

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

HALF-YEAR REPORT
31 DECEMBER 2007

GAS2GRID Limited ABN 46 112 138 780
Interim report – 31 December 2007

Contents	Page
Directors' report	2
Interim financial report	
Consolidated income statement	5
Consolidated balance sheet	6
Consolidated statement of changes in equity	7
Consolidated cash flow statement	8
Notes to the consolidated financial statements	9
Directors' declaration	11
Independent review report to the members	12

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Gas2Grid Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' report

Your directors present their report on the consolidated entity consisting of Gas2Grid Limited and the entity it controlled at the end of, or during the half-year ended 31 December 2007.

Directors

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

D A Munns
D W King
E D Espiritu

Review of operations

1 Philippines operations – SC 44, Cebu (100%)

The complex reservoir data from drilling at Nuevo Malolos continues to present significant challenges for the future exploration in SC 44. Further studies of core samples recovered from the well are being planned to determine whether the hydrocarbons present in the reservoirs are likely to be recoverable with available drilling and testing technologies.

The Company continued its evaluation programme on innovative technologies to assist in cost effective exploration leading to prospect delineation in structurally complex and topographically challenging areas within the Service Contract area. As part of this evaluation programme, the Company contracted Geo-Microbial Technologies, Inc, of Oklahoma, USA ("GMT"), under the supervision of the Company, to conduct a reconnaissance geomicrobiological survey of 251 sample sites within SC 44. The survey was successfully completed in December 2007, and preliminary microbial analysis has delineated some well defined active hydrocarbon microseepage anomalies. Samples with the highest microbial values are currently undergoing detailed quantitative analysis at GMT's laboratories in the USA.

Drilling by Japex and others offshore in the Tanon Straits within a few kilometers of the western boundary of SC 44 commenced during the second quarter. The Philippines Department of Energy issued regular reports on progress in the well but gave no other technical data on the nature and fluid content of formations intersected in the well, which has now been plugged and abandoned. The Company is aware of press reports of anecdotal evidence of some favourable results from the well, but is unable to establish the veracity of these reports.

2 New Zealand Operations – PEP 38260 Onshore Canterbury Basin (earning 55%)

Preparations for the drilling of the Company's earning well, Kate-1, progressed significantly with the securing of all necessary land access agreements and availability of a fit-for-purpose drilling rig. Subject to final determination of the drilling rig schedule, it is anticipated that the well will be spudded during April 2008.

Review of operations (continued)

The Kate-1 well will test an anticlinal structure, approximately 50 kilometres north of Christchurch, which has prominent surface expression as well as seismic evidence of subsurface closures in the approximately 1050 thick sedimentary section. The primary target is sandstone reservoirs in the Late Cretaceous Broken River coal measures (450-1050 metres), with secondary targets in younger sandstones and limestones. The structure as mapped has the potential to reservoir upwards of 25 million barrels of oil in place in the Broken River Formation. An oil seep was uncovered during geotechnical works on the flank of the anticline in 2003, and soil gas surveys have confirmed the presence of thermogenic hydrocarbons in the vicinity of the mapped structure.

3 France - Aquitaine Basin Application Area (50%)

The period of contestability for the Company's application for an exploration licence on the eastern margins of the Aquitaine Basin ended in August 2007, with no new competing applications lodged. The Company, together with its 50% joint venture partner Gippsland Offshore Petroleum Limited, was subsequently invited to confirm its agreement to a proposed division of the original application area to accommodate pre-existing overlapping applications, and so advised in respect of an area of 1238 square kilometers at St Griede (being approximately 57% of the original application area). The Designated Authority in France subsequently advised that on its receipt of reports from the various prefectures in the application area it will proceed with its awarding proposal as previously agreed with the Company.

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

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 4.

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

D. W. King
Director

Sydney
13 March 2008

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Auditor's Independence Declaration

As lead auditor for the review of Gas2Grid Limited for the half year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Gas2Grid Limited and the entities it controlled during the period.



Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
13 March 2008

Gas2Grid Limited
Consolidated income statement
For the half-year ended 31 December 2007

		Half-year	
	Notes	2007 \$	2006 \$
Revenue from continuing operations		81,797	10,396
Other income		-	4,205
Administration expense		(127,024)	(67,574)
Auditor's remuneration		(13,500)	(13,678)
Employee benefits expense		(59,281)	(38,991)
Depreciation and amortisation expense		(347)	(582)
Insurance costs		(18,043)	(14,084)
Rental expenses		(3,600)	(7,804)
Travelling expenses		(26,800)	(3,595)
Other expenses		(26,318)	(5,285)
Loss before income tax expense		(206,336)	(136,992)
Income tax expense		13,220	18,269
Loss for the half-year	3	(206,336)	(155,261)
Loss for the half-year attributable to the members of Gas2Grid Limited		(206,336)	(155,261)
		Cents	Cents
Earnings per share for loss attributable to the ordinary equity holders of the company:			
Basic earnings per share		(0.20)	(0.26)
Diluted earnings per share		(0.20)	(0.26)

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

Gas2Grid Limited
Consolidated balance sheet
As at 31 December 2007

	31 DECEMBER 2007 \$	30 JUNE 2007 \$
ASSETS		
Current assets		
Cash and cash equivalents	2,722,072	2,094,158
Trade and other receivables	13,705	11,722
Other financial assets at fair value	2,592	2,592
	<hr/>	<hr/>
Total current assets	2,738,369	2,108,472
	<hr/>	<hr/>
Non-current assets		
Exploration expenditure and rights	5,042,861	5,152,076
Plant and equipment	1,566	1,914
	<hr/>	<hr/>
Total non-current assets	5,044,427	5,153,990
	<hr/>	<hr/>
Total assets	7,782,796	7,262,462
	<hr/>	<hr/>
LIABILITIES		
Current liabilities		
Trade and other payables	126,598	1,518,064
	<hr/>	<hr/>
Total current liabilities	126,598	1,518,064
	<hr/>	<hr/>
Non-current liabilities		
Trade and other payables	217,500	257,500
Deferred tax liabilities	1,775,160	1,761,940
	<hr/>	<hr/>
Total non-current liabilities	1,992,660	2,019,440
	<hr/>	<hr/>
Total liabilities	2,119,258	3,537,504
	<hr/>	<hr/>
Net assets	5,663,538	3,724,958
	<hr/>	<hr/>
EQUITY		
Contributed equity	9,111,042	6,757,617
Reserves	(831,790)	(623,282)
Retained profits	(2,615,714)	(2,409,377)
	<hr/>	<hr/>
Total equity	5,663,538	3,724,958
	<hr/>	<hr/>

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

Gas2Grid Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2007

	Half-year	
	2007	2006
	\$	\$
Total equity at the beginning of the half-year	3,724,958	4,268,339
Exchange differences on translation of foreign operations	(208,509)	(255,426)
Net income recognised directly in equity	(208,509)	(255,426)
Loss for the half-year	(206,336)	(155,261)
Total recognised income and expense for the half-year	(414,845)	(410,687)
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity	5 2,353,425	-
Total equity at the end of the half-year	5,663,538	3,857,652
Total recognised income and expense for the half-year is attributable to:		
Members of Gas2Grid Limited	(414,845)	(410,687)
	(414,845)	(410,687)

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

Gas2Grid Limited
Consolidated cash flow statement
For the half-year ended 31 December 2007

	Half-year 2007 \$	2006 \$
Cash flows from operating activities		
Interest received	81,797	10,396
Receipts from customers (inclusive of goods and services tax)	-	5,501
Payments to suppliers and employees (inclusive of goods and services tax)	(350,428)	(98,722)
Net cash inflow/(outflow) from operating activities	(268,631)	(82,825)
Cash flows from investing activities		
Exploration expenditure	(96,905)	(388,305)
Payment for plant and equipment	-	-
Payment for other financial assets	-	-
Net cash inflow/(outflow) from investing activities	(96,905)	(388,305)
Cash flows from financing activities		
Repayment of Share Purchase/Placement		
Oversubscriptions from the Prior Year	(1,353,833)	-
Proceeds from Issue of Shares	2,464,319	-
Transaction Costs on Issue of Shares	(110,894)	-
Net cash inflow/(outflow) from financing activities	999,592	-
Net increase (decrease) in cash and cash equivalents	634,056	(471,130)
Cash and cash equivalents at the beginning of the half-year	2,094,158	795,442
Effects of exchange rate changes on cash and cash equivalents	(6,142)	(11,256)
Cash and cash equivalents at the end of the half-year	2,722,072	313,056

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

1 Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2007 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Gas2Grid Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2 Segment information

The Group operates as an exploration company performing exploratory drilling wells in the SC 44 licence in Cebu, Republic of Philippines and manages this activity from its head office in Sydney, Australia.

3 Loss for the half-year

	Half-year	
	2007 \$	2006 \$
Loss for the half-year includes the following specific items:		
Loss		
Loss on disposal of plant and equipment	-	1,178

4 Dividends

No dividends were provided for or paid during the half-year.

5 Equity securities issued

	2007 Shares	2006 Shares	2007 \$	2006 \$
Issues of ordinary shares during the half-year				
Issued via Share Purchase Plan/Placement	41,071,989	-	2,464,319	-
Transaction Costs on Issue of Shares	-	-	(110,894)	-
	<u>41,071,989</u>	<u>-</u>	<u>2,353,425</u>	<u>-</u>

6 Key management personnel disclosures

(a) Other transactions with key management personnel

During the period, management fees of \$50,000 were payable to Seistend Pty Limited, an entity controlled by D W King. D W King was a director for the whole period between 01 July 2007 and 31 December 2007.

Director's fees of \$82,500 owing from prior periods were paid this period to entities controlled by former directors.

7 Contingencies

(a) Contingent liabilities

The consolidated entity had contingent liabilities at 31 December 2007 in respect of:

Restoration

Restoration obligations in relation to exploration activities are expected to amount to \$6,000.

8 Events occurring after the balance sheet date

No event has occurred since the end of the financial period and the date of this report that requires disclosure in this report.

9 Commitments for Expenditure

Exploration Commitments

The parent entity has entered into a farmin agreement in respect of PEP 38260 Onshore Canterbury Basin, New Zealand, held 100% by Green Gate Limited. Under the terms of the agreement Gas2Grid Limited is required to contribute \$1,800,000 (exclusive of GST) for acquisition and exploration expenditure. These obligations are not provided for in the financial statements.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 10 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 31 December 2007 and of its performance, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Gas2Grid Limited will be able to pay its debts as and when they become due and payable.

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

D. W. King
Director

Sydney
13 March 2008

INDEPENDENT AUDITOR'S REVIEW REPORT
to the members of Gas2Grid Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Gas2Grid Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Gas2Grid Limited Group (the consolidated entity). The consolidated entity comprises both Gas2Grid Limited (the company) and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Gas2Grid Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.



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

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

A stylized, handwritten signature of the PricewaterhouseCoopers firm, written in a cursive script.

PricewaterhouseCoopers

A handwritten signature of Marc Upcroft, written in a cursive script.

Marc Upcroft

Marc Upcroft
Partner

Sydney
13 March 2007