ANNUAL REPORT 2013

GAS2GRID LIMITED ABN 46 112 138 780

Directors

David A Munns
(Non-Executive Chairman)

Dennis J Morton
(Managing Director)

Patrick W V M Sam Yue
(Executive Director)

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(Non-Executive)

Company Secretary

Patrick W V M Sam Yue

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Stock exchange listing

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

Website address

www.gas2grid.com

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

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Dear Shareholders,

I am pleased to present you with the 2013 Gas2Grid Limited Annual Report which highlights an extremely active 12 months of operations culminating in the exciting oil discovery in Service Contract 44 ("SC 44"), Cebu Island, Philippines with best estimate of contingent oil resource of 12 million barrels within a range of low 4 million and high 42 million barrels.

The Company has focussed on the Philippines and France in a strategy that seeks to transform the Company from an explorer into an oil producer in the near term within SC 44, Philippines. In addition, the French licence areas have the potential to build the Company into a very significant player in the international oil and gas industry, in the medium and long term.

Due to the difficulties of securing the services of appropriate rig contractors in Philippines and in order to move the exploration programme, the Company purchased and placed into operation a drilling rig and a workover rig that enabled it to have firm control on its exploration operations.

The Company drilled two wildcat exploration wells (Jacob-1 and Gumamela-1) and conducted the Malolos-1 workover and flow testing.

Oil was recovered from two separate reservoir intervals in Malolos-1 on short term test at rates that is very encouraging and likely to be commercial. Oil (39°API) reached to within 22 metres of the surface under natural flow in the tubing from the deeper of the two oil bearing sandstone intervals (7,300 feet or 2,225 m). 30 barrels of 37.2° API oil was swabbed from the upper oil bearing sandstone (7,200 feet or 2,195 m) over a two and a half hour period. We now plan to carry out long term oil flow tests on those two reservoirs to convert some of the contingent resource to proved resource category.

Our studies in relating this oil recovery with information on Malolos-4 which is 300 metres north west from Malolos-1 and our recently acquired seismic data images indicate that the anticlinal crest and western limb of the Malolos oil field need to be drilled for a potentially very large size oil field at Malolos. The operations review in this Annual Report provides the technical analysis of that assessment.

The two wildcat exploration wells, Jacob-1 and Gumamela-1, were successfully drilled, however both wells failed to intersect any significant hydrocarbons. It was decided to defer drilling the third wildcat exploration well Ilang-1, in the year's exploration programme, until the new information gathered from Jacob-1 and Gumamela-1 had been integrated into the existing technical data set – the equivalent of the objective reservoir section in Ilang-1 was devoid of any sandstone in the first two drilled wells.

Having fully funded all exploration costs to date on our 100% interest in SC 44, we consider that it is now appropriate to seek joint venture partners to fund the appraisal and development of the Malolos oil field and further exploration in SC 44. We have already commenced discussions with interested parties.

In the St. Griede licence, Acquitaine Basin, France, the Company scouted the proposed new seismic program and submitted a seismic survey application to the French Government. An application to renew the St. Griede licence for another 5 years with a compulsory reduction of approximately 50% in area has been lodged. Approval for these two applications is awaited.

Three new conventional petroleum exploration licence applications were lodged with the French Government over 2 years ago. The processing of licence applications in France is time consuming made worse with public and government concerns on fraccing associated with nonconventional petroleum exploration, which has been disallowed since 2011. Our applications have been published in the European Union gazette this year and clearances are now awaited from departmental levels before they are presented for ministerial decision. The Company is hopeful that these new licences will be granted soon.

The Company has continued to receive financial support from the Directors, management and long term shareholders, all of whom share a belief in the quality of the exploration assets and now success with planned oil field development. To develop those assets the Company has been successful in raising $3.9 million from Directors and investors on issue of shares during the year and in addition, $1.625 million has been raised in September 2013 from issue of new shares. The Directors have also provided loan facilities to the Company totalling to date $5.75 million, of which only $3.32 million has been drawn, to ensure that the Company can continue without delay to proceed with its objectives in exploration, appraisal and development.

On behalf of the Board, I thank our shareholders for their patience and support throughout the year and look forward for proved oil reserves and oil sales with the long term flow testing of the oil discovery at Malolos.

David Munns.
Chairman.
25 September 2013.

Rig-2 at Malolos-1

SUMMARY

PHILIPPINES SERVICE CONTRACT 44

- Drilling Rig-2 delivered to Cebu, maintenance works completed and in operation, September, 2012.
- Workover Rig-1 refurbishment completed and put in operation, December 2012.
- Jacob-1 drilled with Rig-2 to a total depth of 664.5 metres and suspended in December, 2012.
- Gumamela-1 drilled with Rig-2 to a total depth of 1,051.5 metres, plugged and abandoned in January, 2013.
- Malolos-1 workover operations Phase 3 commenced with Rig-1 and then replaced with the bigger Rig-2.
- Malolos-1 successfully tested oil from two sandstone intervals at rates likely to be commercial.
- Perforated two interpreted gas bearing sandstone intervals and flow tested without any significant hydrocarbon production.
- The currently assessed Malolos Field Contingent Resource, for oil in place in the two lower oil productive sandstones, has been calculated to range between 4 and 42 million barrels with a "Best Estimate" assessed to be 12 million barrels.
- Malolos-1 suspended pending longer term oil production testing, scheduled for later in 2013.

FRANCE

- St. Griede interpretation of reprocessed seismic data completed.
- St. Griede 2012 seismic survey line locations scouted, acquisition program determined and awaiting Government approvals for field work to commence. .
- St. Griede licence renewal for another 5 year period submitted, being processed by Government and approval is awaited.
- 3 new applications for conventional petroleum exploration licences in Aquitaine Basin being processed including advertised in European Union gazette by French Government.

EP 453

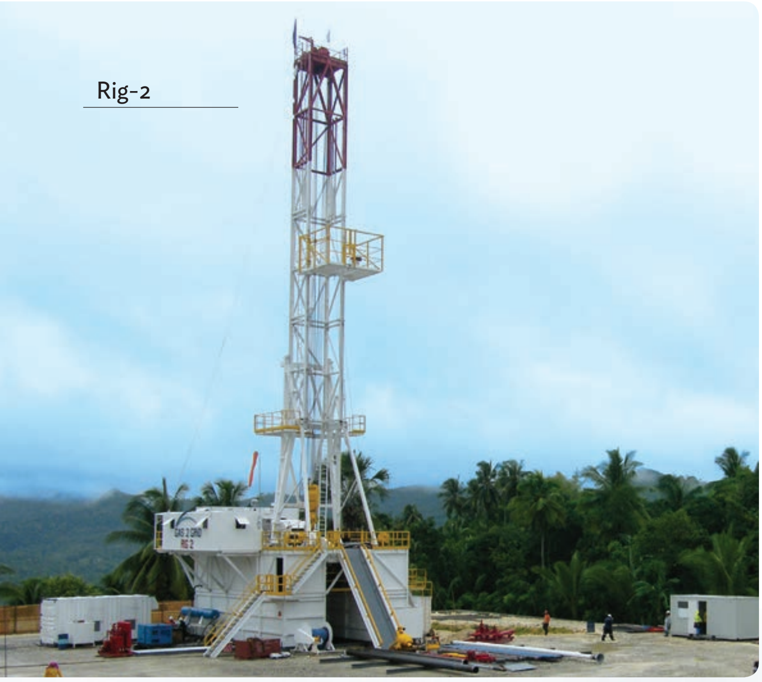
- Licence renewed from May 2013 for 5 years with compulsory 50% reduction in area.
- Sale Agreement executed in return for equity in an unrelated party who will fund all further exploration commitments.

Location Map of ExplorationLicences

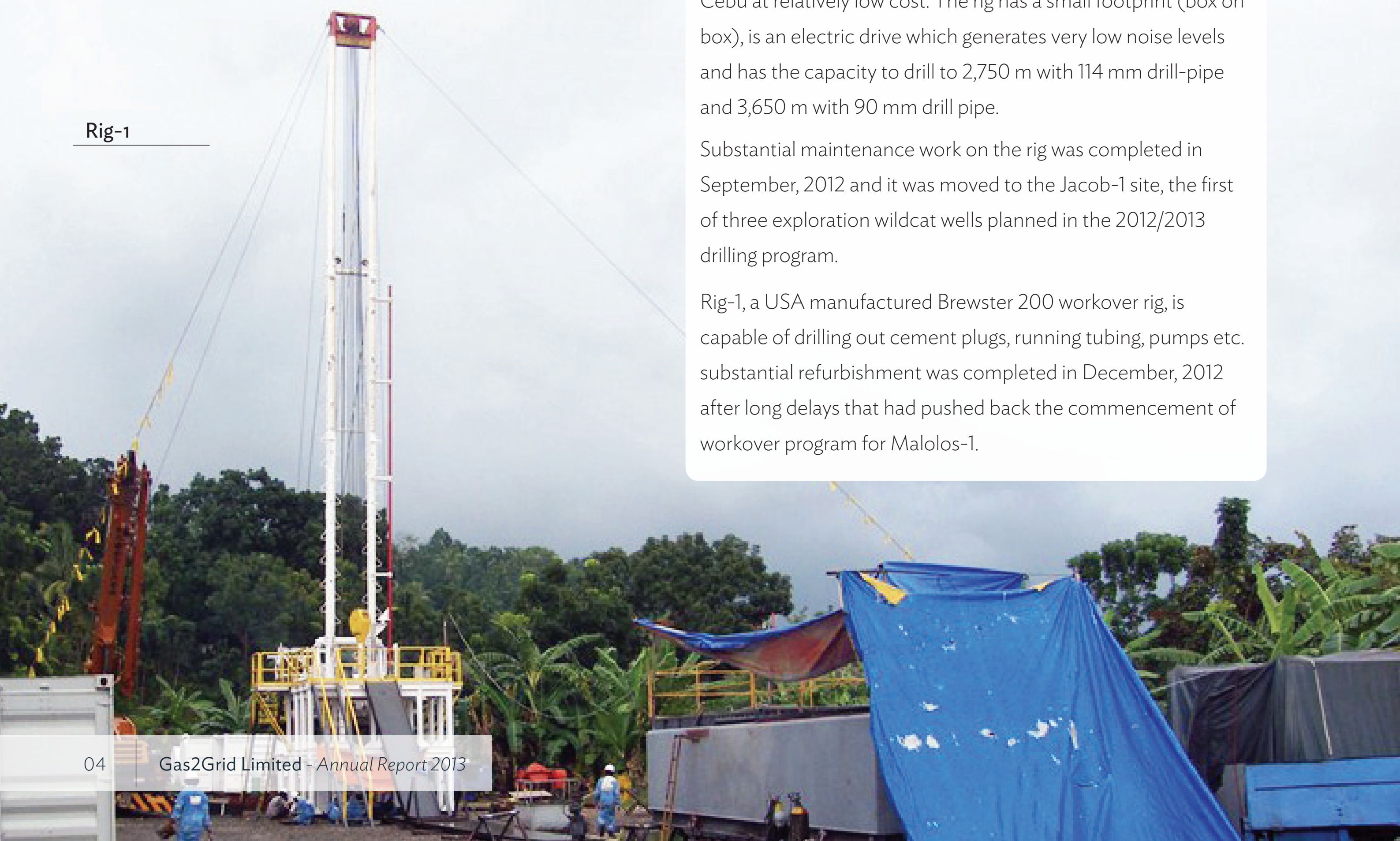
FINANCIAL

- Raised a total of $3,235,625 by issue of 71,381,923 new shares during the year.
- Raised $1,625,460 by private placement of 73,884,546 new shares in September 2013.
- At 30 June 2013, $3,000,000 loan facilities available until 1 October 2014 from Directors under which $2,290,000 has been drawn and subsequent to year end the facilities increased to a total of $5,750,000 under which $3,245,000 has been drawn.
- Additional funding will be required for the Company to appraise and develop SC 44 and although various sources of finance may be sought the preferred funding is by farming out interests in the SC 44.

Rig-2



Rig-1



PHILIPPINES: SERVICE CONTRACT 44 (100%), onshore Cebu Island

COMPANY OWNED RIGS

Since the previous financial year, the Company had been seeking reliable rigs to carry out its drilling and workover program in Cebu at reasonable costs, mindful of high mobilisation and demobilisation costs to a remote location. Faced with difficulties in securing the appropriate rig operators, the Company made the decision to acquire two rigs when the opportunities arose so that the planned field operations could proceed under its full control. The Company was comforted with the advantage of in-house personnel very experienced in rig operations and with capability to recruit experienced rig crew in Philippines at competitive costs.

Rig-2, a USA manufactured 800 HP, Gardner Denver, SCR (electric) drilling rig, was purchased in Taiwan and shipped to Cebu at relatively low cost. The rig has a small footprint (box on box), is an electric drive which generates very low noise levels and has the capacity to drill to 2,750 m with 114 mm drill-pipe and 3,650 m with 90 mm drill pipe.

Substantial maintenance work on the rig was completed in September, 2012 and it was moved to the Jacob-1 site, the first of three exploration wildcat wells planned in the 2012/2013 drilling program.

Rig-1, a USA manufactured Brewster 200 workover rig, is capable of drilling out cement plugs, running tubing, pumps etc. substantial refurbishment was completed in December, 2012 after long delays that had pushed back the commencement of workover program for Malolos-1.

These two rigs have enabled the Company to complete its exploration drilling and workover program during the year and represent valuable assets with book value of approximately $3.9 million at the end of June 2013. Whilst it is convenient to have our own rigs for exploration, it is not the Company's strategy to remain in the rig operating business and to lockup large capital in such equipment. At the end of the year, the Company decided to put the rigs up for sale to generate cash for operations. These rigs have been classified as current assets in the balance sheet and recorded as "held for sale".

EXPLORATION: 3 WILDCAT WELLS DRILLING PROGRAM

Jacob-1 well was designed to test the Miocene age Cebu Limestone trapped as a pinnacle reef. Secondary targets were the Miocene age Malubog-Toledo Formation marine sandstone reservoirs, trapped in a drape anticline above the reef.

Jacob-1 spudded on 23rd October, 2012 and was drilled to a total depth of 664.5 metres (KB). The top of the main limestone reef objective was intersected at a depth of 340 metres (KB), close to pre-drill prognosis. This limestone lithology continued to the well total depth of 664.5 metres. Unfortunately the limestone reservoir objectives did not have any significant porosity or permeability development ("tight"). The secondary objective, sandstone reservoirs in the section above the reef, was not encountered. The section overlying the reef was comprised of calcareous marl (lime rich mudstone) which while providing an excellent sealing unit for the reef, was devoid of any sandstone reservoirs. Minor hydrocarbon shows (slightly increased gas levels, fluorescence and cut) were observed while drilling the limestone reef.

The well was terminated at a shallower than programmed depth due to a significant lost circulation zone being encountered as the result of fracture development within the reef. The content of the fracture system (water, oil, gas) is unknown as significant mud was lost into it immediately upon penetration, with no returns. The well was suspended pending a decision to swab the fracture system using Rig-1 in order to determine the fluid content. The total costs incurred in that well were written off in the financial year with the Company taking a conservative view on impairment of carrying value of deferred expenditure.

Gumamela-1 well was designed to test an Oligocene-Miocene age Cebu Limestone trapped in a pinnacle reef. Secondary targets were Miocene age Malubog-Toledo Formation marine sandstones, in the section overlying the reef.

Gumamela-1 spudded on the 23rd December, 2012 and it was drilled to a total depth of 1,051.6 metres (KB). The top of the main limestone reef objective was intersected close to prognosis at a depth of 774.8 metres (KB) and continued to a depth of 876.3 metres (KB), being 101.5 metres thick. The formation changed at a depth of 876.3 metres into an inter-bedded claystone, siltstone and minor sandstone lithology. The well reached a total depth of 1,051.6 metres (KB) still within these lithologies.

There was no reservoir quality porosity or permeability development ("tight") within the limestone reef section. There was also no reservoir quality sandstones developed in the section immediately overlying the reef, where they had been prognosed before drilling commenced. The section overlying the reef was comprised of calcareous marl (lime rich mudstone) which while providing an excellent sealing unit for the reef, it was devoid of any sandstone reservoirs.

Very high levels of methane (1,195 units or 12% by volume on a background of 5 - 6 units) was recorded at a depth of 535 metres (KB) although there was no associated lithology change. Subsequent electric logging indicated no reservoir development at this depth and the gas was likely associated with a small fracture system. The well has been plugged and abandoned and consequently the total costs incurred in that well were written off in the financial year.

Ilang-1 well was designed to test the Early Miocene aged, marine turbidite sandstones within the lower part of the Upper Malubog Formation trapped in an anticline with potential for 5 million barrels of oil. Both Jacob-1 and Gumamela-1 penetrated the equivalent section that comprises the main Ilang-1 objective. The lithology in these wells was composed completely of marl with no sandstone reservoir development. With this assessed high risk, the Company was not encouraged to proceed with its program of drilling Ilang-1 back to back. Consequently the costs associated with preparing the site were written off in the financial year.

However, a decision was also made to undertake a detailed technical study incorporating all the recently acquired results in order to better assess the technical robustness and risk profile of the Ilang Prospect. Since the year end, with the results achieved in the Malolos-1 workover, a review concluded that there is a high chance that the reservoir quality sandstones intersected in the Malolos wells, located approximately 3 kms to the west, extend to the Ilang Prospect. This means that Ilang will be worth testing by drilling in the future.

The lack of success in the wildcat wells targeting limestone reefs and sandstones has marked down the prospectivity of the central part of SC 44. On that basis all the costs accumulated in acquisition and interpretation of seismic data in that area have been written off in the financial year.

MALOLOS-1 WORKOVER AND TESTING PROGRAM

Rig-1 commenced the workover operations on the 23rd December, 2012. The Malolos-1 wellhead pressure (275 psi) was bled down through a 6/64" choke with gas being flared and oil/water being recovered at surface for over an hour. Rig-1 was then rigged up and the mill bit assembly run into the hole, tagging the well bore obstruction ("junk") at a depth of 2,187.2 m (KB) (7,175.8 feet). Just over 10 cm of junk was milled before the Rig-1 experienced a series of mechanical breakdowns requiring repairs (draw-works brake and main gearbox).

Rig-1 repairs were not completed until the 24th January, 2013 when milling operations recommenced. Rig-1 with a 4 inch (10.2 mm) mill bit milled out over a metre of junk from the hole. During that process the engineers were able to determine that the junk was actually a test packer. The packer is set within the 7 inch (17.8 mm) casing and is composed of both steel and rubber. The packer could not be milled out of the hole with the under-sized Rig-1 bottom hole assembly, which included a 4 inch mill bit. A 5 inch (12.7 mm) liner had been set from surface to a depth of 861.8 m (2,827.25 feet) to isolate sets of open perforations. The installation of the 5 inch liner, with an inside diameter of 4.95 inches, meant that the largest mill bit that could be run into the hole was 4 inches, not large enough to drill out the packer.

Rig-1 was replaced with the larger and with better capacity Rig-2 in order to efficiently complete the Malolos-1 workover and flow testing. Rig-2 initially retrieved the 5 inch casing liner and then squeezed cement into existing shallow perforations. On the 2nd April, 2013 the junk was eventually milled out the hole with a 6 inch bit which then provided clear access to the two oil bearing sandstone intervals of interest.

Oil Tests

Cased hole electric logs were run and the lowest of the two oil bearing sandstones was perforated over the interval 2,219 m - 2,227.5 m (7,280 - 7,308 feet). The interval was perforated with the production tubing full of water to the surface, creating back-pressure against the formation.

Swabbing operations were then commenced to reduce the water level in the tubing and lower the back-pressure against the newly perforated interval. The fluid level in the tubing was swabbed down to a depth of 600 m during which time there was an influx of oil into the tubing, with a small amount (0.36 Bbls) of oil, gas and water being recovered to surface. In addition, when the swabbing assembly was recovered to surface and it was also covered in crude oil.

Operational issues hampered the swabbing operations which were then suspended while additional equipment was delivered to the well-site in order to complete the swabbing operations. A fluid column inside the tubing creates back pressure against the perforated oil bearing sandstone and impedes oil from flowing to surface (the formation is slightly under pressured). To enable the oil from the formation to produce more freely, the fluid level in the tubing must be lowered by swabbing operations to reduce the back-pressure against the formation.

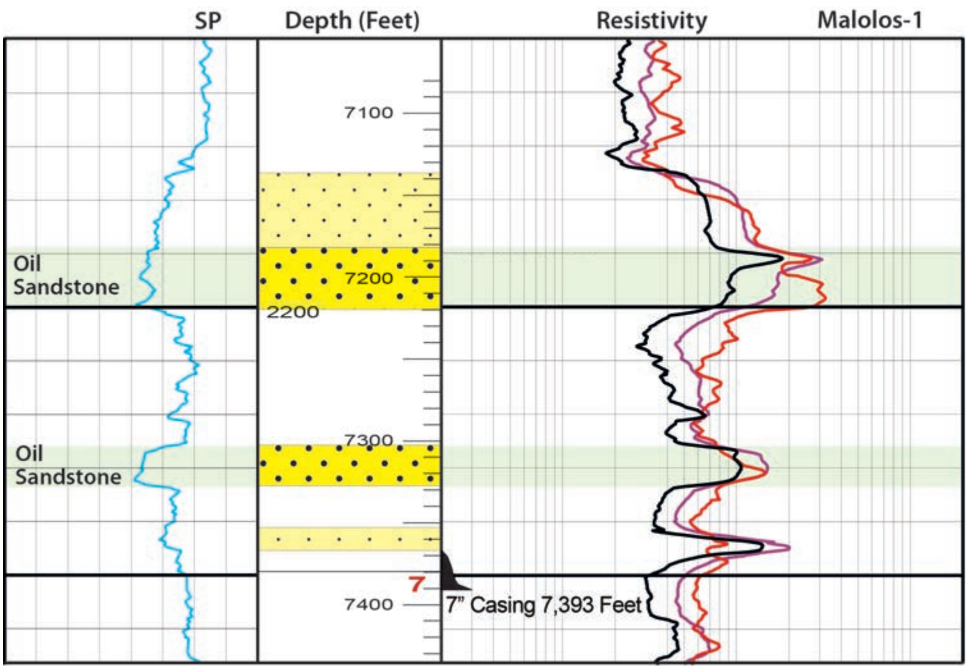
Oil continued to flow naturally into the tubing from the lower perforated interval raising the fluid level. The fluid level rose to within 22.6 m (74 feet) below ground level as a result of oil being produced into the tubing.

By that time in April, 2013, the workover operations had been running for over 4 months at substantial costs well above the budget. The successful flow of oil from that deeper sandstone reservoir was very welcoming news.

The month of May, 2013 coincided with a period of community activities leading into the Philippine national elections on the weekend of 13th May 2013 – the mid-term election of Senators, Members of the House of Representatives, Provincial Governors, City Mayors, City Vice-Mayors, members of the city council, Municipal Mayors, Municipal Vice-Mayors, and Municipal Council. The rig crew had worked continuously since January 2013 so it was an appropriate time to allow the workers a break for health and safety considerations and also to allow them to go home to participate in their important community activities.

When work resumed in mid-June the original production tubing was replaced with new tubing. The original tubing had internal corrosion which caused excessive wear on the swabbing cups hampering efficient operations.

The upper oil bearing sandstone was perforated over the interval 2,178 m - 2,195.4 m (7,152 - 7,207 feet GL), flow tested then swabbed resulting in the recovery of 30 bbls of 37.2°API oil over a 2.5 hour period before the swabbing equipment broke off and was left in the hole, blocking the tubing. The tubing was later removed from the hole and the blockage cleared before the operations continued with the testing of the shallower sandstones interpreted to be gas bearing identified from cased-hole wireline logging using the pulse neutron tool (PNN).



Malolos-1: Oil Targets for Workover and Testing Operations

Swab cups covered with oil

Interpreted Gas Bearing Intervals

Perforation and testing of two separate sandstone intervals previously assessed by wireline logs as being gas bearing has also been completed. Results are as follows:

1,692.9 m – 1,717.9 m (5,554 – 5,636 feet): perforated under-balanced; the packer unseated immediately after perforation; retrieved packer, serviced and reset; no initial flow, swabbed fluid level and flowed gas to surface at a rate too small to measure (0.1 m - 1.5 m lazy flame through flare line) and recovered a small amount of oil and 4.4 Bbls of water. This zone is regarded as being of low productivity ("tight").

1,652.0 m - 1,665.8 m (5,420 - 5,465 feet): perforated under-balanced; strong blow for nearly two hours; influx of approximately 24 Bbls of water over a 24 hour period, no gas or oil. This zone is interpreted to be a low productivity, water bearing sandstone.

Resource – Potential Size

To quantify the oil potential of the Malolos oil field, a Contingent Resource for oil in place in the two lower oil productive sandstones has been assessed by an independent expert to be in the range of between 4 million (C1) and 42 million (C3) Bbls with a "Best Estimate (C2)" of 12 million Bbls.

Malolos-1 was drilled on a surface anticline without the benefit of seismic data. The surface anticline covers an area up to 6 sq kms. One other deep well has been drilled by previous explorers on the anticline, Malolos-4 (total depth: 2,205 m) which also intersected several sandstone intervals with excellent oil shows – however, these shows were not tested. Malolos-4 is located approximately 300 m north west of Malolos-1. The other Malolos wells were all terminated by previous operators at shallow depths due to drilling problems.

Our interpretation of these data is that the two oil bearing sandstones have only been tested within the eastern limb of the Malolos anticline where they are steeply dipping. Previous drilled wells Malolos-1 & 4 record oil bearing sandstones over a 496 m (1,627 feet) vertical interval. On that basis we consider that further evaluation of the Malolos faulted anticline could result in a much larger Malolos oil field than currently assessed.

The assessment of the potential of the Malolos oil field is made on the following summary information:

- Oil has been produced from two separate sandstone intervals in Malolos-1.
- An oil saturated sandstone was recovered in a rock core recovered in Malolos-4 with several other intervals containing sandstones with excellent oil shows; similar stratigraphic levels to oil in Malolos-1.
- The bedding dip in Malolos-1 & 4 averages about 60° to the east (based on core and dip-meter data).
- Both wells were sited on the very eastern margin of the surface anticline.
- No oil-water contact has been intersected with each of the oil bearing sandstones having oil on rock.
- The anticlinal crest and western limb of the Malolos oil field remain to be tested.
- Recently acquired seismic data images the steeply dipping eastern margin of the surface anticline where Malolos-1 & 4 are located.

Forward Program to 2014 and Beyond

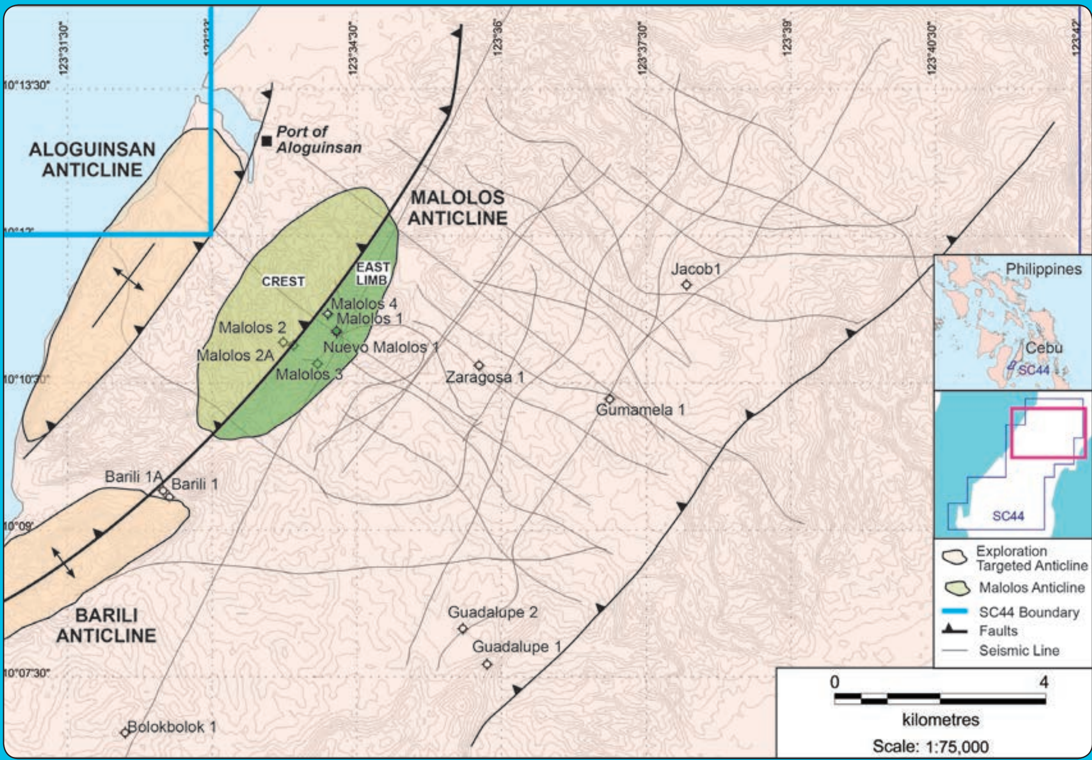
Recent technical work indicates that oil bearing sandstones have been intersected over a 496 m (1,627 feet) vertical interval in Malolos-1 & 4 wells. If the oil bearing reservoirs are continuous between the two wells then Malolos could be a very large oil field.

At this stage the Malolos oil field warrants further appraisal by longer term oil flow testing, seismic acquisition and drilling.

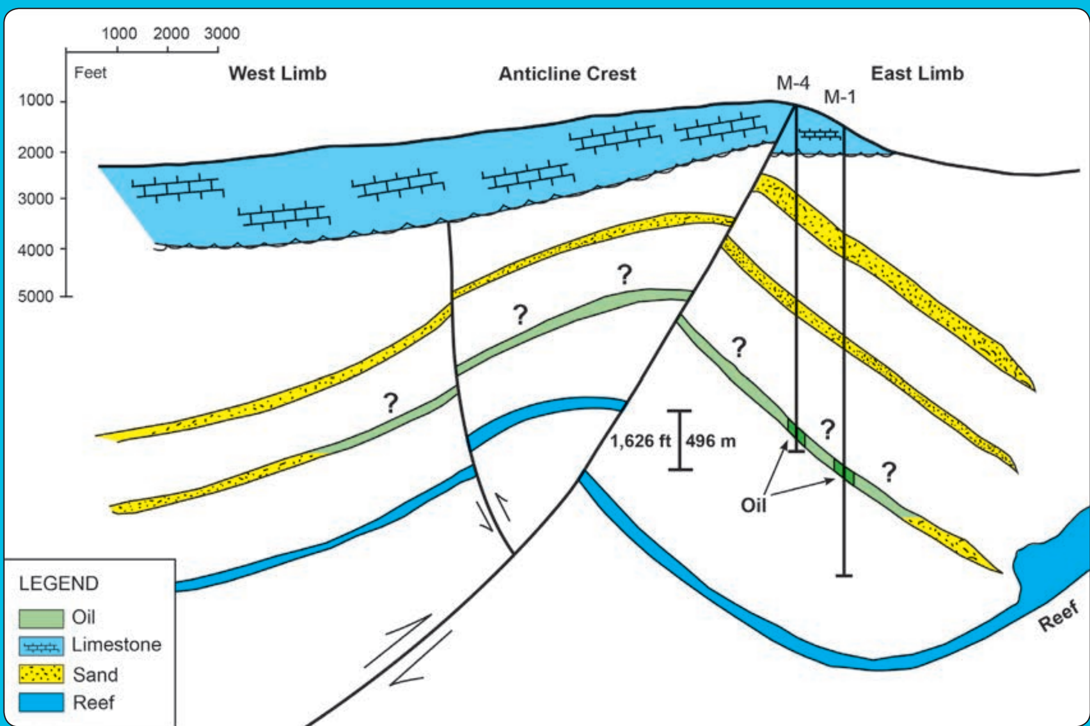
The Company plans to commence new operations with an extended production test of both Malolos oil reservoirs before the acquisition of seismic data and the drilling of new wells.

Additional funding will be required for the Company to appraise and develop SC 44 and although various sources of finance may be sought the preferred funding is by farming out interests in the SC 44 with some upfront cash payments.

Oil recovered

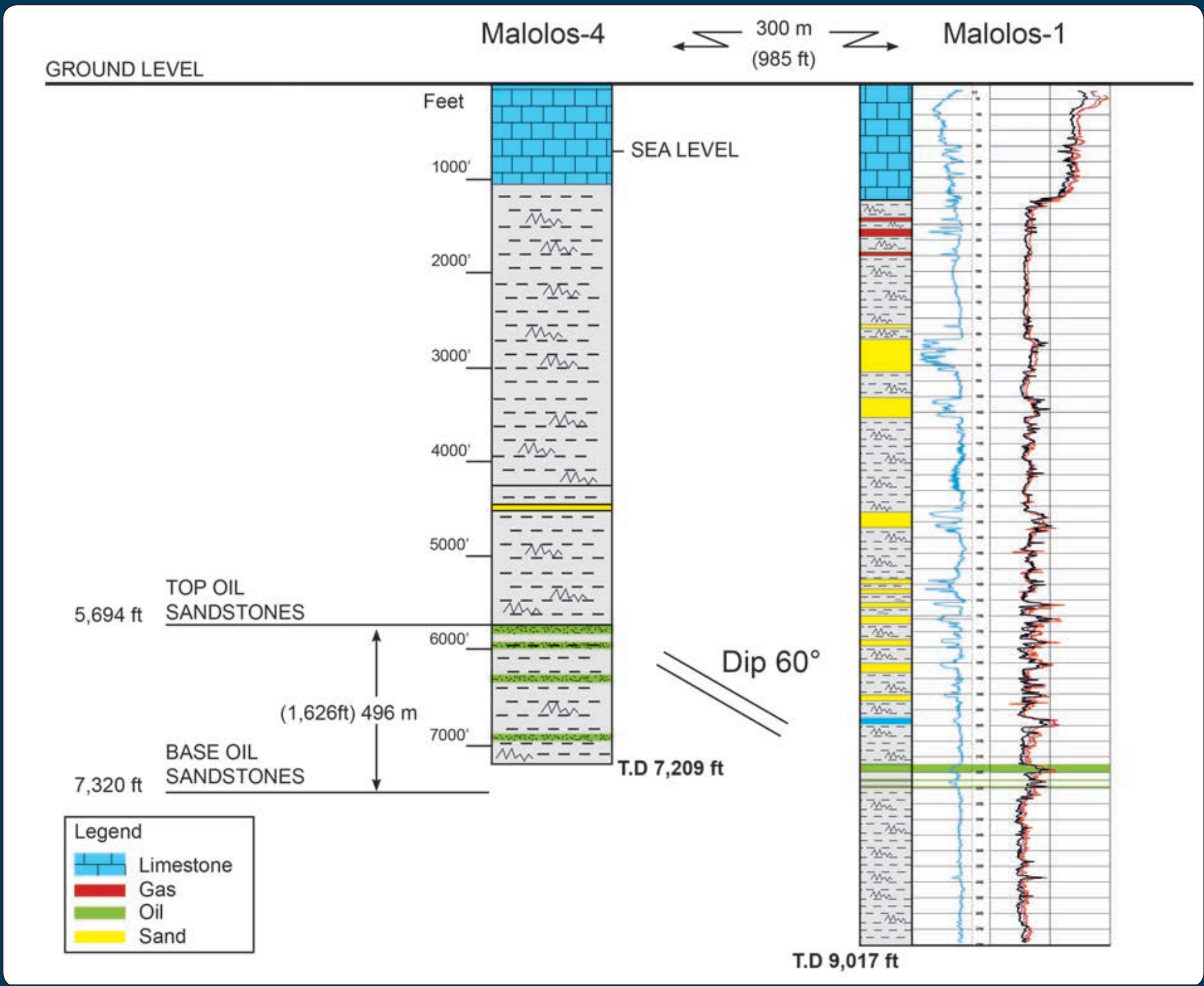


Malolos Anticline and Well Location Map

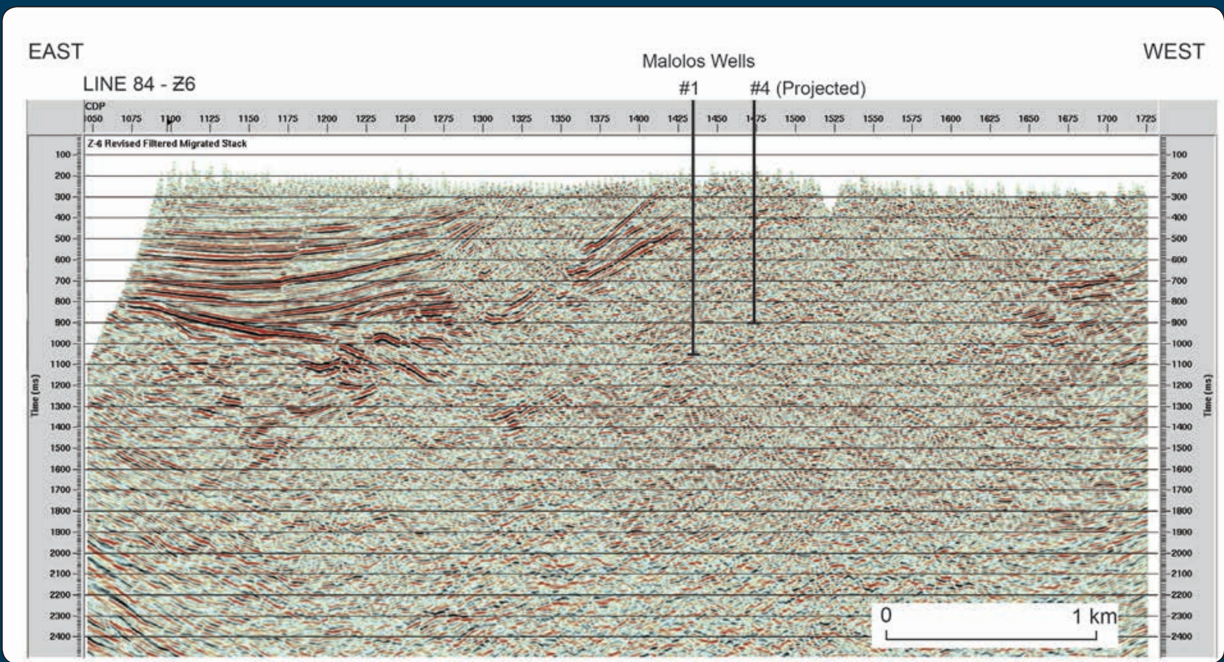


Malolos Anticline - Cross Section

PHILIPPINES

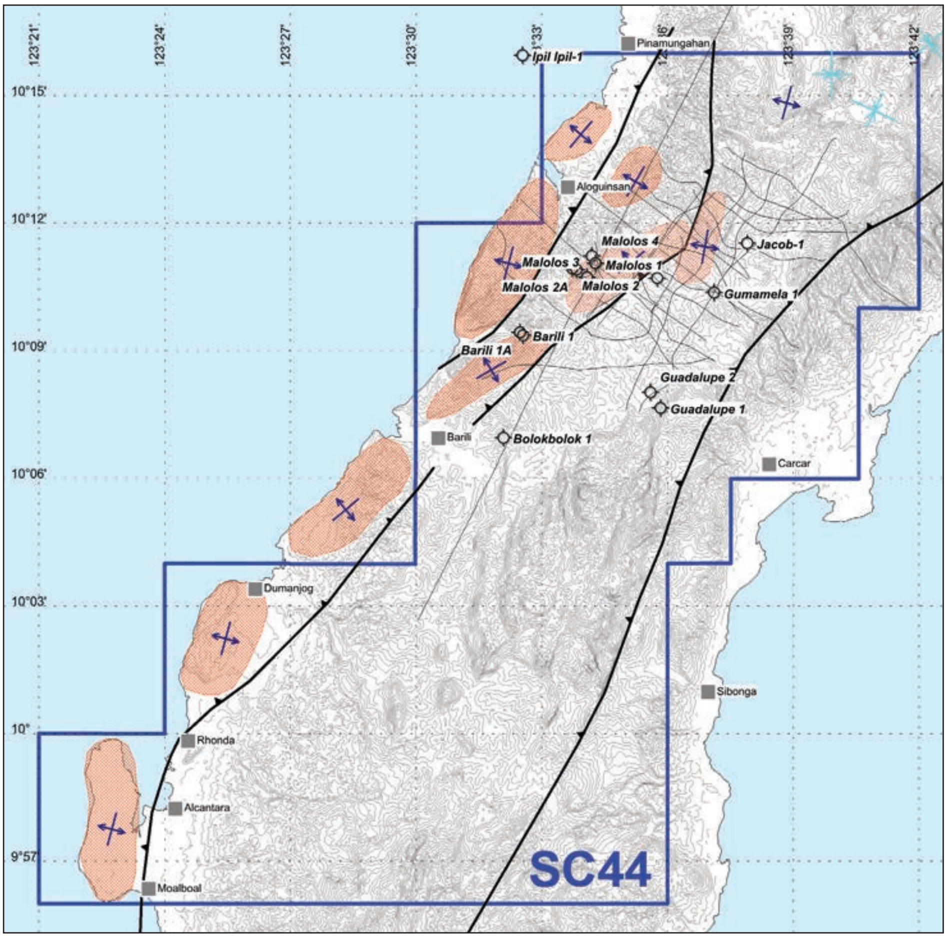


Malolos 1 to 4 : Well Correlation



Seismic Line : Malolos Anticline

PHILIPPINES



SC 44: Surface Anticlines

PHILIPPINE DEPARTMENT OF ENERGY

The Company has requested approval from the Philippine Department of Energy ("DOE") for a 3 year program and budget covering years 2014-2016. This request entails a program that will fully appraise the Malolos oil field with longer term flow testing, seismic acquisition plus drilling and also explore the nearby surface anticlines through seismic acquisition and drilling. The Company is waiting that approval before recommencing field operations in SC 44.

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

The Company owns 100% of the St. Griede licence and it regards the oil and gas exploration potential within that licence as being exceptional and the 100% ownership provides a great opportunity to create significant value for shareholders.

In 2010, a total of 740 kilometres of vintage seismic data (1960-1980) was purchased and these data were reprocessed to determine their quality and application to exploration. These seismic data showed excellent improvements due to the reprocessing. Interpretation of these data was integrated with the aero-gravity data set recently acquired by the Company. Integration of these data indicates excellent exploration potential for structural hydrocarbon traps.

In 2011, a decision was made to reprocess all the other available vintage seismic data within the St. Griede licence and a few additional vintage seismic lines that tied nearby producing fields and wells to provide additional geological control. A total of 1,232.6 kms of vintage field seismic data was purchased from the BRGM. All these data have now been reprocessed with a noticeable improvement in data quality. These data have now been interpreted and the location of a new seismic program has been laid out. The new program will provide sufficient coverage over several prospective drilling prospects to allow the siting of at least one exploration well for drilling in 2014. It is planned to acquire the new seismic data as soon as the field work is approved by the French Government which could be in late 2013.

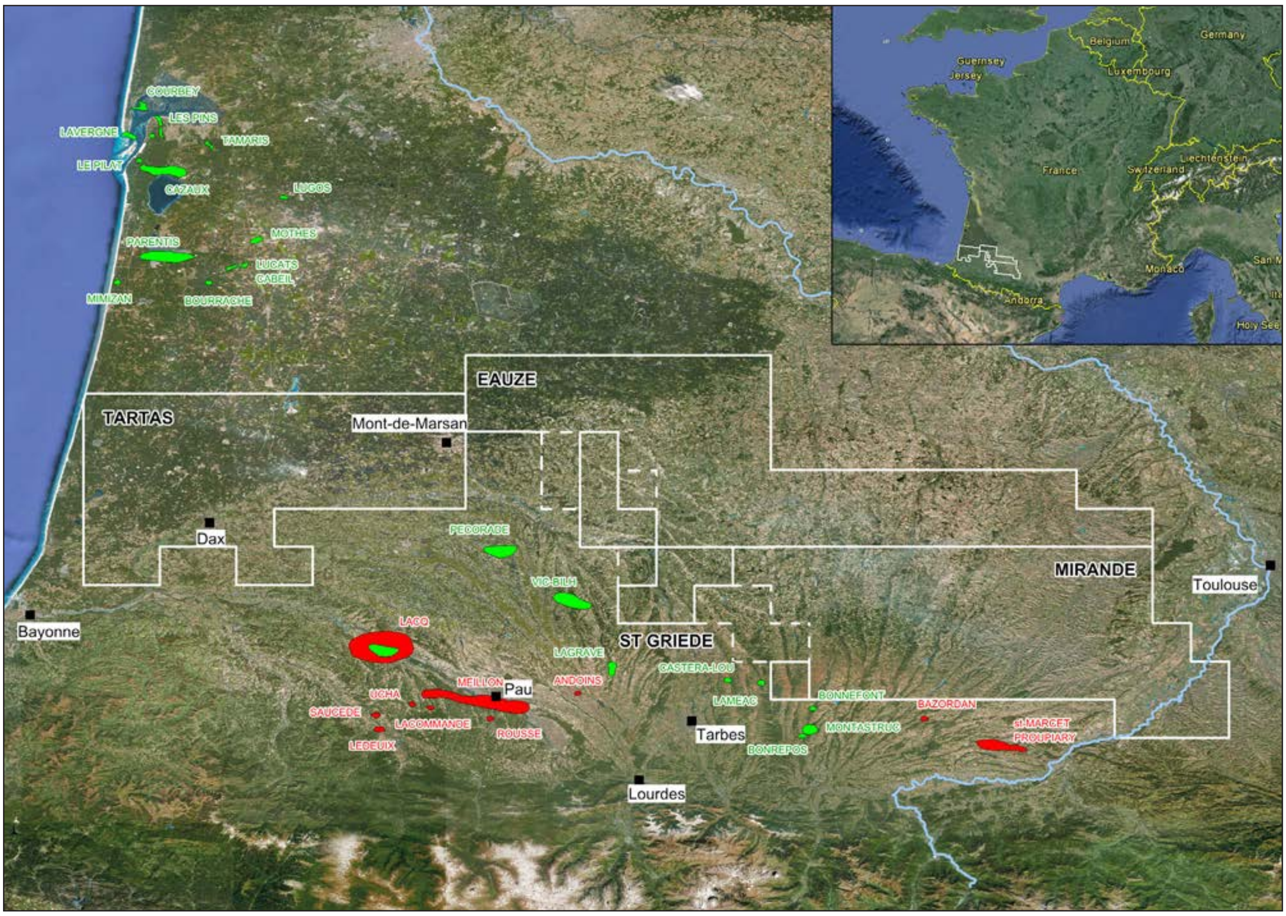
The St. Griede licence completed the first 5 year period on the 28th May, 2013. A renewal application for a second period of 5 years over approximately 50% of the original area (619 km^2 retained area) has been submitted to the French Government.

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 produced from 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 gas pipeline infrastructure are well developed and the commercialisation of even small discoveries is feasible.

All costs expended in St Griede to date are included in exploration expenditure and rights in the balance sheet.

FRANCE: 3 New Exploration Applications (100%), Onshore Aquitaine Basin: Three new licence applications for conventional petroleum exploration, namely Eauze, Mirande and Tartas, covering a total area of approximately 9,286 sq km in the Aquitaine Basin, surrounding the St. Griede licence, were submitted to the French Government in late 2010 to early 2011. These applications are for 100% interest to Gas2Grid Limited.

Processing of new licence applications in France is a time consuming exercise. However, more than usual delays were encountered from a combination of highly publicised government and ecologists concerns on the safety of fraccing shale reservoirs that eventually resulted in the issue of a government decree in 2011 banning fraccing, uncertainty on oil and gas exploration policy during the French national election in 2012 and the uncompleted formal review of the “Code Miniere” (Mining Act). However, progress is currently being made with the processing of exploration licence matters.



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

The three new licence applications were advertised in the European Union Gazette in March 2013 for an open period of three months, under normal processing procedures. The Company is hopeful for grant of the licences in the 2014 financial year.

FRANCE: Oil and Gas Industry Activities in Aquitaine Basin

The Company is aware of recent significant exploration activity in licence areas in the vicinity of its areas of interest. Vermillion Energy Inc. (a Canadian listed company), who with Lundin Petroleum are the largest oil producers in France, are actively producing oil in the Arcachon area, in the northern Aquitaine Basin.

Vermillion also own the Vic Bilh oil field located immediately west of the St. Griede licence. Vermillion reportedly will in 2013 acquire a 3D seismic survey over the Vic Bilh oil field and the immediately surrounding area. Total (TIGF) reported they are acquiring a 3D seismic survey over the Lussagnet and Izaute gas storage fields, located near Aire-sur-l'Adour.

All those activities point to an increased interest to explore in the Aquitaine Basin by companies much larger than the Company.

AUSTRALIA: EP 453 (100%), Onshore Canning Basin

The Company has agreed to transfer its 100% interest in EP 453 in return for equity in Goshawk Energy (Lennard Shelf) Pty Ltd ("Goshawk"), an unrelated entity, which will assume all work commitments and apply for renewal of the licence. The transaction is subject to conditions subsequent with the last one to be satisfied being that the Goshawk raises the required capital. The WA Government (WADOIR) approved the renewal of EP 453 for a new term of 5 years from 31 May 2013 with a compulsory 50% reduction in area.

FINANCIAL

PERFORMANCE

During the 2013 financial year the group incurred net losses of $8,423,534 which included the write-off of $6,791,584 of exploration and evaluation expenditure related to the drilling of 2 wildcat exploration wells, Jacob-1 which was suspended with remote chance of hydrocarbon discovery and Gumamela-1 which was plugged and abandoned, and the seismic acquisition and interpretation costs incurred over the Jacob and Gumamela prospects and their surrounding areas in SC 44 in the Philippines.

FINANCIAL POSITION

Cash at 30 June 2013 was $1,705,565 (2012: $3,113,760) whereas current assets was $5,880,107 (2012: $4,307,365) improved by the rigs and equipment held for sale.

Current liabilities was $3,864,135 (2012: $642,842) increased primarily from expenditure on exploration drilling and workover in SC 44 and includes $258,126 owing to Directors for fees which subject to shareholder's approval at a general meeting are planned to be paid by the issue of new shares to preserve cash. The trade and other payables have been substantially paid from the cash on hand and loans from Directors after year end.

Total equity decreased to $12,067,397 from $16,361,861, mainly as a result of the write-off of exploration and evaluation expenditure.

In August 2012, the Company raised $2,032,025 by issuing 31,261,923 million new fully paid ordinary shares at a price of 6.5 cents per share under a private placement to investors. The issue price was at approximately 5.8% discount to the volume weighted average price over the previous 10 trading days on the Australian Securities Exchange. That placement made up for the shortfall in the Company's then planned capital management, to fund exploration and general working capital, when approximately 34.2 million options exercisable at $0.05 lapsed on 15 June 2012 without being exercised.

In October to December 2012, the Company received a total of $673,750 from participants in the Employee Incentive Plan in repayment of loans provided for the acquisition of 11,075,000 shares.

During the second half of the financial year the Company needed additional capital to meet excess expenditure incurred as a result of operational delays and technical issues in the Malolos-1 workover. A Share Purchase Plan ("SPP") was announced on 8th May, 2013 and closed on 24th June, 2013 offering shares at $0.03 per share. In June 2013, the Company received a total of $1,203,600 for subscription of 40,120,000 fully paid ordinary shares. $601,200 was received from eligible shareholders for subscription of 20,040,000 fully paid ordinary shares under the SPP. The balance of $602,400 was received from existing shareholders who do not require a prospectus for subscription of 20,080,000 shares that was available from the shortfall in subscription under the SPP offer.

From July 2013, the Company sought to privately place the balance of the SPP shortfall, while the Company's share traded marginally above and below $0.03 per share. A discount to market was advised by brokers as necessary to raise capital and in September 2013, the Company agreed to raise $1,625,460 by private placement of 73,884,546 new fully paid ordinary shares at $0.022 per share, a discount of approximately 21% to the volume weighted average price over the last 15 trading days when the shares traded on the Australian Securities Exchange. The funds are to be applied to appraisal work in SC 44, exploration in France and general working capital.

During the second half year, as cash was needed for the Company to meet its obligations pending funds from issue of equity and in the absence of other sources of finance, the Directors through their related corporate entities have provided support in providing loan facilities as and when required. At 30 June 2013, $3,000,000 loan facilities (from D J Morton and D A Munns) were available until 1 October 2014 under which $2,290,000 has been drawn and subsequent to the year end the facilities increased to a total of $5,750,000 (from D J Morton, D A Munns and P W V M Sam Yue) under which $3,245,000 has been drawn. The loan facilities bear interest at 9% per annum with a 1%

establishment fee based on arm's length commercial borrowing for an entity in the Company's circumstance. These loans are considered last resort bridging finance and will be repaid when the Company is able to do so from alternative sources of funds.

To undertake exploration and appraisal activities in Philippines and exploration in France while the Company has no revenue producing assets, the Company requires regular injection of funds and the level of activities is dictated by the funds that are available.

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

- Undertaking further capital raisings;
- Selling part of the Company's interests in its exploration licences and entering into joint ventures for the potential development of the projects;
- Selling of two drilling rigs and other field equipment; and
- Obtaining debt finance.

Going Concern – Emphasis of Matter

At 30 June 2013, the group had committed expenditure under its exploration licences of $865,173 for the next 12 months, and has $2,290,000 Directors' loans that fall due for repayment in October 2014.

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

As a result of these matters, there is material uncertainty related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The audit opinion for the year ended 30 June 2013 therefore includes an emphasis of matter in this regard. For further details please refer to Note 1 (iv) of the financial statements.

CASH FLOWS

Operating activities resulted in net outflow of $619,785 (2012: outflow $372,063) as the group is still in the exploration phase with no sales revenue. A total of $6,051,563 (2012: $6,135,170) was paid for investment mainly in exploration and plant and equipment, including the 2 wildcat exploration wells and the 2 rigs. These outflows were funded from existing cash on hand, new share issues and borrowings from Director D J Morton.

STRATEGY AND PROSPECTS FOR FUTURE

The group proposes to continue its oil and gas exploration program and investment activities in Cebu, Philippines and Aquitaine Basin in France. However, no indication as to likely results in the future can be given due to the uncertainties usually associated with exploration activities. Future financial performance will be driven by success in the following:

- Appraisal and development of the Malolos oil field within SC 44;
- Acquisition of new seismic within St Griede in France;
- Drilling of a well in St Griede subject to the results of the new seismic interpretation; and
- Grant of 3 new permits in Acquitaine Basin in France and carrying out exploration to develop those permits.

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


GAS 2 GRID
RIG 2

This table on Corporate Governance Statement sets out the extent to which the group has followed the recommendations of the ASX Corporate Governance Principles and Recommendations. The Corporate Governance Statement is posted on the group's website (www.gas2grid.com) for reference on disclosures.

	PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMMENT
1.	**Lay solid foundations for management and oversight**		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Complies	The group's Corporate Governance Statement includes a Board Charter, which states the specific responsibilities of the Board. The Board delegates responsibility for the day to day operations and administration of the group to the Managing Director.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Complies	The Board evaluates the performance of senior executives on an annual basis.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Complies	There are no departures from the Recommendations 1.1, 1.2 and 1.3. The Corporate Governance Statement is posted on the group's website.
2.	**Structure the Board to add value**		
2.1	A majority of the board should be independent directors.	Does not comply	The Board consists of four Directors: two Non-Executive Directors (D A Munns and D W Reeder); one Managing Director (D J Morton) and and one Executive Director P W V M Sam Yue who is also the Chief Financial Officer and Company Secretary. D A Munns and D W Reeder are not independent Directors because they have substantial shareholding interests in the Company. The Managing Diretor D J Morton also has a substantial shareholding interest in the Company. The current stage of establishment and size of the group does not justify the cost of increasing the number of Directors.
2.2	The chair should be an independent director.	Does not comply	The Chairman is a non-executive and not considered to be independent because he has a substantial shareholding interest in the Company.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Complies	The Chairman is not an executive.

	PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMMENT
2.4	The board should establish a nomination committee	Does not comply	Given the present size of the group, the existing Board structure is able to meet the needs of the group in the examination of selection and appointment practices without the establishment of a nomination committee of the Board.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Complies	The Board undertakes annual self assessment of its collective performance and the performance of the Chairman. The Chairman undertakes an annual assessment of the performance of individual directors. Any deficiency identified in a Director's performance is addressed directly with the relevant Director.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Complies	Explanation of departures from the Recommendations 2.1, 2.2 and 2.4 are set out in this section. There are no departures from the Recommendations 2.3, 2.5 and 2.6. The Corporate Governance Statement is posted on the group's website.
3.	**Promote ethical and responsible decision-making**		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Complies	The group's Corporate Governance Statement includes a Code of Conduct on Ethical Standards, which provides a guide to ethical conduct of Directors and management. The group's Corporate Governance Statement also includes a Code of Conduct on Securities Trading and a Securities Trading Policy has been lodged with the Australian Securities Exchange.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them	Complies	The group's Corporate Governance Statement includes a policy concerning diversity, outlining measurable diversity objectives in relation to gender, age, cultural background and ethnicity. The objectives and the progress in achieving them are assessed annually by the Board. The group values diversity and recognises the benefits it can bring to the group in achieving its goals operating internationally and in multi-cultural societies.

	PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMMENT
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Complies	The Board has established the following measurable objectives in relation to gender diversity with the aim to achieve them over the next few years as Director and senior executive positions become vacant or need to be increased and appropriately qualified and experienced candidates are available, noting that the timing for increasing the size of executive positions is not known and is dependent on success of the Company's operations:
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Complies	(see table below)
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Complies	There are no departures from the Recommendations 3.1, 3.2, 3.3, 3.4 and 3.5. The Corporate Governance Statement is posted on the group's website.
4.	**Safeguard integrity in financial reporting**		
4.1	The board should establish an audit committee.	Does not comply	Two members of the Board are executives and the other two members do not qualify as independent Directors. The current stage of establishment and size of the group does not justify the cost of increasing the number of Directors. Therefore an audit committee with a composition that satisfies Recommendation 4.2 is not established. All matters relating to the audit functions and to safeguard the integrity of the group's financial reporting are handled by the Board.
4.2	The audit committee should be structured so that it: • consists of only non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chairperson of the board; and • has at least three members.	Does not comply	See comments under Recommendation 4.1.
4.3	The audit committee should have a formal charter.	Does not comply	See comments under Recommendation 4.1.

	Objective %	Actual %
Number of female participants in operations and support positions	30	11
Number of females in senior executive positions	20	-
Number of women on the Board	20	-

	PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMMENT
4.4	Companies should provide the information indicated in Guide to reporting on Principle 4.	Complies	Explanation of departure from the Recommendations 4.1, 4.2 and 4.3 is set out in this section. There are no departures from the Recommendation 4.4. The Corporate Governance Statement is posted on the group's website.
5.	**Make timely and balanced disclosure**		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	Complies	The group's Corporate Governance Statement states the policy and procedures to ensure compliance with ASX Listing Rule disclosure requirements. The Board has delegated the function of continuous disclosure as required under the ASX Listing Rule to the Managing Director and the Company Secretary to assess the type of information that needs to be disclosed and to ensure that group's announcements are made in a timely manner, are factual, do not omit material information and are in compliance with the ASX Listing Rules. Information which is considered to be price sensitive is approved by the Board before its release.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Complies	There is no departure from the Recommendations 5.1 and 5.2. The Corporate Governance Statement is posted on the group's website.
6.	**Respect the rights of shareholders**		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Complies	The Board's policy is for all investors to have equal and timely access to material information concerning the group, including its financial position, performance, ownership and governance. The Board has established practices to facilitate communication with the Company's shareholders. The Managing Director oversees this process through the group's website. Briefings are held with professional investors. Prior to such briefings, information to be given will be first released to ASX (if not previously released) and posted on the group's website. All shareholders are notified in writing of general meetings and encouraged to attend and participate.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Complies	There is no departure from the Recommendations 6.1 and 6.2. The Corporate Governance Statement is posted on the group's website.

	PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMMENT
7.	**Recognise and manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Complies	The group's Corporate Governance Statement includes a business risk oversight and management policy. The Board monitors and receives advice as required on areas of operational and financial risk, and considers appropriate risk management strategies. Specific areas of risk that are identified are regularly considered by Board discussions. Included in these areas are performance of activities, human resources, health, safety and the environment, continuous disclosure obligations, asset protection and financial exposures.
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Complies	The Board requires the Managing Director to provide such a report at the relevant time.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Complies	The Board requires the Managing Director and Chief Financial Officer to provide such a statement at the relevant time.
7.4	Companies should provide the information indicated in Guide to reporting on Principle 7.	Complies	There is no departure from the Recommendations 7.1, 7.2, 7.3 and 7.4. The Corporate Governance Statement is posted on the group's website.

	PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMMENT
8.	Remunerate fairly and responsibly		
8.1	The board should establish a remuneration committee	Complies	The Board has established a Remuneration Committee consisting of three Directors, D A Munns, D W Reeder and P W V M Sam Yue.
8.2	The remuneration committee should be structured so that it: . consists of a majority of independent directors . is chaired by an independent chair . has at least three members	Does not comply	The Remuneration Committee consists of three Directors and is chaired by P W V M Sam Yue an Executive Director. The other two members are D A Munns and D W Reeder who are not independent because they have substantial shareholding interests in the Company.
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Complies	The Company's constitution provides that the remuneration of Non-Executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The Remuneration Committee reviews the remuneration packages and policies applicable to all Directors and senior executives on an annual basis and makes recommendations to the Board. Where necessary, the Remuneration Committee will obtain independent advice.
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Complies	Explanation of departure from the Recommendation 8.2 is set out in this section. There is no departure from the Recommendations 8.1, 8.3 and 8.4. The Corporate Governance Statement is posted on the group's website.

Directors' report

Your Directors present their report on the consolidated entity (referred to hereafter as the group) consisting of Gas2Grid Limited and the entities it controlled at the end of, or during the year ended 30 June 2013.

Directors

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

David A Munns

Dennis J Morton

Patrick W V M Sam Yue

Darren W Reeder

Principal activities

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

Operating and financial review

Review of Operations and Financial Performance

A detailed review of operations and financial performance for the financial year is set out on pages 3 to 15.

Dividends – Gas2Grid Limited

The Directors report that during the year ended 30 June 2013 no dividends were declared or paid (2012: $nil).

Matters subsequent to the end of the financial year

There has not arisen in the interval since 30 June 2013 and up to the date of this report, any matter that, in the opinion of the Directors, has significantly affected or may significantly affect the operations of the group, the results of those operations or the state of affairs of the group in future financial years other than the following:

- In September 2013, the Company raised $1,625,460 by private placement of 73,884,546 fully paid ordinary shares at $0.022 per share.
- In July 2013 loan facility available until 1 October 2014 to the Company from Budside Pty Ltd, a related entity of Director Mr D J Morton, increased from $2,500,000 to $3,250,000 and an additional $250,000 was drawn down. In September 2013, the facility was increased to $4,000,000.
- In July 2013 loan facility available until 1 October 2014 to the Company from TD International SA, a related entity of Director Mr D A Munns, increased from $500,000 to $1,250,000 and $455,000 was drawn down.
- In September 2013, loan facililties totalling $500,000 available until 1 October 2014 to the Company was agreed with Mr P Sam Yue and Oni Design Pty Ltd, a related entity of Director Mr P Sam Yue and $250,000 was drawn down.

Likely developments and expected results of operations

In relation to the Company's oil and gas exploration activities, no indication as to likely results in the future can be given due to the uncertainties usually associated with such activities. The group proposes to continue its oil and gas exploration program and investment activities that are set out on pages 3 to 15.

Environmental regulation

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

Information on Directors

David A Munns, Bachelor in Mechanical Engineering (Peterborough Technical College, United Kingdom)

Chairman – Non-Executive

Experience and expertise

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

Other listed company directorships

None.

Former directorships of listed companies in the last 3 years

None.

Special responsibilities

Chairman of the Board.

Interest in shares and options

39,172,065 ordinary shares in Gas2Grid Limited.

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

Managing Director

Experience and expertise

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

Other listed company directorships

None.

Former directorships of listed companies in last 3 years

Orion Petroleum Limited from July 2007 to June 2011.

Special responsibilities

Managing Director (since 31 March 2008).

Interest in shares and options

114,697,279 ordinary shares in Gas2Grid Limited.

Patrick W V M Sam Yue, CA, FCIS, F Fin.

Executive Director

Experience and expertise

Patrick Sam Yue had several years' experience in international accounting and finance working in the United Kingdom, Africa and the Middle-East before he joined the finance industry in Australia in 1985 prior to moving to the resources industry. He has over 25 years' experience in financial and corporate management in Australia having held senior executive and company secretary positions with ASX listed entities in the oil and gas and minerals industry.

Other listed company directorships

None.

Former directorships of listed companies in last 3 years

Premium Exploration Inc. from January 2010 to October 2011.
Ord River Resources Limited from December 2007 to September 2009.

Interest in shares and options

22,241,000 ordinary shares in Gas2Grid Limited.

Darren W Reeder

Non-Executive Director

Experience and expertise

Darren Reeder has over 30 years of experience in the global well intervention, well servicing and oilfield engineering business both onshore and offshore and was until recently a co-owner and vice-chairman of ASEP Holding. He is active in the geothermal and oil and gas industry throughout SE Asia, particularly in the Philippines, through his company Black Diamond Well Services. He has previously held senior management roles with The Expro Group & ASEP BV.

Other listed company directorships

None.

Former directorships of listed companies in last 3 years

None.

Interest in shares and options

57,469,589 ordinary shares in Gas2Grid Limited.

Company Secretary

The Company Secretary is Mr Patrick W V M Sam Yue who is also an Executive Director.

Meetings of Directors

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2013, and the number of meetings attended by each director:-

	Directors' meetings	
	Number eligible to attend	Number attended
D A Munns	7	7
D J Morton	7	7
P W V M Sam Yue	7	7
D W Reeder	7	7

Remuneration report

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

(a) Principles used to determine the nature and amount of remuneration
(b) Details of remuneration
(c) Service agreements
(d) Share-based compensation
(e) Additional information.

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

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

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

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

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

Director's fees

The current base remuneration was last reviewed with effect from 1 July 2012. Director's fees are determined within an aggregate fee pool limit, which currently stands at $150,000 per annum. That limit shall not be increased except pursuant to a resolution passed at a general meeting of the Company.

Base fees

	From 1 July 2012	From 1 July 2011
Chairman	35,000	35,000
Other Directors (each)	25,000	25,000

Additional fees

In addition to base Director's fees, D J Morton and P W V M Sam Yue receive monthly management fees of $10,000 and $8,000 respectively for additional technical, corporate and administrative duties performed on a regular basis.

(b) Details of remuneration

Amounts of remuneration

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

The key management personnel of the group are the Directors.

	Short-term benefits		Post-employment benefits		Remuneration consisting of EIP shares		
Director's Name	Director's and management fees	Percentage of total remuneration	Super-annuation	Percentage of total remuneration	Shares	Percentage of total remuneration	Total
	$	%	$	%	$	%	$
2013							
Executive Director							
D J Morton	145,000	100	-	-	-	-	145,000
P W V M Sam Yue	121,000	36	-	-	217,700	64	338,700
Non-Executive Directors							
D A Munns	35,000	100	-	-	-	-	35,000
D W Reeder	25,000	100	-	-	-	-	25,000
Total	**326,000**	**60**	**-**	**-**	**217,700**	**40**	**543,700**

	Short-term benefits		Post-employment benefits		Remuneration consisting of EIP shares		
Director's Name	Director's and management fees	Percentage of total remuneration	Super-annuation	Percentage of total remuneration	Shares	Percentage of total remuneration	Total
	$	%	$	%	$	%	$
2012							
Executive Director							
D J Morton	145,000	44	-	-	182,500	56	327,500
Non-Executive Director							
D A Munns	35,000	49	-	-	36,500	51	71,500
P W V M Sam Yue	121,000	49	-	-	127,750	51	248,750
D W Reeder	25,000	58	-	-	18,250	42	43,250
Total	**326,000**	**47**	**-**	**-**	**365,000**	**53**	**691,000**

(c) Service agreements

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

(d) Share-based compensation

Employee Incentive Plan ("EIP")

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

Subject to approval of shareholders, Directors may also be offered shares with non-recourse loans or options under the plan as a long-term benefit supplementing the short-term benefits that align their interests with those of all shareholders.

Other transactions of Directors and Director-related entities

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

(e) Additional information

Loans to Directors

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

Shares under option

Nil

Insurance of officers

During the financial year, a premium of $25,277 was paid to insure the Directors of the group and the parent entity.

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

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

Proceedings on behalf of the Company

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

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

Non-audit services

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 29.

Auditor

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

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

Dennis J Morton
Director

Sydney
25 September 2013

Auditor's Independence Declaration

As lead auditor for the audit of Gas2Grid Limited for the year ended 30 June 2013, 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.

Justine Richardson
Partner
PricewaterhouseCoopers

25 September 2013

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

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

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' report on page 23, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 25 September 2013. The Directors have the power to amend and reissue the financial statements.

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

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2013

	Notes	2013 $	2012 $
Revenue from continuing operations	5	**5,278**	35,500
Expenses			
Write off of exploration expenditure	13	**(6,791,584)**	(25,463)
Administration expense		**(302,221)**	(250,771)
Auditor's remuneration	23	**(74,100)**	(53,800)
Depreciation	12	**(34,088)**	(33,432)
Employee benefits expense		**(212,152)**	(150,435)
Finance costs		**(84,064)**	(13,996)
Insurance costs		**(45,274)**	(39,799)
Rental expenses		**(89,465)**	(102,429)
Share-based payments	27	**(329,642)**	(400,010)
Other expenses	6	**(466,222)**	(183,289)
Loss before income tax		**(8,423,534)**	(1,217,924)
Income tax expense	7	**-**	-
Loss from continuing operations		**(8,423,534)**	(1,217,924)
Other comprehensive income		**-**	-
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**(8,423,534)**	(1,217,924)
Loss for the year attributable to the owners of Gas2Grid Limited		**(8,423,534)**	(1,217,924)
Total comprehensive loss for the year attributable to owners of Gas2Grid Limited		**(8,423,534)**	(1,217,924)
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the Company:		**Cents**	Cents
Basic and diluted loss per share	26	**(1.41)**	(0.30)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2013

	Notes	2013 $	2012 $
ASSETS			
Current assets			
Cash and cash equivalents	8	**1,705,565**	3,113,760
Trade and other receivables	9	**177,237**	1,191,452
Assets held for sale	10	**3,936,205**	-
Other financial assets at fair value	11	**61,100**	2,153
Total current assets		**5,880,107**	4,307,365
Non-current assets			
Plant and equipment	12	**111,511**	1,005,825
Exploration expenditure and rights	13	**12,323,403**	11,795,628
Total non-current assets		**12,434,914**	12,801,453
Total assets		**18,315,021**	17,108,818
LIABILITIES			
Current liabilities			
Trade and other payables	14	**3,858,920**	642,842
Provisions	15	**5,215**	-
Total current liabilities		**3,864,135**	642,842
Non-current liabilities			
Borrowings	16	**2,290,000**	-
Provisions	15	**93,489**	104,115
Total non-current liabilities		**2,383,489**	104,115
Total liabilities		**6,247,624**	746,957
Net assets		**12,067,397**	16,361,861
EQUITY			
Contributed equity	17	**29,128,813**	25,329,385
Reserves	18 (a)	**(191,603)**	(521,245)
Accumulated losses	18 (b)	**(16,869,813)**	(8,446,279)
Total equity		**12,067,397**	16,361,861

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2013

Consolidated	Contributed Equity $	Accumulated Losses $	Reserves $	Total Equity $
Balance at 30 June 2011	16,571,573	(7,228,355)	(921,255)	8,421,963
Total comprehensive loss for the year	-	(1,217,924)	-	(1,217,924)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	8,757,812	-	-	8,757,812
Employee Incentive Plan	-	-	400,010	400,010
Balance at 30 June 2012	**25,329,385**	**(8,446,279)**	**(521,245)**	**16,361,861**
Total comprehensive loss for the year	**-**	**(8,423,534)**	**-**	**(8,423,534)**
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	**3,799,428**	**-**	**-**	**3,799,428**
Employee Incentive Plan	**-**	**-**	**329,642**	**329,642**
Balance at 30 June 2013	**29,128,813**	**(16,869,813)**	**(191,603)**	**12,067,397**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2013

	Notes	2013 $	2012 $
Cash flows from operating activities			
Interest received		5,301	18,755
Other revenue		-	28,719
Payments to suppliers and employees (inclusive of goods and services tax)		(625,086)	(419,537)
Net cash outflow from operating activities	24	(619,785)	(372,063)
Cash flows from investing activities			
Payments for exploration expenditure		(5,103,097)	(4,222,803)
Payments for plant and equipment		(1,647,816)	(1,912,367)
Payments for security deposits		(61,100)	-
Net cash outflow from investing activities		(6,812,013)	(6,135,170)
Cash flows from financing activities			
Proceeds from issues of shares	17(b)(ii)	3,909,375	7,807,381
Proceeds from borrowings		2,350,000	1,300,000
Repayment of borrowings		(60,000)	(804,000)
Share issue transaction costs		(147,039)	(22,828)
Interest paid		(773)	(13,613)
Share-based payment transaction costs		-	(110)
Net cash inflow from financing activities		6,051,563	8,266,830
Net (decrease)/increase in cash and cash equivalents		(1,380,235)	1,759,597
Cash and cash equivalents at the beginning of year		3,113,760	1,374,931
Effects of exchange rate changes on cash and cash equivalents		(27,960)	(20,768)
Cash and cash equivalents at end of year	8	1,705,565	3,113,760

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

1. Summary of significant accounting policies

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

(a) Basis of preparation

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

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income grouped into those that are not permitted to be classified to profit and loss in a future period and those that may have to be reclassified if certain conditions are met.

i. Compliance with IFRS

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

ii. Historical cost convention

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

iii. Critical accounting estimates

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

iv. Going concern

During the year, the group raised $3,909,375 through share issues and $2,290,000 through Directors' loans.

Post balance date the group has raised an additional $1,625,460 through share placement, and has extended the Directors' loans to $5,750,000 which fall due for renewal on 1 October 2014.

The group has net current assets of $2,015,972, has incurred a net loss of $8,423,534, including the write off of exploration expenditure of $6,791,584, for the year ended 30 June 2013, and has committed minimum expenditure under its exploration licences of $865,173 in the year ending 30 June 2014.

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

The continuing ability of the group to continue as a going concern and to meet its commitments as and when they fall due is dependent upon one, or a combination of, the following alternatives that are being actively pursued by the Directors:

- Undertaking further capital raisings;
- Selling part of the Company's interests in its exploration licences and entering into joint ventures for the potential development of the projects;
- Selling of two drilling rigs and other field equipment; and
- Obtaining debt finance.

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

The Directors believe the group has sufficient funds to settle its debts as and when they become due and payable.

On that basis, the Directors have prepared the financial report on a going concern basis. At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2013. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Gas2Grid Limited ("Company" or "Parent Entity") as at 30 June 2013 and the results of its subsidiaries for the year then ended. Gas2Grid Limited and its subsidiaries together are referred to in this financial report as the group or the Consolidated Entity.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the group (refer to Note 1(k)).

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

(c) Segment reporting

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

(d) Foreign currency translation

i. Functional and presentation currency

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

ii. Transactions and balances

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

iii. Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

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

(e) Revenue recognition

Interest revenue is reported on an accruals basis using the effective interest method.

Other revenue is recognised as it is accrued.

(f) Borrowing costs

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

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

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

(j) Trade receivables

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

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

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

(k) 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 and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

ii. Loans and receivables

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

Recognition and de-recognition

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

Subsequent Measurement

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

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

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

Impairment

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

(l) Plant and equipment

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

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

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

(i)	Furniture, fittings and equipment	3-8 years
(ii)	Leasehold improvements	5 years
(iii)	Rigs and equipment	10 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(g)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(m) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use, and a sale is highly probable. They are remeasured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell.

A gain is recognised for any subsequent increase in the fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised.

A gain or loss not previously recognised by the date of the sale of the non-current asset as is recognised at the date of recognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale,

Non-current assets classified as held for sale are presented separately from other assets in the balance sheet.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Borrowings

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

(p) Provisions

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

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

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

(q) Employee benefits

i. Wages and salaries

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

ii. Share based payments

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

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

(r) 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.

(s) 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.

(t) Investment in subsidiary

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

(u) Goods and Service Tax (GST)

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

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

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

(v) 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.

(w) Exploration and evaluation expenditure

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

(i) rights to tenure of the area of interest are current; and

(ii) one of the following conditions is met:

   (i) such costs are expected to be recouped through successful development and exploitation of the area of interest or by its sale; or

   (ii) exploration and/or evaluation activities in the area of interest have not at balance date yet reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable mineral reserves, and active and significant operations in, or in relation to, the area are continuing.

Indirect costs relating to exploration and evaluation in areas of interest are capitalised in the year they are incurred. A regular review is undertaken to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Exploration and evaluation expenditure is written off when it fails to meet at least one of the conditions outlined above or an area of interest is abandoned.

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

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Where this is the case, the impairment loss will be measured in accordance with the group's impairment policy (Note 1(h)).

Capitalised exploration and evaluation expenditure considered to be tangible is recorded as Property, Plant and Equipment at cost less impairment charges. Otherwise it is recorded as an intangible asset (such as licences). As the capitalised expenditure is not ready for use it is not depreciated. All capitalised exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, an assessment is performed for each area of interest to which the exploration is attributed.

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

(x) Leases

Leases to which a significant portion of the risks and rewards of the ownership are not transferred to the group as leases are classified as operating leases (Note 28). Payments under operating leases are charged to income statement on a straight line basis over the period of the lease.

(y) New accounting standards and interpretation

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

i. AASB 9 financial instruments, AASB 2009-11 amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2015)

AASB 9 financial instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities.

ii. AASB 1053 Application of tiers of Australian Accounting Standards and AASB 2010-2 amendments to Australian Accounting Standards arising from reduced disclosure requirements (effective from 1 July 2013).

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

iii. *AASB 13 fair value measurement and AASB 2011-8 amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)*

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. It has no impact on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group will adopt the new standard in the annual reporting period ending 30 June 2014.

iv. *AASB 2011-4 amendments to Australian Accounting Standards to remove individual key management personnel disclosure requirements (effective 1 July 2013)*

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 related party disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

v. *AASB 2012-3 amendments to Australian Accounting Standard - offsetting financial assets and financial liabilities and AASB 2012-2 disclosures - offsetting financial assets and financial liabilities (effective 1 January 2014 and 1 January 2013 respectively)*

In July 2012, the AASB approved amendments to the application guidance in AASB 132 financial instruments: presentation, to clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. These amendments are effective from 1 January 2014. They are unlikely to affect the accounting for any of the entity's current offsetting arrangements. However, the AASB has also introduced more extensive disclosure requirements into AASB 7 which will apply from 1 January 2013. When they become applicable, the group will have to provide a number of additional disclosures in relation to its offsetting arrangements. The group intends to apply the new rules for the first time in the financial year commencing 1 July 2013.

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards and AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. Application of these standards by the group will not affect any of the amounts recognized in the financial statements but may impact the type of information disclosed in relation to the group's investments. The group will adopt the new standards from their operative date and therefore they will be applied in the financial statements for the annual reporting period ending 30 June 2014.

z) Parent entity financial information

The financial information for the Parent Entity, Gas2Grid Limited, disclosed in Note 22 has been prepared on the same basis as the consolidated financial statements.

2. Financial risk management

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

Risk management is carried out by the Board and the interest rates risk and credit risks faced by the group are considered minimal at this stage.

The group holds the following financial instruments:

	2013 $	2012 $
Financial assets		
Cash and cash equivalents	1,705,565	3,113,760
Trade and other receivables	177,237	1,191,452
Other financial asset	61,100	2,153
	1,943,902	4,307,365
Financial liabilities		
Trade and other payables	3,858,920	642,842
Borrowings	2,290,000	-
	6,148,920	642,842

(a) Market risk

i. Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro and Philippine Peso.

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

The group has performed sensitivity analysis relating to its exposure to foreign currency risk at balance date. This sensitivity analysis demonstrates the effect on the net exposure which could result from a change in this risk and were as follows:

ii. Cash flow and fair value interest rate risk

Increase/(decrease) in net exposure		
-Australian dollar depreciates by 5% against USD	116,521	17,309
-Australian dollar depreciates by 5% against PHP	28,017	(650)
-Australian dollar appreciates by 5% against USD	(105,424)	(15,661)
-Australian dollar appreciates by 5% against PHP	(25,280)	588

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

iii. Group sensitivity

At 30 June 2013, 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 $17,056 lower/higher (2012 - change of 100 bps: $31,137 lower/higher), as a result of lower/higher interest income from cash and cash equivalents and deposits with banks.

(b) Credit risk

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

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

(c) Liquidity risk

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

i. Financing arrangements

At 30 June 2013, the group had access to borrowing facilities of $3,000,000 bearing interest at a fixed rate of 9% per annum and are available until 1 October 2014. At balance date an amount of $2,290,000 had been drawn. On 1 July 2013 and in September 2013, the borrowing facilities were increased to $4,500,000 and $5,750,000 respectively on the same terms and conditions.

ii. Maturities of financial liabilities

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

	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
	$	$	$	$	$	$	$
At 30 June 2013							
Non-derivatives							
Non-interest bearing	3,858,920	-	-	-	-	3,858,920	3,858,920
Fixed rate	-	-	2,290,000	-	-	2,290,000	2,290,000
Variable rate	-	-	-	-	-	-	-
Total non-derivatives	3,858,920	-	2,290,000	-	-	6,148,920	6,148,920
At 30 June 2012							
Non-derivatives							
Non-interest bearing	642,842	-	-	-	-	642,842	642,842
Variable rate	-	-	-	-	-	-	-
Total non-derivatives	642,842	-	-	-	-	642,842	642,842

(d) Fair value estimation

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

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

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

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.

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.

Estimated impairment of exploration expenditure

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

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

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

4. Segment information

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

	Australia	France	Philippines	Singapore	Total
2013	**$**	**$**	**$**	**$**	**$**
Revenues					
Interest revenue	**5,278**	**-**	**-**	**-**	**5,278**
Total segment revenues	**5,278**	**-**	**-**	**-**	**5,278**
Segment results					
Loss for the year	**1,639,885**	**-**	**6,783,649**	**-**	**8,423,534**
Depreciation and amortisation	**34,088**	**-**	**-**	**-**	**34,088**
Share-based payments	**329,642**	**-**	**-**	**-**	**329,642**
Write off of exploration expenditure	**10,800**	**-**	**6,780,784**	**-**	**6,791,584**
Segment assets	**2,102,558**	**2,324,569**	**13,887,894**	**-**	**18,315,021**
Segment liabilities	**3,171,577**	**8,800**	**3,067,247**	**-**	**6,247,624**
2012					
Revenues					
Revenues from external customers	16,719	-	-	-	16,719
Interest revenue	18,781	-	-	-	18,781
Total segment revenues	35,500	-	-	-	35,500
Segment results					
Loss for the year	1,120,556	-	87,718	9,650	1,217,924
Depreciation and amortisation	33,432	-	-	-	33,432
Share-based payments	400,010	-	-	-	400,010
Write off of exploration expenditure	25,463	-	-	-	25,463
Segment assets	5,311,036	2,135,406	9,662,376	-	17,108,818
Segment liabilities	505,779	62,431	178,747	-	746,957

	2013 $	2012 $
5. Revenue		
From continuing operations		
Interest	5,278	18,781
Other revenue	-	16,719
	5,278	35,500

	2013 $	2012 $
6. Expenses		
Loss before income tax includes the following under other expenses:		
Net foreign exchange loss	403,948	30,151

7. Income tax expense

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

	2013 $	2012 $
Loss from continuing operations before income tax expense	(8,423,534)	(1,217,924)
Tax at the Australian tax rate of 30% (2012- 30%)	(2,527,060)	(365,377)
Deferred tax asset not recognised	2,527,060	365,377
Income tax expense	-	-

(b) Tax losses

	2013 $	2012 $
Unused tax losses for which no deferred tax asset has been recognised	(13,213,475)	(11,688,064)
Potential tax benefit @ 30%	3,964,043	3,506,419

8. Current assets - Cash and cash equivalents

	2013 $	2012 $
Cash at bank and in hand	1,705,565	3,113,760

9. Current assets - Trade and other receivables

	2013 $	2012 $
Other receivables (a)	31,684	59,270
Prepayments		
- Rig and well drilling materials (b)	-	1,107,070
- Insurance	145,553	25,112
	177,237	1,191,452

Credit risk

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

(a) These amounts generally arise from transactions outside the usual operating activities of the group.

(b) These amounts were deposit payments made to suppliers on placement of orders for equipment and materials for the refurbishment of two Company owned rigs and the 3 well drilling program in SC 44 which had not yet been delivered to the Company at balance date.

	2013 $	2012 $
10. Current assets – Assets held for sale		
Drilling rigs, related equipment and supplies	3,936,205	-

Management have decided to sell 2 drilling rigs, related equipment and supplies which were acquired in the year and used for drilling purposes. The sale is highly probable and is expected to be completed within 12 months. The Directors estimates that the sale proceeds will unlikely be less than the carrying value amount. This is presented within the Philippines segment in Note 4.

	2013 $	2012 $
11. Current assets – Other financial assets at fair value		
At beginning of year	2,153	2,153
Impairment	(2,153)	-
Addition	61,100	-
At end of the year	61,100	2,153
Philippines Treasury Bills	-	2,153
Security deposits	61,100	-

	2013 $	2012 $
12. Non-current assets – Property, plant and equipment		
Leasehold improvements		
Cost or fair value	113,863	113,863
Accumulated depreciation	(43,647)	(20,875)
	70,216	92,988
Plant and equipment		
Cost or fair value	51,310	910,511
Accumulated depreciation	(28,299)	(19,430)
	23,011	891,081
Furniture and fittings		
Cost or fair value	27,975	27,352
Accumulated depreciation	(9,691)	(5,596)
	18,284	21,756
Total property, plant and equipment	111,511	1,005,825

Movements during the year

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

	Plant & equipment $	Furniture & fittings $	Leasehold improvements $	Total $
Balance at beginning of year	891,081	21,756	92,988	1,005,825
Additions	3,309,287	622	-	3,309,909
Depreciation charge to income statement	(7,222)	(4,094)	(22,772)	(34,088)
Depreciation charged to exploration expenditure	(281,076)	-	-	(281,076)
Transfer to assets held for sale	(3,889,059)	-	-	(3,889,059)
Balance at the end of year	23,011	18,284	70,216	111,511

13. Non-current assets – Exploration expenditure and rights

	2013 $	2012 $
Exploration expenditure and rights		
At cost	12,323,403	11,795,628
Reconciliation of the carrying amount of exploration expenditure and rights		
Exploration expenditure and rights:		
Balance at beginning of year	11,795,628	7,442,753
Exploration expenditure and rights	7,319,359	4,378,338
Write off of exploration expenditure	(6,791,584)	(25,463)
Balance at end of year	12,323,403	11,795,628

Write off of exploration expenditure and rights related mainly to the write off of expenditure incurred on two wells, Jacob-1 and Gumamela-1, which were drilled with no hydrocarbon discovery and suspended/abandoned during the year as well as expenditure on seismic and other exploration costs in the areas of those wells drilled.

14. Current liabilities – Trade and other payables

	2013 $	2012 $
Trade payables and other creditors	3,472,503	475,942
Fees owing to Directors (see Note 19(d)(ii))	273,126	166,900
Finance costs payable on Directors' loan	83,291	-
	3,828,920	642,842

15. Provisions

	2013 $	2012 $
Current		
Provision for annual leave	5,215	-
Non-current		
Lease make good provision	17,324	16,558
Lease incentive provision	76,165	87,557
	93,489	104,115

The Company is required to restore leased premises to their original condition at the end of the lease. A provision has been recognised for the present value of the estimated expenditure to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the term of the lease.

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

Movements in non-current provisions

Movements in each class of non-current provision during the financial year are set out below:

	Make good provision	Lease incentive provision	Total
	$	$	$
Balance at beginning of year	16,558	87,557	104,115
Charged (Credited) to income statement	766	(11,392)	(10,626)
Balance at end of year	17,324	76,165	93,489

	2013	2012
	$	$
16. Non-current Borrowings		
Loan from Director related entity	2,290,000	-

At 30 June 2013, Budside Pty Ltd (related to Director DJ Morton) and TD International SA (related to Director DA Munns) have made loan facilities, of $2,500,000 and $500,000 respectively, available to the Company.. At 30 June 2013 $2,290,000 has been drawn from the Budside Pty Ltd facility. Effective 1 July 2013 the total loan facilities available were increased to $4,500,000 (Budside Pty Ltd for $3,250,000 and TD International SA for $1,250,000). In September 2013, the facility from Budside Pty Ltd was increased to $4,000,000 and additional total loan facilities of $500,000 was agreed with Director P Sam Yue and his related entity Oni Design Pty Ltd. An establishment fee of 1% of the facility amount is payable on agreement of the facilities which expire on 1 October 2014 and a fixed interest rate of 9% per annum applies.

17. Contributed equity

	Notes	2013 Shares	2012 Shares	2013 $	2012 $
a) Share capital					
Ordinary shares - fully paid	(b),(c)	646,512,868	567,424,436	29,128,813	25,329,385

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

b) Movements in ordinary share capital:

	Details	Notes	Number of shares	Issue price	$
1 July 2012	Balance at beginning of year		567,424,436		25,329,385
(i) Non-cash transactions					
2 July 2012	Shares issued under EIP	(d)	2,375,000	0.08	-
17 October 2012	Shares issued under EIP	(d)	650,000	0.10	-
9 November 2012	Shares issued under EIP	(d)	3,500,000	0.10	-
12 November 2012	Shares issued – Payment of fees to Directors	(e)	1,181,509	0.087	102,791
Sub-total			7,706,509		102,791
(ii) Cash transactions					
31 August 2012	Shares issued under private placement		31,261,923	0.065	2,032,025
3 October 2012	Payment on 6,000,000 issued EIP Shares		-	0.06	330,000
3 October 2012	Payment on 1,000,000 issued EIP Shares		-	0.08	80,000
3 October 2012	Payment on 250,000 issued EIP Shares		-	0.05	12,500
15 November 2012	Payment on 1,000,000 issued EIP Shares		-	0.07	65,000
3 December 2012	Payment on 1,325,000 issued EIP Shares		-	0.05	66,250
3 December 2012	Payment on 1,500,000 issued EIP Shares		-	0.08	120,000
28 June 2013	Shares issued under Share Purchase Plan		40,120,000	0.03	1,203,600
Sub-total			71,381,923		3,909,375
	Less: Transaction costs		-		(212,738)
Total movements			79,088,432		3,799,428
30 June 2013	**Balance at year end**		646,512,868		29,128,813

c) Ordinary shares

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

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

d) Employee Incentive Plan shares

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in Note 27.

e) Share issue

On 12 November 2012 the Company issued 1,181,509 fully paid ordinary shares at $0.087 per share. These shares were issued to Directors as payment for Director's fees and accounts payable as agreed with the Directors. The shares were approved for issue at a general meeting held on 9 November 2012.

f) Capital risk management

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

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

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

	2013 $	2012 $
18. Reserves and accumulated losses		
a) Reserves		
Share-based payments reserve	1,643,328	1,313,686
Foreign currency translation reserve	(1,834,931)	(1,834,931)
	(191,603)	(521,245)
Movements:		
Share-based payments reserve		
Balance at beginning of year	1,313,686	913,676
Option expense	329,642	400,010
Balance at end of year	1,643,328	1,313,686
Foreign currency translation reserve		
Balance at beginning of year and end of year	(1,834,931)	(1,834,931)
b) Accumulated losses		
Movements in accumulated losses were as follows:		
Balance at beginning of year	(8,446,279)	(7,228,355)
Loss for the year	(8,423,534)	(1,217,924)
Balance at end of year	(16,869,813)	(8,446,279)

c) Nature and purpose of reserves

i. Share-based payments reserve

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

ii. Foreign currency translation reserve

Exchange differences arising on translation of the foreign subsidiary are taken to the foreign currency translation reserve, as described in Note 1(d). The reserve is recognised in the income statement when the net investment is disposed of.

19. Key management personnel disclosures

a) Key management personnel compensation

	2013	2012
Short-term employee benefits	326,000	326,000
Post-employment benefits	-	-
Long-term benefits	-	-
Termination benefits	-	-
Remuneration consisting of EIP shares	217,700	365,000
	543,700	691,000

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) - (d) of the remuneration report on pages 25 to 27.

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 the remuneration report on pages 25 to 27.

ii. Option holdings

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

Name	Balance at beginning of year	Granted during the year as compensation	Exercised during the year	Other changes during the year[1]	Expired during the year	Balance at end of year	Vested and exercisable during the year
Directors of Gas2Grid Limited							
2013							
D A Munns	-	-	-	-	-	-	-
D J Morton	-	-	-	-	-	-	-
P W V M Sam Yue	-	-	-	-	-	-	-
D W Reeder	-	-	-	-	-	-	-
2012							
D A Munns	2,474,533	-	(2,474,533)	-	-	-	-
D J Morton	24,455,274	-	(24,455,274)	-	-	-	-
P W V M Sam Yue	-	-	(3,250,000)	3,250,000	-	-	-
D W Reeder	29,666,665	-	-	(18,000,000)	(11,666,665)	-	-

[1] Other changes in 2012 arose from off market acquisitions and disposals.

iii. Share holdings

The number of fully paid ordinary shares in the Company held during the financial year by each Director of Gas2Grid Limited, including their related parties, is set out below.

Name	Balance at the beginning of year	Granted during the year as compensation	Received during the year on exercise of options	Other changes during the year	Balance at the end of year
Directors of Gas2Grid Limited					
2013					
D A Munns(i)	**42,474,766**	**-**	**-**	**(3,302,701)**	**39,172,065**
D J Morton (ii)	**112,860,597**	**-**	**-**	**1,836,682**	**114,697,279**
P W V M Sam Yue (iii)	**18,241,000**	**3,500,000**	**-**	**500,000**	**22,241,000**
D W Reeder	**57,325,911**	**-**	**-**	**143,678**	**57,469,589**
2012					
D A Munns	28,856,900	-	2,474,533	11,143,333	42,474,766
D J Morton	64,544,483	-	24,455,274	23,860,840	112,860,597
P W V M Sam Yue	6,500,000	-	3,250,000	8,491,000	18,241,000
D W Reeder	48,666,665	-	-	8,659,246	57,325,911

i. 6,342,138 shares are registered in the name of TD International SA. 1,000,000 shares are registered in the name of Ann Patricia Munns.

ii. 67,957,222 shares are registered in the name of Budside Pty Limited Employees Superannuation Fund. 31,740,057 shares are registered in the name of Budside Pty Ltd.

iii. 1,500,000 shares are registered in the name of Oni Design Pty Ltd. 12,566,000 are registered in the name of W V M Sam Yue & M L Sam Yue ATF Samyue Super Fund.

c) Employee Incentive Plan shares to key management personnel

During the year 3,500,000 fully paid ordinary shares were issued under the Gas2Grid Limited Employee Incentive Plan (see Note 27) when the market price was $0.097 per share to P W V M Sam Yue for which he was granted an interest free non-recourse loan of $0.10 per share to acquire the shares and the loan is repayable at his option to be able to deal with the shares as follows:

	2013			2012		
Name	**Number of shares granted**	**Amount payable at $0.10 per share on or before 8 November 2017 at the Director's option**	**Fair value expensed under share based payments**	Number of shares granted	Amount payable at $0.08 per share on or before 30 November 2016 at the Director's option	Fair value expensed under share based payments
		$	**$**		$	$
Directors of Gas2Grid Limited						
D A Munns	-	-	-	1,000,000	80,000	36,500
D J Morton	-	-	-	5,000,000	400,000	182,500
P W V M Sam Yue	**3,500,000**	**350,000**	**217,700**	3,500,000	280,000	127,750
D W Reeder	-	-	-	500,000	40,000	18,250
	3,500,000	**350,000**	**217,700**	**10,000,000**	**800,000**	**365,000**

d) Other transactions with key management personnel

(i) Directors were issued the following fully paid shares during the year as payment for Director's and management fees owing for current and prior years:

	2013		2012	
	Shares	**$**	Shares	$
D A Munns	**201,149**	**17,500**	933,333	46,667
D J Morton	**836,682**	**72,791**	3,860,840	193,042
P W V M Sam Yue	**-**	**-**	1,241,000	62,050
D W Reeder	**143,678**	**12,500**	659,246	32,962
	1,181,509	**102,791**	6,694,419	334,721

	2013 $	2012 $
(ii) Summary of services due and payable to Directors and their related entities:		
Management fees to the following entities recognised as expense		
Budside Pty Ltd[1]	120,000	120,000
Oni Design Pty Ltd[2]	96,000	96,000
	216,000	216,000
Director's fees recognised as expense		
Budside Pty Ltd	25,000	25,000
Oni Design Pty Ltd	25,000	25,000
TD International SA[3]	35,000	35,000
D W Reeder	25,000	25,000
	110,000	110,000
Management and Director's fees owing at balance date		
Budside Pty Ltd	161,576	36,541
Oni Design Pty Ltd	66,550	115,359
TD International SA	26,250	8,750
D W Reeder	18,750	6,250
	273,126	166,900
(iii) Summary of other amounts for services and goods provided due and payable to Directors and their related entities:		
Amounts recognised as non-current assets for services and goods provided		
Exploration expenditure for services performed and goods provided by Desco Incorporated[3]	62,833	55,954
For services performed on rig maintenance and operations by TD International SA	163,128	6,169
Exploration expenditure for services performed and goods provided by Black Diamond Well Services Pte Ltd[4]	1,391,665	983,737
	1,617,626	1,045,860
Amounts owing at balance date for services and goods provided		
Desco Incorporated	35,803	-
TD International SA	121,088	-
Black Diamond Well Services Pte Ltd	906,064	-
	1,062,955	-

The amounts due and payable for the services and goods for exploration in Philippines were on an arm length basis by reference to industry standards and where available third party charges for equivalent work. These services and goods are recognised in non-current assets as disclosed above.

Related entities of the following Directors:

[1]D J Morton, [2] P W V M Sam Yue, [3]D A Munns, [4]D W Reeder

(iv) Budside Pty Ltd (related to Director D J Morton) and TD International SA (related to Director D A Munns) have made loan facilities, of $2,500,000 and $500,000 respectively at 30 June 2013, available to the Company at a fixed interest rate of 9% per annum until 1 October 2014. An establishment fee of 1% of the amount of the facility applies.

During the year Budside Pty Ltd made loans totalling $2,350,000 to the Company under the facility. $60,000 was repaid during the year. Loan outstanding at balance date was $2,290,000.
No loans were made by TD International under the facility.
At balance date the amounts payable for accrued interest on loans and establishment fee was $78,291 for Budside Pty Ltd and $5,000 for TD International SA.

(v) During the year the following Directors made payments of amounts owing under the Employee Incentive Plan for the release of shares from escrow (2012: nil):

	No. Shares released from escrow	Amount paid $
D A Munns	**6,000,000**	330,000
P W V M Sam Yue	**3,825,000**	266,250
	9,825,000	596,250

During the year the following Directors subscribed for shares under the Gas2Grid Share Purchase Plan dated 8 May 2013:

	No. Shares subscribed	Amount paid $
D A Munns	**500,000**	15,000
DJ Morton	**500,000**	15,000
P W V M Sam Yue	**500,000**	15,000
	1,500,000	45,000

20. Related party transactions

a) Parent entities

The Parent Entity within the group is Gas2Grid Limited and this is also the ultimate Parent Entity within the group.

b) Subsidiary

Interest in subsidiary is set out in Note 21.

	2013 $	2012 $
Investment by Parent Entity in subsidiary		
At beginning of year	**-**	-
Addition during the year	**1**	-
At end of year	**1**	-

c) Key management personnel

Disclosures relating to key management personnel are set out in Note 19.

21. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b).

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2013	2012
			%	%
Gas2Grid Pte Limited	Singapore	Ordinary	**100**	100
Wellfin Pty Limited	Australia	Ordinary	**100**	-

22. Parent entity financial information

a) Summary financial information

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

	2013 $	2012 $
Balance sheet		
Current assets	**1,993,176**	4,307,365
Total assets	**17,473,340**	17,108,818
Current liabilities	**(3,864,135)**	(642,842)
Non-current liabilities	**(2,383,489)**	(104,115)
Total liabilities	**(6,247,624)**	(746,957)
	11,225,716	16,361,861
Shareholders' equity		
Issued capital	**29,128,813**	25,329,385
Reserves	**(191,603)**	(521,245)
Accumulated losses	**(17,711,494)**	(8,446,279)
	11,225,716	16,361,861
Loss for the year	**(9,235,215)**	(1,217,924)
Total comprehensive loss	**(9,235,215)**	(1,217,924)

b) Guarantees entered into by the Parent Entity

The Parent Entity has not entered into any financial guarantees as at 30 June 2013 or 30 June 2012.

c) Contingent liabilities of the Parent Entity

The Parent Entity did not have any contingent liabilities as at 30 June 2013 or 30 June 2012.

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

The Parent Entity did not have any contractual commitments for the acquisition of property, plant or equipment as at 30 June 2013 or 30 June 2012 except as disclosed in Note 28.

	2013 $	2012 $

23. Remuneration of auditor

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

	2013 $	2012 $
Audit services		
Services provided by the auditor of the Parent Entity and its related firms		
PwC Australian firm		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	74,100	53,800
Total remuneration for audit services	74,100	53,800

No non-audit services were provided.

24. Reconciliation of loss after income tax to net cash inflow from operating activities

	2013 $	2012 $
Loss for the year	(8,423,534)	(1,217,924)
Depreciation and amortisation	34,088	23,372
Director's fees paid by way of share issue	102,791	334,721
Write off of exploration expenditure	6,791,584	25,463
Finance costs	84,064	13,613
Net exchange differences	257,516	20,769
Share based payment	329,642	400,010
Change in operating assets and liabilities:		
Decrease in trade and other receivables	29,739	50,981
Increase (Decrease) in trade and other payables	294,765	(29,122)
(Increase) Decrease in prepayments	(120,440)	6,054
Net cash outflow from operating activities	(619,785)	(372,063)

25. Non-cash investing and financing activities

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

	2013 $	2012 $
Creditors	-	149,235
Loan	-	496,000
Director's and management fees	102,791	334,721
	102,791	979,956

	2013 Cents	2012 Cents
26. Loss per share		
a) Basic and diluted loss per share		
From continuing operations attributable to the ordinary equity holders of the Company	(1.41)	(0.30)

	$	$
b) Reconciliations of loss used in calculating loss per share		
Basic and diluted loss per share		
Loss from continuing operations	(8,423,534)	(1,217,924)
Loss from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic loss per share	(8,423,534)	(1,217,924)

	Number	Number
c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	599,392,586	408,337,222
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	599,392,586	408,337,222

27. Share-based payments

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

The amounts issued to eligible persons under the plan during the year were 2,375,000 shares (market price at date of issue - $0.046 per share) with non-recourse loans totalling $190,000 and 4,150,000 shares (market price at date of issue - $0.097 per share) with non-recourse loans totalling $415,000. There are no vesting conditions on the shares issued.

	2013 Shares	2012 Shares
Balance at beginning of year	23,650,000	12,750,000
Granted during the year	6,525,000	10,900,000
Exercised during the year	(11,075,000)	-
Balance at end of year	19,100,000	23,650,000

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

Shares issued under EIP	Issue and grant date	Share price at grant date $	Life assumption $	Risk free rate	Expected price volatility of Company's share price	Value of option $	Value of share based payment $
2,375,000	02/07/12	0.046	5 years	2.65%	96%	0.0301	71,512
650,000	17/10/12	0.097	5 years	2.64%	79%	0.0622	40,430
3,500,000	09/11/12	0.097	5 years	2.64%	79%	0.0622	217,700
							329,642

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

Comparatives 2012

10,000,000	01/12/11	0.049	5 years	3.48%	110%	0.0365	365,000
900,000	21/03/12	0.05	5 years	5.37%	107%	0.0389	35,010
							400,010

28. Commitments

a) Capital commitments

Capital expenditure contracted for construction of drilling sites and access roads to the site at the balance date but not recognised as liabilities is as follows:

	2013 $	2012 $
Exploration expenditure and rights	-	151,600

b) Lease commitments

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

Not later than one year	122,038	203,383
Later than one year but not later than 5 years	255,012	377,050
	377,050	580,433

c) Exploration commitments

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

Not later than one year	865,173	1,956,770
Later than one year but not later than 5 years	1,241,581	-
	2,106,754	1,956,770

29. Events occurring after the reporting period

There has not arisen in the interval since 30 June 2013 and up to the date of this report, any matter that, in the opinion of the Directors, has significantly affected or may significantly affect the operations of the group, the results of those operations or the state of affairs of the group in future financial years other than the following:

- In September 2013, the Company raised $1,625,460 by private placement of 73,884,546 fully paid ordinary shares at $0.022 per share.
- In July 2013 loan facility available until 1 October 2014 to the Company from Budside Pty Ltd, a related entity of Director Mr D J Morton, increased from $2,500,000 to $3,250,000 and an additional $250,000 was drawn down. In September 2013, the facility was increased to $4,000,000.
- In July 2013 loan facility available until 1 October 2014 to the Company from TD International SA, a related entity of Director Mr D A Munns, increased from $500,000 to $1,250,000 and $455,000 was drawn down.
- In September 2013, loan facililties totalling $500,000 available until 1 October 2014 to the Company was agreed with Mr P Sam Yue and Oni Design Pty Ltd, a related entity of Director Mr P Sam Yue and $250,000 was drawn down.

DIRECTORS' DECLARATION

In the Directors' opinion:

a) the financial statements and notes set out on pages 30 to 61 are in accordance with the *Corporations Act 2001,* including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and

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

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

Dennis Morton
Director

Sydney
25 September 2013

pwc

Independent auditor's report to the members of Gas2Grid Ltd

Report on the financial report

We have audited the accompanying financial report of Gas2Grid Ltd (the company), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Gas2Grid Ltd (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: 1300 799 615, F: 1300 799 618, www.pwc.com.au

pwc

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

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

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1(a) to the financial report, which comments on the ongoing funding requirements of the consolidated entity. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in pages 5 to 7 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Gas2Grid Ltd for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Justine Richardson
Partner

Sydney
25 September 2013

The shareholder information set out below was applicable as at 18 September 2013.

1. **Substantial Shareholders**

   Substantial Shareholders in the Company are set out below:-

Ordinary shares	Number held	Percentage of issued shares
Dennis Morton	114,697,279	16.36
Darren Reeder	57,469,589	8.19
David Munns	39,172,065	5.59

2. **Voting rights**

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

3. **On-market buy-back**

   There is no current on-market buy-back.

4. **Distribution of Shareholders**

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

No. of shares	No. of Shareholders
1 – 1,000	116
1,001 – 5,000	29
5,001 – 10,000	130
10,001 – 100,000	647
100,001 and over	513
	1,435

ii) There were 120 holders with less than a marketable parcel of shares.

The shareholder information set out below was applicable as at 18 September 2013.

5. Twenty Largest Shareholders

	Name of Shareholders	Number held	Percentage of issued shares
1.	Budside Pty Ltd <Employees Superannuation Fund>	67,512,422	9.48
2.	Darren W Reeder	57,469,589	8.07
3.	David Munns	31,829,927	4.47
4.	Budside Pty Limited	30,504,857	4.28
5.	Octan Energy Pty Ltd	19,200,000	2.70
6.	Dennis Morton	15,500,000	2.18
7.	J Venpin	14,424,064	2.03
8.	JP Morgan Nominees Australia Limited <Cash Income A/C>	13,446,412	1.89
9.	Pobelo Super Pty Ltd <Pobelo P/L Super Fund A/C>	12,956,500	1.82
10.	WVM Sam Yue & M L Sam Yue <Samyue Super Fund A/C>	12,566,000	1.76
11.	Discovery Investments Pty Ltd	11,579,545	1.63
12.	J C K To	11,016,000	1.55
13.	M S Ng	10,865,000	1.53
14.	M K Walcott	9,949,434	1.40
15.	Seistend Pty Ltd <DW King Super Fund A/C>	8,900,000	1.25
16.	Uraldinarion N V	8,750,000	1.23
17.	Mining Tenement Management Pty Limited <MTM Pty Ltd Provident Fund A/C>	8,500,000	1.19
18.	Suburban Holdings Pty Ltd <The Suburban Super Fund A/C>	8,369,002	1.18
19.	W V Sam Yue	8,175,000	1.15
20.	J A Morton	7,100,000	1.00
		368,613,752	**51.79**

LICENCE SCHEDULE

Location	Licence	Holder	Interest
Cebu Island, Philippines	Service Contract 44	Gas2Grid Pte Ltd	100%
Onshore Aquitaine Basin, France	St Griede Permit	Gas2Grid Limited	100%