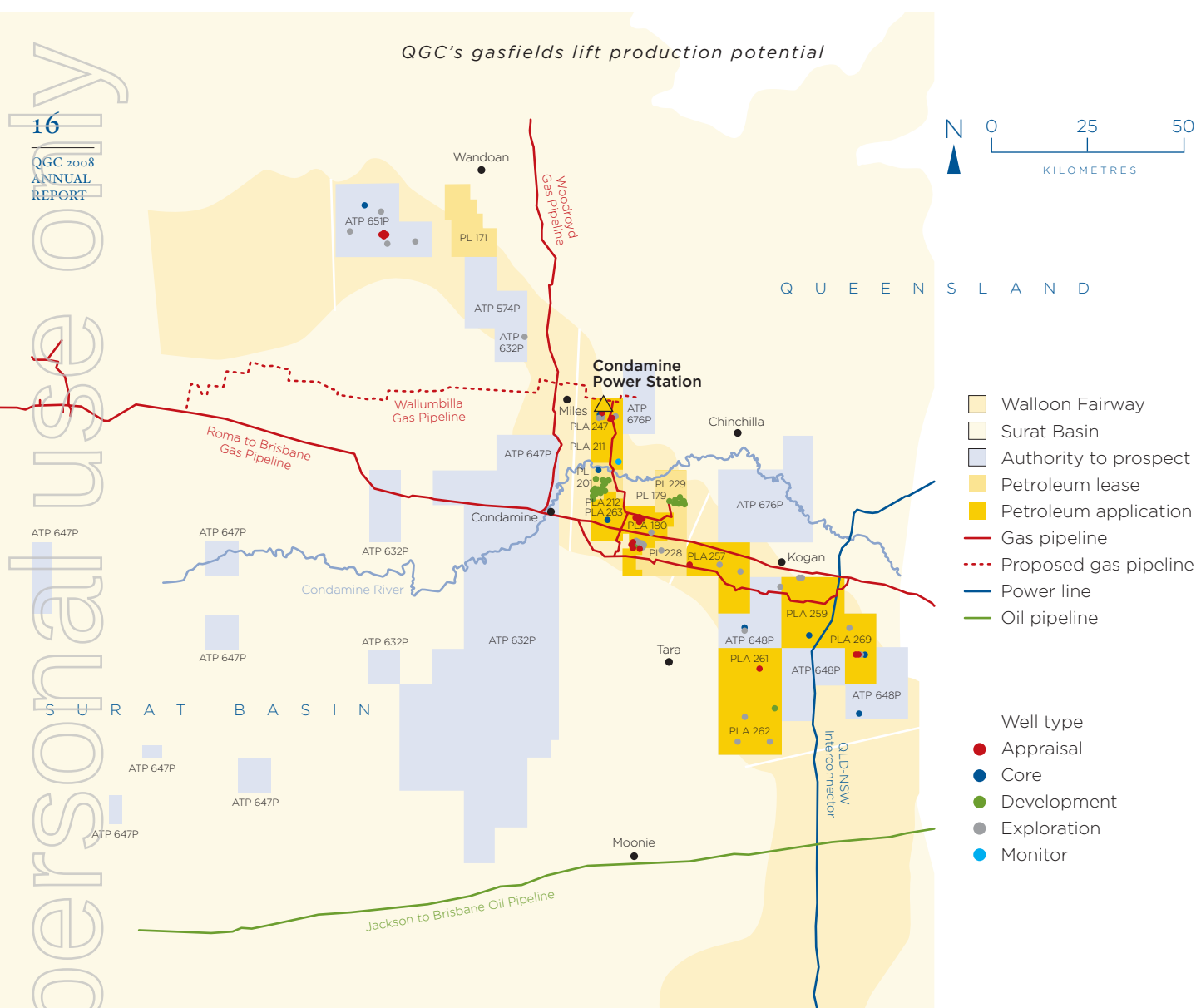
Five gasfields operated by QGC are contributing to production: Berwyndale South (PL 201); Berwyndale (PLA 211); Bellevue (PLA 247); Argyle/Kenya (currently PL 228 and PL 179 only); and Codie/Lauren (both PLA 180). In the same vicinity are several appraisal areas that have been connected to the gas processing facility at Berwyndale South to minimise flaring.

The gasfields contributing to production are described on the following page in a map that also highlights some of QGC's other interests.



Warehouse supervisor Paul Walters watches over the loading of QGC's new rig support tilt-tray.

Gas production, infrastructure and sales



Gasfields

Berwyndale South (PL 201)

QGC's first gasfield, Berwyndale South, continues to prove itself as a world-class coal seam gas resource. Total field production reached a peak of more than 72 TJ/d on 14 May 2008. Average peak flow rates reached 1.5 TJ/d per well, with more than 60 per cent of wells reaching 1 TJ/d.

During the 2007-08 financial year, QGC drilled 26 development wells in PL 201, bringing the total number of wells in the petroleum lease to 84, including 67 development wells. Currently, 77 wells can contribute to production and, of these, 47 have been converted to free-flowing wells. This means that wells are configured to allow the flow of gas without the need for pumping equipment, providing the significant advantages of decreasing capital expenditure, maintenance costs and fuel gas usage.

Three new reciprocating compressors were installed in April and this has boosted QGC's plant processing capacity to 160 TJ/d.

In July 2008, a new discharge line was installed to prevent bottle-necking at the Berwyndale South processing plant, allowing it to reach full capacity of 160 TJ/d.

Argyle/Kenya (PL 179, 228 and 229)

Gas supplies to Incitec Pivot started on 1 July 2007, as contracted. Gas supplies to its fertiliser manufacturing facility at the Port of Brisbane increased to the full contract rate of 20.3 TJ/d (7.4 PJ per year) by late August 2007, in accordance with the 10-year contract.

During the financial year, QGC drilled 12 development wells in PL 179 and three development wells in PL 229. This brought the total number of development wells drilled so far in the Argyle/Kenya gasfield to 35. All these wells are completed and tied in, with a number yet to be turned on.

To date, results have indicated that the well potential in the Argyle/Kenya gasfield is as good as Berwyndale South. By the end of June 2008, average peak flow rates had reached 1.4 TJ/d per well, with 15 wells having reached 1 TJ/d. At Argyle/Kenya, more than 50 per cent of producing wells are currently free-flowing.

Outlook

After two years in which QGC has expanded daily gas production from the equivalent of 7 PJ a year to a high of 38.4 PJ a year, the Company is about to enter a new stage. Gas production will plateau as QGC turns its focus toward proving up reserves to supply the domestic market and the Queensland Curtis LNG Project. More exploration and appraisal wells will be drilled, followed by development wells. With the current excess production potential and the expected increase in potential as wells de-water, the need for development wells also decreases.

Gas storage in coal seams

In line with QGC's continuing drive for innovation, the Company is developing cutting-edge technology to store gas within depleted coal seams. This project will demonstrate injection and containment of injected gas, flow paths within the coals and recovery of injected gas. The goal of this project is to determine the technical viability and financial feasibility of methane storage in coal seams that have already been dewatered. Reservoir simulation studies and laboratory analysis on coal samples are being conducted, yielding positive results that have given confidence to start field trials.

An initial trial of two dedicated injection wells is planned for the 2008-09 financial year. A full post-project execution review will determine the way forward for this opportunity to enhance QGC's business options through underground gas storage.

Infrastructure

In 2008, QGC increased its overall processing capacity from 100 TJ/d to about 160 TJ/d at the Berwyndale South processing plant through the addition of three reciprocating compressors, one triethylene glycol (TEG) dehydration unit and an upgrade of the Windibri sales station.

The Company has installed about 110km of both gas and water gathering systems in Berwyndale South (PL 201), Bellevue (PLA 247), Argyle (PL 229), Kenya (PL 228) and Codie/Lauren (PLA 180) to connect the wells drilled during the financial year to existing infrastructure.

In addition, construction of the 70ha Kenya water disposal pond was completed in PLA 180. This pond provides another location for storage of water from production activities.



**QGC and BG 2007/08
Gas Sales (TJ)**

AGL Energy	2,347
Australian Power and Sales	20
Babcock & Brown Power	8,485
CS Energy	3,888
Incitec Pivot	3,662
Spot sales	4,808



Top: With the construction of Rhynie Pond completed in September 2008, QGC now has water storage capacity of 9,500 megalitres.

Above: Daily gas production has increased from the equivalent of 7 PJ annually to a high of 38.4 PJ annually, in two years.

Opposite page: With 109 wells drilled in 2008, QGC plans to drill a further 200 in 2009.

Next 12 months

In 2009, QGC plans to complete and make significant headway on a number of infrastructure projects, aimed at increasing its overall processing capacity and supplying services to its Condamine Power Station:

Processing capacity increase

- Complete construction of the Windibri field compression station (with field compression capacity of 72 TJ/d) and a 3km trunkline connecting it to the Berwyndale South processing plant (PL 201)
- Construction of a 27km export pipeline connecting the Berwyndale South processing plant to Wallumbilla Pipeline and a 25km export pipeline connecting the Kenya processing plant to the Berwyndale South processing plant
- Complete construction of a 180 TJ/d processing plant at Kenya to service joint-venture gas from ATP 620P joint-venture areas (PLA 180, PL 179, PL 228 and PL 229)
- Construction of the Codie field compression station (with field compression capacity of about 72 TJ/d) and an 11km trunkline connecting it to the Kenya processing plant (PLA 180)
- An upgrade of the Kenya field compression station, with additional field compression capacity of about 36 TJ/day, bringing total field compression capacity to 72 TJ/d. Construction of a 1km trunkline connecting it to the Kenya processing plant (PLA 180)
- Construction of gas and water gathering systems in Codie/Lauren (PLA 180), Argyle (PL 229) and Kenya fields (PL 228)
- Construction of the 125ha Rhynie Pond in PLA 180
- Construction of the 75ha Harewood Pond in PL 228

Condamine Power Station

- Construction of a 30km trunkline connecting the Berwyndale South field compression station and the Windibri field compression station to Condamine Power Station (PL 201)
- Construction of a storage pond for handling water produced as a by-product of operations at Condamine Power Station
- Construction of a water transfer network to enable the supply of potable water to Condamine Power Station

Sales

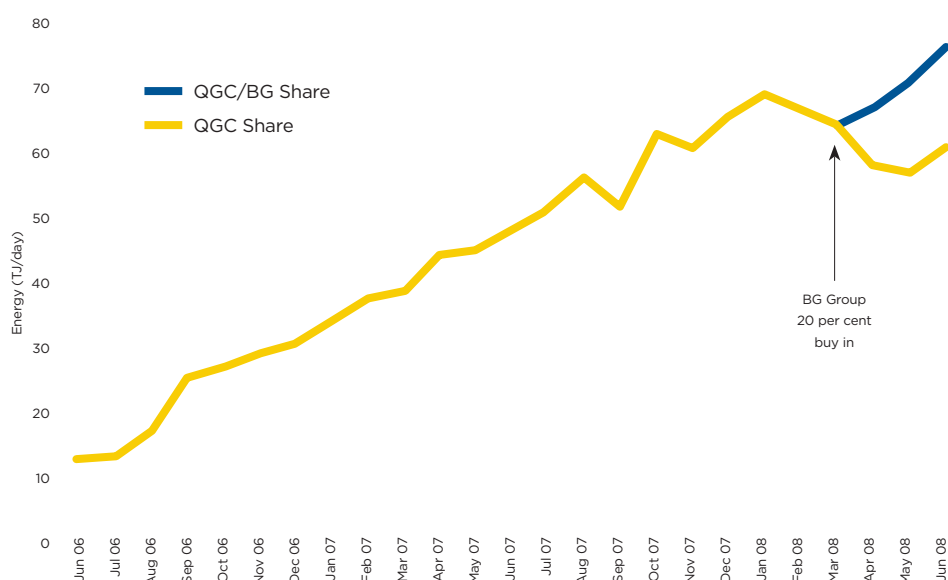
QGC's financial year revenue of \$55.1 million from sales of 22.1 PJ of gas is a particularly enviable achievement, given that BG Group's buy-in on 11 April 2008 absorbed 20 per cent of gas sales revenue from that date.

QGC/BG's combined sales revenue for the 2007-08 financial year reached \$59.6 million, from sales of 23.2 PJ of gas, compared with revenue of \$27 million for 11.5 PJ of gas in the previous year. The weighted average sales price for the year was \$2.57 per gigajoule, up 9 per cent on the previous 12 months.

Gas sales during the year were to six main groups:

- CS Energy under a 15-year supply term
- Incitec Pivot under a 10-year supply term
- AGL Energy under a 20-year supply term
- Australian Power and Gas under a two-year supply term
- Braemar Power Project under a 10-year supply term
- Other short-term and spot gas market sales

Average daily gas sales by month



New gas sales customers this year include Incitec Pivot (from July 2007), Australian Power and Gas (from August 2007) and AGL Energy (from January 2008). All contractual obligations were met.

These new customers represent not only increased sales volumes and revenues but diversification of QGC's customer base. The new firm-supply agreements underline the Company's market position as a secure and reliable producer and a market leader in the coal seam gas sector.

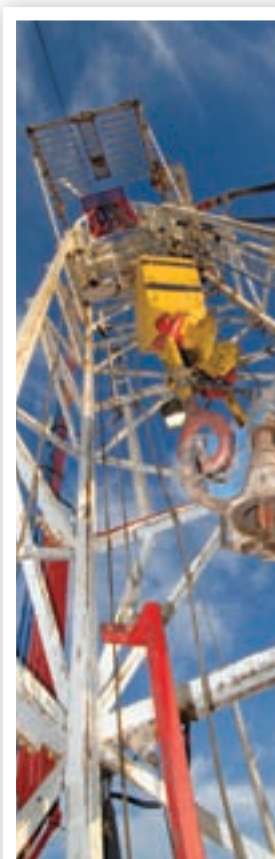
Strong demand, particularly from power generation, boosted spot gas sales. The maximum gas price achieved for spot gas exceeded \$6.00 per gigajoule, with the weighted average spot gas price being \$3.23 per gigajoule.

QGC benefits from efficiently designed and constructed wells and gas collection and delivery infrastructure. Internal gas usage remained at only 5 per cent of total gas production.

In January 2008, AGL Energy exercised one of its two contractual options to increase its annual contract quantity by 5 PJ, to take effect from early January 2009. This increase will remain in place for the balance of the AGL Energy contract's 20-year term.

Outlook

Gas sales for the 2008-09 year are expected to be in the vicinity of 23 PJ¹ (QGC only) or 26 PJ¹ (for QGC and BG combined), resulting from growth in existing supply contacts as well as additional spot gas sales. Gas demand in the longer term is expected to increase significantly, due largely to increasing gas-fired generation capacity in Queensland and the preference for gas-fired, rather than coal-fired, generation in anticipation of an emissions trading scheme. Additionally, several east coast gas supply contracts held by other suppliers are due to expire during the next three to four years. QGC's emphasis on boosting gas reserves, through its ongoing GAS program, puts it in an excellent position to capitalise on these opportunities.



¹ Sales include sales through gas deliveries plus gas paid for but not taken.

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\$500

million

on exploration
and development
by June 2009

Exploration and reserves

The continued success of the Growth Acceleration Strategy (GAS) has significantly increased QGC's reserves. Independently certified like-for-like proved (1P) reserves rose 93 per cent while proved and probable (2P) and proved, probable and possible (3P) reserves both surged 141 per cent between 16 August 2007 and 17 September 2008.¹

During the current financial year QGC expects to make record investments in exploration, production and development across existing and new acreage and has set a target of reaching 3,400 PJ of 2P reserves by 1 July 2009.

By that date about \$500 million will have been spent on the exploration and development of QGC's assets across the Walloon Fairway.

Reserves growth

QGC's reserves growth came from increased appraisal and development drilling in QGC's central gasfields such as Berwyndale South, Argyle and Kenya, as well as from exploration and appraisal drilling outside the central Walloon Fairway.

- * In the eastern Walloon Fairway (ATP 648P, PLA 257, PLA 259, PLA 261, PLA 262, PLA 269 and 676P) QGC¹ increased its 2P reserves 523 per cent from 140 PJ to 872 PJ during the period from 16 August 2007 to 17 September 2008
- * In the northern Walloon Fairway (ATP 574P, 632P and 651P) QGC¹ increased its 2P reserves from nil to more than 214 PJ during the same period
- * In addition, in the central Walloon Fairway (ATP 676P, PL 179, PL 201, PL 228, PL 229, PLA 180, PLA 211, PLA 212, PLA 247 and PLA 263) QGC¹ continued to refine its appraisal and development model and increased its 2P reserves base 68 per cent from 965 PJ to 1,618 PJ during the same period

Netherland, Sewell & Associates, Inc. (NSAI), the independent certifiers, reviewed all of QGC's acreage in the eastern Surat Basin and assigned contingent resources to areas where further exploration and appraisal during 2008-09 may enable the certification of reserves.

Exploration and appraisal activities

QGC built on the results of the initial phase of GAS, carried out in 2006-07, with a further \$56 million exploration program in 2007-08 aimed at certifying 2P reserves outside the central Walloon Fairway and, more particularly, in ATPs 648P and 651P.

QGC drilled 109 exploration, appraisal and development wells across the entire length of its eastern Surat Basin acreage. This work enabled NSAI to increase QGC's 2P reserves base from 1,105 PJ (at 16 August 2007) to 2,703 PJ (at 17 September 2008)¹.

Since 30 June 2008, QGC has continued its extensive programme of drilling exploration, appraisal and development wells.

Work during the past 12 months has enabled QGC to apply for five new petroleum leases: one in ATP 620P (PLA 263); two in ATP 621P (PLA 261 and 262); and two in ATP 648P (PLA 259 and 269).



Exploration geologist Zoe Stackhouse helps QGC to pinpoint potential drilling sites.

¹ Reserves figures refer to QGC/BG share to enable like-for-like comparisons with a year earlier. QGC's share is 80 per cent.

Exploration and reserves

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Northern Walloon Fairway

ATP 651P

Building on the results of 2006-07, four more appraisal wells, one core well and three exploration wells were drilled in ATP 651P. Drill Stem Testing (DST) and pilot production testing showed encouraging results.

A core well was drilled to investigate coal thickness, gas content and saturation and permeability and 53 coal and shale samples were collected for desorption. Three DSTs were conducted.

Results from this program enabled NSAI to certify the first reserves in ATP 651P, which will enable an application for two petroleum leases over the area.

ATP 632P

An exploration well was drilled in ATP 632P to investigate coal thickness, continuity and permeability. Additional work will be carried out to determine the appropriate completion method.

Central Walloon Fairway

PLA 247 – Bellevue (ATP 610P)

Following the drilling and production testing of a five-well pilot at Bellevue in 2006-07, QGC drilled a further two five-well pilots east and north of its original pilot site. Again these pilots were drilled to appraise both the Juandah and Taroom Coal Measures. Production testing will begin when surface facilities and gas and water-gathering systems have been installed.

PLA 211 – Berwyndale (ATP 632P)

To assist in reservoir management, a monitor well was drilled between Berwyndale and Berwyndale South. Pressure sensing equipment has been installed in the upper and lower Juandah Coal Measures and the Taroom Coal Measures to enable QGC to manage its reservoirs efficiently.

PL 201 – Berwyndale South

Some 26 development wells were drilled in south-west PL 201 to expand the Company's production capability and extend QGC's geological understanding in the petroleum lease. All wells are now connected into the Berwyndale South gas and water gathering system.

A core well was drilled in the north of the petroleum lease to investigate coal thickness, gas content and saturation and permeability. Due to mechanical problems the well was halted at the base of the Juandah Coal Measures. Further coring is to be undertaken.

PL 179 – Argyle

Twelve development wells were drilled in the south of the petroleum lease to expand the Company's production capability and extend QGC's geological understanding in the petroleum lease. All wells are now connected into the Argyle-Kenya gas and water gathering system.

PLA 180 – Codie/Lauren (ATP 620P)

Twenty-six exploration and appraisal wells were drilled to explore and appraise the Walloon Subgroup coals in the western PLA. These wells are progressively being production-tested as they are completed, surface facilities are installed and the gathering system is tied in.

To assist in reservoir management, a monitor well was drilled between Lauren and Kenya. Pressure-sensing equipment will be installed in the upper and lower Juandah Coal Measures and the Taroom Coal Measures to enable QGC to manage its reservoirs efficiently.

A monitor well has also been drilled between Kate and Kenya in PL 228.

PL 229 – Argyle East

Three development wells were drilled in the south of the petroleum lease to expand the Company's production capability and extend QGC's geological understanding in the petroleum lease. All wells are now connected into the Argyle-Kenya gas and water gathering system.

PLA 263 – Matilda-John (ATP 620P)

A PLA for the last portion of ATP 620P was lodged with the Department of Mines and Energy (DME) during the first quarter of 2008 and has been allocated the designation PLA 263.

A core well (Matilda-John #1) was drilled in the centre of the petroleum lease application to investigate coal thickness, gas content and saturation and permeability and 39 coal and shale samples were collected for desorption. Three DSTs were conducted.

To assist in reservoir management, a monitor well was drilled south of Matilda-John #1.

Eastern Fairway

PLA 261 – Myrtle/Ridgewood (ATP 621P)

During the first quarter of 2008, QGC lodged a PLA with the DME for the north-western portion of ATP 621P. The area was subsequently allocated the designation PLA 261.

Building on the results of 2006-07, two more appraisal wells were drilled. These wells will be used to study the best method to fracture stimulate Walloon coals in areas of reduced permeability. In addition, an exploration well was drilled in the south of the petroleum lease application to investigate coal thickness, continuity and permeability. Four DSTs were conducted. A core well was drilled and three DSTs were conducted.

PLA 262 – Aberdeen/Teviot (ATP 621P)

During the first quarter of 2008, QGC lodged a PLA with the DME for the south-eastern portion of ATP 621P. The area was subsequently allocated the designation PLA 262.

Two exploration wells were drilled to investigate coal thickness, continuity and permeability. DSTs were conducted in both wells.

ATP 648P

Three exploration wells and two appraisal wells were drilled to investigate coal thickness, continuity and permeability and three DSTs were conducted.

Two core wells were drilled to investigate coal thickness, gas content and saturation and permeability and DSTs were conducted.

PLA 257 – Jammatt/Kenya East (ATP 648P)

Four exploration wells were drilled to investigate coal thickness, continuity and permeability and DSTs were conducted in all four exploration wells.

Production testing at one of the wells, Kenya East #4, enabled NSAI to certify 2P reserves in the application area. The other wells will be production tested during 2008-09.

PLA 259 – David/Sean (ATP 648P)

During the first quarter of 2008, QGC lodged a PLA with the DME for the north-eastern portion of ATP 648P. The area was subsequently allocated the designation PLA 259.

Two exploration wells and five appraisal wells were drilled to investigate coal thickness, continuity and permeability. Three DSTs were conducted. Production testing at the Sean pilots has confirmed the DST results and enabled NSAI to certify 2P reserves in the application area. The other wells will be production tested during 2008-09.

A core well was drilled to investigate coal thickness, gas content and saturation and permeability and 62 coal and shale samples were collected for desorption. Two DSTs were conducted.

PLA 269 – Jen/Isabella (ATP 648P)

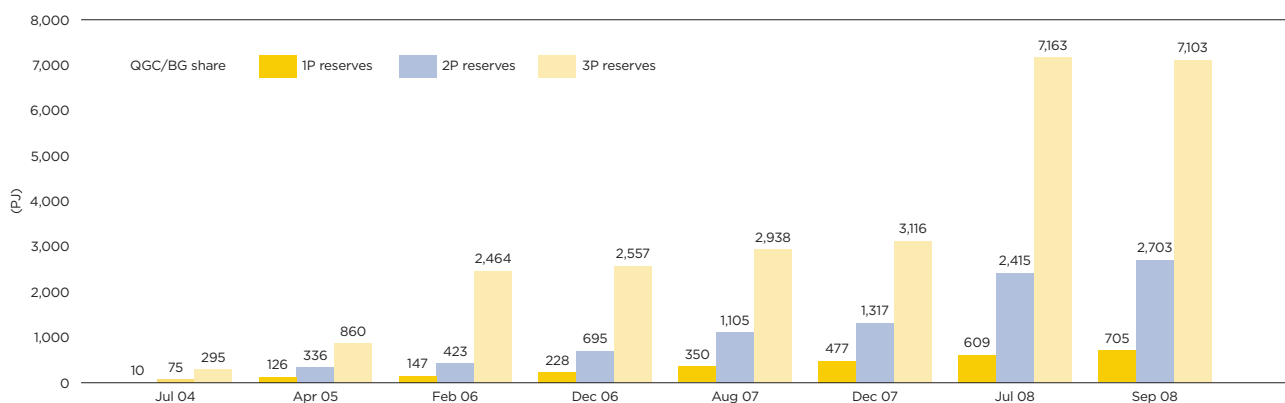
QGC lodged a PLA with the DME for the south-eastern portion of ATP 648P during the third quarter of 2008. The area was subsequently allocated the designation PLA 269.

Two exploration wells (Isabella #1 and Jen #2) and two appraisal wells (Jen #3 and #4) were drilled to investigate coal thickness, continuity and permeability and DSTs were conducted in both wells.

Production testing at Jen #2-4 will begin during 2008-09 to increase QGC's reserves.

Further, two core wells were drilled to investigate coal thickness, gas content and saturation and permeability, with 55 and 57 coal and shale samples, respectively, collected for desorption. Three DSTs were conducted in each of these wells.

Strong growth in certified reserves



Exploration and reserves

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QGC's tenements

QGC has interests in eight petroleum exploration tenements known as authorities to prospect (ATP)¹. In relation to some of those ATPs, QGC has interests in four production tenements known as petroleum leases (PL), in 10 applications for petroleum lease applications (PLAs), in four pipeline licences (PPL) and in one pipeline survey licence (PSL). These tenements and QGC's interests in them are described in the following table.

Tenement ²	Name	Area	Interest	Joint venturer
Exploration licences				
ATP 574P	Pinelands	Shallows ³	48%	BG International 12% Victoria Petroleum 30% Australian CBM 6.25% SEQ Oil 3.75%
ATP 632P	Connor, Arvin	Blocks 2161, 2449, 2450, 2521, 2522, 2594	80%	BG International 20%
		All other blocks	100%	
ATP 647P ⁵	Myall Creek East	Myall Creek East ⁶ (graticular block 2656)	50%	Origin 50%
	Andrew	Blocks 2377, 2378	80%	BG International 20%
		All other blocks	100%	
ATP 648P	Barney, Broadwater, Jordan	Shallows ³	55%	BG International 13.75% Origin 31.25%
		Deep ⁴ s	48%	BG International 12% Pangaea 40%
ATP 651P	Woleebee Creek, Kathleen	All of tenement area (Royalty applies)	68%	BG International 17% Lucas Coal Seam Gas 15%
ATP 676P	Avon Downs, Wyalla	Section 1 blocks (i.e. graticular blocks numbered 2237, 2386, 2456, 2457 and 2458)	40%	BG International 10% Australian CBM 50%
	McNulty, Owen	Section 2 blocks (i.e. graticular blocks 2309, 2528, 2529 and 2530)	20%	BG International 5% Australian CBM 75%
Petroleum leases				
PL 179	Argyle	Shallows ³	47.50%	BG International 11.875% Origin 40.625%
		Deep ⁴ s	21%	BG International 5.25% Pangaea 73.75%
PL 201	Berwyndale South	All of petroleum lease area	80%	BG International 20%
PL 228	Kate/Kenya	Shallows ³	47.50%	BG International 11.875% Origin 40.625%
		Deep ⁴ s	21%	BG International 5.25% Pangaea 73.75%
PL 229	Argyle East	Shallows ³	47.50%	BG International 11.875% Origin Energy CSG 40.625%
		Deep ⁴ s	21%	BG International 5.25% Pangaea 73.75%
Petroleum lease applications				
PLA 180	Codie/Lauren	Shallows ³	47.50%	BG International 11.875% Origin 40.625%
		Deep ⁴ s	21%	BG International 5.25% Pangaea 73.75%



Left: QGC has set a target of reaching 3,400 PJ in 2P reserves by 1 July 2009.

Tenement ²	Name	Area	Interest	Joint venturer
Petroleum lease applications				
PLA 211	Berwyndale	All of petroleum lease application area	80%	BG International 20%
PLA 212	Berwyndale Deep	All of petroleum lease application area	80%	BG International 20%
PLA 247	Bellevue	Shallows ³	56.50%	BG International 14.125% Origin Energy CSG 29.375%
		Deeps ⁴	51%	BG International 5.25% Pangaea 43.75%
PLA 257	Jammat/ Kenya East	Shallows ³	55%	BG International 13.75% Origin Energy CSG 31.25%
		Deeps ⁴	48%	BG International 12% Pangaea 40%
PLA 259	David/Sean	Shallows ³	55%	BG International 13.75% Origin 31.25%
		Deeps ⁴	48%	BG International 12% Pangaea 40%
PLA 261	Myrtle/Ridgewood	All of petroleum lease application area	80%	BG International 20%
PLA 262	Aberdeen/Teviot	All of petroleum lease application area	80%	BG International 20%
PLA 263	Matilda-John	Shallows ³	47.50%	BG International 11.875% Origin 40.625%
		Deeps ⁴	21%	BG International 5.25% Pangaea 73.75%
PLA 269	Isabella/Jen	Shallows ³	55%	BG International 13.75% Origin 31.25%
		Deeps ⁴	48%	BG International 12% Pangaea 40%
Pipeline licences				
PPL 91 ⁷	Windibri Export Pipeline		80%	BG International 20%
PPL 107	Kenya Export Pipeline		47.50%	BG International 11.875% Origin 40.625%
PPL 108 ⁷	Kenya Trunkline		80%	BG International 20%
PPL 125 ⁷	Northern Corridor Pipeline		80%	BG International 20%
PSL 29	Corridor for QCLNG pipeline Miles to Gladstone		50%	BG International 50%

Notes:

- ATPs 620 and 621 are covered by PLs or PLAs.
- QGC is the operator of all areas except the Myall Creek East block in ATP 647P.
- Shallows are all stratigraphic divisions underlying the surface area down to a depth of 100 feet below the Walloon Coal Measures.
- Deeps are all stratigraphic divisions below a depth of 100 feet below the Walloon Coal Measures.

- QGC's interest in ATP 647P is held through its wholly-owned subsidiary, Starzap Pty Ltd.
- Operated by Origin.
- QGC's interests are held through QGC (Infrastructure) Pty Ltd, a wholly-owned subsidiary of QGC.

Transformation through flexibility:
vertical integration gives **QGC**
diversity and arbitrage opportunities



Electricity

QGC has taken significant steps toward realising its energy strategy of vertical integration. It is poised to enter the National Electricity Market with the imminent commissioning of its cleaner, greener, low-cost Condamine Power Station. A hedge agreement with AGL Energy has confirmed sales of about two-thirds of the energy output from Condamine Power Station for its first three years, minimising risk while freeing the Company to capitalise on peak pricing with the remaining output.

Condamine Power Station

QGC's intelligent, innovative strategies are delivering the world's first combined-cycle power station designed to run entirely on coal seam gas. QGC's foresight on gas pricing has seen Condamine Power Station increase in value substantially, with the expected net-back gas price to the field doubling since 2006 to \$5 per gigajoule.

The construction contract with Austrian Energy & Environment (AEE) was announced on 26 April 2007. Equipment for the power station has been manufactured all over the world and most major items have arrived at the Condamine Power Station site, 8km east of Miles off the Warrego Highway.

In July 2007, QGC decided to target February 2009 for the operation of the open-cycle gas turbines. This would enable up to 84 megawatts (MW) of the total planned generation capacity of 140 MW to be available early. The completion of the combined cycle remains on schedule for October 2009. In a combined-cycle power station, the gas turbines generate electricity. The waste heat is then used to make steam, which is directed through a steam turbine to create a second cycle of electricity generation. The combined cycles greatly increase efficiency.

The acceleration of the open-cycle stage allows earlier generation of electricity and enables QGC to sell power into the National Electricity Market – including power sales through the AGL Energy hedge agreement – in the first quarter of 2009 when seasonal conditions produce high market prices. The construction program is on track to meet this timetable.

Construction

Procurement and manufacture of key equipment is substantially complete. This includes:

- * Two SGT800 gas turbines manufactured in Sweden by Siemens
- * Heat recovery steam generation modules, from various workshops in Asia
- * Gas compressors from the US
- * Electrical transformers from India
- * The steam turbine and generator, being manufactured in the Czech Republic

On-site earthworks began in October 2007 and are now nearing completion. The mechanical installation of equipment began in June 2008.

QGC has designed and is constructing the infrastructure for the delivery of coal seam gas and water from the Company's own gasfields. This infrastructure and the waste water collection system are on track for completion in mid-October.

No medical or lost-time incidents had occurred during the 32,500 site hours to 30 June.



QGC will sell electricity from its Condamine Power Station to the National Electricity Market through the Columboola Switching Station, where contractor i.Power Solutions' Trevor Scott is pictured.



A 3km power line, connecting Condamine Power Station with the Columboola Switching Station, was completed in June 2008. The line was constructed by Persal & Co, of Maryborough, on time and on budget. The Columboola Switching Station is being constructed by i.Power Solutions and connects the facility with the Chinchilla-to-Roma 132-kilovolt transmission line. The project has been scheduled for completion by October 2008, which will allow electricity to be back-fed to the power station.

Commissioning

AEE is responsible for commissioning the station and is currently finalising details of these plans. QGC's power station staff will work under the direction of AEE during commissioning, which ensures that the experience and lessons learnt during this process will be retained within QGC.

Operations

QGC has recruited 14 permanent staff for Condamine Power Station, beginning with the appointment in April 2008 of Steve Carter as station manager. Mr Carter has more than 30 years' experience in the electricity industry, including managing, commissioning, operating and maintaining combined-cycle gas turbine plants throughout Asia and in Australia. Power station staff were initially based in Brisbane and moved their operational base to the power station in early August. Ultimately, they will live in the area of Miles and Chinchilla.

A tight labour market has presented recruitment challenges in the sector, but QGC's strong and dynamic reputation, along with Mr Carter's standing in the electricity generation industry, has attracted an enviable and high-quality pool of applicants.

QGC has signed a 10-year long-term service agreement with Siemens for the supply of spare parts needed for overhauls and technical support for the two gas turbines. The agreement covers all planned gas turbine overhauls during the period, plus a 97 per cent availability guarantee on the gas turbines, including downtime for major overhauls.

Hedge

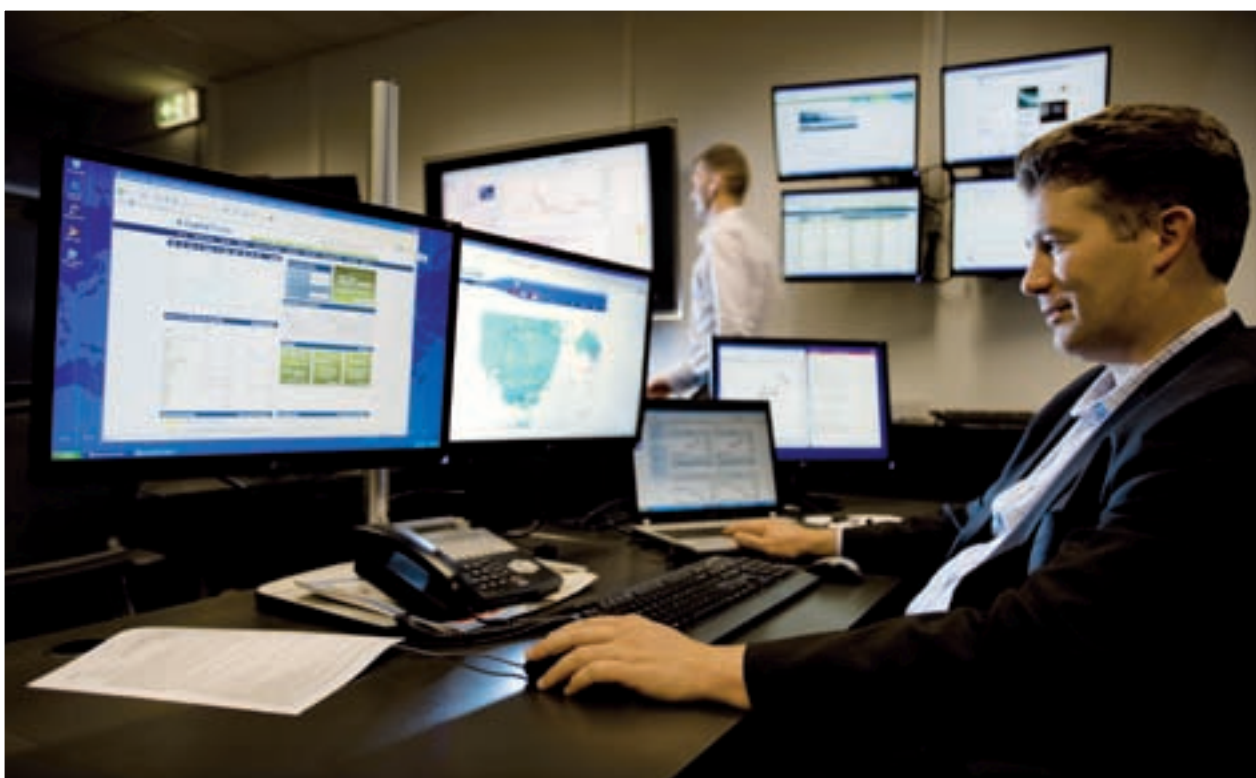
On 14 November 2007, QGC entered a hedge agreement with AGL Energy for about 66 per cent of Condamine Power Station's output for the first three years.

The strike price for the hedge took advantage of the strength in the electricity market by locking in, for three years, pricing that is about 40 per cent higher than the pricing assumed for financing purposes. It covers the cost of all tolling arrangements for those three years.

The hedge is based on an as-available "generation following" basis, which minimises any risk to QGC if it is unable to generate electricity at any particular time. It applies only to "sent out" electricity, preserving all potential value available through Gas Electricity Certificates.

NSW power station

On 27 May 2008, QGC Managing Director Richard Cottee met Morris Iemma, the Premier of New South Wales at the time, and then-Treasurer Michael Costa. It was announced that QGC would examine the feasibility of building and owning a gas-fired power station in NSW.



Above: Electricity trading manager Ben Lacey prepares for QGC's entry into the National Electricity Market.

The proposed combined-cycle power station would have a capacity of 400 to 600 MW, supplying up to 500,000 homes with electricity from 2012. The project would create up to 600 jobs during construction and about 20 full-time positions during operations.

The joint-venture partners for the proposal are ANZ Infrastructure Services Ltd and Toyota Tsusho Corporation, with QGC holding a 60 per cent interest. The development costs are estimated at between \$500 million and \$750 million depending on the size of the power station.

The station would use coal seam gas from QGC's Surat Basin reserves, transported by a new underground pipeline to be constructed as part of the Queensland Hunter Gas Pipeline project. QGC would be a significant foundation customer, with the pipeline starting at the Berwyndale South processing plant and running 820km to Newcastle.

Since the end of May 2008, QGC and its joint-venture partners have been examining the feasibility of the project under the guidance of a steering committee.

Trading

QGC is currently building trading systems to bid the available generating capacity of the Condamine Power Station into the National Electricity Market. The market is a wholesaler for the supply and purchase of electricity, where the energy output from all power generators is dispatched into a central pool. Electricity generators compete for the right to generate electricity into the pool by submitting competitive price bids to supply nominated quantities of generation in certain timeslots throughout the day.

QGC plans to begin selling electricity generated by Condamine Power Station into this market pool from early 2009, and will be paid according to the spot price or existing hedge contracts with customers.

QGC is developing a state-of-the-art trading centre at the Company's headquarters in Brisbane. Its trading division is expanding to manage the full range of electricity market functions, including spot trading, short and long-term derivative dealing, green energy dealing, economic and market analysis, quantitative analysis and specialist trading systems.



QGC is working to transform its underground resources into cleaner energy and water



Water

While QGC's reserves of coal seam gas hold the promise of jobs, export growth and a cleaner, more secure domestic fuel supply, the by-product of extracting that gas offers a resource of even greater value to many: water. QGC will be producing large quantities of this valuable commodity and with that comes a responsibility to research and identify the most beneficial methods of treatment and use of coal seam water.

During the past 12 months, QGC's water management team have sought out and assessed a range of water treatment technologies from around the world. The focus has been on determining which systems can provide the most environmentally and economically sustainable means of harvesting, treating and re-using the water. This research has so far identified some exciting opportunities and we are in the early stages of testing some of these for their commercial viability.

Promising factors in a multi-disciplinary solution include:

- * Traditional agricultural use of processed water
- * Agricultural use for forestry using processed and raw water
- * Biological filtration and bio-diverse constructed wetlands
- * Membrane filtration and processing
- * Thermal distillation techniques
- * Crystallisation plants for salts and component removal
- * Development of an industrial park to consume raw water and water by-products

Municipal supply

QGC is negotiating with the newly amalgamated Dalby Regional Council (representing Dalby and the former shires of Chinchilla, Murilla, Tara, Wambo and part of Taroom) to supply treated coal seam water for local townships – that is, potable water that meets Australian Drinking Water Standards.

Pre-amalgamation, negotiations between QGC and Murilla Shire Council for the supply of potable water for Miles had reached an advanced stage. These negotiations to supply up to half a billion litres annually are now being detailed in Water Project Agreements. Hopefully, we will soon see water delivered to regional towns in southern Queensland.

The Company is working towards supporting regional populations and stimulating social and economic growth with clean and reliable medium-term water solutions. Through community meetings, regional briefings and local and State Government negotiations, QGC looks forward to bringing these exciting projects to fruition.

Condamine Power Station

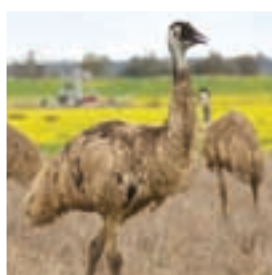
Water infrastructure is being completed at Condamine Power Station in anticipation of the first delivery of raw coal seam water in late 2008.

This landmark delivery will see the raw water processed by an on-site reverse osmosis plant for use within the power station complex. Water cooling, rather than air cooling, will maximise the plant's efficiency.

The use of coal seam water from QGC's gasfields as both process water and drinking-quality water for station staff ensures that Condamine Power Station breaks new ground in water conservation.



Evaporation ponds, such as this one at Berwyndale South gasfield, are expected to be used less with the success of water treatment technologies.



Industrial supply

QGC has entered into a Water Supply Agreement to deliver up to two megalitres (ML) a day of raw coal seam water to the proposed Cameby Downs coal mine.

The mine is about 15km north-east of Condamine Power Station and, initially, will share the power station's water gathering and accumulation infrastructure.

A dedicated water delivery pipeline will be constructed to supply Cameby Downs, with first water deliveries expected in 2010.

QGC is pursuing water supply opportunities with other coalminers. Using coal seam water will help to preserve supplies of traditional water sources such as the Great Artesian Basin as well as existing and new groundwater supply storage infrastructure.

Water management

With the new Rhynie Pond having come into use in September, QGC has about 310ha of evaporation pond storage area with a capacity of 9,500 ML.

QGC closely monitors water quality from ponds and wells and it conducts detailed drilling and testing before selecting a new site for an evaporation pond. A decision on the site for Rhynie Pond came only after QGC spent \$300,000 on testing and engineering design to establish the suitability of the site. QGC has spent \$200,000 on the installation of monitor bores surrounding existing evaporation ponds and will spend a further \$100,000 on new monitor bores for Rhynie.

Further, QGC has:

- ★ Retained The University of Queensland to determine the optimal method of engineering evaporation ponds to maximise their impervious properties
- ★ Applied for Australian Research Council funding to match or supplement the Company's contribution (\$150,000 in cash and \$300,000 in kind). The project will be carried out under the stewardship of Professor David Williams, Chair of Geomechanics at The University of Queensland
- ★ Begun a feasibility study into an environmentally sustainable water re-use project involving a wetland and forest plantations

Outlook

QGC is committed to phasing out the construction of new evaporation ponds.

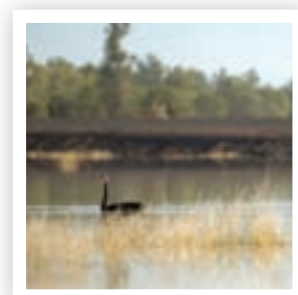
There is no single, easy solution for the management and treatment of raw coal seam water. The QGC approach will be multi-disciplinary and respect both the environment and the communities within which we operate. It will be visionary, sustainable, responsible and innovative.

Trials of the most environmentally and socially responsible water treatment solutions will begin during the next 12 months. QGC regards the full use of this water resource as one of its major contributions to the wellbeing of local communities and the region generally.

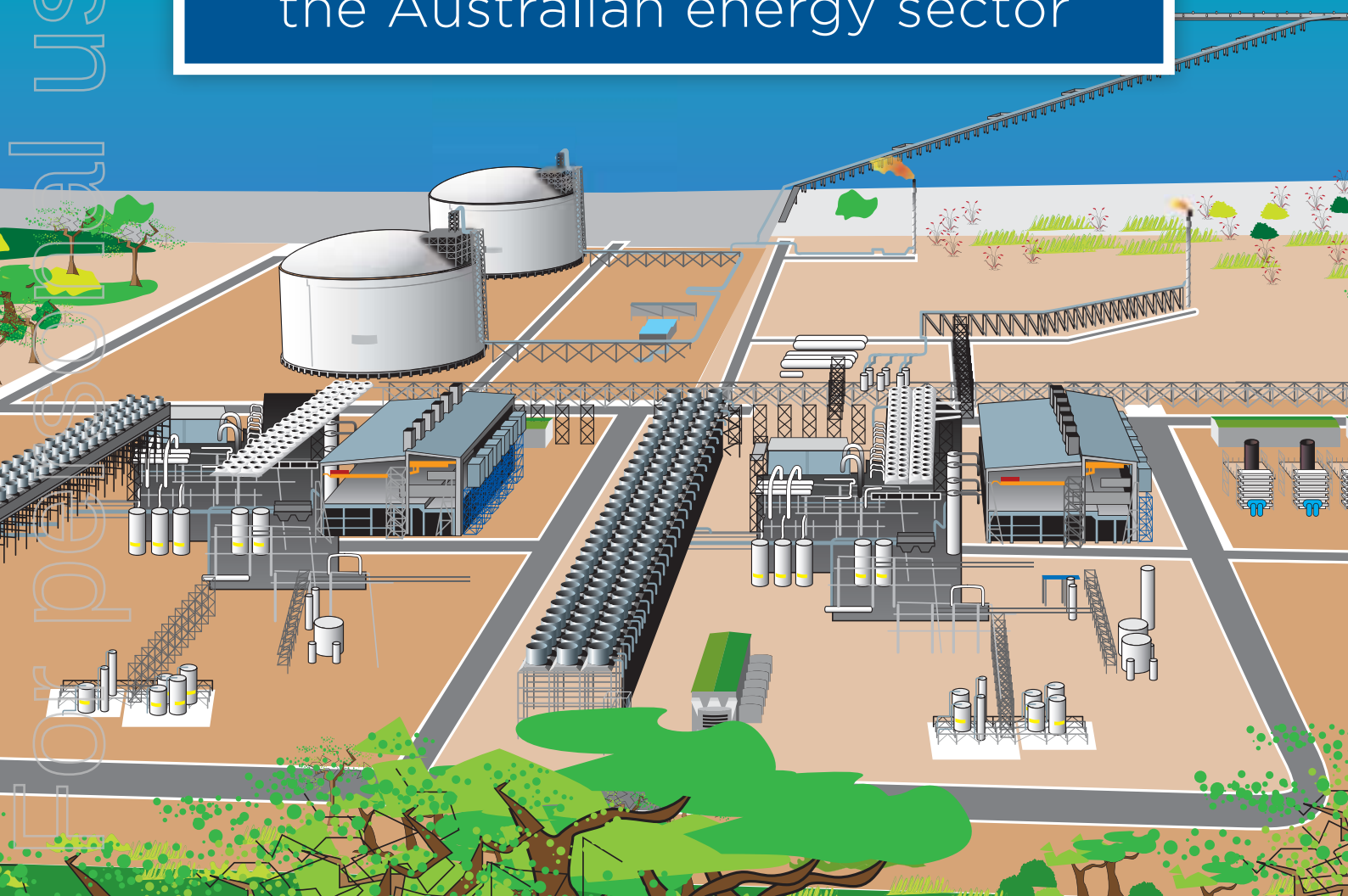


Left: Environmental officer Jill Melton demonstrates the quality of coal seam water from Berwyndale South gasfield's evaporation pond. Photo: Luke Marsden, The Sunday Mail.

Opposite page: Wild emus graze on a field of post-harvest barley, irrigated with coal seam water, on QGC's Windibri property at Berwyndale South gasfields.



The partnership between **QGC** and BG Group is transforming the Australian energy sector



Queensland Curtis LNG Project



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The Queensland Curtis LNG Project is an alliance between QGC and BG Group that will develop Queensland's coal seam gas and convert it into LNG for international markets. QGC is also pursuing the development of coal seam gas for the domestic gas and electricity markets.

Planting the seeds

On 1 February 2008, QGC and BG Group announced an agreement to build a world-scale LNG plant on the Queensland coast, to export coal seam gas from QGC's Surat Basin acreage. QGC and BG Group are seeking approval to produce up to 12 million tonnes per annum (mtpa) of LNG for export over 20 years, in liquefaction trains of 3 to 4 mtpa each.

QGC's world-class coal seam gas resources were matched to BG Group's world-class LNG capabilities, with BG guaranteeing offtake for the first train for at least 20 years from first shipment in 2013.

QGC's innovative \$8 billion alliance with BG Group proved a wake-up call to other Australian gas producers and energy markets. QGC had been preparing for high gas demand since 2006, and was already well ahead with its exploration and development program. With the blessing of the Queensland Government and the Foreign Investment Review Board, the two companies completed the transaction in Brisbane on 11 April 2008.

QGC received \$664 million from BG Group in return for a 9.9 per cent equity stake in QGC's expanded issued capital (81,278,451 shares based on a value of \$3.07 each) and a 20 per cent stake in its Walloon coal seam gas assets (as at the time of the deal). QGC will receive a further \$207 million plus back-costs (interest and other adjustments) for the sale of a further 10 per cent interest in its tenements on the earlier of a positive final investment decision approving the construction of the LNG plant or the certification of 7,000 PJ of 2P reserves.

"The fact we have been able to achieve this just nine weeks after we jointly announced our innovative alliance gives me great confidence in the end game," Mr Cottee said at the time.

Queensland Premier Anna Bligh concurred. "I am excited by the tremendous advantages which this massive project promises to deliver for Queensland and for the environment on a global scale," Ms Bligh said. "Having met the Chief Executive of BG Group, Frank Chapman, and his counterpart at QGC, Richard Cottee, I understand how the project is coming to fruition so quickly."

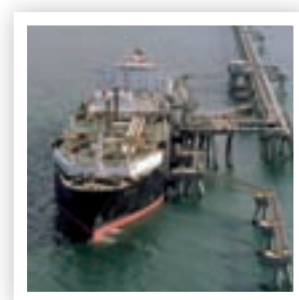
The project takes root

The area selected for the project's LNG liquefaction plant is Curtis Island, 5km north-west of Gladstone. Among other attributes, the site will be within a State Development Area, has a protected natural harbour, existing port operations and infrastructure and is relatively close to QGC's coal seam gasfields.

Having benefited from the prescience of its Growth Acceleration Strategy since 2006, QGC has proved up reserves and has begun production at its second gasfield, Argyle/Kenya. The \$664 million from BG Group is funding the sustained push to reach the minimum 190 PJ a year required for the project.

QGC drilled 30 wells in 2005-06 and 59 in 2006-07. A further 109 wells were drilled in 2007-08 and a further 200 are planned before the end of 2008-09.

On 4 July 2008, the Queensland Government declared QCLNG to be a significant project, for which an environmental impact statement is required.



Above: BG Group's fleet of LNG tankers will carry QGC's gas across the world.

Opposite page: Artist's impression of the QCLNG liquefaction plant proposed for Curtis Island.



The QCLNG Project has secured Bechtel Oil, Gas and Chemicals, Inc. as project contractor for the Curtis Island liquefaction plant. Bechtel is a leading international LNG contractor and has built about one-third of all LNG production capacity world-wide. It has constructed six LNG trains with BG Group in Egypt and Trinidad and Tobago. The proposed plant will be built to liquefy QGC's coal seam gas using the ConocoPhillips Optimised Cascade Process, which cools the gas through three cycles of refrigeration.

On 3 September, Queensland's Department of Mines and Energy granted the project a pipeline survey licence (see map opposite page). Field staff and specialist environmental consultants are studying the proposed route and holding discussions with landowners and local stakeholders.

Future growth

Front-end engineering and design (FEED) work is now under way, with a final investment decision scheduled in early 2010. The FEED work and final investment decision are expected to lead seamlessly into procurement and construction.

By mid-2009, the QCLNG Project will complete environmental studies covering land, water, air, noise and visual impact, and study social and economic impact and safety and risk. The aim is to achieve State and Commonwealth environmental approvals by December 2009.

Field surveys, studies of geology, topology, topography, ecology and cultural heritage values and landholder negotiations are under way along the proposed pipeline corridor. The project, which will be one of Australia's largest capital infrastructure works, is scheduled to begin construction in early 2010.

A total of 1,500 commercial gas production wells will be drilled to feed the first production train of the QCLNG Project, with an additional 1,500 for the second train.

New employees are already taking up the first of an estimated 4,400 jobs created by the QCLNG Project, with QGC and BG Group both running extensive recruitment campaigns.

A 380km pipeline is to be built from QGC's acreage to the LNG plant in Gladstone, along with a 200km collection pipe a 220km interconnection network for gas and water within the acreage.

QGC also remains committed to the supply of domestic energy. It will utilise more than 250 commercial gas production wells - with a capacity of 200 TJ of gas daily - by 2010 to meet its current and projected contracts.

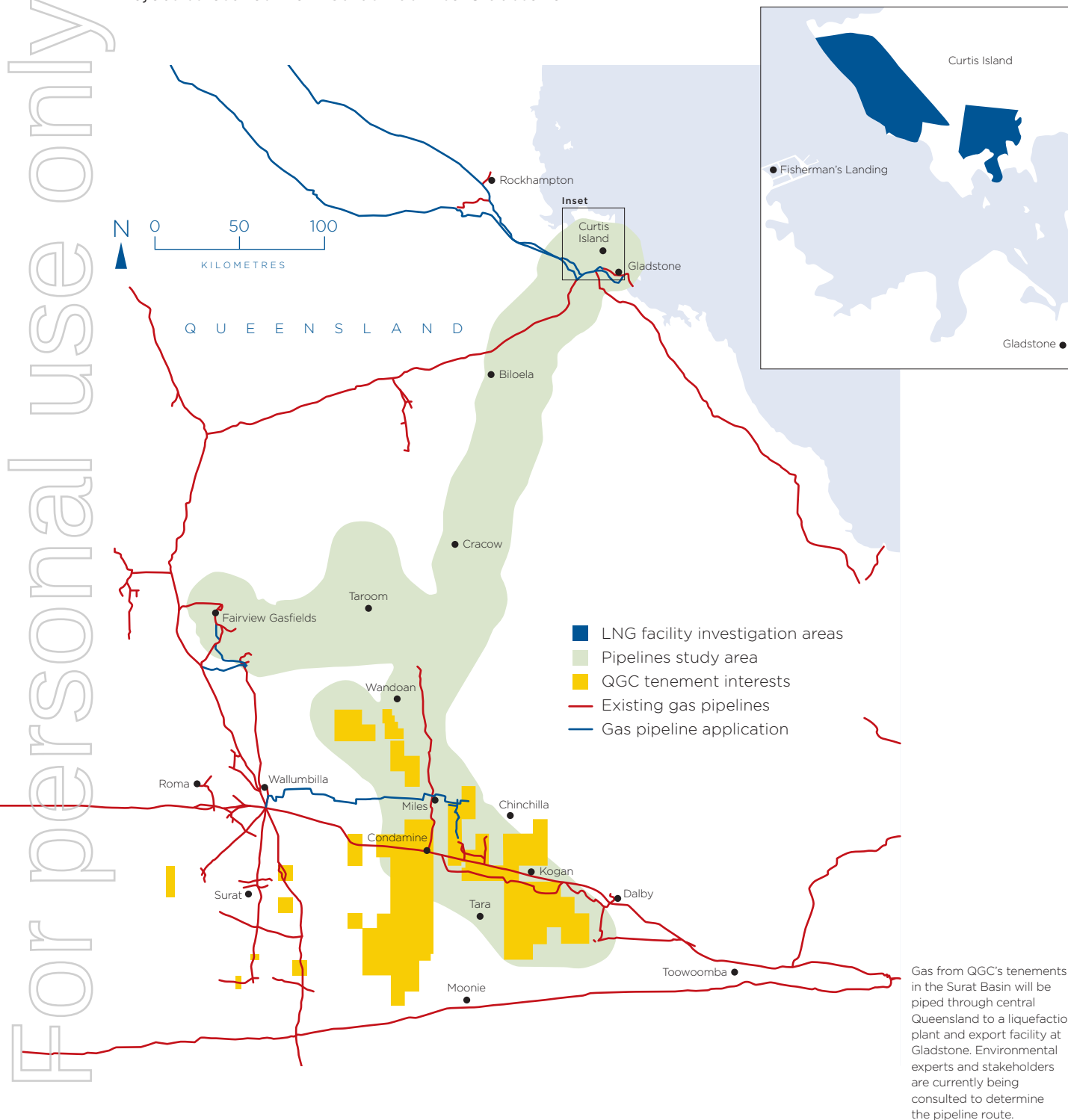
Above: Pipeline rehabilitation at Berwyndale South, where mulch has been spread to enable native saplings to regrow during spring 2008.

Right: Richard Cottee, Robert Bryan, Queensland Premier Anna Bligh and Managing Director of BG Australia David Maxwell announce the QCLNG alliance at QGC's Brisbane headquarters in February 2008.



Project stretches from Surat Basin to Gladstone

Inset showing LNG investigation areas



Queensland Curtis LNG Project timeline

27 May 2008

QGC announces gas transportation hub at Berwyndale South, linking markets north, south, east and west.

1 Feb 2008

QGC and BG Group announce LNG project alliance.

3 June 2008

Initial Advice Statement submitted to Queensland Government.

11 April 2008

QGC and BG Group complete transaction; QGC receives \$664 million and BG Group takes 9.9% equity and 20% of coal seam gas assets.

15 July 2008

Bechtel secured as QCLNG Project contractor; FEED begins.

4 July 2008

Queensland Government declares QCLNG a significant project.

3 Feb 2008

Queensland Premier Anna Bligh welcomes the project.

25 September 2008

BG Group Executive Vice President Martin Houston nominated as an alternate director on QGC's Board. David Maxwell steps aside.

Early 2010

Construction of LNG plant begins. QGC to receive \$207 million from BG Group for a further 10 per cent of coal seam gas assets, on positive final investment decision or reaching 7,000 PJ of 2P reserves.

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Q2 2009

Completion of Environmental Impact Study.

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17 September 2008

NSAI upgrades QGC/BG's 1P reserves to 705 PJ, 2P reserves to 2,703 PJ and slightly decreases 3P reserves to 7,103 (due to recent focus on 1P and 2P development).

Q4 2009

EIS approval (State and Commonwealth).

Q3 2013

First LNG production; offtake guaranteed to 2033.

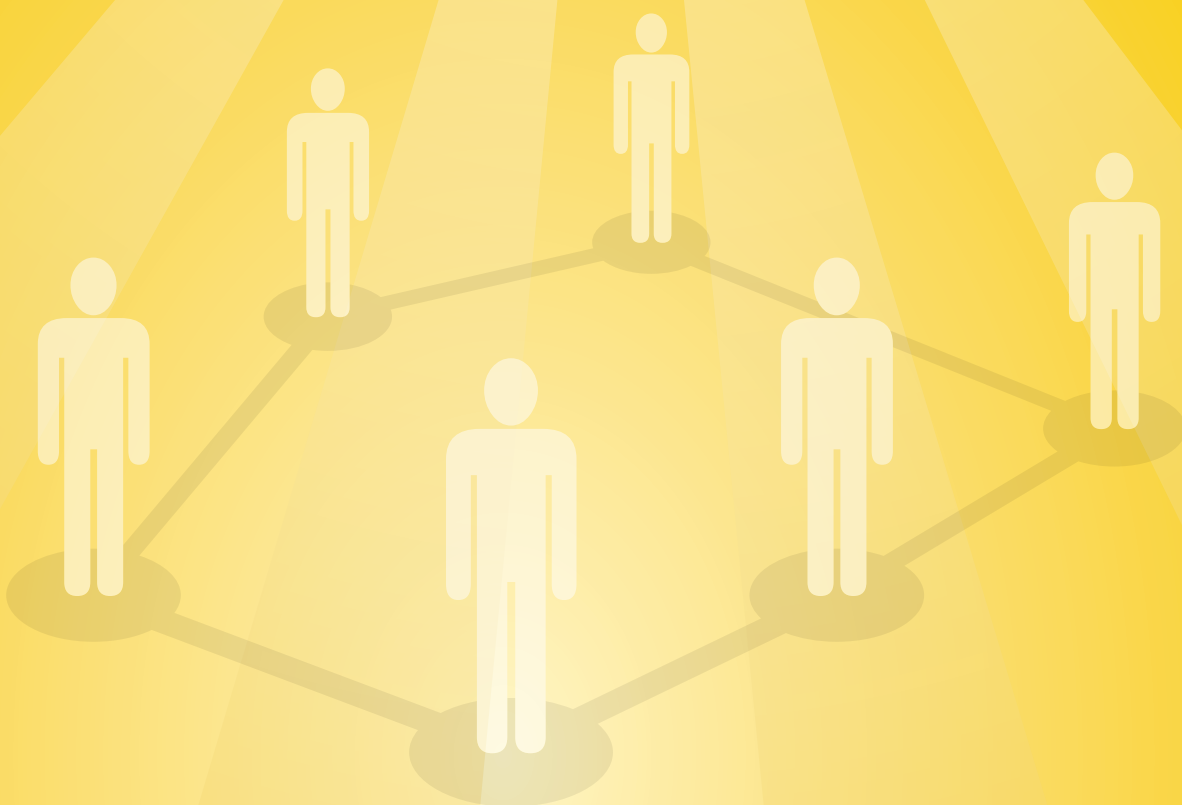
Ongoing

Upstream exploration and development of Walloon Fairway; pipeline studies and negotiations.

FORMATION



QGC's growing workforce is being transformed through recruitment, training and education



People and safety

People

At 30 June 2007, QGC employed a workforce of 80. A year later, that figure had more than doubled to 172 and is now beyond 240. To facilitate this swift expansion, QGC appointed its first dedicated, in-house human resources manager in July 2007. The HR department has since grown to a team of six to support company-wide staffing requirements.

With further plans for electricity generation, water development projects and increased gas production and processing capabilities, the HR team will continue to grow and diversify.

The challenges confronting the team during the past year included:

- * Working with teams across the Company to meet their skills and capability needs
- * Crafting and delivering a matching recruitment strategy to attract the best people
- * Assisting in integrating new employees into the Company
- * Developing best-practice HR policies to ensure a functional and adaptive workplace
- * Creating, with the executive management team, a positive workplace culture that attracts, supports and encourages high achievers
- * Implementing training, career development and employee assistance programs

The number of employees is expected to increase throughout the coming financial year. Recruitment efforts will continue to support each department in its expansion, with a growing focus on embedding organisational systems.

Inductions

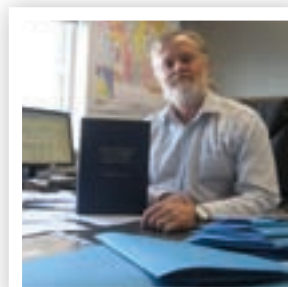
In May 2008, QGC launched a formal corporate induction process. Sessions are held weekly in Brisbane and monthly at the Berwyndale South site office to familiarise new staff with the organisation's history, culture, structure, policies and procedures. These sessions complement site-safety inductions and ensure new employees receive an informative and smooth introduction to QGC.

With some 70 employees having completed corporate inductions by the end of September 2008, the initiative has been welcomed by new and current staff.

Learning

QGC has installed the internationally recognised SAP business software support system across the Company. To ensure that QGC reaps all possible efficiencies and benefits from the SAP system, a learning centre was established at QGC's Brisbane office in March. Similar courses are held at Berwyndale South. Between 1 March and 31 July 2008, 223 attendees were trained in courses ranging from sourcing goods and supplies to completing timesheets.

QGC is proud of its reputation for professional excellence and innovation in areas ranging from geology and environmental science to finance and technology. To maintain the Company's cutting edge, QGC supports employees in their quest to develop further expertise in their chosen fields. Two undergraduate degrees and an honours degree in geology are being undertaken.



General Manager of Exploration and Technical Services Dr Steve Scott completed his doctoral thesis on the geological properties of the Walloon Coals.



Two field personnel are undertaking undergraduate degrees in engineering and two others are completing environmental degrees. The same trend is evident on the administrative side, where degrees in business and accounting and a post-graduate masters degree in laws are being pursued.

Safety

Health and safety policies and procedures are crucial and are integrated across all aspects of QGC's business. The company's policy is to provide excellence in health and safety management, for the benefit of all stakeholders. QGC is committed to ensuring that it operates in compliance with regulatory requirements and does so in the most effective and appropriate manner possible.

Throughout the 12 months to 30 June 2008, QGC continued to implement its new Occupational Health and Safety Management System based on international best practice. The system is allied with QGC's strong belief that everyone in the workplace should take responsibility for health and safety.

During this reporting period, a total of 16 injury or illness-related incidents were reported to the Company, one less than in the previous 12-month period. This result should be measured against the dramatic increase in the size and level of activity associated with the Company.

None of the 16 incidents resulted in severe injury. Ten of the incidents required minor first aid treatment, while the remaining six required the person affected to receive minor treatment at a medical facility. Of the injury-related incidents, three people required some time off work other than the day on which the incident occurred. While the number is low given the considerable increase in the number of employees, contractors and total hours worked, QGC continues to strive for further reductions.

All incidents were investigated fully and appropriate corrective actions implemented. An analysis of the incident reports received shows that 69 per cent involved contractors, while 31 per cent involved QGC employees. The Company continues to work with contractors in this area to help to prevent incidents.

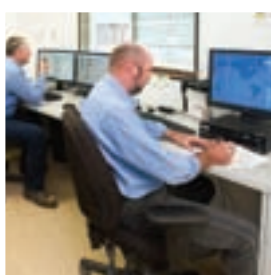
Outlook

The rapid development of QGC's production capabilities has raised significant challenges. The continued expansion of production, compression and gas pipeline facilities has necessitated a considerable redevelopment of health and safety systems and management capabilities. The Company continues to revise its health and safety management structures to meet current and future requirements in such a dynamic environment. Extra health and safety personnel are being employed to facilitate further development in this area.



This page: QGC's workforce increased from 80 in June 2007 to more than 240 by September 2008. Clockwise from top left: warehouse supervisor Paul Walters, left, and storeman Shane Hall unload freight; property supervisor Peter Dougall tends QGC's barley fields at Windibri; Hedley Thomas, General Manager, Communications and External Relations, discusses investor presentations with a colleague; Paul McClelland, left, and Peter Dougall work in the Berwyndale South processing plant.

Opposite page: Condamine Power Station manager Steve Carter was appointed in April 2008.



QGC supports the transformation
of rural communities through
sustainable economic growth



Sustainability

Sustainability underpins QGC's policies and operations. We are committed to taking care of the environment and the society in which we operate. While our drive is to provide superior long-term growth for shareholders, this growth must be rooted in a solid foundation of good and sustainable environmental, community and operational practices.

Sustaining our world

What makes QGC a sustainable energy producer?

QGC is responding to a changing world. As Australia and the international community move away from the traditional black and brown-coal technology, QGC is ready to help satisfy the energy needs of domestic and international consumers with gas-fired power stations and its LNG export project.

Coal seam gas produced by QGC will deliver a new, cleaner power source. QGC has plans for greenhouse-friendlier, gas-fired power stations that produce about 40 per cent of the emissions of a coal-fired power station.

The 140 MW combined-cycle Condamine Power Station in southern Queensland is now under construction and on track to start generating power early next year. In May 2008, QGC announced a feasibility plan to investigate the potential to build and part-own a new gas-fired power station in New South Wales, with a capacity of up to 600 MW.

QGC has appointed its first sustainability manager and has developed and implemented a new sustainability policy and a climate change strategy.

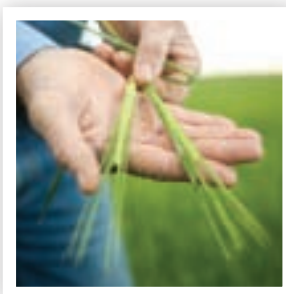
Green innovation

Condamine Power Station breaks new ground in many ways and is an example of how QGC leads the sector in sustainability through innovation. It is the first combined-cycle power station to be built on a coal seam gasfield, which enables it to run exclusively on gas and water recovered from the gas extraction process.

The location of Condamine Power Station, which is effectively in the gasfield, minimises both the financial and carbon costs of transporting both fuel and water to the plant. Pipes carry coal seam gas out of the ground and straight into the power station. Furthermore, the power station is less than 3km from Ergon's transmission network. This means the financial and carbon costs of transporting the station's energy output to the network are also kept to a minimum.

Condamine Power Station will be the only power station in Queensland that does not require an external water supply. It relies solely on the Company's own coal seam water – a by-product of gas production – for the six megalitres it needs daily. This means it can generate power without competing against agricultural or community needs for water. The use of the water in this way reduces the need for evaporation ponds.

Coal seam water will pass through a reverse osmosis plant within the power station, providing drinking-quality water for staff consumption, cooling and the ultra-pure water required for steam generation.



QGC is rehabilitating 400ha of land at its Windibri property at Berwyndale South gasfields with the careful tending of a barley crop. Half of the barley will be sold to local feedlots and the remainder will be ploughed back into the soil as nourishment.

Energy and emissions reporting

The Federal Government's new National Greenhouse and Energy Reporting (NGER) Act, the driver of the Australian Emissions Trading Scheme (AETS), affects all large energy producers and consumers.

As a large energy producer, QGC is required to report emissions under the NGER Act and the National Pollutant Inventory (NPI) NEPM¹, administered in Queensland by the Environmental Protection Agency.

QGC welcomes the shift toward carbon trading and environmentally responsible energy generation. As a greenhouse-friendlier energy producer, the Company is well positioned for the future.

In conjunction with PricewaterhouseCoopers and Ernst & Young, QGC has established an extensive program for collecting and analysing data on emissions, energy production and consumption and developing a reporting strategy in line with the new federal requirements. This collaboration is building the framework of systems and procedures required for QGC's compliance with emerging climate change regulations in Australia.

QGC recognises that the resulting high-quality information will be important in effectively managing our exposure to the impacts and opportunities presented by the introduction of Australia's emissions trading scheme. QGC's 2009 Annual Report will include reporting of relevant greenhouse gases and other emissions, as required under the NGER Act and NPI reporting framework.

In addition, QGC is taking part in workshops, briefings and community consultations on the issue of coal seam water in Brisbane, Toowoomba, Dalby and a number of other centres. Environmental managers are continually assessing all developments and liaising with stakeholders in government and rural communities in an effort to maximise the value of the water produced for the region.

Naturally clean gas

Natural gas is the cleanest of all fossil fuels – and QGC's product tops the list of the most greenhouse-friendly gases presently being used in Australia. The Surat Basin coal seam gas contains up to 67 times less carbon dioxide than is present in other Australian natural gas.

QGC's coal seam gas generally contains just 0.25 per cent carbon dioxide, 1 per cent nitrogen, and the remainder is methane. This compares with carbon dioxide levels of more than 3 per cent in the Gippsland Basin, more than 12 per cent in the Bonaparte Basin and 7 per cent in the Browse Basin (both in the North West Shelf) and almost 17 per cent in the Cooper Basin.²

On 3 July 2008, RepuTex, an international social responsibility ratings agency, identified QGC as one of 13 Australian companies leading their sector in minimising carbon emissions.

RepuTex's Head of Research, Hugh Grossman, said the top 13, including QGC, would be better placed than their competitors to benefit from market opportunities in a new, low-carbon economy. "It's a simple equation," Mr Grossman said. "Companies with lower emissions will be better positioned. These companies will be better insulated from any carbon tax and better positioned to benefit from constraints on competitors. Other stocks will simply be playing catch-up."

¹ National Environmental Protection Measure.

² The Potential for Geological Sequestration of CO₂ in Australia: Preliminary Findings and Implications for New Gas Field Development, APPEA Journal 40 (1) 654-66.

Sustaining our communities

The eastern Surat Basin, on the rich plains west of the Darling Downs, is QGC country. The towns of Chinchilla, Miles, Dalby, Tara, Kogan and Condamine are the Company's heartland.

QGC is proud of its base in these communities – where many of its employees and shareholders have raised their families for generations – and we work hard to be a responsible and positive part of this region.

The Company believes its relationship with local landholders and the community goes beyond business. In mid-2007, QGC established a tradition of barbecue evenings at the Berwyndale South camp to facilitate friendly meetings and communication between landholders, those who work on their properties, contractors and QGC staff. The barbecues are held three to four times a year, in appreciation of those landholders who allow QGC to pursue its business on their property.

Managing Director Richard Cottee and his management team attend the barbecues whenever possible. In April 2008, ABC Television's *7:30 Report* team filmed such an occasion as part of a documentary on QGC and the coal seam gas boom.

Sponsorships

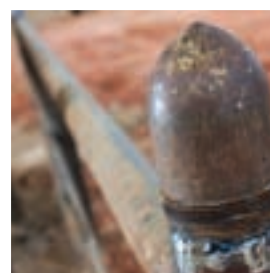
QGC is a prominent community sponsor throughout the region, with current sponsorships including sports, education, arts, health and indigenous events. As QGC's market capitalisation, staffing base and public profile have grown, so too have the numbers of sponsorship requests.

In 2008, QGC developed its community relationship and sponsorship policy in response to the need for a transparent and robust sponsorship procedure, with all requests fairly evaluated to the highest ethical standards. The great majority of QGC's sponsorship grants go to communities in our region.

In the 2007-08 financial year, QGC supported Kick Arts Dalby, Chinchilla State School's 125th anniversary, Chinchilla Rodeo, Queensland State Junior Rugby League Championships, Tara Rodeo, QUPEX Golf Classic, K's 4 Country Kids, Chinchilla Bulldogs Rugby League Club, Miles Blue Light and Miles State High School Community, Chinchilla Cricket Club, Youth Enterprise Trust, Chinchilla White Gums Gallery, Chinchilla Melon Festival, La Boite Theatre Company and Queensland Media Awards. On the professional side, QGC has supported the Asia Pacific Coalbed Methane Symposium and The University of Sydney's National Energy Essay Competition.

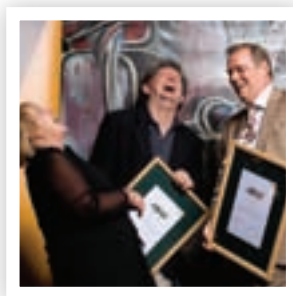
Traditional owners

QGC is proud of its strong relationships with the traditional owners of the land on which the Company's tenements are located. QGC has entered into cultural heritage agreements with relevant traditional owners in the region and is also seeking to enter into a voluntary indigenous land use agreement with those landowners. QGC has also signed significant Native Title agreements with the Barunggam people, opening the way for further gas exploration and production across about 50,000ha of land subject to Native Title.



Top: Lands Manager Greg Mills, left, discusses pipeline issues with landowner Glenn Tilly, of Tilly Farming, at Wellhead 78 on Tilly's Nangram property.

Above: QGC fencing contractors recycle old drilling equipment, such as sucker rods and production tubing, to build a car park for parents and children on school bus routes.



Above: Australia Business Arts Foundation Chief Executive Jane Haley enjoys a joke with award winners, La Boite CEO Sean Mee, centre, and Richard Cottee.

Drama At The Gasfields

The core of QGC's community funding, and the highlight of its community calendar, is the annual Drama At The Gasfields festival, established in 2006. This features a live performance by La Boite Theatre Company, of Brisbane.

In March 2008, QGC staged the second of these events, attracting more than 1,200 people to the landscaped grounds of "Windibri Homestead" at the Berwyndale South gasfields.

Those attending included Deputy Premier Paul Lucas, State Opposition leader Lawrence Springborg, BG Group's Chief Executive Frank Chapman and Chief Financial Officer Ashley Almanza as well as leading lights of the region.

On an open-air stage set among lush lawn and gum trees, the troupe had a lively audience singing along to well-loved country numbers from the musical-comedy *Long Gone Lonesome Cowboys*. The event included children's rides, face-painting, welcome bags, an indigenous performance by the Jagera Jarjums dancers and fundraising stalls for Condamine CWA, Chinchilla Lions, Miles Apex, Murilla Kindergarten, Condamine P&C and Chinchilla Rotary.

Speaking at the event, Mr Lucas said Drama At The Gasfields was "wonderful corporate sponsorship in the local community ... a great example to other companies in Queensland".

The community's warm and animated response to Drama At The Gasfields has cemented its place in the QGC calendar.

"We feel it is important for families in our heartland to have a day off," Mr Cottee said. "Country people work hard, often without the support structures available in cities. This gives everyone an enjoyable day together which need not cost a cent. Parents, grandparents, children, teens - everyone can meet up at Windibri, socialise, enjoy the music and theatre and let their children roam the free rides. We feel it strengthens the fabric of the community."

In 2007, QGC and La Boite received the Australia Business Arts Foundation (AbaF) Toyota Community Award for Queensland's Best Private Sector Arts Relationship, for its inaugural Drama At The Gasfields staged in 2006.

In September 2008, QGC and La Boite received the AbaF QantasLink Regional Award for Drama At The Gasfields 08. The partnership was also named as a state finalist in the national City of Melbourne Encouragement Award.

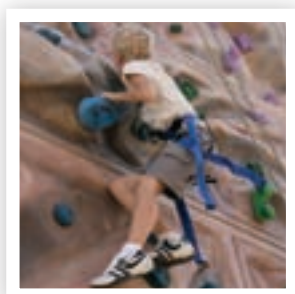
Supporting the arts through La Boite

An element of the ethos of QGC, as an ethical and socially responsible business, is to ensure society benefits from its success - to give others a lift along the way.

In 2008, QGC chose to partner formally with the acclaimed La Boite Theatre Company, a Brisbane-based dramatic arts venture with which it has teamed up for two successful years of Drama At The Gasfields. Founded in 1925 as the Brisbane Repertory Theatre Society, La Boite is the oldest theatre company in Queensland and the second oldest in Australia.

The partnership was unveiled at the opening night of La Boite's much-acclaimed production of *The Narcissist* on 7 August at its Roundhouse Theatre in Kelvin Grove. For 12 months, QGC's logo will appear on all La Boite tickets, posters and advertising and the Company will have the unique opportunity to host VIPs for corporate functions at various performances.

"We are proud to have negotiated this partnership with another Queensland company which, like QGC, is dedicated to excellence through hard work and an eye for innovation," Mr Cottee said. "We look forward to hosting the best and brightest in government and business to a selection of the best and brightest dramas in Queensland."



Financial performance

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QGC delivered outstanding financial results in only its second full year of commercial gas production as a sharp increase in revenue and a relative decrease in costs produced a five-fold rise in profits. The Company is in an excellent financial position, with no significant debt, a strong balance sheet and the resources to assist with funding upcoming major projects and to pursue attractive growth opportunities.

Revenue

Total revenue increased 135 per cent from \$34.4 million to \$81.1 million in the 12 months to 30 June 2008. Revenue from gas sales increased 104 per cent to \$55.1 million from sales volumes of 22.1 PJ, which includes 0.6 PJ of gas sold but not delivered under take-or-pay contracts. The average sales price of \$2.57 a gigajoule was up 9.3 per cent on the 2007 average. These figures exclude an extra 1.1 PJ of gas sales attributable to BG Group following the sale of a 20 per cent interest in QGC's tenements to BG Group on 11 April 2008. Further details of QGC's sales can be found on pages 18-19.

Revenue also included \$2.3 million of tolling income (2007: \$0.2 million) earned from processing third-party gas through QGC's Berwyndale South processing plant. A total of \$22.9 million (2007: \$7.1 million) in interest revenue was mainly attributable to cash on deposit following the receipt of \$664.2 million from BG Group in April 2008 on completion of two key transactions related to the joint Queensland Curtis LNG Project (QCLNG).

Expenses

Cost of sales including plant and field operating costs, royalties and tolling costs increased only 58 per cent to \$16.9 million from \$10.7 million, which is an outstanding result when compared with the far higher increase in sales revenue. The average cost of sales equates to 76 cents per gigajoule, against 93 cents per gigajoule in 2007. This relative decrease in costs is largely a result of the quality of QGC's tenements, with a large number of wells converted to free-flow gas, meaning lower capital expenditure, maintenance costs and reduced fuel gas usage.

Corporate and other operating costs increased in line with QGC's continued growth in 2008, totalling \$33.0 million (2007: \$18.9 million). This growth accelerated following the formation of the QCLNG alliance in February as the Company began to expand its workforce and systems to lay the groundwork for one of Australia's biggest capital infrastructure projects.

Expenses related to salaries and employee benefits increased \$6.4 million, or 85 per cent, largely as a result of the significant rise in numbers of staff and non-cash costs associated with share-based incentives.

Profitability

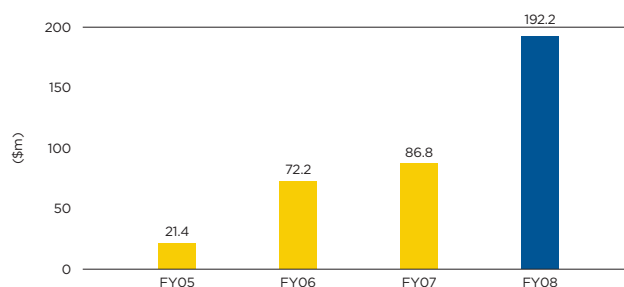
Profit from operating activities before financing costs, depreciation, amortisation and significant items increased 543 per cent to \$31.5 million, compared with \$4.9 million in 2007, as a result of increased gas sales revenue, higher interest revenue and relatively lower expenses.

Depreciation, depletion and amortisation charges increased 114 per cent to \$12.6 million (2007: \$5.9 million) owing to rising production and the increasing amount of capitalised gasfield plant and equipment, IT systems and other plant and equipment. Finance costs reduced significantly, from \$5.1 million to \$0.7 million, as external borrowings in the prior year were repaid. QGC's only external debt at 30 June 2008 relates to plant and equipment finance leases.

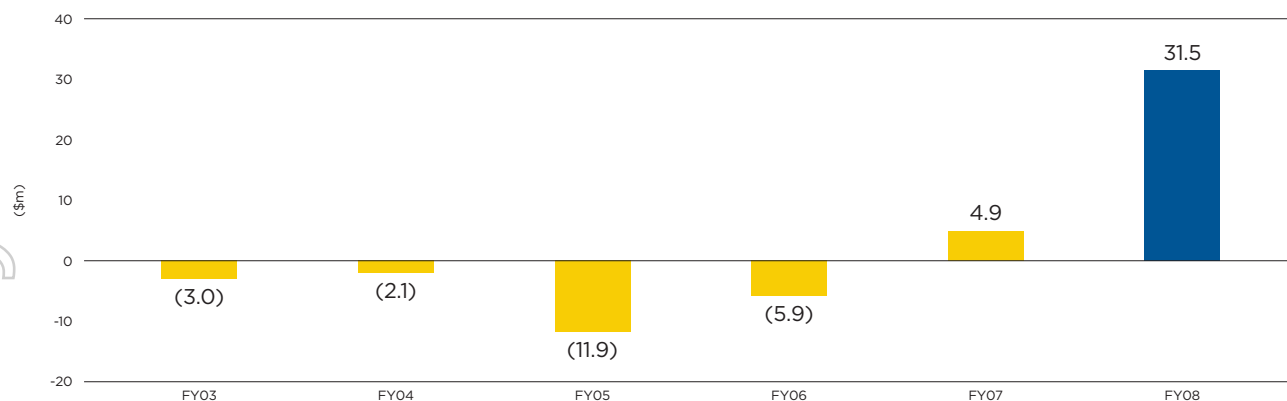
Profit before tax increased significantly as QGC made a net gain from the disposal of tenements and related assets to BG Group. The net gain on disposal was \$305.7 million, comprising proceeds of sale of \$414.7 million less the net book value of both assets sold and provisions released of \$107.9 million as well as disposal costs of \$1.0 million.

Profit after tax increased to \$244.6 million (2007: loss of \$12.2 million) after deducting a tax expense of \$79.4 million. This equates to an effective tax rate of 24.5 per cent after recoupment of tax losses from prior years.

Commitment to exploration and development



Source: QGC financial statements (QGC's share)



Financial position

QGC's total and net assets have exceeded \$1.0 billion for the first time. Total assets at 30 June 2008 amounted to \$1.2 billion (2007: \$544 million), an increase of 114 per cent. Cash and cash equivalents at the year's end totalled \$704.0 million, up from \$248.3 million, mainly as a result of the cash received from BG Group.

During the financial year, a concerted program of exploration, development and production resulted in capital expenditure of \$192.2 million and the drilling of a record 109 wells compared with 59 in 2007.

At 30 June 2008 the fair value of the AGL Energy electricity hedge recorded in equity was a notional liability of \$18.1 million. This liability effectively represents the opportunity cost – based on the current forecast electricity price forward curve – of locking in a fixed level of electricity revenue for the first three years of operation for 66 per cent of the power station's potential output. Changes in the fair value of the hedge agreement have no impact on the income statement and all unrealised gains or losses are recorded in a hedge reserve in equity, with a corresponding hedge asset or liability recognised on the balance sheet.

With no significant debt and a strong balance sheet, QGC is in a strong financial position to assist with funding upcoming major projects and to pursue attractive growth opportunities.

Alliance with BG Group

On 1 February 2008, QGC announced that it had formed an alliance with BG Group to develop a world-scale LNG plant on Curtis Island near Gladstone. The key financial impacts of the alliance include:

- QGC disposed of a 20 per cent interest in its tenements to BG Group in return for \$414.7 million. This resulted in a net gain on disposal of \$305.7 million
- BG Group subscribed for new shares in QGC equivalent to 9.9 per cent of QGC's expanded capital
- QGC will receive a further \$207 million plus back-costs (interest and other adjustments) for the sale of a further 10 per cent interest in its tenements upon the earlier of a positive final investment decision approving the construction of the LNG plant or the certification of 7,000 PJ of proven and probable (2P) reserves

- The project involves capital expenditure by QGC of about \$4 billion for exploration, gasfield development, pipelines, the LNG plant and port facilities over the next five years

Electricity hedge

In November 2007, QGC entered into a non-firm electricity hedge agreement with AGL Energy for about 66 per cent of the output from Condamine Power Station for the first three years of its operation. The strike price for the agreement capitalised on the strength in the electricity market at that time by locking in pricing for three years that was approximately 40 per cent higher than the pricing assumed for financing purposes. The hedge was agreed on an as-available basis, which reduces the risk to QGC if it is unable to generate electricity at any particular time. It applies to only "sent out" electricity, which preserves all potential value available through Gas Electricity Certificates. With the hedge arrangement covering costs, QGC intends to trade the remaining output to take advantage of the expected price volatility in coming years.

Outlook

During the 2008-09 financial year we expect record investment in exploration, production and development across all existing and new acreage.

Along with the expected increase in reserves, QGC will continue to invest in increased production capability to be in a position to supply both its future domestic gas and electricity contracts and the planned LNG facility.

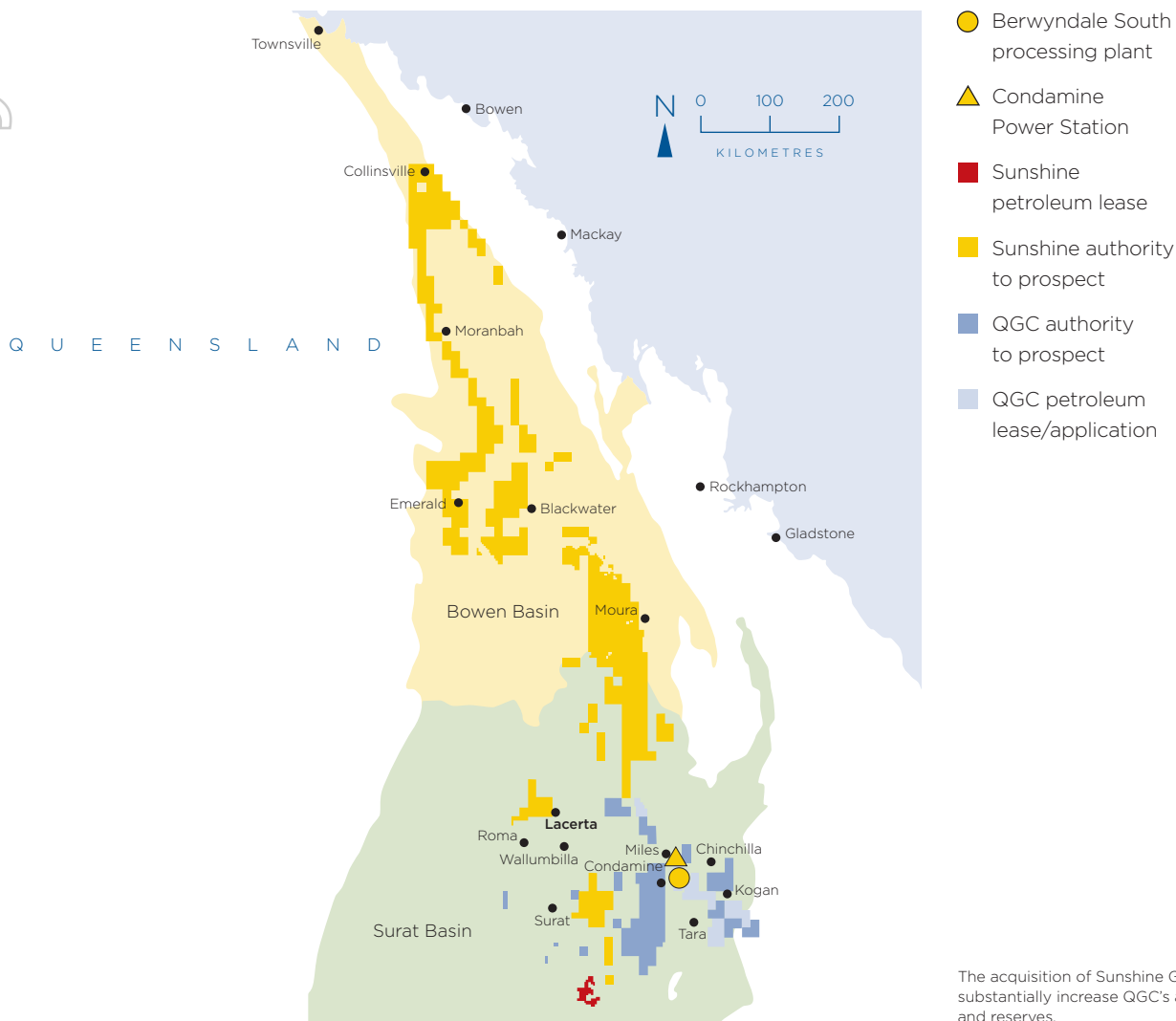
Commercial sales of open-cycle generated electricity to the National Electricity Market has been scheduled to start in the first quarter of 2009 as the first stage of the 140 MW Condamine Power Station becomes operational.

The Company will also be focused on the development of gas storage alternatives to enhance supply options in the lead-up to supply of coal seam gas to its LNG plant in Gladstone from 2013.

Solid gas sales under long-term contracts, along with the opportunity to take advantage of strengthening spot prices and the ability to continue to control operating costs, will define QGC's financial performance in the coming year.

Acquisitions

Sunshine Gas's expansive territory



Sunshine Gas

On 8 September 2008, QGC made a takeover offer to Sunshine Gas shareholders, supported by the Board of Sunshine. The offer, in scrip or cash and scrip, was valued at more than \$830 million.

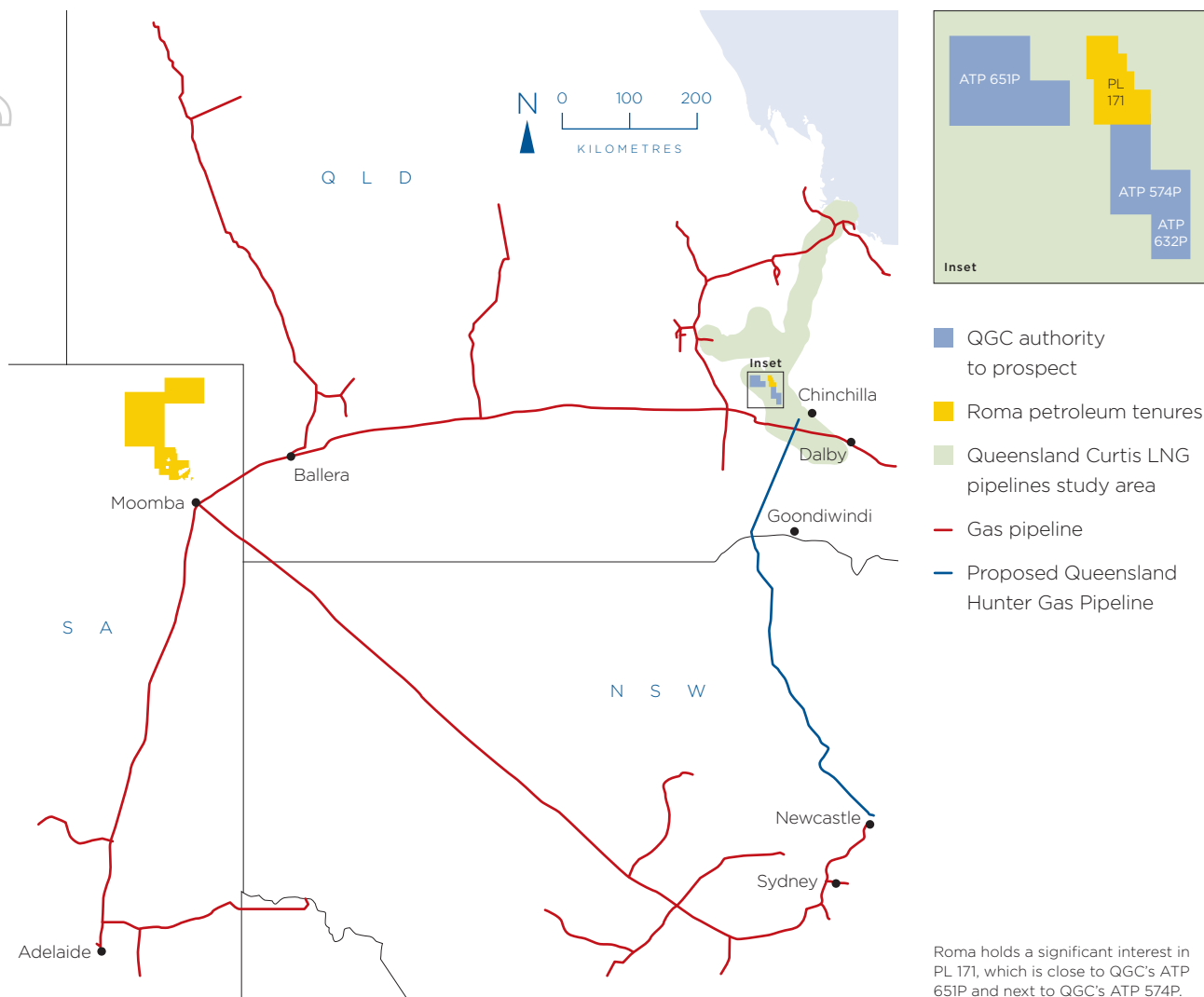
Sunshine is a hydrocarbon exploration, appraisal and development company focused on Queensland. It listed on the Australian Stock Exchange (ASX) in July 2002 and was promoted to the S&P/ASX 300 on 20 March 2008.

The company has interests in 13 authorities to prospect (ATP) and three petroleum leases (PL) covering a total of about 30,000sq km of the Bowen, Surat and Cooper basins. Its Surat Basin acreage is geographically aligned with QGC's. It has 44 PJ of 1P reserves, 469 PJ of 2P reserves and 1,097 PJ of 3P reserves.

QGC and Sunshine are outstanding Queensland companies that are geographically and culturally aligned. A merger would create a business with a significant portfolio of coal seam gas acreage across Queensland's premier gas basins, allowing it to pursue domestic gas opportunities including the development of gas-fired power stations. A merged entity would also have greater access and more paths to market for its gas, including the QCLNG Project.

An Independent Expert Report has concluded that QGC's offer for Sunshine is "fair and reasonable". The findings by the Independent Expert (Deloitte Corporate Finance Pty Limited) include that a merger of QGC and Sunshine would increase the new entity's scale and should improve its capacity to grow and benefit from market opportunities.

Roma Petroleum promises reserves



Roma Petroleum

On 25 June 2008, QGC made a cash-and-scrip offer to shareholders of Roma Petroleum, an oil and gas explorer and producer. The offer was supported by the Board of Roma and, by 31 July, QGC had effective control of the company. By late September, QGC's interest in Roma had risen to more than 80 per cent.

Roma, which listed on the ASX in 1995, has interests in petroleum tenements in South Australia, Victoria and the Surat Basin in Queensland. The company has drilled coal seam gas core holes Paradise Downs 1 and 2 in PL 171. Preliminary results from desorption tests indicate gas contents of 4 to 5.5 cubic metres per tonne of coal below 250m. Analyses show methane content of at least 98 to 99 per cent. A further program to assess the coal seam gas resources in PL 171 is being planned.

Victoria Petroleum

During the year, QGC acquired an initial 7.13 per cent interest in the oil and gas explorer Victoria Petroleum through an on-market purchase of shares for \$3.6 million.

A further investment of \$9.4 million was made through a private placement, taking QGC's interest in the company to 19.24 per cent. At 30 June 2008, \$4.5 million had been recognised directly in equity in a fair value reserve in respect of increases in Victoria Petroleum's share price. Before these investments, QGC was already in a joint venture with Victoria Petroleum in ATP 574P, where the Company is the operator with a 48 per cent interest.

Victoria Petroleum has production wells in the Growler oilfield in South Australia's Cooper Basin, where two recent development wells gave prospect of a significantly higher oil production. The Company is also exploring for oil and gas on its acreage in the Surat, Perth and Carnarvon basins. QGC's strategic investment ensures that Victoria Petroleum has the financial capacity to fund its ongoing commitments in the exploration of ATP 574P.

Acquisitions

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Sunshine's tenements

Sunshine has disclosed interests in 13 ATPs and three PLs covering approximately 30,000sq km in the Bowen, Surat and Cooper basins.

Tenements	Name	Area	Interest	Joint venturer
Coal seam gas				
ATP 684P	Atria	Northern Bowen Basin	100%	
ATP 685P	Crocker Gully & Tardrum	Southern Bowen Basin	50%	Santos Limited 50%
ATP 688P	Tilbrook	Northern Bowen Basin	50%	WestSide Corporation Limited 50%
ATP 693P	Cullin	Northern Bowen Basin	100%	
ATP 767P	Lacerta	Southern Bowen Basin and Surat Basin	100%	
ATP 768P	Polaris	In the Walloon Fairway, N-NW of Wandoan	100%	
ATP 769P	Paranui	Northern Bowen Basin	50%	WestSide Corporation Limited 50%
ATP 795P	Lacerta	Southern Bowen Basin and Surat Basin	100%	
ATP 811P	Foxleigh	Northern Bowen Basin	100%	
Conventional gas				
ATP 645P	Overston	Southern Bowen Basin and Surat Basin	100%	
ATP 684P	Red Rock	Northern Bowen Basin	100%	
ATP 768P	Champagne Creek Project	Southern Bowen Basin	100%	
Oil				
ATP 789P	Cooper Basin	Cooper Basin	100%	100%
PL 2A & PL 2B	Kooroon	Surat Basin	24.25%	Santos (QNT) Pty Ltd 52.50% Hyland Bay Pty Ltd 23.25%
PL 2C	Alton	Surat Basin	36.50%	Santos (QNT) Pty Ltd 51.00% Santos Australian Hydrocarbons Pty Ltd 12.50%



QGC is looking forward to moving into Roma's PL 171 and quickly proving up reserves.

Roma Petroleum exploration appraisal activities

Roma Petroleum's exploration and appraisal activities have centred on coal seam gas in PL 171 in the Surat Basin, southern Queensland. It is also carrying out appraisal/development drilling for oil in the Cooper Basin, South Australia.

The acreage in the north-east Surat Basin is prospective for coal seam gas, close to QGC's ATP 651P and next to QGC's ATP 574P. PL 171 is near the proposed pipeline for the Queensland Curtis LNG Project being undertaken by QGC and BG Group.

Roma produced 13,499 barrels of oil in the Growler, Mirage and Venture Oilfields (2007: 18,903 barrels) in the 2007-08 financial year. In addition, 1,376 barrels of oil were in stock at 30 June 2008 (2007: 1,878 barrels).

Surat Basin – Southern Queensland

PL 171

Two core wells (Paradise Downs #1 and #2) were drilled to investigate coal thickness, gas content and saturation. QGC will now review the 18 coal and shale samples collected for desorption and the results from wells previously drilled within the field. An exploration programme will then be developed for the rest of 2008-09 to enable Netherland, Sewell & Associates, Inc., the independent certifiers, to certify coal seam gas reserves.

Roma's titles

Roma has interests in four petroleum exploration licences (PEL), in two petroleum production licences, in one authority to prospect (ATP), in one petroleum lease (PL) and in one petroleum retention licence (PRL). These tenements and Roma's interests in them are described in the following table.

Petroleum tenements and permits	Area	Roma's interests
South Australia – PEL 104 and PRL 15 (subject to 1% native title royalty)	Wirraway and Growler oilfields in the Jurassic Oil Fairway	20% through Permian Oil Pty Ltd, a wholly-owned subsidiary of Roma
South Australia – PEL 111, 87 and 424 (subject to 4% private royalty and 1% native title royalty)	Charo Oilfield in the Jurassic Oil Fairway	20% through Permian Oil Pty Ltd, a wholly-owned subsidiary of Roma
South Australia – petroleum production licences 213 and 214 (subject to 4% private royalty and 1% native title royalty)	Mirage and Ventura oilfields in the Jurassic Oil Fairway	20% through Permian Oil Pty Ltd, a wholly-owned subsidiary of Roma
Queensland – ATP 545P		3.95% royalty
Queensland – PL 171 (subject to 5% private royalty)	South of Wandoan in the Surat Basin	80%

Cooper Basin – South Australia

PEL 104/PRL 15

The Growler Oilfield began production in March 2008 and is producing nearly 200 barrels of oil a day from the Growler #1 and #2 wells. Two appraisal wells (Growler #3 and #4) intersected significant oil columns in the Birkhead Formation, which is the lateral equivalent of the Walloon Subgroup in the Eromanga Basin. Growler #3 tested at a rate of more than 1,600 barrels of oil per day through a one-inch choke. Both wells will be completed for production and tied into the Growler Oilfield production facility.

During the next few months two exploration wells, Tigershark #1 and Tigercat #1, will be drilled to test anticlinal features close to the Wirraway and Growler fields.

PEL 111

Exploration drilling has begun with the spudding of Warhawk #1, about 8km north of the Wirraway Oilfield. Owing to its proximity to the Wirraway and Growler facilities, success at Warhawk would enable this well to be brought into production quickly.

PPL 213 & PPL 214

Production continued at the Mirage (PPL 213) and Ventura (PPL 214) oilfields, with the Mirage #1 well contributing the bulk of the 90 barrels a day of oil from the two fields. A workover of the Mirage #1 well is planned to attempt to decrease the quantity of water produced with the oil.

Board of Directors



Robert Bryan Chairman BSc (Hons, Geology) Age 74

Mr Bryan has a lifetime of experience in the mining industry in Australia and overseas. After founding Pan Australian Mining Ltd in the early 1980s, he oversaw the very successful development of the Mt Leyshon gold mine near Charters Towers. The proceeds underpinned the Leyshon Property Group that he founded at this time. Mr Bryan and several associates founded QGC in 2000 and Mr Bryan has been the Chairman of QGC from the outset. He is a member of QGC's Audit Committee and Chairman of the Finance and Remuneration Committees. Mr Bryan is also the immediate past Chairman of Highlands Pacific Ltd and the Chairman of Pan Australian Resources Ltd: these companies are currently involved in gold mine development in Papua New Guinea and Laos, respectively. In industry-related activities, Mr Bryan is an Honorary Life Member of the Queensland Resources Council, a Fellow of the Australasian Institute of Mining and Metallurgy and a Director of the Sustainable Minerals Institute within The University of Queensland.

Richard Cottee Managing Director BA, LLB (Hons) Age 53

With a background in law and energy, Mr Cottee has transformed QGC into one of Australia's leading integrated energy companies in just six years. Since 2002, he has driven QGC's share price from 23 cents to a high of \$6.39, announced the gas-fired Condamine Power Station, a feasibility study for another new power station, an interstate gas pipeline emanating from QGC's acreage and a major international LNG export project. Named the Australian Institute of Management's Queensland Professional Manager of the Year 2007, Mr Cottee was previously head of European operations for US energy giant NRG and Chief Executive Officer of CS Energy in Queensland, doubling the profits and tripling the asset base of that company.

Peter Cassidy Non-executive Director

BSc (Hons), PhD SIA (aff) Age 54

Mr Cassidy is Chairman of The Sentient Group Ltd, a Cayman-based private capital investor in the global resources sector. Under his stewardship, Sentient has taken an active interest in the Australian resources sector and, more recently, QGC's coal seam gas business. Mr Cassidy has worked with government on industry development, with the Ford Motor Company and has experience in the synthetic fuels industry. Prior to establishing Sentient he worked in the finance sector. Mr Cassidy is also a Director of Ivernia Inc.

Francis Connolly Director BA, LLB (Hons), MAICD, F Fin Age 51

Mr Connolly is Chief Financial Officer of Viento Group Ltd, an ASX-listed investment management firm with a focus on alternative investments. In this role and in former roles as a Director of Corporate Finance with Ord Minnett Ltd, a partner of Corrs Chambers Westgarth and corporate finance roles with Wilson HTM and Macquarie Bank, he has developed skills in investment banking, corporate finance, corporate advice, corporate law and corporate governance. Mr Connolly chairs QGC's Audit Committee and is a member of the Finance and Remuneration Committees.

Pictured above from left to right: Richard Cottee, Peter Cassidy, Francis Connolly, Michael Fraser, Robert Bryan, Michael Moraza, Stephen Mikkelsen, Timothy Crommelin and Dale Elphinstone. Not pictured: James Galvin, Martin Houston, Michael de Leeuw and Vince De Santis.



Timothy Crommelin Non-executive Director BCom, FSIA, FSLE Age 60

Mr Crommelin has over 40 years' experience in stockbroking and broad knowledge of corporate finance, risk management and acquisitions. He worked for Corser Henderson and Hale in the stockbroking industry from 1968 to 1974 while studying for a commerce degree. Mr Crommelin was appointed General Manager of the Girdis Group of Companies (property development and investment) in 1974 and joined Morgan Stockbroking Ltd (now ABN AMRO Morgans) in 1986. Mr Crommelin is Chairman of ABN AMRO Morgans and was Deputy Chairman of CS Energy Ltd until September 2008. His other directorships include Australian Cancer Research Foundation, Abney Hotels Ltd and The Queensland Museum Foundation. He is also a member of The University of Queensland's governing senate and Brisbane Grammar School's board of trustees.

Dale Elphinstone Non-executive Director FAICD Age 57

Mr Elphinstone is the Managing Director of the Elphinstone/William Adams group of companies, which includes the Caterpillar dealerships in Victoria and Tasmania and other business interests in Australia and New Zealand. He is a Director of Caterpillar Underground Mining Pty Ltd.

Michael Fraser Non-executive Director BCom, CPA Age 51

Mr Fraser is Managing Director and Chief Executive of AGL Energy Ltd. He has more than 20 years of experience in the energy industry. Mr Fraser established AGL as the country's largest energy retailer and led its national sales, marketing and trading activities. He is a Fellow of the Taxation Institute of Australia, Deputy Chairman of ActewAGL, a Director of Elgas Ltd and a member of the UnitingCare Ageing Board.

Stephen Mikkelsen Non-executive Director BBS, CA Age 44

Mr Mikkelsen is the Chief Financial Officer of AGL Energy Ltd. He is a Chartered Accountant with extensive experience in both the private and public sectors in Australia and New Zealand, and has held a range of senior roles in the energy sector. Prior to joining AGL, Mr Mikkelsen held senior management positions at Snowy Hydro and Contact Energy. He also has experience as a treasury adviser within the banking and accounting sectors.

Michael Moraza Non-executive Director BE, MBA Age 47

Mr Moraza has more than 20 years' experience in the oil and gas industry in Australia and overseas. He is General Manager, Gas Development, for AGL's Merchant Energy Group and has held several senior management roles since joining AGL in 1996. He led the team that successfully acquired a 10 per cent interest in the upstream Papua New Guinea Gas Project, a 50 per cent joint venture in the Sydney Basin and a 50 per cent interest in the Moranbah Gas Project in Queensland.

James Galvin Alternate Non-executive Director for Messrs. Fraser, Mikkelsen and Moraza Age 48

Mr Galvin, General Manager AGL Retail Energy, has more than 25 years' experience in the energy industry in both technical and commercial roles and has been with AGL since 1990 in senior management roles. Mr Galvin has extensive local and international experience running integrated energy companies. He is a board member of Elgas, ActewAGL and the Energy Water Ombudsman NSW and a committee member of the Energy Ombudsman Advisory Committee in Queensland.

Martin Houston Alternate Non-executive Director for Messrs. Crommelin Age 50

Martin Houston, Executive Vice President and Managing Director, BG Group, leads one of three regions covering worldwide operations. He oversees BG's businesses in the Americas and Australia in addition to the group's industry-leading global LNG activities. A petroleum geologist by training, he has held technical, commercial and general management roles in numerous countries during 25 years with BG Group. He was appointed Executive Vice President in 2000 and assumed his current role in 2003. He replaced BG Group's Mr David Maxwell on QGC's Board on September 25.

Michael de Leeuw Alternate Non-executive Director for Messrs. Cassidy BCom (Hons), MAppFin Age 46

Mr de Leeuw is The Sentient Group's Chief Financial Officer. He has experience in corporate finance, treasury, risk management, auditing, budgeting and taxation, including 18 years as CFO of mining companies including Niugini Mining Ltd, Lihir Gold Ltd and the AMP investee company Equatorial Mining Ltd. Mr de Leeuw qualified as a Chartered Accountant in Australia and South Africa, has a Bachelor of Commerce (Honours) and a Masters of Applied Finance and Investment.

Vince De Santis Alternate Non-executive Director for Messrs. Elphinstone BCom, LLB (Hons) Age 39

Mr De Santis joined the Elphinstone Group in 2000 as Legal Counsel and Finance & Investment Manager. He is a director of a number of Elphinstone Group companies and is also the alternate director for Mr Dale Elphinstone at National Hire Group Ltd. Immediately prior to joining the Elphinstone Group, Mr De Santis was a Senior Associate in the Energy Resources & Projects work group of Corrs Chambers Westgarth, Melbourne.

Senior management

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Mark Anning Company Secretary

BCom, LLB (Hons), Grad Dip App Corp Gov, ACIS [Age 41](#)

During his years in private practice with national law firms including Allens Arthur Robinson, Mr Anning specialised in corporate/commercial dispute resolution and commercial risk management. He has acted for a large number of established energy companies, including being on the team acting for the Weeks Royalty interest holder, Oil Basins Ltd, in a series of international arbitrations in the early to mid-1990s. Mr Anning is a past recipient of the 'Young Gun' award at the Australian Law Awards. Mr Anning is a Chartered Secretary and sits on the Queensland Council of Chartered Secretaries Australia.

Ian Davies Chief Financial Officer

BBus (Acct), CA, CERT (Securities and Financial Derivatives) SII (UK) [Age 31](#)

Mr Davies' finance, commercial and risk management skills have been crucial to the astute project negotiation which helped elevate QGC to the S&P/ASX 100 in mid-2008. Before joining QGC in 2007, Mr Davies provided key advice to the Company on capital markets, mergers and acquisitions and corporate strategy in his Melbourne-based role with Austock Corporate Finance. He first entered the energy sector in the energy and mining division of PricewaterhouseCoopers in Brisbane, before spending several years in London with Barclays Capital as part of an investment team advising FTSE 100 companies such as ITV and Diageo.

Leon Devaney General Manager, Finance and Commercial

Structuring BCom (Fin), MBA (Fin) [Age 40](#)

Mr Devaney came to QGC from Deloitte Corporate Finance in Sydney in 2005, where he headed up a team specialising in 'non-vanilla' commercial structuring and debt capital raisings in the infrastructure and energy sectors. Much of his work involved emerging coal seam gas companies. In the 1990s, Mr Devaney worked in the United States on project financing for a wave of public and private mega-stadiums and arenas. Mr Devaney is responsible for structuring and implementing QGC's commercial and debt-financing activities, including major gas and water supply agreements, the Condamine Power Station project, the LNG project's financing and the proposed power station project in NSW.

Mike Herrington Chief Operating Officer

BS (Civil Engineering), Professional Engineer Petroleum (PE) [Age 54](#)

Professional Engineer Mike Herrington has been working in coal seam gas since the energy industry first began paying attention to the resource in the San Juan Basin of the US in the 1970s. He has been instrumental in the development of coal seam gas worldwide, including in China, the Ukraine, the US and much of western Europe. Based in his native

US, Mr Herrington secured international projects for Union Texas Petroleum and Enron Oil and Gas before moving to Enron Exploration Australia and Enron Oil and Gas China. He has supervised the operation of more than 1,000 oil and gas wells and now manages all operational aspects of QGC, from drilling to budgeting for infrastructure expansions.

Dr Steven Scott General Manager, Exploration and

Technical Services BSc (Hons), PhD [Age 52](#)

As a geologist, Dr Scott worked in the Queensland Department of Mines from 1975. In 1987 he was tasked with developing a coal seam gas industry in the State, an uphill battle in the face of much skepticism. In 1998 he began a PhD thesis on coal seam gas in the Surat Basin's Walloons subgroup (where QGC's tenements are located) and in 2000 he delivered a paper to the Australian Petroleum Production & Exploration Association predicting this area would be "the next big thing" in Queensland's energy resources. Dr Scott's long-term belief in the resource has proved prescient. He became QGC's first employee in 2000 and his experience and skill has helped the Company to pinpoint enormous gas reserves and ensure they reach their full potential.

Brett Smith General Manager, Shared Services

B Eng (Mech) GDip (Mgmt) BBus (currently undertaking) [Age 48](#)

Mr Smith joined QGC in 2008, from his previous position as Stanwell Corporation's Chief Operating Officer. He handled operations, maintenance, asset management and strategic development at all operating sites (including coal, gas, thermal, wind, hydro and biomass-generation) as well as delivering the Company's ZeroGen clean coal feasibility study. With his engineering and management background, including power station management at CS Energy, and his knowledge of structures, systems, procedures and cultures, Mr Smith is responsible for strong organisation and support strategies at QGC.

Hedley Thomas General Manager, Communications and

External Relations [Age 41](#)

Mr Thomas's reporting as a highly regarded journalist has won respect across the public and private sector. His role with QGC includes media and government liaison. He received the 2007 Gold Walkley for excellence in journalism, and holds four other Walkley awards for news, feature writing and investigations. He has been commended by Rupert Murdoch, is the author of Sick To Death, and has received a Queensland Premier's Literary Award. His investigative reporting in recent years exposed Queensland's 'Dr Death', highlighted the State's coal export infrastructure woes, and the wrongful detention and attempted prosecution of Gold Coast doctor Mohamed Haneef.



Innovative and far-sighted managers are driving **QGC**'s transformation into an integrated energy leader

Pictured above from left to right: Mark Anning, Mike Herrington, Brett Smith, Ian Davies, Hedley Thomas, Andrew Varvari, Dr Steven Scott, Leon Devaney and Carsten Thomsen.

Carsten Thomsen General Manager, LNG

BCom (Int.Business) Age 47

Mr Thomsen has responsibility for integrating the work-streams within QGC which will deliver the Queensland Curtis LNG Project. He has drawn up the structures to co-ordinate effectively the upstream, pipeline and LNG terminal aspects, co-ordinate technical and commercial issues and manage the interface with BG Group. Mr Thomsen's experience in structuring and managing large-scale energy projects includes, as Commercial Manager for BP Global Gas, overseeing the development of LNG projects in Alaska and Australia, proposals with Vietnam and Papua New Guinea and marketing to customers in Japan. Mr Thomsen recently managed a staff of 500 in non-regulated stand-alone businesses of Energex and ran the Tenix Alliance energy division in Melbourne.

Andrew Varvari General Counsel

LLB, BBus, F Fin, GDip Coy Sec Prac Age 36

Mr Varvari holds qualifications in law, economics, finance and accounting, and has exercised all in his wide-ranging organisational experience. In top-tier private practice, Mr Varvari specialised in corporate and commercial law and energy and resources projects. He assisted in establishing Ergon Energy's legal functions before becoming Legal Counsel with Stanwell Corporation Ltd, whose electricity generation interests at that time spanned coal, gas, thermo, hydro and wind stations across Australia. At Stanwell he also acted as General Manager Business Services for two years. Mr Varvari's wide-ranging organisational experience enabled him previously to fill the roles of QGC's Company Secretary and General Counsel simultaneously.

QGC tightening grip on market

Tony Grant-Taylor

QUEENSLAND Gas Company moved yesterday to ensure its status as "a local champion" in the coal seam gas industry by lobbying an agreed bid for fellow CNG producer Sunshine Gas.

QGC's offers for Sunshine of five of 25 shares for eight of Sunshine scrip, or 25 shares for seven of Sunshine, plus \$1.65 in cash, value Sunshine at between \$2.70 and \$2.85 (\$8.17 million to \$9.75 million).

If successful, and if Sunshine accepted, QGC would have a 75 per cent stake in Sunshine.

planned liquefied natural gas plant at Gladstone.

But QGC chief executive Richard Cottee said the deal, which does not include BG Group of Britain, its joint-venture partner, was more likely to be a challenge to QGC to join the domestic market.

Mr Cottee said his joint-venture partner, BG, had initiated a \$8.10

exploration areas.

But, perhaps more importantly for QGC, it will significantly reduce AGL Energy's 24.9 per cent.

Mr Cottee said he believed AGL's share of share

able and possible reserves of gas at between 750 and 700 a gigacubic after allowing for the fact that Sunshine has about 450 million in cash in the bank, which he said was

Cottee delivers the goods for British

THIS is possibly the very last thing Grant King wanted to hear.

On Tuesday, Origin's boss outlined the progress in still-evolving pathways to a billion dollar takeover from BG Group.

But not for the first time, Mr Cottee said his joint-venture partner, BG, had initiated a \$8.10

MATTHEW STEVENS



gas competition all about the market and the "Australian's soon-to-be methane"

industry consolidation which, incidentally, delivers new refining resource security and the plans of King's aggressive British predator to secure vit-

first-mover advantage in establishing an east-coast

The Australian, 2

The Courier-Mail, 21 August 2008

2000

\$600,000

Raised by Chairman Bob Bryan and three friends to launch QGC

Sunshine: QGC offer makes cents

"Mr Gilby said he was ready to argue the case for accepting the QGC offer to anyone who suggested a better price was possible... Mr Gilby, who has agreed to sell his 13 million shares into the QGC offer, said the deal would help the company's projects jump ahead by two years' worth of development."

Paul Garvey, The Australian Financial Review, 22 August 2008

Gas sales revenue bonanza for QGC

Tony Grant-Taylor

SOARING coal seam gas group Queensland Gas Company ended June year with a doubled underlying profit and \$700 million in cash in the bank.

But with two takeovers on its books, chief executive Richard Cottee said yesterday it would take a break from acquisitions as it geared up its development efforts to meet the needs of both its planned Gladstone joint-venture liquefied natural gas plant with Britain's BG Group and the domestic market.

Consolidated

12 months to June 30	
2008	2007
Revenue	Revenue
\$244m	(\$12.2m)
Operating	Operating
\$61m	\$34.4m
Profit	Profit
n/a	n/a

135 per cent to \$61.1 million, with interest earned a significant factor.

Gas sales revenue more than doubled to \$55.1 million from sales of 22.1PT, up from \$27 million and 11.5PT in 2007.

QGC's bottom line profit of \$12.2 million, compared with a loss of \$12.2 million in 2007. The figure boosted QGC's earnings

The Courier-Mail, 25 August 2008

QGC

By JAMIE FRISVOLD

QUEENSLAND Gas Company cemented its position as a local champion.

The coal seam gas producer has launched a friendly takeover bid for fellow CNG producer Sunshine Gas to create a "local champion" in the coal seam gas industry.

QGC's chairman Richard Cottee said the bid was a "friendly takeover" and that the company was "not interested in a takeover of Sunshine Gas."

Annual Financial Report and Corporate Governance Statement

For the year ended 30 June 2008

Queensland Gas Company Limited

ABN 11 089 642 553

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Net profit after tax at 30 June 2008

\$244.6
million

61

QGC 2008
ANNUAL
REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Queensland Gas Company Limited and the entities it controlled at the end of, or during, the year ended 30 June 2008.

Directors

The following persons were Directors of Queensland Gas Company Limited during the whole of the financial year and up to the date of this report, unless otherwise noted, and the number of ordinary shares and options over ordinary shares, in which the Directors hold a relevant interest, are:

	Ordinary Shares	Options
R Bryan (Chairman)	17,156,764	-
P Cassidy	169,591	-
F Connolly	362,105	-
R Cottee	6,106,537	5,531,031
T Crommelin	174,605	-
D Elphinstone	52,743,888	-
M Fraser	-	-
S Mikkelsen	-	-
M Moraza	-	-
D Maxwell (alternate for T Crommelin) ⁽¹⁾	-	-
J Galvin (alternate for S Mikkelsen, M Moraza and M Fraser) ⁽²⁾	-	-
V De Santis (alternate for D Elphinstone)	24,337	-
M de Leeuw (alternate for P Cassidy)	-	-

(1) Mr D Maxwell was appointed alternate director for Mr T Crommelin on 4 February 2008. Mr D Maxwell has taken a leave of absence.

(2) Mr J Galvin was appointed alternate director for Messrs S Mikkelsen, M Moraza and M Fraser on 29 February 2008 and continues in office at the date of this report.

The qualifications, experience and special responsibilities of the Directors' are set out on pages 56 and 57.

Directorships of listed companies

Mr Bryan was Chairman of Pan Australian Resources Ltd from 1994 until June 2008, and Chairman of Highlands Pacific Ltd from 1998 until May 2008. Mr Cottee was a Non-executive Director of Monto Minerals NL from 2002 until 3 September 2008. Mr Elphinstone has been a Non-executive Director of National Hire Group Ltd since January 2008. Mr De Santis has been an Alternate Director of National Hire Group Ltd since January 2008. Mr Fraser is Managing Director of AGL Energy Ltd (appointed 22 October 2007).

Principal activities

During the year the principal continuing activities of the Group consisted of the ongoing development of the Berwyndale South, Berwyndale, Bellevue and Kenya-Argyle Producing areas, the development of the Codie and Lauren Producing areas, and the ongoing exploration and appraisal for coal seam gas in the Surat Basin in southern Queensland.

Dividends

During the financial year no amounts have been paid or declared by way of dividend (2007: nil). No dividend will be recommended by the Directors for declaration at the forthcoming Annual General Meeting.

As a matter of policy, the Board is conscious of the desire to deliver returns to shareholders via dividends in addition to any appreciation of the share price. However, in view of the expected capital requirements for future exploration, appraisal and development activity and the funds required for the Queensland Curtis LNG (QCLNG) Project, payment of a dividend would not be appropriate prior to establishing a long-term profit stream which is capable of supporting both capital expenditure and dividend distribution.

Review of operations

The net profit after income tax for the Group amounted to \$244,569,000 (2007: \$12,222,000 loss). This profit includes a significant net gain on the disposal of interests in tenements and other related assets during the year to BG Group.

A review of the company and its controlled entities and the results of the operations for the year ended 30 June 2008 are contained in the Appendix 4E that was released to the market on 28 August 2008 and on pages 50 and 51 of the Annual Report.

Significant changes in the state of affairs

On 1 February 2008 the Company announced a significant alliance with Britain's BG Group ("BG"), a global leader in liquefied natural gas (LNG), to build a world-scale LNG plant near Gladstone, supplied by QGC's coal seam gas. The transaction was completed on 11 April 2008 with BG acquiring 81,278,451 ordinary shares at \$3.07 per share totalling \$249,524,845, which equates to a 9.9 per cent stake in QGC's expanded capital. BG paid an additional \$414,676,838 cash for a 20 per cent interest (moving to 30 per cent upon achievement of certain milestones) in QGC's Surat Basin coal seam gas tenements and associated assets.

Matters subsequent to the end of the financial year

Roma Petroleum NL takeover offer

On 10 June 2008 the Company announced an off-market cash and scrip takeover offer for all of the issued shares of Roma Petroleum NL (ASX: RPM). The takeover offer consists of 11 cents in cash and 0.0177 QGC shares for each Roma share and values Roma at approximately \$50 million. At the date of this report, the Company has a relevant interest of 79.88 per cent in the voting securities of Roma and has gained control of the company.

Sunshine Gas Limited takeover offer

On 20 August 2008 the Company announced an off-market agreed takeover offer for all of the issued shares of Sunshine Gas Limited (ASX: SHG). The offer consists of five QGC shares for every eight Sunshine shares (Alternative 1) or \$1.65 cash for each Sunshine share and two QGC shares for every seven Sunshine shares (Alternative 2). The offer values Sunshine at more than \$830 million.

Other share issues

Since year end, the Company issued 40,926 ordinary shares to Non-executive Directors pursuant to a Deferred Non-executive Director Share Plan in lieu of fees for the quarter ended 30 June 2008. In July 2008, 213,164 ordinary shares and 496,689 options were issued to employees pursuant to a Deferred Employee Share Plan and Employee Share Option Plan, as performance bonuses and incentives for the year ended 30 June 2008.

No other matter or circumstance has arisen since 30 June 2008 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Likely developments in the operations of the Group are described in the Appendix 4E and associated ASX Announcements released on 28 August 2008.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this Annual Report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

Both State and Federal laws regulate QGC's environmental obligations. The Company's policy is to meet all compliance requirements and, where practicable, exceed environmental expectations. QGC operated in compliance with its policy in relation to the environmental management of its gas exploration and production activities during 2008. Further information on environmental performance will be presented in the annual report.

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 2008, and the numbers of meetings attended by each Director were:

Director	Board meetings		Audit Committee ⁽¹⁾		Remuneration Committee	
	A	H	A	H	A	H
R Bryan	7	8	2	4	1	1
P Cassidy	5	8	*	*	*	*
F Connolly	8	8	4	4	1	1
R Cottee	8	8	*	*	*	*
T Crommelin	7	8	2	4	*	*
D Elphinstone	7	8	*	*	1	1
M Fraser	5	8	*	*	1	1
S Mikkelsen	4	8	1	4	*	*
M Moraza	7	8	*	*	*	*
M de Leeuw (alternate for P Cassidy)	1	8	*	*	*	*
V De Santis (alternate for D Elphinstone)	1	8	*	*	*	*
J Galvin (alternate for M Fraser, S Mikkelsen and M Moraza)	4	4	1	1	*	*
D Maxwell (alternate for T Crommelin) **	3	4	*	*	*	*

A Attended

H Number of meetings held during the time the Director held office or was a member of the Committee during the year

* Not a member of the relevant Committee

** By invitation and not in capacity as an alternate director

(1) The Audit Committee was renamed the Risk and Audit Committee (RAC) on 25 June 2008

(2) On 25 June 2008, the Board established a Nominations Committee with Mr R Bryan as chair, and Mr D Elphinstone and Mr P Cassidy as inaugural members.

Retirement, election and continuation in office of Directors

Mr D Elphinstone, Mr F Connolly and Mr P Cassidy retired by rotation in accordance with clause 13.4 of the Constitution and were re-elected at the Annual General Meeting on 28 November 2007.

Remuneration report

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A Principles used to determine the nature and amount of remuneration

The Board, within the maximum amount approved by the shareholders from time to time, determines remuneration of non-executive Directors with advice from external compensation advisors as required. The maximum aggregate remuneration available to be paid to Non-executive Directors as Directors fees in any financial year is \$850,000 and was approved by shareholders at the Annual General Meeting on 28 November 2007. Non-executive Directors are entitled to sacrifice their Directors' fees each quarter, with shares in the Company being issued to the trustee of the Deferred Non-executive Director Plan (DDSP). An election is required to be made by each non-executive Director at the beginning of each quarter regarding whether their fees are to be paid by way of cash or shares.

Executive remuneration and other terms of employment are reviewed annually having regard to performance, relevant comparative information and independent expert advice. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Group's operations.

Incentive-based remuneration packages linked to corporate key performance indicators are in place for the Managing Director and other senior executives, and are formalised via employment contracts and related documentation. These incentives are structured to align executive reward with the achievement of strategic objectives and the creation of shareholder value. Remuneration packages have three elements:

- * Total fixed remuneration
- * Short-term incentives, and
- * Long-term incentives.

Total fixed remuneration ('TFR')

TFR is the amount of non-variable compensation specified in an employee's contract of employment. Superannuation contributions are deducted from the employee's TFR. The cost (including any component for Fringe Benefits Tax) of salary sacrifice items such as laptop computers or novated motor vehicle lease payments is also deducted. The amount of TFR is reviewed in July each year and established with reference to comparative market research, considering the scope and nature of the roles, resource availability and the individual employee's performance and experience.

Short-term incentives

The Managing Director and other senior executives are entitled to receive a short-term incentive (STI) payment. STI's are awarded upon achievement of the business's performance linked to corporate objectives, which are set at the beginning of the financial year, and pro-rated where length of service is less than one year. Such objectives are identified as Threshold, Target and Stretch. STI can vary annually based on business performance against the specified target levels. The maximum target bonus opportunity is 90 per cent for the Managing Director, and ranges from 30-50 per cent for other senior executives depending on the accountabilities of the role and the impact on the business performance.

Key performance indicators are generally set so that performance targets can be measured objectively, thus allowing simple and unambiguous assessment of achievement. The remuneration committee is responsible for assessing whether the STI Targets are met for the Managing Director. The Managing Director is responsible for assessing whether the STI Targets are met for senior executives. To help make this assessment, the Remuneration Committee and Managing Director receive detailed reports on performance from management.

The STI can be paid in cash and/or at the employee's election (in accordance with relevant ATO legislation) salary sacrificed as a contribution to the employee's superannuation fund. STI payments will only be made to current employees at the time the STI payment is made, unless the employee has ceased employment because they have transferred to a Related Body Corporate.

Long-term incentives

The long-term incentive plan for the Managing Director and other senior executives is linked to Total Shareholder Return (TSR) and seeks to align executive performance with shareholders' interests. Benefits are provided via long-term contingent incentive rights (LTI Rights) to shares issued under the Company Deferred Employee Share Plan (DESP). Employees are given the opportunity to elect to take all of their LTI Rights, subject to the satisfaction of vesting conditions, as:

- * Shares issued under the Company DESP; or
- * Options under the Company Employee Share Option Plan (ESOP); or
- * 50% DESP Shares and 50% ESOP Options.

Under the plan, participants are granted LTI Rights which only vest if certain Performance Hurdles are met over the Performance Period. The Performance Period and peer group for the purpose of the TSR calculation will be set each financial year by the Board, having regard to criteria appropriate at the time.

Remuneration report (cont'd)

A Principles used to determine the nature and amount of remuneration (cont'd)

Long-term incentives (cont'd)

The 2007/08 LTI Rights were awarded in accordance with the terms of individual contracts, the Queensland Gas Company Limited Deferred Employee Share Plan (DESP) Trust Deed and the Employee Share Option Plan (ESOP). QGC's TSR is compared to the TSR of stocks in the S&P ASX 100. Vesting of the LTI Rights for the Managing Director and other senior executives is based on the TSR percentile ranking, identified as Threshold, Target and Stretch. LTI Rights are calculated as a percentage of an individual's TFR, as noted in the table below:

Performance Level	Relative TSR Ranking over Performance Period	% Vesting		LTI % – Managing Director	LTI % – Other Senior Executives
n/a	<P50	0%		0%	0%
Threshold	P50	25%	=	50%	12.5%
Pro-rata *	>P50 & <P62.5	Pro-rata		Pro-rata	Pro-rata
Target	(P62.5)	50%	=	100%	25%
Pro-rata *	>P62.5 & <P75	Pro-rata		Pro-rata	Pro-rata
Stretch	P75	100%	=	200%	50%

* A pro-rata apportionment will apply between threshold and target as well as between target and stretch

The TSR Rankings for the S&P/ASX 100 comparator group are provided by an independent third party, Link Market Services.

The TSR performance hurdle for LTI Rights granted to the Managing Director in the 2007/08 year is assessed (or "tested") over the two-year Performance Period commencing 1 July 2007 and ending 30 June 2009. In the event of partial or total failure to meet the Performance Hurdle during the Performance Period, there is a provision for a one-off re-testing six months later (31 December 2009).

The TSR Performance Hurdle for LTI Rights granted to other senior executives in the 2007/08 year is assessed (or "tested") over the:

- one-year Performance Period commencing 1 July 2007 and ending 30 June 2008. In the event of partial or total failure to meet the TSR Ranking during the performance period, there is a provision for quarterly re-testing on the last day of each quarter for two years; or
- two-year Performance Period commencing 1 July 2007 and ending 30 June 2009 with no re-testing.

The Managing Director and other senior executives must be employed by the Company or a related company at the end of the Performance Period in order for the LTI Rights to vest.

The number of shares that vest is a function of the employee's TFR, their LTI percentage entitlement, and the 30-day volume-weighted average price of QGC shares ending on the date prior to the start of the financial year in which the LTI Rights were granted. Shares are issued for Nil consideration. The number of options that vest is three options for every vested share. The exercise price for the ESOP Options is the 30-day Volume Weighted Average Share Price (VWAP) ending on a date prior to the financial year the LTI Rights are granted.

For certain senior executives in relation to the 2007/08 year, in the event that the Company undertakes a capital reconstruction including issuing of any shares, the number of LTI entitlements shall be adjusted up to ensure that the LTI entitlements remain of equivalent value and opportunity, after the issue of shares in the Company as they were on the date of the granting of the entitlements.

In the event that the Company is taken over, all LTI entitlements which remain unvested at the time of the takeover shall vest immediately. Takeover shall mean a change in control of the Company which shall be determined by a material change in the composition of the Board of Directors of the Company, such change being initiated as a result of a change in ownership of the Company's shares and the purchaser of the shares requiring (or agreeing with other shareholders to require) that change in Board composition.

The personal and corporate key performance indicators and other targets for the Managing Director and other senior executives are reviewed at least annually to ensure that they remain relevant and appropriate, and may be varied to ensure that the short-term rewards and long-term rewards offered to each executive incentivise performance and achievement and are consistent with the Company's goals and objectives.

The remuneration policy is designed to align management's performance, and therefore the Company's performance, with shareholder wealth. During the 2008 financial year, the Company's management was primarily focused on the ongoing growth acceleration strategy to increase gas reserves, as well as consolidating production capability and processing capacity at its Berwyndale South and Kenya/Argyle Producing areas. In addition, QGC commenced construction of its first gas-fired power station. Following the announcement of the BG alliance in February 2008, the Company's focus changed from production to accelerating its exploration efforts in line with the requirements of the QCLNG project.

The table below shows the relationship between gas reserves, contracted gas volumes, share price, market capitalisation and total shareholder return:

	Financial year ended 30 June				
	2004	2005	2006	2007	2008
Certified proved and probable gas reserves (2P) (QGC share)	75 PJ	336 PJ	423 PJ	1,105 PJ	1,932 PJ
Contract position (QGC share) ⁽⁵⁾	30 PJ	84 PJ	123 PJ	855 PJ	756 PJ
Share price	\$0.18	\$0.44	\$0.69	\$2.80	\$5.37
Share buyback	-	-	-	\$5.7m ⁽¹⁾	-
Market capitalisation ⁽²⁾	\$31 m	\$155 m	\$261 m	\$2,073 m	\$4,415 m
Total Shareholder Return ⁽³⁾	-	-	-	-	146.6%
TSR Ranking ⁽⁴⁾	-	-	-	-	1

(1) The share buyback was completed in April 2007 at \$1.52 per share.

(2) Includes quoted and unquoted shares of the Company.

(3) TSR is a performance hurdle for the long-term incentive plan for the 2008 and future financial years. Historical data not shown, as not applicable.

(4) TSR ranking compared to the ASX 100.

(5) QGC's contract position has decreased due to the disposal of 20 per cent of its interest in sales contracts to BG Group.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of Directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) and specified executives of Queensland Gas Company Limited and the Queensland Gas Company Group are set out in the following tables.

Amounts disclosed for remuneration of Directors and other key management personnel exclude insurance premiums of \$87,564 (2007: \$47,080) paid by the Group in respect of Directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual Directors and officers. Information relating to the insurance contracts is set out in the Directors' Report.

Remuneration report (cont'd)

B Details of remuneration (cont'd)

Amounts of remuneration (cont'd)

Details of the remuneration of each Director of the Company and Group are set out in the following table:

Name	Short-term employee benefits			Post-employment benefits		Share-based payments	
	Cash salary or fees \$	Short-term incentives ⁽¹⁾ \$	Non-monetary benefits \$	Super-annuation (employer contribution) \$	Shares – in lieu of fees \$	Shares – long-term incentive plan ⁽¹⁾ \$	Options – long-term incentive plan \$
R Bryan – Chairman							
2008	-	-	-	-	130,000	-	-
2007	-	-	-	-	90,000	-	-
R Cottee – Managing Director							
2008	810,576	641,250	35,102	71,158	-	-	909,252
2007	407,303	345,000	32,116	35,876	-	3,257,775	-
P Cassidy							
2008	-	-	-	-	65,000	-	-
2007	-	-	-	-	45,000	-	-
F Connolly							
2008	-	-	-	-	78,750	-	-
2007	-	-	-	-	45,000	-	-
T Crommelin							
2008	-	-	-	-	70,000	-	-
2007 ⁽²⁾	-	-	-	-	33,750	-	-
D Elphinstone							
2008	-	-	-	-	68,750	-	-
2007	-	-	-	-	45,000	-	-
M Fraser							
2008	46,250	-	-	4,163	-	-	-
2007 ⁽³⁾	-	-	-	-	-	-	-
S Mikkelsen							
2008	47,500	-	-	4,275	-	-	-
2007 ⁽³⁾	-	-	-	-	-	-	-
M Moraza							
2008	42,500	-	-	3,825	-	-	-
2007 ⁽³⁾	-	-	-	-	-	-	-
D Patten							
2007 ⁽⁴⁾	-	-	-	-	30,125	-	-
Total 2008	946,826	641,250	35,102	83,421	412,500	-	909,252
Total 2007	407,303	345,000	32,116	35,876	288,875	3,257,775	-

(1) STI and LTI applicable to the 2007 and future financial years at that time vested in full in March 2007 following a material change in the composition of the Board of Directors. The value of the LTI brought forward from future years was \$2,931,392.

(2) Remuneration for Mr T Crommelin is from 2 October 2006, the date he was appointed a Director.

(3) Messrs S Mikkelsen, M Fraser and M Moraza were appointed as Directors from 8 March 2007 and did not receive any remuneration from Queensland Gas Company Limited or any of its subsidiaries during the 2007 financial year.

(4) Remuneration for Mr D Patten is for the period 1 July 2006 to 2 March 2007, being the date he retired as a Director.

Details of the remuneration of the Group's key management personnel who are not Directors for the year ended 30 June 2008 is set out in the following table. This includes the five highest-paid executives of the Company and Group with the exception of the Managing Director whose remuneration is disclosed with other Directors above.

Name and position	Short-term employment benefits			Post-employment benefits		Share-based payments		
	Cash salary or fees \$	Short-term incentives ⁽¹⁾ \$	Non-monetary benefits \$	Super-annuation (employer contribution) \$	Termination benefits \$	Shares \$	Shares – long-term incentive plan ⁽¹⁾ \$	Options – long-term incentive plan \$
I Davies – Chief Financial Officer								
2008⁽²⁾	244,531	127,705	9,906	22,008	-	-	-	60,795
L Devaney – General Manager – Commercial and Financing								
2008	310,094	166,250	4,549	27,948	-	180,000	-	255,861
2007 ⁽³⁾	60,099	43,806	-	4,955	-	322,000	183,138	-
M Herrington – Chief Operating Officer								
2008	456,100	237,500	19,303	34,967	-	-	-	362,945
2007	264,198	150,000	8,440	35,801	-	-	199,679	-
P Jans – Company Secretary and General Counsel								
2007 ⁽⁴⁾	323,176	147,500	9,605	24,288	715,000	-	296,925	-
M Panchal – Chief Financial Officer								
2008⁽⁵⁾	241,072	-	6,048	22,659	-	-	-	-
2007 ⁽⁶⁾	237,225	135,377	6,439	21,350	-	-	186,435	-
K Quinlan – Manager – Strategic Planning								
2007 ⁽⁷⁾	211,115	118,800	8,440	17,930	179,100	25,672	127,141	-
S Scott – General Manager – Exploration and Technical Services								
2008	346,678	190,000	29,703	29,568	-	-	189,996	-
2007	197,363	115,000	31,908	17,348	-	-	171,564	-
C Thomsen – General Manager – LNG								
2008⁽⁸⁾	180,613	92,210	3,379	15,220	-	-	18,724	33,855
Total 2008	1,779,088	813,665	72,888	152,370	-	180,000	208,720	713,456
Total 2007	1,293,176	710,483	64,832	121,672	894,100	347,672	1,164,882	-

(1) STI and LTI applicable to the 2007 and future financial years at that time vested in full in March 2007 following a material change in the composition of the Board of Directors.

(2) Mr I Davies remuneration is from 29 October 2007, the date from which he commenced employment with the Company.

(3) Mr L Devaney's remuneration is from 6 March 2007, the date from which he was appointed to the role of General Manager – Commercial & Financing.

(4) Mr P Jans ceased employment with the company on 2 July 2007. All remuneration payable was included in the 30 June 2007 financial year.

(5) Mr M Panchal's remuneration is from 1 July 2007 to 28 February 2008, the date he ceased employment with the Company.

(6) Mr M Panchal's remuneration is from 31 July 2006, the date from which he commenced employment with the Company as Chief Financial Officer.

(7) Mr K Quinlan commenced as a permanent employee of the Company on 1 July 2006. Mr K Quinlan continued to perform in the role of Acting Chief Financial Officer until 31 July 2006 after which he resumed the role of Manager – Strategic Planning. Mr K Quinlan ceased employment with the company on 6 July 2007. All remuneration payable was included in the 30 June 2007 financial year.

(8) Mr C Thomsen's remuneration is from 11 December 2007, the date from which he commenced employment with the Company.

Remuneration report (cont'd)

B Details of remuneration (cont'd)

Amounts of remuneration (cont'd)

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration ⁽¹⁾ 2008	At risk – STI ⁽²⁾ 2008	At risk – LTI ⁽³⁾ 2008
<i>Executive directors</i>			
R Cottee	37%	26%	37%
<i>Other key management personnel</i>			
I Davies	59%	28%	13%
L Devaney	36%	37%	27%
M Herrington	46%	21%	33%
M Panchal	100%	0%	0%
S Scott	52%	24%	24%
C Thomsen	58%	27%	15%

(1) Cash salary or fees, non-monetary benefits and superannuation.

(2) Short-term incentives – cash.

(3) LTI Rights – long-term incentive plans.

C Service agreements

Remuneration and other terms of employment for the Managing Director and other key management personnel are generally by way of employment contracts. These agreements may provide for the provision of performance-related cash bonuses, other benefits including life insurance cover provided by the Company, salary-sacrificed benefits, and long-term incentive rights (LTI Rights) to shares in the Company's Deferred Employee Share Plan (DESP) or Options in the Employee Share Option Plan (ESOP). Details of contract duration, notice period for termination and termination payments (where relevant) are set out below:

R Cottee, Managing Director

- * Term of agreement – extended to 30 June 2014 subsequent to year end.
- * The agreement can be terminated by the Company with one day's notice or immediately in the case of material misconduct, or by Mr Cottee with six months' written notice.
- * Provision for a termination payment, dependent upon the type of termination, consisting of the following components:
 - * Dismissal and voluntary resignation
 - Payment of crystallised entitlements for any current STI and LTI, but no right to any severance payment.
 - * Termination in special circumstances (death and total or permanent disability)
 - No entitlement to any severance payment;
 - Payment of the STI to reflect the portion of the contract year worked and performance during the period of the contract year worked; and
 - Vesting of all rights issued in prior years and 50 per cent of all rights issued for the contract year in which termination occurs. The Board may in its sole discretion decide whether or not to vest the balance of those rights.
 - * Termination in any other circumstances
 - Severance payment equal to the annual amount of TFR at the date on which the contract expires;
 - Payment of the STI incentive to the extent applicable; and
 - Vesting of unvested rights issued in prior years and 50 per cent of all rights issued for the contract year in which termination occurs. The Board may in its sole discretion decide whether or not to vest the balance of those rights.

I Davies, Chief Financial Officer (from 29 October 2007)

- * Term of agreement – on-going subject to termination by either party.
- * Employment can be terminated by the Company with six months' written notice or by the employee with three months' written notice.

L Devaney, General Manager – Commercial and Financing

- * Term of agreement – up to 30 June 2012.
- * Employment can be terminated by the Company with six months' written notice or by the employee with three months' written notice.

M Herrington, Chief Operating Officer

- * Term of agreement – up to 30 June 2014.
- * Employment can be terminated by the Company with six months' written notice or by the employee with three months' written notice.

M Panchal, Chief Financial Officer (to 28 February 2008)

- * Term of agreement – employment terminated 28 February 2008.

S Scott, General Manager – Exploration & Technical Services

- * Term of agreement – up to 30 June 2014.
- * Employment can be terminated by the Company with six months' written notice or by the employee with three months' written notice.

C Thomsen, General Manager – LNG (from 11 December 2007)

- * Term of agreement – on-going subject to termination by either party.
- * Employment can be terminated by the Company with six months' written notice or by the employee with three months' written notice.

D Share based compensation

Options

The Managing Director and other key management personnel receive long-term incentive rights (LTI Rights) as part of their remuneration package, and, to the extent vested, can elect to receive these as Options in the Company Employee Share Option Plan (ESOP). Vesting of the LTI Rights is conditional on achieving specific performance hurdles over the performance period. Refer to pages 65 to 67 for details.

The terms and conditions of each grant of options, to be issued on vesting of LTI Rights, affecting remuneration in this or future reporting periods are as follows:

Grant Date	Date vested and exercisable	Expiry Date	Value per Option at grant date	Exercise Price
1 July 2007	30 June 2008 – quarterly re-testing on the last day of each quarter for two years	30 June 2012	\$1.25	\$2.567
1 July 2007	30 June 2008 – quarterly re-testing on the last day of each quarter for two years	30 June 2012	\$1.24	\$2.567
1 July 2007	30 June 2009 – one-off re-testing after six months (31 December 2009)	30 June 2012	\$1.15	\$2.567
11 October 2007	30 June 2009 – No re-testing	10 October 2012	\$0.86	\$2.567
13 November 2007	30 June 2009 – No re-testing	12 November 2012	\$0.68	\$2.567

Options granted under the plan carry no dividend or voting rights.

No cash amount is payable by employees for LTI Rights or for ESOP Options to be issued on vesting of LTI Rights, although on exercise of ESOP Options, employees will be required to pay the Exercise Price to the Company. When vested and exercisable, each Option will entitle the holder to one ordinary share.

Details of ESOP Options provided as remuneration to each director of the Company and each of the key management personnel of the Company and the Group, upon vesting of LTI Rights, are set out below. When exercisable, each option is convertible into one ordinary share of Queensland Gas Company Limited. Further information on the options is set out in note 37 to the financial statements.

Remuneration report (cont'd)

D Share based compensation (cont'd)

Name	Number of Options granted during the year	Number of Options vested during the year
<i>Directors</i>		
R Cottee	1,577,717	-
<i>Other key management personnel</i>		
I Davies	168,597	-
L Devaney	204,519	204,519
M Herrington	292,170	292,170
C Thomsen	64,541	-

The assessed fair value at grant date of Options granted to the individuals, upon vesting of LTI Rights, is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Monte Carlo (MC) simulation pricing model that takes into account the price of the underlying share at grant date, the term of the vesting period and re-testing procedures, expiry date of options, volatility of share prices and correlation between stocks, early exercise decisions, employee exit rates, risk free interest rate (five year Australian Government Treasury Bonds) and expected dividend yield (nil).

Shares

The Managing Director and other key management personnel receive long-term incentive rights (LTI Rights) as part of their remuneration package, and, to the extent vested, can elect to receive these as Shares in the Company Deferred Employee Share Plan (DESP). The issue of DESP shares is conditional on the vesting of LTI Rights, which only vest if performance hurdles are met over the performance period. Refer to pages 65 to 67 for details. Once the LTI Rights have vested, the employee's entitlement to DESP shares is not subject to any further performance or vesting conditions.

The terms and conditions of each grant of DESP shares, to be issued upon vesting of LTI Rights, affecting remuneration in this or future reporting periods are as follows:

Grant Date	Date vested and issuable	Value per Share at grant date
1 July 2007	30 June 2008 - quarterly re-testing on the last day of each quarter for two years	\$2.44
13 November 2007	30 June 2009 - No re-testing	\$1.12

No cash amount is payable by employees for LTI Rights or the issue of DESP Shares upon vesting of LTI Rights.

DESP Shares, issued upon vesting of LTI Rights, have the same dividend and voting rights as other ordinary shares.

Details of DESP Shares provided as remuneration to each director of the Company and each of the key management personnel of the Company and the Group, upon vesting of LTI Rights, are set out below. Further information on the options is set out in note 37 to the financial statements.

Name	Number of Shares granted during the year	Number of Shares vested during the year
<i>Other key management personnel</i>		
M Panchal	65,682	-
S Scott	77,912	77,912
C Thomsen	21,514	-

On 17 July 2007, the Company granted 60,000 DESP shares (assessed fair value at grant date \$3.00 per share) to key management personnel to vest on 30 June 2008, subject to the employee remaining employed by the Company as at 30 June 2008. All 60,000 DESP shares vested during the reporting period. No cash amount is payable by employees for the issue of DESP Shares.

The assessed fair value at grant date of DESP shares granted to the individuals, upon vesting of LTI Rights, is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Monte Carlo (MC) simulation pricing model that takes into account the price of the underlying share at grant date, the term of the vesting period and re-testing procedures, volatility of share prices and correlation between stocks, employee exit rates, risk free interest rate (five-year Australian Government Treasury Bonds) and expected dividend yield (nil).

Shares granted with performance conditions not related to market share prices are valued at the price of the underlying share at grant date and allocated over the expected vesting period, with the quantity of shares being included in the measurement of the transaction being adjusted to reflect the number of shares which are expected to, or actually vest.

Shares provided on the exercise of remuneration options

No shares in the Company were provided as a result of the exercise of remuneration options by the Managing Director and other key management personnel of the Group.

E Additional information

Details of remuneration: cash and equity bonuses

For each cash and equity payment included in the employment contracts of the Managing Director and other senior executives, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the performance criteria is set out below.

The short-term incentive cash bonus vested at 30 June 2008, and was paid in July 2008.

The DESP shares vested at 30 June 2008 were issued in July 2008.

The options will be issued upon vesting of LTI Rights, provided the Performance Hurdles are met over the Performance Period (see pages 65 and 66). No options will vest if the conditions are not satisfied, hence the minimum value of the option yet to vest is \$nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

Name	Cash		Shares			Financial year granted	Options		Financial years LTI rights may vest	Minimum total value of grant yet to vest \$	Maximum total value of grant yet to vest \$
	V ⁽¹⁾ \$	F \$	V \$	F \$	N \$		V \$	F \$			
R Cottee	95%	5%	-	-	-	2008	-	-	2009	Nil	906,768
D Davies	95%	5%	-	-	-	2008	-	-	2009	Nil	84,053
L Devaney	95%	5%	100%	0%	0%	2008	100%	0%	-	-	-
M Herrington	95%	5%	-	-	-	2008	100%	0%	-	-	-
M Panchal	0%	100%	0%	100%	0%	-	-	-	-	-	-
S Scott	95%	5%	100%	0%	0%	-	-	-	-	-	-
C Thomsen	95%	5%	0%	0%	100%	2008	-	-	2009	Nil	53,495

V Vested, paid or payable

F Forfeited

N Not yet payable, vested or forfeited

(1) A component of the STI performance target was not attainable due to a change in the Company's strategic direction during the year. On 25 June 2008 the Board categorised this particular performance target as having been met at Stretch to reflect the resulting benefit to the Company and shareholders from the successful implementation of the change in Company's strategic direction. This resulted in the Managing Director and other key management personnel achieving the Stretch component of this STI performance target.

Remuneration report (cont'd)**E Additional information (cont'd)***Share-based compensation: Options*

Further details relating to options are set out below:

Name	A Remuneration consisting of options	B Value at grant date \$	C Value at exercise date \$	D Value at lapse date \$
R Cottee	37%	\$909,252	-	-
I Davies	13%	\$60,795	-	-
L Devaney	27%	\$255,861	-	-
M Herrington	33%	\$362,945	-	-
C Thomsen	10%	\$33,855	-	-

A The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

B The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration.

C The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date.

D The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

Shares under option

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

Date options granted	Expiry Date	Issue price of shares	Number under option
1 July 2007	30 June 2012	2.567	2,207,515
12 September 2007	11 September 2012	2.567	69,536
13 September 2007	12 September 2012	2.567	50,349
20 August 2007	19 August 2012	2.567	60,540
7 September 2007	6 September 2012	2.567	44,247
10 September 2007	9 September 2012	2.567	63,583
11 October 2007	10 October 2012	2.567	168,597
8 November 2007	7 November 2012	2.567	41,823
13 November 2007	12 November 2012	2.567	64,541
14 December 2007	13 December 2012	2.567	28,221
11 February 2008	10 February 2013	2.567	29,150
1 July 2008	30 June 2013	5.312	3,953,314

The shares under option detailed above are subject to vesting conditions, as set out on pages 65 and 66. No option holder has any right under the options to participate in any other share issue of the company or any other entity.

Shares issued on the exercise of options

No ordinary shares of Queensland Gas Company Limited were issued during the year ended 30 June 2008 on the exercise of options granted under the Company Employee Share Option Plan.

Insurance of officers

Insurance and indemnity arrangements are in place for officers of the Company. The Company paid an insurance premium of \$87,564 (2007: \$47,080) in respect of Directors and officers' liability insurance.

To the extent permitted by law, the Company indemnifies every person who is or has been an officer against:

- * any liability to any person (other than the Company, related entities or a major shareholder) incurred while acting in that capacity and good faith; and
- * costs and expenses incurred by that person in that capacity in successfully defending legal proceedings and ancillary matters.

For this purpose 'officer' means any Director or Secretary of the Company or any subsidiary of the Company.

Non audit services

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

The Board has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of 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; and
- * none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work or acting in a management or a decision-making capacity for the Company.

A copy of the Auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 76.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers), and its related practices, for non-audit services provided during the year are set out below.

	Consolidated 2008 \$
Assurance services	
PricewaterhouseCoopers Australian firm	
Transaction services	22,500
Accounting services	109,000
Total remuneration for assurance services	131,500
Taxation services	
PricewaterhouseCoopers Australian firm	
Tax compliance services, including review of company income tax returns	34,606
Consulting on mergers & acquisitions, financing structures, and other operational matters	526,050
Related practices of PricewaterhouseCoopers Australian firm	
Consulting on mergers & acquisitions, financing structures, and other operational matters	10,660
Total remuneration for taxation services	571,316
Advisory services	
PricewaterhouseCoopers Australian firm	
Advice on Sentient transaction	47,700
Advice on GHG and Energy Reporting Protocol	63,522
Provision of statistical information	10,289
Total remuneration for advisory services	121,511

Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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



Robert Bryan

DIRECTOR

BRISBANE 4 SEPTEMBER 2008

Auditor's independence declaration



PricewaterhouseCoopers
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As lead auditor for the audit of Queensland Gas Company Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in blue ink, reading 'Martin T Linz', is written over a horizontal line.

Martin T Linz

PARTNER

BRISBANE 4 SEPTEMBER 2008

PricewaterhouseCoopers

Income statements

for the year ended 30 June 2008

	Notes	Consolidated		Parent entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue from continuing operations					
Revenue	4	81,067	34,449	76,010	40,752
Other income	5	268	59	121	51
Expenses	6	(49,839)	(29,606)	(55,985)	(31,925)
Profit/(loss) from operating activities before financing costs, depreciation, amortisation and significant items		31,496	4,902	20,146	8,878
Depreciation, depletion and amortisation	7	(12,570)	(5,876)	(9,273)	(3,558)
Net gain on disposal of interest in tenements	8	-	8,305	-	14,720
Net gain on disposal of interest in tenements and related assets to BG Group	8	305,731	-	239,541	-
Takeover response costs		-	(14,491)	-	(14,491)
Profit/(loss) from operating activities before finance costs		324,657	(7,160)	250,414	5,549
Finance costs	9	(707)	(5,062)	(685)	(5,043)
Profit/(loss) before income tax		323,950	(12,222)	249,729	506
Income tax expense	10	(79,381)	-	(53,717)	-
Profit/(loss) attributable to members of Queensland Gas Company Limited		244,569	(12,222)	196,012	506

Earnings/(loss) per share for profit attributable to the ordinary equity holders of the Company:

		Cents	Cents
Basic earnings per share	36	32.2	(2.2)
Diluted earnings per share	36	32.1	(2.2)

The above Income statements should be read in conjunction with the accompanying notes.

Balance sheets

as at 30 June 2008

		Consolidated		Parent entity	
	Notes	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	703,993	248,252	703,984	248,242
Trade and other receivables	12	55,478	16,956	146,792	76,235
Inventories	13	9,574	6,518	9,574	6,518
Total current assets		769,045	271,726	860,350	330,995
Non-current assets					
Development and production assets	14	287,290	164,835	215,628	109,808
Other property, plant and equipment	15	13,745	5,245	12,148	3,264
Intangible assets – exploration and evaluation costs	16	30,676	27,605	30,451	27,390
Intangible assets – tenements and gasfield information	17	25,208	74,335	25,208	32,677
Intangible assets – other	18	255	–	–	–
Deferred tax assets	10(d)	17,733	–	11,953	–
Available-for-sale financial assets	19	17,557	–	17,557	–
Investments		–	–	52,813	52,813
Total non-current assets		392,464	272,020	365,758	225,952
Total assets		1,161,509	543,746	1,226,108	556,947
LIABILITIES					
Current liabilities					
Trade and other payables	20	26,087	10,868	131,785	9,759
Borrowings	21	669	756	669	756
Provisions	22	1,095	816	1,095	816
Current tax liability		59,339	–	59,339	–
Derivative financial instruments	23	1,165	67	–	67
Total current liabilities		88,355	12,507	192,888	11,398
Non-current liabilities					
Borrowings	24	1,626	1,590	1,626	1,590
Provisions	25	9,015	6,027	8,655	5,291
Deferred tax liabilities	10(d)	32,605	–	30,385	–
Derivative financial instruments	23	16,897	–	–	–
Total non-current liabilities		60,143	7,617	40,666	6,881
Total liabilities		148,498	20,124	233,554	18,279
Net assets		1,013,011	523,622	992,554	538,668
EQUITY					
Contributed equity	26	808,773	556,784	808,773	556,784
Reserves	27	(1,557)	5,612	11,497	5,612
Retained profits / (accumulated losses)	28	205,795	(38,774)	172,284	(23,728)
Total equity		1,013,011	523,622	992,554	538,668

The above Balance sheets should be read in conjunction with the accompanying notes.

Statements of changes in equity

for the year ended 30 June 2008

	Notes	Consolidated		Parent entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Total equity at the beginning of the financial year		523,622	70,710	538,668	73,028
Changes in the fair value of available-for-sale assets, net of tax		3,175	-	3,175	-
Changes in the fair value of cash flow hedges, net of tax		(13,088)	195	(34)	195
Net income recognised directly in equity		(9,913)	195	3,141	195
Profit/(loss) for the year		244,569	(12,222)	196,012	506
Total recognised income and expense for the year		234,656	(12,027)	199,153	701
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs	26	250,403	404,480	250,403	404,480
Rights issue		-	60,273	-	60,273
Employee shares	37(c)	2,482	5,892	2,482	5,892
Employee options	37(c)	1,848	-	1,848	-
Share buyback		-	(5,706)	-	(5,706)
		254,733	464,939	254,733	464,939
Total equity at the end of the financial year		1,013,011	523,622	992,554	538,668

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

Cash flow statements

for the year ended 30 June 2008

	Notes	Consolidated		Parent entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of applicable goods and services tax)		70,255	23,514	63,136	20,499
Receipts of refunds of goods and services tax		15,086	3,598	11,841	3,287
Payments to suppliers and employees (inclusive of goods and services tax)		(66,788)	(33,492)	(65,082)	(31,010)
Takeover response costs		-	(11,471)	-	(11,471)
Interest received		20,225	3,984	20,204	3,979
Interest paid		(151)	(4,146)	(142)	(4,140)
Net cash inflow/(outflow) from operating activities	11(a)	38,627	(18,013)	29,957	(18,856)
Cash flows from investing activities					
Receipts from joint venture participants (inclusive of goods and services tax)		29,821	13,539	27,895	20,337
Payments for exploration and evaluation		(41,736)	(23,314)	(40,615)	(28,860)
Payments for development and production assets		(209,571)	(37,870)	(167,287)	(28,907)
Payments for property, plant and equipment		(10,948)	(44,954)	(10,929)	(36,119)
Payments for other intangible assets		(255)	-	-	-
Loans to related parties		-	-	99,752	(18,217)
Proceeds from sale of tenement interests and related assets (net of transaction costs)		413,660	9,500	280,974	9,500
Proceeds from sale of other non-current assets		203	-	55	-
Payments for costs of proposed acquisition		(144)	-	(144)	-
Payments for available-for-sale financial assets		(13,021)	-	(13,021)	-
Net cash inflow/(outflow) from investing activities		168,009	(83,099)	176,680	(82,266)
Cash flows from financing activities					
Proceeds from issues of shares		249,525	327,385	249,525	327,385
Proceeds from rights issue		-	60,273	-	60,273
Proceeds from exercise of options		-	1,424	-	1,424
Payments of share buy-back		-	(5,706)	-	(5,706)
Payments of share issue costs		(58)	(3,432)	(58)	(3,432)
Proceeds from finance leases		1,725	1,405	1,725	1,405
Repayments of finance leases		-	(42,247)	-	(42,247)
Payments of financing costs		(282)	(836)	(282)	(836)
Repayments of finance leases		(1,699)	(539)	(1,699)	(539)
Net cash inflow from financing activities		249,211	337,727	249,211	337,727
Net increase / (decrease) in cash and cash equivalents		455,847	236,615	455,848	236,605
Cash and cash equivalents at the beginning of the financial year		248,252	13,082	248,242	13,082
Effects of exchange rate changes on cash and cash equivalents		(106)	(1,445)	(106)	(1,445)
Cash and cash equivalents at the end of the year	11	703,933	248,252	703,984	248,242

The above Cash flow statements should be read in conjunction with the accompanying notes.

This annual financial report covers both Queensland Gas Company Limited as an individual entity ("Company" or "parent entity" or "QGC") and the consolidated entity ("Group" or "consolidated entity") consisting of Queensland Gas Company Limited and its subsidiaries. The annual financial report is presented in Australian currency.

Queensland Gas Company Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Level 5, 30 Herschel Street, Brisbane, Queensland, 4000.

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' report on pages 62 and 63.

The annual financial report was authorised for issue by the Directors on 4 September 2008. The Company has the power to amend and reissue the financial report.

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the annual financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Queensland Gas Company Limited as an individual entity and the consolidated entity consisting of Queensland Gas Company Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Compliance with IFRS

Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the consolidated financial statements and notes of Queensland Gas Company Limited comply with International Financial Reporting Standards (IFRS).

Early adoption of Australian Accounting Standards

The Group has elected not to early apply accounting standards that are not applicable to the year ended 30 June 2008.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss and certain classes of property, plant and equipment.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group'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, include the estimation of future costs to access gas reserves and the estimation of economically recoverable gas reserves used for calculation of the depletion rate. Further information regarding critical accounting estimates is provided in note 1(dd).

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Queensland Gas Company Limited as at 30 June 2008 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(g)).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

1 Summary of significant accounting policies (cont'd)

(b) Principles of consolidation (cont'd)

Subsidiaries (cont'd)

Investments in subsidiaries are accounted for at cost in the individual financial statements of Queensland Gas Company Limited.

Joint ventures

Jointly controlled assets

The proportionate interests in the assets and expenses of joint venture activities have been incorporated in the financial statements under the appropriate headings. Expenditure incurred on behalf of joint venture partners that remains outstanding at the balance sheet date is recorded as a liability of the Group and a corresponding debtor is recognised within other receivables.

Jointly controlled entities

The proportionate interests in the assets, liabilities income and expenses of a joint venture entity are incorporated in the financial statements under the appropriate headings. Transactions and balances between the Group and jointly controlled entities are eliminated to the extent of the Group's proportionate interests.

(c) Trade and other receivables

All trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost less provisions for doubtful debts. Collectibility is reviewed on an ongoing basis. A provision for doubtful debts is made where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

Trade receivables are due for settlement no more than 30 days from the date of invoice.

(d) Inventories

Stores and consumables are stated at the lower of cost and net realisable value. Cost comprises direct materials and labour incurred and includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of inventory items. The costs are assigned to individual items on the basis of weighted average cost. Where individual items are no longer used in the ordinary course of business, net realisable value is the estimated recoverable value less the estimated costs of completion and the estimated costs necessary to make the sale.

(e) Exploration, evaluation, development and restoration costs

Exploration and evaluation costs

Exploration and evaluation expenditure incurred by or on behalf of the entity is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Each area of interest is limited to a size related to a known or probable petroleum resource. Currently the Group operates in multiple areas of interest in the Surat Basin in Queensland, and each is generally defined by tenement permit boundaries. The Group's interests in tenements are set out on page 113.

Exploration expenditure for each area of interest, other than that acquired from the purchase of another mining or exploration company, is carried forward as an asset provided that one of the following conditions is met:

- * such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
- * exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Exploration expenditure which fails to meet at least one of the conditions outlined above is written off.

Expenditure is not carried forward in respect of any area of interest unless the Group's rights of tenure to that area of interest are current.

The ultimate recoupment of exploration and evaluation expenditure is dependent on successful development and commercial exploitation, or alternatively, sale of the respective area.

Development and production assets

When the technical feasibility and commercial viability of extracting the resource is demonstrable, the exploration and evaluation costs carried forward for that area of interest are assessed for impairment and reclassified as development and production assets. Prior to production, the transferred exploration and evaluation costs and field development costs are classified as "development assets – not producing".

Once commercial production has commenced, the accumulated "development costs – not producing" relating to that producing area are reclassified as either "gasfield plant and equipment" or "gasfield assets", depending on their nature.

Depletion and depreciation of development and production assets

Depletion charges are calculated using a unit of production method based on the estimated economical gas reserves relating to the area of interest. The depletion charge will amortise the written-down cost of carried-forward gasfield assets, together with the expected future costs required to develop and extract the remaining estimated economical gas reserves in that area of interest, over the total estimated economical gas reserves.

Property, plant and equipment are depreciated over the estimated useful lives of the respective assets as set out in note 1(i).

Restoration, rehabilitation and environmental costs

Future estimated costs for the restoration and rehabilitation of areas affected by exploration and development activities are recognised at the present value of those future costs. Increases in the provision each year which result from the passage of time are recognised as borrowing costs.

Restoration, rehabilitation and environmental obligations recognised include the costs of reclamation, plant and waste site closure and subsequent monitoring of the environment.

Estimates are reassessed at least annually. Changes in estimates relating to areas of interest in the exploration and evaluation phase are dealt with retrospectively, with any amounts that would have been written off or provided against under the accounting policy for exploration and evaluation immediately written off.

(f) Tenement and gasfield information

Tenements and gasfield information are shown at historic cost less subsequent amortisation provided on a straight-line basis over their estimated useful lives, which is 28 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

(g) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of assets given up, shares issued or liabilities undertaken at the date of acquisition plus any incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date unless it can be demonstrated that the published price at the date of acquisition is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of acquisition. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(h) Impairment of assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Intangible assets, including exploration and evaluation assets, gasfield information and tenements, are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

1 Summary of significant accounting policies (cont'd)

(i) Property, plant and equipment

Land and buildings are shown at historical cost less subsequent depreciation for buildings.

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the asset, including any gains or losses from qualifying cash flow hedges of foreign currency purchases of plant and equipment.

Depreciation

Land is not depreciated. Depreciation on other assets is provided on a straight-line basis to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. Estimates of residual values and remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives are as follows:

- * Development and production assets – plant and equipment (including those under finance lease) 2-30 years
- * Other plant and equipment (including those under finance lease) 1-6 years
- * Fixtures and fittings 1-6 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

(j) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Group, whichever is the shorter. Current leasehold improvements (fixtures and fittings) are being amortised over 6 years (note 1(i)).

(k) Leases of property, plant and equipment

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The lease payments of operating leases, where the lessor effectively retains a significant portion of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis over the life of the lease.

Finance leases

Leases that effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Group are capitalised at the lower of the fair value of the leased property and the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. The corresponding lease obligations, net of finance charges, are included in borrowings. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the finance balance outstanding. The interest component of the lease payment is charged to the income statement over the lease period as each payment falls due.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which remain unpaid. The amounts are unsecured and are usually paid within 30 days from date of invoice.

(m) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities arising in respect of wages and salaries, annual leave and any other employee entitlements 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.

Long service leave

Long service leave liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to

expected future wage and salary levels, projected employee movements and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows.

Bonus plans

A liability for employee benefits in the form of bonus plans is recognised in other payables when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- * There are formal terms in the plan for determining the amount of the benefit;
- * The amounts to be paid are determined before the time of the completion of the financial statements; or
- * Past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Equity-based compensation benefits

Equity-based compensation benefits are provided to employees via QGC's Deferred Employee Share Plan, Deferred Non-executive Directors' Share Plan and Employee Share Option Plan. Some employees have also been issued with employee options and granted shares.

The fair value of employee options which vest after 1 January 2005 or shares issued to employees for no cash consideration is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised in the option reserve or share-based payment reserve over the period during which the employees become unconditionally entitled to the options or shares. When the shares are issued, or the options exercised, the value is transferred to contributed equity.

The fair value at grant date for options granted is independently determined using a Monte Carlo (MC) simulation pricing model that takes into account the price of the underlying share at grant date, the term of the vesting period and re-testing procedures, exercise price, expiry date of options, volatility of share prices and correlation between stocks, early exercise decisions, employee exit rates, risk free interest rate and expected dividend yield.

The assessed fair value at grant date of the shares granted to employees is allocated equally over the period from grant date to the actual or expected vesting date. In the case of shares or rights whose performance conditions are market-related, such as the share rights granted under the Company's long-term incentive plan, the fair value of share rights granted is determined using a 'Monte Carlo' simulation pricing model. Shares granted with performance conditions not related to market share prices are valued at the price of the underlying share at grant date and allocated over the expected vesting period, with the quantity of shares being included in the measurement of the transaction being adjusted to reflect the number of shares which are expected to, or actually vest.

(n) Contributed equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in the share proceeds received.

(o) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable, net of goods and services tax (GST) and amounts collected on behalf of third parties, to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Sale of gas revenue

Sale of gas revenue is recognised on the basis of the Group's interest in a producing field when the physical product and associated risks and rewards of ownership pass to the purchaser, which is generally at the time of the product entering the pipeline.

Infrastructure tolling revenue

Tolls charged to other entities for use of pipelines and facilities owned by the Group are recognised as revenue as they accrue in accordance with the terms of the tolling agreements.

Other revenue

Interest income is recognised on a time proportion basis using the effective interest method.

Lease income from operating leases is recognised as other income on a straight-line basis over the lease term.

1 Summary of significant accounting policies (cont'd)

(p) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in the deferred tax assets and liabilities attributable to temporary differences between the tax bases and liabilities and assets respectively and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. The deferred tax assets are not recognised for deductible temporary differences and unused tax losses unless it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

QGC and its wholly-owned Australian entities have implemented the tax consolidation legislation. As a consequence, QGC and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right. In addition to its own current and deferred tax amounts, QGC as the head entity also recognises the current tax liabilities or assets and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 10.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(r) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are incurred for the construction of a qualifying asset, in which case they are capitalised during the time that is required to complete and prepare the asset for its intended use. Capitalised borrowing costs are amortised over the useful life of the relevant asset and included in depreciation and amortisation.

(s) Maintenance and repairs

Plant and equipment of the Group is required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated. Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

(t) Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the functional and presentation currency of each of the Group companies.

(t) Foreign currency translation (cont'd)**Transactions and balances**

Foreign currency transactions are translated into the functional currency at the rate of exchange at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items are reported as either part of the fair value gain or loss, or are included in the fair value reserve in equity.

(u) Investments and other financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date. The treatment of categories relevant to these financial statements is as follows:

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in the category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset as such if the possibility exists that it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

1 Summary of significant accounting policies (cont'd)

(u) Investments and other financial assets (cont'd)

(iv) Available-for-sale financial assets (cont'd)

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial instruments is determined are disclosed in note 1(v).

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(v) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast expense that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(w) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(x) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using a variety of valuation techniques and assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows are used to determine fair value for the remaining financial instruments. The fair value of forward exchange contracts is determined using market exchange rates and published forward margins at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables is assumed to approximate their fair value. For disclosure purposes the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(y) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and 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.

(z) Earnings per share

Basic earnings per share is determined by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share adjusts the amounts used in the determination of basic earnings per share to take into account the after-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. Potential ordinary shares are not considered dilutive where the Group incurs a loss per share.

(aa) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of 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 taxation authority is included with other receivables or 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 taxation authority, are presented as operating cash flows.

1 Summary of significant accounting policies (cont'd)

(bb) Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(cc) New accounting standards and UIG interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group and the parent entity have assessed the impact of these new standards and interpretations and no material impacts are expected apart from the paragraphs set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. As at 30 June 2008, the Group operated in one business segment and one geographical segment. It is expected that new segments will be reported in future financial periods at which stage AASB 8 will be applied. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already has a policy of capitalising borrowing costs relating to qualifying assets.

(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group has not yet decided when to adopt AASB 101.

(iv) Revised AASB 3 Business Combinations

The revised AASB 3 is applicable to annual reporting periods commencing on or after 1 January 2009. AASB 3 changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as required rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

(v) AASB 2008-1 Amendments to Australian Accounting Standard – Share-based payment: Vesting Conditions and Cancellations

AASB 2008-1 becomes mandatory for annual reporting periods commencing on or after 1 January 2009. The Amendments change the measurement of share-based payments that contain non-vesting conditions. The Group has not yet determined the potential effect of the amending standard on the Group's financial statement.

(vi) AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate In July 2008, the AASB approved amendments to AASB 1 First-time Adoption of International Financial Reporting Standards and AASB 127 Consolidated and Separate Financial Statements.

The new rules will apply to financial reporting periods commencing on or after 1 January 2009. The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

(vii) Improvements to Australian Accounting Standards: AASB 2008-5 and AASB 2008-6

In July 2008, the AASB issued a number of improvements to existing Australian Accounting Standards. The amendments will generally apply to financial reporting periods commencing on or after 1 January 2009, except for some changes to AASB 5 Non-current Assets Held for Sale and Discontinued Operations regarding the sale of the controlling interest in a subsidiary which will apply from 1 July 2009. The Group will apply the revised standards from 1 July 2009. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

(viii) IFRIC Interpretation 16 Hedges of a Net Investment in a Foreign Operation

IFRIC Interpretation 16 was issued in July 2008 and applies to reporting periods commencing on or after 1 October 2008. The interpretation clarifies which foreign currency risks qualify as hedged risk in the hedge of a net investment in a foreign operation and that hedging instruments may be held by any entity or entities within the group. It also provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. The Group will apply the interpretation prospectively from 1 July 2009. The Group does not expect that any adjustments will be necessary as the result of applying the interpretation.

(ix) Amendment to IAS 39 Financial Instruments: Recognition and Measurement

On 31 July 2008 the IASB issued an amendment to IAS 39 Eligible Hedged Items. It is effective for accounting periods beginning on or after 1 July 2009 and must be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed-rate debt. It also prohibits the inclusion of time value in the one-sided hedged risk when designating options as hedges. The Group will apply the amended standard from 1 July 2009. It does not expect that any adjustments will be necessary as the result of applying the amendment.

(dd) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated costs of accessing estimated economical gas reserves

As described in note 1(e), expected future costs required to develop and extract the estimated economically recoverable gas reserves in a producing area of interest are taken into account when determining the annual depletion charge raised against the carrying value of gasfield assets. This estimate is based on recent historical costs of the existing producing area development. The actual future costs required to access the volume of estimated economical gas reserves not addressed by the existing production wells will ultimately be determined by the number of wells required (a function of well productivity) and the actual cost to drill, complete and connect the new wells. This estimate will be reviewed at least annually, and any revisions could materially impact both the depletion charge in the Income Statement and the carrying value of gasfield assets.

If the costs to drill, complete and connect each new well were to differ from management's estimates by 10 per cent, then the depletion charge for the year to 30 June 2008 could be expected to be \$192,000 lower/higher, with a corresponding increase/decrease in the carrying value of gasfield assets.

1 Summary of significant accounting policies (cont'd)

Estimated economically recoverable gas reserves for depletion of producing areas

As described in note 1(e), estimated economically recoverable gas reserves in a producing area of interest are taken into account when determining the annual depletion charge raised against the carrying value of gasfield assets. This estimate is based on the material balance method using actual well performance with respect to gas-flow rates and pressure data from producing wells within the producing area development. This estimate will be reviewed at least annually and any revisions could materially impact both the depletion charge in the income statements and the carrying value of producing area assets.

If the volume of estimated economically recoverable gas reserves were to differ from management's current estimate by 10 per cent, then the depletion charge for the year to 30 June 2008 could be expected to be \$293,000 lower/higher, with a corresponding increase/decrease in the carrying value of producing area assets.

2 Financial risk management

The Group seeks to minimise potential adverse effects on the financial performance of the Group arising from currency risk, interest rate risk, price risk, credit risk and liquidity risk. The Group has implemented a range of strategies, policies and procedures designed to assess and mitigate these risks. The Group uses derivative financial instruments such as foreign exchange contracts and electricity swap contracts to hedge certain risk exposure. Derivatives are exclusively used for hedging purposes i.e. not as trading or other speculative instruments.

(a) Market risk

Foreign exchange risk

The Group enters into agreements with suppliers of equipment where the prices are fixed in foreign currency – predominantly US Dollars. The Group aims to limit its exposure to foreign currency fluctuations for major firm orders of equipment and inventories and loans denominated in foreign currency. In order to protect against exchange rate movements, the Group uses a combination of foreign currency bank accounts, foreign currency term deposits and forward exchange contracts to purchase foreign currency to match the expected timing of foreign currency payments where firm orders have been placed. Foreign exchange exposures are hedged before the underlying transaction is incurred. Accordingly an assessment of the level of the risk to be eliminated is made. Management may decide to partially hedge an exposure and then reassess when more information relating to the timing and amount of cash flows becomes more certain.

Foreign exchange hedging is given strategic direction by the Board of Directors. The Financial Delegation of Authority Policy gives execution authority to the Chief Financial Officer for transacting of all foreign exchange contracts.

The Group's and parent company's exposure to foreign currency risk arising from financial instruments at the reporting date was as follows:

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash and cash equivalents				
USD	4,545	40,027	4,545	40,027
CAD	698	-	698	-
Trade and other payables				
USD	3,247	214	3,247	188
CAD	12	-	12	-
EUR	4	-	-	-
SGD	(4)	-	(4)	-
Forward exchange contracts – buy foreign currency				
USD	-	743	-	743

Sensitivity

The table below summarises the impact of a 10 per cent weakening/strengthening of the Australian dollar against the individual foreign currencies listed in the previous tables.

	AUD	Consolidated		Parent entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Impact on post-tax profit and retained earnings					
USD	+10%	214	(2,929)	214	2,931
	-10%	(262)	3,580	(262)	3,583
CAD	+10%	(2)	-	(2)	-
	-10%	2	-	2	-
Impact on equity reserve only					
USD	+10%	(300)	-	(300)	-
	-10%	366	-	366	-
CAD	+10%	(43)	-	(43)	-
	-10%	53	-	53	-

The formal designation of foreign currency cash deposits has substantially eliminated the profit and loss exposure to foreign currency risk in 2008. The group remains exposed to fluctuations on foreign currency denominated trade and other payables.

Commodity price risk

The majority of the Group's gas supply contracts are for fixed prices over periods of up to 20 years with CPI-related escalation factors. This reduces the Group's exposure to fluctuations in gas prices in the short to medium term.

On 8 November 2007, the Group entered into an electricity swap contract to hedge future electricity sales for the period from 15 February 2009 to 31 December 2011 to the National Electricity Market (NEM). The electricity swap covers 100 per cent of the electricity produced by the Condamine Power Station before 1 October 2009 and 66 per cent after that date. The value of this financial derivative contract fluctuates with the market's expected NEM pool prices in the periods covered by the contract. As the contract is designated as a 100 per cent effective hedge, any movement in the electricity forward curve would have no effect on post tax profits, however a uniform increase/decrease of \$1/MWh in the forward price would result in a \$1,096,000 decrease/increase in equity, respectively.

Equity price risk

The Group is exposed to equity price risk arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments. Equity investments are classified on the balance sheet as available-for-sale financial assets.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

At reporting date, if the equity prices of the Group's listed investments had been 10c higher or lower:

- * Equity for the year ended 30 June 2008 would increase/decrease by \$4,312,000 (2007: nil)
- * The Group and parent entity's post tax profit would not be affected.

The Group had no equity investments in the prior year.

2 Financial risk management (cont'd)

(a) Market risk (cont'd)

Sensitivity (cont'd)

Interest rate risk

The Group's main interest rate risk arises from cash investments. Interest rate risk is the risk that the Group's financial position will be adversely affected by movements in interest rates that will decrease the returns from floating rate deposits. The Group manages this risk by investing at fixed rates and diversifying the terms of cash investments.

The financial instruments exposed to interest rate risk are as follows:

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Financial Assets				
Cash and cash equivalents				
Floating rate	18,606	11,122	18,597	11,112
Fixed rate callable deposits	140,000	-	140,000	-
Rate fixed for less than 3 months	154,138	68,852	154,138	68,852
Rate fixed between 3 and 6 months	101,249	14,139	101,249	14,139
Rate fixed between 6 and 12 months	290,000	154,139	290,000	154,139
	703,993	248,252	703,984	248,242

The following table summarises the sensitivity of the interest revenue from financial instruments held at balance date to movements in interest rates, with all other variables held constant. The interest rate movements are based on reasonably possible changes over a financial year given the current economic climate.

Impact on post-tax profit and retained earnings

1% Increase in interest rates

4,928 1,738 **4,928** 1,738

1% Decrease in interest rates

(4,928) (1,738) **(4,928)** (1,738)

Impact on equity reserve only

1% Increase in interest rates

- - - -

1% Decrease in interest rates

- - - -

The preceding table assumes all cash is exposed to interest rate fluctuations for a 12-month period. The Group manages the terms of cash deposits to match maturities with expected cash flows. As such the above table does not accurately reflect the underlying interest rate risk inherent in the Group.

(b) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument that will result in a financial loss to the Group. The carrying amount of financial assets represents the maximum credit exposure.

The Group has a limited number of customers and joint venturers, and policies are in place to ensure that sales of gas are made to customers with an appropriate credit history. Additional security such as bank guarantees are obtained where there is limited or poor credit history.

Where Group companies act as the operator of a joint venture, deeds of cross-charge over joint venturers' interests in tenements and Petroleum Leases are obtained as security in some circumstances.

Deposits with banks are only placed with financial institutions or investment grade rated securities with a minimum credit rating of BBB.

Derivative transactions are only conducted with reputable financial institutions and electricity retailers.

Notes to the financial statements

for the year ended 30 June 2008

The maximum exposure to credit risk at reporting date was as follows:

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current				
Cash and cash equivalents	703,993	248,252	703,984	248,242
Trade receivables	10,061	5,157	7,129	5,983
Other receivables ⁽¹⁾	39,264	9,123	37,051	19,527
Other debtors	5	14	5	14

(1) Included in other receivables is interest receivable from financial institutions of \$5,649,000.

The ageing of receivables at the balance date was as follows:

	Total \$'000	<30 days \$'000	30-60 days \$'000	>60 days \$'000
2008				
Consolidated				
Trade receivables	10,061	9,664	211	186
Other receivables ⁽¹⁾	33,615	24,508	-	9,107
Other Debtors	5	5	-	-
Total receivables	43,681	34,177	211	9,293
Parent				
Trade receivables	7,129	7,129	-	-
Other receivables ⁽¹⁾	32,402	23,295	-	9,107
Other Debtors	5	5	-	-
Total receivables	39,536	30,429	-	9,107

(1) The amount in >60 days relates to joint venture expenditure and is expected to be received in full.

	Total \$'000	<30 days \$'000	30-60 days \$'000	>60 days \$'000
2007				
Consolidated				
Trade receivables	5,157	5,089	66	2
Other receivables	9,123	9,123	-	-
Total receivables	14,280	14,212	66	2
Parent				
Trade receivables	5,983	5,917	66	-
Other receivables	19,527	19,527	-	-
	25,510	25,444	66	-

2 Financial risk management (cont'd)

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group maintains a system of controls which provides for continual monitoring of future cash flow requirements, allowing it to put in place appropriate facilities to ensure that sufficient funds are available to fund the Group's activities in the short to medium term.

The Group has access to \$703,993,000 (2007: \$248,252,000) in cash and deposits at year end.

Maturities of financial liabilities

The tables below analyse the Group's and the parent entity's financial liabilities and net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date compared to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. For electricity swaps the cash flows have been estimated using expected electricity prices applicable at the reporting date.

Consolidated – At 30 June 2008	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
Non-derivatives							
Non-Interest bearing	24,297	-	-	-	-	24,297	24,297
Variable rate	-						
Fixed rate	456	500	792	1,152	-	2,900	2,295
Total non-derivatives	24,753	500	792	1,152	-	27,197	26,592
Derivatives							
Electricity swap							
Net settled cashflows	-	1,566	6,719	15,319	-	23,604	18,062

Consolidated – At 30 June 2007	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
Non-derivatives							
Non-Interest bearing	10,869	-	-	-	-	10,869	10,869
Variable rate	-	-	-	-	-	-	-
Fixed rate	557	441	904	907	-	2,809	2,346
Total non-derivatives	11,426	441	904	907	-	13,678	13,215
Derivatives							
Electricity swap							
Net settled cashflows	-	-	-	-	-	-	-

Notes to the financial statements

for the year ended 30 June 2008

Parent – At 30 June 2008	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
Non-derivatives							
Non-Interest bearing	22,304	-	-	-	-	22,304	22,304
Variable rate	-	-	-	-	-	-	-
Fixed rate	456	500	792	1,152	-	2,900	2,295
Total non-derivatives	22,760	500	792	1,152	-	25,204	24,599
Derivatives							
Electricity swap							
Net settled cashflows	-	-	-	-	-	-	-

Parent – At 30 June 2007	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
Non-derivatives							
Non-Interest bearing	9,758	-	-	-	-	9,758	9,758
Variable rate	-	-	-	-	-	-	-
Fixed rate	557	441	904	907	-	2,809	2,346
Total non-derivatives	10,315	441	904	907	-	12,567	12,104
Derivatives							
Electricity swap							
Net settled cashflows	-	-	-	-	-	-	-

3 Segment information

The Group currently operates in one business segment, being the petroleum industry. Activities include the exploration, evaluation, development and production of coal seam gas. The Group's activities are conducted in one geographical segment, being the Surat Basin located in Queensland.

4 Revenue

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Product sales				
Sale of gas	55,148	27,042	52,362	25,657
Infrastructure tolling revenue	2,252	197	-	-
Other revenue				
Rents and sub-lease rentals	779	143	779	143
Interest income				
from subsidiaries	-	-	-	7,890
from third parties	22,888	7,067	22,869	7,062
	81,067	34,449	76,010	40,752

The Group depended on less than ten major customers for the majority of its gas sales revenue during the year. These include AGL Energy Limited, Origin Energy Limited, CS Energy Ltd, Incitec Pivot Ltd and Braemar Power Project Pty Ltd.

5 Other income

Sundry income
Profit on sale of assets

Consolidated		Parent entity	
2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
66	13	66	5
202	46	55	46
268	59	121	51

6 Expenses

(a) Net gains and expenses

The operating profit/(loss) from ordinary activities before income tax expense includes the following specific net gains and expenses after capitalisation of amounts attributable to development, exploration and evaluation activities and amounts recovered from joint venturers:

Cost of sales
Administration costs
Deferred exploration, evaluation and other costs written off
Fair value losses on other financial liabilities at fair value through profit or loss
Foreign exchange losses
Gas marketing costs
Legal, management and consulting costs
Loss on sale of assets
Non-executive Directors' fees
Salaries and employee benefits expenses*
Travel, accommodation and associated costs
Joint venture overhead recovery
Other expenses

Consolidated		Parent entity	
2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
16,878	10,676	24,332	14,342
584	202	582	110
228	1,905	228	1,405
-	2,083	-	2,083
1,324	1,445	1,408	1,445
7,500	2,004	7,500	2,001
6,559	1,821	5,337	1,676
5	-	5	-
549	289	549	289
14,013	7,577	13,392	7,120
1,547	448	1,509	378
(2,167)	(1,014)	(1,753)	(1,014)
2,819	2,170	2,896	2,090
49,839	29,606	55,985	31,925

* The 2007 figure for salaries and employee benefits expenses is net of \$3,252,000 in relation to LTI rights shown as takeover response costs.

(b) Profit before income tax includes the following specific expenses:

Expenses arising from share-based payment transactions:

Shares granted to employees and Directors*
Options granted to employees and Directors
Expenses arising from share-based payment transactions*

2,482	5,892	2,482	5,892
1,848	-	1,848	-
4,330	5,892	4,330	5,892

* The 2007 figure includes \$3,252,000 in relation to LTI rights that have been shown as takeover response costs.

Defined contribution superannuation contributions:

Defined contribution superannuation expense
Amount capitalised

1,067	691	1,067	691
-	(214)	-	(214)
1,067	477	1,067	477
1,210	632	1,120	632
84	-	84	-
1,294	632	1,294	632

Rental expense relating to operating leases

Minimum lease payments

Sub-leases

Total rental expenses relating to operating leases

7 Depreciation, depletion and amortisation

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Depletion of gasfield assets	3,778	2,225	3,621	2,015
Depreciation of gasfield plant and equipment	5,027	2,609	2,591	1,019
Depreciation of other property, plant and equipment	1,953	524	1,945	524
Amortisation of intangible assets	1,812	518	1,116	-
	12,570	5,876	9,273	3,558

8 Net gain on disposal of interest in tenements and related assets

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Gain on disposal of interest in tenements and related assets to BG group	305,731	-	239,541	-
Gain on unitisation of interest in tenements	-	8,305	-	8,305
Gain on deunitisation of interest in tenements	-	-	-	6,415
	305,731	8,305	239,541	14,720

In April 2008 the Group disposed of 20 per cent of its interest in tenements and related assets to BG Group as part of an agreement, announced on 1 February 2008, to establish an LNG plant based in Gladstone.

The result of this transaction was a net gain on disposal of \$305,731,000 to the group, calculated as follows:

	Consolidated 2008 \$'000	Parent entity 2008 \$'000
Development and production assets	50,746	26,479
Other property, plant and equipment	495	99
Restoration provision derecognised – development	1,283	813
Restoration provision derecognised – exploration	250	250
Land	2,734	2,734
Intangible assets – exploration and evaluation costs	6,803	5,937
Intangible assets – tenements and gasfield information	47,316	6,353
Total assets disposed	109,627	42,665
Provision for restoration obligations (transferred to BG Group)	(1,698)	(1,232)
Total net book value of assets disposed	107,929	41,433
Consideration paid in cash	414,677	281,665
Related transaction costs	(1,017)	(691)
	413,660	280,974
Net gain on disposal from BG transaction	305,731	239,541

9 Finance costs

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Interest and finance charges paid/payable	562	4,396	540	4,377
Finance facility costs	88	116	88	116
Lease exit costs	57	550	57	550
	707	5,062	685	5,043

10 Income tax expense

(a) Income tax expense

Current tax	59,339	(3,620)	35,710	(3,449)
Deferred tax	20,042	2,045	18,007	4,074
Current year tax losses not recognised	-	2,915	-	1,341
Prior year adjustments	-	(1,340)	-	(1,966)
Income tax benefit attributable to loss from continuing operations	79,381	-	53,717	-
Deferred income tax (benefit) / expense included in income tax expense comprises:				
Increase in deferred tax assets	(17,733)	(5,804)	(11,953)	(5,597)
Increase in deferred tax liabilities	32,605	7,849	30,385	9,671
Deferred tax recognised directly in equity	5,170	-	(425)	-
	20,042	2,045	18,007	4,074

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Profit/(loss) from continuing operations before income tax expense	323,950	(12,222)	249,729	506
Tax at the Australian tax rate of 30% (2007: 30%)	97,185	(3,667)	74,919	152
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:				
Share issue costs allowable	-	(256)	-	(256)
Profit on Sentient unitisation	-	-	-	(1,926)
Entertainment	58	7	58	7
Research and development additional 25% claim	(375)	-	(375)	-
Share based payments	1,175	1,631	1,175	1,631
	98,043	(2,285)	75,777	(392)
Prior year adjustment	-	(630)	(3,397)	(949)
Current year tax losses not recognised	-	2,915	-	1,341
Previously unrecognised losses now recouped to reduce current tax expense	(18,662)		(18,663)	
Income tax expense	79,381	-	53,717	-
Unused tax losses for which no deferred tax asset has been recognised	-	63,680	-	63,308
Potential tax benefit @ 30%	-	19,104	-	18,992

All unused tax losses were incurred by Australian registered entities.

(d) Net deferred tax liabilities comprises temporary differences attributable to:

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Takeover response costs	2,226	2,697	2,226	2,697
Provision for restoration	1,922	1,807	1,700	1,586
Unitisation	21	28	21	28
Deunitisation	5,815	-	5,815	-
Finance leases	689	704	689	704
Foreign exchange gains/losses	-	434	36	434
Bid fees	-	305	-	305
Employee benefits	343	245	343	245
Fundraising costs	51	106	51	106
Accruals	93	342	94	342
Legal fees	42	59	42	59
Share issue costs	936	915	936	915
Hedge contract payable	5,595	-	-	-
Deferred tax assets	17,733	7,642	11,953	7,421
Depreciation, depletion and amortisation	17,360	10,409	15,321	9,538
Deferred exploration and appraisal costs	9,202	8,281	9,136	8,217
Interest receivable	1,695	927	1,695	4,106
Consumables	2,872	-	2,872	-
Foreign exchange gains/losses	115	-	-	-
Available-for-sale financial assets	1,361	-	1,361	-
Deferred tax liabilities	32,605	19,617	30,385	21,861
Net deferred tax liability	14,872	11,975	18,432	14,440
Unused tax losses not brought to account	-	(11,975)	-	(14,440)
Net deferred tax liabilities brought to account	14,872	-	18,432	-

(e) Movement in deferred tax assets

Consolidated	Takeover response costs \$'000	Provision for restoration \$'000	Unitisation / deunitisation \$'000	Hedge contract payable \$'000	Other \$'000	Total \$'000
At 1 July 2006	-	-	-	-	1,774	1,774
(Charged)/credit to the income statement	2,697	1,807	28	-	1,336	5,868
At 30 June 2007	2,697	1,807	28	-	3,110	7,642
(Charged)/credit to the income statement	(471)	115	5,808	-	(1,892)	3,560
(Charged)/credit directly to equity	-	-	-	5,595	936	6,531
At 30 June 2008	2,226	1,922	5,836	5,595	2,154	17,733
Parent	Takeover response costs \$'000	Provision for restoration \$'000	Unitisation / deunitisation \$'000	Hedge contract payable \$'000	Other \$'000	Total \$'000
At 1 July 2006	-	-	-	-	1,774	1,774
(Charged)/credit to the income statement	2,697	1,586	28	-	1,336	5,647
At 30 June 2007	2,697	1,586	28	-	3,110	7,421
(Charged)/credit to the income statement	(471)	114	5,808	-	(1,855)	3,596
(Charged)/credit directly to equity	-	-	-	-	936	936
At 30 June 2008	2,226	1,700	5,836	-	2,191	11,953

10 Income tax expense (cont'd)**(f) Movements in deferred tax liabilities****Consolidated**

	Depreciation, depletion and amortisation \$'000	Deferred exploration and appraisal costs \$'000	Available-for- sale assets \$'000	Other \$'000	Total \$'000
At 1 July 2006	6,249	5,431	-	24	11,704
Charged/(credit) to the income statement	4,160	2,850	-	903	7,913
At 30 June 2007	10,409	8,281	-	927	19,617
Charged/(credit) to the income statement	6,951	921	-	3,755	11,627
Charged/(credit) directly to equity	-	-	1,361	-	1,361
At 30 June 2008	17,360	9,202	1,361	4,682	32,605

Parent

	Depreciation, depletion and amortisation \$'000	Deferred exploration and appraisal costs \$'000	Available-for- sale assets \$'000	Other \$'000	Total \$'000
At 1 July 2006	6,191	5,338	-	611	12,140
Charged/(credit) to the income statement	3,347	2,879	-	3,495	9,721
At 30 June 2007	9,538	8,217	-	4,106	21,861
Charged/(credit) to the income statement	5,783	919	-	461	7,163
Charged/(credit) directly to equity	-	-	1,361	-	1,361
At 30 June 2008	15,321	9,136	1,361	4,567	30,385

(g) Tax consolidation legislation

Queensland Gas Company Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. The accounting policy in relation to this legislation is set out in note 1(p).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the parent entity.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate the parent entity for any current tax payable assumed and are compensated by the parent entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the parent entity under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

11 Current assets - Cash and cash equivalents

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash at bank and in hand	1,630	3,121	1,621	3,111
Term and call deposits	702,363	245,131	702,363	245,131
	703,993	248,252	703,984	248,242

The cash at bank and in hand is bearing interest at rates between nil and 7.25 per cent (2007: nil and 6.50 per cent).

The Australian dollar deposits are bearing interest at rates between 7.25 per cent and 9.01 per cent (2007: 6.25 per cent and 6.88 per cent). These deposits have a range of maturity from at-call to 11 months.

The US dollar deposits are bearing interest at rates between 2.15 per cent and 2.85 per cent. (2007: 5.20 per cent and 5.25 per cent). These deposits have a range of maturity from 1 month to 5 months.

The Canadian dollar deposit is bearing interest at a rate of 4.44 per cent and matures within 1 month. There were no Canadian dollar deposits in 2007.

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

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Profit/(loss) for the year	244,569	(12,222)	196,012	506
Net gain on disposal of interest in tenements and other assets to BG Group	(305,731)	-	(239,541)	-
Net gain on disposal of other non-current assets	(197)	-	(50)	-
Deferred exploration, evaluation and other costs written off	228	-	228	-
Non cash employee benefits expense – share based payments	4,330	5,357	4,330	5,357
Fair value loss on other financial liabilities at fair value through profit or loss	-	2,083	-	2,083
Depreciation, depletion and amortisation	12,570	5,876	9,273	3,558
Impairment of tenement costs	-	1,905	-	1,405
Exchange differences net of movements recognised directly in equity	(580)	1,255	6	1,255
Unitisation	-	(8,305)	-	(14,720)
Lease financing costs	205	-	205	-
Unwind of provision for restoration	384	-	363	-
Change in operating assets and liabilities :				
Increase in trade debtors and other current assets	(2,961)	(11,652)	(25,383)	(16,136)
Increase/(decrease) in trade and other payables	6,103	(2,310)	6,842	(2,164)
Increase in current tax liabilities	59,338	-	59,338	-
Increase in net deferred tax liabilities	20,042	-	18,007	-
Increase in employee benefit provisions	327	-	327	-
Net cash inflow/(outflow) from operating activities	38,627	(18,013)	29,957	(18,856)

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During the year, the Group and parent entity acquired plant and equipment to the value of \$1,725,000 (2007: \$2,341,000) by means of finance lease, as well as assets to the value of \$nil (2007: \$79,075,000) by way of issue of shares.

12 Current assets – Trade and other receivables

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade receivables	10,061	5,157	7,129	5,983
Receivables from subsidiaries	-	-	96,232	48,578
Other receivables	44,587	11,115	42,625	21,135
Prepayments	820	670	797	525
Other debtors	10	14	9	14
	55,478	16,956	146,792	76,235

Parent entity related-party receivables do not bear interest (2007: 18.20 per cent) and are repayable at call. All other trade and other receivables are non-interest-bearing. The aggregate carrying values of financial assets approximate their net fair values. The Group's policy for monitoring and controlling its credit risk is set out in more detail in note 2.

13 Current assets – Inventories

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Stores and consumables – at cost	9,574	6,518	9,574	6,518

14 Non-current assets – Development and production assets

Consolidated – 2008	Gasfield plant and equipment					
	Freehold land \$'000	Development assets – not producing \$'000	Gasfield assets \$'000	At cost \$'000	Under finance lease \$'000	Total \$'000
Cost at 30 June 2008	10,938	95,128	108,181	86,604	-	300,851
Less: accumulated depreciation and depletion expense	-	-	(5,849)	(7,712)	-	(13,561)
Balance at 30 June 2008	10,938	95,128	102,332	78,892	-	287,290
Reconciliation of movements						
Balance at 1 July 2007	8,495	39,609	52,098	63,138	1,495	164,835
Additions	5,177	148,749	1,427	6,299	-	161,652
Transfer from exploration and evaluation costs	-	-	19,515	-	-	19,515
Transfer to gasfield assets	-	(44,166)	44,166	-	-	-
Transfer from gasfield plant and equipment under finance lease	-	-	-	1,495	(1,495)	-
Transfer to gasfield plant and equipment	-	(32,211)	-	32,211	-	-
Disposals / written-off	(2,734)	(17,715)	(15,280)	(19,264)	-	(54,993)
Provision for restoration recognised	-	862	2,736	40	-	3,638
Provision for restoration transferred from exploration and evaluation costs	-	-	1,448	-	-	1,448
Depreciation and depletion expense	-	-	(3,778)	(5,027)	-	(8,805)
Balance at 30 June 2008	10,938	95,128	102,332	78,892	-	287,290

Consolidated – 2007	Gasfield plant and equipment					
	Freehold land \$'000	Development assets – not producing \$'000	Gasfield assets \$'000	At cost \$'000	Under finance lease \$'000	Total \$'000
Cost at 30 June 2007	8,495	39,609	54,795	66,906	1,789	171,594
Less: accumulated depreciation and depletion expense	-	-	(2,697)	(3,768)	(294)	(6,759)
Balance at 30 June 2007	8,495	39,609	52,098	63,138	1,495	164,835
Reconciliation of movements						
Balance at 1 July 2006	3,715	20,509	35,976	39,444	1,673	101,317
Additions	4,795	53,258	3,629	1,075	-	62,757
Transfer from exploration and evaluation costs	-	537	-	-	-	537
Transfer to gasfield assets	-	(13,958)	13,958	-	-	-
Transfer to gasfield information	-	-	(1,492)	-	-	(1,492)
Transfer to gasfield plant and equipment	-	(20,876)	-	20,876	-	-
Acquisition of assets	-	870	2,252	4,199	-	7,321
Disposals / written-off	(15)	(1,425)	-	(25)	-	(1,465)
Depreciation and depletion expense	-	-	(2,225)	(2,431)	(178)	(4,834)
Provision for restoration recognized	-	694	-	-	-	694
Balance at 30 June 2007	8,495	39,609	52,098	63,138	1,495	164,835

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Parent – 2008	Gasfield plant and equipment					
	Freehold land \$'000	Development assets – not producing \$'000	Gasfield assets \$'000	At cost \$'000	Under finance lease \$'000	Total \$'000
Cost at 30 June 2008	10,938	64,820	108,181	41,930	-	225,869
Less: accumulated depreciation and depletion expense	-	-	(5,849)	(4,392)	-	(10,241)
Balance at 30 June 2008	10,938	64,820	102,332	37,538	-	215,628
Reconciliation of movements						
Balance at 1 July 2007	8,495	30,002	50,057	19,759	1,495	109,808
Additions	5,177	104,821	1,427	6,303	-	117,728
Transfer from exploration and evaluation costs	-	-	19,515	-	-	19,515
Transfer to gasfield assets	-	(42,296)	42,296	-	-	-
Transfer from gasfield plant and equipment under finance lease	-	-	-	1,495	(1,495)	-
Transfer to gasfield plant and equipment	-	(17,725)	-	17,725	-	-
Disposals / written-off	(2,734)	(10,844)	(11,495)	(5,153)	-	(30,226)
Provision for restoration recognised	-	862	2,705	-	-	3,567
Provision for restoration transferred from exploration and evaluation costs	-	-	1,448	-	-	1,448
Depreciation and depletion expense	-	-	(3,621)	(2,591)	-	(6,212)
Balance at 30 June 2008	10,938	64,820	102,332	37,538	-	215,628

Parent – 2007	Gasfield plant and equipment					
	Freehold land \$'000	Development assets – not producing \$'000	Gasfield assets \$'000	At cost \$'000	Under finance lease \$'000	Total \$'000
Cost at 30 June 2007	8,495	30,002	52,517	21,658	1,789	114,461
Less: accumulated depreciation and depletion expense	-	-	(2,460)	(1,899)	(294)	(4,653)
Balance at 30 June 2007	8,495	30,002	50,057	19,759	1,495	109,808
Reconciliation of movements						
Balance at 1 July 2006	3,715	19,036	35,976	11,876	1,673	72,276
Additions	4,795	32,396	3,374	805	-	41,370
Transfer from exploration and evaluation costs	-	537	-	-	-	537
Transfer to gasfield assets	-	(12,722)	12,722	-	-	-
Transfer to property, plant and equipment	-	(7,940)	-	7,940	-	-
Disposals / written-off	(15)	(1,305)	-	(21)	-	(1,341)
Depreciation and depletion expense	-	-	(2,015)	(841)	(178)	(3,034)
Balance at 30 June 2007	8,495	30,002	50,057	19,759	1,495	109,808

15 Non-current assets – Other property, plant and equipment

Consolidated – 2008

	Capital work in progress \$'000	Plant and equipment at cost \$'000	Plant and equipment under finance lease \$'000	Office fixtures and fittings at cost \$'000	Leasehold improvements \$'000	Total \$'000
Cost at 30 June 2008	2,801	6,752	3,128	1,142	2,561	16,384
Less: accumulated depreciation and depletion expense	-	(1,345)	(1,000)	(69)	(225)	(2,639)
Balance at 30 June 2008	2,801	5,407	2,128	1,073	2,336	13,745
Reconciliation of movements						
Balance at 1 July 2007	1,966	1,468	1,197	614	-	5,245
Additions	1,319	4,523	1,724	1,043	2,338	10,947
Transfers	-	442	-	(519)	77	-
Disposals	(484)	(10)	-	-	-	(494)
Depreciation and depletion expense	-	(1,016)	(793)	(65)	(79)	(1,953)
Balance at 30 June 2008	2,801	5,407	2,128	1,073	2,336	13,745

Consolidated – 2007

	Capital work in progress \$'000	Plant and equipment at cost \$'000	Plant and equipment under finance lease \$'000	Office fixtures and fittings at cost \$'000	Leasehold improvements \$'000	Total \$'000
Cost at 30 June 2007	1,966	1,879	1,632	614	-	6,091
Less: accumulated depreciation and depletion expense	-	(411)	(435)	-	-	(846)
Balance at 30 June 2007	1,966	1,468	1,197	614	-	5,245
Reconciliation of movements						
Balance at 1 July 2006	-	281	790	12	-	1,083
Additions	1,966	1,516	668	657	-	4,807
Disposals	-	(43)	(23)	(55)	-	(121)
Depreciation and depletion expense	-	(286)	(238)	-	-	(524)
Balance at 30 June 2007	1,966	1,468	1,197	614	-	5,245

Parent – 2008

	Capital work in progress \$'000	Plant and equipment at cost \$'000	Plant and equipment under finance lease \$'000	Office fixtures and fittings at cost \$'000	Leasehold improvements \$'000	Total \$'000
Cost at 30 June 2008	1,237	6,709	3,128	1,142	2,561	14,777
Less: accumulated depreciation and depletion expense	-	(1,335)	(1,000)	(69)	(225)	(2,629)
Balance at 30 June 2008	1,237	5,374	2,128	1,073	2,336	12,148
Reconciliation of movements						
Balance at 1 July 2007	-	1,453	1,197	614	-	3,264
Additions	1,330	4,493	1,724	1,043	2,338	10,928
Transfers	-	442	-	(519)	77	-
Disposals	(93)	(6)	-	-	-	(99)
Depreciation and depletion expense	-	(1,008)	(793)	(65)	(79)	(1,945)
Balance at 30 June 2008	1,237	5,374	2,128	1,073	2,336	12,148

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for the year ended 30 June 2008

Parent – 2007

	Capital work in progress \$'000	Plant and equipment at cost \$'000	Plant and equipment under finance lease \$'000	Office fixtures and fittings at cost \$'000	Leasehold improve- ments \$'000	Total \$'000
Cost at 30 June 2007	-	1,864	1,632	614	-	4,110
Less: accumulated depreciation and depletion expense	-	(411)	(435)	-	-	(846)
Balance at 30 June 2007	-	1,453	1,197	614	-	3,264
Reconciliation of movements						
Balance at 1 July 2006	-	281	790	12	-	1,083
Additions	-	1,501	668	657	-	2,826
Disposals	-	(43)	(23)	(55)	-	(121)
Depreciation and depletion expense	-	(286)	(238)	-	-	(524)
Balance at 30 June 2007	-	1,453	1,197	614	-	3,264

16 Non-current assets – Intangible assets – exploration and evaluation costs

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Balance at the start of the year	27,605	7,131	27,390	7,131
Additions	30,476	24,023	29,599	23,530
Acquisitions of assets	-	218	-	-
Disposals	(7,058)	(2,598)	(6,191)	(2,384)
Transfer to development assets – not producing	-	(537)	-	(537)
Transfer to intangible assets – gasfield information	-	(1,058)	-	(751)
Transfer to gas field assets	(19,515)	-	(19,515)	-
Provision for restoration	616	906	616	881
Provision for restoration transferred to gasfield assets	(1,448)	-	(1,448)	-
Amounts written-off	-	(480)	-	(480)
Balance at the end of the year	30,676	27,605	30,451	27,390

Non current assets pledged as security

Refer to note 24(a) for information on non current assets pledged as security by the parent entity and its controlled entities.

17 Non-current assets – Intangible assets – tenements and gasfield information

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Balance at the start of the year	74,335	-	32,677	-
Additions – tenements	-	72,303	-	31,926
Additions – gasfield information	-	2,550	-	751
Amortisation expense – tenements	(1,812)	(518)	(1,116)	-
Disposal – tenements	(45,703)	-	(6,207)	-
Disposal – gasfield information	(1,612)	-	(146)	-
Balance at the end of the year	25,208	74,335	25,208	32,677

18 Non-current assets – Intangible assets – other

Consolidated – 2008

Cost at 30 June 2008

Less: accumulated amortisation expense

Balance at 30 June 2008**Reconciliation of movements**

Balance at 1 July 2007

Additions

Balance at 30 June 2008

Wallumbilla
Pipeline
Call Option ⁽¹⁾
\$'000

Total
\$'000

255	255
-	-
255	255

-	-
255	255
255	255

(1) Under an agreement entered into in January 2008, the Group has a call option over 50 per cent of the Wallumbilla Pipeline being constructed by AGL Energy Limited. If the option is exercised, the group will obtain a 50 per cent ownership share in the pipeline. Refer Note 34(c) for further details.

19 Non-current assets – Available-for-sale financial assets

Listed equity securities

At cost

Revaluation recognised directly in equity

Balance at the end of the year

Consolidated		Parent entity	
2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
13,022	-	13,022	-
4,535	-	4,535	-
17,557	-	17,557	-

Impairment and risk exposure

None of the financial assets are impaired.

All available-for-sale financial assets are denominated in Australian currency. For an analysis of the sensitivity of available-for-sale financial assets to equity price risk refer to note 2.

20 Current liabilities – Trade and other payables

Trade payables

Payables to subsidiaries

Deferred Income ⁽¹⁾

Accruals and other payables

Consolidated		Parent entity	
2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
5,688	357	5,684	357
-	-	107,694	-
1,788	-	1,788	-
18,611	10,511	16,619	9,402
26,087	10,868	131,785	9,759

(1) Deferred Income includes cash received in relation to gas sale contracts whereby the customer is obligated to purchase a minimum quantity but did not take physical delivery. This gas is considered as 'banked' and the corresponding revenue will only be recognised when the gas has been delivered or forfeited in accordance with contractual terms.

21 Current liabilities – Borrowings**Secured**

Lease liabilities (note 31)

Total current borrowings

669	756	669	756
669	756	669	756

Further details of the security, interest, fair values and repayment terms relating to each class of secured financial liability are set out in note 24.

22 Current liabilities – Provisions

Employee benefits

Consolidated		Parent entity	
2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
1,095	816	1,095	816

23 Derivative financial instruments**Current liabilities**

Forward foreign exchange contracts – cash flow hedges
(note 23(i))

Electricity swap contracts

Total current derivative financial instrument liabilities

Non-current liabilities

Electricity swap contracts

Total non-current derivative financial instrument liabilities

Total derivative financial instrument liabilities

Consolidated		Parent entity	
2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
-	67	-	67
1,165	-	-	-
1,165	67	-	67
16,897	-	-	-
16,897	-	-	-
18,062	67	-	67

Instruments used by the Group

The Group has entered into an electricity swap contract to hedge future cashflows of the Condamine Power Station for a period of three years from February 2009. The Group entered into the electricity swap contract to protect against fluctuations in the future electricity revenue received from the National Electricity Market.

The Group enters into agreements with suppliers of equipment where the prices are fixed in foreign currency – predominantly US Dollars. In order to protect against exchange rate movements, the Group uses a combination of US Dollar bank accounts, US Dollar term deposits and forward exchange contracts to purchase US Dollars to match the expected timing of foreign currency payments where firm orders have been placed. At year end there were no outstanding forward exchange contracts.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity.

(i) Forward exchange contracts – cash flow hedges

The cash flows are expected to occur at various dates within 12 months of the balance date. At balance date, the details of outstanding contracts are:

Buy US dollars (currency sold measured at the contracted rate)**Sell Australian dollars****Average exchange rate****Maturity**

Within 1 year

2008 \$'000	2007 \$'000	2008 \$	2007 \$
-	743	-	0.7686

(ii) Foreign currency deposits – cash flow hedges

The Group holds foreign currency to cover specific firm orders and loan repayments denominated in foreign currency. Refer note 2 for further details.

24 Non current liabilities – Borrowings**Secured**

Lease liabilities (note 31)

Total non current borrowings

Consolidated		Parent entity	
2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
1,626	1,590	1,626	1,590
1,626	1,590	1,626	1,590

24 Non current liabilities – Borrowings (cont'd)

(a) Assets pledged as security

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements (notes 14 and 15) revert to the lessor in the event of default.

The carrying amounts of assets pledged as security for current and non current borrowings are:

	Notes	Consolidated		Parent entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Non current					
Finance lease					
Plant and equipment	15	2,128	1,197	2,128	1,197
Development and production assets – plant and equipment	14	-	1,495	-	1,495
		2,128	2,692	2,128	2,692

(b) Fair value

The carrying amounts of borrowings at balance date are a reasonable approximation of their fair value.

The fair value of borrowings is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles.

25 Non current liabilities – Provisions

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Employee benefits	48	-	48	-
Provision for restoration and rehabilitation	8,967	6,027	8,607	5,291
	9,015	6,027	8,655	5,291
Movements in provision for restoration and rehabilitation				
Carrying amount at the start of the year	6,027	2,763	5,291	2,590
Provision derecognised on disposal of tenements	(1,698)	-	(1,232)	-
Additional provisions recognised	4,255	2,996	4,184	2,476
Increase in the discounted amount due to the passage of time	383	268	364	225
	8,967	6,027	8,607	5,291

The provision for restoration and rehabilitation was created in respect of the costs required to meet the Group's obligation to restore and rehabilitate disturbed areas, which include the dismantling and demolition of infrastructure, and removal of residual materials.

26 Contributed equity

	Notes	Parent entity		Parent entity	
		2008 Shares	2007 Shares	2008 \$'000	2007 \$'000
(a) Share capital					
Issued ordinary shares – fully paid					
Quoted		821,134,414	733,389,585		
Unquoted		1,105,124	6,971,505		
Total contributed equity	26(b),(c)	822,239,538	740,361,090	808,773	556,784

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Issue price (cents)	\$'000
1 July 2007	Opening balance		740,361,090		556,784
16 July 2007	Shares issued*	(i)	44,341	152.2	67
31 July 2007	Shares issued*	(ii)	154,911	256.7	398
31 July 2007	Shares issued*	(ii)	265,000	280.0	742
31 July 2007	Shares issued*	(ii)	10,000	302.7	30
4 October 2007	Shares issued*	(i)	20,076	280.2	56
11 October 2007	Shares issued*	(ii)	30,000	254.5	76
21 December 2007	Shares issued*	(i)	4,015	280.2	11
21 December 2007	Shares issued*	(i)	27,468	245.7	68
11 April 2008	Shares issued	(iii)	81,278,451	307.0	249,525
30 April 2008	Shares issued*	(i)	44,186	314.0	139
	Income tax on share issue costs				936
	Less: Transaction costs arising on share issues				(59)
30 June 2008	Balance		822,239,538		808,773

* The amount booked to contributed equity has been transferred from the share-based payment reserve.

(i) Shares issued in lieu of Directors' fees under the Company's Deferred Non-executive Director Share Plan are set out in more detail in note 37(b).

(ii) Shares issued as a performance bonus under the Company's Deferred Employee Share Plan are set out in more detail in note 37(b). Values are initially booked against the share-based payment reserve, and transferred to contributed equity at the time the shares are issued.

(iii) 81,278,451 shares issued to BG Group.

(c) Ordinary shares

Ordinary shares have no par value.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 37.

(e) Options

Information relating to the Company Employee Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 37.

(f) Equity Line facility

The Company has an Equity Line facility with Cornell Capital Partners Offshore LP which gives the Company the right, but not an obligation, to issue shares to Cornell Capital Partners at any time up to the 2nd June 2010, to a maximum of \$25 million. Under this facility, the Company can issue shares up to a value of \$500,000 in any period of 10 business days. Shares issued will be priced at the lowest daily volume weighted average price of QGC shares traded on each of the five days which follow a placement notice by the Company. A commission of 5 per cent of the funds raised is payable at the time of issue. As at 30 June 2008 \$Nil (2007: \$Nil) had been drawn under this facility.

(g) Capital risk management

The Group's and parent entity's objectives when managing capital is to safeguard their ability to continue as a going concern, so that they can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares, enter a debt facility agreement, or sell assets/interests in joint ventures to obtain funds.

As the Group does not currently have any debt facilities, there is no requirement to monitor debt gearing ratios.

The Group and parent entity are not subject to any externally imposed capital requirements.

27 Reserves

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Option reserve	2,178	330	2,178	330
Share based payments reserve	6,244	5,349	6,244	5,349
Hedging reserve – cash flow hedges	(13,154)	(67)	(100)	(67)
Fair value reserve	3,175	–	3,175	–
Total reserves	(1,557)	5,612	11,497	5,612
Movements:				
<i>Option reserve</i>				
Balance at the start of the year	330	330	330	330
Employee option expense	1,848	–	1,848	–
Balance at the end of the year	2,178	330	2,178	330
<i>Share based payments reserve</i>				
Balance at the start of the year	5,349	4,815	5,349	4,815
Share-based remuneration expense	2,482	5,892	2,482	5,892
Transfer to share capital (shares issued)	(1,587)	(5,358)	(1,587)	(5,358)
Balance at the end of the year	6,244	5,349	6,244	5,349
<i>Hedging reserve – cash flow hedges</i>				
Balance at the start of the year	(67)	(262)	(67)	(262)
Revaluation – gross	(18,924)	(67)	(275)	(67)
Transfer to inventory and other assets – gross	242	262	242	262
Deferred tax	5,595	–	–	–
Balance at the end of the year	(13,154)	(67)	(100)	(67)
<i>Fair value reserve</i>				
Balance at the start of the year	–	–	–	–
Revaluation – gross	4,535	–	4,535	–
Deferred tax	(1,360)	–	(1,360)	–
Balance at the end of the year	3,175	–	3,175	–

Nature and purpose of reserves

(i) Option reserve

The option reserve is used to recognise the fair value of options granted or issued.

(ii) Share based payments reserve

The share based payments reserve is used to recognise the fair value of equity instruments granted but not issued. The reserve includes \$4,116,773 which is the difference between the fair value and the proceeds received in relation to convertible notes that were converted to ordinary shares in a prior year.

(iii) Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(v)(ii). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss, or transferred to inventories or fixed assets as appropriate.

(iv) Fair value reserve

The fair value reserve is used to recorded gains or losses on available-for-sale financial instruments that are recognised directly in equity, as described in note 1(u)(iv).

28 Retained Earnings / (accumulated losses)

Movements in accumulated losses were as follows:

Balance at the start of the year	(38,774)	(26,552)	(23,728)	(24,234)
Net profit / (loss) for the year	244,569	(12,222)	196,012	506
Balance at the end of the year	205,795	(38,774)	172,284	(23,728)

29 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following operating and non-trading subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding ⁽¹⁾	
			2008 %	2007 %
QGC (Berwyndale South) Pty Ltd	Australia	Ordinary	100	100
QGC (Infrastructure) Pty Ltd	Australia	Ordinary	100	100
QGC Sales Qld Pty Ltd	Australia	Ordinary	100	100
Starzap Pty Ltd	Australia	Ordinary	100	100
SGA (Queensland) Pty Limited	Australia	Ordinary	100	100
SGAI Pty Limited	Australia	Ordinary	100	100
Gas Resources Limited	Cayman Islands	Ordinary	100	100
NUN Pty Ltd ⁽²⁾	Australia	Ordinary	100	100
Queensland Petroleum Company Ltd ⁽²⁾	Australia	Ordinary	100	100
QGC IPT Pty Ltd ⁽³⁾	Australia	Ordinary	100	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.

(2) Non-trading subsidiary.

(3) Trustee for employee share plans.

30 Interests in joint ventures

Jointly controlled assets		Consolidated		Parent	
Joint venture	Principal activities	2008 %	2007 %	2008 %	2007 %
Surat Basin PLA247 ⁽ⁱ⁾	Gas exploration	56.50	70.625	80.00	70.625
Surat Basin ATP 574P ⁽ⁱ⁾	Gas exploration	48.00	60.00	48.00	60.00
Surat Basin ATP 620P / PL179, PLA180, PL228, PL229, PPL107 & PLA263 ⁽ⁱ⁾	Gas exploration and producing area development	47.50	59.375	47.50	59.375
Surat Basin ATP 621P / PLA261 & PLA262 ⁽ⁱ⁾	Gas exploration	80.00	100.00	80.00	100.00
Surat Basin ATP 632P / PL201, PLA211 & PLA212 ^{(i) (ii)}	Gas production, producing area development and exploration	80.00	100.00	72.00	90.00
Surat Basin ATP 647P ⁽ⁱⁱⁱ⁾	Gas exploration	50.00	50.00	50.00	50.00
Surat Basin ATP 647P ^{(i) (iv)}	Gas exploration	80.00	100.00	80.00	100.00
Surat Basin ATP 648P / PLA257 & PLA259 ⁽ⁱ⁾	Gas exploration	55.00	68.75	47.00	58.75
Surat Basin ATP 651P ⁽ⁱ⁾	Gas exploration	68.00	85.00	68.00	85.00
Surat Basin ATP 676P (Section 1) ⁽ⁱ⁾	Gas exploration	40.00	50.00	40.00	50.00
Surat Basin ATP 676P (Section 2) ⁽ⁱ⁾	Gas exploration	20.00	25.00	20.00	25.00
Berwyndale South Gas Compression and Transportation Facilities Joint Venture ⁽ⁱ⁾	Operation of gas pipeline and compression facilities	80.00	100.00	-	-

(i) Refer to note 8 for further information on changes in the ownership percentage of these joint ventures during the year.

(ii) The joint venture relates only to PL201, PL211, PL212 and graticular blocks numbered 2161, 2380, 2449, 2450, 2452, 2521, 2522 and 2594 in ATP 632P.

(iii) The joint venture relates only to the Myall Creek East block, being graticular block numbered 2656 of ATP 647P.

(iv) The joint venture relates only to graticular blocks numbered 2377 and 2378 in ATP 647P.

30 Interests in joint ventures (cont'd)**Jointly controlled entity**

Name of entity	Country of incorporation	Class of shares	Equity holding ⁽¹⁾	
			2008 %	2007 %
Walloons Coal Seam Gas Company Pty Ltd	Australia	Ordinary	50	-

(1) The proportion of ownership interest is equal to the proportion of voting power held.

Walloons Coal Seam Gas Company Pty Ltd commenced operations after year end. At 30 June 2008, there were no assets, liabilities or other transactions in which QGC had an interest.

Interests in joint venture assets

The Company's interests in the assets employed by the joint ventures are included in the Company's balance sheets in accordance with the accounting policy described in note 1(b), under the following classifications:

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets				
Cash and cash equivalents	-	322	-	322
Trade and other receivables	-	6,564	-	8,798
Non current assets				
Development and production assets	287,290	141,204	215,628	81,534
Other property, plant and equipment	2,801	-	2,801	-
Intangible assets - exploration and evaluation costs	30,676	15,340	30,451	15,126

For capital expenditure commitments relating to joint ventures refer to note 31.

Joint venturers hold deeds of cross-charge over each of the other participants' interests in joint venture tenements and petroleum leases as security for amounts owing between joint venturers.

Other contingent liabilities relating to joint ventures are set out in note 32.

31 Commitments**(a) Capital commitments**

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

Property, plant and equipment				
Payable within one year	16,176	1,746	15,740	1,746
	16,176	1,746	15,740	1,746
Development of producing areas				
Payable within one year	52,524	28,715	15,702	25,893
	52,524	28,715	15,702	25,893
Intangible assets - exploration and appraisal costs				
Payable:				
Within one year	1,124	631	1,124	631
Later than one year but not later than five years	94	684	94	684
	1,218	1,315	1,218	1,315

These estimates do not necessarily represent the actual expenditure that is expected to be made by the Company. In some instances it is expected that the minimum work commitments will be exceeded, in other instances these obligations may be reduced by renegotiation of the permit or farm-in obligations applying to the tenement.

The above commitments include capital expenditure commitments of \$68,215,130 (2007: \$31,776,000) relating to the joint ventures listed in note 30.

(b) Operating lease commitments

The Group leases various offices and equipment under non cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year

Later than one year but not later than five years

Consolidated		Parent entity	
2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
1,659	1,709	1,659	1,709
4,634	5,777	4,634	5,777
6,293	7,486	6,293	7,486

(c) Finance leases

The Group leases various plant and equipment under finance leases and hire purchase agreements. Under the terms of the agreements, the Group has the option to acquire the leased assets for a fixed residual amount on expiry of the leases.

Commitments in relation to finance leases are payable as follows:

Within one year

Later than one year but not later than five years

Minimum lease payments

Future finance charges

Total lease liabilities

Representing lease liabilities:

Current (note 24)

Non current (note 24)

973	985	973	985
1,971	1,811	1,971	1,811
2,944	2,796	2,944	2,796
(649)	(450)	(649)	(450)
2,295	2,346	2,295	2,346
669	756	669	756
1,626	1,590	1,626	1,590
2,295	2,346	2,295	2,346

The average interest rate implicit in the leases is 13.85 per cent (2007: 12.11 per cent).

(d) Remuneration commitments

Commitments for the payment of salaries and other remuneration under long term employment contracts in existence at the reporting date but not recognised as liabilities payable:

Within one year

Later than one year but not later than five years

7,344	1,363	7,344	1,363
-	-	-	-
7,344	1,363	7,344	1,363

32 Contingencies**Contingent liabilities**

The Company has a \$6,000,000 (2007: \$6,000,000) Indemnity Guarantee Facility whereby its financiers have provided guarantees to various entities that the Company will honour its obligations under specific agreements. At balance date, guarantees totalling \$5,439,001 (2007: \$5,338,591) had been used under this facility.

The Company has a \$2,518,000 (2007: \$2,518,000) Standby Letter of Credit Facility whereby its financiers have provided guarantees to various entities that the Company will honour its obligations under specific agreements. At balance date, guarantees totalling \$2,518,000 (2007: \$2,518,000) had been used under this facility.

Of the facilities above, \$660,000 (2007: \$230,000) of the Indemnity Guarantee Facility, and all of the Foreign Currency Dealing Limit Facility relate to joint ventures operated by the Company.

32 Contingencies (cont'd)

Contingent liabilities (cont'd)

The Company has a \$500,000 (2007: \$Nil) corporate credit card facility. As at the balance sheet date the amount outstanding under this facility was \$61,145.

Queensland Gas Company and ANZ Infrastructure Services (ANZIS) entered into an Engineering Procurement Construction (EPC) contract with Austrian Energy and Environment to build the Condamine Power Station during the 2006/07 financial year. From the estimated completion date of the Power Station, February 2009, QGC will effectively lease the Power Station from ANZIS through the payment of a tolling charge for a period of 20 years. The value of this charge will be confirmed upon final successful completion of the construction of the Power Station.

No material losses are expected in respect of the above contingent liabilities.

Sales contingencies

Certain gas sales customers have an option to purchase additional gas over their relevant contract periods subject to certain conditions.

Roma Petroleum NL takeover offer

On 10 June 2008 the Company announced an off-market agreed cash and scrip takeover offer for all of the issued shares of Roma Petroleum NL (ASX: RPM). The takeover offer consists of 11 cents cash and 0.0177 QGC shares for each Roma share and values Roma at approximately \$50 million. If all Roma shareholders accept the offer, the Company will pay \$28,017,000 and issue 4,508,196 shares. At the date of this report, the Company has a relevant interest of 79.88 per cent in the voting securities of Roma and has gained control of the company.

Contingent Asset Disposal

Under the terms of the LNG alliance with BG Group, QGC will receive a further \$207 million in cash (subject to certain adjustments) from the sale of a further 10 per cent share of QGC's interests in its Walloons acreage, upon the earlier of: a positive Final Investment Decision approving the budget for the construction of an LNG facility; or the certification of 7,000 petajoules of proven and probable (2P) gas reserves.

33 Related party transactions

(a) Parent entity and related parties

The parent entity, and ultimate Australian parent entity within the Group, is Queensland Gas Company Limited.

Interests in subsidiaries are set out in note 29.

Interests in joint ventures are set out in note 30.

(b) Key management personnel

Disclosures relating to key management personnel are set out in note 34.

(c) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Net loans advanced to / (repaid by) subsidiaries	-	-	(89,913,288)	20,247,151
Tolling charges from subsidiary	-	-	12,747,838	6,758,609
Interest accruing on loan to subsidiary	-	-	-	7,890,678

Loans advanced to subsidiaries have no fixed term of repayment and does not bear interest (2007: 18.20 per cent pa).

Other transactions were made on normal commercial terms and conditions

(d) Outstanding balances arising from transactions with related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current receivables				
From subsidiary as interest receivable	-	-	-	7,890,678
From subsidiary for loan receivable	-	-	96,231,544	46,931,001
Current payables				
To subsidiaries for loan receivable	-	-	107,694,153	-

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

34 Key management personnel disclosures**(a) Key management personnel compensation**

	Consolidated and Parent entity	
	2008 \$'000	2007 \$'000
Short term employee benefits	4,288,819	2,852,910
Post employment benefits	235,791	157,548
Termination benefits	-	894,100
Share based payments*	2,423,927	5,059,204
	6,948,537	8,963,762

* As at March 2007, LTIs applicable to the 2007 and future financial years vested in full in March 2007 following a material change in the composition of the Board of Directors. The component of share-based payments relating to takeover response costs was \$3,251,536.

Detailed remuneration disclosures are provided in sections A-C of the remuneration report on pages 64 to 71.

(b) Equity instrument disclosures relating to key management personnel**(i) Options provided as remuneration and shares issued on exercise of such options**

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in sections A and D the remuneration report on pages 64 to 67 and 71 to 73.

34 Key management personnel disclosures (cont'd)**(b) Equity instrument disclosures relating to key management personnel (cont'd)****(ii) Option holdings**

The numbers of options over ordinary shares in the Company held during the financial year by each Director of Queensland Gas Company Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2008	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested
Name							

Directors of Queensland Gas Company Limited

R Cottee	-	1,577,717	-	-	1,577,717	-	1,577,717
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Key management personnel of the Group

I Davies	-	168,597	-	-	168,597	-	168,597
L Devaney	-	204,519	-	-	204,519	204,519	-
M Herrington	-	292,170	-	-	292,170	292,170	-
C Thomsen	-	64,541	-	-	64,541	-	64,541

2007	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested
Name							

Directors of Queensland Gas Company Limited

R Cottee	1,540,000	-	(1,540,000)	-	-	-	-
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iii) Share holdings

The numbers of shares in the Company held during the financial year by each Director of Queensland Gas Company Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2008	Number of shares				
Name	Balance at the start of the year	Granted during the year as remuneration	Received during the year upon exercise of options	Other changes during the year	Balance at the end of the year

Ordinary shares**Directors of Queensland Gas Company Limited**

R Bryan	17,098,725	45,503	-	-	17,144,228
P Cassidy	140,573	22,750	-	-	163,323
F Connolly	328,869	24,940	-	-	353,809
R Cottee	6,110,797	-	-	(4,260)	6,106,537
T Trommelin	116,354	23,546	-	10,000	149,900
D Elphinstone	52,513,720	23,347	-	200,000	52,737,067
V De Santis	24,337	-	-	-	24,337

Key management personnel of the Group

I Davies	-	-	-	4,000	4,000
L Devaney	-	115,000	-	(115,000)	-
M Herrington	539,960	-	-	89,484	629,444
P Jans	326,829	-	-	(326,829)	-
M Panchal	323,280	-	-	(323,280)	-
K Quinlan	281,387	10,000	-	(291,387)	-
S Scott	339,393	-	-	205,263	544,656

Notes to the financial statements

for the year ended 30 June 2008

2008

Name

Number of shares

Balance at the start of the year	Granted during the year as remuneration	Received during the year upon exercise of options	Other changes during the year	Balance at the end of the year
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Ordinary shares – unissued

Directors of Queensland Gas Company Limited

R Bryan	14,781	43,258	-	(45,503)	12,536 ⁽¹⁾
P Cassidy	7,390	21,628	-	(22,750)	6,268 ⁽¹⁾
F Connolly	7,390	25,846	-	(24,940)	8,296 ⁽¹⁾
R Cottee	-	-	-	-	-
T Crommelin	7,390	23,161	-	(23,546)	7,005 ⁽¹⁾
D Elphinstone	7,390	22,778	-	(23,347)	6,821 ⁽¹⁾

Key management personnel of the Group

L Devaney	115,000	60,000	-	(115,000)	60,000 ⁽²⁾
M Panchal	-	65,682	-	(65,682)	-
K Quinlan	10,000	-	-	(10,000)	-
S Scott	-	77,912	-	-	77,912 ⁽²⁾
C Thomsen	-	21,514	-	-	21,514 ⁽³⁾

(1) These shares have been granted under the terms of the Deferred Non-executive Director Share Plan, but had not been issued at 30 June 2008.

(2) These shares were vested, but had not been issued at 30 June 2008

(3) These shares have been granted, but vesting is subject to satisfaction of performance targets under employment contracts.

2007

Name

Number of shares

Balance at the start of the year	Granted during the year as remuneration	Received during the year upon exercise of options	Other changes during the year	Balance at the end of the year
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Ordinary shares

Directors of Queensland Gas Company Limited

R Bryan	15,498,671	101,175	-	1,498,879	17,098,725
P Cassidy	69,067	50,587	-	20,919	140,573
F Connolly	219,704	50,587	-	58,578	328,869
R Cottee	488,190	3,958,000	1,540,000	124,607	6,110,797
V De Santis	35,470	-	-	(11,133)	24,337
D Elphinstone	61,513,544	50,587	-	(9,050,411)	52,513,720
T Crommelin	-	19,673	-	96,681	116,354

Key management personnel of the Group

L Devaney	-	327,586	-	(327,586)	-
M Herrington	70,000	508,710	-	(38,750)	539,960
P Jans	138,000	501,829	-	(313,000)	326,829
M Panchal	-	323,280	-	-	323,280
K Quinlan	-	281,387	-	-	281,387
S Scott	18,760	310,538	-	10,095	339,393

Notes to the financial statements

for the year ended 30 June 2008

2007

Name

Number of shares

Balance at
the start
of the year

Granted
during the
year as
remuneration

Received
during the
year upon
exercise
of options

Other
changes
during
the year

Balance
at the
end of
the year

Ordinary shares – unissued

Directors of Queensland Gas Company Limited

R Bryan	29,220	86,736	-	(101,175)	14,781 ⁽¹⁾
P Cassidy	14,610	43,367	-	(50,587)	7,390 ⁽¹⁾
F Connolly	14,610	43,367	-	(50,587)	7,390 ⁽¹⁾
R Cottee	1,710,000	2,248,000	-	(3,958,000)	-
T Crommelin	-	27,063	-	(19,673)	7,390 ⁽¹⁾
D Elphinstone	14,610	43,367	-	(50,587)	7,390 ⁽¹⁾
D Patten	14,610	33,263	-	(47,873)	-
Key management personnel of the Group⁽²⁾					
L Devaney	190,000	252,586	-	(327,586)	115,000 ⁽²⁾
M Herrington	125,000	383,710	-	(508,710)	-
P Jans	292,000	209,829	-	(501,829)	-
M Panchal	-	323,280	-	(323,280)	-
K Quinlan	-	291,387	-	(281,387)	10,000 ⁽²⁾
S Scott	16,360	294,178	-	(310,538)	-

(1) These shares have been granted under the terms of the Deferred Non-executive Director Share Plan, but had not been issued at 30 June 2007.

(2) These shares have been granted, but vesting is subject to satisfaction of performance targets under employment contracts.

34 Key management personnel disclosures (cont'd)

(b) Equity instrument disclosures relating to key management personnel (cont'd)

(c) Other transactions with key management personnel or related parties

- * Companies associated with Mr D Elphinstone received \$Nil (2007: \$242,338) from the Company during the year in respect of commitment, underwriting and placement fees for equity issues. These fees were on the same terms and conditions as for other underwriters and investors similarly involved in the equity issues.
- * A company associated with Mr P Jans provided consulting services totalling \$Nil (2007: \$62,563). The services were provided on normal commercial terms and conditions.
- * Messrs M Fraser, S Mikkelsen and M Moraza, Directors, hold management positions in AGL Energy Limited (AGL) and have the capacity to significantly influence decision making of that company. The Company entered into the following transactions with AGL during the year:
 - * The Company entered into a Gas Sale Agreement (GSA) with AGL during the year. The GSA was based on normal commercial terms and conditions.
 - * AGL has entered into a contract with the Company to provide Gas Development Marketing Services, to be paid in cash quarterly in arrears.
 - * The Company entered into an agreement with AGL during the year regarding the development of a 115km gas pipeline, whereby AGL assumes full responsibility for the development of the project. Under the terms of the agreement, the Company ceded its right to build the Wallumbilla pipeline in return for a call option to buy back into the pipeline at cost plus interest, following which the pipeline would be owned equally by QGC and AGL under a 50/50 joint venture. The Wallumbilla Pipeline Call Option is included in intangible assets in note 18.
 - * The Company has entered into an electricity swap derivative with AGL for three years starting February 2009. Under this agreement the hedged electricity volumes are based on an agreed proportion of the Condamine Power Station output. The electricity swap was based on normal commercial terms and conditions.

Notes to the financial statements

for the year ended 30 June 2008

Aggregate amounts of each of the above types of other transactions with key management personnel or related parties of Queensland Gas Company Limited

Amounts recognised as revenue

Sale of gas

Amounts recognised as expense

Gas marketing costs

Other expenses

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Sale of gas	4,702,499	-	4,702,499	-
Gas marketing costs	7,500,000	1,875,000	7,500,000	1,875,000
Other expenses	-	76,776	-	76,776

Aggregate amounts of assets at balance date relating to the above types of other transactions with key management personnel or related parties of Queensland Gas Company Limited

Non current assets

Current liabilities

Income received in advance

Derivative financial liability

Non-current liabilities

Derivative financial liability

Equity

Non current assets	254,928	-	-	-
Current liabilities				
Income received in advance	1,405,521	-	1,405,521	-
Derivative financial liability	1,165,000	-	-	-
Non-current liabilities				
Derivative financial liability	16,897,000	-	-	-
Equity	-	-	-	-

35 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices:

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Audit services				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports for the:				
2008 financial year	300,000	-	300,000	-
2007 financial year	68,000	135,500	68,000	135,500
Total remuneration for audit services	368,000	135,500	368,000	135,500
Assurance services				
PricewaterhouseCoopers Australian firm				
Transaction services	22,500	7,200	22,500	7,200
Accounting services	109,000	50,500	109,000	50,500
Total remuneration for assurance services	131,500	57,700	131,500	57,700

35 Remuneration of auditors (cont'd)

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Taxation services				
PricewaterhouseCoopers Australian firm				
Tax compliance services, including review of Company income tax returns	34,606	25,500	34,606	25,500
Consulting on mergers & acquisitions, financing structures, and other operational matters	526,050	99,200	526,050	99,200
Related practices of PricewaterhouseCoopers Australian firm				
Consulting on mergers & acquisitions and financing structures	10,660	-	10,660	-
Total remuneration for taxation services	571,316	124,700	571,316	124,700
Advisory services				
PricewaterhouseCoopers Australian firm				
Advice on Sentient transaction	47,700	46,700	47,700	46,700
Advice on GHG and Energy Reporting Protocol	63,522	-	63,522	-
Provision of statistical information	10,289	-	10,289	-
Total remuneration for advisory services	121,511	46,700	121,511	46,700

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

36 Earnings per share**(a) Basic earnings per share**

	Consolidated	
	2008 Cents	2007 Cents
Profit / (loss) from continuing operations attributable to the equity holders of the Company	32.2	(2.2)

(b) Diluted earnings per share

Profit / (loss) from continuing operations attributable to the equity holders of the Company	32.1	(2.2)
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(c) Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	2008 \$'000	2007 \$'000
Basic and diluted earnings per share		
Loss attributable to the ordinary equity holders of the Company used in calculating the basic and diluted earnings per share	244,569	(12,222)

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

	Consolidated	
	2008 Number	2007 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	758,888,341	562,793,727
Adjustments for calculations of diluted earnings per share		
Contingently issuable shares issued during the year	23,120	-
Contingently issuable shares vested but not issued at year end	220,717	-
Contingently issuable shares not vested at year end	61,708	-
Contingently issuable options vested at year end	496,689	-
Contingently issuable options not vested at year end	2,162,172	-
Long-term retention initiative shares not vested at year end	800,218	-
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	762,652,965	562,793,727

(e) Information concerning the classification of securities

Potential shares that may have arisen from share options, warrants or other instruments, in relation to the Company's recorded loss for the prior year, are anti-dilutive and have not been used to calculate diluted loss per share.

37 Share-based payments**(a) Options**

Long-term Incentive Rights (LTI Rights) have been issued to senior employees and the Managing Director as part of their remuneration package, and, to the extent vested, can elect to receive these as Options in the Company Employee Share Option Plan (ESOP). To provide incentive to these senior employees to maximise shareholder value, the options will vest only if certain performance hurdles are met over the performance period. Participation in the plan is at the Board's discretion.

The number of options that will vest depends on the Company's Total Shareholder Return (TSR) as compared to the TSR of stocks in the S&P/ASX 100, over the performance period of one or two years, as noted in the table below:

Performance Level	Relative TSR Ranking over Performance Period	% Vesting
n/a	<P50	0%
Threshold	P50	25%
Pro-rata *	>P50 & <P62.5	Pro-rata
Target	(P62.5)	50%
Pro-rata *	>P62.5 & <P75	Pro-rata
Stretch	P75	100%

* A pro-rata apportionment will apply between threshold and target as well as between target and stretch

At the Company's Annual General Meeting on 28 November 2007, the Company's shareholders approved the issue of ESOP options upon vesting of LTI Rights to, for, or for the benefit of employees of the Company over the period of three years.

Participants must be employed by the Company or a related company at the end of the performance period in order for the LTI Rights to vest. In the event that the Company undertakes a capital reconstruction including issuing of any shares, the number of LTI entitlements shall be adjusted up to ensure that the LTI entitlements remain of equivalent value and opportunity, after the issue of shares in the Company as they were on the date of the granting of the entitlements.

In the event that the Company is taken over, all LTI entitlements which remain unvested at the time of the takeover shall vest immediately. Takeover shall mean a change in control of the Company which shall be determined by a material change in the composition of the Board of Directors of the Company, such change being initiated as a result of a change in ownership of the Company's shares and the purchaser of the shares requiring (or agreeing with other shareholders to require) that change in Board composition.

37 Share-based payments (cont'd)**(a) Options (cont'd)**

No cash amount is payable by employees for ESOP Options granted, although on the exercise of ESOP Options, employees will be required to pay the Exercise Price to the Company. When vested and exercisable, each Option will entitle the holder to one ordinary share. ESOP options expire on the fifth anniversary of grant date.

All employee options immediately lapse upon the first to occur of: the expiry date; or the making by the Board of a determination that the Eligible employee has engaged in a Disentitling Event and the Option is on that account to be forfeited. Options may be exercised if a takeover bid is made for shares of the Company, but they have no voting or dividend rights. Set out below are summaries of Employee Options issued:

2008

Number of options

Grant Date	Expiry Date	Exercise price	Balance at the start of the year	Granted during the year	Exercised during the year	Balance at the end of the year	Vested and exercisable at end of the year
Consolidated and Parent Entity – 2008							
1 July 2007	30 June 2012	\$2.567 (i)	-	496,689	-	496,689	496,689
1 July 2007	30 June 2012	\$2.567 (ii)	-	1,577,717	-	1,577,717	-
1 July 2007	30 June 2012	\$2.567 (iii)	-	133,109	-	133,109	-
20 August 2007	19 August 2012	\$2.567 (iii)	-	60,540	-	60,540	-
7 September 2007	6 September 2012	\$2.567 (iii)	-	44,247	-	44,247	-
10 September 2007	9 September 2012	\$2.567 (iii)	-	63,583	-	63,583	-
12 September 2007	11 September 2012	\$2.567 (iii)	-	69,536	-	69,536	-
13 September 2007	12 September 2012	\$2.567 (iii)	-	50,349	-	50,349	-
11 October 2007	10 October 2012	\$2.567 (iii)	-	168,597	-	168,597	-
8 November 2007	7 November 2012	\$2.567 (iii)	-	41,823	-	41,823	-
13 November 2007	12 November 2012	\$2.567 (iii)	-	64,541	-	64,541	-
14 December 2007	13 December 2012	\$2.567 (iii)	-	28,221	-	28,221	-
11 February 2008	10 February 2008	\$2.567 (iii)	-	29,150	-	29,150	-
Total 2008			-	2,828,102	-	2,828,102	496,689
Average exercise price (\$)				\$2.567	-	\$2.567	\$2.567

The weighted average remaining contractual life of share options outstanding at the end of the period was 4.06 years (2007: Nil).

2007

Number of options

Grant Date	Expiry Date	Exercise price	Balance at the start of the year	Expired during the year	Exercised during the year	Balance at the end of the year
Consolidated and Parent Entity – 2007						
10 August 2001	10 August 2006	\$0.250 (iv)	750,000	(250,000)	(500,000)	-
10 August 2001	10 August 2006	\$0.259 (v)	400,000	(100,000)	(300,000)	-
10 August 2001	10 August 2006	\$0.304 (vi)	450,000	(150,000)	(300,000)	-
17 September 2001	17 September 2006	\$0.226 (vii)	3,000,000	-	(3,000,000)	-
28 November 2002	28 November 2007	\$0.250 (viii)	1,000,000	-	(1,000,000)	-
26 November 2003	26 November 2008	\$0.250 (viii)	540,000	-	(540,000)	-
7 May 2004	7 May 2009	\$0.167 (ix)	400,000	-	(400,000)	-
Total 2007			6,540,000	(500,000)	(6,040,000)	-
Average exercise price (\$)			\$0.24	\$0.29	\$0.24	-

- (i) These options have a one-year performance period ending 30 June 2008. In the event of a partial or total failure to meet the TSR Ranking during the performance period, there is a provision for quarterly re-testing on the last day of each quarter for two years.
- (ii) These options have a two-year performance period ending 30 June 2009. In the event of a partial or total failure to meet the TSR Ranking during the performance period, there is a provision for a one-off re-testing six months later (31 December 2009).
- (iii) These options have a two-year performance period ending 30 June 2009 with no retesting provisions.
- (iv) These options are divided into four equal tranches of 250,000 options and are convertible into new ordinary shares at the exercise price at any time up to the expiry date where the Company's ordinary shares have traded on the Australian Stock Exchange on at least five consecutive trading days at a volume weighted average price in excess of:
- * For the first tranche, 40 cents;
 - * For the second tranche, 60 cents;
 - * For the third tranche, 80 cents; and
 - * For the fourth tranche, \$1.00.
- By 30 June 2007, all of these options had either expired or had been exercised. On 28 July 2006, 500,000 options were exercised (share price 77 cents).
- (v) These options are divided into four equal tranches and are convertible into new ordinary shares at the exercise price at any time up to the expiry date where the Company's ordinary shares have traded on the Australian Stock Exchange on at least five consecutive trading days at a volume weighted average price in excess of:
- * For the first tranche, 40 cents;
 - * For the second tranche, 60 cents;
 - * For the third tranche, 80 cents; and
 - * For the fourth tranche, \$1.00.
- By 30 June 2007, all of these options had either expired or had been exercised. On 9 August 2006, 300,000 options were exercised (share price 78 cents).
- (vi) These options are divided into four equal tranches and are convertible into new ordinary shares at the exercise price at any time up to the expiry date where the Company's ordinary shares have traded on the Australian Stock Exchange on at least five consecutive trading days at a volume weighted average price in excess of:
- * For the first tranche, 40 cents;
 - * For the second tranche, 60 cents;
 - * For the third tranche, 80 cents; and
 - * For the fourth tranche, \$1.00.
- By 30 June 2007, all of these options had either expired or had been exercised. On 19 July 2006, 300,000 options were exercised (share price 73.5 cents).
- (vii) These options are divided into three equal tranches and are convertible into new ordinary shares at the exercise price at any time up to the expiry date where the Company's ordinary shares have traded on the Australian Stock Exchange on at least five consecutive trading days at a volume weighted average price in excess of:
- * For the first tranche, 40 cents;
 - * For the second tranche, 70 cents; and
 - * For the third tranche, \$1.00.
- By 30 June 2007, all of these options had been exercised. On 15 August 2006, 2,000,000 options were exercised (share price 82 cents), and on 15 September 2006, 1,000,000 options were exercised (share price 92.5 cents).
- (viii) These options were convertible into new ordinary shares at a fixed price of 25.0 cents per share at any time up to the expiry date where the Company's ordinary shares have traded on the Australian Stock Exchange on at least five consecutive trading days at a volume weighted average price in excess of 40 cents per share. By 30 June 2007 all of these options had been exercised. On 15 August 2006, 1,540,000 options were exercised (share price 82 cents).
- (ix) These options were issued on the same terms as set out in (iv) above. Once the pricing hurdles have been reached for a particular tranche of options they will not lapse until the expiry date, regardless of whether the option holder continues to be engaged by the Company. By 30 June 2007 all of these options had been exercised. On 11 September 2006, 400,000 options were exercised (share price 96 cents).

37 Share-based payments (cont'd)

(a) Options (cont'd)

Fair value of options granted

The weighted average fair value at grant date of options granted during the year ended 30 June 2008 was \$1.12 per option (2007 - Nil). The fair value at grant date for options granted is independently determined using a Monte Carlo (MC) simulation pricing model that takes into account the price of the underlying share at grant date, the term of the vesting period and re-testing procedures, exercise price, expiry date of options, volatility of share prices and correlation between stocks, early exercise decisions, employee exit rates, risk free interest rate and expected dividend yield.

The model inputs for options granted during the year ended 30 June 2008 included:

- (a) options are granted for no consideration and vest based on the Company's TSR ranking within a peer group of the S&P ASX 100, over the performance period, subject to re-testing provisions where applicable, as stated above
- (b) share price at grant date: \$2.80 for 1 July 2007 grants. Share price traded between \$2.12 and \$3.48 for the remaining grants. Valuation utilises the Company share price on the later of 1 July 2007 and the grant date.
- (c) exercise price: \$2.567
- (d) expiry date: options expire five years after the grant date
- (e) expected dividend yield: nil
- (f) risk-free interest rate: applicable five-year Treasury Bond rate at grant date ranging from 6 per cent to 6.60 per cent.
- (g) early exercise decisions: assumes employee will hold options until 30 June 2010.
- (h) employee turnover: 5 per cent per annum

The expected price volatility is based on the historic volatility, adjusted for any expected changes to future volatility due to publicly available information.

(b) Employee share plans

Deferred Employee Share Plan

(i) Performance Incentives

The Company operates a performance incentive scheme for employees under which eligible employees can earn ordinary shares in the Company upon achievement of individual and corporate performance targets.

(ii) Long-term Incentive Plan

The Managing Director and other senior executives receive long-term incentive rights (LTI Rights) as part of their remuneration package, and, to the extent vested, can elect to receive these as Shares in the Company Deferred Employee Share Plan (DESP). The issue of DESP shares is conditional on the vesting of LTI Rights, which only vest if the Company meets the Total Shareholder Return (TSR) percentile ranking as compared to the TSR of stocks in the S&P ASX 100, over the performance period, as noted in the table below:

Performance Level	Relative TSR Ranking over Performance Period	% Vesting
n/a	<P50	0%
Threshold	P50	25%
Pro-rata *	>P50 & <P62.5	Pro-rata
Target	(P62.5)	50%
Pro-rata *	>P62.5 & <P75	Pro-rata
Stretch	P75	100%

* A pro-rata apportionment will apply between threshold and target as well as between target and stretch

Once the LTI Rights vest, the employee's entitlement to DESP shares is not subject to any further performance or vesting conditions. Participation in the plan is at the Board's discretion.

Participants must be employed by the Company or a related company at the end of the performance period in order for the LTI Rights to vest.

(iii) Long-term Retention Initiative

The Company operates a long-term retention initiative (LTR Initiative) aimed at retaining certain employees for the next two years, which is a period viewed as critical to GGC's growth and expansion. Participating employees receive long-term incentive rights relating to the retention period (RP LTI Rights) subject to vesting conditions. RP LTI Rights vest only if employees remain

employed by the Company or a related company at the end of the Retention Period, and, employees have been continuously employed during the retention period. On vesting of RP LTI Rights, employees are issued shares in the Company DESP.

In the event that the Company is taken over, all LTI entitlements which remain unvested at the time of the takeover shall vest immediately. Takeover shall mean a change in control of the Company which shall be determined by a material change in the composition of the Board of Directors of the Company, such change being initiated as a result of a change in ownership of the Company's shares and the purchaser of the shares requiring (or agreeing with other shareholders to require) that change in Board composition.

(iv) Other

During the year, rights to DESP shares were granted to a senior executive, in accordance with their service agreement, which vested at 30 June 2008. DESP shares were issued to an employee during the year as part of a termination payment, in accordance with their service agreement.

Ordinary shares issued to the benefit of employees under the Deferred Employee Share Plan (DESP) are held by the DESP trustee until the employee ceases to be employed by the Company or the employee receives approval from the Board of Directors to withdraw the shares from the DESP, whichever occurs first. Alternatively, the Board may cause the shares to be forfeited where the employee is dismissed for theft, fraud or defalcation in relation to the affairs of the Company.

The shares cannot be dealt with while they are held in the DESP and the shares are not quoted on the Australian Stock Exchange until they are withdrawn from the DESP. Shares held in the plan have the same dividend and voting rights as other ordinary shares.

At the Company's Annual General Meeting on 28 November 2007, the Company's shareholders approved the issue of DESP shares upon the vesting of LTI Rights to, for, or for the benefit of employees of the Company over the period of three years. At the Company's Annual General Meeting on 13 November 2006, the Company's shareholders approved the issue of up to 5 million shares for the benefit of employees of the Company, under the Deferred Employee Share Plan to be used before 13 November 2009 without the requirement for the Company to obtain further approval from shareholders for the issue of shares under the plan.

	Number of shares	
	2008	2007
Shares granted but not issued at the start of the year	429,911	2,497,213
Granted during the year	1,615,212	4,307,881
Vested and issued during the year	(459,911)	(6,375,183)
Lapsed and unused during the year	(65,682)	-
Shares granted but not issued at the end of the year	1,519,530	429,911
Weighted average fair value of shares granted during the year (\$ per share)	\$2.69	\$1.16

The weighted average fair value of shares granted above is the assessed fair value at grant date. In the case of shares or rights whose performance conditions are market-related, the fair value of share rights granted are determined using a 'Monte Carlo' simulation pricing model that takes into account the price of the underlying share at grant date, the term of the vesting period and re-testing procedures, volatility of share prices and correlation between stocks, employee exit rates, risk free interest rate and expected dividend yield (nil). Shares granted with performance conditions not related to market share prices are valued at the price of the underlying share at grant date.

Exempt Employee Share Plan

The Company operates an Exempt Employee Share Plan (EESP) to give employees the opportunity to acquire an ownership interest in the Company. An employee cannot withdraw shares from the EESP for three years, or until the employee ceases to be employed by the Company, whichever occurs first.

The shares cannot be dealt with by the employee while they are held in the EESP and the shares are not quoted on the Australian Stock Exchange until they are withdrawn from the EESP. Shares held in the EESP have the same dividend and voting rights as other ordinary shares.

During the current year no shares were issued under the EESP (2007: Nil).

Deferred Non-executive Director Share Plan

At the Company's Annual General Meeting on 28 November 2007, the Company's shareholders approved the issue of shares to Directors under a Deferred Non-executive Director Share Plan (DDSP) without the requirement for the Company to obtain further approval from shareholders for the issue of shares under the plan.

37 Share-based payments (cont'd)**(b) Employee share plans (cont'd)**

	Number of shares	
	2008 \$	2007 \$
Shares granted but not issued at the start of the year	44,341	87,660
Granted during the year	136,671	277,163
Issued during the year	(140,086)	(320,482)
Shares granted but not issued at the end of the year	40,926	44,341
Weighted average fair value of shares granted during the year (\$/share)	\$3.02	\$1.04

The trustee of the DDSP holds shares issued to the account of Directors who elect to sacrifice part, or all of their quarterly Directors' fees. Ordinary shares issued to the benefit of Directors under the DDSP are held by the trustee until the Director ceases to be a Director of the Company. The shares are not quoted on the Australian Stock Exchange until they are withdrawn from the DDSP and shares held in the plan have the same dividend and voting rights as other ordinary shares. Directors may withdraw their shares from the plan in the event of a takeover or scheme of arrangement in respect of the Company, compulsory acquisition of shares or voluntary winding up of the Company.

The price at which the shares are issued is the volume weighted average market price of the Company's ordinary shares traded over the last five days on which sales in the shares are recorded prior to the start of the quarter in which the Director makes the election to participate in the plan.

Other shares issued to management

In addition to the share plans detailed above, no other ordinary shares (2007: nil) had been granted or issued in the year ended 30 June 2008.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Options under employee share option plan	1,848	–	1,848	–
Shares under deferred employee share plan	2,070	5,603	2,070	5,603
Shares under deferred non-executive director share plan	412	289	412	289
	4,330	5,892	4,330	5,892

38 Events occurring after the balance sheet date**Other share issues**

Since year end, the Company issued 40,926 ordinary shares to non-executive Directors pursuant to a Deferred Non-executive Director Share Plan in lieu of fees for the quarter ended 30 June 2008. In July 2008, 213,164 ordinary shares and 496,689 options were issued to employees pursuant to a Deferred Employee Share Plan and Employee Share Option Plan, as performance bonuses and incentives for the year ended 30 June 2008.

Roma Petroleum NL takeover offer

On 10 June 2008 the Company announced an off-market cash and scrip takeover offer for all of the issued shares of Roma Petroleum NL (ASX code: RPM). The takeover offer consists of 11 cents cash and 0.0177 QGC shares for each Roma share and values Roma at approximately \$50 million. At the date of this report, the Company has a relevant interest of 79.88 per cent in the voting securities of Roma and has gained control of the company.

Sunshine Gas Limited takeover offer

On 20 August 2008 the Company announced an off-market agreed takeover offer for all of the issued shares of Sunshine Gas Limited (ASX code: SHG). The offer consists of five QGC shares for every eight Sunshine shares (Alternative 1) or \$1.65 cash for each Sunshine share and two QGC shares for every seven Sunshine shares (Alternative 2). The offer values Sunshine at more than \$830 million.

Directors' declaration

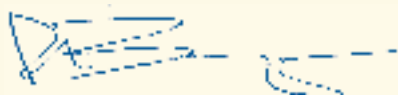
30 June 2008

In the Directors' opinion:

- a) the financial statements and notes set out on pages 77 to 128 are in accordance with the *Corporations Act 2001*, including:
 - i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2008 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; and
- c) the audited remuneration disclosures set out on pages 64 to 74 of the Directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

The Directors have been given the declarations by the Managing Director 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 Bryan
DIRECTOR

BRISBANE 4 SEPTEMBER 2008



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Independent audit report to the members of Queensland Gas Company Limited

Report on the financial report

We have audited the accompanying financial report of Queensland Gas Company Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Queensland Gas Company Limited and Queensland Gas Company Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion,

- (a) the financial report of Queensland Gas Company Limited is in accordance with the *Corporations Act 2001*, including
 - (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also complies with International Financial Reporting Standards as disclosed in note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 64 to 74 of the Directors' report for the year ended 30 June 2008. 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.

Auditor's opinion

In our opinion, the Remuneration Report of Queensland Gas Company Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers



Martin T Linz

PARTNER

BRISBANE 4 SEPTEMBER 2008

The Shareholder information set out below was applicable as at 19 September 2008.

A. Distribution of equity securities

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

Number of securities held

1-1,000
1001 - 5,000
5001 - 10,000
10,001 - 100,000
100,001 - and over

Shareholders

4,692
6,053
2,465
3,572
297

There were 440 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

The names of the 20 largest holders of quoted equity securities are listed below:

Name	Number held	Percentage of issued shares
AGL Energy Limited	204,616,102	24.77%
BG Overseas Holdings Limited	81,278,451	9.84%
Elph Pty Ltd	52,163,939	6.31%
ANZ Nominees Limited	45,473,069	5.50%
JP Morgan Nominees Australia Limited	41,789,300	5.06%
National Nominees Limited	32,181,921	3.90%
Sentient Executive GP II Limited	24,897,197	3.01%
Citicorp Nominees Pty Limited	21,869,005	2.65%
HSBC Custody Nominees (Australia) Limited	20,757,250	2.51%
Sentient Executive GP I Limited	17,494,968	2.12%
Mr Robert Bryan	15,214,906	1.84%
Australian Foundation Investment Company Limited	8,000,000	0.97%
Cogent Nominees Pty Limited	7,991,526	0.97%
UBS Nominees Pty Ltd	6,000,724	0.73%
Mr Richard Cottee	4,898,000	0.60%
Sentient (Aust) Pty Ltd	3,805,032	0.46%
Merrill Lynch (Australia) Nominees Pty Limited	2,905,749	0.35%
Warbont Nominees Pty Ltd	2,879,461	0.35%
QGAS Pty Ltd	2,853,700	0.35%
HSBC Custody Nominees (Australia) Limited - GSI ECSA	2,555,677	0.31%
Total	599,625,977	72.60%

Unquoted equity securities**Unquoted**

	Number on Issue	Number of holders
Exempt Employee Share Plan	15,789	3
Deferred Employee Share Plan	778,076	103
Non-Executive Director Share Plan	548,957	5
Employee Share Option Plan	496,089	2

133QGC 2008
ANNUAL
REPORT**C. Substantial Holders - as at 19 September 2008**

Name	Number of shares	Percentage
AGL Energy Limited	204,616,102	24.77%
BG Overseas Holdings Limited	81,278,451	9.84%
Elph Pty Ltd	52,163,939	6.31%
ANZ Nominees Limited (Cash Income A/C)	45,473,069	5.50%

D. Voting Rights

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

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.

E. Shares issued under shareholder approval

Approval for the issue of the following shares as obtained under Listing Rule 10.14.

Type of ordinary shares issued	Number issued during the year	Date approval obtained
Deferred Employee Share Plan	5,726,966	13 November 2006
Deferred Non-executive Employee Share Plan	114,072	16 November 2005
Exempt Employee Share Plan	15,789	
Employee Share Option Plan	496,689	28 November 2007
Ordinary Shares	91,396,865	

1 Governance at QGC

QGC is focused on becoming an integrated energy supplier in Australia. The Company's successful exploration and appraisal activities have provided a solid foundation for future growth, with ample reserves of coal seam gas ready to meet Australia's growing demand for clean, efficient energy. These activities are conducted with a view to creating long-term shareholder value, and with a commitment to the highest level of governance, and corporate social responsibility.

Corporate governance at QGC is the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled. As QGC has evolved, and continues to evolve, so too does this framework of rules, relationships, systems and processes. Like QGC, corporate governance is a dynamic force that keeps evolving.

This past year saw the introduction by QGC of a stand alone Nominations Committee, the reconstitution of the Audit Committee to become the Risk and Audit Committee, the development and introduction of an Enterprise Wide Risk Management program, *and* the identification of further areas of improvement, such as improving QGC's processes of Board and Committee, review and performance evaluation. Significantly, post the reporting period QGC has also introduced a corporate Sustainability policy which incorporates economic, social and environmental management.

QGC's success to date has been attributed in part to its ability to remain nimble so as to be in a position to take prompt advantage of corporate opportunities and act in a timely manner when threats are identified. QGC recognises that a robust governance system serves to enhance shareholder and investor confidence that in undertaking these commercial activities there is recognition of an "integrity in decision making" approach being undertaken and appropriate checks and balances are in place. That is QGC's view of governance.

QGC is strongly committed to the view that there is a link between good corporate governance and the creation of shareholder value. This is not a matter just for the Board, but for Management and all staff, and those with whom we interact.

Effective corporate governance structures encourage companies to create value, through entrepreneurialism, innovation, development and exploration, and provide accountability and control systems commensurate with the risks involved. QGC considers its approach to corporate governance does all of these things. This statement sets out our system of governance.

2. Communication Plan

The Board of QGC represents QGC's shareholders. It alone is accountable for creating and delivering value for shareholders through the effective governance of our business.

QGC's shareholders are the champions of our business. They vote on important matters affecting the business, including the election of Directors, changes to our constitutional documents, the receipt of annual financial statements and other statutory matters.

QGC has a wide and diverse base of loyal shareholders, including institutional investors, non-institutional investors, staff and people in the communities in which we operate.

We encourage all of our shareholders to raise their views with us, and particularly any concerns they may have.

The Managing Director and several of his direct reports have regular investor briefings with institutional shareholders and representatives to discuss the business, and are instructed to keep the Board informed of the views and concerns that have been raised.

QGC also places great importance on its non-institutional investors. To ensure these investors have access to full and timely information, QGC has developed a specific investor information page for the website. Information that is posted on the investor information page includes:

- * Share price
- * ASX company announcements
- * Hyper link to share registry
- * Annual reports, half yearly reports, quarterly reports
- * Annual general meeting information
- * Notice of meeting
- * Chairman's address
- * Managing Director's address
- * Resolution results

- * Presentation material
- * Corporate governance policies
- * Speeches, presentations and publications involving analysts briefings

In addition, the website provides access to information on QGC's corporate profile, structure, directors, senior management, news and information, and a facility through which anyone can subscribe for ASX announcements. The subscription service is heavily utilised and enables our shareholders to effectively be given real time notice of all announcements that QGC makes to the market.

QGC's Annual Report is the main vehicle for communicating activities and performance for the previous 12 months and is distributed to all shareholders who have not asked to be excluded from its circulation. It is also available electronically by download via our website. Prior year copies are also available on our website.

Each year, QGC holds an Annual General Meeting and encourages all its shareholders to either attend in person or to send a proxy. This year's AGM will be held in Brisbane.

Copies of the speeches delivered by the Chairman and Managing Director to the Annual General Meeting, a summary of the proceedings and the outcome of voting on the items of business are posted to our website following the meeting.

3. Board of Directors

3.1. Role of the Board

QGC's Board Charter sets out the principles for the operation of the Board and describes the functions of the Board and those functions delegated to management of QGC. A copy of the Board Charter is available on our website.

The Board has primary responsibility to shareholders for the welfare of QGC by guiding and monitoring its business and affairs. QGC recognises the important role of the Board in providing a sound base for good corporate governance in its operations.

3.2. Responsibilities of the Board

The Board must at all times act honestly, fairly and diligently in all respects in accordance with the law. Furthermore, the Board is required at all times to act in accordance with all relevant policies of QGC.

Each of the directors, when representing QGC, is required to act in the best interests of QGC's shareholders and in the best interests of QGC as a whole.

The Board of Directors is responsible for setting the strategic direction and establishing the policies of QGC. It is responsible for overseeing the financial position and for monitoring the business and affairs on behalf of the shareholders by whom the Directors are elected and to whom they are accountable. It is also responsible for ensuring that management has in place appropriate processes for risk management and internal control.

The Board is responsible for:

3.2.1. Oversight of the affairs of QGC

- * Strategic objectives
- * Evaluating, approving and monitoring QGC's strategic and financial plans
- * Evaluating, approving and monitoring the annual budgets and business plans
- * Evaluating, approving and monitoring major capital expenditure, capital management and all major corporate transactions, including the issue of securities of QGC
- * Approving all financial reports and material reporting and external communications by QGC in accordance with QGC's Disclosure Policy

3.2.2. Executive Management

- * Appointing, monitoring, managing the performance of, and, if necessary, terminating the employment of the Managing Director
- * Consistent with the obligation to monitor the Managing Director the Board has identified the role and responsibilities of the Managing Director as described in section 3.4.2 and 3.4.3. The Board considers this job description and the Managing Director's authorities and accountabilities, as well as performance indicators to provide monitoring benchmarks

3. Board of Directors (cont'd)

3.2. Responsibilities of the Board (cont'd)

3.2.3. Corporate Governance and Strategic Planning

- * Monitoring QGC's performance in relation to principles of best practice corporate governance
- * Approving and monitoring QGC's enterprise risk management framework
- * Approving and monitoring compliance with QGC's key corporate policies and protocols
- * Monitoring QGC's operations in relation to, and compliance with relevant regulatory requirements
- * The Board will be actively and regularly involved in risk management, its internal controls and strategic planning
- * The Board recognises that strategic planning is an ongoing process that must be responsive to changes in the external environment and internal developments
- * The Board will oversee and monitor the process that management has in place to identify business opportunities and risks
- * The Board will consider the extent and types of risk that is acceptable for QGC to bear
- * The Board intends to benchmark its activities regarding corporate governance against those set out by the ASX Corporate Governance Council

3.2.4. Reporting

- * Any decision to deviate from the best ASX practice recommendations must be approved by a resolution of the Board
- * The Board must supervise the disclosure in the annual report of any departures from the ASX best practice recommendations

3.2.5. Board nominations

- * Assessing the skills and competencies required on the Board
- * From time to time assessing the extent to which the required skills are represented on the Board
- * Establishing processes for the review of the performance of individual directors and the Board as a whole
- * Establishing processes for the identification of suitable candidates for appointment to the Board
- * Recommending the appointment and removal of directors

The Board has delegated carriage of the operation and management of QGC's business to the Managing Director.

The Board approves and monitors delegations of authority from the Managing Director to senior executive management.

3.3. Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- * The Board should comprise at least three Directors and should maintain a majority of Non-Executive Directors
- * At least two of the non-executive directors should be independent, as defined by the Board in section 5 of the Charter
- * The Chairman must be an independent, Non-Executive Director
- * The Board should comprise Directors with an appropriate range of skills, experience, qualifications, expertise and vision to enable it to operate the Company's business to the appropriate standard
- * The Board shall meet at least five times per year and follow meeting guidelines set down to ensure all Directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items

The Company's Constitution specifies that all Directors (with the exception of the Managing Director) must retire from office no later than the third Annual General Meeting (AGM) following their last election. Where eligible, a Director may stand for re-election.

The Chairman and Managing Director are appointed by a majority decision of the non-executive directors.

QGC's Board consists of nine members, which is at the maximum limit proscribed by QGC's Constitution. Of these, five including the Chairman are considered by QGC to be independent non-executive Directors.

All of the Directors however, when representing QGC, must act in the best interests of the Company's shareholders and in the best interests of the Company as a whole.

3.3.1. Membership

The composition of the Board is as follows:

Independent non-executive Chairman

- * Mr Robert Bryan

Other independent non-executive Directors

- * Mr Peter Cassidy
- * Mr Frank Connolly
- * Mr Tim Crommelin
- * Mr Dale Elphinstone

Balance of non-executive Directors

- * Mr Michael Fraser
- * Mr Stephen Mikkelsen
- * Mr Michael Moraza

Executive Managing Director

- * Mr Richard Cottee

QGC's indicia of independence are set out in section 3.6.1 of this Corporate Governance Statement.

3.3.2. Relationships affecting Independence status

Applying the indicia set out in section 3.6.1, Messrs Fraser, Mikkelsen and Moraza (all appointed by AGL Energy Limited, which holds approximately 25% of the shares in QGC, and which is also in material contractual relationships with QGC), are formally considered to be non-independent, although the Board observes that they do bring an independent and valued judgement to bear in decision-making.

None of the other independent non-executive Directors breach any of the materiality thresholds used to determine independence set out in section 3.6.1.

3.4. Division of authority between the Chairman and Managing Director

Consistent with its commitment to good corporate governance, QGC recognises the importance of the office of Chairman and the office of Managing Director.

The Chairman and the Managing Director have defined roles in the organisation and function in accordance with clear functional lines.

3.4.1. Role and Duties of the Chairman

The Chairman's duties include the obligation to:

- * Chair board meetings
- * Establish the agenda for board meetings, in consultation with the Managing Director and Company Secretary
- * Chair meetings of members, including the annual general meeting
- * Chair the Remuneration Committee
- * Be the primary spokesperson for QGC at the annual general meeting. The Chairman and the Managing Director will agree between themselves as to their respective roles in relation to all meetings (formal and informal) with shareholders and all public relations activities
- * In consultation with the Managing Director, approve or delegate authority for the approval of all material ASX, and other investor and shareholder releases
- * Be the primary channel of communication and point of contact between the Board (and the directors) and the Managing Director
- * Be kept fully informed by the Managing Director of all material matters which may be relevant to directors, in their capacity as directors of the Company
- * Provide guidance and mentoring to the Managing Director
- * Chair the Managing Director evaluation process through the Remuneration Committee
- * Ensure the regular process of Board evaluation is conducted

QGC does not have a Deputy Chairman but has identified Mr Tim Crommelin to act as Chairman should the need arise at short notice, and this has occurred during the reporting period.

3. Board of Directors (cont'd)

3.4. Division of authority between the Chairman and Managing Director (cont'd)

3.4.2. Role of Duties of the Managing Director

The Managing Director has primary responsibility to the Board for the affairs of QGC.

The Board appoints the Managing Director to manage the business on behalf of the Board and shareholders and has delegated sufficient powers to allow him to manage effectively.

The Managing Director must carry out the objectives of the Board in accordance with its instructions, and report to the Board on all matters the Managing Director considers to be material to the affairs of QGC.

The Managing Director's duties for which he is responsible to the Board, include the obligation to:

- * Develop with the Board, implement and monitor the strategic and financial plans for QGC
- * Develop, implement and monitor the annual budgets and business plans
- * Plan, implement and monitor all major capital expenditure, capital management and all major corporate transactions, including the issue of any securities
- * Develop all financial reports, and all other material reporting and external communications, including material announcements and disclosures, in accordance with QGC's disclosure policy
- * Manage the appointment, employment and termination of employment of the Chief Financial Officer, General Managers and, in consultation with the Chairman, the Company Secretary
- * Develop, implement and monitor QGC's risk management framework
- * Consult with the Chairman and the Company Secretary in relation to establishing the agenda for Board meetings
- * Agree with the Chairman their respective roles in relation to all meetings (formal and informal) with shareholders and all public relations activities
- * In consultation with the Chairman, approve all material ASX releases, and other investor and shareholder releases
- * Be the primary channel of communication and point of contact between the executive staff and the Board (and the directors)
- * Keep the Chairman fully informed of all material matters which may be relevant to the Board, in their capacity as directors
- * Provide strong leadership to, and effective management of, QGC in order to:
 - encourage cooperation and teamwork
 - build and maintain staff morale at a high level
- * Ensure a safe workplace for all personnel
- * Ensure that QGC has regard to the interests of employees and customers of QGC and the community and environment in which the QGC operates
- * Otherwise carry out the day-to-day management of QGC

3.4.3. Limitations on delegated authority of the Managing Director

The delegation of authority to the Managing Director is subject to the limits determined by the Board. In saying this, the Managing Director is formally delegated by the Board to authorise all expenditure as approved in the budget.

3.5. Directors skills, knowledge and experience

QGC considers that the Board currently comprises Directors with an appropriate range of skills, experience, qualifications, expertise and vision to enable it to operate QGC's business with excellence. Biographical details of each of our Directors appear on our website.

3.6. Independence of Directors

The Board considers that an appropriate balance between independent and non-independent Directors is necessary to promote shareholder interests and to govern the business effectively. All directors however are required to bring an independent judgment to bear in decision-making.

The ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations (2nd Edition)" recommend that the majority of the Board should be independent. The Board of QGC in considering this Principle has taken the view that the technical and financial support of major stakeholders is essential in maximising the value of QGC's exploration and production assets and in serving the interests of all shareholders in these formative growth years of QGC's development.

In applying the underlying rationale of the Principle, to QGC's current state of corporate evolution and the particular circumstances of the industry in which QGC operates, QGC has previously determined that a majority of the Board should be non-executive Directors and at least two of the non-executive Directors should be classed as independent. For the reporting period the Board was comprised of a majority of Independent non-executive Directors.

3.6.1. Process to determine independence

The Board has developed a policy that it uses to determine the independence of its Directors. This determination is carried out annually or at any other time where the circumstances of a Director change such as to warrant reconsideration. To be considered independent, a Director must be free from any interest and any business or other relationship which could, or reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of QGC.

Each member's independence is assessed at the time of appointment and on a continuous basis throughout the term of their appointment. In assessing the independence of directors, regard is had to the following factors:

- * Director's shareholding: The Board of QGC has determined that a Director is not considered to be independent if he, his associates or a company of which he is an officer of, controls greater than 10% of the voting rights in QGC. This threshold is *higher* than the 5% "substantial shareholder" threshold set out in the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations". QGC in considering this guideline has formed the view that a Director still has the ability and willingness to operate independently and objectively, notwithstanding a shareholding of up to 10% of QGC's issued capital. Importantly, the ownership of shares in QGC by directors serves to align the financial interests of the Directors with those of all shareholders, and demonstrates the financial support of major stakeholders during the ongoing evolution of QGC. An ownership stake of greater than 10% may indicate that the shareholder can exert a significant influence on the decisions of QGC. With that level of influence, a Director's independence may not be assured. This threshold is reviewed regularly by the Board in relation to the spread of shareholdings in QGC to assess at what level significant influence could be exerted and the stage of development of QGC.
- * Previous executive capacity: A Director is not considered to be independent if he/she has been employed by QGC in an executive capacity in the previous three years.
- * Material supplier or customer: A Director is not considered to be independent if he/she is:
 - * The principal of a material professional advisor
 - * A material consultant to QGC
 - * An employee of a material advisor or consultant materially associated with the service provided
 - * A material supplier of QGC, or an officer or associate of the supplier
 - * A material customer of QGC, or an officer or associate of the customer

The relationship is considered to be material where, during the previous three years, or forecast for the forthcoming 12 months:

- * The relevant services or goods acquired by QGC amount to 5% or more of total purchases by QGC
- * The relevant services or goods acquired by QGC amount to 10% or more of the total income of the Director or associated company / advisor / consultant
- * The relevant sales of QGC's products amount to 10% or more of total sales by QGC
- * The relevant sales of QGC's products amount to 10% or more of total purchases by the customer

The Board regularly reviews whether previous relationships of any Director do, in fact, or is perceived to, compromise the Director's independence.

- * **Material contractual relationships:** A Director is not considered to be independent if he/she has a material contractual relationship with QGC

Where a Director is considered by the Board to be independent but is affected by circumstances that may give rise to a perception that the Director is not independent, the Board has undertaken to explain the reasons why it reached its conclusion. In applying the independence test, the Board considers relationships with management, major shareholders, subsidiary and associated companies and other parties with whom QGC transacts business.

3. Board of Directors (cont'd)

3.6. Independence of Directors (cont'd)

3.6.2. Conflicts of interest

Ensuring the Board operates in a transparent manner and in the interest of QGC's shareholders, QGC has implemented a policy to manage potential conflicts of interests.

In the event that a potential conflict of interest may arise, the involved Director or Directors must immediately make appropriate disclosures and the Board must consider the issues in accordance with the *Corporations Act 2001* and the Listing Rules.

3.7. Review and Performance Evaluation

The Board is committed to transparency in determining Board membership and in assessing the performance of Directors. Contemporary performance measures are considered an important part of this process. The function of review and performance evaluation has been delegated to the newly constituted Nominations Committee. The Nomination Committee's objective is to assist the Board in fulfilling its responsibilities to shareholders by ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of directors in accordance with the Corporations Act 2001 and corporate governance principles.

The responsibilities of the Nominations Committee include Board Performance and Director Selection. This includes:

- * Identifying the skills and competencies of Directors and from time to time assessing the extent to which the required skills are represented on the Board
- * The development of processes for evaluation of the Board, its committees and Directors
- * The review of Board succession plans and the establishing of processes for the identification of suitable candidates for appointment to the Board
- * Recommending the appointment and removal of directors

Under the Nominations Committee Charter, the Board has provided the Nominations Committee with the following mandate:

* Skill requirements

Periodically the Committee will assess the skills required to competently discharge the Board's duties with regard to QGC's performance, financial position and strategic direction, including specific qualities or skills that the Committee believes are necessary for one or more of the Directors to possess.

The Committee will, as and when it considers appropriate but in any event whenever an existing non-executive director retires, assess the skills represented on the Board by the non-executive directors and determine whether those skills meet the previously determined skills requirement.

* Skill enhancement

The Committee will make recommendations to the Chairman of the Board regarding methods to enhance the skill levels of existing non-executive directors including any continuing education for Directors.

* Composition

The Committee will develop policy, review, assess from time to time and recommend to the Board as appropriate on Director tenure, Board composition, strategic function and size.

* Evaluation process

The Committee will develop and implement the process for the annual evaluation of Board (including the Board's performance relative to its objectives), Committee and individual Director performance and effectiveness.

The results of the evaluations need to be processed by the Chairman and communicated to the Board. The Board will need to pro-actively act on any recommendations or suggestions that arise out of the evaluation process.

No formal process of Board or Committee evaluation took place during the reporting period, as a consequence of the planning for the introduction of a Nominations Committee to undertake these functions. It is the Board's intention that once the process has been developed by the Nominations Committee that formal evaluations take place as soon as possible.

3.8. Re-election and Renewal of Directors

3.8.1. Re-election

All Directors (with the exception of the Managing Director) must retire from office no later than the third Annual General Meeting (AGM) following their last election. Where eligible, a Director may stand for re-election.

Mr D Elphinstone, Mr F Connolly and Mr P Cassidy retired by rotation in accordance with clause 13.4 of the Constitution and were re-elected at the Annual General Meeting on 28 November 2007.

3.8.2. Renewal

The Board plans for its own succession, now with the assistance of the Nomination Committee. In doing this, the Board:

- * Identifies the skills and competencies of Directors and from time to time assessing the extent to which the required skills are represented on the Board
- * Considers the review of Board succession plans and the establishing of processes for the identification of suitable candidates for appointment to the Board
- * Considers the Nomination Committee's recommendations concerning the appointment and removal of directors
- * Assesses the skills required to competently discharge the Board's duties with regard to QGC's performance, financial position and strategic direction, including specific qualities or skills that it believes are necessary for one or more of the Directors to possess

These activities are undertaken as and when the Board considers appropriate but in any event whenever an existing non-executive director retires.

Persons appointed Directors by the Board are required to submit themselves to shareholders for election at the first Annual General Meeting following their appointment.

3.8.3. Terms of appointment

The Board has adopted a letter of appointment that contains the terms on which non-executive Directors will be appointed, including the basis upon which they will be indemnified.

3.8.4. Induction and training

Each new non-executive Director agrees to undertake an induction program specifically tailored to his or her needs. This induction program is supervised by the Company Secretary. Non-executive Directors participate in the Board's training and development program, which has been designed to ensure that non-executive Directors, update their skills and knowledge to maximise their effectiveness as Directors throughout their tenure.

3.9. Independent expert advice

Each director of QGC is entitled to seek independent professional advice (including but not limited to legal, accounting and financial advice) on any matter connected with the discharge of his or her responsibilities.

QGC may cover the cost of obtaining such expert advice in certain circumstances, subject to the conditions set out below:

- * A director must seek the prior approval of the Chairman
- * In seeking the prior approval of the Chairman, the director must provide the Chairman with details of:
 - * The nature of the independent professional advice
 - * The likely cost of seeking the independent professional advice
 - * Details of the independent adviser he or she proposes to instruct
- * The Chairman may prescribe a reasonable limit on the amount that QGC will contribute towards the cost of obtaining such advice
- * All documentation containing or seeking independent professional advice must clearly state that the advice is sought both in relation to QGC and to the director in his or her personal capacity. However, the right to advice does not extend to advice concerning matters of a personal or private nature, including for example, matters relating to the director's contract of employment with QGC (in the case of an executive director) or any dispute between the director and QGC
- * The Chairman may determine that any advice received by an individual director will be circulated to the remainder of the Board

3. Board of Directors (cont'd)

3.10. Director remuneration and superannuation

The level of non-executive director remuneration is set by the Remuneration Committee so as to attract the best candidates for the Board while maintaining a level commensurate with boards of similar size and type.

Details of our remuneration policies and practices and the remuneration paid to the Directors (executive and non-executive) are set out in the Remuneration Report of this Annual Report. Shareholders will be invited to consider and to approve the Remuneration Report at the 2008 Annual General Meeting.

3.11. Share ownership

In line with QGC's desire to maintain director independence, each director is permitted to deal in personal securities of QGC in accordance with the Securities Trading Policy.

Further to previous shareholder approval, non-executive Directors are eligible to elect to have their fees paid as shares in QGC which are held by a corporate trustee in an approved trust, and which may only be withdrawn following retirement.

The Board does not consider that the independence of any participating Director is compromised as a result of this plan, and that it assists in the alignment of the non-executive Directors' interests with those of shareholders generally.

All dealings by Directors are reported to the Company Secretary and the Board and to the Australian Securities Exchange. Information on our Securities Trading Policy is set out in section 7.2 of this Corporate Governance Statement.

Details of the shares held by Directors are set out in the Annual Report, and are also announced to the ASX following any movements.

3.12. Meetings

The Board meets as often as necessary to diligently fulfil its role; under QGC's Board Charter it is required to meet a minimum of 5 times per year. During the reporting year it met 8 times. The Board is free to meet at any location, including by teleconference.

Attendance by Directors at Board and Board Committee meetings is set out in the table in section 4.4.

Members of senior management attended meetings of the Board by invitation. Senior managers delivered presentations on the status and performance of our business and matters reserved for the Board, including the approval of budgets, annual financial statements and business strategy.

3.13. Company Secretary

The Board appoints and removes the Company Secretary, after consultation between the Chairman and the Managing Director. The Company Secretary is responsible to the Board through the Chairman.

The position of Company Secretary exists primarily to provide a secretariat to the Board and those standing committees established by the Board. This position of Company Secretary plays an integral role in facilitating the proper and effective functioning of the Board and ensures that Board procedures are followed and reviewed regularly in accordance with contemporary corporate governance practices.

The Company Secretary is required to plan and manage the development, implementation and ongoing support of a range of corporate policies, strategies and processes. These strategies embody the principles of best practice. The Company Secretary provides and/or procures specialist advice to all Directors, the Board and to all areas of QGC on corporate governance, legal compliance, and interpretation of legislation, Government policy, insurance strategies and regulatory responsibilities. All Directors have access to the Company Secretary for advice and services.

Mr Peter Jans was the Company Secretary until 2 July 2007 when Mr Mukesh Panchal was appointed Company Secretary. Upon Mr Panchal's termination on 28 February 2008, QGC's General Counsel Mr Andrew Varvari was appointed Company Secretary in an acting capacity until a suitable replacement could be found.

Mr Mark Anning was formally appointed by the Board as Company Secretary on 4 June 2008.

4. Committees (Risk & Audit, Remuneration and Nominations)

The permanent Committees of the Board are the Risk and Audit Committee (renamed during the course of the year from the Audit Committee), the Remuneration Committee, and the newly constituted Nomination Committee. Other Committees are formed from time to time to deal with specific matters. The Finance Committee was discontinued on 30 July 2007 and no meetings were held during the reporting period.

Each of the permanent Committees has a Charter under which authority is delegated by the Board, and summaries of these are found on our website.

The Company Secretary provides secretariat services for each of the Committees. Committee meeting agendas, papers and minutes are made available to all members of the Board.

4.1. Risk and Audit Committee

4.1.1. Purpose

The purpose of the Risk and Audit Committee is to assist the Board of Directors:

- (a) In the discharge of its responsibilities.
 - * A key duty of the Committee is to provide reasonable assurance to the Board that QGC's core business goals and objectives are being achieved in an efficient and economical manner, within an appropriate framework of internal control and risk management
 - * To undertake other special duties, as requested by the Board
- (b) In its monitoring and review of:
 - * The integrity and quality of QGC's financial information including financial information provided to ASIC, ASX and shareholders
 - * The adequacy of the internal control environment and risk management process
 - * The scope and quality of the external audit
 - * Compliance with relevant laws, regulations, standards and codes
 - * The effectiveness of the systems of internal control and risk management
 - * The work of the Internal Auditor and Risk Manager
 - * The adequacy of practices and procedures with respect to QGC's compliance with legal and regulatory requirements and actual compliance with these laws and regulations
 - * The corporate policies for identifying and managing relevant risks associated with the business

The Committee has no executive powers with regard to its recommendations and does not relieve the full Board of its responsibilities for these matters.

4.2. Remuneration Committee

4.2.1. Purpose

The purpose of the Remuneration Committee is to review and make recommendations to the Board in respect of:

- * The remuneration of the Managing Director and any other executive director
- * An executive remuneration and incentive policy
- * An executive incentive plan
- * An equity based incentive plan and other employee-based equity participation schemes
- * The remuneration of non-executive directors
- * Recruitment, retention, performance measurement and termination policies and procedures for non-executive directors and the Managing Director and any other executive director
- * Remuneration policies and practices generally

The Committee also reviews the recruitment, remuneration, retention, performance measurement and termination policies and procedures for the Company Secretary and all senior executives reporting directly to the Managing Director.

Further the Committee is entitled to direct any special investigation that the Committee considers appropriate and to consult any independent expert that the Committee considers appropriate to carry out its duties. QGC bears the costs of any such investigation or consultations.

The Committee is entitled to call on and use any employee of QGC to the extent that the Committee considers appropriate to carry out the Committee's role and responsibilities.

4. Committees (Risk & Audit, Remuneration and Nominations) (cont'd)

4.3. Nomination Committee

4.3.1. Purpose

The Nomination Committee's purpose is to assist the Board in fulfilling its responsibilities to shareholders by ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of directors in accordance with the Corporations Act 2001 and corporate governance principles.

The responsibilities of the Committee include Board Performance and Director Selection. This includes:

- * Identifying the skills and competencies of Directors and from time to time assessing the extent to which the required skills are represented on the Board
- * The development of processes for evaluation of the Board, its committees and Directors
- * The review of Board succession plans and the establishing of processes for the identification of suitable candidates for appointment to the Board
- * Recommending the appointment and removal of directors

4.4. Table setting out Members of the Board and of Various Committees, Schedule of Meetings and Attendance

The number of meetings of the Company's Board of Directors and of each Board Committee⁽²⁾ held during the year ended 30 June 2008, and the numbers of meetings attended by each Director were:

Director	Board meetings		Audit Committee ⁽¹⁾		Remuneration Committee	
	A	H	A	H	A	H
R Bryan	7	8	2	4	1	1
P Cassidy	5	8	*	*	*	*
F Connolly	8	8	4	4	1	1
R Cottee	8	8	*	*	*	*
T Crommelin	7	8	2	4	*	*
D Elphinstone	7	8	*	*	1	1
M Fraser	5	8	*	*	1	1
S Mikkelsen	4	8	1	4	*	*
M Moraza	7	8	*	*	*	*
M de Leeuw (alt. for P Cassidy)	1	8	*	*	*	*
V De Santis (alt. for D Elphinstone)	1	8	*	*	*	*
J Galvin (alt. for Messrs Fraser, Mikkelsen and Moraza)	4	4	1	1	*	*
D Maxwell** (alt. for T Crommelin)	3	4	*	*	*	*

A Attended

H Number of meetings held during the time the Director held office or was a member of the Committee during the year

* Not a member of the relevant Committee

** By invitation and not in capacity as an alternate director

(1) The Audit Committee was renamed the Risk and Audit Committee (RAC) on 25 June 2008

(2) On 25 June 2008, the Board established a Nominations Committee with Mr R Bryan as chair, and Mr D Elphinstone and Mr P Cassidy as inaugural members.

5. Risk Management

The Board believes that the identification and management of risk is central to delivering long-term value to shareholders. Each year the Board reviews and considers the risk profile for the whole business. This risk profile covers both operational and strategic risks.

During the reporting period the Board approved a process for implementing an Enterprise Wide Risk Management system across QGC.

The broad objective of the program was to implement a Enterprise Wide Risk Management framework to aid in the alignment by QGC with ASX Principle 7 and other statutory requirements by:

- * Creating and preserving shareholder value by managing risks on a portfolio basis
- * Engendering a risk culture and better aligning risk management with QGC's corporate strategy, vision and values
- * Managing risks and portfolio more efficiently and effectively
- * Providing a more robust basis to make risk-based decisions on a whole-of-business basis

As a part of the Enterprise Wide Risk Management program, QGC has:

- * Conducted interviews with relevant QGC personnel to gain an understanding of current risk management practices, risk appetite and attitude towards risk, current risk environment and critical success factors for the EWRM program
- * Developed a Risk Management Charter outlining the respective roles and responsibilities of the Board
- * Developed a Risk Management Framework consisting of:
 - * A Risk Management Policy outlining QGC's commitment to risk management
 - * A Risk Management Procedure detailing the risk management process to be adopted by staff members when identifying and treating risks
 - * A Risk Governance Model to be utilised by staff for communicating risk within QGC.
- * Performed a gap analysis of the Risk Management Framework to Principle 7 in order to ensure that effort is invested in the appropriate areas
- * Developed and populated template risk registers to be used to record and monitor risks
- * Identified appropriate risk management software for implementation
- * Defined risk reporting lines and frequency and content of reporting

At the June 2008 Board Meeting, the Board resolved to:

- * Convert the existing Audit Committee to a 'Risk and Audit Committee' (RAC)
- * Replace the existing Audit Committee Charter with the RAC Charter
- * Approve the Risk Management Policy and delegate authority to management to implement and maintain the supporting Risk Management Procedure

QGC is committed to:

- * Adopting a risk management approach consistent with the process outlined in the Australian and New Zealand Risk Management Standard (AS/NZS 4360:2004). This risk management process is designed to identify, assess, monitor and manage risk and inform investors of material changes to the company's risk profile
- * Achieving responsible growth in shareholder value through seeking business improvement opportunities whilst minimising the impact of risk
- * Managing its business in a manner that does not conflict with its ability to operate in a competitive market. This will be achieved through enabling competitive advantage through successful implementation of risk management into the culture of QGC
- * Developing risk mitigation strategies that consider QGC's commercial constraints and reduce identified risks to 'As Low As Reasonably Practicable'

QGC endeavours to ensure it maintains a sound system of risk oversight, management and internal control. In line with this commitment, QGC appointed a Risk and Assurance Manager to ensure ongoing focus, awareness and training of risk management throughout the business.

The Board has received assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

A copy of QGC's Enterprise Wide Risk Management Policy is available on our website.

5. Risk Management (cont'd)

5.1. Operational and Strategic risks for the reporting period

The identified operational and strategic risks for the reporting period were as follows:

- * Gas and LNG price fluctuations
- * Exploration risk and uncertainty of Reserves
- * Gas flow rates
- * Dependence upon key personnel
- * Development risk
- * Regulatory risk
- * Overlapping Tenure
- * Native title
- * New sources of gas competing with QGC
- * Excess water risk
- * Inability to successfully integrate acquired businesses
- * Inability to recover investments in projects
- * Unexpected natural and operational catastrophes
- * Climate change and greenhouse effects
- * Inadequate human resource talent pool
- * Breaches in information technology security
- * Breaches in governance processes

5.2. Risk Reporting

During the reporting period, the Board received regular reports on risk from the Audit Committee (now renamed to the Risk and Audit Committee), the Managing Director and other senior executives (including the Chief Financial Officer).

6. Management

The Managing Director has developed an approvals framework which delegates authority to management Committees and individual members of management that report to him. Notwithstanding those further delegations, the Managing Director remains accountable to the Board for the authority delegated to him.

6.1. QGC Executive Management team

The QGC Executive Management team, led by the Managing Director, meets together on a regular basis. These meetings are to provide advice to the Managing Director on matters that are strategic and long term in nature or have the potential to significantly impact our business. The QGC Executive Management team determined key business-wide policies, including the Risk Management Policy.

As at 30 June 2008, the non Board members of the QGC Executive Management team, in alphabetical order, were:

- * Mr Mark Anning, Company Secretary
- * Mr Ian Davies, Chief Financial Officer
- * Mr Leon Devaney, General Manager, Finance and Commercial Structuring
- * Mr Mike Herrington, Chief Operating Officer
- * Dr Steven Scott, General Manager, Exploration and Technical Services
- * Mr Brett Smith, General Manager, Shared Services
- * Mr Hedley Thomas, General Manager, Communications and External Relations
- * Mr Carsten Thomsen, General Manager, LNG
- * Mr Andrew Varvari, General Counsel

Performance evaluations for each of the above senior executives have taken place in the reporting period (or shortly thereafter) in accordance with the internal confidential reporting requirements (which we do not disclose).

Management profiles including qualifications of the QGC senior executive management team appear on our website.

7. Business Conduct

7.1. Corporate Code of Conduct

The Board has approved a Corporate Code of Conduct which is designed to maintain confidence in the integrity of QGC and the responsibilities and accountability of individuals for reporting and investigating reports of unethical practices. A copy of this may be found on our website.

This Code expresses certain basic principles that QGC, its officers, employees and external consultants are required to follow, including a requirement to show the highest business integrity in their dealings with others, including preserving the confidentiality of other peoples' information, and to conduct business in accordance with the law and principles of good business practice.

The Code reflects QGC's recognition that its reputation is an essential element of its success. Each employee and consultant employed by QGC must act in a way that preserves and enhances QGC's reputation. QGC strives to maintain the highest standards of conduct in its business practices. As a fundamental condition of employment, every Director, officer and employee is required to act in a manner consistent with this principle.

7.2. Securities Trading Policy

In order to preserve the reputation and integrity of QGC it is vital that when people associated with QGC deal in QGC's securities those dealings are not only fair, but are seen to be fair. QGC has published a Securities Trading Policy, a copy of which may be found on our website.

In addition to the overriding prohibition on dealing when a person is in possession of "Inside Information", Directors, Officers and employees and their associated parties are at all times prohibited under the Securities Trading Policy from dealing in QGC securities except for during the "trading windows", namely:

- * Each period of 14 days immediately following each date upon which QGC gives to the ASX its annual, half-yearly and quarterly reports
- * Each period of 14 days immediately following each date upon which QGC holds a general meeting of shareholders
- * Each period of 14 days immediately following each date upon which QGC gives to the ASX a significant ASX release
- * At such other times as the nominated person (currently the Company Secretary) permits

In order to prevent the unfair use of information, Directors, Officers and employees are generally prohibited from short-term trading at all times. Short-term trading is a purchase and sale of the same securities within a six-month period.

The Company Secretary is responsible for the enforcement of the Securities Trading Policy.

8. Disclosure and Conformance

8.1. Disclosure

QGC aims to promote a fair market for its shares through honest management and full, fair and timely disclosure. QGC's primary continuous disclosure obligations are set out in ASX Listing Rules 3.1 and 3.1B.

The Managing Director, the General Manager Communications and External Relations and the Company Secretary are responsible for:

- * Ensuring QGC complies with its disclosure obligations
- * Determining what information can or should be disclosed to the market
- * Overseeing and coordinating the disclosure of information to the ASX, shareholders, analysts, stockbrokers, media and the public
- * Advising and where appropriate educating Directors, Officers and employees on QGC's disclosure policy and procedures and raising awareness of the principles underlying continuous disclosure

Once QGC becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or values of QGC's securities, we immediately announce that information to the market via the ASX.

8. Disclosure and Conformance (cont'd)

8.2. Disclosure (cont'd)

QGC's existing reporting lines mean that QGC's senior executives should, in the course of the performance of their normal duties, become aware of material that will trigger a disclosure obligation. QGC's senior executive management meets regularly to consider its continuous disclosure obligations.

In order to ensure that there is at all times a fair and balanced market in QGC's shares and other securities, QGC will:

- * Release to the market information required to correct a false market, whether or not a request has been received from the ASX
- * Provide the market with balanced and factual commentary on QGC's activities and financial results to ensure that QGC's investors are able to make an informed assessment

QGC's disclosure practices are aimed at ensuring timely access for all investors to company information released under the continuous disclosure rules.

Copies of announcements to the ASX, investor briefings, half yearly financial statements, quarterly reports, the Annual Report and other relevant information are posted to QGC's website. Any person wishing to receive advice by email of ASX or news releases can subscribe via our website.

8.3. Conformance with corporate governance standards

The ASX Corporate Governance Principles and Recommendations (2nd Edition) require the Board to consider the application of the relevant corporate governance principles. QGC's Board notes that the Recommendations are not prescriptions, but they are guidelines designed to produce an outcome that is effective and of high quality and integrity.

The ASX Corporate Governance Principles and Recommendations (2nd Edition) do not require a "one size fits all" approach to corporate governance. Instead, it states suggestions for practices designed to optimise corporate performance and accountability in the interests of shareholders and the broader economy. QGC has the flexibility not to adopt a recommendation that is inappropriate to its particular circumstances: – a flexibility tempered by the requirement to explain why – the "if not, why not" approach.

QGC has adopted the ASX Corporate Governance Principles and Recommendations (2nd Edition). The following Table outlines QGC's system of governance against the ASX Corporate Governance Principles and Recommendations.

No.	ASX Corporate Governance Principles and Recommendations	Has QGC followed the Recommendation or provided an explanation for a departure from it?	Explanation for departure from ASX Recommendation.
Principle 1: Lay solid foundations for management and oversight			
Companies should establish and disclose the respective roles and responsibilities of board and management.			
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	QGC has elected to not publicly disclose its internal senior executive performance processes for reasons of commercial confidentiality.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	Yes	

No.	ASX Corporate Governance Principles and Recommendations	Has QGC followed the Recommendation or provided an explanation for a departure from it?	Explanation for departure from ASX Recommendation.
Principle 2: Structure the Board to add value Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.			
2.1	A majority of the board should be independent directors	Yes	QGC has elected to adopt a 10% shareholding materiality threshold as compared to 5% recommended in the ASX Guidelines, For further detailed explanation as to this departure see Section 3.6.1 of our Corporate Governance Statement.
2.2	The chair should be an independent director.	Yes	
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	
2.4	The board should establish a nomination committee.	Yes	
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes	A formal performance evaluation for the board, its committees and directors has not taken place in the 2007/2008 reporting period. It is the Board's intention that such will be carried out within the current reporting period.
Principle 3: Promote Ethical and Responsible Decision Making Companies should actively promote ethical and responsible decision-making.			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: ✱ the practices necessary to maintain confidence in the company's integrity ✱ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders ✱ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	

No.	ASX Corporate Governance Principles and Recommendations	Has QGC followed the Recommendation or provided an explanation for a departure from it?	Explanation for departure from ASX Recommendation.
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy	Yes	
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3	Yes	
Principle 4: Safeguard integrity in Financial Reporting			
Companies should have a structure to independently verify and safeguard the integrity of their financial reporting			
4.1	The board should establish an audit committee	Yes	
4.2	The audit committee should be structured so that it: - consists only of non-executive directors - consists of a majority of independent directors - is chaired by an independent chair, who - is not chair of the board - has at least three members	Yes	
4.3	The audit committee should have a formal charter.	Yes	
4.5	Companies should provide the information indicated in the Guide to reporting on Principle 4	Yes	
Principle 5: Make timely and balanced disclosure			
Companies should promote timely and balanced disclosure of all material matters concerning the company.			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	
Principle 6: Respect the rights of shareholders			
Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes	

No.	ASX Corporate Governance Principles and Recommendations	Has QGC followed the Recommendation or provided an explanation for a departure from it?	Explanation for departure from ASX Recommendation.
Principle 7: Recognise and manage risk			
Companies should establish a sound system of risk oversight and management and internal control			
The following material should be included in the corporate governance statement in the annual report:			
7.1	Companies should establish policies for oversight and management of material business risks and disclose a summary of those policies	Yes	
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	
Principle 8: Remunerate fairly and responsibly			
Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.			
8.1	The board should establish a remuneration committee.	Yes	
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	

This checklist summarising our conformance with the ASX Corporate Governance Principles and Recommendations is also located on our website.

Definitions and glossary

\$ or dollars	Australian dollars
1P	All reserves certified to be proved in accordance with the SPE/WPC definitions
2P	All reserves certified to be proved and probable in accordance with the SPE/WPC definitions
3P	All reserves certified to be proved, probable and possible in accordance with the SPE/WPC definitions
Contingent resource	Reserves which do not yet have the geological or engineering certainty to be certified as reserves
AGL Energy	AGL Energy Limited ACN 115 061 375
ANZ Infrastructure	ANZ Infrastructure Services Limited ACN 071 923 423 – a subsidiary of ANZ (Australia and New Zealand Services Banking Group ACN 005 357 522)
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange Limited ACN 008 624 691
ATP	An authority to prospect under the Petroleum and Gas (Production and Safety) Act 2004 (Queensland)
BG Group	BG Group plc (formerly British Gas)
Board	The Board of Directors of QGC
Coal bed methane	Another name for coal seam gas
Coal seam gas	Natural gas (mostly methane) contained within coals
Compression	Gas is compressed to reduce volume and provide energy for transportation
Core	A cylindrical piece of rock taken as a sample by a special hollow drill bit
CS Energy	CS Energy Ltd ACN 078 848 745, a company owned by the State of Queensland
Dewatering	The pumping of water from coal seams to facilitate gas production
EBITDA	Earnings before interest, tax, depreciation and amortisation
EIT	Energy Infrastructure Trust (managed by ANZ Infrastructure Services)
Elph	Elph Pty Ltd ACN 070 012 252
EPC	Engineering Procurement Construction contract
Fairway	A region of the Surat Basin where the depth to the top of the Walloon Subgroup is between 150m and 600m and the coals display optional potential for coal seam gas production
Field (or gasfield)	An area containing single or multiple gas reservoirs
Final investment decision (FID)	A determination by BG Group and QGC regarding their proposed investment in QCLNG, expected in 2010
“GAS”	QGC’s Growth Acceleration Strategy announced to the ASX in July 2006
Gigajoule (GJ)	A measurement of the energy value of gas (1 GJ is approximately equal to 960 cubic feet of gas)
Greenhouse emissions	Natural and anthropogenic gases in the atmosphere that absorb and emit infrared or heat radiation, causing the greenhouse effect. The main greenhouse gases are carbon dioxide and methane
Incitec Pivot	Incitec Pivot Limited ACN 004 080 264
Liquefaction	The process of cooling natural gas to produce LNG
Liquefied natural gas (LNG)	Natural gas which has been cooled to -161 degrees Celsius to form a liquid
“LNG”	A term used by QGC to describe its objective of Long-term Natural Growth in relation to its proposed development of an LNG plant in Queensland
mcf/d	Thousand cubic feet per day
Methane	The lightest hydrocarbon gas, CH ₄

Definitions and glossary

mtpa	Million tonnes per annum
National Electricity Market	A wholesale market for electricity supplies on Australia's eastern seaboard, which commenced operating on 13 December 1998. The market delivers electricity to customers on an interconnected power system that stretches more than 4,000km from Port Douglas in Queensland to Port Lincoln in South Australia
NEMMCO	National Electricity Market Management Company
NSAI	Netherland, Sewell and Associates, Inc. independent reserves certifier
Options	Options to subscribe for shares
Origin Energy	Origin Energy CSG Ltd ACN 001 646 331
Pangaea	Pangaea Oil & Gas Pty Ltd ACN 068 812 171
Permeability	The capacity of a rock (coal) to transmit a fluid
Petajoule (PJ)	A measure of the energy value of gas (1 PJ is equivalent to one million gigajoules)
PL	A petroleum lease under the Petroleum and Gas (Production and Safety) Act 2004 (Queensland)
PLA	A petroleum lease application under the Petroleum and Gas (Production and Safety) Act 2004 (Queensland)
PPL	A pipeline licence under the Petroleum and Gas (Production and Safety) Act 2004 (Queensland)
PPLA	A pipeline licence application under the Petroleum and Gas (Production and Safety) Act 2004 (Queensland)
QCLNG	A project announced jointly by QGC and BG Group on 3 February 2008 which involves the construction of a world-scale LNG facility on the Queensland coast
QGC (the Company)	Queensland Gas Company Limited ACN 089 642 553 or its controlled entities as the context requires
Reserves	The volume of hydrocarbons contained in a trap or stored in coals that is estimated to be economically recoverable
Sentient	Sentient Pty Ltd ACN 074 455 520
Shares	Ordinary shares in QGC
SPE/WPC definitions	Petroleum reserves definitions of the Society of Petroleum Engineers, the World Petroleum Congress and the current Guidelines for Evaluation of Petroleum Reserves and Resources of those bodies, together with the American Association of Petroleum Geologists (see www.spe.org to obtain these documents)
Spot gas sales	Short-term buying and selling of natural gas which is presented to customers as it becomes available
Stratigraphic divisions	The sub-division of sub-surface rocks into differing layers according to age and type
Surat Basin	Sedimentary basin of Jurassic to Cretaceous age in southern Queensland and northern New South Wales
Tenement	An ATP or PL
TJ	Terajoule, equivalent to one thousand gigajoules
Undulla Nose	A unique geological structural feature, bounded by faults, which is characterised by highly permeable Walloon coals
VWAP	Volume weighted average price
Walloon Subgroup	A collection of rock formations in the Surat Basin which contains abundant coal seams and is of Middle Jurassic age

Corporate directory

ABN 11 089 642 553

Directors

Robert Bryan (Chairman)
Richard Cottee (Managing Director)
Timothy Crommelin (Chairman-elect)
Peter Cassidy
Francis Connolly
Dale Elphinstone
Michael Fraser
Stephen Mikkelsen
Michael Moraza
Martin Houston (Alternate Director)
James Galvin (Alternate Director)
Vince De Santis (Alternate Director)
Michael de Leeuw (Alternate Director)

Company Secretary

Mark Anning

Registered Head Office

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Stock Exchange Listing

Queensland Gas Company Limited
Shares are listed on the Australian Securities Exchange
(Home Branch - Brisbane)
ASX Code: QGC

Auditors

PricewaterhouseCoopers
Level 15, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

Bankers

Australia and New Zealand Banking Group Limited
324 Queen Street
Brisbane QLD 4000

Solicitors

Corrs Chambers Westgarth
Level 35, Waterfront Place
1 Eagle Street
Brisbane QLD 4000

Share Register

Link Market Services
Level 12, 300 Queen Street
Brisbane QLD 4000

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