2010 ANNUAL REPORT

Gas2Grid Limited
ABN 46 112 138 780

Directors
David A. Munns, Non-Executive Chairman
Dennis J. Morton, Managing Director
Patrick Sam Yue, Non-Executive

Secretary
Steven J. Danielson

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Auditor
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Stock exchange listing
Gas2Grid Limited shares are listed on the Australian Securities Exchange under the code GGX.

Website address
www.gas2grid.com

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

GAS2GRID

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Dear Shareholder,

I am pleased to present you with the 2010 Gas2Grid Limited Annual Report.

During the year, the Company has been very active in onshore exploration in its three main assets being Service Contract 44 ("SC 44") in the Philippines, St. Griede licence in France and Exploration Permit ("EP") 453 in Australia. The main focus has been SC 44 and St. Griede where numerous operations have been conducted.

The Company owns good quality conventional oil and gas exploration and near term appraisal opportunities that require funding. The Company has pursued various ways to secure funds that includes merger with another company that has funding capacity, by farmout of interests in the licences and share placement. Whilst an attempt to merge with Orion Petroleum Limited had to be terminated and our farmout efforts are ongoing, a share placement was successful in March 2010.

Although no well drilling has been conducted during the year, the time and available funds have been used to advance the Company with workover programs, acquiring new seismic data, reprocessing existing seismic data and acquisition of an aero-gravity survey. Each of these operations has significantly increased the value of the assets by further defining exploration drilling targets.

The Malolos-1 well workover program (SC 44 - 100% ownership) that commenced in April 2010 was completed in May 2010, on time and on budget. The workover targeted shallow (above 915 metres), sandstone gas bearing intervals that had reported gas production during open-hole well testing in the 1960s. The sandstones were thought to have been damaged during the drilling process and they required new investigation and assessment. The workover and testing program flowed gas to surface from storage in both the annulus and tubing and it confirmed the presence of natural gas in several sandstone intervals but it did not result in a commercial flow of gas. Importantly, the workover also established that the sandstone reservoirs are of very good quality and they have not been damaged. This warrants the Company to now target the deeper, oil and gas bearing sandstone intervals for flow testing and this new work is planned for the 4th Quarter 2010.

54 kilometres new seismic data was acquired in SC 44 from March to May 2010. Data quality is very good and the program was conducted on-time and on-budget. Vintage seismic data was also reprocessed. The newly acquired data has clearly identified two new hydrocarbon plays which are the Miocene age Cebu Limestone reefs and the younger turbidite sandstones that are structurally and stratigraphically trapped. Miocene age limestone reefs are oil and gas producers elsewhere in the Philippines and also in nearby Indonesia. These results are most exciting and they have greatly enhanced the exploration potential and value of SC 44. The Company plans to acquire at least another 50 kilometres data in the 4th Quarter 2010 with the aim of maturing the carbonate reef leads into drilling prospects. Exploration drilling is planned for the first half of 2011.

The St. Griede licence (50% ownership) is located in the prolific oil and gas productive Aquitaine Basin in the south of France. Three large oilfields are located on the western border of the licence. The St. Griede licence contains an existing grid of seismic data and numerous vintage exploration wells. An aero-gravity survey was acquired in November 2009 with the aim of detailing the crest and outline of the prospective, salt cored leads and prospects. The survey was completed on budget and the data quality is very good. Over 700 kilometres of vintage seismic data was also reprocessed and these data are being integrated with the newly acquired aero-gravity data. Numerous, large exploration targets have been identified. The Company now plans to acquire new seismic data in 2011 in order to mature the exploration drilling targets.

EP 453 (100% ownership) located in the onshore, Canning Basin in Western Australia contains a previously drilled exploration well which flowed gas to surface and also numerous leads and prospects. Existing seismic data has been reprocessed and integrated with well data and new drilling prospects have been mapped. The Company aims to fund the drilling of these prospects by farmout although little work was conducted on this licence over the last year.

I was pleased to welcome Patrick Sam Yue to the Board in October 2009, adding to the skills and experience needed by the Company and this coincided with good wishes to Russell Langusch on his departure to become managing director of another listed company. There is merit to further expand the Board to bring in new talents that can assist in future developments.

The Company continues to contain its overheads and control cash outflows with Directors either receiving reduced or no cash payments. On behalf of the Board, I thank our shareholders for their patience and support throughout the year.

David Munns
Chairman

29 September 2010

SUMMARY

Corporate

- *Patrick Sam Yue appointed as a Non-Executive Director*
- *Russell Langusch retired as a Non-Executive Director*
- *On 5 October 2009 Gas2Grid Limited and Orion Petroleum Limited announced a possible merger and proceedings commenced*
- *On 11 March 2010 the proposed merger with Orion Petroleum Limited by Scheme of Arrangement was terminated*
- *$1.3 million capital raised in March 2010 by way of a placement*

Philippines SC 44 (100% interest)

- Phase 1 Malolos-1 well workover program completed
- New seismic GPS road and track location survey completed
- New 50 kilometre seismic survey completed
- Service Contract 44 terms amended by Philippines Department of Energy
- Farmout effort commenced

France, St. Griede (50% interest)

- St. Griede aero-gravity survey completed
- Over 700 kilometres of selected existing seismic data has been reprocessed

Western Australia, EP 453 (100% interest)

- Existing seismic data reprocessed and interpreted
- Farmout for drilling costs planned
- Licence terms not met and a variation required from Government

New Ventures

- New Venture opportunities being assessed
- Farmout of existing Gas2Grid Limited licences being presented

CORPORATE

Board Changes

Patrick Sam Yue was appointed as a Non-Executive Director on 9 October 2009. He is a member of the Institute of Chartered Accountants in Australia, a member of the Institute of Chartered Accountants in England and Wales, a Fellow of the Chartered Secretaries and Administrators and a Fellow of the Financial Services Institute of Australasia. He had several years experience with international accounting and finance working in the United Kingdom, Africa and the Middle-East before he joined the finance industry in Australia in 1985 prior to moving into the resources industry. He has over 20 years experience in financial and corporate management in Australia having held senior executive and company secretary positions with ASX listed entities in the oil and gas and minerals industry.

Russell Langusch retired from the Board on 9 October 2009. The Board sincerely thanked Russell for the important role he played during his tenure of office from August, 2008. He retired in order to fully commit himself to his then new role of Managing Director of ASX listed company Orion Petroleum Limited.

Proposed and Terminated Merger

On 15 October, the Boards of Orion Petroleum Limited ("OIP") and Gas2Grid Limited ("GGX") announced that they had entered into negotiations with each other in relation to a possible change in control transaction. On 5 November 2009, OIP and GGX entered into a Merger Implementation Agreement to merge by Schemes of Arrangement on the basis of 1 OIP share for every 2.25 GGX shares and 1 OIP option for every 2.25 GGX options.

For the merger to proceed, OIP shareholder approval was necessary for OIP to acquire the GGX shares and options held by Dennis Morton (who had a conflict being then Chairman of OIP and also Managing Director of GGX) and his associates. A report prepared by BDO Securities (NSW-VIC) Pty Ltd ("BDO") sent to OIP shareholders for the purpose of obtaining that approval concluded that the proposed transaction was fair and reasonable to OIP shareholders. The requisite shareholder approval was obtained at a general meeting of OIP held on 26 February 2010 with a high majority in favour.

Dennis Morton and Patrick Sam Yue at Nuevo Malolos 1

However, on 10 March 2010 BDO advised that it would be revising its conclusion on the fairness and reasonableness of the merger terms previously advised to OIP shareholders, based upon revisions to the technical expert's valuation which formed part of BDO's report. For the merger to proceed a supplementary independent expert report was therefore required and it was no longer possible to implement the merger before the end date of 31 March 2010 provided in the Merger Implementation Agreement. On 11 March 2010, OIP and GGX agreed not to proceed with the proposed merger and also agreed to explore mutually beneficial opportunities to work together in the future should the opportunity to do so arise.

Subsequently, a shareholder, Octanex N.L, lodged a claim in the Federal Court against GGX for costs of $257,477 including GST it had incurred to end of March 2010 in proceedings as objector to the merger. GGX had disputed the claim and the court hearings concluded in mid-April 2010. Judgement was handed down on 16 September 2010 dismissing the claim for costs by Octanex N.L..

The Company spent a substantial amount of its working capital in preparation of the merger and objecting to the claim above.

Capital Raising

As the merger with OIP did not proceed, the Company had to replenish its working capital and exploration funds to complete the Service Contract 44 Phase 1 workover and the seismic acquisition program and also to complete reprocessing and interpretation of the St. Griede seismic data and aero-gravity survey. By a placement with investors not requiring a disclosure document, the Company raised $1.3 million by the issue of 52 million new fully paid ordinary shares and new options, each option exercisable at 5 cents per share on or before 30 September 2011. Shareholders approved the securities issue at a general meeting held on 30 April 2010.

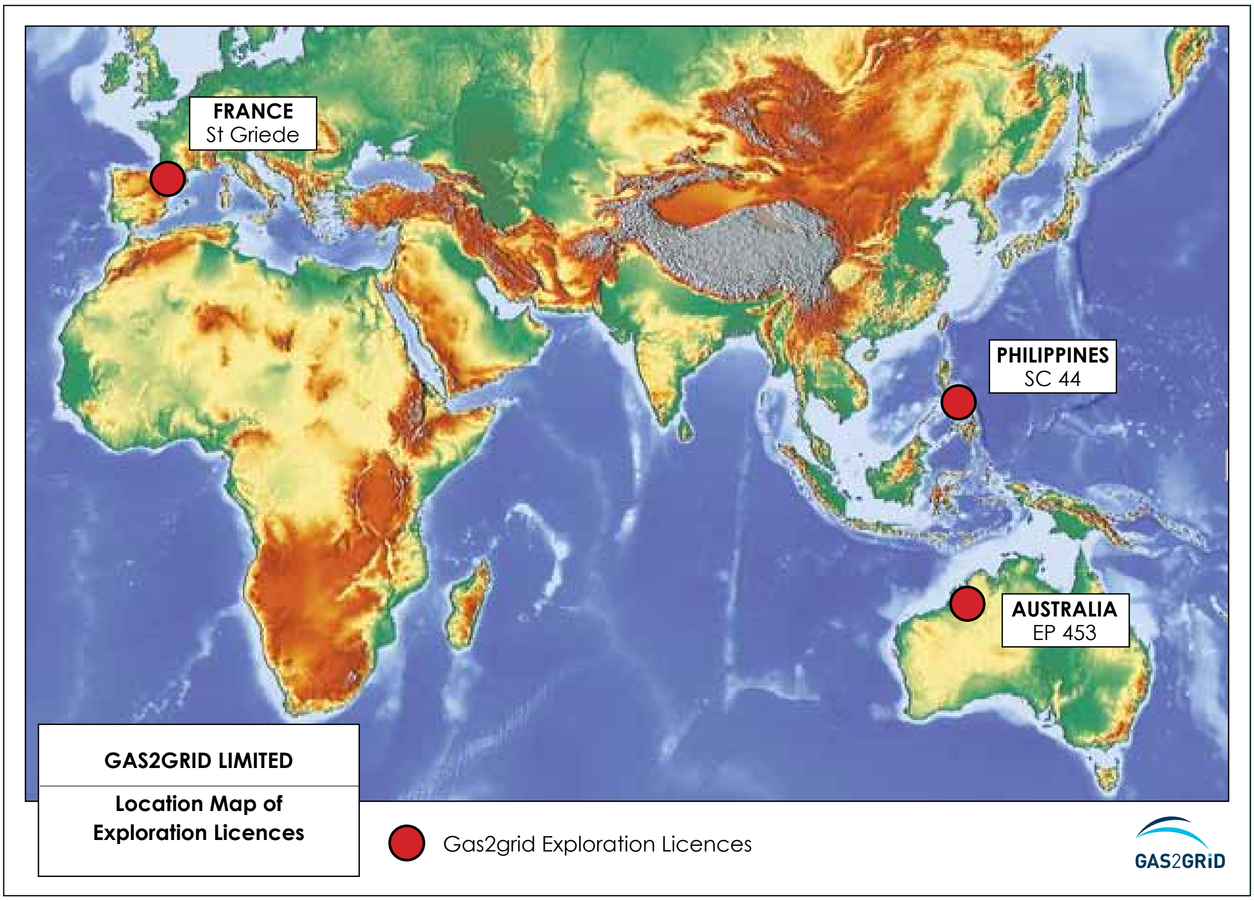

Figure 1 - Gas2Grid Limited exploration licences location worldwide

PHILIPPINES – Service Contract 44, Onshore Cebu (100% interest)

Government: The Philippines Department of Energy ("DOE") agreed to vary the outstanding Service Contract 44 ("SC 44") commitments for Sub-Phase 2 (2007-2008: 100 kms seismic, aero-gravity survey, swab tests and one well) and Sub-Phase 3 (2009-2011: 2 wells). The revised contract terms provide for the planned well workovers to be completed by the end of June 2009 plus 100 kms seismic acquisition by the end of December 2009. This is to be followed by the drilling of one new well by the end of June 2010 and the drilling of two new wells by the end of December 2010. The Company has completed the Phase 1 workover and the acquisition of 50 kms of new seismic data and requires a further extension of Sub-Phase 3 in order to complete the remaining 50 kms seismic acquisition and the drilling of the three exploration wells. Discussions on the extension are being held with the DOE.

Well Workovers: The following is a summary of the Phase 1, Malolos-1 workover:

- The Phase 1 workover was completed in March 2010.
- The work consisted of an investigation into the current well status and the existing completion followed by swabbing the previously completed 816 metre sandstone interval, retrieving the completion and conducting cased-hole electric logs.

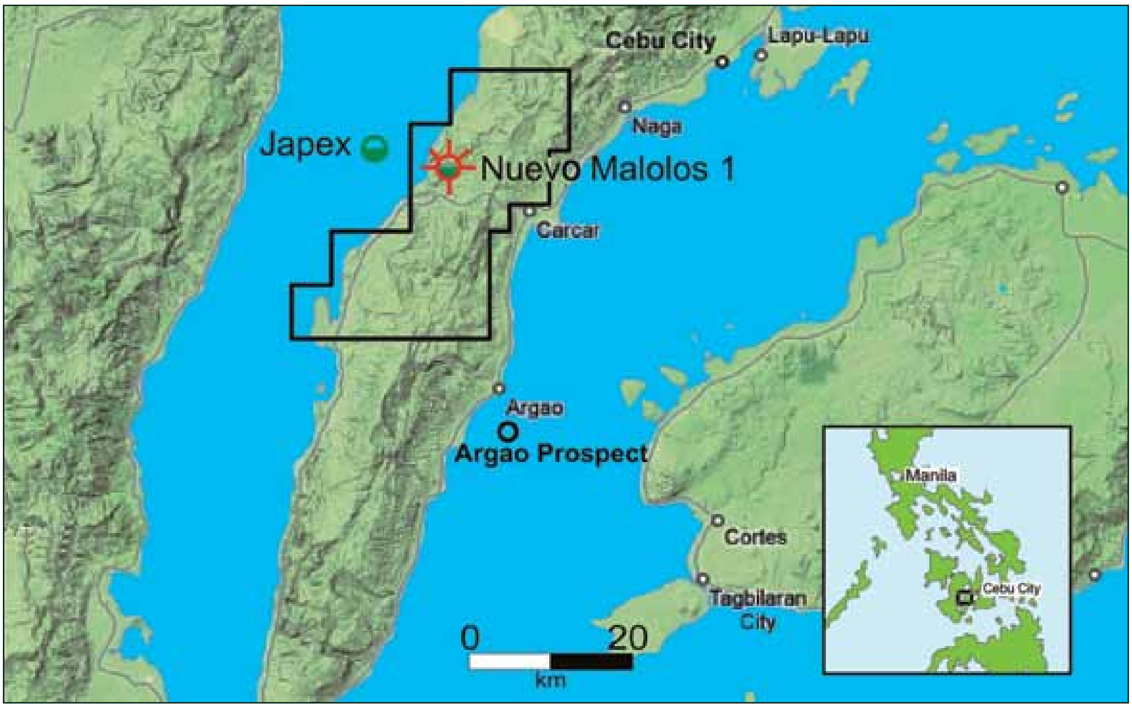

Figure 2 - Location of SC 44 on Cebu Island in the Philippines

- The workover confirmed the presence of natural gas.
- The sandstone reservoir was tested and found to possess very good reservoir quality.
- The swabbing operations resulted in the recovery of formation water confirming that the sandstone reservoir was being accessed through the casing perforations; gas was circulated out of the well after swabbing operations.
- Testing confirmed that gas build-up in the annulus was being sourced from the previously perforated gas bearing sandstones (each 3 - 5 metres thick) over the gross interval 367.3 -478.5 metres and an additional gas bearing sandstone present over the interval 774.2 - 777.3 metres
- Cased hole logs were not able to identify the gas bearing intervals although hydrocarbon bearing intervals are now more confidently indentified by integrating these new logs with interpretation of the original open-hole wireline logs.
- It is now assessed that the section of the well above 3,000 feet contains gas in four separate sandstones (each 3 - 5 metres feet thick) over the gross interval 367.3 - 478.5 metres, an additional 5 metre thick gas bearing sandstone present over the interval 774.2 - 779.3 metres with a gross 23 metre gas column (816.9 - 839.7 metres) overlying water in the 816 metre sandstone

- Gas and oil bearing sandstones are present deeper in the Malolos-1 well but they were not targeted during the Phase 1 workover
- The well has been suspended pending the planning and implementation of the Phase 2 workover.

Following the successful completion of the Malolos-1 workover in March 2010 the Company is planning implementation of the Phase 2 workover for the December 2010 quarter. Commencement of work is dependent on equipment availability, funding and requisite approvals. This Phase 2 workover will likely involve a well intervention, re-completion and flow testing of selected oil and gas bearing sandstones at both the shallow and deeper levels within the well.

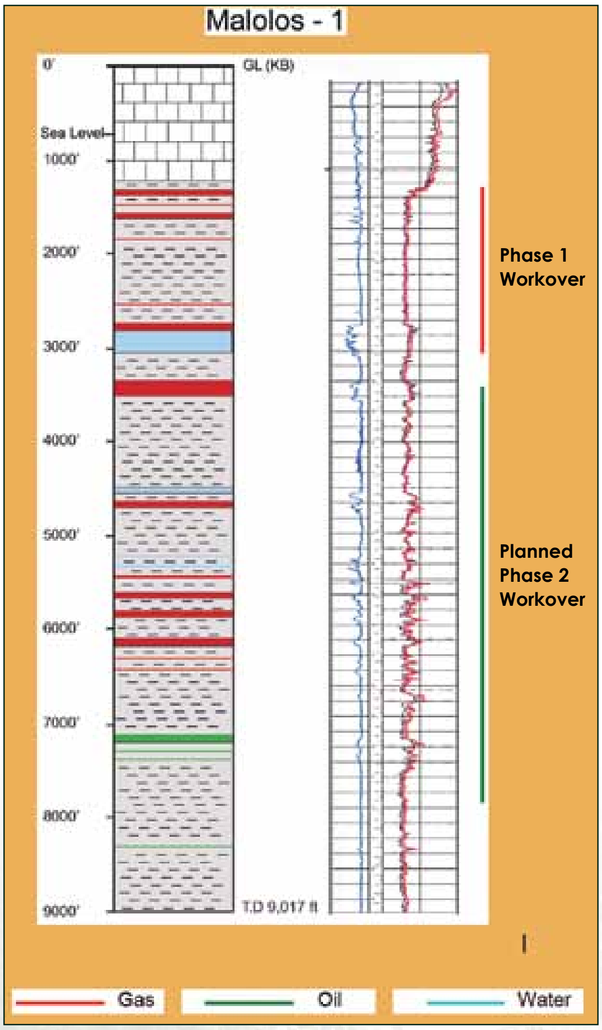

Figure 3 - Malolos-1 Cross-section

Workover Background - A workover on the fully cased Malolos-1 well, offers the Company the lowest cost and nearest term, low risk operation to try to produce commercial gas and oil flow rates. The chance of success with this type of operation has increased after the Phase 1 workover recovered natural gas; established that the sandstone reservoirs are not damaged; and that they are capable of high productivity. Phase 2 workover operations will for the first time focus on the deeper oil and gas bearing intervals.

Seismic Survey: A 50 km seismic acquisition program was completed in March 2010 with field operations being curtailed by the onset of the wet season. The newly acquired seismic data is of very good quality where it has been acquired over ground not affected by outcropping limestone. The interpretation of the data has also been completed providing good geologic insight over selected areas of SC 44. The new data has clearly identified, for the first time, the Cebu Limestone carbonate reef play and the younger turbidite sandstone traps, both structural and structural/stratigraphic. The newly acquired seismic data is generally of high frequency enhancing the ability to identify and map reservoir targets.

The Cebu Limestone reef targets were interpreted to be present within SC 44 before the new seimic data was acquired and it has been extremely pleasing to now, conclusively identify this exploration target, as it **greatly enhances the value of SC 44**. The Cebu Limestone is of Miocene age and similar age limestone reefs are oil and gas producers elsewhere in the Philippines (eg. Malampaya, Nido) and they are also oil and gas producers in neighbouring Indonesia.

A second seismic program of about 50 kms is planned to commence in the December quarter 2010, after the rainy season. The aim of this survey is to acquire sufficient data over at least three existing leads (including the carbonate reefs) and converting them into drilling prospects. Commencement of work is dependent on contractor availability, funding and requisite approvals.

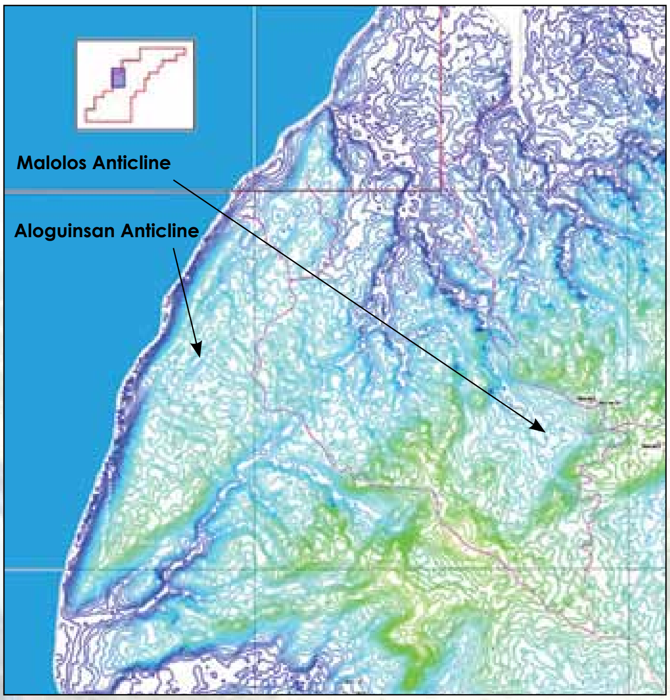

Figure 4 - Aloguinsan and Malolos Surface Anticlines

Figure 5 - SC 44: Phase 1 Workover Site

Figure 6 - SC 44: Mini-Sosie Seismic Survey in process

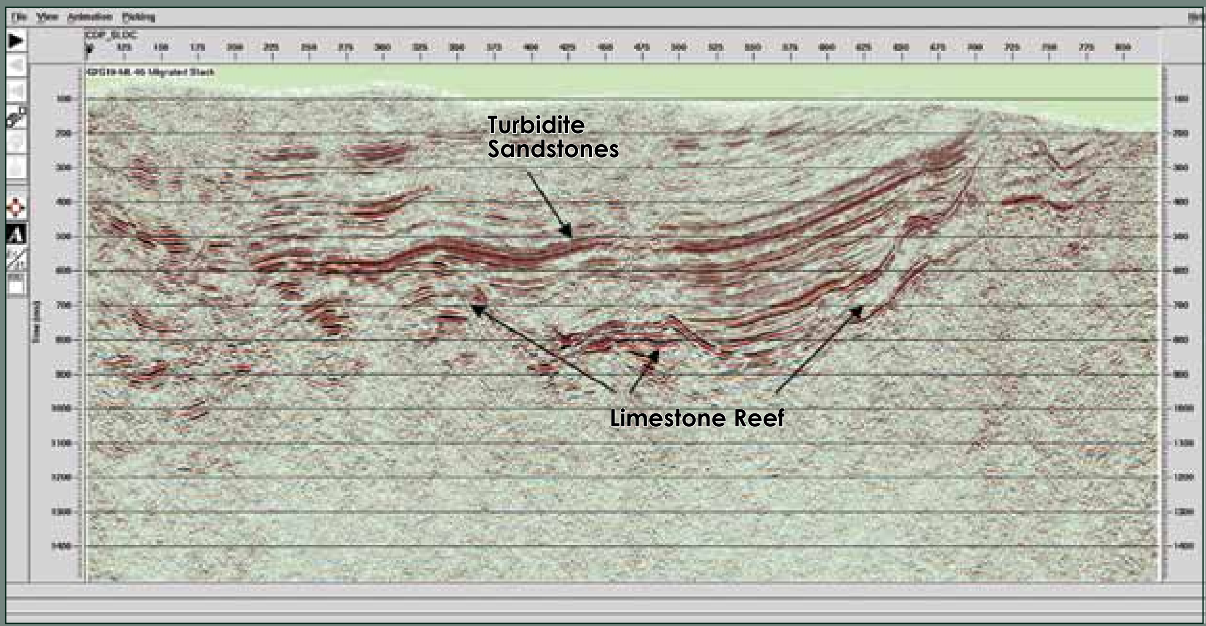

Figure 7 - 2010 Seismic line showing limestone reef and turbidite sandstone targets

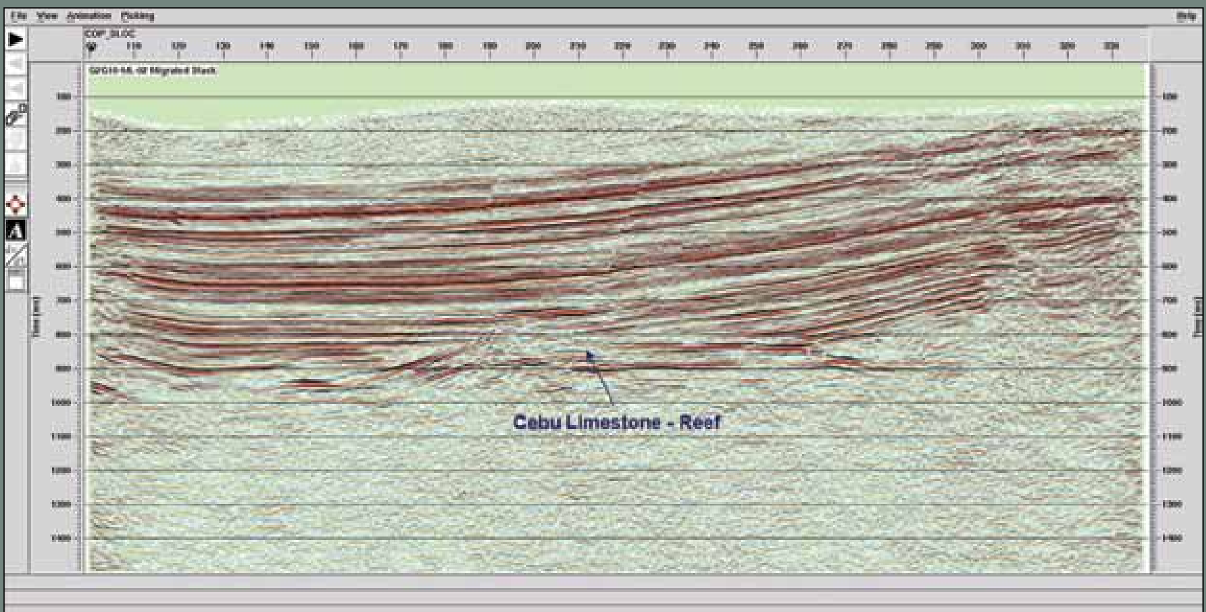

Figure 8 - SC 44 Structural and Limestone Reef Targets

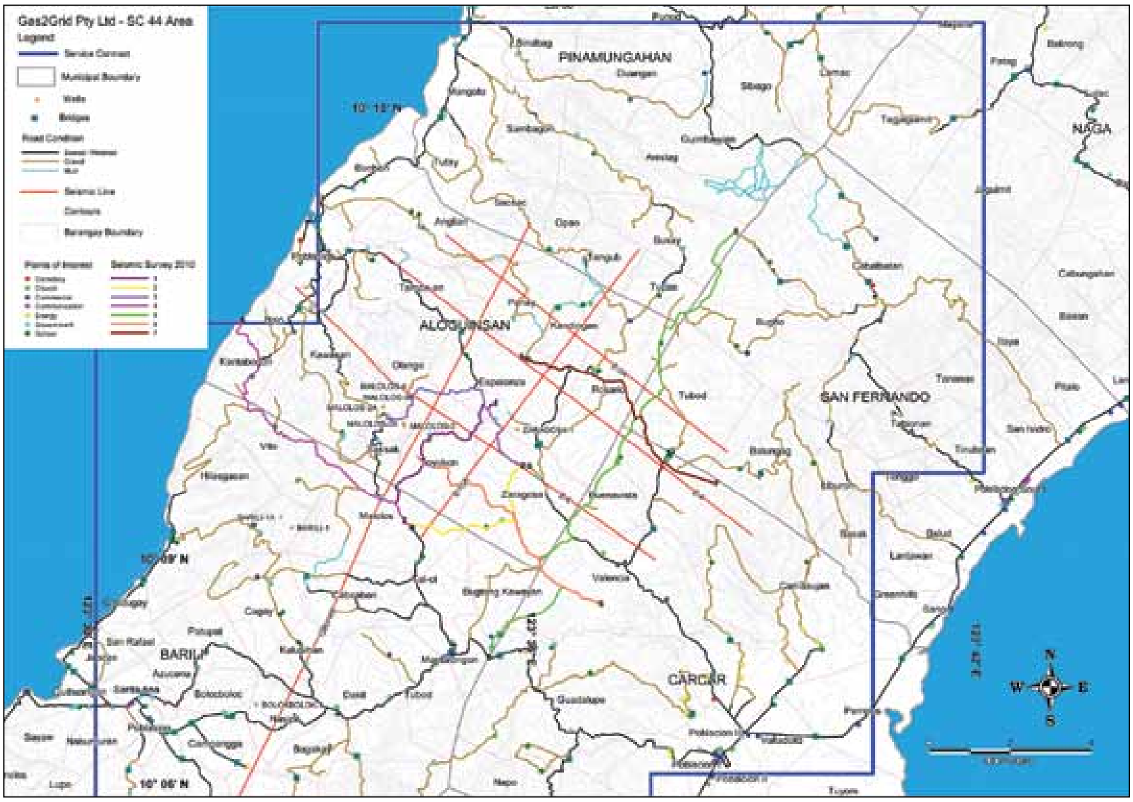

Figure 9 - SC 44: 2010 Seismic Program

FRANCE – St. Griede, Onshore Aquitaine Basin (50% interest and Operator)

"Madiran" Full Tensor Gravity Survey: The Company, in conjunction with joint venture partner Flow Energy (formerly ASX listed Gippsland Offshore Petroleum), awarded a contract to Bell Geospace Limited to acquire a full tensor aero-gravity survey (AGG). The Madiran Survey commenced on 18 November 2009 and acquisition was completed on 18 December 2009 with Flow Energy the operator of this activity. 203 survey lines were acquired for a total 4,951 line kilometres – the whole St. Griede licence was covered.

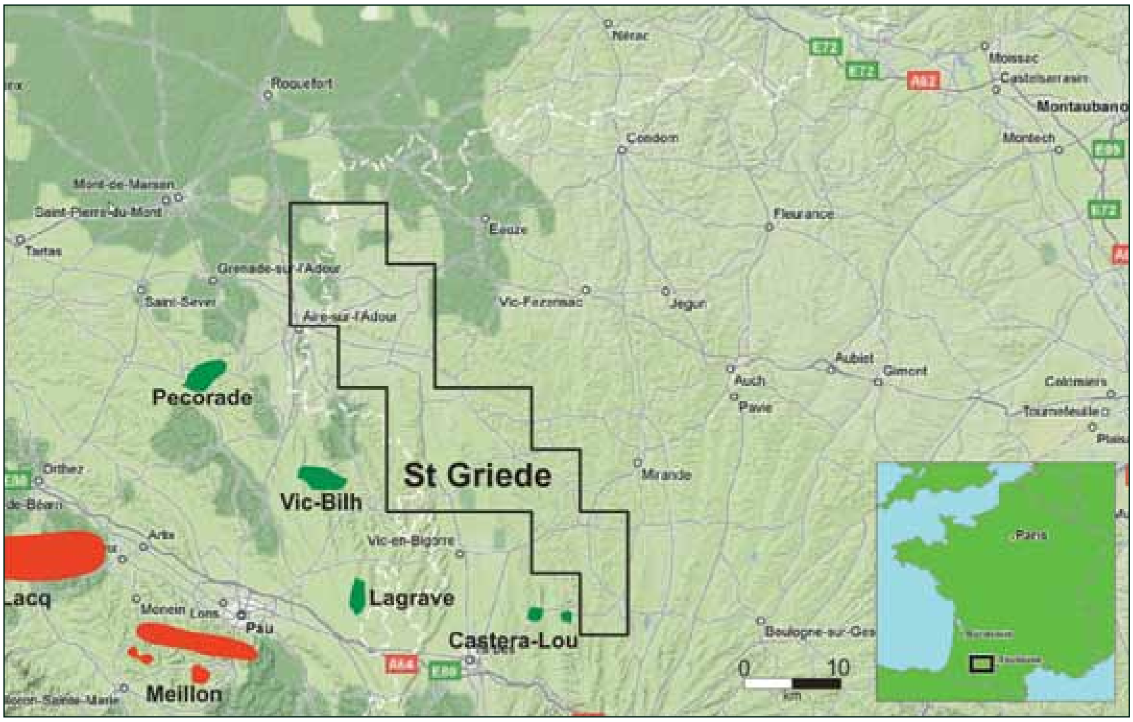

Figure 10 - Location of St Griede Licence

Data quality is very good and the AGG survey proved to be a success as it has provided the Company with a detailed understanding of the major structural features within the whole licence at a relatively low cost (as compared to new seismic acquisition). The new AGG data will be integrated with existing seismic and well control and this interpretation will form the basis of locating the new seismic lines to detail prospects and leads. The prospects detailed by the new seismic acquisition will generate the exploration well locations for drilling in 2011.

Structural traps attractive for oil and gas exploration in the Aquitaine Basin are generally cored by Triassic salt. The existing oil and gas fields within the Aquitaine Basin, located immediately to the west of the St. Griede licence, are located in Jurassic and Cretaceous limestone reservoirs trapped in salt modified structures. Salt has a much lower density than the surrounding sedimentary rocks and gravity is a useful technique to determine areas of thick salt development and hence likely exploration targets. In order to regionally define the location of thick salt accumulations and likely structural petroleum traps, the St. Griede joint venture acquired the regional aero-gravity survey.

Seismic Reprocessing: Over 700 kms existing vintage seismic data has been reprocessed. The seismic data is generally of good to excellent quality. These reprocessed data will now be incorporated with the newly acquired AGG Survey results and existing exploration well control in order to plan the line locations for the proposed 2011 seismic survey.

Figure 11 - AGG Survey – Flight Line Location

Background: The Aquitaine Basin is a prolific hydrocarbon province with a long history of discovery and production. Over 13,000 petajoules (approximately 13 trillion cubic feet) of gas and 450 million barrels of liquid hydrocarbons have been discovered within the basin, mainly by the large French Government-owned corporations. There has been a hiatus in exploration activity since the 1980s, but a resurgence of licensing activity and operations has occurred recently, coincident with the increase in both oil and natural gas prices. Three wells have been drilled in the Aquitaine Basin in the last 18 months but prior to that there had been no drilling in this part of basin for over 10 years. Markets and gas pipeline infrastructure are well developed and commercialisation of even small discoveries is likely.

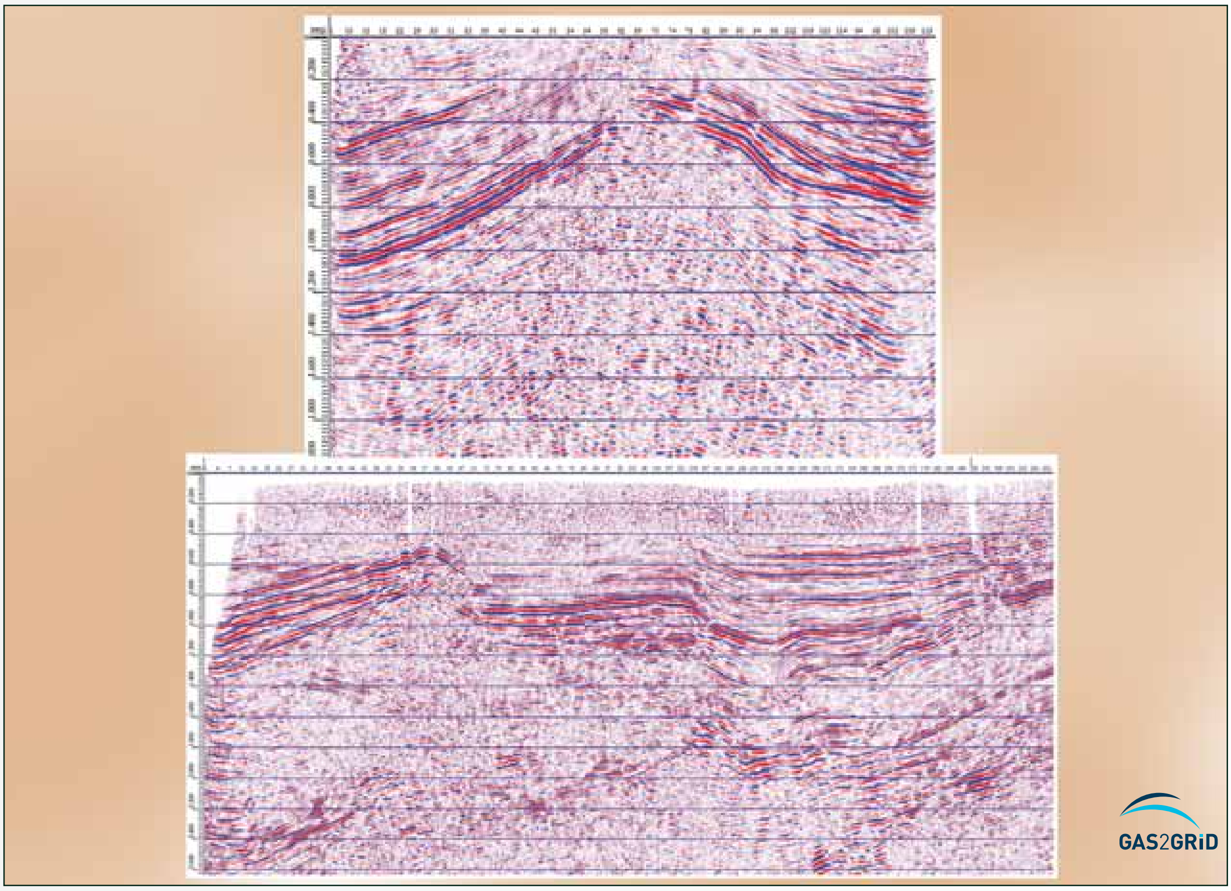

Figure 12 - St. Griede: Reprocessed Seismic Lines showing structural targets

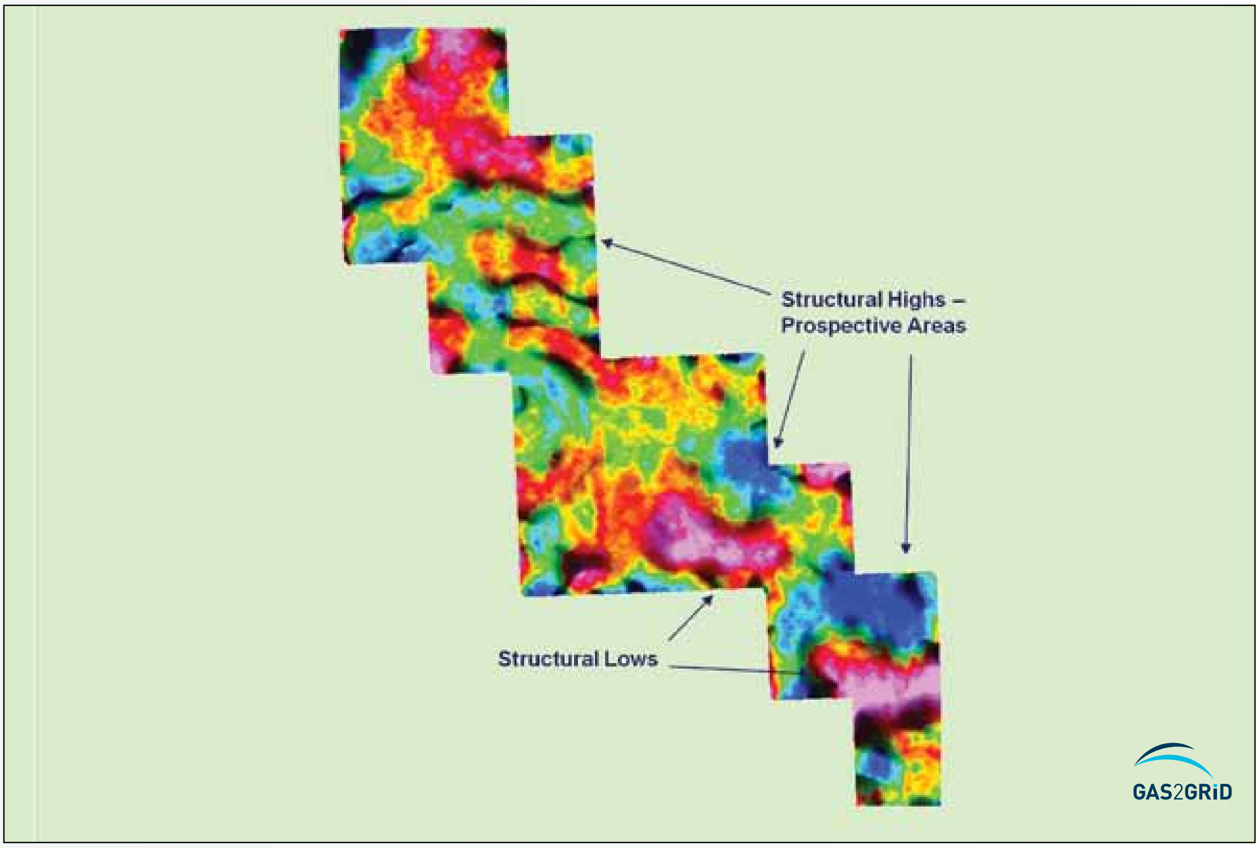

Figure 13 - St. Griede: Relative Density Map

AUSTRALIA – EP 453, Onshore Canning Basin, Western Australia (100% interest)

The EP 453 licence conditions have been varied with the combination of the Year 2 and 3 commitments resulting in the requirement to acquire 200 kms new seismic data by 17 January 2010. These conditions have not been met and it is intended to seek a further variation of the licence terms from the WA Government.

The Company completed reprocessing of all seismic data previously acquired over prospects and leads located within EP 453. These reprocessed data have been interpreted and target horizons mapped to generate drilling prospects. Exploration drilling of the identified prospects will only proceed if funding is acquired by a farmout. The Global Financial Crisis has made it extremely difficult to attract funding for high risk, high reward petroleum exploration drilling.

EP 453 is a highly prospective licence with both oil and gas targets in Late Devonian-age carbonate, pinnacle reefs and Devonian sandstone reservoirs. A number of pinnacle reef prospects have been mapped on existing seismic data. Only two wells have previously been drilled (during the 1980s) within EP 453 and surrounding areas targeting these reefs. In addition the prospectivity of Devonian sandstone reservoirs is evidenced by the fact that the only well drilled within EP 453 and the surrounding area in recent history, Chestnut-1 (1994), intersected a shallow (depth ca 1,350 metres) 8 metre thick sandstone reservoir interpreted from logs to be hydrocarbon bearing, although the interval was not tested. A deeper (1,800 metres) sandstone reservoir is hydrocarbon bearing but has relatively poor reservoir parameters and on a drillstem test flowed gas to surface at a rate too small to measure with no produced water. These two sandstone reservoirs were deposited in a submarine fan complex and reservoir quality should improve in the direction of their depositional source (proximal area).

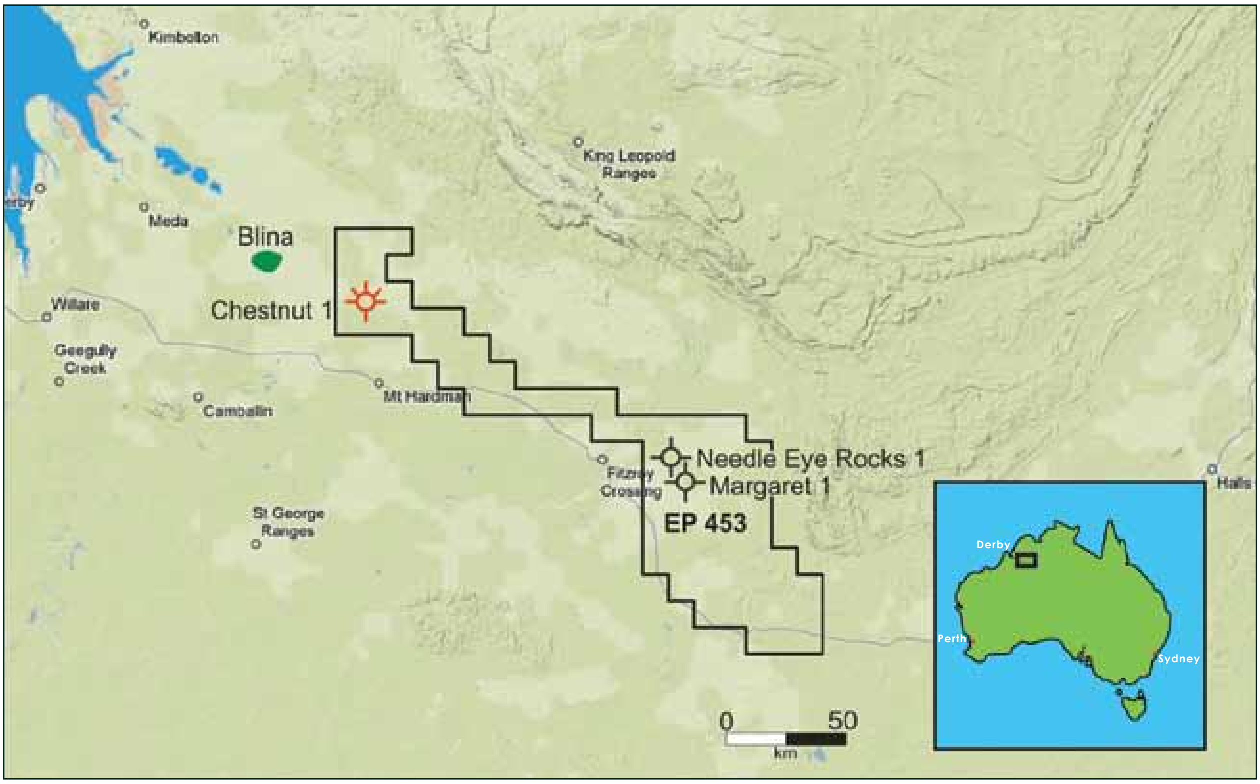

Figure 14 - Location of EP 453

	PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMMENT
1.	**Lay solid foundations for management and oversight**		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Complies	The Group's Corporate Governance Statement includes a Board Charter, which discloses the specific responsibilities of the Board. The Board delegates responsibility for the day to day operations and administration of the Group to the Managing Director.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Complies	The Board evaluates the performance of senior executives on an annual basis.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Complies	There are no departures from the Recommendations 1.1, 1.2 and 1.3. The Corporate Governance Statement is posted on the Group's website.
2.	**Structure the Board to add value**		
2.1	A majority of the board should be independent directors.	Does not comply	The Board consists of three directors: two Non-Executive Directors (D A Munns and P Sam Yue); and one Managing Director (D J Morton). D A Munns is not an independent director because he has a substantial shareholding interest in the Company. P Sam Yue is an independent director as he has no relationships with the other Directors or a substantial shareholder and does not have a substantial shareholding in the Company. The current stage of establishment and size of the Group does not justify the cost of increasing the number of directors.
2.2	The chair should be an independent director.	Does not comply	The Chairman is a non-executive and not considered to be independent because he has a substantial shareholding interest in the Company.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Complies	The Chairman is not an executive.
2.4	The board should establish a nomination committee	Does not comply	Given the present size of the Group, the existing Board structure is able to meet the needs of the Group in the examination of selection and appointment practices without the establishment of a nomination committee of the Board.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Complies	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. Any deficiency identified in a Director's performance is addressed directly with the relevant Director.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Complies	Explanation of departures from the Recommendations 2.1, 2.2 and 2.4 are set out in this section. There are no departures from the Recommendations 2.3, 2.5 and 2.6. The Corporate Governance Statement is posted on the Group's website.

	PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMMENT
3.	**Promote ethical and responsible decision-making**		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Complies	The Group's Corporate Governance Statement includes a Code of Conduct on Ethical Standards, which provides a guide to ethical conduct of Directors and management.
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Complies	The Group's Corporate Governance Statement includes a Code of Conduct on Securities Trading.
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Complies	There are no departures from the Recommendations 3.1, 3.2 and 3.3. The Corporate Governance Statement is posted on the Group's website.
4.	**Safeguard integrity in financial reporting**		
4.1	The board should establish an Audit Committee.	Complies	The Board has established an Audit Committee, consisting of two Directors, to assist in matters relating to the audit functions and to safeguard the integrity of the Group's financial reporting.
4.2	The Audit Committee should be structured so that it: • consists of only non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chairperson of the board • has at least three members.	Does not comply fully	The Audit Committee consists of 2 members as follows: • P Sam Yue – Chairman of the Audit Committee, Non-Executive and independent Director; and • D A Munns – Non-Executive Director. A third member will be appointed when an independent Non-Executive Director is added to the Board. Presently the cost of a larger Board size is not justifiable.
4.3	The audit committee should have a formal charter.	Complies	The Audit Committee has a formal charter (policy) that is included within the Corporate Governance Statement.
4.4	Companies should provide the information indicated in Guide to reporting on Principle 4.	Complies	Explanation of departure from the Recommendation 4.2 is set out in this section. There are no departures from the Recommendations 4.1, 4.3 and 4.4. The Corporate Governance Statement is posted on the Group's website.

	PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMMENT
5.	**Make timely and balanced disclosure**		
5.1	Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Complies	The Group's Corporate Governance Statement states the policy and procedures to ensure compliance with ASX Listing Rule disclosure requirements. The Board has delegated the function of continuous disclosure as required under the ASX Listing Rule to the Managing Director and the Company Secretary to assess the type of information that needs to be disclosed and to ensure that Group's announcements are made in a timely manner, are factual, do not omit material information and are in compliance with the ASX Listing Rules. Information which is considered to be price sensitive is approved by the Board before its release.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Complies	There are no departures from the Recommendations 5.1 and 5.2. The Corporate Governance Statement is posted on the Group's website.
6.	**Respect the rights of shareholders**		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Complies	The Board's policy is for all investors to have equal and timely access to material information concerning the Group, including its financial position, performance, ownership and governance. The Board has established practices to facilitate communication with the Company's shareholders. The Managing Director oversees this process through the Group's website. Briefings are held with professional investors. Prior to such briefings, information to be given will be first released to ASX (if not previously released) and posted on the Group's website. All shareholders are notified in writing of general meetings and encouraged to attend and participate.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Complies	There are no departures from the Recommendations 6.1 and 6.2. The Corporate Governance Statement is posted on the Group's website.
7.	**Recognise and manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Complies	The Group's Corporate Governance Statement includes a business risk oversight and management policy. The Board monitors and receives advice as required on areas of operational and financial risk, and considers appropriate risk management strategies. Specific areas of risk that are identified are regularly considered by Board discussions. Included in these areas are performance of activities, human resources, health, safety and the environment, continuous disclosure obligations, asset protection and financial exposures.
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Complies	The Board requires the Managing Director to provide such a report at the relevant time.

	PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMMENT
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Complies	The Board requires the Managing Director to provide such a statement at the relevant time. The Chairman of the Audit Committee in the absence of an equivalent Chief Financial Officer reviews the existence and effective operations of risk management and internal control.
7.4	Companies should provide the information indicated in Guide to reporting on Principle 7.	Complies	There are no departures from the Recommendations 7.1, 7.2, 7.3 and 7.4. The Corporate Governance Statement is posted on the Group's website.
8.	**Remunerate fairly and responsibly**		
8.1	The board should establish a remuneration committee	Complies	The Board has established a Remuneration Committee consisting of two Non-Executive Directors, D A Munns and P Sam Yue.
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Complies	The Company's constitution provides that the remuneration of Non-Executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The Remuneration Committee reviews the remuneration packages and policies applicable to all Directors and senior executives on an annual basis and makes recommendations to the Board. Where necessary, the Remuneration Committee will obtain independent advice.
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Complies	There are no departures from the Recommendations 8.1, 8.2 and 8.3. The Corporate Governance Statement is posted on the Group's website.

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 2010.

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

D J Morton
D A Munns
P Sam Yue *was appointed a Director on 9 October 2009*
R D Langusch *was a Director from the beginning of this financial year until his resignation on 9 October 2009*

Principal activities
During the year the principal continuing activities of the Company consisted of oil and gas exploration in the Philippines, France and Australia.

Operating results
The consolidated loss of the Group after providing for income tax was $1,083,745 (2009: 2,810,566).

Dividends – Gas2Grid Limited
The Directors report that during the year ended 30 June 2010 no dividends were declared or paid (2009: $nil).

Review of operations
A detailed review of the operations for the financial year is set out on pages 3 to 11.

Significant changes in the state of affairs
Significant changes in the state of affairs of the Group during the financial year were as follows:-

An increase in contributed equity of $2,704,977 as a result of:	
Issue of 21,315,000 fully paid ordinary shares at 0.05 cents each by way of private placement.	1,065,750
Less: transaction costs	(4,614)
Issue of 5,839,844 fully paid ordinary shares at 0.064 cents each as payment to	
Directors for outstanding management and Director's fees	373,750
Less: transaction costs	(2,663)
Issue of 52,000,000 fully paid ordinary shares at 0.025 cents each by way of private placement.	1,300,000
Less transaction costs	(27,246)
	$ 2,704,977

In the opinion of the Directors there were no other 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

In the opinion of the Directors there are no matters and circumstances which have arisen since 30 June 2010 that have 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.

other than that on 19 August 2010 the Company entered into a loan agreement with Budside Pty Ltd, a company controlled by Managing Director Dennis Morton, providing a facility to draw up to $500,000 until 30 September 2011 when any amount drawn and accrued interest (at 9% per annum) not paid are repayable in full. The loan bears a facility fee of $5,000.

Likely developments and expected results of operations
In relation to the Group's oil and gas exploration activities, no indication as to likely developments in the future can be given. The Group proposes to continue its oil and gas exploration programmes and investment activities.

Environmental regulation
The Group is required to carry out its activities in accordance with applicable regulations in each of the jurisdictions in which it undertakes its exploration, development and production activities. The Group 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, Member of Audit Committee and Chairman of Remuneration Committee.

Interest in shares and options
16,021,256 ordinary shares in Gas2Grid Limited.
6,711,800 listed options in Gas2Grid Limited.

D J Morton BSc (Hons) (Macquarie University). Managing Director.

Experience and expertise
Dennis Morton was co-founder and until late in 2007 Managing Director of Eastern Star Gas Limited. He has extensive experience in the management of oil and gas exploration entities. He was previously in senior executive positions with Bow Valley (Australia) Ltd, Capital Energy Limited, Hartogen Energy Limited, and Esso Australia Limited.

Other public company directorships
Orion Petroleum Limited since July 2007

Former directorships in last 3 years
Eastern Star Gas Limited from August 2000 to October 2007.

Special responsibilities
Managing Director (since 31 March 2008).

Interest in shares and options
30,450,320 ordinary shares in Gas2Grid Limited.
17,604,066 listed options in Gas2Grid Limited.

Patrick Sam Yue, CA, FCIS, F Fin. Non-Executive Director appointed on 9 October 2009.

Experience and expertise
Patrick Sam Yue had several years experience with international accounting and finance working in the United Kingdom, Africa and the Middle-East before he joined the finance industry in Australia in 1985 prior to moving to the resources industry. He has over 20 years experience in financial and corporate management in Australia having held senior executive and company secretary positions with ASX listed entities in the oil and gas and minerals industry.

Other public company directorships
Premium Exploration Inc. since January 2010.

Former directorships in last 3 years
Ord River Resources Limited from December 2007 to September 2009.

Jupiter Mines Limited from November 2007 to November 2008.

Special responsibilities
Chairman of Audit Committee and Member of Remuneration Committee.

Interest in shares and options
Nil.

R D Langusch B.E. (Hons), M.Eng.Sc. (University of Queensland). Non-Executive Director resigned on 9 October 2009

Experience and expertise
Russell Langusch is an independent energy consultant with over 30 years combined experience in the oil & gas and finance industries. He commenced his career with Schlumberger working in several international locations in a multitude of roles including petroleum engineering, petrophysics, sales-marketing and management. He was employed by Esso Australia as a senior reservoir engineer before joining the finance sector in 1987. He established his own consultancy business in 2001 and has since undertaken research projects, project assessments, financial modelling, corporate advisory services and independent expert valuations for many domestic and international clients. During the period 2004-early 2008 he was Managing Director of Elixir Petroleum, a dual-listed E&P company based in London with assets in the UK North Sea, Gulf of Mexico and West Africa.

Other public company directorships
Orion Petroleum Limited from 2 October 2009.

Former directorships in last 3 years
Managing Director of Elixir Petroleum Limited from May 2004 to November 2007

Director of Tower Resources plc from December 2004 to February 2007

Interest in shares and options
Nil

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 Securities 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 2010, and the number of meetings attended by each Director:-

Meetings attended/held:	A/B
D A Munns	**2/2**
D J Morton	**2/2**
P Sam Yue (appointed 9 October 2009)	**2/2**
R D Langusch (resigned 9 October 2009)	**1/1**

A = Number of meetings attended
B = Number of meeting held during the time the Director held office

The newly constituted Audit Committee and the Remuneration Committee did not meet during the year.

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

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

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

A Principles used to determine the nature and amount of remuneration
The objective of the Group's executive reward framework is to ensure that reward for performance is competitive and appropriate.

The Remuneration Committee 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 2009. Directors' fees are determined within an aggregate fee pool limit, which currently stands at $150,000 per annum. This aggregate remuneration limit of the Directors shall not be increased except pursuant to a resolution passed at a general meeting of the Company.

Base fees	From 1 July 2009	From 1 July 2008 to 30 June 2009
Chairman	35,000	35,000
Other Directors (each)	25,000	25,000

Additional fees
In addition to base Directors' fees, Dennis Morton, Russell Langusch and Patrick Sam Yue receive monthly management fees of $10,000, $8,000 and $8,000 respectively for additional technical, corporate and administrative duties performed on a regular basis.

B Details of remuneration
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 the Group are set out in the following tables.

2010	Short-term benefits		Post-employment benefits		Share-based payment		
Name	Directors' and Management Fees	Percentage of total remuneration	Super-annuation	Percentage of total remuneration	Options	Remuneration consisting of options	Total
	$	%	$	%	$	%	$
Executive Directors of Gas2Grid Limited and the Group							
D J Morton	145,000	100	-	-	-	-	145,000
Non-Executive directors of Gas2Grid Limited and the Group							
D A Munns, Chairman	35,000	100	-	-	-	-	35,000
P Sam Yue (appointed 9 October 2009)	88,086	100	-	-	-	-	88,086
R D Langusch (resigned 9 October 2009)	33,178	100	-	-	-	-	33,178
Total	301,264	100	-	-	-	-	301,264

Directors' fees continue to be accrued for D J Morton, D A Munns and P Sam Yue. Management fees continue to accrue for D J Morton and P Sam Yue. Management fees of $151,435 have been accrued for the year with $30,000 paid in shares and $34,824 paid in cash. Directors' fees of $63,150 have been accrued for the year with $15,000 paid in shares and $6,855 paid in cash. Prior period Directors' and management fees of $328,750 were paid in shares on 27 November 2009. R D Langusch was paid all outstanding Directors' fees and management fees for the year upon retirement.

2009	Short-term benefits		Post-employment benefits		Share-based payment		
Name	Directors' and Management Fees	Percentage of total remuneration	Super-annuation	Percentage of total remuneration	Options	Remuneration consisting of options	Total
	$	%	$	%	$	%	$
Executive Directors of Gas2Grid Limited and the Group							
D W King (Executive Director to 25 August 2008)	2,500	100	-	-	-	-	2,500
D J Morton	162,936	98.75	2,064	1.25	-	-	165,000
Non-Executive directors of Gas2Grid Limited and the Group							
D A Munns, non-executive Chairman	32,110	91.74	2,890	8.26	-	-	35,000
E D Espiritu (resigned 21 November 2008)	10,418	100	-	-	-	-	10,418
R D Langusch (appointed 25 August 2008)	61,489	100	-	-	-	-	61,489
Total	269,453	98.20	4,954	1.80	-	-	274,407

No other officers or Directors received any emoluments from the Company and the Group.

Directors' fees were accrued for D J Morton and D A Munns. R D Langusch was paid Directors' fees as they were earned and retired directors were all paid outstanding Directors' fees either in cash or by issue of shares. Management fees of $148,000 had been accrued for the year with $32,000 paid in cash.

C Service agreements

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

D Share-based compensation

Options

No options have been granted as remuneration under an employee incentive plan this financial year.

D Share-based compensation

The Company did not grant any options over ordinary shares as remuneration to any Director and no options vested in 2009 and 2010.

Other transactions of Directors and Director-related entities

Refer to note 19 of the financial statements for details of other transactions with key management personnel.

Loans to directors

There are no outstanding loans to Directors and no loans have been granted during the year.

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 per share	Number of shares under option
16 December 2008	30 November 2010	$0.08	38,584,422
25 March 2010	30 September 2011	$0.05	52,000,000

No options have been issued under the Gas2Grid Employee Incentive Scheme since it was established in February 2005. The options granted on 16 December 2008 were under a non-renounceable entitlements issue. The options granted on 25 March 2010 were made under a private placement.

Insurance of officers

During the financial year, a premium of $25,000 was paid to insure the Directors of the Company and the Group.

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 engage the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with 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 18 to 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 auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

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.

Dennis Morton
Director
Sydney
29 September 2010

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Auditor's Independence Declaration

As lead auditor for the audit of Gas2Grid Limited for the year ended 30 June 2010, 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 entities it controlled during the period.

Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
29 September 2010

Liability limited by a scheme approved under Professional Standards Legislation

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2010

	Notes	2010 $	2009 $
Revenue from continuing operations	5	**26,290**	16,763
Impairment of Deferred Exploration Expenditure		**-**	(2,185,983)
Administration expense		**(331,855)**	(297,451)
Auditor's remuneration	18	**(57,140)**	(64,038)
Merger costs		**(484,241)**	-
Employee benefits expense		**(85,000)**	(94,407)
Depreciation	6	**(3,244)**	(1,191)
Insurance costs		**(27,600)**	(26,859)
Rental expenses		**(31,203)**	(21,149)
Travelling expenses		**(29,627)**	(86,910)
Other expenses		**(60,125)**	(49,341)
Loss before income tax		**(1,083,745)**	(2,810,566)
Income tax expense	7	**-**	-
Loss from continuing operations		**(1,083,745)**	(2,810,566)
Other comprehensive income			
Exchange differences on translation of foreign operations		**(297,676)**	795,697
Other comprehensive income for the year, net of tax		**(297,676)**	795,697
Total comprehensive loss for the year		**(1,381,421)**	(2,014,869)
Loss for the year attributable to the owners of Gas2Grid Limited		**(1,083,745)**	(2,810,566)
Total comprehensive income for the year is attributable to:			
owners of Gas2Grid Limited		**(1,381,421)**	(2,014,869)

		Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings (loss) per share	24	**(0.57)**	(2.05)
Diluted earnings (loss) per share	24	**(0.57)**	(2.05)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 30 June 2010

	Notes	2010 $	2009 $	1 July 2008*
ASSETS				
Current assets				
Cash and cash equivalents	8	**569,858**	784,256	758,450
Trade and other receivables	9	**182,603**	131,891	205,406
Other financial assets at fair value	10	**2,534**	2,600	2,366
Total current assets		**754,995**	918,747	966,222
Non-current assets				
Plant and equipment	11	**4,399**	2,561	1,227
Exploration expenditure and rights	12	**7,802,919**	6,018,178	7,098,049
Total non-current assets		**7,807,318**	6,020,739	7,099,276
Total assets		**8,562,313**	6,939,486	8,065,498
LIABILITIES				
Current liabilities				
Trade and other payables	13	**825,578**	337,557	580,690
Total current liabilities		**825,578**	337,557	580,690
Non-current liabilities				
Trade and other payables	14	**-**	188,750	266,250
Total non-current liabilities		**-**	188,750	266,250
Total liabilities		**825,578**	526,307	846,940
Net assets		**7,736,735**	6,413,179	7,218,558
EQUITY				
Contributed equity	15	**13,421,509**	10,716,532	9,507,042
Reserves	16(a)	**(714,720)**	(417,044)	(1,212,741)
Accumulated losses	16(b)	**(4,970,054)**	(3,886,309)	(1,075,743)
Total equity		**7,736,735**	6,413,179	7,218,558

**See Note 26 for details on adjustment of prior period error*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2010

Consolidated	Contributed Equity	Accumulated Losses	Reserves	Total Equity
	$	$	$	$
As at 1 July 2008	9,507,042	(2,841,811)	(798,485)	5,866,746
Adjustment on correction of error*	-	1,766,068	(414,256)	1,351,812
Restated total equity at the beginning of the financial year	9,507,042	(1,075,743)	(1,212,741)	7,218,558
Total comprehensive (loss) income for the year as reported in the financial statements	-	(2,824,717)	554,342	(2,270,375)
Adjustment on correction of error*	-	14,151	241,355	255,506
Restated total comprehensive income for year	-	(2,810,566)	795,697	(2,014,869)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	1,209,490	-	-	1,209,490
As at 30 June 2009	10,716,532	(3,886,309)	(417,044)	6,413,179
As at 1 July 2009	10,716,532	(3,886,309)	(417,044)	6,413,179
Total comprehensive loss for the year	-	(1,083,745)	(297,676)	(1,381,421)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	2,704,977			2,704,977
As at 30 June 2010	**13,421,509**	**(4,970,054)**	**(714,720)**	**7,736,735**

** See Note 26 for details on adjustment of prior period error.*

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2010

	Notes	2010 $	2009 $
Cash flows from operating activities			
Interest received		**26,290**	16,763
Payments to suppliers and employees (inclusive of goods and services tax)		**(762,655)**	(440,633)
Net cash outflow from operating activities	23	**(736,365)**	(423,870)
Cash flows from investing activities			
Exploration expenditure		**(1,771,745)**	(666,718)
Payments for plant and equipment		**(5,082)**	(2,525)
Net cash outflow from investing activities		**(1,776,827)**	(669,243)
Cash flows from financing activities			
Proceeds from issues of shares	15(b)	**2,365,488**	1,157,532
Share issue transaction costs	15(b)	**(44,461)**	(28,085)
Net cash inflow from financing activities		**2,321,027**	1,129,447
Net (decrease) increase in cash and cash equivalents		**(192,165)**	36,334
Cash and cash equivalents at the beginning of the financial year		**784 ,256**	758,450
Effects of exchange rate changes on cash and cash equivalents		**(22,233)**	(10,528)
Cash and cash equivalents at end of financial year	8	**569,858**	784,256

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

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for 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*.

Compliance with IFRSs
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRSs ensures that the financial report of Gas2Grid Limited complies with International Financial Reporting Standards (IFRSs).

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.

Ongoing Funding
As an exploration company, Gas2Grid Limited requires ongoing funding to support its exploration activities from time to time. At balance date, the Company had a working capital deficit deficiency of $70,583. Subsequent to balance date, the Group entered into a loan agreement as disclosed in Note 22 and is also seeking to raise fresh equity capital. While the Directors believe additional equity capital will be raised, at the date of this report the equity raising has not been completed and, therefore, there is a significant uncertainty regarding the Company's ability to continue as a going concern. The financial report has been prepared on a going concern basis and accordingly no adjustments have been made relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Gas2Grid Limited ("Company" or "Parent Entity") as at 30 June 2010 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 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 acquisition 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.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

(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.

(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 or are attributable to part of the net investment in foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary 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 and translation differences on non-monetary 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 foreign operations (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 in other comprehensive income.

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

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

(e) Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

(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 applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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
Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Cash and cash equivalents
For the purposes of presentation in the statement of cash flows, 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.

(i) Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance 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. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(j) Investments and other financial assets

Classification
The Group classifies its investments in the following categories; financial assets at fair value through profit or loss, loans and receivables. 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
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(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.

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

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

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

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

Impairment
If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

(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 or diminishing value 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

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.

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 may be provided to employees via an employee incentive plan.

The fair value of options granted under an employee incentive plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(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.

(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) Investments in subsidiary
Investments in subsidiary is accounted for at cost. Such investment includes both investment in shares issued by the subsidiary and other Parent Entity interests that in substance form part of the Parent Entity's investment in the subsidiary. These include investments in the form of interest-free loans which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long term capital. Trade amounts receivable from the subsidiary in the normal course of business and other amounts advanced on commercial terms and conditions are included in receivables.

(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 statement of financial position.

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.

(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 acquisition 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, when 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 of 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 interpretations
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB2] (effective from 1 January 2010)*
The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement

should be measured, that is, whether it is measured as an equity or a cash-settled transaction. The Group does not expect the amendment to have any effect on the Group's financial statements and will apply these amendments retrospectively for the financial reporting period.

(ii) AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]* (effective from 1 February 2010)

In October 2009, the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies*, Changes in Accounting Estimates and Errors. The Group will apply the amended standard from 1 July 2010. As the Group has not made any such rights issues, the amendment will not have any effect on the Group's financial statements.

(iii) AASB 9 *Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB* 9 (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group does not expect the amendment to have any effect on the group's financial statements and will apply these amendments retrospectively for the financial reporting period.

(iv) Revised AASB 124 *Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009, the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the amended standard from 1 July 2010. However, there will be no impact on any of the amounts recognised in the financial statements.

(v) AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* and AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19* (effective from 1 July 2010) AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Group will apply the interpretation from 1 July 2010. There is a potential impact on the Group's financial statements and the effect has not been determined.

(vi) AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement* (effective from 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The Group does not make any such prepayments. The amendment is therefore not expected to have any impact on the Group's financial statements. The Group intends to apply the amendment from 1 July 2011.

(vii) AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective from 1 July 2010/1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Group will apply the amendments from 1 July 2010. It does not expect that any adjustments will be necessary as a result of applying the revised rules.

(viii) AASB 1053 *Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013)

On 30 June 2010, the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Gas2Grid Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the Group.

(x) Parent entity financial information

The financial information for the Parent Entity, Gas2Grid Limited, disclosed in Note 25 has been prepared on the same basis as the consolidated financial statements.

2. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the Board and the financial risks faced by the Group are considered minimal at this stage.

The Group holds the following financial instruments:

	2010 $	2009 $
Financial assets		
Cash and cash equivalents	**569,858**	784,256
Trade and other receivables	**182,603**	131,891
Other financial assets at fair value	**2,534**	2,600
	754,995	918,747
Financial liabilities		
Trade and other payables	**825,578**	526,307
	825,578	526,307

(a) Market risk

i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, euro and Philippines peso.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group's exposure to foreign currency risk at the reporting date was not material.

ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from cash and cash equivalents and deposits with banks. The Group is not exposed to price risk.

Group sensitivity

At 30 June 2010, if interest rates had changed by -/+ 100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been $5,699 lower/higher (2009 - change of 100 bps: $7,843 lower/higher), as a result of lower/higher interest income from cash and cash equivalents and deposits with banks.

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures in respect of outstanding receivables and committed transactions.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

(c) Liquidity risk

The Group manages liquidity risk by monitoring actual cash flows and maintaining sufficient cash or finance facilities to fund operations. Surplus funds are generally only invested in short term deposits with Australian banks.

Financing arrangements

The Group had access to an undrawn borrowing facility bearing interest at a fixed rate of 9% allowing the drawing of up to $500,000 until 30 September 2011:

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual cash flows.

At 30 June 2010	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets) / liabilities
	$	$	$	$	$	$	$
Non-derivatives							
Non-interest bearing	825,578	-	-	-	-	825,578	825,578
Variable rate	-	-	-	-	-	-	-
Total non-derivatives	825,578	-	-	-	-	825,578	825,578
At 30 June 2009							
Non-derivatives							
Non-interest bearing	337,557	-	188,750	-	-	526,307	526,307
Variable rate	-	-	-	-	-	-	-
Total non-derivatives	337,557	-	188,750	-	-	526,307	526,307

(d) Fair value estimation

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

The fair value of financial instruments that are not traded in an active market (for example, investments in unlisted subsidiaries) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values due to their short-term nature.

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 semi-annually whether exploration expenditure carried forward has suffered any impairment, in accordance with the accounting policy stated in Note 1(u).

4. Segment reporting

The Group operates as a petroleum exploration company performing exploratory drilling of wells and seismic gravity surveys in the Philippines, France, New Zealand and Western Australia. The Group manages these activities from its head office in Sydney, Australia, a branch office in Manilla, Philippines and an office in Singapore.

	Revenue		Segment Results		Segment Assets		Segment Liabilities	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	$	$	**$**	$	**$**	$	**$**	$
Australia	**26,290**	16,763	**(1,037,585)**	(590,015)	**1,181,576**	1,341,674	**535,069**	502,634
Singapore	**-**	-	**(46,160)**	(34,568)	**50,949**	15,976	**29,286**	23,673
France	**-**	-	**-**	-	**710,896**	40,035	**-**	-
New Zealand	**-**	-	**-**	(2,185,983)	**45,183**	44,982	**-**	-
Philippines	**-**	-	**-**	-	**6,573,709**	5,496,819	**261,223**	-
Consolidated	**26,290**	16,763	**(1,083,745)**	(2,810,566)	**8,562,313**	6,939,486	**825,578**	526,307

	2010 $	2009 $
5. Revenue		
From continuing operations		
Other revenue		
Interest	**26,290**	16,763
	26,290	16,763
6. Expenses		
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	**3,244**	1,191
Total depreciation	**3,244**	1,191
Net foreign exchange loss	**2,913**	3,996
Superannuation	**-**	4,954
Merger costs	**484,241**	-
7. Income tax expense		
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	**(1,083,745)**	(2,810,566)
Tax at the Australian tax rate of 30% (2009- 30%)	**(325,124)**	(843,170)
Deferred tax asset not recognised/(brought to account)	**325,124**	843,170
Income tax expense	**-**	-
(b) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**(6,556,045)**	(4,605,348)
Potential tax benefit @ 30%	**1,966,814**	1,381,604
8. Current assets - Cash and cash equivalents		
Cash at bank and in hand	**569,858**	784,256
9. Current assets - Trade and other receivables		
Other receivables	**161,721**	110,222
Prepayments	**20,882**	21,669
	182,603	131,891
10. Current assets – Other financial assets at fair value		
At beginning of financial year	**2,600**	2,366
Foreign exchange difference on translation	**(66)**	234
At end of the financial year	**2,534**	2,600
Philippines Treasury Bills	**2,534**	2,600

a) Credit risk

There is no significant credit risk with respect to receivables.

	2010	2009
	$	$
11. Non-current assets – Plant and equipment		
Furniture, fittings and equipment		
Balance at beginning of financial year	**2,561**	1,227
Additions	**5,082**	2,525
Depreciation charge	**(3,244)**	(1,191)
Balance at end of financial year	**4,399**	2,561
Cost or fair value	**10,298**	5,216
Accumulated depreciation	**(5,899)**	(2,655)
Net book amount	**4,399**	2,561
12. Non-current assets – Exploration expenditure and rights		
Exploration expenditure and rights		
At cost	**7,802,919**	6,018,178
Reconciliation of the carrying amount of exploration expenditure and rights		
Exploration expenditure and rights		
Carrying amount at beginning of financial year	**6,018,178**	7,098,049
Exploration expenditure and rights	**2,055,511**	301,588
Exploration expenditure and rights written off	**-**	(2,185,983)
Foreign exchange difference	**(270,770)**	804,524
Carrying amount at end of financial year	**7,802,919**	6,018,178
13. Current liabilities – Trade and other payables		
Trade payables	**550,574**	179,140
Fees owing to Directors	**275,004**	158,417
	825,578	337,557
At balance date the fees owing to Directors were as follows		
D A Munns	**26,250**	-
D J Morton	**169,168**	140,000
P Sam Yue	**79,586**	-
R D Langusch	**-**	18,417
	275,004	158,417

These are accrued management and Directors' fees payable which will continue to accrue until such time as it is mutually agreed that the Company is in a position to pay those fees.

14. Non-current liabilities – Trade and other payables		
Other payables	**-**	188,750

15. Contributed equity

	Notes	2010 Shares	2009 Shares	2010 $	2009 $
(a) Share capital					
Ordinary shares- fully paid	(b),(c)	**235,059,332**	155,904,488	**13,421,509**	10,716,532
Total contributed equity				**13,421,509**	10,716,532

Gas2Grid Limited's acquisition of Gas2Grid Pte Ltd has been treated as a reverse acquisition. Effectively Gas2Grid Pte Ltd (the legal subsidiary) is deemed the acquirer of Gas2Grid Limited for financial reporting purposes.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(b) Movements in ordinary share capital:

	Details	Notes	Number of shares	Issue price $	$
1 July 2009	Balance at begining of financial year		155,904,488		10,716,532
7 July 2009	Share Issue	(d)(i)	21,315,000	0.05	1,065,750
	Less: transaction cost				(4,614)
30 November 2009	Share issue	(d)(ii)	5,839,844	0.064	373,750
	Less: transaction cost				(2,663)
26 March 2010	Share issue	(d)(iii)	26,000,000	0.025	650,000
30 April 2010	Share issue	(d)(iii)	26,000,000	0.025	650,000
	Less: transaction cost				(27,246)
30 June 2010	Balance at end of financial year		235,059,332		13,421,509

(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

(i) On 7 July 2009, the Company issued 21,315,000 fully paid ordinary shares at $0.05 per share. These shares were issued by way of private placement to a number of investors who do no require a disclosure document.

(ii) On 30 November 2009, the Company issued 5,839,844 fully paid ordinary shares at $0.064 per share. These shares were issued to Directors as payment for Directors' and management fees outstanding. The shares were approved for issue at a general meeting held on 27 November 2009 at a price based on the 30 day volume weighted average price preceding the date of the notice of the general meeting.

(iii) On 26 March 2010 and 30 April 2010, the Company issued in total 52,000,000 fully paid ordinary shares at $0.025 per share by way of private placement to a number of investors who do not require a disclosure document. For each share allotted the holder was granted an option for no additional consideration exercisable at $0.05 per ordinary share on or before 30 September 2011.

(e) Options

Unlisted Options:

There are 52,000,000 unlisted options on issue with an exercise price of $0.05 per ordinary share, exercisable on or before 30 September 2011. The options were granted on 30 April 2010 under a private placement offer of securities.

Listed Options:

There are 38,584,422 listed options on issue with an exercise price of $0.08 per ordinary share, expiring exercisable on or before 30 November 2010. The options were granted under the 16 December 2008 non-renounceable entitlements offer.

	2010 **$**	2009 $	2008 $
16. Reserves and accumulated losses			
(a) Reserves			
Share-based payments reserve	**84,000**	84,000	84,000
Foreign currency translation reserve	**(798,720)**	(501,044)	(1,296,741)
	(714,720)	(417,044)	(1,212,741)
Movements:			
Share-based payment reserve			
Balance at beginning of financial year	**84,000**	84,000	84,000
Option expense	**-**	-	-
Balance at end of financial year	**84,000**	84,000	84,000
Foreign currency translation reserve			
Balance at beginning of financial year	**(501,044)**	(1,296,741)	(707,282)
Currency translation differences arising during the year	**(297,676)**	795,697	(589,459)
Balance at end of financial year	**(798,720)**	(501,044)	(1,296,741)
(b) Accumulated losses			
Movements in retained profits were as follows:			
Balance at beginning of financial year	**(3,886,309)**	(1,075,743)	(2,841,811)
Loss for the year	**(1,083,745)**	(2,810,566)	1,766,068
Balance at end of financial year	**(4,970,054)**	(3,886,309)	(1,075,743)

(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 subsidiary 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.

17. Commitments

(a) Exploration commitments

In order to maintain current rights to tenure to exploration tenements, the Company has the following exploration expenditure commitments 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:-

Not later than one year	**3,302,782**	2,461,000
Later than one year but not later than 5 years	**1,225,760**	5,950,000
	4,528,542	8,411,000

	2010 $	2009 $
18. 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 firms:		
(a) Assurance services		
Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**39,850**	43,350
Related practices of PricewaterhouseCoopers Australian firm	**17,290**	20,688
Total remuneration for audit services	**57,140**	64,038
No non-audit services were provided.		
19. Key management personnel disclosures		
(a) Key management personnel compensation		
Directors' Fees	**85,000**	269,453
Superannuation	**-**	4,954
	85,000	274,407

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 18 to 20.

(b) 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 page 20.

(ii) Option holdings

The number of options, both listed and unlisted, over ordinary shares in the Company held during the financial year by each Director of Gas2Grid Limited, including their related parties, are set out below.

	Balance at the beginning of the financial year	Granted during the year as compensation	Exercised during the year	Other changes	Balance at the end of the financial year	Vested and exercisable during the year
2010 **Name**						
Directors of Gas2Grid Limited						
D A Munns	6,711,800	-	-	-	6,711,800	6,711,800
D J Morton (ii)	17,604,066	-	-	-	17,604,066	17,604,066
P Sam Yue	-	-	-	-	-	-
2009 **Name**						
Directors of Gas2Grid Limited						
D A Munns	500,000	-	-	6,211,800	6,711,800	6,711,800
D W King (i)	300,000	-	-	3,030,220	3,330,220	3,330,220
E D Espiritu	-	-	-	-	-	-
D J Morton (ii)	300,000	-	-	17,304,066	17,604,066	17,604,066
R D Langusch	-	-	-	-	-	-

19. Key management personnel disclosures (continued)

(iii) Share holdings

The number of shares in the Company held during the financial year by each Director of Gas2Grid Limited, including their related parties are set out below. There were no shares granted during the year as compensation.

	Balance at the beginning of the financial year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the financial year
2010				
Name				
Directors of Gas2Grid Limited				
D A Munns	13,423,600	-	2,597,656	16,021,256
D J Morton (ii)	27,208,132	-	3,242,188	30,450,320
P Sam Yue	-	-	-	-
2009				
Name				
Directors of Gas2Grid Limited				
D A Munns	6,711,800	-	6,711,800	13,423,600
D W King (i)	3,313,259	-	5,147,181	8,460,440
E D Espiritu	147,769	-	-	147,769
D J Morton (ii)	8,494,066	-	18,714,066	27,208,132
R D Langusch	-	-	-	-

(i) 2,096,652 shares and 148,326 options are held by Seistend Pty Limited. 6,363,788 shares and 3,181,894 options are held by DWK Superannuation Fund. Both entities are associated with and controlled by D W King. D W King ceased to be a Director of the Company on 25 August 2009

(ii) 27,208,132 shares and 13,370,000 options are held by Budside Pty Limited Employees Superannuation Fund, an entity associated with and controlled by D J Morton.

(c) Loans to key management personnel

There are no loans made during the year or outstanding at balance date to Directors of Gas2Grid Limited.

(d) Other transactions with key management personnel

D J Morton and D A Munns were issued shares during the year as payment for accrued Directors' and management fees. D J Morton was issued 3,242,188 ordinary shares as payment for $207,500 in outstanding fees. D A Munns was issued 2,597,656 ordinary shares as payment for $166,250 outstanding fees.

During the year consultancy fees of $26,323, for services rendered by and Directors' fees of $6,859 for R D Langusch were paid to Langusch & Associates Pty Ltd, a company controlled by R D Langusch.

During the year consultancy fees of $120,000, for services rendered by and Directors' fees of $25,000 for D J Morton were due and payable to Budside Pty Ltd, a company controlled by D J Morton. $145,000 was owing to Budside Pty Ltd at balance date.

During the year consultancy fees of $69,935, for services rendered by and Directors' fees of $18,151 for Patrick Sam Yue were due and payable to Oni Design Pty Ltd, a company controlled by Patrick Sam Yue. $79,586 was owing to Oni Design Pty Ltd at balance date.

During the year, charges for goods and services amounting to $202,178 for exploration activities were due and payable to Desco Incorporated and TD International SA, firms associated with D A Munns.

	2010 $	2009 $
Amounts recognised as expense		
Management fees to Langusch & Associates Pty Ltd	**26,323**	40,000
Management fees to Budside Pty Ltd	**120,000**	140,000
Management fees to Oni Design Pty Ltd	**69,935**	-
	216,258	180,000
Amounts recognised as non-current assets		
Exploration expenditure for services performed and goods provided by Desco Incorporated	**100,344**	-
Exploration expenditure for services paid by TD International on behalf of the Group	**35,842**	-
	136,186	-

20. Related party transactions

(a) Parent entities
The Parent Entity within the Group is Gas2Grid Limited and this is also the ultimate Parent Entity within the Group.

(b) Subsidiary
Interest in subsidiary is set out in note 21.

(c) Key management personnel
Disclosures relating to key management personnel are set out in note 19.

(d) Loans to related parties and investments in subsidiaries

	2010 $	2009 $
Investment by Parent Entity in subsidiary		
At beginning of financial year	**3,789,714**	3,789,714
Additional investment in subsidiary	**-**	-
Impairment of investment in subsidiary	**-**	-
At end of financial year	**3,789,714**	3,789,714
Loans from Gas2Grid Limited to Gas2Grid Pte Limited (subsidiary)		
At beginning of financial year	**-**	-
Loans made	**1,104,119**	90,286
Loans repaid	**-**	-
Impairment to value of loan	**(1,104,119)**	(90,286)
At end of financial year	**-**	-

21. Subsidiary

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*	
			2010 %	2009 %
Gas2Grid Pte Limited	Singapore	Ordinary	**100**	100

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

22. Events occurring after the balance sheet date

There are no matters or circumstances which have arisen since 30 June 2010 which 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.

other than that on 19 August 2010, the Company entered into a loan agreement with Budside Pty Ltd, a company controlled by Managing Director Dennis Morton, providing a facility to draw up to $500,000 until 30 September 2011 when any amount drawn and accrued interest (at 9% per annum) not paid are repayable in full. The loan bears a facility fee of $5,000.

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

	2010 $	2009 $
Loss for the year	**(1,083,745)**	(2,810,566)
Depreciation and amortisation	**3,244**	1,191
Impairment of deferred exploration expenditure	**-**	2,185,983
Net exchange differences	**2,915**	3,994
Change in operating assets and liabilities		
Decrease (Increase) in trade and other receivables	**332,452**	(41,961)
Decrease in trade and other payables	**7,982**	237,532
Decrease (Increase) in prepayments	**787**	(43)
Net cash outflow from operating activities	**(736,365)**	(423,870)

24. Earnings per share

	2010 Cents	2009 Cents
(a) Basic earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	**(0.57)**	(2.05)
Loss attributable to the ordinary equity holders of the Company	**(0.57)**	(2.05)
(b) Diluted earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	**(0.57)**	(2.05)
Loss attributable to the ordinary equity holders of the Company	**(0.57)**	(2.05)
(c) Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Loss from continuing operations	**(1,083,745)**	(2,810,566)
Loss from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**(1,083,745)**	(2,810,566)
Diluted earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**(1,083,745)**	(2,810,566)
Loss from continuing operations attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**(1,083,745)**	(2,810,566)

	2010 Number	2009 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	**191,386,178**	137,014,501
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	**191,386,178**	137,014,501

24. Earnings per share (continued)

(e) Information concerning the classification of securities

(i) Options

The 38,584,422 listed options and 52,000,000 unlisted options are not included in the calculation of diluted earnings per share because they are anti-dilutive for the year ended 30 June 2010. These options could potentially dilute basic earnings per share in the future. Details relating to the options are set out in Note 15 (e).

25. Parent entity financial information

a) Summary financial information

The individual financial statements for the Parent Entity show the following aggregate amounts:

	2010 **$**	2009 $
Balance Sheet		
Current assets	**704,046**	902,771
Total assets	**5,951,203**	5,355,491
Current liabilities	**535,069**	313,884
Total liabilities	**535,069**	502,634
Shareholders' equity		
Issued capital	**17,209,412**	14,504,434
Reserves		
Share based payments	**84,000**	84,000
Accumulated losses	**(11,877,278)**	(9,735,577)
	5,416,134	4,852,857
Loss for the year	**(2,141,701)**	(2,866,284)
Total comprehensive income	**(2,141,701)**	(2,866,284)

b) Guarantees entered into by the Parent Entity

The Parent Entity has not entered into any financial guarantees as at 30 June 2010 or 30 June 2009.

c) Contingent liabilities of the Parent Entity

The Parent Entity did not have any contingent liabilities as at 30 June 2010 or 30 June 2009.

d) Contractual commitments for the acquisition of property, plant or equipment

The Parent Entity did not have any contractual commitments for the acquisition of property, plant or equipment as at 30 June 2010 or 30 June 2009.

26. Correction of error in recording deferred tax liability in prior periods

It has been identified this financial year that the deferred tax liability on deferred exploration expenditure was inappropriately recognised in prior years. This error had the effect of overstating accumulated losses and overstating deferred tax liabilities with resulting impacts on the foreign currency translation reserve as at the end of the 30 June 2005, 30 June 2006, 30 June 2007, 30 June 2008, and 30 June 2009 reporting periods. This error has been corrected by restating the opening balances at 1 July 2008 for the cumulative impact of the error at that date being an overstatement of deferred tax liabilities and total liabilities of $1,351,812; overstatement of accumulated losses of $1,766,068 and understatement of reserves of $414,256.

As at 30 June 2009, the error had the effect of overstating deferred tax liabilities and total liabilities by $1,607,320; overstatement of accumulated losses of $1,780,220 and understating reserves by $172,900. The error also had the effect of overstating income tax expense and total comprehensive income by $14,151 for the year ended 30 June 2009. The effect of the error for the prior year has been corrected through restatement of each of the affected financial statement line items.

Basic and diluted earnings per share for the prior year have also been restated. The basic and diluted earnings per share for the prior year has increased from ($0.0206) to ($0.0205) as a result of this correction.

27. Authorisation

The financial statements were authorised for issue on 29 September 2010 by the Board of Directors.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 22 to 42 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 consolidated entity's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they be come due and payable; and

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

Dennis Morton
Director

Sydney
29 September 2010

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Independent auditor's report to the members of Gas2Grid Limited

Report on the financial report

We have audited the accompanying financial report of Gas2Grid Limited (the company), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Gas2Grid Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of Gas2Grid Limited (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

Auditor's opinion

In our opinion:

(a) the financial report of Gas2Grid Limited is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Significant uncertainty regarding continuation as a going concern

Without qualification of our opinion expressed above, we draw attention to Note 1(a) which comments on the ongoing funding requirements of the company. Accordingly there is significant uncertainty as to whether Gas2Grid Limited group will continue as a going concern and therefore whether it will realize its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

Report on the Remuneration Report

We have audited the remuneration report included in pages 18 to 20 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Gas2Grid Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Marc Upcroft
Partner

Sydney
29 September 2010

The shareholder information set out below was applicable as at 6 September 2010.

1. Substantial Holders

Substantial holders in the Company are set out below:-

Ordinary Shares	Number held	Percentage of Issued Shares:
Darren Reeder	35,000,000	14.89
Dennis Morton	30,450,320	12.95
David Munns	16,021,256	6.81
David King	11,996,652	5.10

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	89
1,001 – 5,000	17
5,001 – 10,000	88
10,001 – 100,000	351
100,001 and over	196
	741

(ii) There were 231 holders of less than a marketable parcel of shares.

5. Distribution of Listed Option holders - 8 cents 30 November 2010 Options

(i) Analysis of numbers of option holders by size of holding:-

No. of Shares	No. of Shareholders
1 – 1,000	-
1,001 – 5,000	2
5,001 – 10,000	4
10,001 – 100,000	22
100,001 and over	24
	52

(ii) There were 26 holders of less than a marketable parcel of options.

6. Distribution of Unlisted Option holders - 5 cents 30 September 2011 Options

(i) Analysis of numbers of option holders by size of holding:-

No. of Shares	No. of Shareholders
1 – 1,000	-
1,001 – 5,000	-
5,001 – 10,000	-
10,001 – 100,000	-
100,001 and over	13
	13

7. Twenty Largest Shareholders

	Name of Shareholders:	Number Held:	Percentage of Issued Shares:
1.	Budside Pty Ltd <Employees Superannuation Fund>	22,468,132	9.56
2.	Darren Wesley Reeder	20,000,000	8.50
3.	Darren Reeder	15,000,000	6.38
4.	Mr. David Munns	13,423,600	5.71
5.	Seistend Pty Limited <DWK Super Fund A/C>	8,900,000	3.79
6.	Mr. Michael Kenneth Walcott	6,698,266	2.85
7.	Octanex NL	6,140,000	2.61
8.	Paul Dominic Hillman	5,000,000	2.13
9.	DG, AR & E Battersby <Veruse Employees Super Fund>	5,000,000	2.13
10.	Pobelo Super Pty Ltd <Pobelo P/L Super Fund A/C>	4,940,000	2.10
11.	Atlantic Pacific Capital Limited	4,000,000	1.70
12.	Budside Pty Ltd <Employees Super Fund A/C>	3,540,000	1.51
13.	Budside Pty Limited	3,242,188	1.38
14.	Seistend Pty Ltd <Direct Investment A/C>	3,096,652	1.32
15	Merrill Lynch (Australia) Nominees Pty Limited	3,088,224	1.31
16.	Ryan Superannuation Nominees Pty Ltd	3,044,933	1.30
17.	Discovery Investments Pty Ltd	3,000,000	1.28
18.	Berenes Nominees Pty Ltd <Berenes Super Fund>	2,800,000	1.19
19.	TD International SA	2,597,656	1.11
20.	Custodial Services Limited	2,373,933	1.01
		138,353,584	58.87

8. Twenty Largest Option holders - Listed 8 cents 30 November 2010 Options

	Name of Option holders:	Number Held:	Percentage of Issued Options:
1.	Budside Pty Ltd <Employees Superannuation Fund>	11,000,000	28.51
2.	Mr. David Munns	6,711,800	17.40
3.	Mr Dennis Morton	4,234,066	10.97
4.	Seistend Pty Limited <DWK Super Fund A/C>	3,164,933	8.20
5.	Darren Reeder	2,500,000	6.48
6.	Budside Pty Ltd <Employees Super Fund A/C>	1,770,000	4.59
7.	Discovery Investments Pty Ltd	1,624,933	4.21
8.	Malcolm Albert Parkes Thom	1,000,000	2.59
9.	W R Mobbs Superannuation Pty Ltd	1,000,000	2.59
10.	Custodial Services Limited	767,000	1.99
11.	Mr. Dennis Morton <Budside P/L Employees S/F>	600,000	1.56
12.	Paul Dominic Hillman	413,333	1.07
13.	Mr. Mike Walcott	384,133	1.00
14.	Nyholm Pty Ltd <Nyholm Super Fund A/C>	369,933	0.96
15.	Mr. Clarke Barnett Dudley	255,067	0.66
16.	HSBC Custody Nominees	244,933	0.63
17.	Bond Street Custodians Limited <PFG-V20432 A/C>	234,362	0.61
18.	Mr. Trevor Bayley	203,170	0.53
19.	Mr. Timothy Alan Baldwin	200,000	0.52
20.	Ms. Jennifer Ashley Morton	200,000	0.52
		36,877,663	95.59

9. Holder of 20% or more of Unlisted Options - 5 cents 30 September 2011:

Name of Option holder:	Number Held:	Percentage of Issued Options:
Darren Wesley Reeder	20,000,000	38.83

SCHEDULE OF MINERAL TENEMENTS

LOCATION	TENEMENT	HOLDER	INTEREST	AREA	CURRENT TO
Cebu Island, The Philippines	Service Contract 44	Gas2Grid Pte Ltd	100%	750km^2	28/11/2011
Canning Basin, Western Australia	Exploration Permit 453	Gas2Grid Limited	100%	9,677.7km^2	17/01/2013
Onshore Aquitaine Basin, France	St Griede Licence	Gas2Grid Limited	50%	1,238km^2	21/05/2013