



GAS2GRiD

GAS2GRID LIMITED

ABN 46 112 138 780

Annual report

for the year ended 30 June 2008

GAS2GRID Limited ABN 46 112 138 780

Annual report – 30 June 2008

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Corporate Directory

Directors

David A. Munns, Chairman
Dennis J. Morton, Managing Director
Russell D. Langusch
Eric D. Espiritu

Secretary

Steven J. Danielson

Notice of annual general meeting

The annual general meeting of Gas2Grid Limited

will be held at Mitchell & Partners
Level 7, 10 Barrack Street
Sydney

time 11am

date Friday
21 November 2008

Principal registered office in Australia

C/- Mitchell & Partners
Level 7, 10 Barrack Street
SYDNEY NSW 2000 AUSTRALIA
Telephone: (02) 9392 8642
(02) 9392 8686

Share registry

Gould Ralph Pty Limited
Level 42, AAP Centre
259 George Street
SYDNEY NSW 2000 AUSTRALIA
Telephone: (02) 9032 3000

Auditor

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

Stock exchange listing

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

Website address

www.gas2grid.com

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

CHAIRMAN'S ADDRESS

Dear Shareholder,

I am pleased to present you with the 2008 Gas2Grid Limited Annual Report.

During the last year the Company branched out from its' Philippine operations and participated in the drilling of an exploration well, onshore, South Island, New Zealand in order to provide shareholders with exposure to an exploration prospect with significant oil potential. The drilling was backed up by a combined \$3 million Share Purchase Plan and placement. The well was unfortunately a dry hole although it was drilled within budget.

The challenge for the Board is to increase the Company asset backing whilst minimising the amount of shares on issue. Raising capital at a low share price limits the number of exploration opportunities that can be pursued and in effect limits the Company to onshore exploration. It is difficult for Gas2Grid Limited to compete with the better funded oil and gas companies who are exploring in those areas that are regarded as lower risk for exploration success. Management therefore, is required to use its' extensive exploration experience and knowledge to take a "first mover" advantage in exploration areas that are considered higher risk.

The lowest risk and lowest cost project that could deliver near term success to the Company is a re-completion of both the Nuevo Malolos-1 and Malolos-1 wells located within SC 44, onshore Cebu, Philippines. Both these wells have recovered oil and gas on short term test, they are both cased to total depth and the target sandstone reservoirs suffer from formation damage caused during the drilling process. A re-completion of these target sandstones is planned for late 2008 in order to overcome the formation damage and hopefully flow oil and gas at commercial rates.

Over the last 12 months the Company completed the acquisition of new, onshore assets through Government gazettal (France) and purchase by payment in shares (Canning Basin) and both these assets are located in oil and gas productive basins that have seen little exploration activity over the last decade. The Company has significant equity in both of these new areas. The Canning basin licence (EP 453 – 100%) has two main exploration targets with gas having already been tested within the licence from one of these targets. An extensive grid of existing seismic data covers the two main target areas within the licence and these data are being reprocessed in order to define new drilling targets. It is planned to conduct exploration drilling in WEP 453 during the 2009 dry season. The Canning Basin has become an area of active exploration by other industry players within the last two years and this activity is scheduled to continue.

The St. Griede licence (50%), awarded to the company in April, 2008 is located in the prolific oil and gas productive Aquitaine Basin, located in the south of France. The licence contains an existing grid of seismic data and previous exploration wells which are being integrated in order to define new exploration drilling targets. Three large oilfields are located on the western border of the licence. It is planned, subject to requisite approvals, to conduct exploration drilling activity in the second half of 2009.

The previously announced PEP 38260 farmin resulted in the Company funding the Kate-1 which was drilled in May, 2008 on a trouble free basis to a total depth of 1,112 metres. The main objective, Late Cretaceous Broken River Formation was intersected and consisted of a thick clean sandstone interval with a high net/gross ratio and a good quality overlying shale seal but unfortunately lacked any hydrocarbons and the well was plugged and abandoned.

On the 31st March, 2008 Dennis Morton joined the Gas2Grid Limited Board of Directors as Managing Director. Dennis was a founder and until late, 2007 Managing Director of Eastern Star Gas Limited. In August 2008 Russell Langusch was appointed to the Board as a Non Executive Director and as a

consultant. Russell also has a long career in the oil and gas industry in technical, financial and corporate roles and until recently was the Managing Director of the dual ASX and AIM listed oil and gas company Elixir Petroleum Limited. Both Dennis and Russell bring to the Board a wealth of oil and gas exploration and corporate experience which will be used to grow the Company.

Foundation Director Dr David King retired from the Board and his role as Executive Director, a position he held since the former Managing Director resigned in July, 2006 in August. The Board commends Dr King for his contribution to the Company. Dr King has done an outstanding job managing the Company for the last two years and his Board contribution will be missed

The Company plans to raise new funds before year end and these funds will be used to complete operations in the Philippines, France and the Canning Basin. We will continue to evaluate new opportunities for participation in our core areas. The Company has now developed a wider skill/experience base from which it can source attractive new opportunities, and the diversification of the portfolio has provided better access to requisite capital.

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

David Munns.
Chairman.

REVIEW OF OPERATIONS

CORPORATE

Shareholders in a General Meeting on the 25th July, 2007 approved private share placements to a total of \$1.768 million, which together with a \$1.232 million raised separately by an oversubscribed share purchase plan completed an aggregate \$3 million capital raising. A pleasing 62% of all shareholders at the time participated in the share purchase plan.

On the 31st March, 2008 Dennis Morton joined the Gas2Grid Limited ("GGX") Board of Directors as Managing Director. Dennis was a founder and until late, 2007 Managing Director of Eastern Star Gas Limited, and brings to the Board a wealth of oil and gas exploration and corporate experience. He was previously in senior executive positions with Bow Valley (Australia) Ltd., Capital Energy Limited, Hartogen Energy Limited and Esso Australia Limited. Dennis' appointment replaces Dr David King, who has been acting as Executive Director since the resignation of the former Managing Director in March, 2006. Dr King has reverted to a Non-Executive role.

SC 44, CEBU, PHILIPPINES (100%)

ADMINISTRATION: the Philippines Department of Energy ("DOE") approved a variation in the SC 44 contract terms by agreeing to an extension of time, until the 28th December, 2008, for Gas2Grid Limited to complete Sub-Phase 2 of the Service Contract and the proposed work program under that extension. The work program comprises the following commitments:

- Geochemical Survey
- Reservoir Study
- Aero-Gravity Survey
- 100 kms seismic acquisition
- Swab Test M-1 and NM-1
- Drill one new well

The DOE approval was accompanied by a 25% relinquishment of SC 44.

HYDROCARBON MICRO-SEEPAGE SURVEY: An "Onshore Hydrocarbon Micro-seepage Survey" was completed within SC 44 in December, 2007 with encouraging results that indicated significant levels of hydrocarbon seepage. 270 samples were collected for microbial analysis and 36 samples were analysed for sorbed soil gas over an area within SC 44 that covered the Malolos and Barili surface anticlines. The sample interval was +/- 250-500 metres with the principal survey objectives being to:

- Determine the presence and location of significant hydrocarbon micro-seepage anomalies
- Determine the composition of the hydrocarbons
- Identify areas that require additional geological and geophysical surveys to assist with exploration/appraisal well locations

Microbial Results: Three significant micro-seepage anomalies were identified which in total covered parts of both the Malolos and Barili areas. The anomalies have a linear distribution when mapped and are likely to be located along existing faults which in turn core the anticlines. This means that the micro-seepage survey has the capacity to identify key fault systems that core potential sub-surface hydrocarbon traps which in turn will assist with future seismic line location.

Sorbed Gas Results: Sample analysis yielded results that are consistent with hydrocarbons that have been sourced from oil with associated thermal gases. This is consistent with previously acquired Malolos well test data in which wet gas and oil have been recovered.

REVIEW OF OPERATIONS (continued)

FORMATION DAMAGE REPORT: A report addressing formation damage by consultancy group RPS Energy was completed in mid-2008. The research report was commissioned by GGX in order to assess:

- If moveable hydrocarbons had been encountered by the Nuevo Malolos-1 and Malolos-1 wells and
- If so the reason for the very poor reservoir productivity encountered in both open hole and cased hole testing and
- If so what are the next steps to be taken before a work program is implemented to either remediate NM-1 and re-test the hydrocarbon bearing intervals as well as
- The steps that need to be taken in order to formulate a drilling mud system and program that will overcome the drilling induced formation damage in future wells

RPS Energy is an international consultancy group that has been providing consultancy services to the energy sector across a number of technical disciplines for over 20 years. The RPS report concluded that:

- the well contains good quality sandstone reservoirs as confirmed by Core-1
- formation damage is significant
- special core analysis is required to determine whether the formation damage is caused by the drilling operations or it is a relative permeability effect
- a mud leak-off test with the KCl mud followed by HF (or HCl) acid is recommended
- unsteady state relative permeability work (gas-oil and/or water-oil) is also recommended

NUEVO MALOLOS-1 & MALOLOS-1 WORK-OVERS: GGX has engaged a petroleum engineering consultant to review all the available technical information and to recommend a work-over program. The same consultant has previously reviewed and reported on Nuevo Malolos-1 and Malolos-1 well information. Initial recommendations are that GGX should conduct a recompletion including a formation stimulation on the gas bearing Maingit Formation interval (Core-1 interval; tested a small amount of gas before tool plugged in Nuevo Malolos-1 and gas in Malolos-1). The aim of any work-over will be to test gas and/or oil flow at a commercial rate. These types of recompletions are commonly and successfully conducted on wells in Indonesia with similar sandstone reservoir characteristics. GGX is targeting late 2008 in which to complete this work, subject to the availability of equipment and personnel.

MOABOAL FIELD MAPPING: Philippine based geological consultants have conducted a field survey over the Moalboal area located in the southwestern part of the licence initiated because the Moalboal area has been interpreted as being a surface anticline and a potential hydrocarbon prospect. The field mapping has confirmed westerly and northerly dip and the presence of a likely anticline. Although outcrop is poor and consists of massively bedded limestone there is sufficient dip evidence to indicate an anticline. A strike and dip seismic line will be required to map the prospect further.

SEISMIC SURVEY: There are no land seismic crews working in the Philippines and GGX has made contact with a number of seismic contractors regarding mobilisation of a land seismic crew into the Philippines to conduct surveys on behalf of a number of Operators. The Company is trying to aggregate a minimum 1,000 kms survey of which GGX would commit to approximately 100 kms. Several onshore Service Contract Operators have registered interest in acquiring land seismic data and the Company is trying to prepare a pricing schedule from seismic contractors before finalising commitments with other Philippine Operators. GGX has also identified that previous seismic data acquired in SC 44 was not acquired with parameters that could image steeply dipping beds and significant improvements can be made in acquisition parameters with any new program. SC 44

REVIEW OF OPERATIONS (continued)

seismic data quality in areas with low dipping beds is of excellent quality but deteriorates significantly in areas of steep dip and intense faulting.

PHILIPPINES - OTHER:

JAPEX and KUFPEC drilled an offshore exploration well located in Tanon Strait, within a few kilometres of the western boundary of SC 44. The exploration well was designed to test an anticlinal trap with Tertiary age marine sediments as the major target. Although oil shows were reported the well was plugged and abandoned. JAPEX and KUFPEC have withdrawn from their Tanon Strait service contract after drilling the well and a prolonged legal fight with Philippine NGOs representing marine environmental concerns with offshore drilling. ASX listed Otto Energy are also planning to drill an offshore exploration well close to the eastern boundary of SC 44. Once again the main exploration target is an anticlinal trap with tertiary age marine sandstones as the main reservoir objective.

FRANCE: St Griede Licence, onshore Aquitaine Basin (50%)

The St. Griede licence was awarded by the French Government to Gas2Grid Limited ("GGX" - 50%) and its joint venture partner Gippsland Offshore Petroleum Limited ("GOP" - 50%) on the 21st April, 2008 after a two year application process. The licence covers 1,238 square kilometres within the onshore part of the Aquitaine Basin, north and east of the city of Pau in the south of France.

The licence has been awarded for a 5 year term with an aggregate total work commitment of \$3.7 million. The licence is already covered by a regional grid of seismic data and there are a number of petroleum exploration wells that have been drilled both within and surrounding the licence. Three oil fields are located a few kilometres west of the licence boundary. Existing technical data is being acquired from the French Government and initial activities will include integration of existing petroleum well information, seismic reprocessing and the likely acquisition of airborne gravity.

Company representatives will meet with French Government officials later in 2008 to organize relevant acquisition of existing archived seismic and well data.

The Aquitaine Basin is a prolific hydrocarbon province with a long history of discovery and production. Over 13,000 petajoules (approximately 13 trillion cubic feet) of gas and 450 million barrels of liquid hydrocarbons have been discovered within the basin, mainly by the large French Government owned corporations. There has been a hiatus in exploration activity since the 1980s but a resurgence of licensing activity and operations has occurred recently, coincident with the increase in both oil and natural gas prices. Markets and infrastructure are well developed and the commercialisation of even small discoveries is not expected to be problematic.

AUSTRALIA: EP 453, onshore Canning Basin, Western Australia (100%)

In March, 2008 GGX Directors announced that, subject to Ministerial approval, GGX had acquired a 100% interest in Western Australian petroleum exploration licence EP 453, located onshore in the Canning Basin, Western Australia. The financial consideration for the acquisition was 6 million fully paid ordinary shares in the Company and the assumption of existing royalties to the vendors of 3%.

EP 453 is a highly prospective licence with both oil and gas targets in Late Devonian age carbonate, pinnacle reefs and Devonian age sandstone reservoirs. A number of pinnacle reef prospects have been mapped on existing seismic data and only two wells have previously been drilled (during the 1980s) within this region targeting these reefs. Neither of these two wells intersected reservoir quality limestone. The prospectivity of the Devonian age sandstone reservoirs is evidenced by the fact that the only well drilled within the area in recent history, Chestnut-1 (1994), intersected a shallow (1,350 metres - depth) 8 metre thick sandstone reservoir interpreted from logs to be hydrocarbon bearing, although the interval was not tested. A deeper (1,800 metres - depth) sandstone reservoir is hydrocarbon bearing but has relatively poor reservoir parameters and on a drillstem test flowed gas to surface at a rate too small to measure with no produced water. These two sandstone reservoirs were

REVIEW OF OPERATIONS (continued)

deposited in a submarine fan complex and reservoir quality should improve in the direction of their depositional source (proximal area).

EP 453 enjoys the benefit of an executed Native Title and Heritage Protection Agreement with Kimberley Land Council on behalf of three claimant groups, which took many years to negotiate. The acquisition of this 100% working interest will facilitate the Company attracting a farm-in partner to participate in future exploration, enabling the Company to benefit from any farm-in premium in such a transaction.

The Company has been successful in acquiring all existing seismic field and support data from the Western Australian Government and it is currently re-processing these data which will then be interpreted and objective horizons mapped to generate drilling prospects. It is possible that drilling prospects will be generated by these data without the need for new seismic acquisition and if so drilling is anticipated to commence sometime during the 2009 dry season (April-November) by way of farmout.

PEP 38260 (Onshore, Canterbury Basin, New Zealand – 55%)

GGX announced in 2007 that it had entered into an agreement with a privately owned NZ company, Green Gate Limited, to farm-in to the onshore portion of PEP 38260, located in the north Canterbury Basin. Under the terms of that original agreement and subsequent amendments GGX has paid \$1.2 million towards the drilling of Kate-1 and in return acquired a 40% interest in the onshore portion of PEP 38260 covering an area of 2,429 square kilometres. GGX also paid \$600,000 cash in order to acquire another 15% interest (55%). That interest has now been acquired by GGX funding the drilling of Kate-1 and making the separate payment.

Kate-1 spudded on Thursday 8th May and was drilled on a trouble free basis to a total depth of 1,112 metres. The main objective, the Late Cretaceous Broken River Formation, although intersected approximately 400 metres low to prognosis consisted of approximately 70 metres of thick clean sandstone (30% porosity), high net/gross ratio and with a good quality overlying shale seal. There were no hydrocarbon indications logged in the main objective and the well was plugged and abandoned after running electric logs. The well was drilled for a cost of US\$1,686,719 against the AFE of US\$1,692,235 – our share of the well cost AU\$1,511,061 (after GST refund).

Kate-1 was located within the northern part of the onshore Canterbury Basin, South Island, New Zealand approximately 60 kilometres north of the city of Christchurch. The well was sited on a surface anticline that had been mapped in the subsurface using seismic data acquired in 2006. Seismic data quality in the anticlinal core is of poor quality particularly where the sedimentary beds are steeply dipping. Seismic data was not acquired with recording parameters suitable for steeply dipping beds.

A high degree of uncertainty surrounded mapping trap closure over the Kate Anticline which at the surface is mapped as a simple, unfaulted anticline but which is cored by a complex thrust fault system at depth. This is further demonstrated by the well intersecting the objective Broken River Formation 400 metres low to prognosis.

Unfortunately, we are uncertain if the well tested a valid structural trap. If the well did test a valid structural trap then the dry hole results condemn exploration potential onshore in PEP 38260 because a good quality reservoir and overlying seal were intersected. If the well did not test a valid structural trap then the well results do not necessarily condemn the onshore area although the total lack of hydrocarbon shows within the well are not encouraging given that hydrocarbon source, maturation and migration are perceived as a high risk within the onshore part of the basin.

The next 10 month exploration stage is subject to joint venture approval but will likely consist of incorporation of the new technical data gathered by drilling Kate-1, including additional geochemical analyses of shale samples to assess oil source potential and maturity. In addition, a surface

REVIEW OF OPERATIONS (continued)

geochemical sampling survey will be conducted. The estimated total cost for the next 10 months is minor.

PEP 38260 is due for a 25% relinquishment and Green Gate has proposed that a disproportionate share of the onshore part of the licence be relinquished. The onshore part of the licence proposed for relinquishment contains areas where basement outcrops and hydrocarbon exploration potential is minor or non-existent. The area proposed for relinquishment is acceptable on the condition that at the next mandatory relinquishment the onshore part of the licence has the right to retain a complementary disproportionate share of the licence.

NEW VENTURES

New ventures are brought to the attention of the Company from time to time but at this stage GGX needs to fund work programs in its' existing licences and until that has been achieved it would be difficult to burden the Company with new funding requirements. In the future the Company intends to pursue new conventional oil and gas, geothermal and coal seam gas opportunities.

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Gas2Grid Limited and the entity it controlled at the end of, or during the year ended 30 June 2008.

Directors

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

D A Munns

E D Espiritu

D J Morton was appointed a director on 31 March 2008 and continues in office at the date of this report.

R D Langusch was appointed a director on 25 August 2008 and continues in office at the date of this report.

D W King was a director from the beginning of the financial year until his resignation on 25 August 2008.

Principal activities

During the year the principal continuing activities of the company consisted of:

- (a) Oil and gas exploration in the Philippines, New Zealand, France and Australia.

Operating results

The consolidated loss of the Group after providing for income tax was \$432,434 (2007: \$322,482).

Dividends – Gas2Grid Limited

The directors report that during the year ended 30 June 2008 no dividends were declared or paid (2007: nil).

Review of operations

A detailed review of the operations for the financial year is set out on pages 5 to 9.

Significant changes in the state of affairs

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

An increase in contributed equity of \$2,749,425 as a result of:

Issue of 20,534,423 fully paid ordinary shares at 6 cents each under the Share Purchase Plan (i)	1,232,065
Less transaction costs arising on the share issue	(55,442)
Issue of 20,537,566 fully paid ordinary shares at 6 cents each as part of the placement to professional and sophisticated investors (i)	1,232,254
Less transaction costs arising on the share issue	(55,452)
Issue of 6,000,000 fully paid ordinary shares at 0.066 cents each as consideration for the transfer to the company of 100% interest in EP 453 Canning Basin W.A.	396,000
	\$ 2,749,425

(i) The purpose of the share issues was to raise funds to be used for the Company's oil and gas exploration programmes, viz farmin drilling in PEP 38260, in the Canterbury Basin, New Zealand, on going activities in the Philippines (SC 44) and the Aquitaine Basin of France (St Griede application area, GGX 50%); costs relating to the capital raising and working capital.

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

Matters subsequent to the end of the financial year

In the opinion of the directors no matter or circumstance has arisen since 30 June 2008 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

Likely developments and expected results of operations

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

Environmental regulation

The consolidated entity is required to carry out its activities in accordance with applicable regulations in each of the jurisdictions in which it undertakes its exploration, development and production activities. The consolidated entity is not aware of any matter which requires disclosure with respect to any significant environmental regulation in respect of its operating activities.

Information on directors

D A Munns Bachelor in Mechanical Engineering (Peterborough Technical College, United Kingdom). Chairman – non-executive.

Experience and expertise

David Munns has wide experience in drilling and engineering operations in South East Asia and particularly in the Philippines. He is the Chairman of Desco, Philippines – a drilling and engineering firm operating in the field of conventional and geothermal drilling.

Other public company directorships

None.

Former directorships in the last 3 years

None.

Special responsibilities

Chairman of the Board.

Interest in shares and options

6,711,800 ordinary shares in Gas2Grid Limited.

500,000 options in Gas2Grid Limited.

D W King PhD. Seismology, (Australian National University), MSc. Geophysics (Imperial College, London). Non-executive director.

Experience and expertise

David King held senior executive positions with Offshore Oil NL and Hartogen Energy before an appointment in 1988 as Managing Director of North Flinders Mines Ltd. In 1991, he joined Beach Petroleum/Claremont Petroleum as Director and Chief Executive Officer, a position he held until 1995. He is currently a Director of Eastern Star Gas Limited, Sapex Limited, Baron Partners Limited and Medical Therapies Limited. Resigned 25 August 2008.

Other public company directorships

Eastern Star Gas Limited and Sapex Limited. From 18 January 2008 Director of Medical Therapies Limited.

Information on directors (continued)

Former directorships in last 3 years

None.

D W King (continued)

Special responsibilities

Managing director (from March 2006 to March 2008).

Interest in shares and options

3,313,259 ordinary shares in Gas2Grid Limited.

300,000 options in Gas2Grid Limited.

E D Espiritu Bachelor of Geology (University of Philippines). Non-executive director.

Experience and expertise

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

Other public company directorships

White Sands Petroleum Limited.

Former directorships in last 3 years

None.

Special responsibilities

None.

Interest in shares and options

147,769 ordinary shares in Gas2Grid Limited

D J Morton BSc (Hons), (Macquarie University). Executive director.

Experience and expertise

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

Other public company directorships

Orion Petroleum Limited since March 2008

Former directorships in last 3 years

Eastern Star Gas Limited from August 2000 to October 2007.

Special responsibilities

Managing director (since 31 March 2008).

Interest in shares and options

8,494,066 ordinary shares in Gas2Grid Limited.

Information on directors (continued)

300,000 options in Gas2Grid Limited.

R D Langusch B.E. (Hons), M.Eng.Sc. (University of Queensland). Non-executive director.

Experience and expertise

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

Other public company directorships

None

Former directorships in last 3 years

Managing Director of Elixir Petroleum Limited from May 2004 to November 2007

Director of Tower Resources plc from December 2004 to February 2007

Interest in shares and options

Nil

Company secretary

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

Meetings of directors

The following table sets out the number of meetings of the company's directors held during the year ended 30 June 2008, and the number of meetings attended by each director:-

Meetings attended/held:	A/B
D A Munns	5/5
D W King	5/5
E D Espiritu	3/5
D J Morton (appointed 31 March 2008)	2/2

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

Remuneration report

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

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

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

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

The objective of the Group's and Parent's executive reward framework is to ensure that reward for performance is competitive and appropriate.

During the year ended 30 June 2008, the company 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
- capital management

Directors' fees

The current base remuneration was last reviewed with effect from 1 July 2008. Directors' fees are determined within an aggregate fee pool limit, which currently stands at \$150,000 per annum.

The remuneration of the directors shall not be increased except pursuant to a resolution passed at a general meeting of the Company.

Base fees	From 1 July 2007	From 1 July 2006 to 30 June 2007
Chairman	35,000	35,000
Other directors (each)	25,000	25,000

B Details of remuneration (audited)

Amounts of remuneration

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

The key management personnel of Gas2Grid Limited and the Group are the directors.

Remuneration report (continued)

2008	Short-term benefits		Post-employment benefits		Share-based payment		Total
	Directors' Base Fee	Percentage of total remuneration	Superannuation	Percentage of total remuneration	Options	Remuneration consisting of options	
Name	\$	%	\$	%	\$	%	\$
Executive directors of Gas2Grid Limited and the Group							
D W King (executive director to 31 March 2008)	109,236	98.15	2,064	1.85	-	-	111,300
D J Morton	5,734	91.74	516	8.26	-	-	6,250
Non-executive directors of Gas2Grid Limited and the Group							
D A Munns, non-executive Chairman	32,110	91.74	2,890	8.26	-	-	35,000
E D Espiritu	22,936	91.74	2,064	8.26	-	-	25,000
Total	170,016	95.76	7,534	4.24	-	-	177,550

Remuneration report (continued)

2007 Name	Short-term benefits		Post-employment benefits		Share-based payment		Total
	Directors' Base Fee	Percentage of total remuneration	Superannuation	Percentage of total remuneration	Options	Remuneration consisting of options	
	\$	%	\$	%	\$	%	\$
Executive directors of Gas2Grid Limited and the Group D W King	22,936	91.74	2,064	8.26	-	-	25,000
Non-executive directors of Gas2Grid Limited and the Group D A Munns, non-executive Chairman	32,110	91.74	2,890	8.26	-	-	35,000
E D Espiritu	22,936	91.74	2,064	8.26	-	-	25,000
Total	77,982	91.74	7,018	8.26	-	-	85,000

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

Base director's fees are not currently paid out as cash, and continue to accrue by agreement with the directors. Management fees of \$86,300 paid by cash in FY08 were in addition to the accrued base salary.

C Service agreements (audited)

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

D Share-based compensation (audited)

Options

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

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

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

Remuneration report (continued)

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

D Share-based compensation (audited)

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

Directors	Number of options granted during the year		Number of options vested during the year	
	2008	2007	2008	2007
D A Munns, non-executive Chairman	None	None	None	None
D W King	None	None	None	None
E D Espiritu	None	None	None	None
D J Morton	None	None	None	None

E Additional information – unaudited

No element of remuneration is determined in relation to the financial performance of the company. As there is no link to financial performance there is no further discussion of the matters required by section 300A and Part 2M of the *Corporations Act 2001*. These sections require discussion over the current year and previous 4 years of the link between rewards and :

- earnings
- dividends
- share price movements

Other transactions of directors and director-related entities

Refer to note 21 of the financial statements for details of other transactions with key management personnel.

Loans to directors

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

Shares under option

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

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

These options vested upon grant. No options have been issued since 30 June 2005. No options have been forfeited during the year.

Insurance of officers

During the financial year, a premium of \$26,346 was paid to insure the directors of the company and the consolidated entity.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other

Remuneration report (continued)

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

Proceedings on behalf of the company

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

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

Non-audit services

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit services provided during the year are set out in note 21 in the financial statements.

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

Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 19.

Auditor

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

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



Russell Langusch
Director

Sydney
30 September 2008

PricewaterhouseCoopers
ABN 52 780 433 757

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

Auditor's Independence Declaration

As lead auditor for the audit of Gas2Grid Limited for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been:

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

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



Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
30 September 2008

Corporate Governance Statement

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

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

The Board of Directors

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

- The Board should comprise at least three directors, increasing where additional expertise is considered necessary in certain areas to a maximum of nine directors;
- The Board should comprise a balance of executive and non-executive directors;
- The Board should comprise directors with a range of skills and experience that are appropriate and assist the directors in performing their duties within the scope of the company's operations.

Terms of office

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

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

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

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

Conflict of Interest

If any business dealings between the consolidated entity and any entity connected with a director occur, the director concerned is required to declare his interests in those dealings to the company and take no part in decisions relating to them. The details of any such business dealings are set out in note 22 to the financial statements.

Independent Professional Advice

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

Performance Assessment

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

The Chairman undertakes an annual assessment of the performance of individual directors. Any deficiency(ies) identified in a Directors' performance are addressed directly with the relevant Director(s).

Corporate reporting

The CFO has made the following certifications to the board:

- that the company's financial reports are complete and present a true and fair view, in all material respects, of the company's financial condition and operational results of the company and the Group and are in accordance with relevant accounting standards.

- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Board committees

Given the size of the company's operations no other committees have been formed, all responsibilities remain with the board.

Nomination and Remuneration of Directors

Corporate governance best practice recommendations 2.4, 4.2 and 9.2 require listed entities to establish a nomination committee, an audit committee and a remuneration committee respectively. During the year ended 30 June 2008, the company did not have a separate nomination, audit or remuneration committee. However, the duties and responsibilities typically delegated to such committees are considered to be the responsibility of the full Board.

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

Nomination of Directors

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

Remuneration of Directors

The amount of remuneration payable to directors is determined and reviewed by the full Board annually. directors' fees are determined within an aggregate fee pool limit, which currently stands at \$150,000 per annum. The Chairman receives an annual directors' fee of \$35,000 and all other Directors receive annual Directors' fees of \$25,000 each.

Contrary to corporate governance best practice recommendation 9.3, there is no distinction between the structure of non-executive directors' remuneration and that of executives. Non-executive directors' remuneration is calculated on the same basis as executive directors' remuneration. The Directors

consider this method appropriate at this early stage of the company's development.

Further information on directors' remuneration is set out in the Directors' Report at pages 10 - 18.

Review of External Audit Arrangements

The assessment of the scope and quality of the company's audit is carried out by the full Board.

Assessment procedures include:-

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

The auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Ethical Standards

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

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

Communication with Shareholders and Continuous Disclosure

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

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

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

Risk Assessment and Management

The Board is responsible for reviewing the company's policies on risk oversight and management and is satisfied that management has developed and implemented a sound system of risk management and internal control.

The executive directors are responsible for designing and implementing risk management and internal control systems to manage the company's material business risks and reporting to the Board whether those risks are being managed effectively. As required by the Board, the executive directors have reported to it as to the effectiveness of the company's management of its material business risks.

The Board has received assurance from the CEO and the CFO that the declaration provided in accordance with section 259A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Company relies on the skill, experience and judgement of its Board of Directors to arrive at risk managed decisions within the policy framework and to frankly discuss all risk related matters with each other.

The Company's established policies on risk oversight and management of material business risks are summarised below:

- Review the reliability and integrity of financial and operating information and the processes used to identify, measure, classify and report such information
- Examine and evaluate the adequacy of internal control systems
- Ensure compliance with relevant laws, regulations and standards
- Formulate and regularly review programmes for exploration and development
- Regularly report against established targets
- Manage financial risk
- Maintain an annual insurance programme
- Oversee of the conduct of contractors
- Assess the probability and potential impact of identified risks
- Develop actions to eliminate, diminish or deal with the potential consequences of identified risks

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

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

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

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on page 10, which is not part of this financial report.

The financial report was authorised for issue by the directors on 30 September 2008. The company has the power to amend and reissue the financial report.

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

Gas2Grid Limited
Income statements
For the year ended 30 June 2008

	Notes	Consolidated		Parent entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Revenue from continuing operations	5	129,564	18,458	129,564	18,458
Other income	6	-	1,887	-	-
Impairment of investment in subsidiary		-	-	(79,722)	(5,772,901)
Administration expense		(244,898)	(106,138)	(244,898)	(115,087)
Auditor's remuneration	21	(75,602)	(50,536)	(59,338)	(34,000)
Consultancy Fees		(32,488)	-	(32,488)	-
Employee benefits expense		(91,250)	(85,000)	(91,250)	(85,000)
Depreciation and amortisation expense	7	(687)	(861)	(687)	(861)
Insurance costs		(26,346)	(30,543)	(26,346)	(30,543)
Rental expenses		(6,612)	(13,910)	(6,612)	(13,910)
Travelling expenses		(39,807)	(5,211)	(37,271)	(2,962)
Other expenses		(40,180)	(23,304)	(32,237)	(8,464)
Loss before income tax		(428,306)	(295,158)	(481,285)	(6,045,270)
Income tax expense	8	(4,128)	(27,324)	-	-
Loss from continuing operations		(432,434)	(322,482)	(481,285)	(6,045,270)
Loss for the year		(432,434)	(322,482)	(481,285)	(6,045,270)
Loss attributable to members of Gas2Grid Limited		(432,434)	(322,482)	(481,285)	(6,045,270)

		Cents	Cents
Earnings per share for loss attributable to the ordinary equity holders of the company:			
Basic earnings per share	27	(0.04)	(0.05)
Diluted earnings per share	27	(0.04)	(0.05)

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

Gas2Grid Limited
Balance sheets
As at 30 June 2008

	Notes	Consolidated		Parent entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
ASSETS					
Current assets					
Cash and cash equivalents	9	758,450	2,094,158	749,731	2,085,290
Trade and other receivables	10	205,406	11,722	205,406	11,722
Other financial assets at fair value	11	2,366	2,592	2,366	2,592
Total current assets		966,222	2,108,472	957,503	2,099,604
Non-current assets					
Other financial assets	12	-	-	3,789,714	3,789,714
Plant and equipment	13	1,227	1,914	1,227	1,914
Exploration expenditure and rights	14	7,098,049	5,152,076	2,592,009	40,336
Total non-current assets		7,099,276	5,153,990	6,382,950	3,831,964
Total assets		8,065,498	7,262,462	7,340,453	5,931,568
LIABILITIES					
Current liabilities					
Trade and other payables	15	580,690	1,518,064	564,551	1,432,556
Total current liabilities		580,690	1,518,064	564,551	1,432,556
Non-current liabilities					
Deferred tax liabilities	16	1,351,812	1,761,940	-	-
Trade and other payables	17	266,250	257,500	266,250	257,500
Total non-current liabilities		1,618,062	2,019,440	266,250	257,500
Total liabilities		2,198,752	3,537,504	830,801	1,690,056
Net assets		5,866,746	3,724,958	6,509,652	4,241,512
EQUITY					
Contributed equity	18	9,507,042	6,757,617	13,294,945	10,545,520
Reserves	19(a)	(798,485)	(623,282)	84,000	84,000
Retained profits	19(b)	(2,841,811)	(2,409,377)	(6,869,293)	(6,388,008)
Total equity		5,866,746	3,724,958	6,509,652	4,241,512

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

Gas2Grid Limited
Statements of changes in equity
For the year ended 30 June 2008

	Notes	Consolidated		Parent entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Total equity at the beginning of the financial year		3,724,958	4,268,339	4,241,512	9,779,807
Exchange differences on translation of foreign operations	19(a)	(175,204)	(727,874)	-	-
Net income recognised directly in equity	19(a)	(175,204)	(727,874)	-	-
Loss for the year		(432,434)	(322,482)	(481,285)	(6,045,270)
Total recognised income and expense for the year		(607,638)	(1,050,356)	(481,285)	(6,045,270)
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs	18	2,749,425	506,975	2,749,425	506,975
		2,749,425	506,975	2,749,425	506,975
Total equity at the end of the financial year		5,866,745	3,724,958	6,509,652	4,241,512
Total recognised income and expense for the year is attributable to:					
Members of Gas2Grid Limited		(432,434)	(322,482)	(481,285)	(6,045,270)
		(432,434)	(322,482)	(481,285)	(6,045,270)

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

Gas2Grid Limited
Cash flow statements
For the year ended 30 June 2008

	Notes	Consolidated		Parent entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Cash flows from operating activities					
Interest received		129,564	18,458	129,564	18,458
Receipts from customers (inclusive of goods and services tax)		-	-	-	-
Payments to suppliers and employees (inclusive of goods and services tax)		(539,522)	(151,691)	(514,997)	(143,071)
Net cash (outflow) from operating activities	26	(409,958)	(133,233)	(385,432)	(124,613)
Cash flows from investing activities					
Exploration expenditure		(1,953,778)	(402,017)	(1,869,550)	(1,534)
Payments for plant and equipment		-	(1,193)	-	(1,193)
Additional investment in subsidiary	23(d)	-	-	(79,722)	(432,279)
Net cash (outflow) from investing activities		(1,953,778)	(403,210)	(1,949,272)	(435,006)
Cash flows from financing activities					
Proceeds from issues of shares	18(b)	2,464,319	535,681	2,464,319	535,681
Share issue transaction costs	18(b)	(110,894)	(28,706)	(110,894)	(28,706)
Share application money received/(refunded)		(1,353,833)	1,353,833	(1,353,833)	1,353,833
Repayment of borrowings		-	-	-	-
Net cash inflow from financing activities		999,592	1,860,808	999,592	1,860,808
Net increase (decrease) in cash and cash equivalents					
		(1,364,144)	1,324,365	(1,335,112)	1,301,189
Cash and cash equivalents at the beginning of the financial year		2,094,158	795,442	2,085,290	784,101
Effects of exchange rate changes on cash and cash equivalents		28,436	(25,649)	(447)	-
Cash and cash equivalents at end of year	9	758,450	2,094,158	749,731	2,085,290

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

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Gas2Grid Limited as an individual entity and the consolidated entity consisting of Gas2Grid Limited and its subsidiary.

(a) Significant matters relating to the ongoing viability of operations

The company is dependent on ongoing capital raising. The directors are confident successful capital raising will be obtained as required although there is no commitment at this stage to do so. Without successful capital raising a significant uncertainty exists as to whether the company will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report. 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 2008. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of liabilities that might be necessary should the company not continue as a going concern.

(b) Basis of preparation

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

Compliance with IFRSs

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

Historical cost convention

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

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(c) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Gas2Grid Limited ("company" or "parent entity") as at 30 June 2008 and the results of its subsidiary for the year then ended. Gas2Grid Limited and its subsidiary together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They

1. Summary of significant accounting policies (continued)

are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(w)).

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

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

(d) Segment reporting

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

1. Summary of significant accounting policies (continued)

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

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

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

(f) Revenue recognition

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

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

Interest revenue

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

(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 national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current

1. Summary of significant accounting policies (continued)

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

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in

use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(i) Cash and cash equivalents

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

(j) Trade receivables

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

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

(k) Investments and other financial assets

Classification

The Group classifies its investments in the following categories; financial assets at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

1. Summary of significant accounting policies (continued)

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

(ii) Loans and receivables

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

Recognition and derecognition

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

Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(l) Fair value estimation

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

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(m) Property, plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes

1. Summary of significant accounting policies (continued)

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

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

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

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

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

1. Summary of significant accounting policies (continued)

receivables.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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

(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 expenditure

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

- the expenditure is expected to be recouped by the company through successful development and exploitation of the area of interest, or alternatively by its sale; or
- exploration activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable mineral reserves, and active and significant operations in, or in relation to, the area are continuing.

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

(w) Business combinations

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, when it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share

1. Summary of significant accounting policies (continued)

of the identifiable net assets acquired is recorded as goodwill (refer to note 1(n)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(x) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires

adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

2. Financial risk management

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

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

The Group and the parent entity hold the following financial instruments:

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	758,450	2,094,158	749,731	2,085,290
Trade and other receivables	205,406	11,722	205,406	11,722
Other financial assets at fair value	2,366	2,592	2,366	2,592
	966,222	2,108,472	957,503	2,099,604
Financial Liabilities				
Trade and other payables	846,940	1,775,564	830,801	1,690,056
	846,940	1,775,564	830,801	1,690,056

(a) Market Risk

i) Foreign exchange risk

The Group and the parent entity operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

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

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

ii) Cash flow and fair value interest rate risk

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

Group sensitivity

At 30 June 2008, if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been \$7,585 lower/higher (2007 - change of 100 bps: \$20,942 lower/higher), as a result of lower/higher interest income from cash and

2. Financial risk management (continued)

cash equivalents and deposits with banks.

Parent sensitivity

At 30 June 2008, if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been \$7,497 lower/higher (2007 – change of 100 bps: \$20,583 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 parent entity is also exposed to credit risk in respect of loans to controlled entities (refer to note 23(d)).

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 to fund operations. Surplus funds are generally only invested in short term deposits with Australian Banks.

The Group does not have any borrowing facilities in place at the reporting date.

Maturities of financial liabilities

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

Group – At 30 June 2008	Less than 6 months \$	6 – 12 Months \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount (assets) / liabilities \$
Non-derivatives							
Non-interest bearing	580,690	266,250	-	-	-	46,940	846,940
Variable rate	-	-	-	-	-	-	-
Total non-derivatives	580,690	266,250	-	-	-	846,940	846,940
Group – At 30 June 2007							
Non-derivatives							
Non-interest bearing	1,518,064	-	257,500	-	-	1,775,564	1,775,564
Variable rate	-	-	-	-	-	-	-
Total non-derivatives	1,518,064	-	257,500	-	-	1,775,564	1,775,564

2. Financial risk management (continued)

Parent Entity – At 30 June 2008	Less than 6 months \$	6 – 12 Months \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount (assets) / liabilities \$
Non-derivatives							
Non-interest bearing	564,551	266,250	-	-	-	830,801	830,801
Variable rate	-	-	-	-	-	-	-
Total non-derivatives	564,551	266,250	-	-	-	830,801	830,801
Parent Entity – At 30 June 2007							
Non-derivatives							
Non-interest bearing	1,463,556	-	257,500	-	-	1,721,056	1,721,056
Variable rate	-	-	-	-	-	-	-
Total non-derivatives	1,463,556	-	257,500	-	-	1,721,056	1,721,056

(d) Fair value estimation

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

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

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

3. Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

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

(i) Estimated impairment of exploration expenditure

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

4. Segment reporting

The Group operates as an exploration company performing exploratory drilling wells in the Philippines, France, New Zealand and Western Australia. The group manages these activities from its head office in Sydney, Australia and an office in Singapore.

	Revenue		Segment Results		Segment Assets		Segment Liabilities	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$
Australia	129,564	18,458	(401,563)	(272,369)	1,186,620	2,101,517	350,153	1,918,473
Singapore	-	-	(30,871)	(50,113)	8,719	8,868	16,139	85,509
France	-	-	-	-	26,846	26,846	-	-
New Zealand	-	-	-	-	2,230,966	-	454,231	-
Philippines	-	-	-	-	4,612,346	5,125,231	1,378,229	1,533,522
Consolidated	129,564	18,458	(432,434)	(322,482)	8,065,497	7,262,462	2,198,752	3,537,504

5. Revenue

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
From continuing operations				
<i>Other revenue</i>				
Interest	129,564	18,458	129,564	18,458
	129,564	18,458	126,564	18,458

6. Other income

Foreign exchange gains (net) (note (a))	-	1,887	-	-
	-	1,887	-	-

(a) Net foreign exchange gains

Net foreign exchange gains included in other income for the year	-	1,887	-	-
Net foreign exchange gains recognised in loss before income tax for the year (as either other income or expense)	-	1,887	-	-

7. Expenses

Loss before income tax includes the following specific expenses:

<i>Depreciation</i>				
Plant and equipment	687	861	687	861
Total depreciation	687	861	687	861
Net foreign exchange loss	2,140	-	672	1,871
Superannuation	7,534	7,018	7,534	7,018
Impairment of investment in subsidiary	-	-	79,722	5,772,901

8. Income tax expense

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) Income tax expense				
Current tax	-	-	-	-
Deferred tax	4,128	27,324	-	-
Under (over) provided in prior years	-	-	-	-
	<u>4,128</u>	<u>27,324</u>	<u>-</u>	<u>-</u>
Income tax expense is attributable to:				
Loss from continuing operations	4,128	27,324	-	-
Aggregate income tax expense	<u>4,128</u>	<u>27,324</u>	<u>-</u>	<u>-</u>
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets	-	-	-	-
(Decrease) increase in deferred tax liabilities	4,128	27,324	-	-
	<u>4,128</u>	<u>27,324</u>	<u>-</u>	<u>-</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Loss from continuing operations before income tax expense	<u>(428,306)</u>	<u>(295,158)</u>	<u>(481,285)</u>	<u>(6,045,270)</u>
Tax at the Australian tax rate of 30% (2007-30%)	<u>(128,492)</u>	<u>(88,547)</u>	<u>(144,386)</u>	<u>(1,813,581)</u>
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Exploration expenditure	4,128	27,324	-	-
	<u>(124,364)</u>	<u>(61,223)</u>	<u>(144,286)</u>	<u>(1,813,581)</u>
Deferred tax asset not recognised/(brought to account)	128,492	88,547	144,386	1,813,581
Income tax expense	<u>4,128</u>	<u>27,324</u>	<u>-</u>	<u>-</u>
(c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	<u>(1,075,743)</u>	<u>(647,437)</u>	<u>(6,869,293)</u>	<u>(6,388,008)</u>
Potential tax benefit @ 30%	<u>322,722</u>	<u>194,231</u>	<u>2,060,788</u>	<u>1,916,402</u>

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

9. Current assets - Cash and cash equivalents

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash at bank and in hand	758,450	2,094,158	749,731	2,085,290
Deposits at call	-	-	-	-
	758,450	2,094,158	749,731	2,085,290

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

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

Balances as above	758,450	2,094,158	749,731	2,085,290
Balances per statement of cash flows	758,450	2,094,158	749,731	2,085,290

(b) Cash at bank and on hand

These are interest bearing.

The weighted average interest rate for the year ended 30 June 2008 was 7.5% (2007: 5.25%).

10. Current assets - Trade and other receivables

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Other receivables	183,780	11,722	183,780	11,722
Prepayments	21,626	-	21,626	-
	<u>205,406</u>	<u>11,722</u>	<u>205,406</u>	<u>11,722</u>

Other receivables

These amounts relate to the Goods and Services Tax (GST) paid on various Australian expenses for the quarter ended 30 June 2008 together with the GST portion on accruals for the year. This amount also includes New Zealand GST refundable of AUD115,236 incurred on expenditure relating to the Kate-1 Well in Canterbury Basin.

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

At beginning of year	2,592	2,531	2,592	2,531
Additions	-	-	-	-
Foreign exchange difference on translation	(226)	61	(226)	61
At end of year	<u>2,366</u>	<u>2,592</u>	<u>2,366</u>	<u>2,592</u>
Philippines Treasury Bills	<u>2,366</u>	<u>2,592</u>	<u>2,366</u>	<u>2,592</u>
	<u>2,366</u>	<u>2,592</u>	<u>2,366</u>	<u>2,592</u>

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

(a) Credit risk

There is no significant credit risk with respect to receivables.

12. Non-current assets - Other financial assets

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Shares in subsidiaries (note 23)	-	-	3,789,714	3,789,714
	<u>-</u>	<u>-</u>	<u>3,789,714</u>	<u>3,789,714</u>

These financial assets were carried at cost.

13. Non-current assets – Property, plant and equipment

Consolidated	2008	2007
	\$	\$
Furniture, fittings and equipment		
Opening net book amount	1,914	11,264
Additions	-	1,193
Disposal	-	(9,862)
Depreciation charge	(687)	(681)
Closing net book amount	<u>1,227</u>	<u>1,914</u>
Cost or fair value	2,691	2,595
Accumulated depreciation	(1,464)	(681)
Net book amount	<u>1,227</u>	<u>1,914</u>
Parent entity		
Furniture, fittings and equipment		
Opening net book amount	1,914	11,264
Additions	-	1,193
Disposal	-	(9,862)
Depreciation charge	(687)	(681)
Closing net book amount	<u>1,227</u>	<u>1,914</u>
Cost or fair value	2,691	2,595
Accumulated depreciation	(1,464)	(681)
Net book amount	<u>1,227</u>	<u>1,914</u>

14. Non-current assets – Exploration expenditure and rights

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Exploration expenditure and rights <i>At cost</i>	7,098,049	5,152,076	2,592,009	40,336
	<u>7,098,049</u>	<u>5,152,076</u>	<u>2,592,009</u>	<u>40,336</u>

Reconciliation of the carrying amount of exploration expenditure and rights

Exploration expenditure and rights:				
Carrying amount at beginning of year	5,152,076	5,782,054	40,336	24,371
Exploration expenditure and rights	2,564,507	100,460	2,551,673	15,965
Exploration expenditure and rights written off	-	-	-	-
Foreign exchange difference	(618,534)	(730,438)	-	-
Carrying amount at end of year	<u>7,098,049</u>	<u>5,152,076</u>	<u>2,592,009</u>	<u>40,336</u>

15. Current liabilities – Trade and other payables

Trade payables	580,690	164,231	564,551	78,723
Other payables	-	-	-	-
Share application monies	-	1,353,833	-	1,353,833
	<u>580,690</u>	<u>1,518,064</u>	<u>564,551</u>	<u>1,432,556</u>

16. Non-current liabilities – Deferred tax liabilities

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
The balance comprises temporary differences attributable to:				
<i>Amounts recognised in profit or loss</i>				
Exploration expenditure	4,128	27,324	-	-
Movements:				
Opening balance at 1 July	1,761,940	1,734,616	-	-
Charged/(credited) to the income statement (note 7)	4,128	27,324	-	-
Foreign exchange difference	(414,256)	-	-	-
Closing balance at 30 June	<u>1,351,812</u>	<u>1,761,940</u>	<u>-</u>	<u>-</u>

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

17. Non-current liabilities – Trade and other payables

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Other payables	266,250	257,500	266,250	257,500
	266,250	257,500	266,250	257,500

These are accrued director's fees payable which will continue to accrue until such time as it is mutually agreed that the company is in a position to pay those fees.

18. Contributed equity

	Notes	Consolidated and Parent entity		Parent	
		2008 Shares	2007 Shares	2008 \$	2007 \$
(a) Share capital					
Ordinary shares- fully paid	(b),(c)	115,520,066	68,448,077	13,294,945	10,545,520
Total contributed equity – parent entity				13,294,945	10,545,520

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

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Issue price	\$
1 July 2006	Opening balance		59,520,067		10,038,545
22 June 2007	Share issue	(d)	8,928,010	0.06	535,681
	Less: Transaction costs				(28,706)
18 July 2007	Share issue	(d)	20,534,423	0.06	1,232,065
	Less: Transaction costs				(55,442)
26 July 2007	Share issue	(d)	20,537,566	0.06	1,232,254
	Less: Transaction costs				(55,452)
28 March 2008	Share issue	(e)	6,000,000	0.066	396,000
30 June 2008	Balance		<u>115,520,066</u>		<u>13,294,945</u>

18. Contributed equity (continued)

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Share issue

On 22 June 2007 and 26 July 2007, the company issued 8,928,010 and 20,537,566 ordinary shares, respectively at \$0.06 per share as a placement to professional and sophisticated investors as approved by shareholders at the general meeting held 25 July 2007. On 18 July 2007 the company issued 20,534,423 shares at \$0.06 per share pursuant to the company's Share Purchase Plan. The purpose of the share issue was to raise funds to be used for the Company's oil and gas exploration programmes, viz farmin drilling in PEP 38260, in the Canterbury Basin, New Zealand (see Company release to Australian Stock Exchange on 12 June 2007); on going activities in the Philippines (SC 44) and the Aquitaine Basin of France (St Griede application area, GGX 50%); costs relating to the capital raising and working capital.

(e) Share issue

On 28 March 2008, the company issued 6,000,000 ordinary shares at \$0.066 per share. These shares were issued as consideration for the transfer to the company of 100% interest in EP 453 Canning Basin, Western Australia. The issue price was based on the 30 day Volume Weighted Average Price of the company's shares prior to that date.

(f) Options

Information relating to employee options is set out in note 28.

19. Reserves and retained profits

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) Reserves				
Share-based payments reserve	84,000	84,000	84,000	84,000
Foreign currency translation reserve	(882,485)	(707,282)	-	-
	(798,485)	(623,282)	84,000	84,000
Movements:				
<i>Share-based payment reserve</i>				
Balance 1 July	84,000	84,000	84,000	84,000
Option expense	-	-	-	-
Balance 30 June	84,000	84,000	84,000	84,000
<i>Foreign currency translation reserve</i>				
Balance 1 July	(707,282)	20,592	-	-
Currency translation differences arising during the year	(175,204)	(727,874)	-	-
Balance 30 June	(882,486)	(707,282)	-	-

19. Reserves and retained profits (continued)

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
(b) Retained profits				
Movements in retained profits were as follows:				
Balance 1 July	(2,409,377)	(2,086,895)	(6,388,008)	(342,738)
Loss for the year	(432,434)	(322,482)	(481,285)	(6,045,270)
Balance 30 June	<u>(2,841,811)</u>	<u>(2,409,377)</u>	<u>(6,869,293)</u>	<u>(6,388,008)</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 controlled entity are taken to the foreign currency translation reserve, as described in note 1(e). The reserve is recognised in profit and loss when the net investment is disposed of.

20. Commitments

(a) Exploration commitments

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

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Not later than one year	2,360,000	-	2,360,000	-
Later than one year but not later than 5 years	4,800,000	-	4,800,000	-
	<u>7,160,000</u>	<u>-</u>	<u>7,160,000</u>	<u>-</u>

21. Remuneration of auditors

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

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) Assurance services				
<i>Audit services</i>				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	59,338	34,000	59,338	34,000
Related practices of PricewaterhouseCoopers Australian firm	16,264	16,536	-	-
Total remuneration for audit services	75,602	50,536	59,338	34,000

No non audit services provided.

22. Key management personnel disclosures

(a) Key management personnel compensation

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short-term employee benefits	177,550	85,000	177,550	85,000
Share-based payments	-	-	-	-
	177,550	85,000	177,550	85,000

The company has taken advantage of the relief provided by the Corporations Regulations and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-C of the remuneration report on pages 14 to 16.

The directors' fees totalling \$91,250 form part of accounts payable at balance date.

(b) Equity instruments disclosures relating to key management personnel

(i) Options provided as remuneration

Details of options provided as remuneration, together with terms and conditions of the options, can be found in section D of the remuneration report on pages 16 to 17.

(ii) Option holdings

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

2008						
Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes	Balance at the end of the year	Vested and exercisable during the year
Directors of Gas2Grid Limited						
D A Munns	500,000	-	-	-	500,000	500,000
D W King (i)	300,000	-	-	-	300,000	300,000
E D Espiritu (ii)	-	-	-	-	-	-
D J Morton (iii)	300,000	-	-	-	300,000	300,000

2007						
Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes	Balance at the end of the year	Vested and exercisable during the year
Directors of Gas2Grid Limited						
D A Munns	500,000	-	-	-	500,000	500,000
D W King (i)	300,000	-	-	-	300,000	300,000
E D Espiritu (ii)	-	-	-	-	-	-
D J Morton (iii)	300,000	-	-	-	300,000	300,000

22. Key management personnel disclosures (continued)

(iii) Share holdings

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

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

2008				
Name	Balance at the start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
Directors of Gas2Grid Limited				
D A Munns	6,711,800	-	-	6,711,800
D W King (i)	3,313,259	-	-	3,313,259
E D Espiritu (ii)	147,769	-	-	147,769
D J Morton (iii)	4,834,066	-	3,660,000	8,494,066
2007				
Name	Balance at the start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
Directors of Gas2Grid Limited				
D A Munns	6,711,800	-	-	6,711,800
D W King (i)	3,223,400	-	89,859	3,313,259
E D Espiritu (ii)	147,769	-	-	147,769
D J Morton (iii)	4,834,066	-	-	4,834,066

- (i) 3,313,259 shares and 300,000 options are held by Seistend Pty Limited, an entity associated with and controlled by D W King
- (ii) 147,769 shares are held by Ejeey Holdings Pty Limited, an entity of which E D Espiritu is a director and could be a beneficiary.
- (iii) 3,600,000 shares are held by Budside Pty Limited, an entity associated with and controlled by D J Morton

(c) Loans to key management personnel

There are no loans outstanding to directors of Gas2Grid Limited.

(d) Other transactions with key management personnel

Exploration rights to EP453 were purchased from Budside Pty Ltd, a company controlled by Dennis J Morton and Pobelo Pty Ltd an unrelated party. 6,000,000 shares were issued as consideration for this acquisition with 50% being allocated to Budside Pty Ltd and 50% to Pobelo Pty Ltd at \$0.066 per share valuing this tenement at \$396,000.

22. Key management personnel disclosures (continued)

	2008	2007
	\$	\$
Amounts recognised as expense		
Management fees paid to Seistend Pty Limited	86,300	-
Consultancy Fees Paid to Dennis Morton	1,718	-
Consultancy Fees Paid to Budside Pty Ltd	10,000	-
Consultancy Fees Paid to Eiric Pty Limited	18,260	-
	116,278	-
Amounts recognised as non current assets		
Exploration expenditure and rights sold by Budside Pty Limited	198,000	-
	198,000	-

23. Related party transactions

(a) Parent entities

The parent entity within the Group is Gas2Grid Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 24.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 22.

(d) Loans to related parties and investments in subsidiaries

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>Investments in subsidiaries</i>				
Beginning of the year	-	-	3,789,714	3,789,714
Additional investment in subsidiary	-	-	-	-
Impairment of investment in subsidiary	-	-	-	-
End of year	-	-	3,789,714	3,789,714
<i>Loans to other related parties</i>				
Beginning of the year	-	-	257,500	5,513,122
Loans made	-	-	170,972	517,279
Loans repaid	-	-	(82,500)	-
Impairment to value of loan	-	-	(79,722)	(5,772,901)
End of year	-	-	266,250	257,500

A provision for doubtful debts has been raised in relation to that part of the balance of the loan to related parties relating to Gas2Grid Pte Limited, and an expense has been recognised in respect of bad or doubtful debts due from related parties. The final balance relates to loans to directors.

24. Subsidiaries

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

Name of entity	County of incorporation	Class of shares	Equity holding*	
			2008 %	2007 %
Gas2Grid Pte Limited	Singapore	Ordinary	100	100

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

25. Events occurring after the balance sheet date

No matter or circumstance has arisen since 30 June 2008 that has significantly affected, or may significantly affect:

- a) the Group's operations in future financial years, or
- b) the results of those operations in future financial years, or
- c) the Group's state of affairs in future financial years.

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

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Loss for the year	(432,434)	(322,482)	(481,285)	(6,045,270)
Depreciation and amortisation	687	861	687	861
Loss on disposal of fixed assets	-	1,179	-	1,179
Impairment of investment in subsidiary	-	-	79,722	5,772,901
Net Exchange Differences	2,140	-	673	-
Change in operating assets and liabilities				
(Increase) decrease in trade and other receivables	(3,950)	33,172	(3,950)	17,913
(Increase) decrease in other operating assets	-	-	-	-
(Increase) decrease in trade and other payables	41,097	343,031	40,347	127,803
(Decrease) increase in deferred tax liabilities	4,128	(188,994)	-	-
(Decrease) increase in prepayments	(21,626)	-	(21,626)	-
Net cash (outflow) inflow from operating activities	<u>(409,958)</u>	<u>(133,233)</u>	<u>(385,432)</u>	<u>(124,613)</u>

27. Earnings per share

	Consolidated	
	2008	2007
	Cents	Cents
(a) Basic earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the company	<u>(0.04)</u>	<u>(0.05)</u>
Loss attributable to the ordinary equity holders of the company	<u>(0.04)</u>	<u>(0.05)</u>
(b) Diluted earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the company	<u>(0.04)</u>	<u>(0.05)</u>
Loss attributable to the ordinary equity holders of the company	<u>(0.04)</u>	<u>(0.05)</u>

27. Earnings per share (continued)

	Consolidated	
	2008	2007
	\$	\$
(c) Reconciliations of earnings used in calculating earnings per share		
<i>Basic earnings per share</i>		
Loss from continuing operations	<u>(432,434)</u>	(322,482)
Loss from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	<u>(432,434)</u>	(322,482)
<i>Diluted earnings per share</i>		
Loss from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	<u>(432,434)</u>	(322,482)
Loss from continuing operations attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	<u>(432,434)</u>	(322,482)

	Consolidated	
	2008	2007
	Number	Number
(d) Weighted average number of shares used as the denominator		
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	108,592,207	59,715,749
Adjustments for calculation of diluted earnings per share:		
Options	-	-
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	<u>108,592,207</u>	<u>59,715,749</u>

(e) Information concerning the classification of securities

(i) Options

Options granted to the Founders under the Gas2Grid Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 28.

28. Share-based payments

(a) Option Plan

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

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

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

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

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

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Options issued under option plan	-	-	-	-
	-	-	-	-

In the directors' opinion:

- (a) the financial statements and notes set out on pages 25 to 59 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) the audited remuneration disclosures set out on pages 14 to 18 of the directors' report comply with Accounting Standards AASB 124 *Related party Disclosures* and the *Corporations Regulations 2001*; and

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

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



Russell Langusch
Director

Sydney
30 September 2008

**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 balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Gas2Grid Limited and the Gas2Grid Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Gas2Grid Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Significant uncertainty regarding continuation as a going concern

Without qualification to our opinion expressed above, we draw attention to Note 1 (a) in the financial report which comments on the company's dependence on ongoing capital raising. Accordingly there is a significant uncertainty whether the company will continue as a going concern and therefore, whether the group will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in this report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 18 of the directors' report for the period ended 30 June 2008. 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.

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

Auditor's opinion

In our opinion, the Remuneration Report of Gas2Grid Limited for the period ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.


PricewaterhouseCoopers



Marc Upcoft
Partner

Sydney
30 September 2008

Gas2Grid Limited
Shareholder information

The shareholder information set out below was applicable as at 15 September 2008.

1. Substantial Holders

Substantial holders in the company are set out below:-

Ordinary Shares	Number held
Ernest Albers	15,500,000
Dennis Morton	8,494,066
Westpac Custodian Nominees Limited	7,000,000
David Munns	6,711,800
Keith Schulstad	3,203,400

2. Voting Rights

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

3. On-Market Buy-Back

There is no current on-market buy-back.

4. Distribution of Shareholders

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

No. of Shares	No. of Shareholders
1 – 1,000	84
1,001 – 5,000	19
5,001 – 10,000	100
10,001 – 100,000	372
100,001 and over	154
	729

(ii) There were 207 holders of less than a marketable parcel of shares.

Gas2Grid Limited
Shareholder information
(continued)

5. Twenty Largest Shareholders

Name of Shareholders:	Number Held:	Percentage of Issued Shares:
1. Mr. David Munns	6,711,800	5.81
2. Gascorp Australia Pty Ltd	6,000,000	5.19
3. Octanex NL	6,000,000	5.19
4. Custodial Services Limited	4,736,866	4.10
5. Mr. Dennis Morton	4,234,066	3.67
6. Sacrosanct Pty Ltd	3,500,000	3.03
7. Seistend Pty Limited <DWK Super A/C>	3,164,933	2.74
8. Ryan Superannuation Nominees Pty Ltd	3,044,933	2.64
9. Budside Pty Limited	3,000,000	2.60
10. Pobeloy Pty Limited <Grierson Family Trust>	3,000,000	2.60
11. Berenes Nominees Pty Ltd <Berenes Super A/C>	2,800,000	2.42
12. Parkes Holdings Pty Ltd	2,500,000	2.16
13. UBS Nominees Pty Ltd	2,176,008	1.88
14. Walleroo Pty Ltd	2,135,000	1.85
15. Mr. Keith Schulstad	2,126,345	1.84
16. Airtrust (Singapore) Pte Ltd	2,000,000	1.73
17. Mr. Robert Goold	1,695,000	1.47
18. Walleroo Pty Limited	1,694,933	1.47
19. Mr. Paul Douglass Grainger	1,600,000	1.39
20. Discovery Investments Pty Ltd	1,500,000	1.30
	<hr/>	
	63,062,688	57.58

6. Option Holders - Unquoted

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

SCHEDULE OF MINERAL TENEMENTS

LOCATION	TENEMENT	HOLDER	INTEREST	AREA	CURRENT TO
Cebu Island, The Philippines	SC44	Gas2Grid Limited	100%	10,000km ²	28/11/2011
Canning Basin, Western Australia	EP453	Gas2Grid Limited	100%	9,677.7km ²	17/01/2013
Onshore Aquitaine Basin, France	St Griede Licence	Gas2Grid Limited	50%	1,238km ²	Under Renewal
Canterbury Basin, New Zealand	PEP38260	Gas2Grid Limited	55%	2,429km ²	25/04/2009

Key to Tenement Types

SC Service Contract
 EP Exploration Permit
 PEP Petroleum Exploration Permit

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