



GAS2GRID LIMITED
A.B.N. 46 112 138 780

INTERIM REPORT
31 DECEMBER 2019

GAS2GRID Limited ABN 46 112 138 780
Interim Report – 31 December 2019

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Gas2Grid Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' report

Your Directors present their report on the consolidated entity consisting of Gas2Grid Limited and the entity it controlled at the end of, or during the half-year ended 31 December 2019.

Directors

The following persons were Directors of Gas2Grid Limited during the half-year and up to the date of this report:

D A Munns
D J Morton
P W V M Sam Yue

Review of Operations

PHILIPPINES

SERVICE CONTRACT 44 (100% working interest), Onshore Cebu

The Department of Energy confirmed the tenure extension of SC 44 for two (2) years to September 2020 following issue of Presidential Decree 87 (as amended) which addresses the need to fast track oil and gas exploration/development in the country. The extension requires a minimum US\$1.175 million be spent on deepening, completing and testing oil from Nuevo Malolos-1 well ("NM-1") with the drilling operations to be commenced by the end of September 2019.

Malolos Oil Field operations re-commenced in September 2019. Rig-2 was moved onto the NM-1 well and the cased section of the well was re-entered with two existing cement plugs drilled out. A significant amount of gas had accumulated below the lower cement plug and the gas was circulated out of the hole.

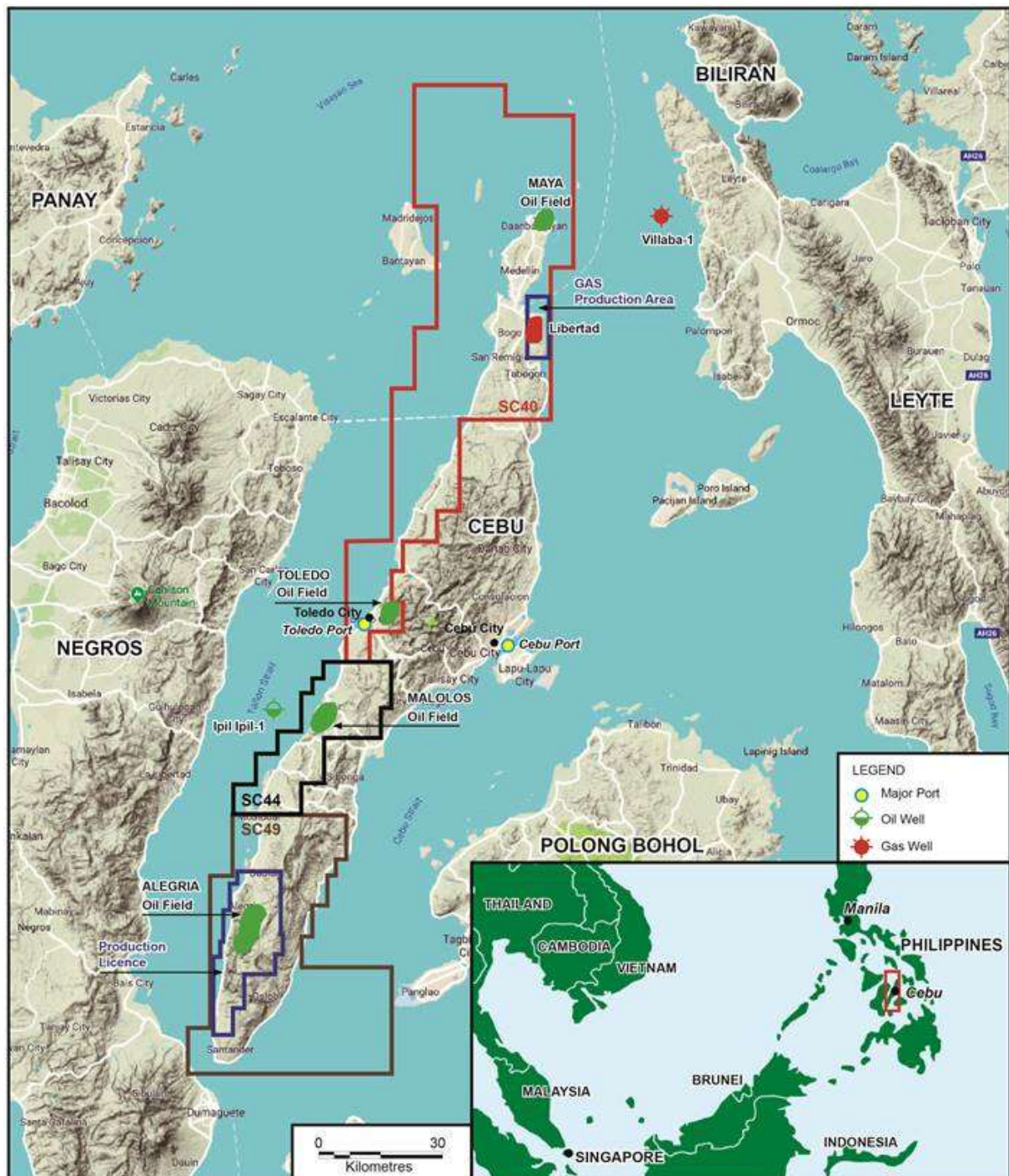
The well was cleaned out to a depth of 1,913.7 metres (6,287.5 feet) from ground level (GL) and the drilling assembly had to be pulled out of the hole prior to conducting a cement squeeze with the casing shoe at 1,934.2 metres (6,345.7 feet) GL. In early December 2019 during the pulling of the drilling assembly to surface, a metal "pry" bar accidentally fell into the hole. The pry bar eventually wedged against the drilling assembly while it was being pulled out of the hole with the drill bit at a depth of 837 metres (2,746 feet GL). The drilling assembly has become stuck at this depth. It comprises a drill bit, drill collars and 2 7/8" tubing.

Attempts to free the drilling assembly until prior to Christmas were unsuccessful. Lack of necessary oil field operations equipment and consumables within the Philippines has made remedial operations challenging.

To be able to continue with drilling operations, the Company devised a program to free the drilling assembly that requires approvals of relevant authorities for the movement and storage of explosives (string-shot) which take weeks to obtain, sourcing the required equipment some of which to be imported and assessing the cost. The well has been suspended and the drill crew placed on leave since Christmas..

In February 2020, the Company has received the relevant approvals from local authorities. Specialist drilling equipment is on its way from Singapore and expected to arrive in Cebu about 18 March 2020. Operations are expected to recommence in March 2020.

Onshore, Cebu is rapidly becoming the focus of an emerging petroleum production region with the operator of SC 49 in the southern part of the island having been recently awarded a 25 year production licence. The SC 49 operator has discovered and is developing the Alegria oil field which produces oil and gas from the same sandstone reservoirs that are oil productive in SC 44. The Libertad gas field in SC 40, northern Cebu has already been awarded a 25 year production licence.

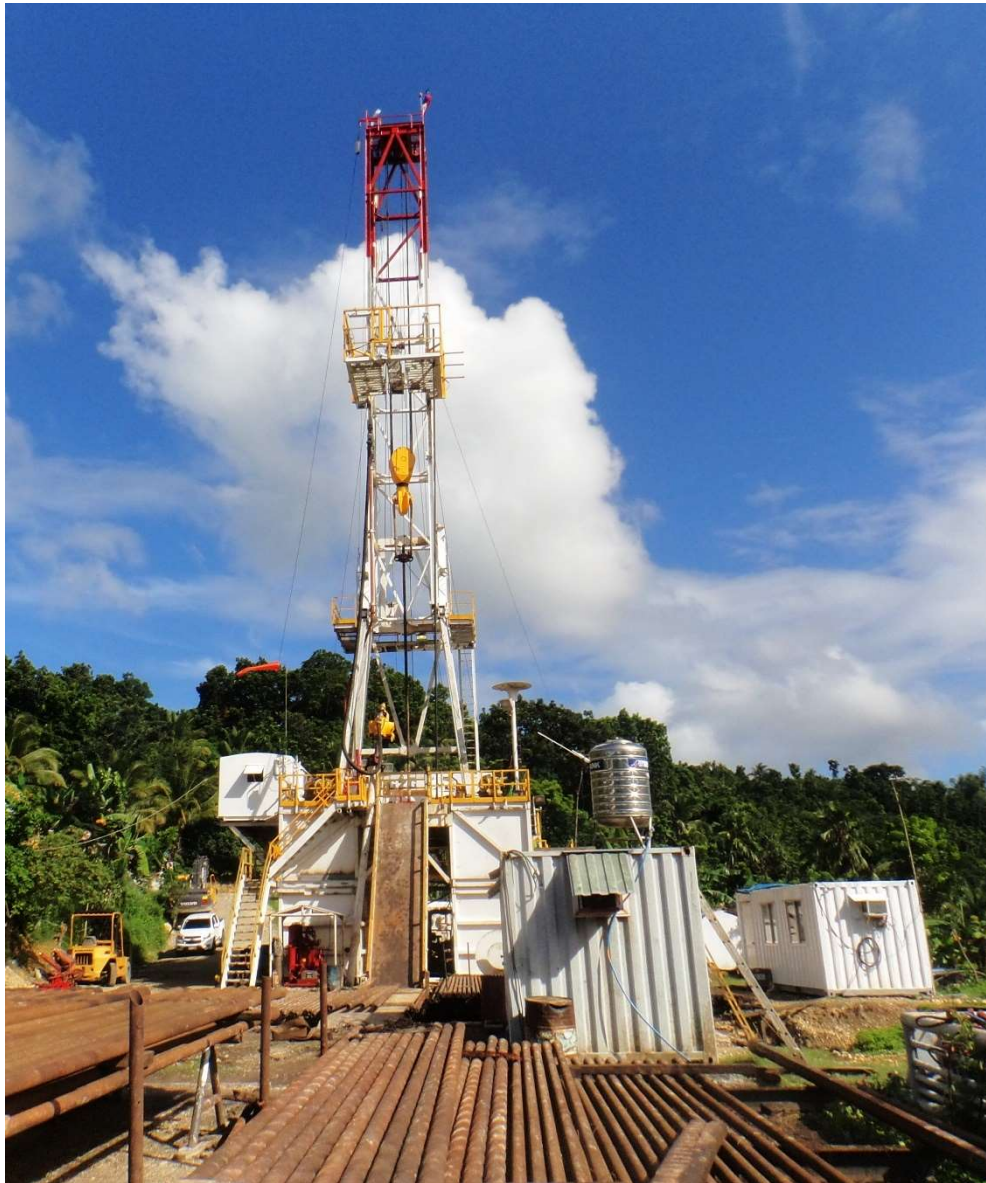


Petroleum Service Contracts and Production Licences, Cebu Island, Philippines

NEW VENTURES

The Company has identified certain oil and gas appraisal opportunities onshore Philippines which it has been pursuing through technical evaluation and commercial negotiation. The Company has recommenced negotiations on one farmin opportunity, but in March 2020 the parties failed to agree on a transaction.

With management's many years of working experience in Philippines, new ventures in that country present good potential for the Company to generate growth in a relatively low cost environment and in short time frame whilst using the Company's 100% owned drilling rig to drill for equity.



Gas2Grid's Rig-2 located on Nuevo Malolos - 1

FRANCE

ST. GRIEDE (100% working interest), Onshore Aquitaine Basin

In July 2019, the Company submitted a financial claim with the French Ministers in respect to the damages caused by the French Government in unlawfully refusing, as ruled by the French Courts, to renew the St Griede conventional hydrocarbon exploration permit in accordance with the prevailing

mining law. The Government did not respond within 2 months therefore effectively and implicitly rejecting the claim.

In September 2019, the Company instructed its lawyers to pursue the matter in the tribunal. In early January 2020, the Company's lawyers have lodged and registered at the Pau Tribunal, France, a claim of €34.35 million (approximately A\$59 million at current exchange rate) for compensation against the French Government.

While the Company believes it has a good chance of success, based on legal advice, the outcome of this claim and the timing for resolution are uncertain.

Background

The St Griede permit in which the Company had 100% interest and located within the Aquitaine Basin in France was due for its first renewal in May 2013 after an initial 5 year term. With the terms and conditions of the work and expenditure commitments having been met for the first 5 year term, a renewal application for a second 5 year term was submitted in January 2013 in order to continue the work program towards the drilling of a well. Normally, a first renewal is expected as a matter of course if the initial commitments have been met. In September 2015, the French Government unlawfully decided not to grant the renewal.

Following an action in the Pau Tribunal in November 2015, a judgement was handed down in early November 2016 fully supporting the Company by annulling the September 2015 decision of the French Ministers refusing to grant renewal of the St Griede permit. The Tribunal also instructed the Ministers to grant, within 30 days, a 5 year extension to the St Griede permit commencing from 3rd November 2016. The Tribunal also ruled for a financial penalty on the French Government of €3,000 for each day after 3rd December 2016 that the grant of the permit extension is delayed. Subsequently, the Tribunal imposed on the French Government penalties and costs totalling €414,400 (approximately A\$626,550) that were paid to the Company in 2018.

On 3rd January 2017, the French Government lodged an appeal at the Appeal Court of Bordeaux against the November 2016 decision of the Tribunal. While the appeal was on foot, on 23rd December 2017 the French Government issued a decree extending the St. Griede licence up until 31st May 2018. This extension was not in accordance with the November 2016 court directions and it provided the Company with only 5 months in which to complete a 5 year work program that was proposed on the application for renewal of the permit in 2013.

The Appeal Court of Bordeaux handed down its decision on 5th March 2019 as follows:

- Annulment of the section of the judgment of November 2016 handed down by the Tribunal whereby the Ministers were directed to grant an extension of the St Griede permit for 5 years from the date of that judgement.
- The Ministers are urged to reconsider the request for an extension of the St Griede permit for a second 5 year period and to make a new decision within 2 months of the judgment of the Appeal Court.
- A penalty of €1,000 per day of delay for non-compliance by the Ministers to the period fixed by the present judgement.
- The Government to pay €2,000 to Gas2Grid Limited for costs.

The unlawful resistance over the last 6 years of the French Ministers to renew the St Griede permit, the introduction of new laws that will shut down the petroleum exploration and production industry in France by 2040 and the capital market's perception of the significant sovereign risk created in France for oil and gas explorers compelled the Company to renounce its rights for the renewal of the permit in April 2019. The French sovereign risk discourages investors to fund any of the Company's potential oil and gas operations in France. The Company's success to date in its legal actions conducted in the Tribunal and Appeal Court dictates that the Company should pursue further its legal rights in France.

Financial Analysis

Funding: During the half-year, the loan facilities from related entities of Directors (D Morton, D Munns and P Sam Yue) remained at \$8,700,000. In December 2019 the period of availability of the facilities was extended from 16 October 2020 to 16 April 2021 to ensure that the Company is sufficiently funded for operations.

At 31 December 2019 a total of \$8,097,323 has been drawn under the facilities including accrued interest and establishment fees. The loan facilities bear interest at 9% per annum computed quarterly in arrears with a 1% establishment fee based on arm's length commercial borrowing for an entity in the Group's circumstances. These loans will be repaid to the extent that the Group is able to do so when funds are raised or received in an asset transaction or from the Euros 34.35 million claim lodged against the Government in France.

To undertake exploration and appraisal activities in Philippines while the Group has no revenue producing assets, the Group requires regular injection of funds. The activities during the half-year have been essentially legal action seeking financial compensation from the French Government relating to the unlawful non-renewal of the St Griede permit, maintenance and servicing of the Company owned Rig 2 and operations to deepen the Nuevo Malolos 1 well within SC 44 in Philippines. The Company is committed to invest US\$1.175 million to undertake a deepening drilling program of Nuevo Malolos 1 and production evaluation in SC 44 within the extension period granted by the Government.

To continue the exploration activities and to meet its financial commitments as and when they fall due the Company considered the following:

- Amounts that can be drawn in the short term under the loan facilities provided by the Directors.
- Directors' fees and management can continue to be deferred and not paid in cash.
- If required, management will negotiate to extend the maturity terms of the loan facilities and the fees payable to the Directors beyond the current maturity date on 16 April 2021.
- Raising equity capital.

Going Concern – Emphasis of Matter

The absence of guarantee in sourcing new funds for the Group's future activities presents a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The auditor's review conclusion for the half-year ended 31 December 2019 therefore includes an emphasis of matter in this regard. This going concern issue is further detailed in Note 6 to the Financial Statements.

Performance: During the half-year the Group incurred net losses of \$798,619 which included \$575,201 of finance charges on non-current borrowings and amounts owing to Directors.

Financial Position: Total negative equity increased from \$9,844,970 to \$10,313,152 primarily as a result of continuing loss from operations during the half-year.

Cash at 31 December 2019 was \$176,859 a decrease from the 30 June 2019 balance of \$502,418 mainly due to exploration in the Philippines and operations during the half-year. In August 2019, the Company raised \$338,546 before costs from a rights issue. After the period end, in February 2020, the Company raised a further \$280,000 by placement of 121,739,134 new shares to supplement working capital.

Current assets were \$215,407 (30 June 2019: \$529,886).

Current liabilities were \$349,513 an increase from the 30 June 2019 amount of \$57,372 mainly due to ongoing exploration activities at 31 December 2019 and recognition of a provision of \$150,000 for future rehabilitation of well sites in Philippines.

The Directors agreed to defer payment of their Directors' and management fees of \$150,500 for the half-year.

Cash Flows: Operating activities resulted in net outflow of \$107,424 (2018: inflow \$469,945). Expenditure on exploration activities in the Philippines amounted to \$530,873. In August 2019, a rights issue raised \$338,546 before costs in equity capital.


Strategy and Prospects for Future

The Group proposes to continue its oil and gas exploration program in Philippines and pursue in court a financial claim relating to the unlawful non-renewal of the St Griede permit against the French Government. However, no indication as to likely results in the future can be given due to the uncertainties usually associated with exploration activities and on the success of the legal action in France. Future financial performance will be driven by success in the following:

- Appraisal and development of the Malolos Oil Field within SC 44 that has been assessed to have best estimate "Contingent Resource"* of 20.4 million barrels of oil as reported in a release to ASX on 20 January 2014;
- Exploration of identified prospective leads within SC 44 that have been assessed to have best estimate "Unrisked Prospective Resource"* of 104 million barrels of oil as reported in a release to ASX on 20 January 2014;
- Financial claim of Euros 34.35 million (approximately A\$59 million at current exchange rate) against the French Government; and
- Farmin in new oil and gas exploration areas in Philippines.

To carry out those above activities the Group will require funding which may be by farmout of interests that may include upfront cash payments or equity issues or a combination of both. The method of funding will be determined at the appropriate time as part of the Group's capital management in maintaining a capital structure that minimises the cost of capital and benefits all shareholders.

Signed in accordance with a resolution of the Directors.



Dennis J. Morton
Managing Director
Sydney

13 March 2020

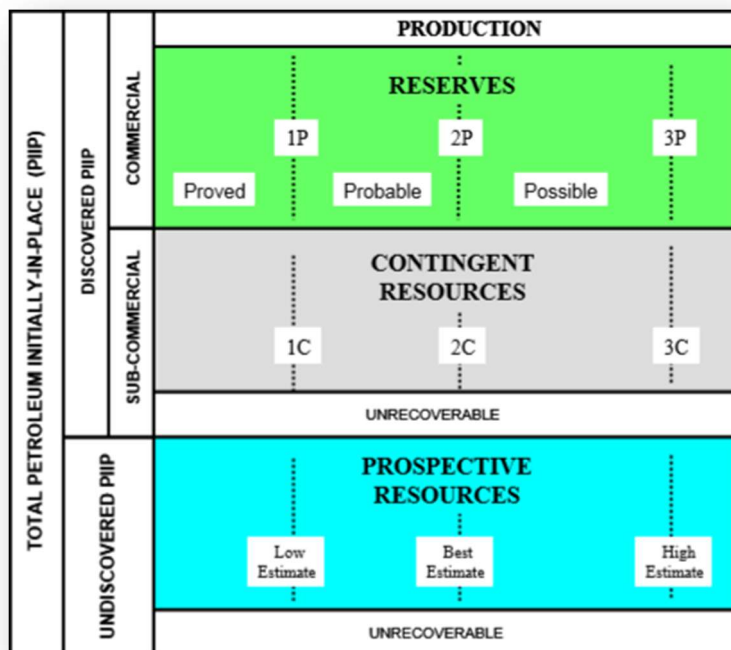
Competent Person

The information on oil and gas projects in this report has been compiled by Dennis Morton, Managing Director of Gas2Grid Limited, who graduated with First Class Honours in Geology (Macquarie University) and has over 40 years' experience in the oil and gas industry.

Forward-Looking Statement

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning planned exploration program and other statements that are not historical facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward-looking statements. Although Gas2Grid Limited believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

* The Resources assessment follows guidelines set forth by the Society of Petroleum Engineers – Petroleum Resource Management System (SPE-PRMS). The Resource estimates used in this presentation were compiled by Mr Len Diekman (Member SPE), Energetica Consulting, who is a qualified person as defined under the ASX Listing Rule 5.11 and has consented to the use of Resource figures in the form and context in which they appear in this presentation.



Graphic Summary of the SPE-PRMS classification of resources and reserves for petroleum projects.

13 March 2020

Board of Directors
Gas2Grid Limited
Suite 22, Level 5
58 Pitt Street
Sydney NSW 2000

Dear Sirs

RE: GAS2GRID LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Gas2Grid Limited.

As Audit Director for the review of the financial statements of Gas2Grid Limited for the half year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED



Martin Michalik
Director

Gas2Grid Limited
Consolidated statement of profit or loss and other comprehensive income
for the half-year ended 31 December 2019

		Half-year	
	Note	2019	2018
		\$	\$
Interest and other income	7	110	628,072
Administration expense		(149,946)	(149,260)
Auditor's remuneration		(10,005)	(11,003)
Depreciation		(7,675)	(99)
Finance costs		(575,201)	(502,563)
Foreign exchange gains		5,701	22,600
Insurance costs		(8,276)	(7,520)
Licences renewal costs		(19,116)	(87,703)
Listing and registry fees		(23,087)	(22,744)
Rental expenses		(14,124)	(22,365)
Share based payments		-	(44,400)
Loss before income tax		(798,619)	(196,984)
Income tax expense		-	-
Loss from continuing operations		(798,619)	(196,984)
Other comprehensive income		-	-
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year		(798,619)	(196,984)
Loss for the half-year attributable to the owners of Gas2Grid Limited		(798,619)	(196,984)
Total comprehensive loss for the half-year attributable to owners of Gas2Grid Limited		(798,619)	(196,984)
		Cents	Cents
Loss per share from continuing operations attributable to the ordinary equity holders of the Company:			
Basic and diluted loss per share		(0.06)	(0.02)

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

Gas2Grid Limited
Consolidated statement of financial position
as at 31 December 2019

	Note	31 DECEMBER 2019 \$	30 JUNE 2019 \$
ASSETS			
Current assets			
Cash and cash equivalents		176,859	502,418
Trade and other receivables		9,435	15,364
Other assets	8	29,113	12,104
Total current assets		<u>215,407</u>	<u>529,886</u>
Non-current assets			
Plant and equipment		695	894
Right of use assets	9	37,383	-
Other assets	8	15,600	-
Exploration and evaluation expenditure		990,579	151,138
Total non-current assets		<u>1,044,257</u>	<u>152,032</u>
Total assets		<u>1,259,664</u>	<u>681,918</u>
LIABILITIES			
Current liabilities			
Trade and other payables		177,240	55,666
Lease liabilities		22,273	-
Provisions	10	150,000	1,706
Total current liabilities		<u>349,513</u>	<u>57,372</u>
Non-current liabilities			
Trade and other payables	11	3,110,617	2,372,193
Lease liabilities		15,363	-
Borrowings	12	8,097,323	8,097,323
Total non-current liabilities		<u>11,223,303</u>	<u>10,469,516</u>
Total liabilities		<u>11,572,816</u>	<u>10,526,888</u>
Net liabilities		<u>(10,313,152)</u>	<u>(9,844,970)</u>
EQUITY			
Contributed equity	14	32,411,017	32,080,580
Reserves		319,802	319,802
Accumulated losses		(43,043,971)	(42,245,352)
Total deficit		<u>(10,313,152)</u>	<u>(9,844,970)</u>

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

Gas2Grid Limited
Consolidated statement of changes in equity
for the half-year ended 31 December 2019

	Contributed Equity	Accumulated Losses	Reserves	Total Equity
	\$	\$	\$	\$
As at 1 July 2018	32,101,943	(41,312,775)	275,402	(8,935,430)
<i>Total comprehensive loss for the half-year</i>	-	(196,984)	-	(196,984)
Transactions with owners in their capacity as owners:				
Employee Incentive Plan	-	-	44,400	44,400
As at 31 December 2018	<u>32,101,943</u>	<u>(41,509,759)</u>	<u>319,802</u>	<u>(9,088,014)</u>
As at 1 July 2019	32,080,580	(42,245,352)	319,802	(9,844,970)
<i>Total comprehensive loss for the half-year</i>	-	(798,619)	-	(798,619)
Transactions with owners in their capacity as owners:				
Contribution of equity, net of transaction costs	330,437	-	-	330,437
As at 31 December 2019	<u>32,411,017</u>	<u>(43,043,971)</u>	<u>319,802</u>	<u>(10,313,152)</u>

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

Gas2Grid Limited
Consolidated statement of cash flows
for the half-year ended 31 December 2019

	Half-year	
	2019	2018
	\$	\$
Cash flows from operating activities		
Interest received	190	801
Other revenue	-	627,271
Payments to suppliers and employees	(107,614)	(158,127)
Net cash (outflow)/inflow from operating activities	<u>(107,424)</u>	<u>469,945</u>
Cash flows from investing activities		
Payments for exploration expenditure	(530,873)	(14,117)
Purchase of plant and equipment	-	(1,192)
Net cash (outflow) from investing activities	<u>(530,873)</u>	<u>(15,309)</u>
Cash flows from financing activities		
Proceeds from issue of shares	338,546	-
Share issue costs	(8,109)	-
Payments for lease liabilities	(23,400)	-
Net cash inflow from financing activities	<u>307,037</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents	(331,260)	454,636
Cash and cash equivalents at the beginning of the half-year	502,418	222,856
Effects of exchange rate changes on cash and cash equivalents	5,701	(3,110)
Cash and cash equivalents at the end of the half-year	<u>176,859</u>	<u>674,382</u>

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

1. Nature of operations

Gas2Grid Limited and subsidiaries' (the Group) principal activities consist of oil and gas exploration in the Philippines.

2. General information and basis of preparation

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six months ended 31 December 2019 and are presented in Australian Dollar, which is the functional currency of the Parent Company (Gas2Grid Limited). These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134: *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2019 and any other public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 13 March 2020.

3. Significant accounting policies

The same accounting policies and methods of computation have been followed in this interim report as were applied in the most recent annual financial statements.

The Group has adopted all of the new and amended Accounting Standards and Interpretations that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2019. The only significant accounting standard adopted for the financial year commencing 1 July 2019 was:

- AASB 16 Leases

This standard requires the Group's leases to be accounted for on the statement of financial position as a "right of use asset" and "lease liability" upon adoption. This standard also resulted in reclassification of operating lease expense into depreciation and finance expenses, and a reclassification of certain cash flows from operating into financing activities.

It has been determined that there has been no material impact of the new and revised Accounting Standards and Interpretations on its business.

The Group has not early adopted new Accounting Standards and Interpretations that are not yet mandatory in this reporting period. No significant impact on the Group's financial performance or position is expected when they are adopted.

4. Significant event

In September 2019, the Group recommenced exploration and appraisal work in the Malolos Oil Field within SC 44 by servicing the Company owned Rig 2 and preparing the Nuevo Malolos-1 well for deepening and production test, which if successful can secure a 25 year production term.

5. Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2019.

6. Going concern – Emphasis of matter

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

At 31 December 2019 the Group had net liabilities of \$10,313,152 including \$8,097,323 in Directors' loans and \$3,110,617 in Directors' fees and accrued finance charges that fall due for repayment on 16 April 2021. The Group has made a loss of \$798,619 for the half-year ended 31 December 2019.

In January 2020, following the French Appeal Court's decision of 5 March 2019 in favour of the Company relating to the French Government's unlawful non-renewal of the St Griede permit, the Company has lodged in court a financial claim of Euros 34.35 million (approximately A\$59 million at current exchange rate) against the French Government. The Company believes it has a good chance of success based on legal advice however, the outcome of this claim and the timing for a resolution are uncertain.

Consistent with the nature of the Group's activities, its ongoing investment of funds into exploration activities will only be possible as and when sufficient funds are available to the Group. In the short term additional funds will be required for the Group to continue as a going concern and the Company plans to raise equity capital to meet that requirement.

As a result of these matters, there is a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

At the date of this report, the Directors are of the opinion that there are reasonable grounds to expect that the Group will be able to continue as a going concern. In arriving at this conclusion, the Directors considered the following:

- The expiry date of the loan facilities from related entities of Directors (D Morton, D Munns and P Sam Yue) was extended to 16 April 2021. The undrawn amount on these loans is \$603,000 at 31 December 2019 and is able to be drawn upon in the short term.
- The Directors' fees and management fees can continue to be deferred and not paid in cash by the Group.
- If required, management will negotiate to extend the maturity terms of the loan facilities and the fees payable to the Directors beyond the current maturity date on 16 April 2021.
- On 28 February 2020, the Group raised \$280,000 in equity capital with the issue of 121,739,134 fully paid ordinary shares which were pre-approved by shareholders at the Annual General Meeting held on 29 November 2019.

In the longer term, the continuing ability of the Group to continue as a going concern and to undertake exploration activities and repay Directors' loans, outstanding fees and interest is dependent upon the successful development and exploitation of SC44, or sale of part of the Group's interest in SC44 and enter into joint venture for its development and successful resolution of St Griede financial claim against the French Government. However, new equity capital may also be sought.

Gas2Grid Limited
Condensed notes to the financial statements
For the half-year ended 31 December 2019
(continued)

On that basis the Directors have prepared the financial report on a going concern basis. At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2019. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

7. Interest and other income

	2019	2018
	\$	\$
Interest	110	801
Penalties and costs settlement from French Government	-	627,271
	<u>110</u>	<u>628,072</u>

31 December	30 June
2019	2019
\$	\$

8. Other assets

Current

Prepayments	<u>29,113</u>	<u>12,104</u>
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Non-current

Prepayments	<u>15,600</u>	<u>-</u>
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9. Right of use assets

Lease	44,860	-
Less: Accumulated depreciation	<u>(7,477)</u>	<u>-</u>
	<u>37,383</u>	<u>-</u>

10. Provisions – Current

Provision for leave entitlement	-	1,706
Provision for rehabilitation	150,000	-
	<u>150,000</u>	<u>1,706</u>

A provision for future rehabilitation of well sites in Philippines has been recognised during the half-year.

11. Trade and other payables – Non-current

Directors' fees payable (including GST)	1,362,675	1,198,875
Establishment fees and interest on Directors' loans and accounts payable	1,747,942	1,173,318
	<u>3,110,617</u>	<u>2,372,193</u>

At 31 December 2019, Directors have agreed for the amounts owing to them at balance date to be settled on 16 April 2021 or earlier at the Company's option. Interest at the rate of 9% per annum is provided quarterly in arrears.

Gas2Grid Limited
Condensed notes to the financial statement
For the half-year ended 31 December 2019
(continued)

12. Non-current borrowings

	31 December 2019 \$	30 June 2019 \$
Loans from Director related entities	8,097,323	8,097,323

In December 2019, the expiry date of the loan facilities of \$8,700,000 made available by the Directors' related entities was extended from 16 October 2020 to 16 April 2021.

13. Segment information

The Group operates as an exploration company performing exploratory drilling of wells, seismic and aerogravity surveys, geological and geophysical studies in the Philippines and France. The Group manages these activities from its head office in Sydney, Australia and a branch office in Manila, Philippines.

	Revenue		Segment Results		Segment Assets		Segment Liabilities	
	2019 \$	2018 \$	2019 \$	2018 \$	31 Dec 2019 \$	30 Jun 2019 \$	31 Dec 2019 \$	30 Jun 2019 \$
Australia	110	801	(779,503)	(736,551)	253,880	491,189	11,287,768	10,500,463
France	-	627,271	(19,116)	562,405	-	-	5,271	21,154
Philippines	-	-	-	(22,838)	1,005,784	190,729	279,777	5,271
Consolidated	110	628,072	(798,619)	(196,984)	1,259,664	681,918	11,572,816	10,526,888

14. Contributed equity

	Number shares	\$
At beginning of period	1,144,409,076	32,080,580
Movement during the half-year:		
Rights issue	112,848,775	338,546
Transaction costs	-	(8,109)
At end of period	1,257,257,851	32,411,017

At balance date there were 24,550,000 shares in treasury stock available for disposal and 55,000,000 shares issued under EIP with non-recourse loans outstanding on these shares of \$412,000.

15. Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2019.

16. Exploration expenditure commitments

The expenditure commitment to maintain and renew rights to tenure in exploration licence SC 44 as at 31 December 2019 have not been provided for in the financial statements and are due:

	31 December 2019 \$	30 June 2019 \$
Within twelve months	765,000	1,383,000
Twelve months or longer and not longer than 5 years	-	68,000
	<u>765,000</u>	<u>1,451,000</u>

17. Events occurring after the reporting period

There has not arisen in the interval since 31 December 2019 and up to the date of this report, any matter that, in the opinion of the Directors, has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years other than the following:

- in January 2020, the Company lodged and registered at the Pau Tribunal in France its claim of Euros 34.35 million (approximately A\$59 million at current exchange rate) for compensation against the French Government; and
- on 28 February 2020, the Company raised \$280,000 with the placement of 121,739,134 fully paid ordinary shares which were approved by shareholders at the Annual General Meeting held on 29 November 2019.

Gas2Grid Limited
Directors Declaration
For the half-year ended 31 December 2019

In the Directors' opinion:

- (a) the interim financial statements and notes set out on pages 11 to 19 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134: Interim Financial Reporting;
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Gas2Grid Limited will be able to pay its debts as and when they become due and payable.

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



Dennis J. Morton
Director

Sydney
Date: 13 March 2020

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
GAS2GRID LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Gas2Grid Limited, which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Gas2Grid Limited (the consolidated entity). The consolidated entity comprises both Gas2Grid Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Gas2Grid Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Gas2Grid Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Gas2Grid Limited on 13 March 2020.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Gas2Grid Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material Uncertainty Regarding Going Concern and Carrying Value of Exploration and Evaluation expenditure

We draw attention to Note 6 of the financial report, which describes the effects on the preparation of the financial statements on a going concern basis.

As at 31 December 2019, Gas2Grid Limited had a working capital deficiency of \$134,106, net liabilities of \$10,313,152 and had incurred a loss for the half year of \$798,619. The ability of Gas2Grid Limited to continue as a going concern is subject to the company being able to draw down and/or extend loan facilities, defer directors' and management fees and/or a successfully recapitalise Gas2Grid Limited by raising new capital.

The consolidated entity is carrying capitalised exploration expenditure totalling \$990,579 in relation to the service contract SC44 in the Philippines. If sufficient capital is not raised, there is a risk that the current exploration program for SC44 will not be completed in accordance with the conditions of the license and the asset will need to be impaired.

In the event that the Board is not successful in raising further funds, Gas2Grid Limited may not be able to pay its debts as and when they become due and may be required to realise its assets and discharge its liabilities other than in the normal course of business, and at amounts different to those stated in the financial report.

Our conclusion is not modified in respect of these matters.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd

Martin Michalik

Martin Michalik
Director

West Perth, Western Australia
13 March 2020