



# ANNUAL REPORT 2016



## **CORPORATE DIRECTORY**

GAS2GRID LIMITED ABN 46 112 138 780

### **DIRECTORS**

David A Munns  
(Non-Executive Chairman)

Dennis J Morton  
(Managing Director)

Patrick W V M Sam Yue  
(Executive Director)

### **COMPANY SECRETARY**

Patrick W V M Sam Yue

### **REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS**

Export House, Level 2  
18-22 Pitt Street  
SYDNEY NSW 2000 AUSTRALIA  
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Facsimile: +61 2 8298 3699  
Email: office@gas2grid.com

### **BRANCH OFFICE IN PHILIPPINES**

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Telephone: +63 2 815 8836

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### **SHARE REGISTRY**

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### **AUDITOR**

PricewaterhouseCoopers  
Darling Park Tower 2  
201 Sussex Street  
SYDNEY NSW 1171 AUSTRALIA

### **STOCK EXCHANGE LISTING**

Gas2Grid Limited shares are listed on the Australian Securities Exchange under the code GGX.

### **WEBSITE ADDRESS**

[www.gas2grid.com](http://www.gas2grid.com)

## **CHAIRMAN'S LETTER**

Dear Shareholders,

Since writing to you in the last Annual Report the oil price is still below US\$50 per barrel and the oil industry has been severely damaged Worldwide. Gas2Grid Limited ("Company") has been affected by the low oil price environment as have all other industry participants.

Despite these circumstances we have made some progress, notably with the submission in March 2016 to the Philippines Department of Energy of our drilling proposal for the Nuevo Malolos-1 deepening and positive decisions with our legal proceedings against the French Government, for not renewing the St. Griede exploration licence on unlawful grounds.

The technical moratorium for Service Contract 44 in the Philippines ends on 27 January, 2017 and we fulfilled the technical studies component of that work in early 2016. In March 2016, the Company submitted to the Philippine Department of Energy ("DOE") for approval an application to deepen Nuevo Malolos-1. Approval of that application was only received in mid-September 2016, which now means that there is little time left in which to complete the drilling operations, conduct a long term oil production test of the well and submit an application for a 25 year production term. The Company plans to soon meet with representatives of the DOE and review possible options.

With limited funds and prevailing low share price we decided that the best way to fund the proposed new work was by farmout. Unfortunately, the world low oil price has significantly reduced the pool of potential farminees as many have reduced, deferred or cancelled their exploration budgets. Failing a farmout we will consider alternative types of funding that includes equity issues for an appropriate program to be implemented.

The St Griede licence (100% working interest) located within the Aquitaine Basin, France was due for its first renewal in May, 2013 after an initial 5 year term. With the terms and conditions of the work and expenditure commitments having been met for the first 5 year term, a renewal application for a second 5 year term was submitted in January 2013 in order to continue the work program towards the drilling of a well. Normally, a first renewal is expected as a matter of course if the initial commitments have been met. That application was processed by French Government officials who recommended renewal and submitted it to the Minister of Energy for signature and issue in 2014.

In October 2015, we were notified that the French Government had decided not to grant the licence renewal. The decision of the ministers was based solely on views of local elected members and its citizens and risks to public order considerations within the area where the licence is located.

Following legal advice, on the 10th November 2015 the Company lodged in the French Tribunal a challenge to the ministers' decision. On the 29th December, 2015 the judge at the tribunal in France ruled to suspend the cancellation decision made by the French Government not to renew the St. Griede licence. On the 28th January, 2016 the French Minister of Energy lodged an appeal with the Conseil d'Etat for the annulment of the ruling made by the judge on the 29th December, 2015.

On the 22nd August, 2016 the Company received a copy of a written order made by the Conseil d'Etat of France not to admit the appeal lodged on the 28th January, 2016 by the Minister of Energy for the annulment of the ruling made on the 29th December, 2015 by the Tribunal Judge.

The rejection of the appeal by the Minister of Energy is very good news for the company as it strengthens the Company's legal rights to protect its investment. The Company's lawyers in France have provided their advice on achieving that protection and we will advise in due course on the path chosen.

**CHAIRMAN'S LETTER CONTINUED**

The Company has 3 licence applications, namely Tartas, Eauze and Mirande (all 100% interest), in the Aquitaine Basin that are awaiting grant. Tartas, having been fully processed, has been recommended for grant by the French Government officials and is awaiting the Minister of Energy's approval since 2015. Eauze and Mirande have some more procedures to be carried out by the bureaucrats before a recommendation for grant can be expected. It appears that the current Minister has no intention of granting any new licences and as a consequence there are many applications still waiting determination, most for a very long time.

Post the French Presidential election in March, 2017 we look forward to a change of policy by the Government.

The Company has continued to receive loans from the Directors for its day to day operations thereby avoiding issuing new shares with the dilutive effect. The Board is reviewing all types of funding for ongoing operations as this loan funding from Directors cannot be expected to continue long term.

We will require patience from our shareholders as we strive to develop the Malolos oil field and get satisfaction in France for the several million Euros invested there.

A handwritten signature in black ink, appearing to read 'D. A. Munns', with a long horizontal stroke extending to the right.

David Munns

Chairman

30 September 2016

### SUMMARY

#### Philippines – Service Contract 44

- 2 year Technical Moratorium covers period 28th January, 2015 to 27th January, 2017.
- Year 1 of moratorium work program completed with research on optimum drilling and completion technology to maximise oil production rates.
- Submitted in mid-March, 2016 drilling application to the Department of Energy (“DOE”) for approval of Nuevo Malolos-1 Deepening with approval granted in mid-September, 2016.
- Farmout difficult in low oil price environment with lack of investors in oil projects.

#### France – St Griede and 3 Licence Applications

- In October 2015, the Company was advised that the Minister of Energy and Minister of Economy were not renewing the St. Griede licence.
- In November 2015, the Company lodged a request in the tribunal for the suspension and annulment of the decision not to renew the St. Griede licence.
- On the 29th December 2015, the judge in the tribunal in France ruled to suspend the decision made by the Ministers not to renew the St. Griede licence and requested the Ministers to make their decisions on proper legal grounds.
- On the 28th January 2016, the Company received notice from the Conseil d’Etat that the Minister of Energy had lodged an appeal for the annulment of the ruling made on 29th December 2015 by the judge in the tribunal.
- On the 22nd August 2016, the Company received a copy of an order issued by the Conseil d’Etat not to admit the appeal lodged by the Minister of Energy.
- The decision of the Conseil d’Etat is good news as it has strengthened the Company’s legal rights to protect its investment. The Company is working with French legal counsel to take action to recover its investment.
- 3 new petroleum exploration licence applications reached final processing stages before issue and since last year have not progressed.



Location Map of Exploration Licences

**PHILIPPINES: SERVICE CONTRACT 44 (100% interest), Onshore Cebu**

Malolos-1 oil flow testing demonstrated that the well is capable of producing oil at commercial rates. The well has produced the equivalent of approximately 200 barrels of oil per day on several occasions but only for short periods of time. Oil flow has been impaired by blockage of the perforations within the wellbore by sand production and formation fines.

Sufficient test data had been gathered to support an application to the Philippine Department of Energy (“DOE”) for a 2 year technical moratorium to complete further work to establish the appropriate drilling and completion technology for sustained production and full appraisal and development of the Malolos Oil Field. The application was in accordance with the terms of the Service Contract with the 2 year moratorium that commenced on the 28th January 2015 granted by the DOE in December 2014.

The Company has completed the Year 1 program provided for under the technical moratorium and in March, 2016 submitted an application to the Philippine Department of Energy (“DOE”) for the approval to drill the Nuevo Malolos-1 Deepening. Approval was on received in mid-September 2016.

This late approval does not allow sufficient time to complete the drilling operations, conduct a long term oil production test of the well and submit an application for a 25 year production term. The Company plans to meet with representatives of the DOE to review possible options.

The work commitment to the DOE under Year 2 of the Technical Moratorium is as follows:

***Year 2 (28th January, 2016 – 27th January, 2017) – US\$1 million***

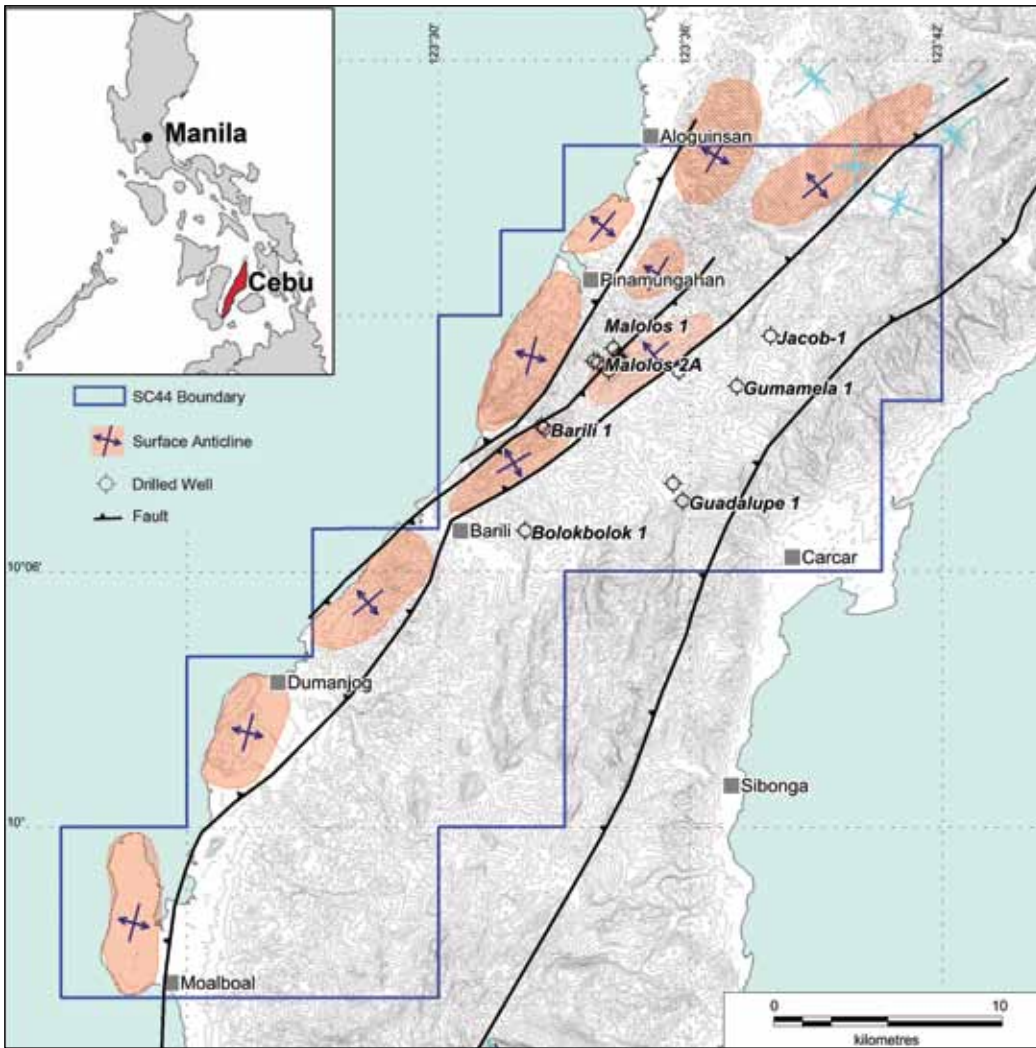
- Complete research, in association with industry experts and service contractors, on desired completion type for Malubog Formation sandstone reservoirs incorporating all available petrophysical data.
- Finalise the open hole well design and completion program, in association with industry experts and service contractors.
- Deepen Nuevo Malolos-1 to oil bearing reservoirs, core and record modern open hole electric logs.
- Complete well for oil production implementing new completion technology.
- Commence oil production test to establish field commerciality.
- Apply for a 25 year production term on successful production test.

**Farmout and Funding**

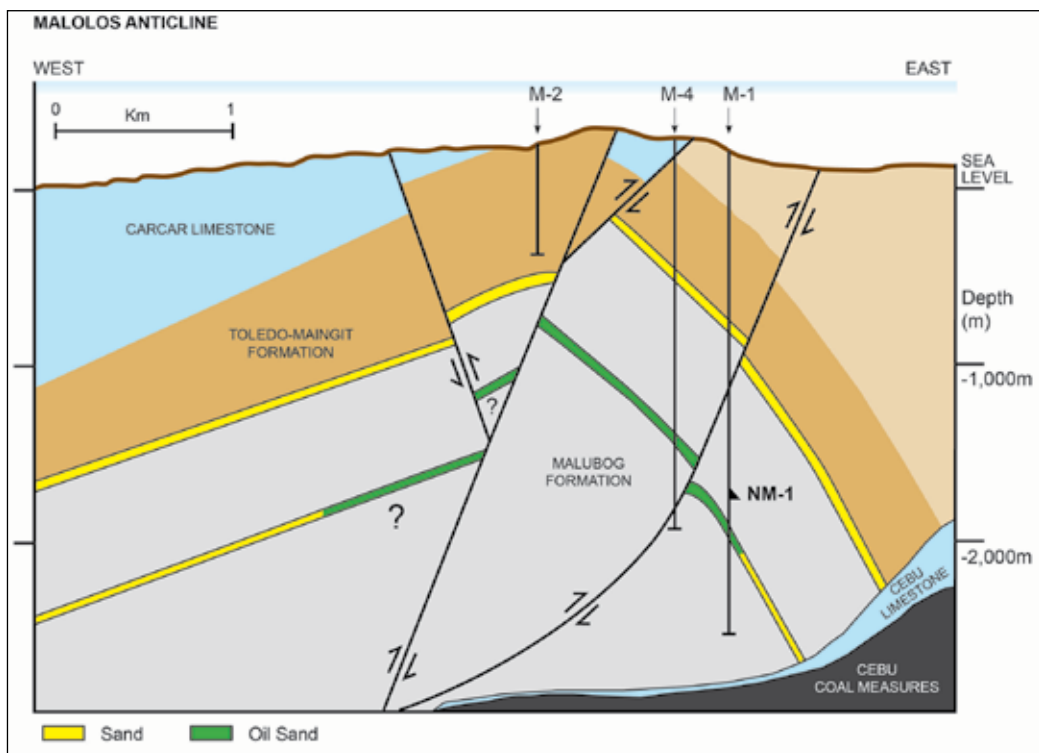
The Company’s plan was to fund the full appraisal and development of the Malolos Oil Field by securing a farmin partner. Farmout attempts have been hampered by the sharp drop in the oil price since 2014.

The Malolos Oil Field still represents an attractive investment opportunity despite the low oil price and the effect that it has on the oil industry Worldwide. The Malolos Oil Field has a 20.4 million barrel “Best Estimate (P50) Contingent Resource” of good quality, low sulphur crude oil that is located onshore, close to transportation in a country with excellent fiscal terms. Those attributes present possibilities for very low development and operating costs which will leave a healthy profit margin, even at the current low oil price.

With the present lack of a partner to participate in the funding, the shortness of time remaining on the technical moratorium and the current low oil price adversely affecting the Company’s share price for equity capital raising the Directors have decided to fully impair the carrying amount of the SC 44 in the amount of \$13,030,157.

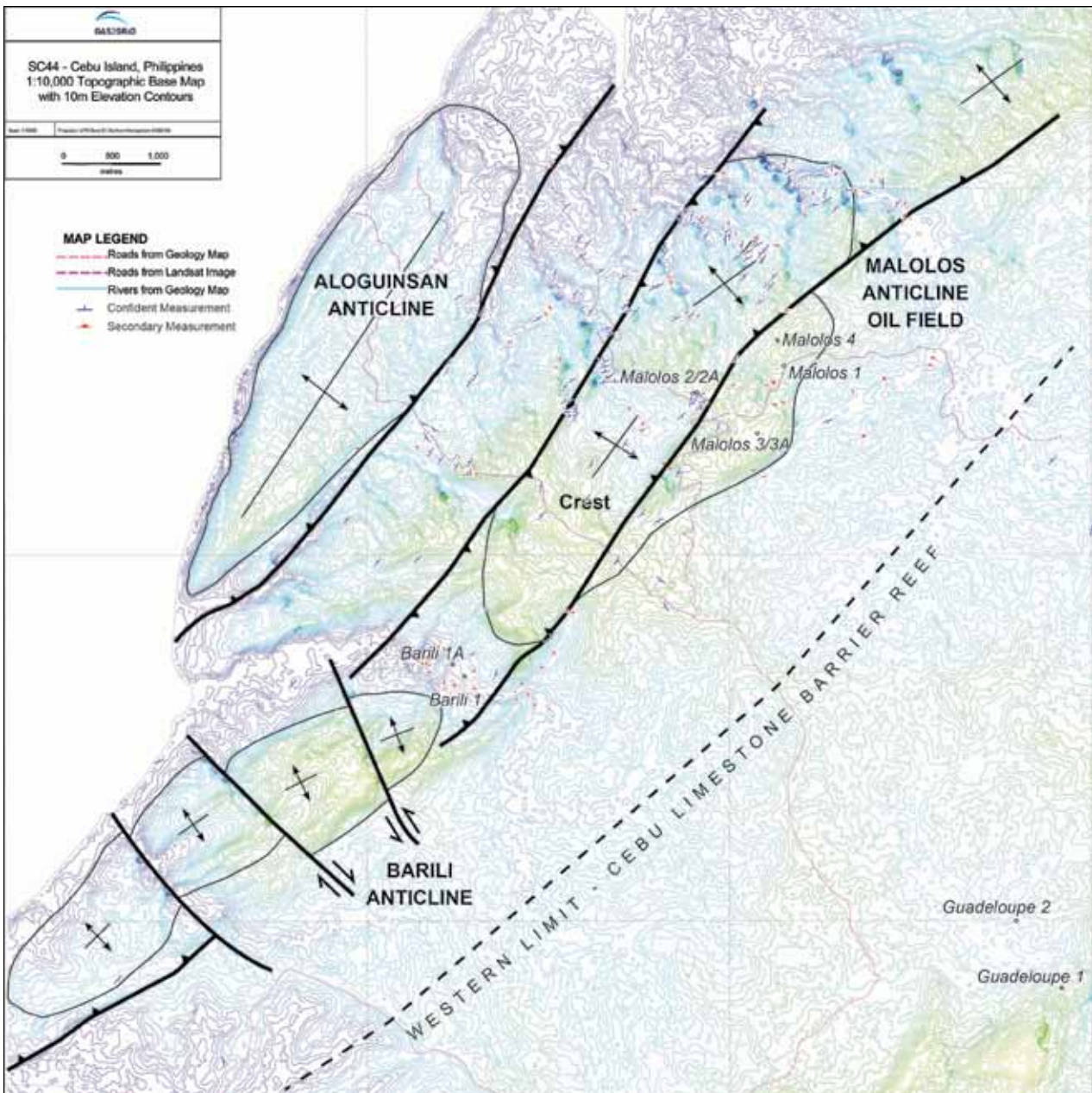


Map showing Outline of SC 44 on Cebu Island



Cross-Section: Malolos Oil Field





Map showing Malolos, Aloguinsan and Barili Surface Anticlines



**FRANCE: ST. GRIEDE (100% interest), Onshore Aquitaine Basin**

The St Griede licence (100% working interest) 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. That application was processed by French Government officials who recommended renewal and submitted it to the Minister of Energy for signature and issue in 2014.

In October 2015, the Company was advised that the Minister of Energy and Minister of Economy were not renewing the St. Griede licence.

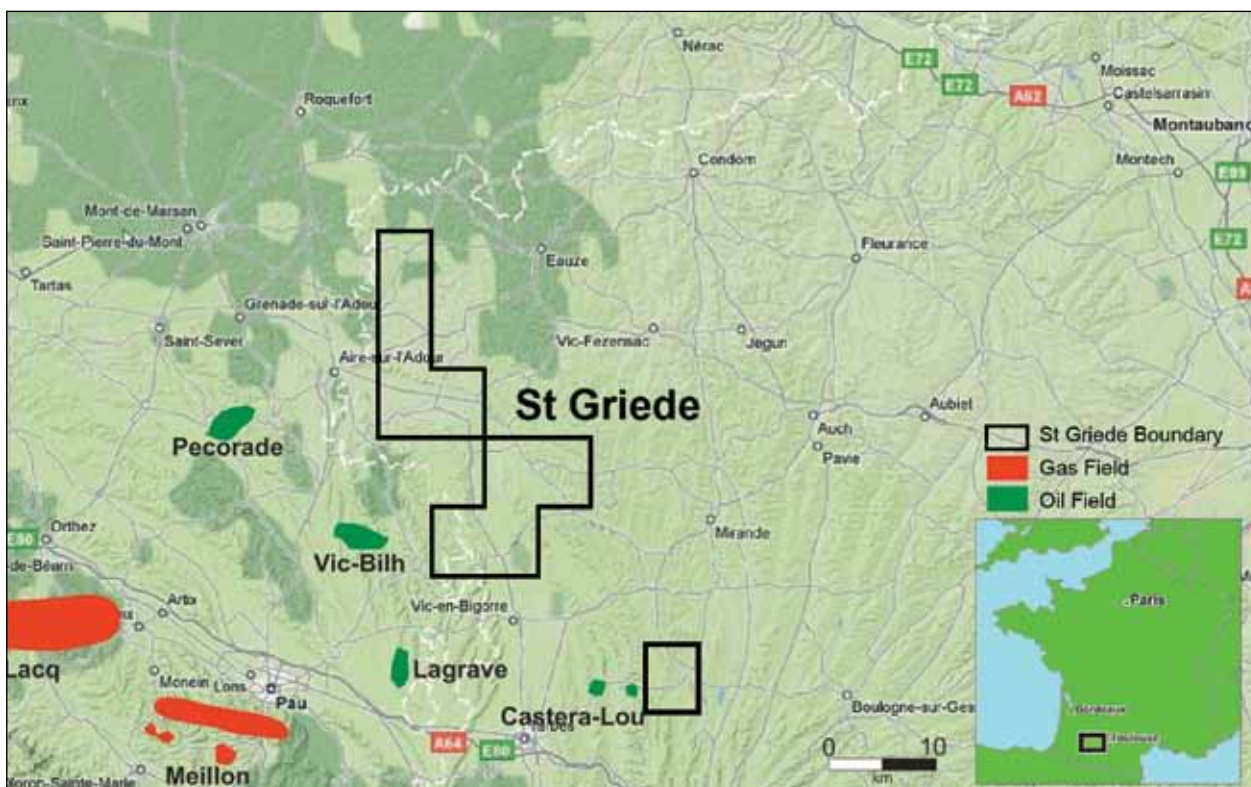
In November 2015, the Company lodged a request in the French tribunal for the suspension and annulment of the decision of the Ministers not to renew the St. Griede licence.

On the 29th December 2015, the judge in the tribunal in France ruled to suspend the decision made by the Ministers not to renew the St. Griede licence and requested that the Ministers make their decisions on proper legal grounds.

On the 28th January 2016, the Company received notice from the Conseil d’Etat of France that the Minister of Energy had lodged an appeal for the annulment of the ruling made on 29th December 2015 by the judge in the tribunal.

On the 22nd August 2016, the Company received a copy of an order issued by the Conseil d’Etat of France not to admit the appeal lodged by the Minister of Energy.

The decision of the Conseil d’Etat is good news as it has strengthened the Company’s legal rights to protect its investment. The Company is working with French legal counsel to take action to recover its investment.

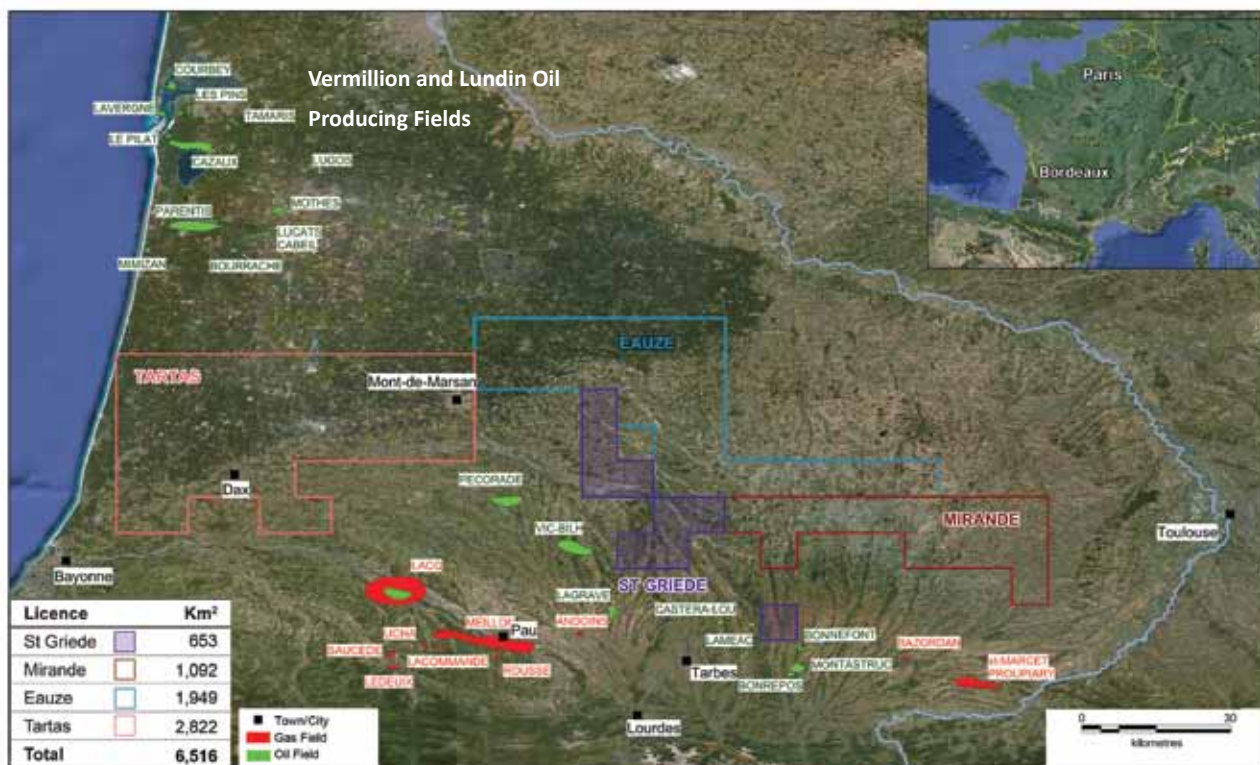


**France: St. Griede Licence with Oil and Gas Field Locations**

**FRANCE: NEW APPLICATIONS (100%), Onshore Aquitaine Basin**

Three new licence applications targeting conventional oil and gas (Tartas, Eauze and Mirande) were submitted to the French Government over 3 years ago. These licence applications have been advertised in the European Union Gazette under normal processing procedures and as a result the areas applied for Eauze and Mirande have been reduced for competitive applications settlement.

They are awaiting grant decisions by the French Government subject to final procedures but granting in the short term seems unlikely under the current Minister’s policy on oil and gas exploration. However, a change of policy may occur if there is a change of Government next year.



**Aquitaine Basin: St. Griede Licence and 3 New Licence Application Areas**

*The information 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 40 years’ experience in the oil and gas industry.*

## **FINANCIAL REVIEW**

### **Funding**

During the year, the loan facilities from related entities of Directors (D Morton, D Munns and P Sam Yue) were increased from \$6,000,000 to a total of \$7,100,000 at 30 June 2016 and on 19 September 2016 the loan facilities were further increased to a total of \$7,700,000 to ensure that the Group is sufficiently funded for operations. On 25 August 2015, the period of availability of the facilities was extended from 1 October 2016 to 16 October 2017. During the year, additional loans of \$620,125 were received under the facilities to pay creditors of \$394,375 (drawdown) and Directors' fees payable at 30 June 2016 of \$225,750 and no repayment was made. At 30 June 2016 a total of \$6,565,096 was owing under the loan facilities.

The loan facilities bear interest at 9% per annum accruing quarterly in arrears with a 1% establishment fee based on arm's length commercial borrowing for an entity in the Group's circumstances. These loans will be repaid as soon as the Group is able to do so when funds are raised.

In November 2015, \$301,000 of Directors' and management fees owing for the period to 30 September 2015 were settled by the issue of 100,333,332 ordinary shares as approved by shareholders at the Annual General Meeting held on 26 November 2015.

### **Going Concern**

At 30 June 2016, the Group had net current assets of \$56,080; and net liabilities of \$6,535,139 (2015: Net assets of \$7,340,899) including \$6,565,096 in Directors' loans that fall due for repayment on 16 October 2017.

The Technical Moratorium under SC44 in the Philippines for the Company to prove the commerciality of the oil field expires on 27 January 2017. It is unknown whether additional time will be granted to the Company to appraise the field by the new administration at the DOE (following the appointment of a new President and an Under Secretary of Energy not yet appointed) noting that the drilling program presented by the Company in March 2016 has only been approved on 15 September 2016 leaving insufficient time to complete the program before the end of the Technical Moratorium.

The Group has therefore fully impaired the exploration, expenditure and rights, resulting in a loss of \$14,223,739 for the year ended 30 June 2016.

Management is actively pursuing resolution of the above SC 44 issues and seeking recovery of its investment in the St Griede permit in France which had not been renewed by the French Government on improper legal grounds as ruled by the tribunal.

Although the Group is still planning to undertake exploration activities on its various tenements, it has currently only budgeted for those amounts that the financial position of the Group allows. Consistent with the nature of the Group's activities, its ongoing investment of funds into further exploration projects, will only be possible as and when sufficient funds are available to the Group.

The continuing ability of the Group to continue as a going concern and to undertake exploration activities and repay Directors' loans is dependent upon resolution of the above SC44 and St Griede issues.

If the commercial issues around SC 44 can be resolved, management's preferred option is to sell part of the Group's interest in SC 44 and enter into joint venture for the potential development of the project.

If required, management will negotiate to extend the maturity terms of the loan facilities beyond the current maturity date on 16 October 2017.

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.

On that basis the Directors have prepared the financial report on a going concern basis. At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2016. 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.



The attached annual report for the year ended 30 June 2016 contains an independent auditor's report which includes an emphasis of matter paragraph in regard to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. For further information, refer to Note 26 to the financial statements, together with the auditor's report.

#### **Performance**

During the year, the Group incurred net losses of \$14,223,739 which included \$13,118,916 of impairment of all deferred exploration expenditure relating to exploration licences held in France and the Philippines, which are carried at nil value at 30 June 2016.

#### **Financial Position**

As a result of \$13,118,916 impairment of deferred exploration expenditure, the Group is in a net liabilities position of \$6,535,139, including Directors' loans of \$6,565,096 due and payable by 16 October 2017.

#### **Cash Flows**

Operating activities resulted in net outflow of \$265,743 (2015: outflow \$417,924) as the Group is still in the exploration phase with no sales revenue. A total of \$224,240 (2015: \$771,051) was paid for investment essentially in exploration activities. These outflows were funded from existing cash on hand and borrowings from Directors.

#### **STRATEGY AND PROSPECTS FOR FUTURE**

The Group proposes to continue its oil and gas exploration program and investment activities in Cebu, Philippines and Aquitaine Basin in France and seeking opportunities in the energy sector. However, no indication as to likely results in the future can be given due to the uncertainties usually associated with exploration activities. Future financial performance will be

driven by success in the following:

- Subject to additional time being given by the DOE under the current Technical Moratorium that expires on 27 January 2017, proving the commerciality and development under a 25 year production licence of the Malolos Oil Field within SC 44 that has been assessed to have best estimate "Contingent Resource" of 20.4 million barrels of oil and to carry out exploration on newly identified prospective leads that have been assessed to have best estimate "Unrisked Prospective Resource" of 104 million barrels of oil;
- Protection of its legal rights and recovering its investments in the St Griede, France permit; and
- Grant of 3 new permits in Aquitaine Basin in France and carrying out exploration in the longer term to develop those permits.

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

#### **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](http://www.gas2grid.com)).

## **DIRECTORS' REPORT**

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Gas2Grid Limited and the entities it controlled at the end of, or during the year ended 30 June 2016.

### **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 oil and gas exploration in the Philippines and France.

### **OPERATING AND FINANCIAL REVIEW**

A detailed review of operations and financial performance for the financial year is set out on pages 3 to 10.

### **DIVIDENDS – GAS2GRID LIMITED**

The Directors report that during the year ended 30 June 2016 no dividends were declared or paid (2015: \$nil).

### **MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

There has not arisen in the interval since 30 June 2016 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.

### **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. The Group proposes to continue its oil and gas exploration program and investment activities that are set out on pages 3 to 10.

### **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***

61,262,973 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 in 2007 Managing Director of Eastern Star Gas Limited. He has extensive experience in the management of oil and gas exploration entities. He was previously in senior executive positions with Bow Valley (Australia) Ltd, Capital Energy Limited, Hartogen Energy Limited, and Esso Australia Limited.

#### ***Other listed company directorships***

None.

#### ***Former directorships of listed companies in last 3 years***

None.

#### ***Special responsibilities***

Managing Director (since 31 March 2008).

**Interest in shares and options**

179,288,187 ordinary shares in Gas2Grid Limited.

**Patrick W V M Sam Yue, CA, FCIS, 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 25 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**

98,590,999 ordinary shares in Gas2Grid Limited.

**COMPANY SECRETARY**

The Company Secretary is Mr Patrick W V M Sam Yue who 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 2016, and the number of meetings attended by each Director:-

	DIRECTORS' MEETINGS	
	Number eligible to attend	Number attended
D A Munns	3	3
D J Morton	3	3
P W V M Sam Yue	3	3

**Remuneration report and related party transactions**

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 2016, 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.

**Directors' fees**

The current base remuneration was last reviewed with effect from 1 July 2015. Directors' 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	From 1 July 2015	From 1 July 2014
Chairman	35,000	35,000
Other Directors (each)	25,000	25,000



**Additional fees**

In addition to base Directors' 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	EIP Shares	Total	% of remuneration that is performance based
	Salary and fees*	Cash bonus	Non-monetary benefits							
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>2016</b>										
<b>Executive Directors</b>										
D J Morton	145,000	-	-	-	-	-	-	-	145,000	-
P W V M Sam Yue	121,000	-	-	-	-	-	20,100	141,100	-	-
<b>Non-Executive Directors</b>										
D A Munns	35,000	-	-	-	-	-	-	35,000	-	-
<b>Total</b>	<b>301,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,100</b>	<b>321,100</b>	<b>-</b>	<b>-</b>

\*In November 2015, \$301,000 (\$75,250 for 2016 fees and \$225,750 for 2015 fees) was settled through issuance of fully paid ordinary shares.

Name	Short-term employee benefits			Post-employment benefits	Long-term benefits	Termination benefits	Share-based payments	EIP Shares	Total	% of remuneration that is performance based
	Salary and fees**	Cash bonus	Non-monetary benefits							
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>2015</b>										
<b>Executive Directors</b>										
D J Morton	145,000	-	-	-	-	-	-	145,000	-	-
P W V M Sam Yue	121,000	-	-	-	-	-	99,000	220,000	-	-
<b>Non-Executive Directors</b>										
D A Munns	35,000	-	-	-	-	-	-	35,000	-	-
D W Reeder**	10,154	-	-	-	-	-	-	10,154	-	-
<b>Total</b>	<b>311,154</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>99,000</b>	<b>410,154</b>	<b>-</b>	<b>-</b>

\*\*Ceased to be Director on 27 November 2014

In November 2014, \$326,000 (\$81,500 for 2015 fees and \$244,500 for 2014 fees) was settled through issuance of fully paid ordinary shares.

**(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.

On 27 November 2015, following the approval of shareholders at the Annual General Meeting held on 26 November 2015, 12,000,000 fully paid ordinary shares were issued under the Gas2Grid Limited Employee Incentive Plan (see Note 22) to Director P W V M Sam Yue for which he was granted an interest free non-recourse loan to acquire the shares at \$0.008 per share when the market price was \$0.003 per share. The loan is repayable at his option to be able to trade the shares, as follows:

	2016			2015		
	Number of shares granted	Amount payable at \$0.008 per share on or before 30 November 2020 at the Directors' option	Fair value expensed under share based payments	Number of shares granted	Amount payable at \$0.03 per share on or before 30 November 2018 at the Directors' option	Fair value expensed under share based payments
		\$	\$		\$	\$
<b>Directors of Gas2Grid Limited</b>						
D A Munns	-	-	-	-	-	-
D J Morton	-	-	-	-	-	-
P W V M Sam Yue	12,000,000	96,000	20,100	9,000,000	180,000	99,000
D W Reeder	-	-	-	-	-	-
	<b>12,000,000</b>	<b>96,000</b>	<b>20,100</b>	<b>9,000,000</b>	<b>180,000</b>	<b>99,000</b>

**(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	Received during the year on exercise of options	Equity settled Directors' & Management fees	EIP shares surrendered	Balance at end of year or date ceasing to be a Director
<b>Directors of Gas2Grid Limited 2016</b>						
D A Munns (i)	49,596,307	-	-	11,666,666	-	61,262,973
D J Morton (ii)	130,954,854	-	-	48,333,333	-	179,288,187
P W V M Sam Yue (iii)	49,932,666	12,000,000	-	40,333,333	(3,675,000)	98,590,999

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. 88,060,842 shares are registered in the name of Budside Pty Limited Employees Superannuation Fund. 34,727,345 shares are registered in the name of Budside Pty Ltd.

iii. 66,590,999 shares are registered in the name of Lamdian Pty Ltd <ATF Samyue Super Fund>.

**(f) Loans from key management personnel or their related entities**

	At beginning of year	Loans received	Loans repaid	Directors' fees drawn down	Finance costs charged	Finance costs paid	At end of year	Total loan facilities available at end of year
	\$	\$	\$		\$	\$	\$	\$
<b>2016</b>								
<b>Directors of Gas2Grid Limited</b>								
D A Munns	1,202,725	80,000	-	26,250	115,759	-	1,424,734	1,600,000
D J Morton	3,556,023	159,375	-	108,750	337,321	-	4,161,469	4,500,000
P W V M Sam Yue	664,923	155,000	-	90,750	68,220	-	978,893	1,000,000
	5,423,671	394,375	-	225,750	521,300	-	6,565,096	7,100,000

On 26 August 2015, the loan facilities were increased to \$7,100,000 and the expiry date of facilities had been extended from 1 October 2016 to 16 October 2017.

**2015**

**Directors of Gas2Grid Limited**

D A Munns	808,324	299,112	-	-	95,289	-	1,202,725	1,250,000
D J Morton	2,921,852	350,000	-	-	284,171	-	3,556,023	4,000,000
P W V M Sam Yue	222,134	400,000	-	-	42,789	-	664,923	750,000
D W Reeder*	-	-	-	-	-	-	-	-
	3,952,310	1,049,112	-	-	422,249	-	5,423,671	6,000,000

\*Ceased to be Director on 27 November 2014

An establishment fee of 1% of the facility amount is payable on agreement of an increase or extension of the facilities which expire on 16 October 2017 and a fixed interest rate of 9% per annum accruing quarterly in arrears applies.

The total amount owing at 30 June 2016 of \$6,565,096 is disclosed under Note 11 Non-Current Borrowings.

**(g) Other transactions with key management personnel**

- (i) Following approval of shareholders at the Annual General Meeting held on 26 November 2015, Directors were issued the following fully paid shares at \$0.003 per share in settlement of Directors' and management fees owing for current and prior years:

	2016		2015	
	Shares	\$	Shares	\$
<b>Directors of Gas2Grid Limited</b>				
D A Munns	11,666,666	35,000	2,333,333	35,000
D J Morton	48,333,333	145,000	9,666,666	145,000
P W V M Sam Yue	40,333,333	121,000	8,066,666	121,000
D W Reeder	-	-	1,666,666	25,000
	100,333,332	301,000	21,733,331	326,000



(ii) Summary of Directors' and management fees due and payable to Directors and their related entities for the year:

	2016 \$	2015 \$
<b>Management fees to the following entities recognised as expense</b>		
Budside Pty Ltd <sup>1</sup>	120,000	120,000
Oni Design Pty Ltd <sup>2</sup>	96,000	96,000
	216,000	216,000
<b>Directors' fees recognised as expense</b>		
Budside Pty Ltd	25,000	25,000
Oni Design Pty Ltd	25,000	25,000
TD International SA <sup>3</sup>	35,000	35,000
D W Reeder*	-	10,154
	85,000	95,154
<b>Management and Directors' fees owing at balance date</b>		
Budside Pty Ltd (inclusive of GST)	10,875	130,500
Oni Design Pty Ltd (inclusive of GST)	9,075	96,800
TD International SA	-	26,250
D W Reeder*	-	3,904
	19,950	257,454

\*Ceased to be Director on 27 November 2014

(iii) Summary of other amounts for services and supplies provided due and payable to Directors and their related entities during the year:

**Amounts recognised as non-current assets for services and supplies provided**

For services performed on rig maintenance and operations by TD International SA <sup>3</sup>	-	13,380
Exploration expenditure for services performed and supplies provided by Black Diamond Well Services Pte Ltd <sup>4</sup>	-	(73,613)
	-	(60,233)

**Amounts owing at balance date for services and supplies provided**

TD International SA	<b>13,380</b>	13,380
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The amounts due and payable for the services and supplies in Philippines were on an arm's length basis by reference to industry standards and where available third party charges for equivalent work. These services are recognised as exploration expenditure in non-current assets.

Related entities of the following Directors:

<sup>1</sup>D J Morton, <sup>2</sup>P W V M Sam Yue, <sup>3</sup>D A Munns, <sup>4</sup>D W Reeder

**(h) Additional information**

**Loans to Directors**

There are no outstanding loans to Directors and no loans have been issued during the period, other than non-recourse loans structured under the Employee Incentive Plan.

**Shares under option**

Nil.

**Insurance of officers**

During the financial year, a premium of \$12,740 was paid to insure the Directors of the Group and the parent entity.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings.

This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

**Proceedings on behalf of the Company**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the 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.

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

**Non-audit services**

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

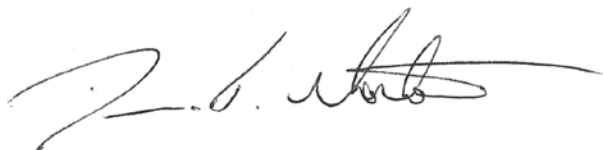
Details of the amounts paid or payable to the auditor (PwC) for audit services provided during the year are set out in Note 23 to the financial statements.

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

**Auditor's independence declaration**

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

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



**Dennis J Morton**  
Director

Sydney  
30 September 2016



## **Auditor's Independence Declaration**

As lead auditor for the audit of Gas2Grid Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'J Richardson'.

Justine Richardson  
Partner  
PricewaterhouseCoopers

Sydney  
30 September 2016

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T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

**Gas2Grid Limited ABN 46 112 138 780**  
**Financial Report for the year ended 30 June 2016**

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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 2016. 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 at minimum cost to the Company. All press releases, financial reports and other information are available on our website: [www.gas2grid.com](http://www.gas2grid.com).

**CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 30 June 2016

	NOTES	2016 \$	2015 \$
<b>Interest and other income</b>	2	167,315	119,277
<b>Expenses</b>			
Impairment of deferred exploration expenditure	8	(13,118,916)	(4,178,601)
Provision written back		-	116,072
Administration expense		(100,249)	(106,353)
Auditor's remuneration	23	(65,400)	(65,000)
Employee benefits expense		(82,843)	(96,878)
Management and Directors' fees	20	(301,000)	(311,154)
Depreciation	7	(41,139)	(35,148)
Finance costs		(522,367)	(423,169)
Insurance costs		(18,722)	(32,586)
Rental expenses		(88,421)	(123,315)
Share-based payments	22	(40,152)	(99,000)
Net foreign exchange loss		(11,845)	(36,581)
Loss before income tax		(14,223,739)	(5,272,436)
Income tax expense	3	-	-
<b>Loss from continuing operations</b>		(14,223,739)	(5,272,436)
<b>Other comprehensive income</b>		-	-
<b>Other comprehensive loss for the year, net of tax</b>		-	-
<b>Total comprehensive loss for the year</b>		(14,223,739)	(5,272,436)
Loss for the year attributable to the owners of Gas2Grid Limited		(14,223,739)	(5,272,436)
Total comprehensive loss for the year attributable to owners of Gas2Grid Limited		(14,223,739)	(5,272,436)
<b>Loss per share for loss from continuing operations attributable to the ordinary equity holders of the Company:</b>		Cents	Cents
Basic and diluted loss per share	24	(1.66)	(0.68)

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



**CONSOLIDATED BALANCE SHEET**

for the year ended 30 June 2016

	NOTES	2016 \$	2015 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	74,511	166,306
Trade and other receivables	5	98,375	59,568
Other financial assets	6	61,067	61,100
Total current assets		233,953	286,974
<b>Non-current assets</b>			
Property, plant and equipment	7	4,297	32,697
Exploration expenditure and rights	8	-	12,919,756
Total non-current assets		4,297	12,952,453
<b>Total assets</b>		238,250	13,239,427
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	9	132,452	396,723
Provisions	10	45,421	5,896
Total current liabilities		177,873	402,619
<b>Non-current liabilities</b>			
Trade payables	9	30,420	-
Borrowings	11	6,565,096	5,423,672
Provisions	10	-	72,237
Total non-current liabilities		6,595,516	5,495,909
<b>Total liabilities</b>		6,773,389	5,898,528
<b>Net (liabilities)/assets</b>		(6,535,139)	7,340,899
<b>EQUITY</b>			
Contributed equity	12	31,579,694	31,272,145
Reserves	13 (a)	189,402	149,250
Accumulated losses	13 (b)	(38,304,235)	(24,080,496)
<b>Total (deficit)/equity</b>		(6,535,139)	7,340,899

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the year ended 30 June 2016

	CONTRIBUTED EQUITY	ACCUMULATED LOSSES	RESERVES	TOTAL EQUITY / (DEFICIT)
	\$	\$	\$	\$
<b>Balance at 30 June 2014</b>	30,970,525	(18,808,060)	50,250	12,212,715
<b>Total comprehensive loss for the year</b>	-	(5,272,436)	-	(5,272,436)
<b>Transactions with owners in their capacity as owners:</b>				
Contributions of equity, net of transaction costs	301,620	-	-	301,620
Employee Incentive Plan	-	-	99,000	99,000
<b>Balance at 30 June 2015</b>	31,272,145	(24,080,496)	149,250	7,340,899
<b>Total comprehensive loss for the year</b>	-	(14,223,739)	-	(14,223,739)
<b>Transactions with owners in their capacity as owners:</b>				
Contributions of equity, net of transaction costs	307,549	-	-	307,549
Employee Incentive Plan	-	-	40,152	40,152
<b>Balance at 30 June 2016</b>	31,579,694	(38,304,235)	189,402	(6,535,139)

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**

for the year ended 30 June 2016

NOTES	2016 \$	2015 \$
<b>Cash flows from operating activities</b>		
Interest received	680	2,102
Other income	139,280	59,146
Payments to suppliers and employees (inclusive of goods and services tax)	(405,703)	(479,172)
<b>Net cash outflow from operating activities</b>	14 (265,743)	(417,924)
<b>Cash flows from investing activities</b>		
Payments for exploration expenditure	(224,273)	(777,932)
Payments for security deposits	(61,067)	-
Repayment of security deposits	61,100	6,881
<b>Net cash outflow from investing activities</b>	(224,240)	(771,051)
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares	11,350	-
Proceeds from borrowings	394,375	1,049,112
Share issue transaction costs	(4,800)	(2,647)
Finance cost paid	-	(155)
<b>Net cash inflow from financing activities</b>	400,925	1,046,310
<b>Net decrease in cash and cash equivalents</b>	(89,058)	(142,665)
Cash and cash equivalents at the beginning of year	166,306	304,290
Effects of exchange rate changes on cash and cash equivalents	(2,737)	4,681
<b>Cash and cash equivalents at end of year</b>	4 74,511	166,306

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

### 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 and France. 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 \$
<b>2016</b>				
<b>Interest and other income</b>				
Interest revenue	680	-	-	680
Other revenue	166,635	-	-	166,635
Total segment revenues	167,315	-	-	167,315
<b>Segment results</b>				
Loss for the year	(1,104,823)	(88,759)	(13,030,157)	(14,223,739)
Depreciation and amortisation	(41,139)	-	-	(41,139)
Share-based payments	(40,152)	-	-	(40,152)
Impairment of deferred exploration expenditure	-	(88,759)	(13,030,157)	(13,118,916)
<b>Segment assets</b>	230,736	-	7,514	238,250
<b>Segment liabilities</b>	6,738,764	2,361	32,264	6,773,389
<b>2015</b>				
<b>Interest and other income</b>				
Interest revenue	2,089	-	-	2,089
Other income	117,188	-	-	117,188
Total segment revenues	119,277	-	-	119,277
<b>Segment results</b>				
Loss for the year	1,213,774	2,458,535	1,600,127	5,272,436
Depreciation and amortisation	35,148	-	-	35,148
Share-based payments	99,000	-	-	99,000
Impairment of deferred exploration expenditure	-	2,462,645	1,715,956	4,178,601
<b>Segment assets</b>	319,671	-	12,919,756	13,239,427
<b>Segment liabilities</b>	5,837,552	9,340	51,636	5,898,528

### 2. INTEREST AND OTHER INCOME

	2016 \$	2015 \$
Interest	680	2,089
Other revenue	166,635	117,188
	167,315	119,277

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

2016	2015
\$	\$

### 3. INCOME TAX EXPENSE

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

Loss from continuing operations before income tax expense	(14,223,739)	(5,272,436)
Tax at the Australian tax rate of 28.5% (2015- 30%)	(4,053,766)	(1,581,731)
Deferred tax asset not recognised	4,053,766	1,581,731
Income tax expense	-	-

#### (b) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	(16,101,966)	(15,740,046)
Potential tax benefit @ 28.5% (2015- 30%)	(4,589,060)	(4,722,014)

### 4. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

Cash at bank and in hand	74,511	166,306
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### 5. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Other receivables	75,900	45,435
Prepayments	22,475	14,133
	98,375	59,568

#### Credit risk

There is no significant credit risk with respect to receivables and prepayments.

### 6. CURRENT ASSETS – OTHER FINANCIAL ASSETS

#### Security deposits

At beginning of year	61,100	65,260
Repayment	(61,100)	(4,160)
Addition	61,067	-
At end of the year	61,067	61,100

### 7. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	PLANT & EQUIPMENT	FURNITURE & FITTINGS	LEASEHOLD IMPROVEMENTS	TOTAL
	\$	\$	\$	\$
Cost	51,928	27,975	113,862	193,765
Accumulated depreciation	(51,928)	(25,576)	(111,964)	(189,468)
	-	2,399	1,898	4,297



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

### 7. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

#### Movements during the year

Movements in the carrying amount for each class of property, plant and equipment between the beginning and the end of the current financial year are as follows:

	PLANT & EQUIPMENT	FURNITURE & FITTINGS	LEASEHOLD IMPROVEMENTS	TOTAL
	\$	\$	\$	\$
<b>2016</b>				
<b>Balance at beginning of year</b>	333	7,694	24,670	32,697
Additions	-	-	12,861	12,861
Depreciation charged to income statement	(211)	(5,295)	(35,633)	(41,139)
Depreciation charged to exploration expenditure	(122)	-	-	(122)
<b>Balance at the end of year</b>	-	2,399	1,898	4,297
<b>2015</b>				
<b>Balance at beginning of year</b>	10,182	12,989	47,443	70,614
Depreciation charged to income statement	(7,080)	(5,295)	(22,773)	(35,148)
Depreciation charged to exploration expenditure	(2,769)	-	-	(2,769)
<b>Balance at the end of year</b>	333	7,694	24,670	32,697

### 8. NON-CURRENT ASSETS – EXPLORATION EXPENDITURE AND RIGHTS

#### Reconciliation of the movement in exploration expenditure and rights

	TANGIBLE	INTANGIBLE	TOTAL
	\$	\$	\$
<b>2016</b>			
<b>Balance at beginning of year</b>	3,359,414	9,560,342	12,919,756
Additions	-	199,039	199,039
Disposals	-	-	-
Depreciation capitalised	-	121	121
Impairment	(3,359,414)	(9,759,502)	(13,118,916)
<b>Balance at end of year</b>	-	-	-
<b>2015</b>			
Balance at beginning of year	3,366,257	13,484,758	16,851,015
Additions	-	318,186	318,186
Disposals	-	(73,613)	(73,613)
Transfer to exploration expenditure	(6,843)	6,843	-
Impairment	-	(4,178,601)	(4,178,601)
Depreciation capitalised	-	2,769	2,769
Balance at end of year	3,359,414	9,560,342	12,919,756

## **Impairment of exploration expenditure and rights**

### *Tangible assets*

Tangible assets included in exploration expenditure and rights consist of two drilling rigs and related equipment. Due to the current depressed nature of the global oil and gas industry there is a lack of (i) supportable evidence regarding demand for these assets and (ii) reliable market value for these assets at the present time. The current lack of relevant activities for drilling or hiring out of the equipment or an active market for the sale of such assets makes it very difficult to support any assumptions or estimate of future cash flows for this asset under a value in use approach or to reliably estimate a fair value less disposal. The Directors have therefore assessed that a full impairment of the carrying value of the tangible assets is required at balance date under the accounting standards. Should economic conditions change such that there is value in use of the assets or an active market for the asset is established then the impairment could be reversed in part or in full in future years.

The impairment charge amounting to \$3,359,414 is included in the *Impairment of deferred exploration expenditure* of \$13,118,916 and is also disclosed under Philippines in Note 1 – Segment information.

### *Intangible assets*

Intangible assets consist of deferred exploration expenditure on the Group's petroleum licences and 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). The Group has identified the licences in the Philippines and in France as being separate cash generating units. The Directors have assessed that a full impairment of the carrying values of the intangible assets is required at balance date as follows:

- Philippines licence: The technical moratorium for Service Contract 44 expires on 27 January 2017 and the Group only received approval of its drilling proposal on 15 September 2016, although the request was submitted in March 2016, leaving insufficient time to complete the program prior to the expiry of the technical moratorium unless additional time is allowed by the DOE. The licence is fully impaired at 30 June 2016 with an impairment charge of \$9,670,743 that is included in the *Impairment of deferred exploration expenditure* of \$13,118,916 and is also disclosed under Philippines in Note 1 – Segment information.
- France licence: Impairment of \$88,759 that is included in the *Impairment of deferred exploration expenditure* of \$13,118,916 is expenditure incurred during the year since cumulative exploration expenditure had already been fully impaired in prior years. At balance date the Group was still waiting for court decision whether the court will admit the appeal lodged by the French Government for the annulment of the ruling made on 29 December 2015 by a Tribunal judge to suspend the decision made by the French Government not to renew the St Griede licence. The decision of the court in August 2016 to disallow the appeal still present uncertainties as to tenure of the licence. This impairment charge is disclosed under France in Note 1 – Segment information.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

2016	2015
\$	\$

### 9. TRADE AND OTHER PAYABLES

#### Current

Trade payables and other creditors	132,452	139,269
Fees owing to Directors (see remuneration report (g)(ii))	-	257,454
	<u>132,452</u>	<u>396,723</u>

#### Non-current

Trade payables and other creditors	<u>30,420</u>	-
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At 30 June 2016, trade payables of \$30,420 (net of GST) have agreed for the amounts owing at balance date to be settled on or after 1 July 2017.

### 10. PROVISIONS

#### Current

Provision for annual leave	10,294	5,896
Lease make good provision	32,783	-
Lease incentive provision	2,344	-
	<u>45,421</u>	<u>5,896</u>

#### Non-current

Lease make good provision	-	18,855
Lease incentive provision	-	53,382
	<u>-</u>	<u>72,237</u>

The Company is required to restore leased premises to their original condition at the end of the lease which expires on 31 July 2016. A provision has been recognised for the present value of the estimated expenditure to restore the leased premises. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the term of the lease. An additional provision of \$12,861 was recognised and amortised at 30 June 2016.

Lease incentives received for fit-out are capitalised as part of the cost of leasehold improvements and are depreciated over the term of the lease.

#### Movements in each class of provision during the financial year are set out below:

	MAKE GOOD	LEASE INCENTIVE	ANNUAL LEAVE	TOTAL
	PROVISION	PROVISION		
	\$	\$	\$	\$
<b>Current provisions</b>				
Balance at beginning of year	-	-	5,896	5,896
Transfer from non-current provisions	18,855	53,382	-	72,237
Additions	12,861	-	4,398	17,259
Charged/(credited) to profit or loss	1,067	(51,038)	-	(49,971)
Balance at end of year	<u>32,783</u>	<u>2,344</u>	<u>10,294</u>	<u>45,421</u>
<b>Non-current</b>				
	\$	\$		\$
Balance at beginning of year	18,855	53,382		72,237
Transfer to current provisions	(18,855)	(53,382)		(72,237)
Balance at end of year	<u>-</u>	<u>-</u>		<u>-</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

2016	2015
\$	\$

### 11. NON-CURRENT BORROWINGS

Loans from Directors' related entities

6,565,096	5,423,672
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See remuneration report on pages 12 to 16 for details on the loans.

Interest and establishment fee of \$518,799 (2015: \$422,249) were included in the loans and not paid. Directors' and management fees of \$228,250 for 2016 have been paid by a drawdown from the Directors' loan facilities at balance date.

### 12. CONTRIBUTED EQUITY

NOTES	2016 SHARES	2015 SHARES	2016 \$	2015 \$	
<b>a) Share capital</b>					
Ordinary shares- fully paid	(b),(c)	901,409,076	787,275,744	31,579,694	31,272,145

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

#### b) Movements in ordinary share capital:

DETAILS	NOTES	NUMBER OF SHARES	ISSUE PRICE	\$	
<b>1 Jul 15</b>	<b>Balance at beginning of year</b>	<b>787,275,744</b>		<b>31,272,145</b>	
<b>(i) Non- cash transactions</b>					
29 Oct 14	Shares issued under EIP (omitted in prior year)	1,800,000	0.020	-	
27 Nov 15	Shares issued – Payment of fees to Directors	(e)	100,333,332	0.003	301,000
27 Nov 15	Shares issued under EIP to a Director	(d)	12,000,000	0.003	-
		<b>114,133,332</b>		<b>301,000</b>	
<b>(ii) Cash transactions</b>					
24 Jun 16	Sale of 5,675,000 shares surrendered under EIP	(d)	-	0.002	11,350
	Less: Transaction costs		-		(4,801)
	<b>Total movement for the year</b>	<b>114,133,332</b>		<b>307,549</b>	
<b>30 Jun 16</b>	<b>Balance at end of year</b>	<b>901,409,076</b>		<b>31,579,694</b>	

#### 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 22.

Loans extended under the EIP for 5,675,000 shares were not repaid at their maturity date. Under the terms of the EIP those shares were sold and the Company has retained the proceeds as payment of the loans with no further recourse to the EIP loans.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

### e) Share issue

On 27 November 2015 the Company issued 100,333,332 fully paid ordinary shares in settlement of amounts owing to Directors for fees as agreed with the Directors and approved for issue at the Annual General Meeting held on 26 November 2015. The AGM also approved the issue of 12,000,000 fully paid ordinary shares under EIP to a Director.

### f) 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 Group 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.

## 13. RESERVES AND ACCUMULATED LOSSES

	2016	2015
	\$	\$
<b>a) Reserves</b>		
Share-based payments reserve	2,024,333	1,984,181
Foreign currency translation reserve	(1,834,931)	(1,834,931)
	<u>189,402</u>	<u>149,250</u>
<b>Movements:</b>		
<i>Share-based payments reserve</i>		
<b>Balance at beginning of year</b>	1,984,181	1,885,181
Option expense	40,152	99,000
<b>Balance at end of year</b>	<u>2,024,333</u>	<u>1,984,181</u>
<i>Foreign currency translation reserve</i>		
<b>Balance at beginning and end of year</b>	<u>(1,834,931)</u>	<u>(1,834,931)</u>
<b>b) Accumulated losses</b>		
Movements in accumulated losses were as follows:		
<b>Balance at beginning of year</b>	(24,080,496)	(18,808,060)
Loss for the year	(14,223,739)	(5,272,436)
<b>Balance at end of year</b>	<u>(38,304,235)</u>	<u>(24,080,496)</u>

### c) Nature and purpose of reserves

#### i. Share-based payments reserve

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

#### ii. Foreign currency translation reserve

Exchange differences arising on translation of the foreign subsidiary are taken to the foreign currency translation reserve, as described in Note 26(d). The reserve is recognised in profit and loss when the net investment is disposed of.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

	2016	2015
	\$	\$
<b>14. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		
Loss for the year	(14,223,739)	(5,272,436)
Depreciation and amortisation	41,139	35,148
Directors' fees paid by way of share issue	301,000	304,267
Impairment of deferred exploration expenditure	13,118,916	4,178,601
Provisions written back	-	(116,072)
Finance costs accounted in loans	521,299	422,249
Finance costs relating to make good provision in lease	1,068	921
Lease incentive provision credited	(51,038)	-
Net exchange differences	2,737	(4,681)
Share based payments	40,152	99,000
Change in operating assets and liabilities:		
Increase in trade and other receivables	(30,467)	(30,937)
Increase/(decrease) in trade and other payables	17,135	(42,219)
(Increase)/decrease in prepayments	(8,342)	7,667
Increase in provisions	4,397	568
Net cash outflow from operating activities	(265,743)	(417,924)

## 15. NON-CASH INVESTING AND FINANCING ACTIVITIES

The Company issued fully paid ordinary shares in payment of the following:

Directors' and management fees	301,000	304,267
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## 16. 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 area 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 26(v).

### ***Share-based payments***

The fair value of shares issued under the Gas2Grid Limited Employee Incentive Plan is measured by reference to the fair value of options granted. The fair value estimate is based on the Black Scholes option-pricing model. The contractual life of the options is used as an input into the model. Further information regarding assumptions is included in Note 22.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

### 17. 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 rates risk and credit risks faced by the Group are considered minimal at this stage.

The Group holds the following financial instruments:

	2016	2015
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	74,511	166,306
Trade and other receivables	98,375	59,568
Other financial assets at fair value	61,067	61,100
	<b>233,953</b>	<b>286,974</b>
<b>Financial liabilities</b>		
Trade and other payables- current	132,452	396,723
Trade and other payables – non-current	30,420	-
Borrowings	6,565,096	5,423,672
	<b>6,727,968</b>	<b>5,820,395</b>

#### (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, other than translation of overseas subsidiaries, was not material.

##### ii. Cash flow and fair value interest rate risk

Increase/(decrease) in net exposure

-Australian dollar depreciates by 5% against USD	899	5,405
-Australian dollar depreciates by 5% against PHP	(248)	25
-Australian dollar depreciates by 5% against EUR	124	-
-Australian dollar appreciates by 5% against USD	(814)	(4,740)
-Australian dollar appreciates by 5% against PHP	224	(22)
-Australian dollar appreciates by 5% against EUR	(112)	-

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

### iii. Group sensitivity

At 30 June 2016, if interest rates had changed by +/- 100 basis points ("bps") from the year-end rates with all other variables held constant, post-tax profit for the year would have been \$742 lower/higher (2015 - change of 100 bps: \$1,663 lower/higher), as a result of lower/higher interest income from cash and cash equivalents and deposits with banks.

### (b) Credit risk

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

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

### (c) Liquidity risk

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

#### Financing arrangements

At 30 June 2016, the Group had access to borrowing facilities of \$7,100,000 bearing interest at a fixed rate of 9% and was available until 16 October 2017. At balance date an amount of \$6,565,096 had been drawn.

#### 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 (including interest payments where applicable under non-interest bearing liabilities), 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 (ASSETS) / LIABILITIES
	\$	\$	\$	\$	\$	\$	\$
<b>At 30 June 2016</b>							
<b>Non-derivatives</b>							
Fixed rate	427,881	295,429	6,769,131	-	-	7,492,441	6,727,968
Total non-derivatives	427,881	295,429	6,769,131	-	-	7,492,441	6,727,968
At 30 June 2015							
Non-derivatives							
Fixed rate	640,788	244,065	5,545,705	-	-	6,490,558	5,820,395
Total non-derivatives	640,788	244,065	5,545,705	-	-	6,490,558	5,820,395

### (d) Fair value estimation

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

### 18. COMMITMENTS

	2016	2015
	\$	\$

#### a) Lease commitments

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

Not later than one year	14,473	130,387
Later than one year but not later than 5 years	-	14,473
	<u>14,473</u>	<u>144,860</u>

#### b) Exploration commitments

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

Not later than one year	1,285,017	-
Later than one year but not later than 5 years	-	1,646,879
	<u>1,285,017</u>	<u>1,646,879</u>

### 19. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There has not arisen in the interval since 30 June 2016 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.

### 20. RELATED PARTY TRANSACTIONS

#### (i) Key management personnel compensation

Short-term employee benefits	301,000	311,154
Share-based payments	20,100	99,000
	<u>321,100</u>	<u>410,154</u>

Detailed remuneration disclosures are provided in the remuneration report on pages 12 to 16.

### 21. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 26 (b).

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING*	
			2016	2015
			%	%
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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

### 22. 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 12 to 16 for details of the Gas2Grid Limited Employee Incentive Plan.

During the year, 12,000,000 shares were issued at \$0.008 per share to Director Mr P Sam Yue (market price at date of issue was \$0.003 per share) with non-recourse loans totalling \$96,000 as approved by shareholders at the Annual General Meeting held on 26 November 2015. There are no vesting conditions on the shares issued.

	2016 SHARES	2015 SHARES
<b>Balance at beginning of year</b>	41,850,000	32,850,000
Granted during the year	12,000,000	9,000,000
Granted during preceding year previously omitted	1,800,000	-
Surrendered during the year	(5,675,000)	-
<b>Balance at end of year</b>	49,975,000	41,850,000

The model inputs for assessing the fair value of shares granted under the EIP, applying the Black-Scholes Option Pricing Model, during the year and in prior year, which was erroneously omitted, are:

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 \$
<b>2016</b>								
12,000,000	27/11/15	0.008	0.003	5 years	2.29%	156%	0.0026	20,100
1,800,000	29/10/14	0.020	0.014	5 years	2.84%	119%	0.0111	20,052
								40,152
<b>2015</b>								
9,000,000	27/11/14		0.014	5 years	2.64%	120%	0.0110	99,000

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

### 23. REMUNERATION OF AUDITOR

2016 \$	2015 \$
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During the year the following fees were paid or payable for the remuneration of auditors:

#### Audit services

#### Services provided by the auditor of the Parent Entity and its related firms

PwC Australian firm

Audit and review of financial reports and other audit work under the  
*Corporations Act 2001*

#### Total remuneration for audit services

65,400	65,000
65,400	65,000

No non-audit services were provided.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

### 24. EARNINGS PER SHARE

	2016 CENTS	2015 CENTS
<b>a) Basic and diluted earnings (loss) per share</b>		
From continuing operations attributable to the ordinary equity holders of the Company	(1.66)	(0.68)
<b>b) Reconciliations of earnings (loss) used in calculating earnings per share</b>	\$	\$
<i>Basic and diluted earnings/(loss) per share</i>		
Loss from continuing operations	(14,223,739)	(5,272,436)
Loss from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	(14,223,739)	(5,272,436)
<b>c) Weighted average number of shares used as the denominator</b>	NUMBER	NUMBER
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	855,370,825	774,645,608
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	855,370,825	774,645,608

### 25. 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 2016 is \$1 (2015: \$1).

#### a) Summary financial information

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

	\$	\$
<b>Balance sheet</b>		
Current assets	233,953	274,932
Total assets	238,251	13,211,503
Current liabilities	(177,873)	(815,061)
Non-current liabilities	(7,020,001)	(5,495,909)
Total liabilities	(7,197,874)	(6,310,970)
Net assets	(6,959,623)	6,900,533
<i>Shareholders' equity</i>		
Issued capital	31,579,694	31,272,145
Reserves	189,400	149,250
Accumulated Losses	(38,728,717)	(24,520,862)
	(6,959,623)	6,900,533
<b>Loss for the year</b>	(14,207,855)	(5,272,195)
<b>Total comprehensive loss</b>	(14,207,855)	(5,272,195)

#### b) Guarantees entered into by the Parent Entity

The Parent Entity has not entered into any financial guarantees as at 30 June 2016 (2015: \$61,067).

#### c) Contingent liabilities of the Parent Entity

The Parent Entity did not have any contingent liabilities as at 30 June 2016 or 30 June 2015.

#### 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 2016 or 30 June 2015 except as disclosed in Note 18.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 30 June 2016

### **26. 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 Financial Reporting 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 16.

##### *iv. Going concern*

During the year, the loan facilities from related entities of Directors (D Morton, D Munns and P Sam Yue) were increased from \$6.0 million to a total of \$7.1 million at 30 June 2016. The facilities were further increased to \$7.7 million in September 2016 to enable the Group to continue its operations.

At 30 June 2016, the Group had net current assets of \$56,080; and net liabilities of \$6,535,139 (2015: Net assets of \$7,340,899) including \$6,565,096 in Directors' loans that fall due for repayment on 16 October 2017.

The Technical Moratorium under SC44 in the Philippines for the Group to prove the commerciality of the oil field expires on 27 January 2017. It is unknown whether additional time will be granted to the Company to appraise the field by the new administration at the DOE (following the appointment of a new President and an Under Secretary of Energy not yet appointed) noting that the drilling program presented by the Group in March 2016 has only been approved on 15 September 2016 leaving insufficient time to complete the program before the end of the Technical Moratorium.

The Group has therefore fully impaired the exploration, expenditure and rights, resulting in a loss of \$14,223,739 for the year ended 30 June 2016.

Management is actively pursuing resolution of the above SC 44 issues and seeking recovery of its investment in the St Griede permit in France which had not been renewed by the French Government on improper legal grounds as ruled by the tribunal.

Although the Group is still planning to undertake exploration activities on its various tenements, it has currently only budgeted for those amounts that the financial position of the Group allows. Consistent with the nature of the Group's activities, its ongoing investment of funds into further exploration projects, will only be possible as and when sufficient funds are available to the Group.

The continuing ability of the Group to continue as a going concern and to undertake exploration activities and repay Directors' loans is dependent upon resolution of the above SC44 and St Griede issues.

If the commercial issues around SC 44 can be resolved, management's preferred option is to sell part of the Group's interest in SC 44 and enter into joint venture for the potential development of the project.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 30 June 2016

If required, management will negotiate to extend the maturity terms of the loan facilities beyond the current maturity date on 16 October 2017.

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.

On that basis the Directors have prepared the financial report on a going concern basis. At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2016. 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.

The attached annual report for the year ended 30 June 2016 contains an independent auditor's report which includes an emphasis of matter paragraph in regard to the existence of a material uncertainty that may cast significant doubt about the Group's ability to 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 2016 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 26(s)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### **(c) Segment reporting**

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

### **(d) Foreign currency translation**

#### *i. Functional and presentation currency*

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

#### *ii. Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 30 June 2016

### **(e) Revenue recognition**

Interest revenue is recognised using the effective interest rate.

Other revenue is recognised from the rendering of services to the customer.

### **(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 balance sheet.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 30 June 2016

### **(j) Trade receivables**

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

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

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

### **(k) Other financial assets**

#### **Classification**

The Group classifies other financial assets as loans and receivables.

#### *i. Loans and receivables*

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non current assets. Loans and receivables are included in receivables in the balance sheet.

#### **Subsequent measurement**

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

#### **Impairment**

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

### **(l) Plant and equipment**

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

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

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

- |      |                                   |           |
|------|-----------------------------------|-----------|
| (i)  | Furniture, fittings and equipment | 3-8 years |
| (ii) | Leasehold improvements            | 5 years   |

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 30 June 2016

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 26(h)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

### **(m) 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.

### **(n) Borrowings**

Borrowings are initially recognized 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.

### **(o) Provisions**

Provisions for legal claims and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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.

### **(p) Employee benefits**

#### *i. Wages and salaries*

Liabilities for wages and salaries, including non-monetary benefits such as annual leave and accumulating sick leave are expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave is recognised in provisions. All other short term employee benefit obligations are presented as payables.

#### *ii. Share based payments*

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

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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 30 June 2016

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

### **(q) 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.

### **(r) Earnings per share**

#### *i. Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### *ii. Diluted earnings per share*

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

### **(s) Investment in subsidiaries**

Investments in subsidiaries are accounted for at cost. Such investment includes both investment in shares issued by the subsidiaries. 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.

### **(t) 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 balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

### **(u) 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.

### **(v) Exploration and evaluation expenditure**

Exploration and evaluation expenditure is accumulated in respect of each indefinable area of interest, and carried forward in the balance sheet 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



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 30 June 2016

- (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 26(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.

### **(w) Leases**

Leases to which a significant portion of the risks and rewards of the ownership are not transferred to the Group as leases are classified as operating leases (Note 18). Payments under operating leases are charged to income statement on a straight line basis over the period of the lease.

### **(x) New and effective standards that are effective for these financial statements**

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 July 2015. The adoption of these standards did not result in changes in accounting policies and did not amend the amounts recognised in the financial statements. Additional disclosures required by these standards have been included where relevant.

### **(y) 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 2016 as follows:

- AASB 9 Financial Instruments (for annual reporting period commencing 1 January 2018)
- AASB 15 Revenue from Contracts with Customers (for annual reporting period commencing on or after 1 January 2018)
- AASB 16 Leases (for annual reporting period commencing on or after 1 January 2019)

The Group's assessment is that there would be no material impact.

### **(z) Parent entity financial information**

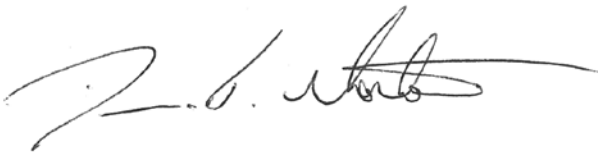
The financial information for the Parent Entity, Gas2Grid Limited, disclosed in Note 25 has been prepared on the same basis as the consolidated financial statements.

## DIRECTORS' DECLARATION

In the Directors' opinion:

- a) the financial statements and notes set out on pages 20 to 43 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 2016 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; and

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



Dennis Morton  
Director

Sydney  
30 September 2016



## **Independent auditor's report to the members of Gas2Grid Limited**

### ***Report on the financial report***

We have audited the accompanying financial report of Gas2Grid Limited (the company), which comprises the consolidated balance sheet as at 30 June 2016, the consolidated statement of profit or loss and statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Gas2Grid Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

### ***Directors' responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 26(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### ***Auditor's responsibility***

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

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

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

### ***Independence***

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

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*Auditor's opinion*

In our opinion:

- (a) the financial report of Gas2Grid Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 26(a).

***Material uncertainty regarding continuation as a going concern***

Without modifying our opinion, we draw attention to Note 26(a) to the financial report, which comments on the ongoing funding requirements of the consolidated entity. These conditions, along with other matters as set forth in Note 26(a) indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity 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.

***Report on the Remuneration Report***

We have audited the remuneration report included in pages 12 to 16 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's opinion*

In our opinion, the remuneration report of Gas2Grid Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in dark ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in dark ink, appearing to read 'Justine Richardson', written in a cursive style.

Justine Richardson  
Partner

Sydney  
30 September 2016

## **ADDITIONAL INFORMATION**

The shareholder information set out below was applicable as at 23 September 2016.

### **1. Substantial Shareholders**

Substantial Shareholders in the Company are set out below:-

<b>ORDINARY SHARES</b>	<b>NUMBER HELD</b>	<b>PERCENTAGE OF ISSUED SHARES</b>
Dennis Morton	179,288,187	19.89
Patrick Sam Yue	98,590,999	10.94
David Munns	61,262,973	6.80
Darren Reeder	60,272,618	6.69

### **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:-

<b>NO. OF SHARES</b>	<b>NO. OF SHAREHOLDERS</b>
1 – 1,000	116
1,001 – 5,000	27
5,001 – 10,000	118
10,001 – 100,000	600
100,001 and over	481
	<b>1,342</b>

ii) There were 967 holders with less than a marketable parcel of shares.

## ADDITIONAL INFORMATION

### 5. Twenty largest Shareholders

	NAME OF SHAREHOLDERS	NUMBER HELD	PERCENTAGE OF ISSUED SHARES
1.	BUDSIDE PTY LTD <EMPLOYEES SUPERANNUATION FUND>	86,880,843	9.64
2.	LAMDIAN PTY LTD <SAMYUE SUPERFUND A/C>	66,590,999	7.39
3.	DARREN W REEDER	59,772,618	6.63
4.	DENNIS MORTON	51,499,999	5.71
5.	DAVID MUNNS	43,496,593	4.83
6.	BUDSIDE PTY LIMITED	34,727,345	3.85
7.	J VENPIN	19,072,950	2.12
8.	OCTAN ENERGY PTY LTD	15,688,962	1.74
9.	POBELO SUPER PTY LTD <POBELO P/L SUPER FUND A/C>	15,650,000	1.74
10.	J P MORGAN NOMINEES AUSTRALIA	13,613,512	1.51
11.	M S NG	11,120,000	1.23
12.	J C K TO	10,109,232	1.12
13.	M K WALCOTT	9,949,434	1.10
14.	TD INTERNATIONAL SA	9,481,898	1.05
15.	SEISTEND (SUPER) PTY LTD <DW KING SUPER FUND A/C>	8,900,000	0.99
16.	URALDINARION N V	8,750,000	0.97
17.	FAMBLERY PTY LTD <MTM PL PROVIDENT FUND A/C>	8,500,000	0.94
18.	DISCOVERY INVESTMENTS PTY LTD <RASCOL FAMILY SUPER FUND A/C>	8,105,682	0.90
19.	J A MORTON	7,100,000	0.79
20.	BARROROAM PTY LTD <TANK SUPER FUND A/C>	6,303,571	0.70
		<b>495,313,638</b>	<b>54.95</b>

### SCHEDULE OF OIL AND GAS TENEMENTS

LOCATION	TENEMENT NAME	HOLDER	INTEREST	AREA	STATUS
Cebu Island, The Philippines	Service Contract 44	Gas2Grid Pte Ltd	100%	750 km <sup>2</sup>	Extended to 27/01/2017
Onshore Aquitaine Basin, France	St Griede Licence	Gas2Grid Limited	100%	653 km <sup>2</sup>	Renewal application to 21/05/2018. Under dispute
Onshore Aquitaine Basin, France	Tartas	Gas2Grid Limited	100%	2,822 km <sup>2</sup>	Under new application
Onshore Aquitaine Basin, France	Mirande	Gas2Grid Limited	100%	1,092 km <sup>2</sup>	Under new application
Onshore Aquitaine Basin, France	Eauze	Gas2Grid Limited	100%	1,949 km <sup>2</sup>	Under new application