



Annual Report

For the year ended 30 June 2020

Gas2Grid Limited
ABN 46 112 138 780

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Corporate directory

Directors

David A Munns - Chairman
Dennis J Morton - Managing Director
Patrick W V M Sam Yue - Executive Director

Home Stock Exchange

ASX Limited
Exchange Centre
20 Bridge St
Sydney NSW 2000

Company Secretary

Patrick W V M Sam Yue

ASX Code: GGX

Registered Office

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Email: office@gas2grid.com

Solicitors

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1 Farrer Place
Sydney NSW 2000

Share Registry

Next Registries
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1 Market Street
Sydney NSW 2000
Telephone: 61 2 9251 1700
Facsimile: 61 2 9251 7138
Email: mail@nextregistries.com.au

Auditors

Stantons International Audit
and Consulting Pty Ltd
6 Middlemiss St
Lavender Bay NSW 2060

Website

www.gas2grid.com

Dear Shareholders,

During year we commenced the long awaited deepening of Nuevo Malolos-1 ("NM-1") well in the Malolos Oil Field within Service Contract 44 ("SC 44") to access and production test two known oil bearing sandstones. Should production testing of that well be successful the Company will be able to apply for a 25-year production licence.

In November 2019 during normal operations, a "pry" bar accidentally fell into the well and caused the drilling assembly to become stuck. After unsuccessful efforts to free the assembly, we suspended operations just prior to Christmas 2019 in order to provide time for us to arrange for specialist assistance and equipment.

In March 2020, the Covid-19 pandemic struck worldwide and governments imposed measures restricting travel impacting all people, businesses and organisations. In our case, we have had to continue with the suspension of operations until we are again allowed to mobilise crew and equipment.

We invoked Force Majeure for an extension of time to complete the NM-1 well deepening operations.

The last extension of SC 44 ended on 2 September 2020. We do not yet have confirmation of our most recent extension request although we are advised that the extension is legally deemed automatically extended until the government issues a decision. We trust that the government recognizes our commitment to and substantial investments in SC 44 over the many years in Philippines and look forward on their decision to grant the requested extension. On 22 September 2020, the Philippines Government extended the State of Calamity and quarantine by one year. This will impact resumption of our field activities in that period unless we are granted an exemption under the terms and conditions of any extension of SC 44.

While our focus has been the Malolos Oil Field, we have continued to seek new ventures onshore Philippines and elsewhere. The announcement of the Australian Government in September 2020 of their strong support for gas and energy industry development is encouraging, hopefully followed by similar actions by State Governments, and we will be looking for opportunities in Australia.

In January 2020, we lodged a financial claim of €34.35 million against the French Government for their unlawful actions on the St. Griede permit renewal process. The impact of Covid-19 has slowed all legal process in France and it would appear that we will have to wait until 2021 to achieve a resolution.

We thank our shareholders for their continued support as we persevere to develop the Malolos Oil Field, obtain fair compensation for our investment in France and seek opportunities for new investment while the world is impacted by Covid-19 with high uncertainty for business.



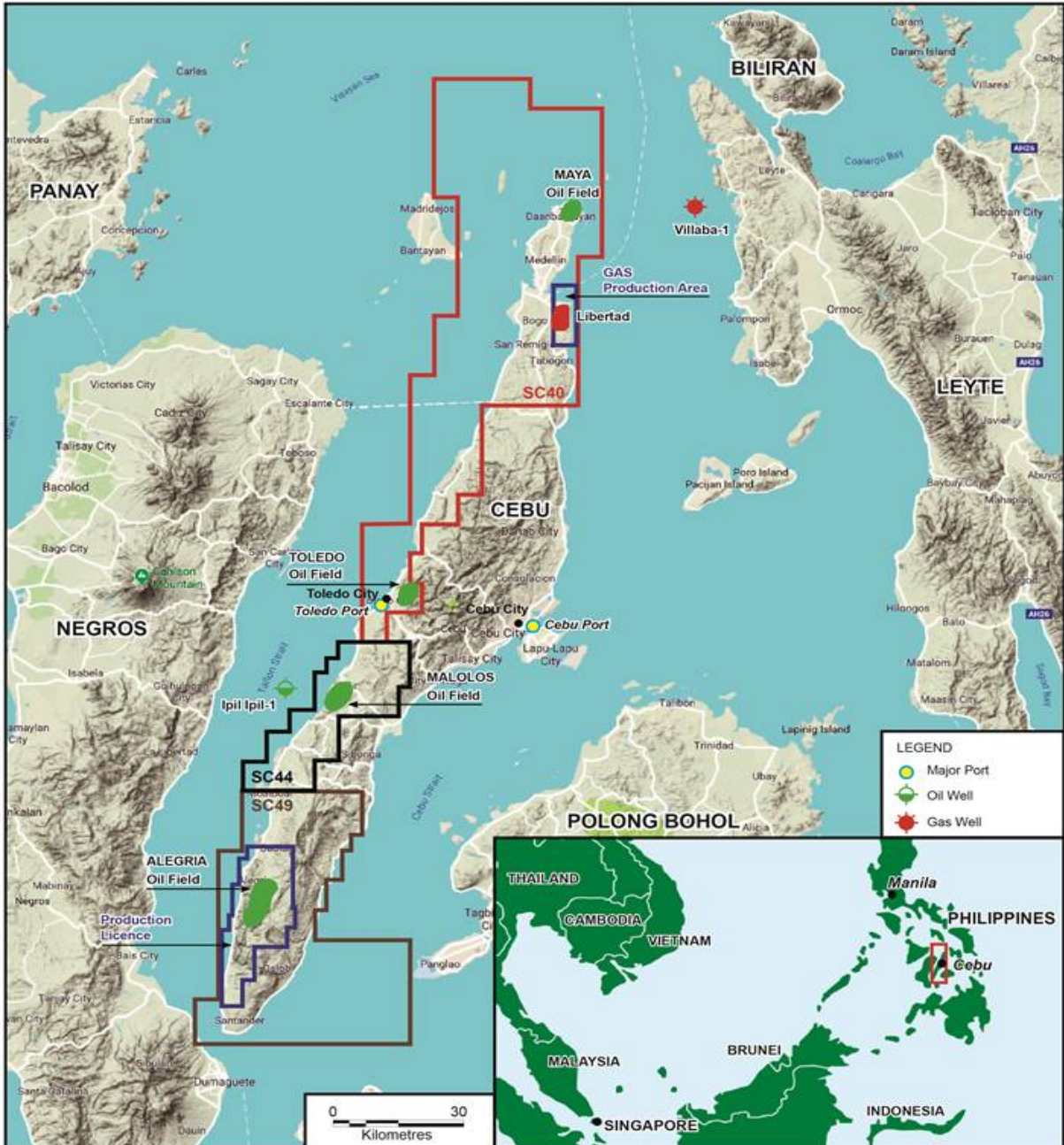
David Munns
Chairman

30 September 2020

EXPLORATION

PHILIPPINES

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



Location of Service Contract 44 in Philippines

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

oil production test at NM-1 is successful, the Company may submit an application for a 25 year production term.

In early September 2019, the Company commenced site operations for the deepening, completing and testing oil from NM-1. Group owned Rig-2 which has been under care and maintenance since last testing operations in 2014/2015 was serviced and put into operational condition. Rig-2 was then rigged-down from the Malolos-1 site and moved approximately 20 metres to the NM-1 wellhead where it was rigged-up for drilling operations. Those operations lasted longer than planned partly due to heavy rainfall, which frequently interrupted operations jeopardising safety of personnel and equipment. Rig-2 was rigged-down and reassembled instead of being skidded as had previously been intended.

The Company modified the previously planned drilling procedures at NM-1 to achieve target drilling results while requiring significantly less expenditure. The revised procedure incorporates squeezing existing perforations in the 7 inch casing and then drilling a pilot hole down to the two oil bearing sandstones. An open hole drill-stem test of the two oil sands will then be conducted. The decision to complete the well for extended oil flow testing will be dependent on the open hole test results.

The cased section of the well was re-entered with two existing cement plugs drilled out. A significant amount of gas had accumulated below the lower cement plug and the gas was circulated out of the hole.

The well was cleaned out to a depth of 1,913.7 metres (6,287.5 feet) from ground level (GL) and the drilling assembly was being pulled out of the hole prior to conducting a cement squeeze with the casing shoe at 1,934.2 metres (6,345.7 feet) GL.

In early December 2019, during the pulling of the drilling assembly to surface, a metal “pry” bar accidentally fell into the hole. The pry bar eventually wedged against the drilling assembly while it was being pulled out of the hole with the drill bit at a depth of 837 metres (2,746 feet) GL. The drilling assembly has become stuck at this depth. It comprises a drill bit, drill collars and 2 7/8” tubing.

Attempts to free the drilling assembly up until just prior to Christmas 2019 were unsuccessful. Lack of necessary oil field operations equipment and consumables within the Philippines made remedial operations challenging.

To be able to continue with drilling operations, the Company devised a program to free the drilling assembly that requires approvals of relevant authorities for the movement and storage of explosives (string-shot) and sourcing necessary equipment, some of which needed to be imported; all with long lead times. Consequently, the well was suspended and the drill crew placed on leave with a plan to re-commence in early 2020.

During the March 2020 quarter, the Company had sourced all required equipment, some from overseas, engaged a specialist service provider based in Philippines to free the drilling assembly, obtained the necessary approvals of relevant authorities and had raised new capital to meet the additional operations costs.

Whilst the Company was ready to re-commence operations, its plan was disrupted by direct effects of the advent of the Covid-19 pandemic. The imported equipment arrived on time in March 2020 at Cebu port but could not clear customs promptly because of people movement restrictions in the country.

In March 2020, a *State of Calamity throughout the Philippines Due to the Corona Virus 2019* was declared in the Philippines with restrictions on travel imposed. It was evident then that there would be

difficulties in mobilising the Company's drilling crew and service providers who are based in other parts of Philippines or overseas that will impact on the drilling operations.

With about 5½ months remaining to the expiry of the granted moratorium for SC 44 and uncertainty in the duration of Government imposed measures, the Company invoke the *Force Majeure* provision of SC 44 and requested for an extension of time to complete the deepening and testing operations.

The Company has been in contact with the DOE and no decision has yet been received on the requested extension by the date of expiry of the last extension on 2 September 2020. The Company's lawyers have advised that based on the laws in Philippines the extension request is deemed automatically extended until the DOE issues a decision or resolution on the request.

The Company is hopeful of Government support which has seen the need to fast track oil and gas exploration/development in the country.

On 22 September 2020, the Philippines Government extended the State of Calamity and Enhanced Community Quarantine by one year which will impact resumption of our field activities in that period unless we are granted an exemption under the terms and conditions of any extension of SC 44.

The economic model of Malolos Oil Field has been re-assessed having regards to the impact of the extent and to the possible timing of recovery from the Covid-19 pandemic on World economy and oil market. If production testing is successful and a 25 year production licence is granted it is the Company's view that at the current oil price of around US\$40 per barrel the Malolos Oil Field remains an attractive investment.

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

NEW VENTURES

The Company had identified certain oil and gas appraisal opportunities onshore Philippines which it has been pursuing through technical evaluation and commercial negotiation. Despite the significant impact of the Covid-19 pandemic the Company continues to pursue new venture opportunities for the medium to long term.

The Company will also be searching for opportunities within Australia having regards to the recent federal government announcements on strong support for the gas and energy industry.

FRANCE

Legal Claim: ST. GRIEDE, Onshore Aquitaine Basin – Renewal Renounced

The Company has been in legal dispute with the French Government since 2015 following its refusal to renew the St Griede permit, located within the Aquitaine Basin, south of France, in breach of the prevailing law as confirmed by the French Tribunal and Court.

Following an appeal lodged in January 2017 by the French Government against a judgement by the Pau Tribunal in November 2016, that was in favour of the Company, the Appeal Court of Bordeaux handed down a decision on 5th March 2019 also in favour of the Company.

However, in light of the actions and legal process over 6 years to avail of its legal rights to renew the St Griede permit, the introduction of new laws and the capital market's perception of the significant sovereign risk in France for oil and gas explorers the Company decided in April 2019 not to pursue further the renewal of the permit, which is likely to be resisted primarily driven by political interests of the French Government.

In July 2019, the Company, based on legal advice, lodged a €34.35 million financial claim on the French Government for the unlawful non-renewal of the St. Griede permit.

With no response from the French Government, in January 2020 the Company lodged and registered at the Pau Tribunal, a claim of €34.35 million for compensation against the French Government. This claim is in respect to the damages caused by the French Government in unlawfully refusing, as ruled by the French Courts, to renew the St Griede conventional hydrocarbon exploration permit in accordance with the prevailing mining law.

The period of confinement and travel restrictions in France as a result of the Covid-19 pandemic have inevitably impacted on the legal procedures both at the offices of the Government and the Tribunal. At the date of this report, the French Ministers have not yet lodged their defence at the Tribunal. With the continued impact of Covid-19, a Tribunal decision on the claim may not be expected before 2021.

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

Background

The St Griede permit, in which the Company had 100% interest, is located within the Aquitaine Basin, France. The permit was due for its first renewal in May 2013 after an initial 5 year term.

With the terms and conditions of the work and expenditure commitments having been met for the first 5 year term, a renewal application for a second 5 year term was submitted in January 2013 in order to continue the work program towards the drilling of a well. Normally, a first renewal is expected as a matter of course, if the initial commitments have been met.

In September 2015, the French Government unlawfully decided not to grant the renewal.

Following an action initiated in the Pau Tribunal in November 2015, a judgement was handed down in early November 2016 fully supporting the Company by annulling the September 2015 decision of the French Ministers refusing to grant renewal of the St Griede permit.

The Tribunal also instructed the Ministers to grant, within 30 days, a 5 year extension to the St Griede permit commencing from 3rd November 2016. The Tribunal also ruled for a financial penalty on the French Government of €3,000 for each day after 3rd December 2016 that the grant of the permit extension is delayed. Subsequently, the Tribunal imposed on the French Government penalties and costs totalling €414,400 (approximately A\$626,550) that were paid to the Company in 2018.

On 3 January 2017, the French Government lodged an appeal with the Appeal Court of Bordeaux against the November 2016 decision of the Tribunal.

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

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

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

The unlawful resistance during 6 years of the French Ministers to renew the St Griede permit, the introduction of new laws that will shut down the petroleum exploration and production industry in France by 2040 and the capital market's perception of the significant sovereign risk created in France for oil and gas explorers compelled the Company to renounce its rights for the renewal of the permit in April 2019. The French sovereign risk discourages investors to fund any of the Company's potential oil and gas operations in France.

The Company's success to date in its legal actions conducted in the Tribunal and Appeal Court dictates that the Company should pursue further its legal rights in France.

Competent Person

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

Forward-Looking Statement

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

FINANCIAL ANALYSIS

Funding: On 30 June 2020, the period of availability of the loan facilities of \$8,700,000 from related entities of Directors (D Morton, D Munns and P Sam Yue) was extended from 16 April 2021 to 16 April 2022 to ensure that the Company is sufficiently funded for operations. At 30 June 2020, a total of \$5,100,149 has been accounted as drawn under the facilities with remaining balance of \$3,599,851 being available to be drawn as and when required by the Company. The loan facilities are unsecured and bear interest at 9% per annum with a 1% establishment fee based on arm's length commercial borrowing for an entity in the Group's circumstances. It is the intention of the Group to repay these loans with the agreement of the lenders as soon as the Group is able to do so when funds are available.

To undertake exploration and appraisal activities in Philippines, protect the investment made in the St Griede permit in France and search for new ventures while the Group has no revenue producing assets, the Group requires regular injection of funds. At the date of this report the Group has met its exploration expenditure commitments to deepen the Nuevo Malolos-1 well in SC 44.

The absence of guarantee in sourcing new funds for the Group's future activities presents a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. This going concern issue is further discussed in Note 27(a)(iv) to the Financial Statements and is subject to emphasis of matter in the auditor's audit report.

To continue the exploration activities and to meet its financial commitments as and when they fall due the Company will be pursuing sources of finance that include:

- Amounts that can be drawn under the loan facilities provided by the Directors; and
- Undertaking further capital raisings.

The Company closed a 1 for 2 non-renounceable entitlement offer on 26 July 2019 raising \$338,546 before costs from investors with the issue of 112,848,775 fully paid ordinary shares at \$0.003 per share.

On 28 February 2020, the Company raised \$280,000 with the issue of 121,739,134 fully paid ordinary shares at \$0.0023 per share through a placement with sophisticated investors.

Performance: During the year the Group incurred net losses of \$1,909,330 which included impairment of exploration and evaluation expenditure of \$1,550,490 with the expiry of Philippines SC 44 due on 2 September 2020. The Group has lodged an extension request under Force Majeure for SC 44 and is awaiting a decision or a resolution of the request at the date of this report.

Financial Position: Total negative equity increased from \$9,844,970 to \$11,147,273 primarily as a result of continuing loss from operations.

Cash at 30 June 2020 was \$310,994, a decrease from the 30 June 2019 balance of \$502,418 as a result of funding operations for the year. Current assets were \$355,401 (2019: \$529,886).

Current liabilities were \$813,728, an increase from 30 June 2019 amount of \$57,372 mainly as a result of setting up a provision for rehabilitation of and other costs related to SC 44.

Non-current payables were \$5,615,481, an increase from the restated 30 June 2019 amount of \$5,369,367, consisting of fees and accrued finance costs on the fees and loans owing to Directors. The Directors have agreed to defer payment of their current year Director and management fees of \$301,000 and accrued finance costs until 16 April 2022.

Cash Flows: Operating activities resulted in net outflow of \$144,522 (2019: inflow \$369,077) as the Group is still in the exploration phase with no revenue. This outflow and the outflow for investing activities of \$622,349 were funded from existing cash on hand and from proceeds from share issues during the year.

COVID-19

The Covid-19 outbreak has developed rapidly in 2020, with a significant number of infections recorded in Australia, Philippines, France and other countries. Measures taken by various governments to contain the virus have affected economic activity worldwide. The Group has taken a number of measures to contain the possible impact of Covid-19 on the safety and health of its Directors, employees and contractors (for example, use of sanitiser, social distancing, working from home where possible and suspension of field operations).

At this stage, the impact on the Group's business has been the following:

- (a) NM-1 deepening operation within SC 44 in Philippines, which was ready to recommence after the Company has organised a specialist service provider, material and equipment, has been suspended since March 2020 following the declaration of a State of Calamity with imposition of quarantine and travel restrictions and may remain suspended for another year with the extension of the State of Calamity to September 2021 should the SC 44 be extended without an exemption on travel restrictions; and
- (b) the court process of the €34.35 million financial claim in January 2020 against the French Government has been delayed and the claim may not be resolved before 2021.

If the pandemic develops uncontrollably, that delays the Philippines Government's decision to grant the extension of SC 44 and to lift travel restrictions therefore withholding the Company's operations in Philippines; prolongs the legal process in France; and/or cause investors to lose confidence making it difficult to raise fresh capital, the Group may be required to defer its current development plans and reconsider its business strategy. Operations may be impaired should its Directors, employees, contractors and/or service providers contract the virus that disable them to operate normally. To date entities associated with the Group have not been affected by the virus.

STRATEGY AND PROSPECTS FOR FUTURE

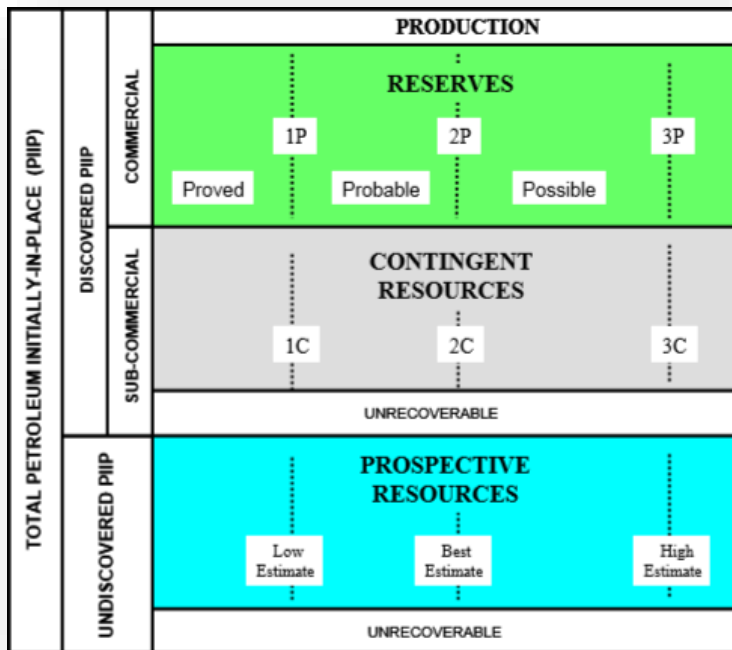
The Group proposes to continue pursuing new venture opportunities in oil and gas exploration in Philippines and elsewhere, exploration and appraisal of SC 44 if the requested extension is granted, and recovery of financial claim for the investment made in the St Griede permit in France. However, no indication as to likely results in the future can be given due to the uncertainties usually associated with exploration activities, the security of tenure of SC 44 and the legal claim.

Future financial performance will be driven by success in the following:

- (a) approval of extension requested for SC 44 and of appraisal and development of the Malolos Oil Field within SC 44 that has been assessed to have best estimate “Contingent Resource”¹ of 20.4 million barrels of oil;
- (b) exploration of identified prospective leads within SC 44, if requested extension is granted, that have been assessed to have best estimate “Unrisked Prospective Resource”¹ of 104 million barrels of oil;
- (c) new investment opportunities in the Philippines and elsewhere; and
- (d) financial recovery from claim made to French Government on the unlawful non-renewal of the St Griede permit.

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

¹ The Resources assessment follows guidelines set forth by the Society of Petroleum Engineers – Petroleum Resource Management System (SPE-PRMS). The Resource estimates used in this review were compiled by Mr Len Diekman (Member SPE), Energetica Consulting, who is a qualified person as defined under the ASX Listing Rule 5.11 and has consented to the use of Resource figures in the form and context in which they appear in this presentation.



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

CORPORATE GOVERNANCE STATEMENT

A table on Corporate Governance Statement setting out the extent to which the Group has followed the recommendations of the ASX Corporate Governance Principles and Recommendations – 3rd edition and the Corporate Governance Statement are posted on the Group's website for reference on disclosures (www.gas2grid.com/corporate-governance/).

Directors' report

Your Directors present their report on the consolidated entity ("the Group") consisting of Gas2Grid Limited and the entities it controlled at the end of, or during the year ended 30 June 2020.

Directors

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

David A Munns

Dennis J Morton

Patrick W V M Sam Yue

Principal activities

During the year the principal continuing activities of the Group consisted of pursuing new venture opportunities in Australia and the Philippines, the lodgement of a financial claim against the French Government for the non-renewal of its licence in France and preparation for deepening, completing and production testing of oil from its well in the Philippines.

Operating and financial review

Review of Operations and Financial Performance

A detailed review of operations and financial performance for the financial year is set out on pages 2 to 9.

Dividends – Gas2Grid Limited

The Directors report that during the year ended 30 June 2020 no dividends were declared or paid (2019: \$nil).

Matters subsequent to the end of the financial year

There has not arisen in the interval since 30 June 2020 and up to the date of this report, any matter that, in the opinion of the Directors, has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years other than the following:

- On 2 September 2020, the 2 year extension of Technical Moratorium of Service Contract SC 44 expired without a decision by the Philippines Government on the Company's request for extension of time under Force Majeure to complete the deepening and production testing of NM-1 well which had to be suspended in March 2020 because of the declared *State of Calamity and Enhanced Community Quarantine*. According to the laws in Philippines the extension request is deemed automatically extended until the Government issues a decision or resolution on the request. On 22 September 2020, the Philippines Government extended the State of Calamity by a year that impacts on commencement of any operations in SC 44 during that period; and
- On 28 September 2020, the Company disposed off-market of 24,550,000 fully paid ordinary shares at \$0.002 per share which were held as Treasury Stock after they reverted back to the Company under the Employee Incentive Plan in prior years.

Likely developments and expected results of operations

In relation to the Group's oil and gas exploration activities, no indication as to likely results in the future can be given due to the uncertainties usually associated with such activities and the impact of the Covid-

19 pandemic. The Group proposes to continue its oil and gas exploration program and investment activities that are set out on pages 2 to 9.

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 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

David 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 listed company directorships

None.

Former directorships of listed companies in the last 3 years

None.

Special responsibilities

Chairman of the Board.

Interest in shares and options

60,762,973 ordinary shares in Gas2Grid Limited.

Dennis J Morton BSc (Hons), (Macquarie University) Managing Director

Experience and expertise

Dennis Morton was co-founder and until late 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 listed company directorships

High Grade Metals Ltd (appointed Non-Executive Director on 7 July 2020)

Former directorships of listed companies in last 3 years

None.

Special responsibilities

Managing Director (since 31 March 2008).

Interest in shares and options

213,621,525 ordinary shares in Gas2Grid Limited.

Patrick W V M Sam Yue, CA, FGIA, FCG, F Fin. Executive Director

Experience and expertise

Patrick Sam Yue had several years' experience in 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 30 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 listed company directorships

None.

Former directorships of listed companies in last 3 years

None.

Special responsibilities

Chief Financial Officer.

Interest in shares and options

130,591,999 ordinary shares in Gas2Grid Limited.

Company Secretary

The Company Secretary is Mr Patrick W V M Sam Yue, a Fellow of The Chartered Governance Institute and is also an Executive Director.

Meetings of Directors

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2020, and the number of meetings attended by each Director:-

	Directors' meetings	
	Number eligible to attend	Number attended
D A Munns	1	1
D J Morton	1	1
P W V M Sam Yue	1	1

During the year, other Board business was also effected by execution of circulated resolutions.

Remuneration report (Audited)

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) Equity instruments held by key management personnel;
- (f) Loans from key management personnel or their related entities;
- (g) Other transactions with key management personnel; and
- (h) 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.

During the year ended 30 June 2020, the Group did not have a separate remuneration committee. Instead, the duties and responsibilities typically delegated to such a committee were considered to be the responsibility of the entire Board.

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

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

Use of remuneration consultants

No remuneration consultants were used during the year.

Director's fees

The current base remuneration was last reviewed with effect from 1 July 2017. Director's fees are determined within an aggregate fee pool limit, which currently stands at \$150,000 per annum. That limit shall not be increased except pursuant to a resolution passed at a general meeting of the Company.

Base fees per annum	From 1 July 2017
Chairman	\$35,000
Other Directors (each)	\$25,000

Additional fees

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

(b) Details of remuneration

Amounts of remuneration

The following tables show details of the remuneration received by the Directors and the key management personnel of the Group for the current and previous financial year.

The key management personnel of the Group are the Directors.

Name	Short-term employee benefits			Post-employment benefits	Long-term benefits	Termination benefits	Share-based payments	Total	% of remuneration that is performance based
	Salary and fees ¹	Cash bonus	Non-monetary benefits	Superannuation			EIP Shares		
	\$	\$	\$	\$	\$	\$	\$	\$	%
2020									
Executive Directors									
D J Morton	145,000 ²	-	-	-	-	-	-	145,000	-
P WVM Sam Yue	121,000	-	-	-	-	-	-	121,000	-
Non-executive Director									
D A Munns	35,000	-	-	-	-	-	-	35,000	-
Total	301,000	-	-	-	-	-	-	301,000	-

¹ The Directors agreed to defer payment of the 2020 fees to 16 April 2022.

² \$90,000 of the management fees were accounted for in exploration and evaluation expenditure.

2019

Executive Directors

D J Morton	145,000 ¹	-	-	-	-	-	-	145,000	-
P WVM Sam Yue	121,000	-	-	-	-	-	44,400	165,400	-
Non-executive Director									
D A Munns	35,000	-	-	-	-	-	-	35,000	-
Total	301,000	-	-	-	-	-	44,400	345,400	-

¹\$75,000 of the management fees were accounted for in exploration and evaluation expenditure since renewal of SC 44 in September 2018.

(c) Service agreements

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

(d) Share-based compensation

Employee Incentive Plan ("EIP")

The Company has established a Gas2Grid Limited Employee Incentive Plan under which the Directors may offer options for free and ordinary shares at market price in the Company to eligible persons. The Directors may also offer interest free non-recourse loans for terms of up to 5 years under the plan for subscription of shares and under such loans the Company holds a lien over the issued shares. The loans are repayable at the option of the eligible persons to be able to deal with the shares. The options are issued free at grant. The shares may not be subscribed for less than the market value of the shares at the time an offer is made under the plan.

Subject to approval of shareholders, Directors may also be offered shares with non-recourse loans or options under the plan as a long-term benefit supplementing the short-term benefits that align their interests with those of all shareholders. The non-recourse loans outstanding to Directors at 30 June 2020 are disclosed under section (h) below.

No EIP shares were issued to Directors during the year.

(e) Equity instruments held by key management personnel

The table below show the number of shares in the Company that were held during the financial year by key management personnel of the Group, including their close family members and entities related to them.

	Balance at beginning of year	Granted during the year as compensation	EIP shares issued in November 2014 surrendered during the year	Other changes	Balance at end of year
2020					
Directors of Gas2Grid Limited					
D A Munns (i)	60,762,973	-	-	-	60,762,973
D J Morton (ii)	180,288,187	-	-	33,333,338	213,621,525
P W V M Sam Yue (iii)	129,590,999	-	(9,000,000)	10,001,000	130,591,999

- i. 10,266,380 shares are registered in the name of TD International SA. 1,000,000 shares are registered in the name of Ann Patricia Munns.
- ii. 55,260,843 shares are registered in the name of Budside Pty Limited <Employees Superannuation Fund>. 52,091,017 shares are registered in the name of Budside Pty Ltd.
- iii. 82,590,999 shares are registered in the name of Lamdian Pty Ltd ATF Samyue Super Fund.

Additional information

(f) Loans from key management personnel and their related entities covered under loan facility agreements

	At beginning of year (Restated)	Loan principal received	Loan principal repaid	At end of year	Total loan facilities available at end of year
	\$	\$	\$	\$	\$
2020					
D A Munns	1,145,774	-	-	1,145,774	2,000,000
D J Morton	3,244,375	-	-	3,244,375	5,250,000
P W V M Sam Yue	710,000	-	-	710,000	1,450,000
	5,100,149	-	-	5,100,149	8,700,000

On 30 June 2020, the expiry date of the facilities was extended from 16 April 2021 to 16 April 2022.

	At beginning of year	Loan principal received	Loan principal repaid	Reclassified to accrued finance costs at 1 July 2018 ¹	At end of year (Restated)	Total loan facilities available at end of year
	\$	\$	\$	\$	\$	\$
2019						
D A Munns	1,786,153 ²	-	-	(640,379)	1,145,774 ²	2,000,000
D J Morton	5,254,610 ³	-	-	(2,010,235)	3,244,375 ³	5,250,000
P W V M Sam Yue	1,056,560 ⁴	-	-	(346,560)	710,000 ⁴	1,450,000
	8,097,323	-	-	(2,997,174)	5,100,149	8,700,000

¹ Accrued finance costs included in loans at 30 June 2018. In 2020 they were reclassified to non-current payables and were not accounted as loans drawn under the loan facility agreements as agreed with the lenders.

² Consists of loan principal of \$1,145,774 and accrued finance costs of \$640,379.

³ Consists of loan principal of \$3,244,375 and accrued finance costs of \$2,010,235.

⁴ Consists of loan principal of \$710,000 and accrued finance costs of \$346,560.

An establishment fee of 1% of the facility amount is payable on agreement of an increase or extension of the facilities. A fixed simple interest rate of 9% per annum applies on the loans.

The total amount owing under the loan facilities at 30 June 2020 of \$5,100,149 is disclosed under Note 13 Non-Current Borrowings.

(g) Summary of Directors' and management fees and accrued finance cost payable to Directors and their related entities for the year

	2020 \$	2019 \$
Management fees to the following entities recognised as expense		
Budside Pty Ltd ¹	30,000	45,000
Oni Design Pty Ltd ²	96,000	96,000
	126,000	141,000

	2020	2019
	\$	\$
Management fees to the following entities recognised in exploration and evaluation expenditure		
Budside Pty Ltd	90,000	75,000
Directors' fees recognised as expense		
Budside Pty Ltd	25,000	25,000
Oni Design Pty Ltd	25,000	25,000
David Munns	35,000	35,000
	85,000	85,000
(Reversal)/Accrued finance costs for the year		
Budside Pty Ltd (on fees owing)	65,803	47,542
Budside Pty Ltd (establishment fees and interest on loans, net of reversal)	(187,069)	592,478
Oni Design Pty Ltd (on fees owing)	54,934	39,688
Oni Design Pty Ltd (establishment fees and interest on loans, net of reversal ¹)	6,423	126,811
David Munns (on fees owing)	15,853	11,481
TD International SA ³ (establishment fees and interest on loans, net of reversal)	(37,430)	205,520
	(81,486) ⁴	1,023,520

⁴ See Note 2.2

Accrued interest on the loans and establishment fees to 31 December 2019 was calculated on a compound basis quarterly in arrears at the fixed rate of 9% per annum. The lenders have agreed for simple interest on the loans to be accrued at 9% per annum on amounts drawn from the date of drawdown and that no interest be payable on accrued establishment fees.

Management and Directors' fees, loans establishment fees and accrued finance costs owing at balance date – Non-Current

Budside Pty Ltd (fees inclusive of GST)	743,125	583,625
Budside Pty Ltd (establishment fees and accrued interest on fees and loans)	2,607,384	2,728,650
Oni Design Pty Ltd (fees inclusive of GST)	617,100	484,000
Oni Design Pty Ltd (establishment fees and accrued interest on fees and loans)	622,417	561,060
David Munns (fees)	166,250	131,250
David Munns (accrued finance costs on fees)	38,695	22,841
TD International SA ³ (establishment fees and accrued interest on loans)	820,510	857,941
	5,615,481	5,369,367

The non-current fees payable to the Directors, loans establishment fees and accrued finance costs are due on 16 April 2022. Accrued interest at the rate of 9% per annum on Directors' fees (exclusive of GST) is compounded quarterly in arrears.

Related entities of the following Directors: ¹D J Morton, ²P W V M Sam Yue, ³D Munns

(h) Loans to Directors

There are no outstanding loans to Directors and no loans have been issued during the year, other than non-recourse loans structured under the Employee Incentive Plan (EIP). At balance date, the EIP shares relating to non-recourse loans to Directors were exercisable at \$0.008 per share as follows:

	2020	2019	2020	2019
Loan expiry date	EIP shares	EIP shares	\$	\$
Patrick WVM Sam Yue:				
26 November 2019	-	9,000,000	-	180,000
25 November 2020	12,000,000	12,000,000	96,000	96,000
1 December 2021	12,000,000	12,000,000	96,000	96,000
4 December 2022	12,000,000	12,000,000	96,000	96,000
20 January 2024	12,000,000	12,000,000	96,000	96,000
	48,000,000	57,000,000	384,000	564,000

End of audited Remuneration Report

Shares under option

Nil.

Indemnification of officers or auditors

During the financial year, the Group paid a premium in respect of a contract insuring the directors and officers of the Group against a liability incurred as such a director or officer to the extent permitted by the Corporations Act. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify a former officer or auditor of the Group against a liability incurred as such an officer or auditor.

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 Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

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 19.

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



Dennis J Morton
Director

Sydney
30 September 2020

30 September 2020

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

Dear Sirs

RE: GAS2GRID LIMITED

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

As Audit Director for the audit of the financial statements of Gas2Grid Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED



Martin Michalik
Director

Gas2Grid Limited ABN 46 112 138 780

Financial Report for the year ended 30 June 2020

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These financial statements are the consolidated financial statements of the consolidated entity consisting of Gas2Grid Limited and its subsidiaries. The financial statements are presented in the Australian currency.

Gas2Grid Limited is a company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' report on page 11, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 30 September 2020. The Directors have the power to amend and reissue the financial statements.

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

Gas2Grid Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Interest and other income	2.1	5,078	649,225
Expenses			
Administration expense		(141,362)	(91,129)
Auditor's remuneration	24	(28,225)	(28,225)
Management and Directors fees	21	(211,000)	(226,000)
Depreciation	7,8	(19,090)	(298)
Finance costs reversal/(charges)	2.2	80,232	(1,023,520)
Impairment of exploration and evaluation expenditure	9	(1,550,490)	-
Insurance costs		(15,955)	(14,658)
Licences renewal costs		-	(107,892)
Rental expenses		(20,264)	(45,680)
Share-based payments	23	-	(44,400)
Net foreign exchange loss		(8,254)	-
Loss before income tax		<u>(1,909,330)</u>	<u>(932,577)</u>
Income tax expense	3	-	-
Loss from continuing operations		<u>(1,909,330)</u>	<u>(932,577)</u>
Other comprehensive income		-	-
Other comprehensive loss for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u>(1,909,330)</u>	<u>(932,577)</u>
Loss for the year attributable to the owners of Gas2Grid Limited		<u>(1,909,330)</u>	<u>(932,577)</u>
Total comprehensive loss for the year attributable to owners of Gas2Grid Limited		<u>(1,909,330)</u>	<u>(932,577)</u>
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic and diluted earnings/(loss) per share	25	(0.15)	(0.08)

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

Gas2Grid Limited
Consolidated statement of financial position
As at 30 June 2020

	Notes	2020 \$	2019 Restated \$
ASSETS			
Current assets			
Cash and cash equivalents	4	310,994	502,418
Trade and other receivables	5	10,321	15,364
Other assets	6	34,086	12,104
Total current assets		355,401	529,886
Non-current assets			
Property, plant and equipment	7	496	894
Right of use assets	8	26,168	-
Other assets	6	3,900	-
Exploration and evaluation expenditure	9	-	151,138
Total non-current assets		30,564	152,032
Total assets		385,965	681,918
LIABILITIES			
Current liabilities			
Trade and other payables	10	590,995	55,666
Lease liabilities	11	22,733	-
Provisions	12	200,000	1,706
Total current liabilities		813,728	57,372
Non-current liabilities			
Trade and other payables	10	5,615,481	5,369,367
Lease liabilities	11	3,880	-
Borrowings	13	5,100,149	5,100,149
Total non-current liabilities		10,719,510	10,469,516
Total liabilities		11,533,238	10,526,888
Net liabilities		(11,147,273)	(9,844,970)
EQUITY			
Contributed equity	14	32,687,607	32,080,580
Reserves	15(a)	319,802	319,802
Accumulated losses	15(b)	(44,154,682)	(42,245,352)
Total deficit		(11,147,273)	(9,844,970)

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

Gas2Grid Limited
Consolidated statement of changes in equity
For the year ended 30 June 2020

	Contributed Equity \$	Accumulated Losses \$	Reserves \$	Total Equity/(Deficit) \$
Balance at 1 July 2018	32,101,943	(41,312,775)	275,402	(8,935,430)
Total comprehensive loss for the year	-	(932,577)	-	(932,577)
Transactions with owners in their capacity as owners:				
Transaction costs on contributions of equity	(21,363)	-	-	(21,363)
Employee Incentive Plan	-	-	44,400	44,400
Balance at 30 June 2019	32,080,580	(42,245,352)	319,802	(9,844,970)
Total comprehensive loss for the year	-	(1,909,330)	-	(1,909,330)
Transactions with owners in their capacity as owners:				
Contribution of equity, net of transaction costs	607,027	-	-	607,027
Balance at 30 June 2020	32,687,607	(44,154,682)	319,802	(11,147,273)

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

Gas2Grid Limited
Consolidated statement of cash flows
For the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Interest received		263	1,699
Other income		-	627,271
Payments to suppliers and employees (inclusive of goods and services tax)		(144,785)	(259,893)
Net cash (outflow)/inflow from operating activities	16	<u>(144,522)</u>	<u>369,077</u>
Cash flows from investing activities			
Payments for exploration expenditure		(622,349)	(61,427)
Purchase of plant and equipment		-	(1,192)
Net cash (outflow) from investing activities		<u>(622,349)</u>	<u>(62,619)</u>
Cash flows from financing activities			
Proceeds from issue of shares		618,546	-
Payments for lease liabilities		(23,400)	-
Share transaction costs		(11,519)	(21,363)
Net cash inflow/(outflow) from financing activities		<u>583,627</u>	<u>(21,363)</u>
Net (decrease)/increase in cash and cash equivalents		(183,244)	285,095
Cash and cash equivalents at the beginning of year		502,418	222,856
Effects of exchange rate changes on cash and cash equivalents		(8,180)	(5,533)
Cash and cash equivalents at end of year	4	<u>310,994</u>	<u>502,418</u>

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

1. Segment information

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

	Australia \$	France \$	Philippines \$	Total \$
2020				
Interest and other income				
Interest income	184	-	-	184
Other income	-	4,894	-	4,894
Total segment revenues	184	4,894	-	5,078
Segment results				
Profit/(loss) for the year	(332,041)	(26,799)	(1,550,490)	(1,909,330)
Including:				
Depreciation	(19,090)	-	-	(19,090)
Impairment of exploration expenditure	-	-	(1,550,490)	(1,550,490)
Segment assets	362,797	-	23,168	385,965
Segment liabilities	11,212,511	16,704	304,023	11,533,238
2019				
Interest and other income				
Interest income	1,778	-	-	1,778
Net foreign exchange gain	20,176	-	-	20,176
Other income	-	627,271	-	627,271
Total segment revenues	21,954	627,271	-	649,225
Segment results				
Profit/(loss) for the year	(1,451,956)	549,067	(29,688)	(932,577)
Including:				
Depreciation	(298)	-	-	(298)
Share-based payments	(44,400)	-	-	(44,400)
Licences renewal costs	-	(78,204)	(29,688)	(107,892)
Segment assets	491,189	-	190,729	681,918
Segment liabilities	10,500,463	21,154	5,271	10,526,888

2.1 Interest and other income

	2020 \$	2019 \$
Interest	184	1,778
Penalties and costs settlement from French Government	4,894	627,271
Net foreign exchange gain	-	20,176
	5,078	649,225

	2020	2019
	\$	\$
2.2 Finance costs reversal/(charges)		
Finance costs for the year on amounts owing to Directors	(963,450)	(1,023,520)
Reversal of finance costs on amounts owing to Directors	1,044,936	-
Net reversal of finance costs (see Remuneration Report (g))	81,486	(1,053,520)
Lease interest	(1,254)	-
	80,232	(1,023,520)

Reversal of finance costs on amounts owing to Directors arose from the following:

- (i) Interest on loans is calculated at 9% pa from drawdown date and not compounded quarterly in arrears
- (ii) No interest is accrued on loan establishment fees

3. Income tax expense

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

Loss from continuing operations before income tax expense	(1,909,330)	(932,577)
Tax at Australian tax rate of 27.5% (2019 – 27.5%)	(525,066)	(256,459)
Tax effect of :		
Non-temporary differences	439,820	(116,869)
Equity raising costs debited to equity	(2,086)	(1,598)
Tax losses and temporary differences not recognised	87,332	374,926
Income tax expense	-	-

(b) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	(15,884,889)	(15,711,846)
Potential tax benefit @ 27.5% (2019 – 27.5%)	(4,368,344)	(4,320,758)

The taxation benefits will only be obtained if:

- (i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;
- (ii) the Group continues to comply with the conditions for deductibility imposed by law; and
- (iii) no changes in tax legislation adversely affect the Group in realising the benefits from the deductions for the loss.

The Directors are of the view that there is insufficient probability that the Parent Entity and its subsidiaries will derive sufficient income in the foreseeable future to justify booking the tax losses and temporary differences as deferred tax assets and deferred tax liabilities.

4. Cash and cash equivalents

Cash at bank and in hand	310,994	502,418
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5. Trade and other receivables

Other receivables	10,321	15,364
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Credit risk

There is no significant credit risk with respect to other receivables. There are no debtors or other receivables that are considered past due.

	2020	2019
	\$	\$
6. Other assets		
Current		
Prepayments	34,086	12,104
Non-current		
Prepayments	3,900	-

7. Property, plant and equipment

Office equipment	496	894
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Movements in the carrying amount during the year:

Balance at beginning of year	894	-
Additions	-	1,192
Less: Depreciation	(398)	(298)
Balance at end of year	496	894

8. Right of use assets

Balance at beginning of year	-	-
Lease addition	44,860	-
Less: Accumulated depreciation	(18,692)	-
Balance at end of year	26,168	-

9. Exploration and evaluation expenditure

Reconciliation of the movement in exploration and evaluation expenditure:

Balance at beginning of year	151,138	-
Additions	1,199,352	151,138
Provision for rehabilitation	200,000	-
Impairment	(1,550,490)	-
Balance at end of year	-	151,138

Exploration and evaluation expenditure were fully impaired at balance date.

10. Trade and other payables

Current		
Trade payables and other creditors	590,995	55,666
Non-current		
Fees payable to Directors (including GST)	1,526,475	Restated 1,198,875
Accrued interest on fees payable to Directors	338,878	196,127
Accrued interest on loans	2,976,628	3,374,865
Accrued establishment fees on Directors' loans	773,500	599,500
	5,615,481	5,369,367

At 30 June 2020, the Directors and their related entities have agreed for the amounts owing to them at balance date to be settled on 16 April 2022 or earlier at the Company's option. Interest is accrued at the rate of 9% per annum on compound basis quarterly in arrears for fees payable to Directors (excluding GST). The 2019 comparative figures have been restated as some accrued finance costs previously included in loans

from Directors at 30 June 2019 have been reclassified during the year to non-current payables (see Remuneration Report section (f)). Accrued interest on the loans and establishment fees to 31 December 2019 was calculated on a compound basis quarterly in arrears at the fixed rate of 9% per annum. The lenders have agreed for simple interest on the loans to be accrued at 9% per annum on amounts drawn from the date of drawdown and that no interest be payable on accrued establishment fees. A reversal of accrued interest charges has been recognised during the year (see Note 2.2).

	2020	2019
	\$	\$
11. Lease liabilities		
Current		
Office lease	22,733	-
Non-current		
Office lease	3,880	-

The lease liabilities are accounted for under AASB 16 – Leases (Note 27 (u)).

12. Provisions

Current		
Provision for annual leave	-	1,706
Provision for rehabilitation of exploration areas	200,000	-
	200,000	1,706

13. Non-current Borrowings

		Restated
Loans from Directors' related entities	5,100,149	5,100,149

See Remuneration Report on pages 13 to 17 for details on the loans.

The unsecured loan facilities expire on 16 April 2022 and a fixed interest rate of 9% per annum applies from the date of drawdown together with a 1% establishment fee. During the year the lenders have agreed with the Company that interest and establishment fees accrued and unpaid should not be included under the facilities as previously provided and only actual principal amounts drawn are now stated as amount drawn.

Accrued interest on the loans and establishment fees are now included in non-current trade and other payables (see Note 10).

14. Contributed equity

	2020	2019	2020	2019
	Shares	Shares	\$	\$
a) Share capital				
Ordinary shares - fully paid	1,378,996,985	1,144,409,076	32,687,607	32,080,580

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

b) Movements in ordinary share capital:

2020

	Details	Notes	Number of shares	Issue price	\$
1 Jul 19	Balance at beginning of year		1,144,409,076		32,080,580
	Cash transactions				
	Shares issued during the year:				
02 Aug 19	Entitlement offer		112,848,775	\$0.0030	338,546
28 Feb 20	Share placement		121,739,134	\$0.0023	280,000
	Transaction costs		-		(11,519)
	Total movement for the year		<u>234,587,909</u>		<u>607,027</u>
30 Jun 20	Balance at end of year		<u>1,378,996,985</u>		<u>32,687,607</u>

2019

	Details	Notes	Number of shares	Issue price	\$
1 Jul 18	Balance at beginning of year		1,132,409,076		32,101,943
	(i) Non- cash transactions				
21 Jan 19	Shares issued under EIP to Director	(d)	12,000,000	\$0.0080	-
			<u>12,000,000</u>		<u>-</u>
	(ii) Cash transactions				
	Transaction costs ¹		-		(21,363)
	Total movement for the year		<u>12,000,000</u>		<u>(21,363)</u>
30 Jun 19	Balance at end of year		<u>1,144,409,076</u>		<u>32,080,580</u>

¹ Costs relating to entitlement offer announced on 29 April 2019

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) Employee Incentive Plan (EIP) shares

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in Note 23.

EIP shares granted at balance date

No. of shares	Expiry date	Loan amount (\$)
24,550,000 ¹	Expired and shares reverted back to Company as Treasury Stock ¹	-
12,000,000	25 November 2020	96,000
12,000,000	1 December 2021	96,000
12,000,000	4 December 2022	96,000
7,000,000	16 January 2023	28,000
12,000,000	20 January 2024	96,000
<u>79,550,000</u>		<u>412,000</u>

¹ Treasury Stock sold after balance date (see Note 20)

48,000,000 of the EIP shares and \$384,000 of the loans relate to Director P W V M Sam Yue (see Remuneration Report (h) on page 17 for details).

e) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide reasonable returns for shareholders and benefits for other stakeholders and to maintain a capital structure that minimises the cost of capital to the extent achievable.

In order to maintain or adjust the capital structure, the Company may issue new shares to raise funds in the equity market, farmout interests in its licences to fund exploration expenditure, sell assets and reduce debt.

There were no changes to the Group's approach to capital management during the year.

15. Reserves and accumulated losses

	2020	2019
	\$	\$
a) Reserves		
Share-based payments reserve	2,154,733	2,154,733
Foreign currency translation reserve	(1,834,931)	(1,834,931)
	319,802	319,802
Movements:		
<i>Share-based payments reserve</i>		
Balance at beginning of year	2,154,733	2,110,333
Option expense	-	44,400
Balance at end of year	2,154,733	2,154,733
<i>Foreign currency translation reserve</i>		
Balance at beginning and end of year	(1,834,931)	(1,834,931)
b) Accumulated losses		
Movements in accumulated losses were as follows:		
Balance at beginning of year	(42,245,352)	(41,312,775)
Loss for the year	(1,909,330)	(932,577)
Balance at end of year	(44,154,682)	(42,245,352)

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 and the fair value of shares issued under the Employee Incentive Plan.

ii. Foreign currency translation reserve

Exchange differences arising on translation of the foreign subsidiary taken to the foreign currency translation reserve, as described in Note 27(d). The reserve is recognised in profit and loss when the net investment is disposed of.

	2020 \$	2019 \$
16. Reconciliation of loss after income tax to net cash flows from operating activities		
Loss for the year	(1,909,330)	(932,577)
Depreciation and amortisation	19,090	298
Directors' fees	211,000	226,000
Finance costs	(80,232)	1,023,520
Impairment of exploration and evaluation expenditure	1,550,490	-
Net exchange differences	8,254	(5,533)
Share based payments	-	44,400
Change in operating assets and liabilities:		
Decrease/(Increase) in trade and other receivables	5,043	(5,423)
Increase in trade and other payables	74,851	19,589
(Increase) in prepayments	(21,982)	(1,197)
(Decrease) in provisions	(1,706)	-
Net cash inflow/(outflow) from operating activities	(144,522)	369,077

17. Critical accounting estimates and judgements

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

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

Estimated impairment of exploration expenditure

The Group's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalised for an areas of interest where it is considered likely to be recoverable by future exploration or sale, or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

The policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available.

The Group tests semi-annually whether exploration expenditure carried forward has suffered any impairment, in accordance with the accounting policy stated in Note 27(s).

At balance date the extension of SC 44 is due to expire on 2 September 2020. In March 2020 the Group had requested an extension of time to complete the work programme when travel and restrictions were imposed by the Government in the Philippines due to the Covid-19 pandemic for an uncertain duration. At the date of this report the Group has not yet received a decision from the Government and the Covid-19 restrictions have been extended to September 2021. Exploration and evaluation expenditure of SC 44 at balance date have been fully impaired.

Rehabilitation and restoration obligations

Provision is made for the anticipated costs of future restoration and rehabilitation of exploration areas in accordance with the Group's policy on provisions. These provisions which include future cost estimates are discounted to their present value.

At each reporting date the rehabilitation liability is assessed and remeasured in line with changes in discount rates and timing or amounts of costs to be incurred. Rehabilitation provisions are adjusted for changes in

estimates. Adjustments to the estimated amount and timing of future rehabilitation and restoration cash flows are a normal occurrence in light of the significant judgements and estimates involved. At balance date a provision for rehabilitation costs of SC 44 has been recognised as SC 44 is due to expire on 2 September 2020 and the Group has not yet received a decision on the requested extension.

Income tax expenses

Judgement is required in assessing whether deferred tax assets and liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised. Refer to Note 3 for further details.

18. 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 interest rate risk and credit risks faced by the Group are considered minimal at this stage.

The Group holds the following financial instruments:

	2020	2019
	\$	\$
Financial assets		
Cash and cash equivalents	310,994	502,418
Trade and other receivables	10,321	15,364
	321,315	517,782
Financial liabilities		
Trade and other payables - current	590,995	55,666
Trade and other payables – Non-current	5,615,481	5,369,367
Lease liabilities – current and non-current	26,613	-
Borrowings	5,100,149	5,100,149
	11,333,238	10,525,182

(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 Group's functional currency. 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. Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities, is as follows:

	Fixed interest rate maturing			Non-interest bearing		Total
	Variable interest rate	Within 1 year	1 to 5 years	Within 1 year	1 to 5 years	
2020	\$	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	248,252	-	-	62,742	-	310,994
Trade and other receivables	-	-	-	10,321	-	10,321
	<u>248,252</u>	<u>-</u>	<u>-</u>	<u>73,063</u>	<u>-</u>	<u>321,315</u>
Financial liabilities						
Trade and other payables	-	-	1,865,353	590,995	3,750,128	6,206,476
Lease liabilities	26,613	-	-	-	-	26,613
Borrowings	-	-	5,100,149 ¹	-	-	5,100,149
	<u>26,613</u>	<u>-</u>	<u>6,965,502</u>	<u>590,995</u>	<u>3,750,128</u>	<u>11,333,238</u>

¹ Fixed interest rate of 9% per annum.

2019	\$	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	502,418	-	-	-	-	502,418
Trade and other receivables	-	-	-	15,364	-	15,364
	<u>502,418</u>	<u>-</u>	<u>-</u>	<u>15,364</u>	<u>-</u>	<u>517,782</u>
Financial liabilities						
Trade and other payables	-	-	5,369,367	55,666	-	5,425,033
Borrowings	-	-	5,100,149	-	-	5,100,149
	<u>-</u>	<u>-</u>	<u>10,469,516</u>	<u>55,666</u>	<u>-</u>	<u>10,525,182</u>

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 2020, if interest rates had changed by +/- 25 basis points ("bps") from the year-end rates with all other variables held constant, post-tax profit for the year would have been \$621 lower/higher (2019 - change of 100 bps: \$5,024 lower/higher), as a result of lower/higher interest income from cash and cash equivalents and deposits with banks held at balance date.

(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

At 30 June 2020, the Group had access to unsecured borrowing facilities of \$8,700,000 bearing interest at a fixed rate of 9% per annum and is available until 16 April 2022 with the Company having the sole option to pay early if it elects to. At balance date an amount of \$5,100,149 represented the total principal drawn under the facilities with the balance of \$3,599,851 available to be drawn as and when required by the Company.

Maturities of financial liabilities

The table below analyses 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 reflect the contractual undiscounted cash flows which may differ to the carrying values of the liabilities at the reporting date. The amounts are based on conditions existing at the balance date and may change depending on decisions taken by the group.

	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 liabilities \$
At 30 June 2020							
Non-derivatives							
Non-interest bearing	590,995		4,573,837	-	-	5,164,832	4,341,123
Variable rate	22,733		3,880			26,613	26,613
Fixed rate	-	-	7,271,229	-	-	7,271,229	6,965,502
Total non-derivatives	613,728	-	11,848,946	-	-	12,462,674	11,333,238
At 30 June 2019							
Non-derivatives							
Non-interest bearing	55,666	-	-	-	-	55,666	55,666
Fixed rate	-	-	11,704,249	-	-	11,704,249	10,469,516
Total non-derivatives	55,666	-	11,704,249	-	-	11,759,915	10,525,182

(d) Fair value of financial instruments

The Directors consider the carrying value of the financial assets and financial liabilities as recognised in the consolidated financial statements approximate their fair values.

	2020	2019
	\$	\$

19. Commitments

Operating lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Not later than one year	3,118	11,697
Later than one year but not later than 5 years	-	3,118
	3,118	14,815

Exploration expenditure commitments

The expenditure commitment to maintain and renew rights to tenure in exploration licence SC 44 as at 30 June 2020 have not been provided for in the financial statements and are due:

Within twelve months	-	1,383,000
Twelve months or longer and not longer than 5 years	-	68,000
	-	1,451,000

20. Events occurring after the reporting period

There has not arisen in the interval since 30 June 2020 and up to the date of this report, any matter that, in the opinion of the Directors, has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years other than the following:

- On 2 September 2020, the 2 year extension of Technical Moratorium of Service Contract SC 44 expired without a decision by the Philippines Government on the Company's request for extension of time under Force Majeure to complete the deepening and production testing of NM-1 well which had to be suspended in March 2020 because of the declared *State of Calamity and Enhanced Community Quarantine*. According to the laws in Philippines the extension request is deemed automatically extended until the Government issues a decision or resolution on the request. On 22 September 2020, the Philippines Government extended the State of Calamity by a year that impacts on commencement of any operations in SC 44 during that period; and
- On 28 September 2020, the Company disposed off-market of 24,550,000 fully paid ordinary shares at \$0.002 per share which were held as Treasury Stock after they reverted back to the Company under the Employee Incentive Plan in prior years.

	2020	2019
	\$	\$
21. Related party transactions		
(a) Key management personnel compensation		
Short-term employee benefits	301,000 ¹	301,000
Post-employment benefits	-	-
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments (see Note 23)	-	44,400
	301,000	345,400

¹ \$90,000 of the management fees were accounted in exploration and evaluation expenditure (2019: \$75,000).

Detailed remuneration disclosures are provided in the Remuneration Report on pages 13 to 17.

(b) Other transactions and balances

Other transactions and balances at reporting date with key management personnel or their related entities are disclosed in the Remuneration Report on pages 13 to 17 and in Notes 10 and 13.

22. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 27(b).

Name of entity	Country of incorporation	Class of shares	Equity holding*	
			2020 %	2019 %
Gas2Grid Pte Limited	Singapore	Ordinary	100	100
Wellfin Pty Limited	Australia	Ordinary	100	100

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

23. Share-based payments

The Company has established a Gas2Grid Limited Employee Incentive Plan (“EIP”) under which the Directors may offer options for free and ordinary shares at market price in the Company to eligible persons. The Directors may also offer interest free non-recourse loans for terms of up to 5 years under the plan for subscription of shares. Under such loans the Company holds a lien over the issued shares and the loans are repayable at the option of the eligible persons to be able to deal with the shares. Shares issued under the EIP in conjunction with non-recourse loans are accounted for as options. As a result, the amounts receivable from the eligible persons in relation to these loans are not recognised in the financial statements. Refer to the Remuneration Report contained in the Directors’ Report on pages 13 to 17 for details of the Gas2Grid Limited Employee Incentive Plan.

No EIP shares were issued during the year.

	2020	2019
	SHARES	SHARES
Balance at beginning of year	79,550,000	67,550,000
Granted during the year	-	12,000,000
Balance at end of year (Note 14(d))	79,550,000	79,550,000

The model inputs for assessing the fair value of shares granted under the EIP, applying the Black-Scholes Option Pricing Model, during the prior year were:

Shares issued under EIP	Issue and grant date	Exercise price \$	Share price at grant date \$	Life assumption	Risk free rate	Expected price volatility of Company’s share price	Value of option \$	Value of share based payment \$
2019								
12,000,000	21/01/19	0.008	0.004	5 years	2.27%	175%	0.0037	44,400

24. Remuneration of auditors

During the year the following fees were paid or payable for the remuneration of auditors:

	2020	2019
	\$	\$
Remuneration of the current auditor for:		
- auditing or reviewing the financial reports	29,213	28,225

No non-audit services were provided.

25. Loss per share

(Loss) for the year used in the calculation of basic and diluted loss per share	(1,909,330)	(932,577)
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	Number	Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted loss per share	1,287,995,293	1,139,411,816
Basic and diluted (loss) per share	(0.15c)	(0.08c)

26. Parent entity financial information

The Parent Entity within the Group is Gas2Grid Limited and this is also the ultimate Parent Entity within the Group. The investment by the Parent Entity in subsidiaries at 30 June 2020 is \$1 (2019: \$1).

a) Summary financial information

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

	2020	2019
	\$	\$
Statement of financial position		
Current assets	355,401	529,886
Non-current assets	30,565	152,033
Total assets	<u>385,966</u>	<u>681,919</u>
Current liabilities	813,731	57,375
Non-current liabilities	11,143,990	10,893,996
Total liabilities	<u>11,957,721</u>	<u>10,951,371</u>
Net (liabilities)	<u>(11,571,755)</u>	<u>(10,269,452)</u>
<i>Shareholders' equity</i>		
Issued capital	32,687,607	32,080,580
Reserves	319,802	319,802
Accumulated losses	<u>(44,579,164)</u>	<u>(42,669,834)</u>
	<u>(11,571,755)</u>	<u>(10,269,452)</u>
Loss for the year	<u>(1,909,330)</u>	<u>(932,577)</u>
Total comprehensive loss for the year	<u>(1,909,330)</u>	<u>(932,577)</u>

b) Guarantees entered into by the Parent Entity

The Parent Entity has not entered into any financial guarantees as at 30 June 2020 (2019: nil).

c) Contingent liabilities of the Parent Entity

The Parent Entity did not have any contingent liabilities as at 30 June 2020 or 30 June 2019.

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 2020 or 30 June 2019.

27. 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 subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Gas2Grid Limited is a for-profit entity for the purpose of preparing the financial statements.

i. Compliance with IFRS

The consolidated financial statements of the Gas2Grid Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

ii. Historical cost convention

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

iii. 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 17.

iv. Going concern – Emphasis of matter

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

At 30 June 2020, the Group had net liabilities of \$11,147,273 (2019: Net liabilities \$9,844,970) including \$5,100,149 in Directors' loans and \$5,615,481 in Directors' fees and accrued finance costs that fall due for repayment on 16 April 2022. The Group has made a loss of \$1,909,330 for the year ended 30 June 2020, arising mainly from impairment of exploration and evaluation expenditure in SC 44 of \$1,550,490.

To undertake exploration and appraisal activities in Philippines, protect the investment made in the St Griede permit in France and search for new ventures while the Group has no revenue producing assets, the Group requires regular injection of funds. At the date of this report the Group has met its exploration expenditure commitments to deepen the Nuevo Malolos-1 well in SC 44.

The continuing ability of the Group to continue as a going concern and to undertake exploration activities and repay Directors' loans, outstanding fees and interest is dependent upon the extension of SC 44 and its successful development and exploitation; positive outcome from the claim against the French Government; and new equity capital that may be raised.

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

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

- The expiry date of the loan facilities from related entities of Directors (D Morton, D Munns and P Sam Yue) was extended to 16 April 2022. The undrawn amount on these facilities is \$3,599,851 at 30 June 2020 and is able to be drawn upon.
- The Directors' fees and management fees can continue to be deferred and not paid in cash by the Group.
- If required, management will negotiate to extend the maturity terms of the loan facilities and the fees payable to the Directors beyond the current maturity date on 16 April 2022.
- Undertaking further capital raisings.

At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2020. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

(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 2020 and the results of its subsidiaries for the year then ended. Gas2Grid Limited and its subsidiaries 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 control. The Group controls an entity when the Group is expected to, or has rights to, variable returns from its investment in the 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 27(p)).

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. The overseas subsidiary's functional currency is USD.

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 statement of profit or loss.

(e) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured.

Interest revenue is recognised as it accrues.

(f) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

(g) 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. 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.

(h) 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 in the income statement 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.

(i) 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 statement of financial position.

(j) 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.

(k) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees payable on the establishment of loan facilities are recognised as transaction costs of the loan.

Borrowings are classified as non-current liabilities when the Group has an unconditional right to defer payment of the liability for at least 12 months after the reporting period.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are discounted to their present values, where the time value of money is material. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(m) Share-based payments

Share-based compensation benefits may be provided to employees and eligible persons via an employee incentive plan.

The fair value of options or shares granted under an employee incentive plan is recognised as share-based payment with a corresponding increase in equity. The Employee Incentive Plan (EIP) shares granted with loans repayable at the option of the holder are treated as akin to share options in accordance with generally accepted accounting principles. The total amount to be expensed is determined by reference to the fair value of the options or shares 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.

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

(n) 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.

(o) Earnings per share

i. Basic earnings per share

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

(p) Investment in subsidiaries

Investments in subsidiaries are accounted for at cost. Trade amounts receivable from the subsidiaries in the normal course of business and other amounts advanced on commercial terms and conditions are included in receivables.

(q) Goods and Service 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.

(r) 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.

(s) Exploration and evaluation expenditure

Exploration and evaluation expenditure is accumulated in respect of each indefinable area of interest, and carried forward in the statement of financial position where:

- (a) rights to tenure of the area of interest are current; and
- (b) one of the following conditions is met:
 - (i) such costs are expected to be recouped through successful development and exploitation of the area of interest or by its sale; or
 - (ii) exploration and/or evaluation activities in the area of interest have not at balance date yet reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable hydrocarbon reserves, and active and significant operations in, or in relation to, the area are continuing.

Indirect costs relating to exploration and evaluation in areas of interest are capitalised in the year they are incurred. A regular review is undertaken to determine the appropriateness of continuing to carry forward

costs in relation to that area of interest. Exploration and evaluation expenditure is written off when it fails to meet at least one of the conditions outlined above or an area of interest is abandoned.

Rigs and equipment acquired for use in exploration and evaluation activities are capitalised as tangible assets under exploration expenditure and rights. They are depreciated when used over their estimated useful lives of 10 years. The amount of depreciation is capitalised into intangible exploration expenditure.

Recoverability of the carrying amount of exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest or assets.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its amount. Where this is the case, the impairment loss will be measured in accordance with the Group's impairment policy (Note 27(h)).

Accumulated expenditure on areas which have been abandoned, or are considered to be of no value, is written off in the year in which such a decision is made.

(t) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

loans and receivables

financial assets at fair value through profit or loss (FVTPL)

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables. Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(u) New and effective standards that are effective for these financial statements

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

- **AASB 16 Leases**

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group. However, all contracts that are classified as short-term leases (ie a lease with a term of 12 months or less) and leases of low-value assets are recognised as operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease or if this rate cannot be readily determined, at the Group's incremental borrowing rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying assets, whichever is the shortest.

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

(v) New accounting standards and interpretation

Certain new accounting standards and interpretations have been published that are not mandatory for annual reporting periods ending 30 June 2020 and have not been adopted early by the Group. No significant impact on the Group's financial performance or position is expected when they are adopted.

(w) Parent entity financial information

The financial information for the Parent Entity, Gas2Grid Limited, disclosed in Note 26 has been prepared on the same basis as the consolidated financial statements.


In the Directors' opinion:

- a) the financial statements and notes set out on pages 20 to 45 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 2020 and of its performance for the financial year ended on that date; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 27(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



Dennis Morton
Director

Sydney
30 September 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GAS2GRID LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Gas2Grid Limited, ("the Company") and its subsidiaries (together "the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 27 (a) (iv) of the financial report, which describes that the financial statements have been prepared on a going concern basis. As at 30 June 2020, the Group had a working capital deficiency of \$458,327 and had incurred a loss for the year of \$1,909,330. The ability of Gas2Grid Limited to continue as a going concern is subject to the Company being able to draw down and or extend loan facilities and/or defer directors' fees and management fees and/or complete a successful recapitalisation of Gas2Grid Limited.

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

Key Audit Matters

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be a Key Audit Matter to be communicated in our report.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
<p>Carrying Value of Rehabilitation Provision</p> <p>As at 30 June 2020, the Group has recorded a liability of \$200,000 relating to the estimated cost of rehabilitation, decommissioning and restoration relating to areas disturbed during exploration activities and not yet rehabilitated (Refer note 12).</p> <p>The rehabilitation provision represents the present value of estimated costs for future restoration of previous drilling activities.</p> <p>The carrying value of rehabilitation provision is a key audit matter as the determination of the rehabilitation liability involves a level of subjectivity and estimation.</p>	<p>Inter alia, our audit procedures included the following:</p> <ul style="list-style-type: none"> i. Reviewing the calculation at 30 June 2020 of the estimated site restoration costs for appropriateness against the requirements of AASB 137 (Provisions, Contingent liabilities and Contingent Assets); ii. Reviewing the directors' assessment of the carrying value of the provision, through review of the cost elements used in the estimate rehabilitation for each well and the stage of the Group's projects; iii. Assessing the adequacy of the financial report disclosures contained in Note 12.

Key Audit Matter	How the matter was addressed in the audit
<p>Related party borrowings and Non-current Payables</p> <p>As at 30 June 2020, the Group had borrowings of \$5,100,149 and non-current payables of \$5,615,481 owing to related parties (refer Notes 10 and 13)</p> <p>As the loan is within the scope of scope of AASB 124 (Related Party Disclosures) we are required to ensure appropriate accounting treatment and disclosure.</p> <p>The carrying value of related party borrowings and payables is a key audit matter as the amounts are significant to the net liabilities of the group (constitute 93% of the total liabilities of the group).</p>	<p>Inter alia, our audit procedures included the following:</p> <ul style="list-style-type: none"> i. Reviewing the calculation at 30 June 2020 of the borrowings, non-current payables and the various fees, interest charges during the year; ii. Reviewing reclassification of the 30 June 2019 comparatives to ensure consistency with 30 June 2020; iii. Reviewing classification of the borrowings and non-current payables; iv. Obtaining confirmations of all balances as at 30 June 2020; and v. Assessing the adequacy of the financial report disclosures contained in Note 10 and Note 13.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. 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 of the financial report that gives a true and fair view 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 17 of the directors' report for the year ended 30 June 2020.

In our opinion the Remuneration Report of Gas2Grid Limited for the year ended 30 June 2020 complies with section 300A of the Corporations Act 2001.

Responsibilities

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.

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

Stantons International Audit & Consulting Pty Ltd



Martin Michalik
Director

West Perth, Western Australia
30 September 2020

The shareholder information set out below was applicable as at 18 September 2020.

1. Substantial Shareholders

Substantial Shareholders in the Company are set out below:

	Ordinary shares – number held	Percentage of issued shares
Dennis Morton	213,621,525	15.49
Patrick Sam Yue	130,591,999	9.47

2. Voting rights

The voting rights attached 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:

Number of shares	Number of Shareholders
1-1,000	116
1,001-5,000	28
5,001- 10,000	113
10,001-100,000	495
100,001 – and over	479
	1,231

(ii) There were 856 shareholders with less than a marketable parcel of shares

5. Twenty largest Shareholders

Name of Shareholder	Number held	% of issued shares
DENNIS MORTON	106,269,665	7.71
LAMDIAN PTY LTD <SAMYUE SUPERFUND A/C>	82,590,999	5.99
D W REEDER	59,772,618	4.33
VESWAY PTY LTD <ESVSY SUPER FUND A/C>	52,906,232	3.84
BUDSIDE PTY LIMITED	52,091,018	3.78
REMORA PTY LTD	50,063,500	3.63
M K WALCOTT	48,478,261	3.52
BUDSIDE PTY LTD <EMPLOYEES SUPERANNUATION FUND>	48,080,843	3.49
WONG VOON SAM YUE	48,000,000	3.48
OCTAN ENERGY PTY LTD	38,000,000	2.76
DAVID MUNNS	37,829,927	2.74
M S NG	25,810,761	1.87
SOLENTE NOMINEES PTY LTD <SOLENTE INVESTMENT A/C>	20,615,780	1.49
POBELO SUPER PTY LTD <POBELO P/L SUPER FUND A/C>	20,000,000	1.45
V W SAM YUE	19,519,845	1.42
J A MORTON	16,429,108	1.19
M F ENRIQUE	16,304,136	1.18
BARROROAM PTY LTD <TANK SUPER FUND A/C>	15,780,356	1.14
WALCOTT SUPER FUND PTY LTD <THE WALCOTT SUPER FUND A/C>	15,282,767	1.11
A E SOLENTE	14,415,000	1.05
Twenty largest shareholders	788,240,816	57.16
Others	590,756,169	42.84
	1,378,996,98	100.00

SCHEDULE OF OIL AND GAS TENEMENTS

LOCATION	TEENEMENT NAME	HOLDER	INTEREST	AREA	STATUS
Cebu Island, The Philippines	Service Contract 44	Gas2Grid Pte Ltd	100%	750 km ²	Expired 2 September 2020, awaiting decision on extension application