GAS2GRID LIMITED
Annual report

ABN 46 112 138 780

for the year ended 30 June 2006

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Annual report – 30 June 2006

Contents

Directors	David A. Munns, Chairman David W. King Hildegunde M. Royle (resigned July 2006) Michael H. Stirzaker (resigned July 2006) Eric D. Espiritu (appointed July 2006)
Secretary	Steven J. Danielson
Notice of annual general meeting	The annual general meeting of Gas2Grid Limited **will be held at** Mitchell & Partners, Level 7, 10 Barrack Street, Sydney **time** 11am **date** Tuesday 28 November 2006
Principal registered office in Australia	C/- Mitchell & Partners Level 7 10 Barrack Street SYDNEY NSW 2000 AUSTRALIA Telephone: (02) 9392 8686
Share register	Gould Ralph Pty Limited Level 42, AAP Centre 259 George Street SYDNEY NSW 2000 AUSTRALIA Telephone: (02) 9032 3000
Auditor	PricewaterhouseCoopers Darling Park Tower 2 201 Sussex Street SYDNEY NSW 1171 AUSTRALIA
Stock exchange listing	Gas2Grid Limited shares are listed on the Australian Stock Exchange under the code GGX.
Website address	**www.gas2grid.com**

The company is limited by shares, incorporated and domiciled in Australia.

CHAIRMAN'S ADDRESS

Dear Shareholder

I am pleased to present you with the 2006 Annual Report for Gas2Grid Limited.

The past year – the first full year of operations since the listing of the Company on the Australian Stock Exchange in May 2005 – has seen the Company complete its commitment to drill its first well in the SC44 licence on Cebu, Republic of the Philippines.

The drilling of the essentially trouble free well at Nuevo Malolos-1 is in itself a notable achievement, taking into account the remote location, the lack of drilling infrastructure, and the difficult geological section penetrated in the well. These factors contributed to the cost of the drilling campaign exceeding our pre-drill estimate, but within the normal tolerances experienced in our industry. Significantly, a large proportion of the Company's total expenditures for the year have been spent "in the ground".

Nuevo Malolos-1 penetrated thicker than anticipated good quality sandstone reservoirs with good to excellent hydrocarbon "shows" recoded on the mud log. Although the limited testing at the well did not achieve the commercial flow rates hoped for, it is however notable that oil and gas were recovered from the well. Post-drilling analysis has identified severe formation damage in the well, and the presence of mineral assemblages that frustrate the normally routine task of formation evaluation. The on-going analysis leaves open the possibility that with appropriate treatment the well may yet be capable of producing hydrocarbons.

We are encouraged that the results from work to date have confirmed that all the principal ingredients for commercial accumulations of hydrocarbons are present within SC44. Our challenge ahead of us is to design, fund, and implement additional testing at Nuevo Malolos-1; and/or to use the considerable information and experience gained from the drilling to drill test some of the numerous other prospects within the licence area using optimal drilling and evaluation technologies and practices.

Although our commitment to exploration and development in the Philippines remains undiminished, as previously foreshadowed we have started the process of diversifying our portfolio by applying for an exploration licence close to significant production in the Aquitaine Basin in France. We look forward to successful determination of that application during the months ahead.

We will continue to evaluate other new opportunities for participation in exploration/appraisal projects throughout Asia and worldwide which are consistent with the skill base and experience available to the Company. To this end, with the resignation of two of our founding directors after the completion of the first drilling campaign in Cebu, we have chosen a replacement director with wide international well-site and formation evaluation experience. The strategic focus of the re-constituted board remains unchanged.

On behalf of the Board, I thank our shareholders for their support of the Company throughout the year.

David Munns
Chairman

REVIEW OF OPERATIONS
SC 44, Cebu, Philippines

The principal activity during the year was the preparation for, and subsequent drilling and testing of the Malolos anticline, in Service Contract ("SC") 44, Cebu, Philippines. The original Malolos-1 well was drilled in 1961 and recovered gas and/or oil from drillstem tests of a number of sand packages from 367 metres down to 2,233 metres.

The planning for the drilling campaign presented significant challenges because of the limited access and severe topography of the area of operations, together with the relative scarcity of drilling infrastructure and oilfield services within the Philippines. After several months of careful planning, and with the close co-operation of the local residents, a drill pad was re-constituted around the original Malolos-1 well site, and equipment, services and personnel mobilized to site early in December 2005.

With the prospect of a requirement to test multiple zones on the Malolos anticline, it was decided to attempt a re-entry of the original Malolos-1 well, prior to drilling a new well, to determine the utility of the well, if any, for retesting of some known gas bearing zones through casing. The well was successfully re-entered on December 10th, with casing in surprisingly good condition for a well drilled 45 years earlier. The 24 metre interval between 821 and 845 metres, interpreted to correspond to a test interval which recovered gas in the original well, was reperforated, and on test the zone flowed gas for a few minutes at a rate too small to measure. It was not possible to test any deeper zones in the well because an additional zone of perforations not reported in the original well made this unsafe.

After skidding the drilling rig 15 metres, a new well, Nuevo Malolos-1, was spudded on December 27th, 2005. Difficult drilling conditions were encountered in the new well, as with the original well, most probably arising from the intersection of unstable shale sequences and fault/fracture systems under tectonic stress.

One 9.2 metre core was cut in the target Maingit Clastics target zone from a depth of 838 metres, and a subsequent off-bottom open-hole drillstem test exhibited a pressure build up to almost 1000 psi, suggestive of a gas influx, before the tool plugged and the test was prematurely terminated.

In drilling to total depth, as expected a number of additional discrete sand packages were intersected, all with good hydrocarbon shows. The oil and gas shows were encountered over a gross interval of 1,213 metres from a depth of 732 metres to total depth of 1,945 metres, with net sandstone reservoir estimated at up to 233 metres. However, the difficult drilling conditions prevented the implementation of a comprehensive test program on the sandstone packages penetrated in the well.

Total depth of 1,945 metres was reached on January 30th after drilling through the target Toledo Formation sandstones with good oil shows. The hole was cased and cemented without an open hole drillstem test of these sandstones because of hole stability problems. The cement was left intentionally lower than the Maingit zone to facilitate future re-testing. A cased hole test of the Toledo sandstone was undertaken with a weak blow reported, and no flow to surface with a small volume of oil with gas recovered with drilling mud (and no formation water) when the test string was reverse circulated.

The well was plugged back and the Maingit zone perforated and completed (but not tested) before suspending the well and releasing the rig on February 1st 2006.

In overview, the drilling and testing operations were essentially trouble free but slowed by the measures required to preserve the hole integrity in difficult geological conditions, resulting in some cost overrun to the pre-drill well cost estimate. Taking into account that some of the additional costs were to enable the well to be suspended for future re-entry and testing, the total costs were not excessive for an operation of this technical and logistic complexity.

REVIEW OF OPERATIONS (continued)

The geological conditions (shaley sands) encountered in the drilling complicates the interpretation of the significance of the numerous hydrocarbon shows in the well, and the electric log data recorded. These data, together with the recoveries of gas (open hole test) and oil (cased hole test), and direct measurements of residual live oil from the recovered Maingit core, are consistent with the presence of some level of hydrocarbon saturation in the sand sequences intersected in the well. Moreover the measurement of porosities averaging 23% and permeabilities mostly in the range 50 to 300 mD (and reaching 577 mD) in the Maingit core supports the presence of quartz rich reservoir quality sands in the well.

With regard to the failed drillstem test in the cored Maingit interval, interpretation of recorded pressure data suggests that the formation was damaged during drilling and coring or as a result of the pressure drawdown in the test itself. Based on observed damage in the recovered core, it is likely that the main damaging mechanism was mechanical alteration of the grain structure ("textural reorganization") due to the unconsolidated, friable nature of the sandstones. By extrapolation, it is likely that the cased hole test of the deeper Toledo sands was also adversely affected by formation damage. In view of the fact that a small amount of oil and drilling mud, with no water, was recovered in the test, there is some prospect that with appropriate treatment it may be possible to improve the oil recovery rate. The merits of re-testing this zone using procedures to mitigate the formation damage remain under investigation.

In an attempt to obtain more definitive formation fluid data for the Maingit zone in both Malolos-1 and Nuevo Malolos-1 wells, a swabbing unit was mobilized to the wellsite in May 2006. Swabbing operations over several days recovered water from both wells – with the flow rate from Malolos-1 much greater than at Nuevo Malolos-1. In both cases, the swab recovery started as fresh water, becoming slightly more saline by the end of swabbing. The extremely low Nuevo Malolos-1 fluid influx during swabbing, from a zone with known high permeabilities, is strong evidence of severe formation damage in the test interval. It will be necessary to undertake more extended swabbing tests, until stable water chemistry is established, to determine definitive formation fluid data.

With the demonstration from the Nuevo Malolos-1 drilling of the development of quartz rich reservoir quality sandstones over significant depth intervals, and a proven hydrocarbon system, a large area of SC44, as well as the Malolos anticline itself, remains prospective for commercial hydrocarbon accumulations. It is certainly the case that the totality of drilling and geological data derived from the well will bear importantly on the drilling and testing procedures adopted in any future drilling, and significantly improve the prospects for commercial discoveries in the area. The Company is also developing cooperative relationships with the Operators of adjacent Service Contract areas in the Visayas Basin so as to be able to bring to bear the benefits of the collective experiences to all future operations.

New Ventures

During the year, the Company evaluated a number of new project opportunities in the Philippines and elsewhere. Based on criteria of prospectivity, operating environment, fiscal terms, and political risk, the Aquitaine Basin area of Southwest France was selected for detailed review. Following this review, together with joint venture partner Gippsland Offshore Petroleum Limited, in March 2006 a comprehensive application was lodged with the French Government for a vacant area "St Griede" to the north east of the regional centre of Pau. The application remains in process at national and regional government levels in France, with an outcome not anticipated until early in 2007.

The Aquitaine Basin is a proven hydrocarbon basin with a long history of discovery and production. Over 13 TCF of gas and 450 mmbbls of liquid hydrocarbons have been discovered in the basin, but there has been a hiatus in exploration since the 1980's – particularly on the basin margins. Markets and infrastructure well developed, and the commercialization of even small discoveries is unlikely to be problematic.

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Gas2Grid Limited and the entity it controlled at the end of, or during the year ended 30 June 2006.

Directors
The following persons were directors of Gas2Grid Limited during the whole of the financial year and up to the date of this report:

D A Munns
D W King

E D Espiritu was appointed a director on 13 July 2006 and continues in office at the date of this report.

H M Royle was a director from the beginning of the financial year until her resignation on 13 July 2006.

M H Stirzaker was a director from the beginning of the financial year until his resignation on 13 July 2006.

Principal activities
During the year the principal continuing activities of the company consisted of:
(a) oil and gas exploration in the Philippines

Dividends – Gas2Grid Limited
The directors report that during the year ended 30 June 2006 no dividends were declared or paid.

Review of operations
A detailed review of the operations for the financial year is set out on pages 4 to 5. In December 2005 and January 2006, the Economic Entity undertook drilling operations on the Malolos anticline in SC44, Cebu, Philippines. The results of the drilling operations remain under review at the date of this report; notably, some hydrocarbons were recovered during the operations at Malolos, and the significance of these recoveries is the subject of on-going investigations. Likely developments for the subsequent financial year will involve continuation of exploration in SC44, Philippines, and the pursuit of an application for exploration licence rights in an area of the Aquitaine Basin, France. Except as described elsewhere in this Annual Report the likely results of the on-going activities are unknown at the date of this report.

Significant changes in the state of affairs
In the opinion of the directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review, not otherwise disclosed in this report or the group financial statements.

Matters subsequent to the end of the financial year
There were changes to the Group's officeholders subsequent to the end of the financial year. These included the resignations of H M Royle and M H Stirzaker as directors and the appointment of E D Espiritu as a director.

Except for the change in officeholders discussed above, no other matter or circumstance has arisen since 30 June 2006 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
In relation to the company's gas exploration activities, no indication as to likely developments in the future can be given. The Group proposes to continue its gas exploration programmes and investment activities.

Environmental regulation
The consolidated entity is required to carry out its activities in accordance with regulations determined by both the Philippines National and regional entities in the areas in which it undertakes its exploration, development and production activities. The consolidated entity is not aware of any matter which requires disclosure with respect to any significant environmental regulation in respect of its operating activities.

Information on directors
D A Munns Bachelor in Mechanical Engineering (Peterborough Technical College, United Kingdom). Chairman – non-executive.
Experience and expertise
David Munns has wide experience in drilling and engineering operations in South East Asia and particularly in the Philippines. He is the Chairman of Desco, Philippines – a drilling and engineering firm operating in the field of conventional and geothermal drilling.

Other public company directorships
None.

Former directorships in the last 3 years
None.

Special responsibilities
Chairman of the Board.

Interest in shares and options
6,711,800 ordinary shares in Gas2Grid Limited.
500,000 options in Gas2Grid Limited.

Information on directors (continued)

D W King PhD. Seismology, (Australian National University), MSc. Geophysics (Imperial College, London). Executive director.
Experience and expertise
David King held senior executive positions with Offshore Oil NL and Hartogen Energy before an appointment in 1988 as Managing Director of North Flinders Mines Ltd. In 1991, he joined Beach Petroleum/Claremont Petroleum as Director and Chief Executive Officer, a position he held until 1995. He is currently a Director of Eastern Star Gas Limited, Sapex Limited and Baron Partners Limited.

Other public company directorships
Eastern Star Gas Limited and Sapex Limited.

Former directorships in last 3 years
None.

Special responsibilities
Executive director (from March 2006).

Interest in shares and options
3,223,400 ordinary shares in Gas2Grid Limited
300,000 options in Gas2Grid Limited

H M Royle Diplom Geology (University of Cologne, Germany). Managing Director (to March 2006; resigned July 2006).
Experience and expertise
Gundi Royle is a geologist and banking specialist who has held senior positions with Deutsche Bank and Morgan Stanley.

Other public company directorships
None.

Former directorships in last 3 years
None.

Special responsibilities
Managing director (to March 2006).

Interest in shares and options
3,355,800 ordinary shares in Gas2Grid Limited
1,000,000 options in Gas2Grid Limited

M H Stirzaker CA (Australia), B. Com (University of Cape Town). Non-executive director.
Experience and expertise
Michael Stirzaker is a qualified Chartered Accountant with a wide experience in a broad range of corporate finance activity, including mergers and acquisitions, divestments and investments in the natural resource sector.

Other public company directorships
RFC Group Limited and related companies.

Information on directors (continued)

Former directorships in last 3 years
None.

Special responsibilities
None.

Interest in shares and options
472,000 ordinary shares in Gas2Grid Limited
300,000 options in Gas2Grid Limited

E D Espiritu Bachelor of Geology (University of Philippines). Non-executive director.
Experience and expertise
Eric Espiritu worked as a field and wellsite geologist for the Philippines National Oil Company PNOC before joining Exlog as a formation evaluation specialist for clients in Asia-Pacific. He formed his own wellsite consultancy group and has worked on exploration and development wells onshore and offshore Australia, China, Japan and South East Asia. His most recent projects included an assignment with Esso Angola in a deepwater turbidite reservoir exploration and development drilling program. He currently practices as a consulting geologist with a client base of major and junior oil and gas companies and is a member of AAPG, PESA and SPE.

Other public company directorships
White Sands Petroleum Limited.

Former directorships in last 3 years
None.

Special responsibilities
None.

Interest in shares and options
147,769 ordinary shares in Gas2Grid Limited

Company secretary
The company secretary is Mr S J Danielson FCA, BBus. Mr Danielson was appointed to the position of company secretary in 2004. He is also the secretary of several other natural resource exploration companies listed on the Australian Stock Exchange.

Meetings of directors
The following table sets out the number of meetings of the company's directors held during the year ended 30 June 2006, and the number of meetings attended by each director:-

	Full meetings of directors
Number of meetings held:	**11**
Number of meetings attended by:	
D A Munns	**9**
D W King	**9**
H M Royle	**11**
M H Stirzaker	**11**

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 under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures.* These disclosures have been transferred from the financial report and have been audited. The disclosures in Section E are additional disclosures required by the *Corporations Act 2001* and the *Corporations Regulations 2001* which have not been audited.

A Principles used to determine the nature and amount of remuneration (audited)

The objective of the Group's and Parent's executive reward framework is to ensure that reward for performance is competitive and appropriate. No element of remuneration is determined in relation to the financial performance of the company. As there is no link to financial performance there is no further discussion of the matters required by section 300A and Part 2M of the *Corporations Act 2001.* These sections require discussion over the current year and previous 4 years of the link between rewards and :

- earnings
- dividends
- share price movements

During the year ended 30 June 2006, the company did not have a separate remuneration committee. Instead, the duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the entire Board.

The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency
- capital management

Directors' fees

The current base remuneration was last reviewed with effect from 1 July 2005.

Remuneration report (continued)

B Details of remuneration (audited)

Amounts of remuneration
Details of the remuneration paid or payable to the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures)* of Gas2Grid Limited and the Gas2Grid Limited Group are set out in the following tables.

The key management personnel of Gas2Grid Limited and the Group are the directors as per pages 7 – 9 above.

2006	**Short-term benefits**	**Post-employment benefits**	**Share-based payment**		
Name	**Directors' Base Fee** $	**Super-annuation** $	**Options** $	**Total** $	**Remune-ration consis-ting of options** %
Executive directors of Gas2Grid Limited and the Group					
H M Royle	27,522	2,478	-	30,000	-
D W King	22,936	2,064	-	25,000	-
Non-executive directors of Gas2Grid Limited and the Group					
D A Munns, non-executive Chairman	32,110	2,890	-	35,000	-
M H Stirzaker	22,936	2,064	-	25,000	-
E D Espiritu	-	-	-	-	-
Total	105,504	9,496	-	115,000	-

Remuneration report (continued)

B Details of remuneration (audited)

2005	**Short-term benefits**	**Post-employment benefits**	**Share-based payment**		
Name	**Directors' Base Fee** $	**Super-annuation** $	**Options** $	**Total** $	**Remune-ration consis-ting of options** %
Executive directors of Gas2Grid Limited and the Group					
H M Royle	13,761	1,239	40,000	55,000	73
D W King	11,468	1,032	12,000	24,500	49
Non-executive directors of Gas2Grid Limited and the Group					
D A Munns, non-executive Chairman	16,055	1,445	20,000	37,500	53
M H Stirzaker	11,468	1,032	12,000	24,500	49
Total	52,752	4,748	84,000	141,500	-

No other officers or directors receive any emoluments from the company.

Directors fees are not currently paid out as cash. Those fees continue to accrue until such time when the company is able to pay them.

C Service agreements (audited)

As at the date of this report, there were no service agreements with the directors.

D Share-based compensation (audited)

Options
Options over unissued ordinary shares of Gas2Grid Limited were granted under an Option Deed in February 2005 and pursuant to the prospectus lodged with the Australian Securities and Investments Commission on 4th March 2005 by the company. The options vested upon grant.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:-

Date options granted	**Expiry Date**	**Exercise Price**	**Value per option at grant date**	**Date exercisable**
February 2005	15 March 2009	$0.30	$0.04	Immediately

Options granted under the plan carry no dividend or voting rights.
When exercisable, each option is convertible into one ordinary share.
Options are granted under the plan for no consideration.

Remuneration report (continued)
D Share-based compensation (audited)

Details of options over ordinary shares in the company provided as remuneration to each director of Gas2Grid Limited are set out below.

Directors	Number of options granted during the year		Number of options vested during the year	
	2006	2005	**2006**	2005
D A Munns, non-executive Chairman	**None**	500,000	**None**	None
D W King	**None**	300,000	**None**	None
H M Royle	**None**	1,000,000	**None**	None
M H Stirzaker	**None**	300,000	**None**	None

The amounts disclosed for emoluments relating to options above are the assessed fair values at grant date, which is also the vesting date, of options granted to executive directors and other executives. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2005 included:

a. options are granted for no consideration and are immediately exercisable
b. exercise price: $0.30
c. grant date: February 2005
d. expiry date: 15 March 2009
e. share price at grant date: $0.24
f. expected price volatility of the company's shares: 45%
g. expected dividend yield: 0%
h. risk-free interest rate: 5%

E Additional information - unaudited

None.

Other transactions of directors and director-related entities

During the year consultancy fees of $151,712, for services rendered by H M Royle and another director of Aquamex Ltd., were paid to Aquamex Ltd., a company controlled by H M Royle.

During the year, fees of $1,110,438, for drilling services and materials, were paid to Desco and TD International, firms associated with D A Munns.

During the year, office rental of $14,817 was paid to RFC Group Limited, a company of which M H Stirzaker is a director.

Loans to directors

There are no outstanding loans to directors and no loans have been issued during the period.

Shares under option

Unissued ordinary shares of Gas2Grid Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Exercise price of shares	Number under option
February 2005	15 March 2009	$0.30	2,600,000

These options vested upon grant. No options have been issued since 30 June 2005.

Insurance of officers

During the financial year, the company paid a premium of $28,732 to insure the directors of the company and the consolidated entity.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit services provided during the year are set out in note 20 in the financial statements.

There has been no provision of non-audit services by the auditor during the year.

Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 16.

Auditor
PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001.*

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

D W King
Director

Sydney
29 September 2006

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of Gas2Grid Ltd for the year ended 30 June 2006, 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 Gas2Grid Limited and the entity it controlled during the year.

Peter Buchholz
Partner
PricewaterhouseCoopers

Sydney
29 September 2006

Liability limited by a scheme approved under Professional Standards Legislation

Corporate Governance Statement

The Board of Directors of Gas2Grid Limited is committed to attaining and implementing the highest standards of corporate governance. The board has reviewed the company's corporate governance practices in relation to the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council. The Board supports the intent of the best practice recommendations and recognises that given the limited size and scope of the company it is not practical to institute all of the best practice recommendations at present.

A description of the company's main corporate governance practices is set out hereunder. Unless stated otherwise, all of the following practices were in place for the entire year.

The Board of Directors

The Board of Directors are responsible to the shareholders for the performance of the company and the implementation of corporate governance policies. The Board operates in accordance with the following principles:-

- The Board should comprise between 3 and 10 directors, with a mix of executive and non-executive directors;
- The Board should comprise directors with a range of skills and experience that are appropriate and assist the directors in performing their duties within the scope of the company's operations.

Directors are initially appointed by the full Board and are subject to re-election at the annual general meeting by shareholders at three-yearly intervals, or at the next annual general meeting after their initial appointment.

The Chairman of the Board is a non-executive director who is elected by the full Board.

Corporate governance best practice recommendations 2.1, 2.2, 2.3 which requires the majority of the Board to be independent directors, the Chairman to be an independent director and the roles of Chairman and Chief Executive Officer to be exercised by different individuals have not been adopted by the company. The Board is of the opinion that the company is best served by its current board composition of executive and non-executive directors and a Chairman who is a non-executive director. At present, the Board also has an independent director, Mr E.D. Espiritu.

The company considers corporate governance best practice recommendation 1.1 which requires formalisation and disclosure of the functions reserved to the Board and those delegated to management inappropriate given the size of the company's operations, the number of directors constituting the Board and the fact that the company has no employees. Accordingly, the Board is responsible for the functions typically delegated to management in addition to its usual Board functions.

Independent Professional Advice

Directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the company's expense. Prior approval of the Chairman is required, which will not be unreasonably withheld.

Performance Assessment
The Board undertakes annual self assessment of its collective performance and the performance of the Chairman.

The Chairman undertakes an annual assessment of the performance of individual directors. The Directors' performance is measured against specific performance goals as set out by the Board annually.

Nomination and Remuneration of Directors and Audit Committees
Corporate governance best practice recommendations 2.4, 4.2 and 9.2 require listed entities to establish a nomination committee, an audit committee and a remuneration committee respectively. During the year ended 30 June 2006, the company did not have a separate nomination, audit or remuneration committee. However, the duties and responsibilities typically delegated to such committees are considered to be the responsibility of the full Board.

Due to the relatively small size of the company's operations and the number of directors constituting the Board, the Board of Directors unanimously believe that the company's policies relating to the nomination and remuneration of directors and the review of external audit arrangements are best catered for by the involvement of the entire Board. The main procedures that the company has in place regarding the nomination and remuneration of directors and reviewing the adequacy of existing external audit arrangements are set out below.

Nomination of Directors
Any Board member may make recommendations on Board composition and appointments, however appointments are subject to the final approval of the full Board.

Remuneration of Directors
The amount of remuneration payable to directors is determined and reviewed by the full Board. Further information on directors' remuneration is set out in the Directors' Report at pages 10 - 13.

Review of External Audit Arrangements
The assessment of the scope and quality of the company's audit is carried out by the full Board. Assessment procedures include:-

- Reviewing external audit reports to ensure that any significant deficiencies or breakdowns in controls or procedures have been identified and remedied;
- Liaising with the auditors and ensuring that the annual statutory audit and half-year review are conducted in an effective manner;
- Reviewing internal controls; and
- Monitoring compliance with statutory responsibilities.

Ethical Standards
The Board expects all directors to perform their duties in a manner which is ethical, honest and objective and at all times endeavour to maintain and improve the performance and reputation of the company. A code of conduct, as purported in best practice recommendation 3.1 and 10.1, has not been formally established as the Chairman consistently and continuously ensures that all members of the Board have a clear understanding of their duties, responsibilities and their accountability to the company and its shareholders for their conduct.

The purchase and sale of company securities by Directors is permitted. However, buying or selling of the company's shares is not allowed at any time by any person who possesses unpublished information which may affect the price of the company's shares.

Communication with Shareholders and Continuous Disclosure

The company aims to provide relevant and timely information to its shareholders and the broader investment community in accordance with its continuous disclosure obligations under the ASX Listing Rules.

The Board has established policies and procedures to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior management level for that compliance. However, the Board believes that the formalisation of these policies and procedures in a written form as recommended in best practice recommendation 5.1 is not necessary as the Board is satisfied that all Board members are acutely aware of the importance of making timely and balanced disclosure.

Dr D.W. King, director and Mr. S.J. Danielson, company secretary, have been nominated as the persons responsible for communications with the Australian Stock Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Risk Assessment and Management

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems.

The assessment of identified and potential significant business risk is monitored by the executive directors. The executive directors are responsible for the development and implementation of appropriate risk management strategies in order to mitigate such risk.

The Chairman has declared, in writing to the Board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the company.

GAS2GRID Limited ABN 46 112 138 780
Annual financial report – 30 June 2006

Contents

This financial report covers both Gas2Grid Limited as an individual entity and the consolidated entity consisting of Gas2Grid Limited and its subsidiary. The financial report is presented in the Australian currency.

Gas2Grid Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office is:

c/- Mitchell & Partners
Level 7, 10 Barrack Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on page 6, which is not part of this financial report.

The financial report was authorised for issue by the directors on 29 September 2006. The company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial reports and other information are available on our website: www.gas2grid.com

		Consolidated		Parent entity	
		2006	2005	**2006**	2005
	Notes	**$**	$	**$**	$
Revenue from continuing operations	4	**103,833**	42,963	**103,833**	42,963
Other income	5	**89,797**	2,397	**51,965**	6,178
Administration expense		**(110,341)**	(52,522)	**(106,970)**	(41,347)
Auditor's remuneration	20	**(40,519)**	(24,448)	**(33,047)**	(10,000)
Employee benefits expense		**(100,757)**	(141,500)	**(100,757)**	(141,500)
Depreciation and amortisation expense	6	**(6,599)**	-	**(6,599)**	-
Insurance costs		**(7,247)**	(25,000)	**(7,247)**	(25,000)
Rental expenses		**(15,255)**	(2,000)	**(15,255)**	(2,000)
Travelling expenses		**(10,673)**	(22,161)	**(9,432)**	(22,140)
Other expenses		**(25,336)**	(6,911)	**(19,411)**	(6,972)
Loss before income tax		**(123,097)**	(229,182)	**(142,920)**	(199,818)
Income tax expense	7	**(1,734,616)**	-	**-**	-
Loss from continuing operations		**(1,857,713)**	(229,182)	**(142,920)**	(199,818)
Loss for the year		**(1,857,713)**	(229,182)	**(142,920)**	(199,818)
Loss attributable to members of Gas2Grid Limited		**(1,857,713)**	(229,182)	**(142,920)**	(199,818)
		Cents	Cents		
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company:					
Basic earnings per share	26	**(0.03)**	(0.67)		
Diluted earnings per share	26	**(0.03)**	(0.67)		
		Cents	Cents		
Earnings per share for loss attributable to the ordinary equity holders of the company:					
Basic earnings per share	26	**(0.03)**	(0.67)		
Diluted earnings per share	26	**(0.03)**	(0.67)		

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

	Notes	Consolidated 2006 $	Consolidated 2005 $	Parent entity 2006 $	Parent entity 2005 $
ASSETS					
Current assets					
Cash and cash equivalents	8	**795,442**	5,084,379	**784,101**	4,731,941
Trade and other receivables	9	**44,894**	39,495	**29,696**	32,850
Other financial assets at fair value	10	**2,531**	-	**2,531**	-
Total current assets		**842,867**	5,123,874	**816,328**	4,764,791
Non-current assets					
Receivables	11	**-**	-	**5,340,622**	979,052
Other financial assets	12	**-**	-	**3,789,714**	3,789,714
Plant and equipment	13	**11,264**	-	**11,264**	-
Exploration expenditure and rights	14	**5,782,054**	616,154	**24,371**	-
Total non-current assets		**5,793,318**	616,154	**9,165,971**	4,768,766
Total assets		**6,636,185**	5,740,028	**9,982,299**	9,533,557
LIABILITIES					
Current liabilities					
Trade and other payables	15	**633,230**	224,368	**202,492**	200,630
Total current liabilities		**633,230**	224,368	**202,492**	200,630
Non-current liabilities					
Deferred tax liabilities	16	**1,734,616**	-	**-**	-
Total non-current liabilities		**1,734,616**	-	**-**	-
Total liabilities		**2,367,846**	224,638	**202,492**	200,630
Net assets		**4,268,339**	5,515,660	**9,779,807**	9,332,927
EQUITY					
Contributed equity	17	**6,250,642**	5,660,842	**10,038,545**	9,448,745
Reserves	18(a)	**104,592**	84,000	**84,000**	84,000
Retained profits	18(b)	**(2,086,895)**	(229,182)	**(342,738)**	(199,818)
Total equity		**4,268,339**	5,515,660	**9,779,807**	9,332,927

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

		Consolidated		Parent entity	
		2006	2005	**2006**	2005
	Notes	**$**	$	**$**	$
Total equity at the beginning of the financial year	29	**5,515,660**	-	**9,332,927**	-
Exchange differences on translation of foreign operations	18(a)	**20,592**	-	-	-
Net income recognised directly in equity		**20,592**	-	-	-
Loss for the year		**(1,857,713)**	(229,182)	**(142,920)**	(199,818)
Total recognised income and expense for the year		**(1,837,121)**	(229,182)	**(142,920)**	(199,818)
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs	17	**589,800**	5,660,842	**589,800**	9,448,745
Share-based payments	18(a)	**-**	84,000	**-**	84,000
		589,800	5,744,842	**589,800**	9,532,745
Total equity at the end of the financial year		**4,268,339**	5,515,660	**9,779,807**	9,332,927
Total recognised income and expense for the year is attributable to:					
Members of Gas2Grid Limited		**(1,837,121)**	(229,182)	**(142,920)**	(199,818)
		(1,837,121)	(229,182)	**(142,920)**	(199,818)

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

	Notes	Consolidated 2006 $	Consolidated 2005 $	Parent entity 2006 $	Parent entity 2005 $
Cash flows from operating activities					
Interest received		**103,833**	39,654	**103,833**	39,654
Receipts from customers (inclusive of goods and services tax)		**11,591**	-	**-**	-
Payments to suppliers and employees (inclusive of goods and services tax)		**(142,168)**	(18,738)	**(142,168)**	(9,650)
Net cash (outflow) inflow from operating activities	25	**(26,744)**	20,916	**(38,335)**	30,004
Cash flows from investing activities					
Exploration expenditure		**(4,673,045)**	(168,272)	**(24,371)**	-
Payments for plant and equipment		**(17,863)**	-	**(17,863)**	-
Payments for other financial assets		**(2,531)**	-	**(2,531)**	-
Loans to related parties	22(d)	**-**	-	**(4,361,570)**	-
Repayment of loans by related parties		**-**	-	**-**	238,830
Net cash (outflow) inflow from investing activities		**(4,693,439)**	(168,272)	**(4,406,335)**	238,830
Cash flows from financing activities					
Proceeds from issues of shares	17(b)	**500,000**	4,459,937	**500,000**	4,459,937
Loans received from related parties		**-**	3,170	**-**	3,170
Repayment of borrowings		**(3,170)**	-	**(3,170)**	-
Net cash inflow (outflow) from financing activities		**496,830**	4,463,107	**496,830**	4,463,107
Net increase (decrease) in cash and cash equivalents		**(4,223,353)**	4,315,751	**(3,947,840)**	4,731,941
Cash and cash equivalents at the beginning of the financial year		**5,084,379**	755,814	**4,731,941**	-
Effects of exchange rate changes on cash and cash equivalents		**(65,584)**	12,814	**-**	-
Cash and cash equivalents at end of year	8	**795,442**	5,084,379	**784,101**	4,731,941

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

Contents of the notes to the financial statements

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the 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 Gas2Grid Limited as an individual entity and the consolidated entity consisting of Gas2Grid Limited and its subsidiary.

(a) Basis of preparation

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

AASB 3 *Business Combinations* deals with the bringing together of separate entities or businesses into one reporting entity. When a new entity (legal entity) is formed to effect a business combination, an entity that existed before the combination must be identified as the acquirer. Gas2Grid have formed the opinion that Gas2Grid Pte Limited is the acquiring entity in the business combination. As Gas2Grid Pte Limited has been identified as the accounting acquirer of the legal parent, this transaction will be accounted for as a reverse acquisition in accordance with AASB 3. In accordance with AASB 3 the consolidated accounts of Gas2Grid Group under the reverse acquisition are the continuing accounts of Gas2Grid Pte Limited, as accounting acquirer of the legal parent.

Compliance with IFRSs
Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the consolidated financial statements and notes of Gas2Grid AIFRSs comply with International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with IFRSs except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Presentation and Disclosure.*

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards
These annual financial statements are the first Gas2Grid Limited annual financial statements to be prepared in accordance with AIFRSs. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Gas2Grid Limited for the period ended 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Gas2Grid Limited 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the group's equity and its net income are given in note 29.

Early adoption of standards
The company has elected to apply the following standards to the annual reporting period beginning 1July 2005:

- AASB 119 *Employee Benefits* (issued in December 2004)

This includes applying the standard to the comparatives in accordance with AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards.*

1 Summary of significant accounting policies (continued)

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

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 are disclosed in note 3.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Gas2Grid Limited ("company" or "parent entity") as at 30 June 2006 and the results of its subsidiary for the year then ended. Gas2Grid Limited and its subsidiary together are referred to in this financial report as the Group or the consolidated entity.

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(v)).

Intercompany 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 have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Gas2Grid Limited.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Gas2Grid Limited's functional and presentation currency.

1 Summary of significant accounting policies (continued)

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) Revenue recognition

Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer.

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

1 Summary of significant accounting policies (continued)

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities 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 tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

(g) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

1 Summary of significant accounting policies (continued)

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 120 days from the date of recognition for land development and resale debtors, and no more than 30 days for other debtors.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement.

(j) Investments and other financial assets

From 1 July 2004 to 30 June 2005
The Group has taken the exemption available under AASB 1 to apply AASB 132 And AASB 139 only from 1 July 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Under previous AGAAP, interests in listed and unlisted securities, other than subsidiaries and associates, were brought to account at cost and dividend income was recognised in the income statement when receivable. For zero coupon bonds, the difference between the amount paid and the redemption amount was amortised to the income statement over the period to maturity using the effective yield. The discount rate was that implicit in the transaction. Transaction costs were excluded from the carrying amounts.

Adjustments on transition date: 1 July 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, with the exception of loans and receivables, which are measured at amortised cost (refer below), fair value is the measurement basis. Fair value is exclusive of transaction costs. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date transition (1 July 2005) changes to carrying amounts are taken to retained earnings or reserves.

From 1 July 2005

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.

(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 this 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 if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised 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.

1 Summary of significant accounting policies (continued)

(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 receivables in the balance sheet.

(k) Fair value estimation

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

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes 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.

(l) Property, plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Furniture, fittings and equipment 3-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 (note 1(g)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(m) Intangible assets

(i) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

1 Summary of significant accounting policies (continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the group's investment in each country of operation by each primary reporting segment.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Employee benefits

(i) Wages and salaries
Liabilities for wages and salaries, including non-monetary benefits expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Share-based payments
Share-based compensation benefits are provided to the Founders via the Gas2Grid Limited Option Plan. Information relating to this plan is set out in note 27.

The fair value of options granted under the Gas2Grid Limited Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the Founders become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

(p) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

1 Summary of significant accounting policies (continued)

(q) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit 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 financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Financial instrument transaction costs

The company has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1July 2005. The group has applied previous Australian GAAP (AGAAP) in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. Under previous AGAAP transaction costs were excluded from the amounts disclosed in the financial statements. Under AIFRS such costs are included in the carrying amounts, except for financial assets or liabilities that are measured at fair value through profit or loss. At the date of transition to AASB 132 and AASB 139 the adjustment to carrying amounts for the company was immaterial.

(s) 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 flow.

(t) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

1 Summary of significant accounting policies (continued)

(u) Exploration expenditure

Exploration expenditure is carried forward when it is incurred in relation to separate areas of interest for which rights of tenure are current and in respect of which:

- the expenditure is expected to be recouped by the company through successful development and exploitation of the area of interest, or alternatively by its sale; or

- exploration activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable mineral reserves, and active and significant operations in, or in relation to, the area are continuing;

Cumulative exploration expenditure which no longer satisfies the above policy is no longer carried forward as an asset, but is charged against, and shown as a deduction from, operating profit.

(v) Business combinations

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange 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.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(m)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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 exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(w) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 7 *Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]*
AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's financial instruments.

1 Summary of significant accounting policies (continued)

(ii) AASB 2005-6 *Amendments to Australian Accounting Standards [AASB 121]*
AASB 2005-6 is applicable to annual reporting periods ending on or after 31 December 2006. The amendment relates to monetary items that form part of a reporting entity's net investment in a foreign operation. It removes the requirement that such monetary items had to be denominated either in the functional currency of the reporting entity or the foreign operation. Gas2Grid Limited does not have any monetary items forming part of a net investment in a foreign operation. The amendment to AASB 121 will therefore have no impact on the group's financial statements.

2 Financial risk management

The Group's activities expose it to a variety of financial risks mainly market risk, in particular currency risk and to a lesser extent fair value interest rate risk. Risk management is carried out by the Board and the financial risks faced by the Group are considered minimal at this stage.

(a) Market risk

(i) Foreign exchange risk
Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the US dollar.

(b) Cash flow and fair value interest rate risk

As the company has no significant interest-bearing assets, the company's income and operating cash flows are not materially exposed to changes in market interest rates.

3 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.

(a) Critical accounting estimates and assumptions

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.

(i) Estimated impairment of exploration expenditure
The Group tests annually whether exploration expenditure carried forward has suffered any impairment, in accordance with the accounting policy stated in note 1(u).

4 Revenue

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
From continuing operations				
Other revenue				
Interest	**103,833**	42,963	**103,833**	42,963
	103,833	42,963	**103,833**	42,963

5 Other income

Foreign exchange gains (net) (note (a))	**89,797**	2,397	**51,965**	6,178
	89,797	2,397	**51,965**	6,178

(a) Net foreign exchange gains

Net foreign exchange gains included in other income for the year	**89,797**	2,397	**51,965**	6,178
Net foreign exchange gains recognised in loss before income tax for the year (as either other income or expense)	**89,797**	2,397	**51,965**	6,178

6 Expenses

Loss before income tax includes the following specific expenses:

Depreciation				
Plant and equipment	**6,599**	-	**6,599**	-
Total depreciation	**6,599**	-	**6,599**	-

7 Income tax expense

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
(a) Income tax expense				
Current tax	**-**	-	**-**	-
Deferred tax	**1,734,616**	-	**-**	-
Under (over) provided in prior years	**-**	-	**-**	-
	1,734,616	-	**-**	-
Income tax expense is attributable to:	**-**	-	**-**	-
Profit from continuing operations	**1,734,616**	-	**-**	-
Aggregate income tax expense	**1,734,616**	-	**-**	-
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets	**-**	-	**-**	-
(Decrease) increase in deferred tax liabilities	**1,734,616**	-	**-**	-
	1,734,616	-	**-**	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Loss from continuing operations before income tax expense	**(123,097)**	(229,182)	**(142,920)**	(199,818)
Tax at the Australian tax rate of 30% (2005-30%)	**(36,929)**	(68,755)	**(42,876)**	(59,945)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Exploration expenditure	**1,734,616**	-	**-**	-
	1,697,687	(68,755)	**(42,876)**	(59,945)
Deferred tax asset not recognised/(brought to account)	**36,929**	68,755	**42,876**	59,945
Income tax expense	**1,734,616**	-	**-**	-
(c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	**(352,279)**	(229,182)	**(342,738)**	(199,818)
Potential tax benefit @ 30%	**105,684**	68,755	**102,821**	59,945

All unrecognised tax losses were incurred by Australian and Singapore entities.

8 Current assets - Cash and cash equivalents

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Cash at bank and in hand	**795,442**	2,077,156	**784,101**	1,724,718
Deposits at call	**-**	3,007,223	**-**	3,007,223
	795,442	5,084,379	**784,101**	4,731,941

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	**795,442**	5,084,379	**784,101**	4,731,941
Balances per statement of cash flows	**795,442**	5,084,379	**784,101**	4,731,941

(b) Cash at bank and on hand

These are interest bearing.

The weighted average interest rate for the year ended 30 June 2006 was 4.69% (2005 – between 0.91% and 3.76%).

9 Current assets - Trade and other receivables

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Other receivables	**23,765**	39,495	**8,567**	32,850
Prepayments	**21,129**	-	**21,129**	-
	44,894	39,495	**29,696**	32,850

Other receivables

These amounts relate to the Goods and Services Tax (GST) paid on various Australian expenses for the quarter ended 30 June 2006 together with the GST portion on accruals for the year then ended.

10 Current assets - Other financial assets at fair value through profit or loss

At beginning of year	**-**	-	**-**	-
Additions	**2,531**	-	**2,531**	-
At end of year	**2,531**	-	**2,531**	-
Philippines Treasury Bills	**2,531**	-	**2,531**	-
	2,531	-	**2,531**	-

Changes in fair values of other financial assets at fair value through profit or loss are recorded in other income in the income statement (note 5).

11 Non-current assets - Receivables

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Loans to related parties	**-**	-	**5,340,622**	979,052
	-	-	**5,340,622**	979,052

These are interest free loans with no repayment terms.

Further information relating to loan to related parties is set out in note 22.

(a) Fair values

The fair values and carrying values of non-current receivables of the Group are as follows:

	2006		2005	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Loans to related parties	**-**	**-**	-	-
	-	-	-	-

(b) Interest rate risk

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables.

2006	Floating interest rate	Fixed interest maturing in: 1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Non-interest bearing	Total
	$	$	$	$	$	$	$	$	$
Cash	794,862	-	-	-	-	-	-	580	795,442
Related party receivables	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	23,765	23,765
	-	-	-	-	-	-	-	23,765	23,765
Weighted average interest rate	4.69%	-	-	-	-	-	-	-	

11 Non current assets – Receivables (continued)

2005	Floating interest rate $	1 year or less $	Over 1 to 2 years $	Over 2 to 3 years $	Over 3 to 4 years $	Over 4 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
Cash	2,077,153	3,007,223						3	5,084,379
Related party receivables	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	39,495	39,495
	-	-	-	-	-	-	-	39,495	39,495
Weighted average interest rate	0.91%	3.76%	-	-	-	-	-	-	

(c) Credit risk

There is no credit risk with respect to receivables.

12 Non-current assets - Other financial assets

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Shares in subsidiaries (note 23)	**-**	-	**3,789,714**	3,789,714
	-	-	**3,789,714**	3,789,714

These financial assets were carried at cost.

13 Non-current assets - Plant and equipment

Consolidated	**Furniture, fittings and equipment $**	**Leasehold improvements $**	**Leased plant & equipment $**	**Total $**
Year ended 30 June 2006				
Opening net book amount	-	-	-	-
Additions	17,863	-	-	17,863
Depreciation charge	(6,599)	-	-	(6,599)
Closing net book amount	11,264	-	-	11,264
At 30 June 2006				
Cost or fair value	17,863	-	-	17,863
Accumulated depreciation	(6,599)	-	-	(6,599)
Net book amount	11,264	-	-	11,264

13 Non-current assets - Property, plant and equipment (continued)

Parent entity	Furniture, fittings and equipment $	Leasehold improvements $	Leased plant & equipment $	Total $
Year ended 30 June 2006				
Opening net book amount	-	-	-	-
Additions	17,863	-	-	17,863
Depreciation charge	(6,599)	-	-	(6,599)
Closing net book amount	11,264	-	-	11,264
At 30 June 2006				
Cost or fair value	17,863	-	-	17,863
Accumulated depreciation	(6,599)	-	-	(6,599)
Net book amount	11,264	-	-	11,264

There are no comparatives as all property, plant and equipment were purchased during the year ended 30 June 2006.

14 Non-current assets – Exploration expenditure and rights

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Exploration expenditure and rights				
At cost	**5,782,054**	616,154	**24,371**	-
	5,782,054	616,154	**24,371**	-

Reconciliation of the carrying amount of exploration expenditure and rights

Exploration expenditure and rights:				
Carrying amount at beginning of year	**616,154**	-	**-**	-
Exploration expenditure and rights	**5,165,900**	616,154	**24,371**	-
Exploration expenditure and rights written off	**-**	-	**-**	-
Carrying amount at end of year	**5,782,054**	616,154	**24,371**	-

15 Current liabilities – Trade and other payables

Trade payables	**422,231**	98,537	**-**	74,800
Other payables	**210,999**	125,831	**202,492**	125,830
	633,230	224,368	**202,492**	200,630

16 Non-current liabilities – Deferred tax liabilities

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Exploration expenditure	**1,734,616**	-	-	-
Movements:				
Opening balance at 1 July	-	-	-	-
Charged/(credited) to the income statement (note 7)	**1,734,616**	-	-	-
Closing balance at 30 June	**1,734,616**	-	-	-

Deferred tax liabilities to be settled after more than 12 months.

17 Contributed equity

	Notes	**2006 Shares**	2005 Shares	**2006 $**	2005 $
(a) Share capital					
Ordinary shares- fully paid	(b),(c)	**59,520,067**	54,133,400	**10,038,545**	9,448,745

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Issue price	$
23 December 2004	Subscriber share issue		3	0.10	3
3 March 2005	Share issue	(d)	18,948,570	0.20	3,789,714
3 March 2005	Share issue	(d)	1,972,037	0.20	394,407
3 March 2005	Share issue	(d)	604,591	0.10	60,459
3 March 2005	Share issue	(d)	7,608,199	0.095	725,081
13 May 2005	Initial public offer		25,000,000	0.20	5,000,000
5 July 2005	Share issue	(e)	75,000	0.20	15,000
12 September 2005	Share issue	(e)	311,667	0.24	74,800
8 May 2006	Share issue	(e)	5,000,000	0.10	500,000
	Less: Transaction costs arising on initial public offer				(520,919)
30 June 2006	Balance		59,520,067		10,038,545

(c) Ordinary shares

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) Share issue

These shares issues were based on the share sale agreement between the company and its subsidiary. The company issued 18,948,570 ordinary shares at $0.20 per share to purchase 100,000 shares in the subsidiary.

The company then issued a further 1,972,037 and 604,591 ordinary shares at $0.20 and $0.10 per share respectively to extinguish the founders' loans to the subsidiary – as part of the debt to equity swap.

7,608,199 ordinary shares were issued at $0.095 per share to extinguish the seed capital debt which was previously advanced to the subsidiary.

17 Contributed equity (continued)

(e) Share issue

On 5 July and 12 September 2005 the company issued 75,000 and 311,667 ordinary shares respectively at no consideration. The purpose of those share issues was in lieu of cash payments to trade and other payables. The issue price was based on the market value of the company's shares at that time.

On 8 May 2006 the company issued 5,000,000 ordinary shares at an issue price of $0.10 for each ordinary share. The purpose of the share issue was to raise additional working capital.

(f) Options

Information relating to employee options is set out in note 27.

18 Reserves and retained profits

	Consolidated		**Parent entity**	
	2006	2005	**2006**	2005
	$	$	**$**	$
(a) Reserves				
Share-based payments reserve	**84,000**	84,000	**84,000**	84,000
Foreign currency translation reserve	**20,592**	-	**-**	-
	104,592	84,000	**84,000**	84,000
Movements:				
Share-based payment reserve				
Balance 1July	**84,000**	-	**84,000**	-
Option expense	**-**	84,000	**-**	84,000
Balance 30 June	**84,000**	84,000	**84,000**	84,000
Foreign currency translation reserve				
Balance 1 July	**-**	-	**-**	-
Currency translation differences arising during the year	**20,592**	-	**-**	-
Balance 30 June	**20,592**	-	**-**	-

18 Reserves and retained profits (continued)

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$

(b) Retained profits

Movements in retained profits were as follows:

Balance 1 July	**(229,182)**	-	**(199,818)**	-
Loss for the year	**(1,857,713)**	(229,182)	**(142,920)**	(199,818)
Dividends	**-**	-	**-**	-
Depreciation transfer	**-**	-	**-**	-
Balance 30 June	**(2,086,895)**	(229,182)	**(342,738)**	(199,818)

(c) Nature and purpose of reserves

(i) Share-based payments reserve
The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

(ii) Foreign currency translation reserve
Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.

19 Commitments

(a) Exploration commitments

In order to maintain current rights to tenure to exploration tenements, the company has the following discretionary exploration expenditure requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases are not provided for in the financial statements and are payable:-

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Not later than one year	**-**	474,785	**-**	-
Later than one year but not later than 5 years	**1,116,000**	3,264,134	**-**	-
	1,116,000	3,738,919	**-**	-

20 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
(a) Assurance services				
Audit services				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**33,047**	10,000	**33,047**	10,000
Related practices of PricewaterhouseCoopers Australian firm	**7,472**	14,448	**-**	-
Total remuneration for audit services	**40,519**	24,448	**33,047**	10,000
Other assurance services				
PricewaterhouseCoopers Australian firm				
IFRS accounting services	**-**	-	**-**	-
Related practices of PricewaterhouseCoopers Australian firm				
IFRS accounting services	**-**	-	**-**	-
Total remuneration for other assurance services	**-**	-	**-**	-
Total remuneration for assurance services	**40,519**	24,448	**33,047**	10,000

21 Key management personnel disclosures

(a) Directors

The following persons were directors of Gas2Grid Limited during the financial year:

(i) Chairman – non-executive
D A Munns

(ii) Executive directors
D W King, Executive Director (from March 2006)
H M Royle, Managing Director (to March 2006)

H M Royle resigned from the position of director on 13 July 2006.

(iii) Non-executive directors
M H Stirzaker
E D Espiritu

M H Stirzaker resigned from the position of director on 13 July 2006.

E D Espiritu was appointed to the position of non-executive director on 13 July 2006.

(b) Key management personnel compensation

	Consolidated		**Parent entity**	
	2006	2005	**2006**	2005
	$	$	**$**	$
Short-term employee benefits	**115,000**	57,500	**115,000**	57,500
Share-based payments	**-**	84,000	**-**	84,000
	115,000	141,500	**115,000**	141,500

The company has taken advantage of the relief provided by the Corporations Regulations and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-C of the remuneration report on pages 10 to 12.

The directors' fees totalling $172,500 form part of accounts payable at balance date.

(c) Equity instruments disclosures relating to key management personnel

(i) Options provided as remuneration
Details of options provided as remuneration, together with terms and conditions of the options, can be found in section D of the remuneration report on pages 12 to 13.

21 Key management personnel disclosures (continued)

(ii) Option holdings

The number of options over ordinary shares in the company held during the financial year by each director of Gas2Grid Limited, including their personally related parties, are set out below.

2006 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes	Balance at the end of the year	Vested and exercisable during the year
Directors of Gas2Grid Limited						
			-			
D A Munns	500,000	-	-	-	500,000	-
D W King (i)	300,000	-	-	-	300,000	-
H M Royle	1,000,000	-	-	-	1,000,000	-
M H Stirzaker (ii)	300,000	-	-	-	300,000	-
E D Espiritu	-	-		-	-	-

2005 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes	Balance at the end of the year	Vested and exercisable during the year
Directors of Gas2Grid Limited						
D A Munns	-	500,000	-	-	500,000	-
D W King (i)	-	300,000	-	-	300,000	-
H M Royle	-	1,000,000	-	-	1,000,000	-
M H Stirzaker (ii)	-	300,000	-	-	300,000	-

(iii) Share holdings

The numbers of shares in the company held during the financial year by each director of Gas2Grid Limited, including their personally related parties are set out below. There were no shares granted during the reported period as compensation.

2006 Name	Balance at the start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
Directors of Gas2Grid Limited				
D A Munns	6,711,800	-	-	6,711,800
D W King (i)	3,223,400	-	-	3,223,400
H M Royle	3,355,800	-	-	3,355,800
M H Stirzaker (ii)	472,000	-	-	472,000
E D Espiritu (iii)	-	-	147,769	147,769

2005 Name	Balance at the start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
Directors of Gas2Grid Limited				
D A Munns	-	-	6,711,800	6,711,800
D W King (i)	-	-	3,223,400	3,223,400
H M Royle	-	-	3,355,800	3,355,800
M H Stirzaker (ii)	-	-	472,000	472,000

21 Key management personnel disclosures (continued)

(i) 3,223,400 shares and 300,000 options are held by Seistend Pty Limited, an entity associated with and controlled by David King

(ii) 472,000 shares and 300,000 options are held by Stith Pty Limited, an entity of which Michael Stirzaker is a director and could be a beneficiary.

(iii) 147,769 shares are held by Ejey Holdings Pty Limited, an entity of which Eric Espiritu is a director and could be a beneficiary.

At balance date, the director-related parties held a relevant interest in the share capital of the company as follows:-

	Beneficially held Fully paid	Number of options
B. Rumph (i)	100,000	-
H M Royle & B Rumph Superannuation Fund (ii)	35,000	-
S C Stirzaker (iii)	10,000	-

(i) Brian Rumph is the spouse of Hildegunde Royle

(ii) H M Royle & B Rumph Superannuation Fund is a self-managed superannuation fund, of which Hildegunde Royle and Brian Rumph are members

(iii) Clare Stirzaker is the spouse of Michael Stirzaker

(d) Loans to key management personnel

There are no loans outstanding to directors of Gas2Grid Limited.

(e) Other transactions with key management personnel

During the year consultancy fees of $151,712, for services rendered by H M Royle and another director of Aquamex Limited, were paid to Aquamex Limited, a company controlled by H M Royle.

During the year, fees of $1,110,438, for drilling services and materials, were paid to Desco and TD International, firms associated with D A Munns.

The company is also in agreement with RFC Group Limited, a company of which M H Stirzaker is a director, to rent part of its office space. Monthly rental is $1,315 (inclusive of GST).

Aggregate amounts of each of the above types of other transactions with key management personnel of Gas2Grid Limited:

	2006	2005
	$	$
Amounts recognised as expense		
Consultancy fees	**151,712**	109,065
Rent of office building	**14,817**	-
	166,529	109,065
Amounts recognised as non current assets		
Exploration expenditure and rights	**1,110,438**	116,015
	1,110,438	116,015

22 Related party transactions

(a) Parent entities

The parent entity within the Group is Gas2Grid Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 23.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 21.

(d) Loans to/from related parties

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Loans to subsidiaries				
Beginning of the year	**-**	-	**979,052**	-
Loans advanced	**-**	-	**4,361,570**	979,052
End of year	**-**	-	**5,340,622**	979,052
Loans from other related parties				
Beginning of the year	**3,170**	-	**3,170**	-
Loans received	**-**	3,170	**-**	3,170
Loan repayments made	**(3,170)**	-	**(3,170)**	-
End of year	**-**	3,170	**-**	3,170

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.

23 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 1(b).

Name of entity	**County of incorporation**	**Class of shares**	**Equity holding***	
			2006	2005
			%	%
Gas2Grid Pte Limited	Singapore	Ordinary	**100**	100

* The proportion of ownership interest is equal to the proportion of voting power held.

24 Events occurring after the balance sheet date

There were changes to the Group's officeholders subsequent to the end of the financial year. These included the resignations of H M Royle and M H Stirzaker and the appointment of E D Espiritu.

25 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Loss for the year	**(1,857,713)**	(229,182)	**(142,920)**	(199,818)
Depreciation and amortisation	**6,599**	-	**6,599**	-
Non-cash employee benefits expense- share-based payments	**-**	84,000	**-**	84,000
Net exchange differences	**-**	5,938	**-**	-
Change in operating assets and liabilities				
(Increase) decrease in trade and other receivables	**(5,080)**	(16,352)	**3,155**	(11,122)
(Increase) decrease in other operating assets		-	**-**	-
Increase in trade and other payables	**94,834**	176,512	**94,831**	156,944
(Decrease) increase in deferred tax liabilities	**1,734,616**	-	**-**	-
(Decrease) increase in other provisions	**-**	-	**-**	-
Net cash (outflow) inflow from operating activities	**(26,744)**	20,916	**(38,335)**	30,004

26 Earnings per share

	Consolidated	
	2006	2005
	Cents	Cents

(a) Basic earnings per share

Loss from continuing operations attributable to the ordinary equity holders of the company	**(0.03)**	(0.67)
Loss from discontinued operation	**-**	-
Loss attributable to the ordinary equity holders of the company	**(0.03)**	(0.67)

	Consolidated	
	2006	2005
	Cents	Cents

(b) Diluted earnings per share

Loss from continuing operations attributable to the ordinary equity holders of the company	**(0.03)**	(0.67)
Loss from discontinued operation	**-**	-
Loss attributable to the ordinary equity holders of the company	**(0.03)**	(0.67)

26 Earnings per share (continued)

	Consolidated	
	2006	2005
	$	$
(c) Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Loss from continuing operations	**(1,857,713)**	(229,182)
Loss from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(1,857,713)**	(229,182)
Loss attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(1,857,713)**	(229,182)
Diluted earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(1,857,713)**	(229,182)
Loss from continuing operations attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**(1,857,713)**	(229,182)
Loss attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**(1,857,713)**	(229,182)

	Consolidated	
	2006	2005
	Number	Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**55,196,638**	34,189,517
Adjustments for calculation of diluted earnings per share:		
Options	**-**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**55,196,638**	34,189,517

(e) Information concerning the classification of securities

(i) Options

Options granted to the Founders under the Gas2Grid Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 27.

27 Share-based payments

(a) Option Plan

Options were granted in February 2005 in recognition of the considerable time and effort expended and to be expended by the Founders, and as a reward for the risks to be undertaken by the Founders. Options are granted for a four year period.

When exercisable, each option is convertible into one ordinary share. Shares issued on exercise of options are to rank equally with all other shares on issue at the time of exercise of the options.

Set out below are summaries of options granted under the plan.

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated and parent entity - 2006								
Feb 2005	15 Mar 2009	$0.30	2,600,000	-	-	-	2,600,000	2,600,000
Total			2,600,000	-	-	-	2,600,000	2,600,000
Weighted average exercise price			-	-	-	-	-	-
Consolidated and parent entity – 2005								
Feb 2005	15 Mar 2009	$0.30	-	2,600,000	-	-	2,600,000	2,600,000
Total			-	2,600,000	-	-	2,600,000	2,600,000
Weighted average exercise price			-	-	-	-	-	-

No options were forfeited during the periods covered by the above tables.

Details of the method used to calculate the fair value of options has been disclosed in page 13.

(b) 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	
	2006	2005	**2006**	2005
	$	$	**$**	$
Options issued under option plan	**-**	84,000	**-**	84,000
	-	84,000	**-**	84,000

28 Segment reporting

The Group operates as an exploration company performing exploratory drilling wells in the SC44 license in Cebu, Republic of Philippines and manages this activity from its head office in Sydney, Australia.

29 Explanation of transition to Australian equivalents to IFRSs

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

(a) At the date of transition to AIFRS: 1 July 2004

The company was incorporated on 22 December 2004. Accordingly, the Annual Report for the period ended 30 June 2005 was the first set of financial accounts prepared for the company. There were no opening balances as at the date of transition.

(b) At the end of the last reporting period under previous AGAAP: 30 June 2005

	Notes	Consolidated Previous AGAAP $	Consolidated Effect of transition to AIFRS $	Consolidated AIFRS $	Parent entity Previous AGAAP $	Parent entity Effect of transition to AIFRS $	Parent entity AIFRS $
ASSETS							
Current assets							
Cash and cash equivalents		5,084,379	-	5,084,379	4,731,941	-	4,731,941
Trade and other receivables		39,495	-	39,495	32,850	-	32,850
Total current assets		5,123,874	-	5,123,874	4,764,791	-	4,764,791
Non-current assets							
Exploration and evaluation expenditure	(a)	4,404,057	(3,787,903)	616,154	-	-	-
Receivables		-	-	-	979,052	-	979,052
Other financial assets		-	-	-	3,789,714	-	3,789,714
Total non-current assets		4,404,057	(3,787,903)	616,154	4,768,766	-	4,768,766
Total assets		9,527,931	(3,787,903)	5,740,028	9,533,557	-	9,533,557
LIABILITIES							
Current liabilities							
Trade and other payables	(b)	224,368	-	224,368	200,630	-	200,630
Total current liabilities		224,368	-	224,368	200,630	-	200,630
Total liabilities		224,368	-	224,368	200,630	-	200,630
Net assets		9,303,563	(3,787,903)	5,515,660	9,332,927	-	9,332,927
EQUITY							
Contributed equity	(a)	9,448,745	(3,787,903)	5,660,842	9,448,745	-	9,448,745
Reserves	(b)	-	84,000	84,000	-	84,000	84,000
Retained earnings	(b)	(145,182)	(84,000)	(229,182)	(115,818)	(84,000)	(199,818)
Total equity		9,303,563	(3,787,903)	5,515,660	9,332,927	-	9,332,927

29 Explanation of transition to Australian equivalents to IFRSs (continued)

(2) Reconciliation of profit for the year ended 30 June 2005

	Notes	Consolidated Previous AGAAP	Consolidated Effect of transition to AIFRS	Consolidated AIFRS	Parent entity Previous AGAAP	Parent entity Effect of transition to AIFRS	Parent entity AIFRS
		$	$	$	$	$	$
Revenue		42,963	-	42,963	42,963	-	42,963
Other income		2,397	-	2,397	6,178	-	6,178
Administration expenses		(110,022)	-	(110,002)	(98,847)	-	(98,847)
Auditor's remuneration		(24,448)	-	(24,448)	(10,000)	-	(10,000)
Employee benefits expense	(b)	-	(84,000)	(84,000)	-	(84,000)	(84,000)
Insurance costs		(25,000)	-	(25,000)	(25,000)	-	(25,000)
Travelling expenses		(22,161)	-	(22,161)	(22,140)	-	(22,140)
Other expenses		(8,911)	-	(8,911)	(8,972)	-	(8,972)
Loss before income tax		(145,182)	(84,000)	(229,182)	(115,818)	(84,000)	(199,818)
Income tax expense		-	-	-	-	-	-
Loss from continuing operations		(145,182)	(84,000)	(229,182)	(115,818)	(84,000)	(199,818)
Loss for the year		(145,182)	(84,000)	(229,182)	(115,818)	(84,000)	(199,818)

(3) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRSs has not resulted in any material adjustments to the cash flow statement.

(4) Notes to the reconciliations

(a) Business combinations

The Group made a business acquisition during the period ended 30 June 2005. AASB 3 *Business Combination* applies to the business combination that occurred on 28 February 2005 when Gas2Grid Pte Limited was acquired.

Gas2Grid Limited acquired Gas2Grid Pte Limited in consideration of the issue of 18,948,870 shares in the capital of Gas2Grid Limited on 28th February 2005. Under AGAAP this transaction was accounted for on the basis of the fair value of the purchase consideration. The fair value of each issued share was considered to be $0.20, based on the Offer Price of $0.20. The value of the total consideration was therefore regarded as being $3,789,714 which equated to the fair value of the identifiable net assets acquired. The acquisition was accounted for as follows:

Net assets of Gas2Grid Pte Limited at 31 December 2004	1,811
Purchase consideration	3,789,714
Exploration rights	3,787,903

The acquisition was accounted for as if it had taken place on 31 December 2004. There were no movements in any Consolidated Balance Sheet items for the period 1 January 2004 to 29 February 2005.

This transaction was originally accounted for as an asset acquisition under AGAAP. However under AIFRS, it is now treated as a reverse acquisition. The adoption of AASB 3 *Business Combinations* results in Gas2Grid Pte Limited (the legal subsidiary) being deemed as the acquirer of Gas2Grid Limited for financial reporting purposes. This differs from AGAAP in which the fair value of the shares issued to the owners of Gas2Grid Pte Limited was considered to be acquisition cost, and was

29 Explanation of transition to Australian equivalents to IFRSs (continued)

allocated to identifiable assets and liabilities with the excess consideration allocated to exploration expenditure and rights. Accordingly, the uplift in the fair value of assets recognised in the Consolidated Balance Sheet under current accounting standards will not be available. The effect of this is:

(i) At 30 June 2005
For the Group, exploration expenditure and rights has decreased by $3,787,903, being the excess consideration and share capital has decreased by $3,787,903.

(b) Share-based payments

Under AASB 2 *Share-based payment* from 1 July 2004, the Group is required to recognise an expense for those options that were issued to employees under the Gas2Grid Limited Option Plan after 7 November 2002 but that had not vested by 1 January 2005. The effect of this is:

(i) At 30 June 2005
For the Group, there has been an increase in accumulated losses of $84,000 and a corresponding increase in reserves.

(ii) For the year ended 30 June 2005
For the Group, there has been an increase in employee benefits expense of $84,000.

In the directors' opinion:

(a) the financial statements and notes set out on pages 20 to 57 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 financial position as at 30 June 2006 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, 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 10 to 13 of the directors' report comply with Accounting Standards AASB 124 *Related party Disclosures* and the *Corporations Regulations 2001*; and

The directors have been given the declaration by the chief executive office required by section 295A of the *Corporations Act 2001.*

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

David King
Director

Sydney
29 September 2006

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Independent audit report to the members of Gas2Grid Limited

Audit opinion

In our opinion,

1. the financial report of Gas2Grid Limited:
   - gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Gas2Grid Limited and the Gas2Grid Limited Group (defined below) as at 30 June 2006, and of their performance for the year ended on that date, and
   - is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001.*
2. the audited remuneration disclosures that are contained on pages 10 to 12 of the directors' report Comply with Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124) and the *Corporations Regulations 2001.*

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility
The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for both Gas2Grid Limited (the company) and the Gas2Grid Limited Group (the consolidated entity), for the year ended 30 June 2006. The consolidated entity comprises both the company and the entity it controlled during the year.

The company has disclosed information about the remuneration of key management personnel (remuneration disclosures) as required by AASB 124, under the heading "remuneration report" on pages 10 to 13 of the directors' report, as permitted by the *Corporations Regulations 2001.*

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001.* This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

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Independent audit report to the members of Gas2Grid Limited(continued)

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001,* Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of its performance as represented by the results of their operations, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001.*

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001.*

PricewaterhouseCoopers

Peter Buchholz
Partner

Sydney
29 September 2006

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The shareholder information set out below was applicable as at 22 September 2006.

1. Substantial Holders

Substantial holders in the company are set out below:-

Ordinary Shares

	Number held	Percentage
Westpac Custodian Nominees Limited	7,000,000	18.1%
David Munns	6,711,800	12.4%
Dennis Morton	3,355,800	6.2%
Hildegunde Royle	3,355,800	6.2%
Keith Schulstad	3,203,400	5.9%
Seistend Pty Limited <DWK Super A/C>	3,223,400	6.0%

2. Voting Rights

The voting rights attaching to the shares are, on a show of hands every member present in person or by proxy shall have one vote and upon a poll, are one vote for each share held.

3. On-Market Buy-Back

There is no current on-market buy-back.

4. Distribution of Shareholders

(i) Analysis of numbers of shareholders by size of holding:-

No. of Shares	No. of Shareholders
1 – 1,000	2
1,001 – 5,000	19
5,001 – 10,000	106
10,001 – 100,000	228
100,001 and over	72
	427

(ii) There was one holder of less than a marketable parcel of shares.

5. Twenty Largest Shareholders

Name of Shareholders:	Number Held:	Percentage of Issued Shares:
1. Westpac Custodian Nominees Limited	7,000,000	11.76
2. Mr. David Munns	6,711,800	11.28
3. Mr. Dennis Morton	3,355,800	5.64
4. Mrs Hildegunde Maria Royle	3,355,800	5.64
5. Mr. Keith Schulstad	3,126,345	5.25
6. Seistend Pty Limited <DWK Super A/C>	3,120,000	5.24
7. Airtrust (Singapore) Pte Ltd	2,000,000	3.36
8. Mr. Robert Goold	1,695,000	2.85
9. Walleroo Pty Limited	1,650,000	2.77
10. Kathbe Pty Limited <Ryan Family No 2 A/C>	1,500,000	2.52
11. Julian Peters Pty Limited	779,986	1.31
12. Mr. Mark Kennard Connell	730,626	1.23
13. Forbar Custodians Limited <Forsyth Barr Ltd–Nominee A/C>	640,000	1.08
14. Mr. John Campbell Robertson	600,000	1.01
15. Debuscey Pty Limited	500,000	0.84
16. Stith Pty Limited	472,000	0.79
17. ANZ Nominees Limited <Cash Account A/C>	410,000	0.69
18. Merrill Lynch (Australia) Nominees Pty Limited	410,000	0.69
19. Mr David John Iron <Iron Fillings Retirement A/C>	400,000	0.67
20. Mr. Max Ferretti & Mrs. Teresa Ferretti	336,168	0.56
	38,793,525	65.18

6. Option Holders - Unquoted

Name of Option holders:	Number Held:	Percentage of Options Held:
1. Mrs. Hildegunde Maria Royle	1,000,000	38.46
2. Mr. David Munns	500,000	19.23
3. Mr. Dennis Morton	300,000	11.54
4. Seistend Pty Limited <DWK Super A/C>	300,000	11.54
5. Stith Pty Limited	300,000	11.54
6. Mr. Robert Goold	100,000	3.85
7. Mr. Keith Schulstad	100,000	3.85
	2,600,000	100

7. Restricted Securities

Class	Number of Restricted Securities	Date of Release
1. Directors & Executives – fully paid ordinary shares	13,006,164	24 months from date of official quotation
2. Other – fully paid ordinary shares	7,782,375	24 months from date of official quotation
	20,788,539	

SCHEDULE OF MINERAL TENEMENTS

LOCATION	TENEMENT	HOLDER	INTEREST	AREA	CURRENT TO
Cebu Island, the Philippines	SC44	Gas2Grid Limited	100%	10,000km2	28/11/2011

Key to Tenement Types
SC Service Contract

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