

Annual Report 2014





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)

Darren W Reeder

(Non-Executive)

Company Secretary

Patrick W V M Sam Yue

Registered Office and Principal Place of Business

Level 11, 10 Bridge Street

SYDNEY NSW 2000 AUSTRALIA

Telephone: +61 2 8298 3688 Facsimile: +61 2 8298 3699

Email: office@gas2grid.com

Branch office in Philippines

C/- Logistic & Marketing Phils, Inc.

3rd Floor, 111 Paseo de Roxas corner Legasi Street,

Legasi Village, MAKATI CITY PHILIPPINES

Telephone: +63 2 815 8836

Share registry

Gould Ralph Pty Limited

Level 29, Suncorp Place

259 George Street

SYDNEY NSW 2000 AUSTRALIA

Telephone: +61 2 9032 3000 Facsimile: +61 2 9032 3088

Auditor

PricewaterhouseCoopers

Darling Park Tower 2

201 Sussex Street

SYDNEY NSW 1171 AUSTRALIA

Stock exchange listing

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

Website address

www.gas2grid.com

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Dear Shareholders,

I am pleased to present you the 2014 Gas2Grid Limited Annual Report.

We have had another very active 12 months focussing on oil production testing at the Malolos Oil Field within Service Contract 44 ("SC 44"), Cebu Island, the Philippines. That oil field was declared a discovery in January 2014 and an expert has calculated a "Best Estimate" of 20.4 million barrels of "Contingent Resource of Total Oil Initially in Place". This is a very substantial resource for us to continue pursuing for appraisal and development. SC 44 reached the end of its 10 year exploration period in January 2014 and it was extended to 28 January 2015 in order for the Company to establish the field's commerciality by conducting long term production testing of Malolos-1.

Significant oil production rates were achieved during short periods but the flow was inhibited by sand blocking the perforations downhole. This production engineering issue, which is quite common, can be overcome by applying different well completion methods; but it will require time beyond 2015 in order to research and test various known procedures. We have therefore applied for a 2 year technical moratorium, allowed under the terms of the SC 44, to provide until January 2017 to prove commerciality of the field and be granted a 25 year production period under our existing contract by the Philippines Department of Energy ("DOE").

We are pursuing the farmout of SC 44 in order to fund the Malolos Oil Field appraisal and development once the 2 year moratorium period has been granted. This is our preferred form of funding although we are also considering other types of financing that includes equity issues, at the appropriate time.

The Company has also focused on investment in conventional oil and gas exploration licences in France which has progressed significantly in the last 6 months. The proposed seismic survey in the St Griede Licence has been approved by the French authorities and it is planned to be conducted in the first half of the 2015 calendar year.

The Company has lodged with the French Government three new exploration licence applications, namely Tartas, Mirande and Eauze. When granted, these licences together with St Griede, will provide the Company with an excellent opportunity for longer term growth. Tartas has reached its final stage of processing before grant whereas Mirande and Eauze have one remaining before reaching their final stage. We are hopeful that the new licences will be granted in the 2015 financial year.

The Company has continued to receive financial support from the Board, management and long term shareholders, all of whom share a belief in the quality and future of the exploration assets and now, with the DOE's support, success with planned oil field development in SC 44.

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

David Munns

Chairman

30 September 2014

SUMMARY

Philippines

- Philippines Department of Energy ("DOE") recognises
 Malolos-1 as an Oil Discovery and grants 12 month
 extension to end January, 2015 to test produce oil and confirm commerciality of Malolos Oil Field.
- In January 2014, Unrisked Prospective Resource
 assessed at Best Estimate of 104 million barrels of oil
 in addition to Contingent Resource in Malolos Oil Field
 at Best Estimate "2C" (refer to Figure 9 of this report)
 of 20.4 million barrels of "Total Oil Initially in Place".
- New geological field mapping of Malolos surface anticline establishes at least 10 square kilometres of areal closure.
- Possibly 496 metres of vertical closure between oil bearing sandstones in the Malolos-1 and 4 wells, located on the eastern anticlinal limb, anticlinal crest still to be tested.
- Geological mapping, well data and oil flow test data support the calculated Best Estimate Contingent Total Oil Initially in Place of 20.4 million barrels.
- Part of SC 44 assessed to be non-prospective has been relinquished and additional areas were awarded to SC 44 covering identified surface anticlines.
- Malolos-1 workover operations commenced on the 24th April, 2014.

- Swabbing operations of both targeted sandstones commenced on the 10th May, 2014 with oil to surface within the first day of swabbing.
- Oil and gas produced during swabbing operations.
- Remedial procedures employed to restore production partially successful- increased oil production rates for short periods with 8 barrels of oil produced in one hour.
- Blockage of perforations by sediment fines is an ongoing issue with Malolos-1 which was drilled and completed in 1960 with limited options to remediate mo ti now.
- Oil production sustained at 33 barrels oil per day and for short periods at equivalent of 200 barrels per day.
- Sufficient test data gathered to support an application to the DOE for a 2 year technical moratorium to complete further work to establish the appropriate completion technology for sustained production and full appraisal and development of the oil field.

France:

- St. Griede seismic survey application re-submitted in May 2014 was approved in July 2014.
- Processing of 3 new petroleum exploration licence applications approaching grant decisions.



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

LICENCE ADMINISTRATION: In October 2013, the Company applied to the DOE for a declaration of Malolos-1 as an oil discovery, under the terms and conditions of the Service Contract.

On 2nd January, 2014, the DOE responded positively on the Company's application and granted a 12 month extension to SC 44 to 28th January, 2015 for the conduct of an oil production test with the aim of establishing a commercial oil field. The DOE's recognition of Malolos-1 as an oil discovery represents the first time that the field has been independently certified. The grant of the 12 month extension and the right to produce and sell oil is a big step forward in developing the oil field.

In late August, 2014 with the results of the production flow test at Malolos-1, the Company applied to the DOE for a 2 year technical moratorium beginning 29th January, 2015 to 28th January, 2017, to allow time to complete new technology research and finalize an appraisal and development plan for the Malolos Oil Field and SC44.

MALOLOS OILFIELD RESOURCE ESTIMATES: In the Malolos
Oil Field, the "Contingent Resource"* of oil in place in two
productive sandstones was re-assessed upwards to be between
6.8 million barrels (Low Estimate "1C") and 68.1 million barrels
(High Estimate "3C"), with a Best Estimate "2C" of 20.4 million
barrels of "Total Oil Initially in Place" (In June 2013, the Company
had reported a "Contingent Resource" of the Malolos Oil Field
to between 4 million barrels (Low Estimate "1C") and 42 million
barrels (High Estimate "3C"), with a Best Estimate "2C" of
12 million barrels of "Total Oil Initially in Place". (refer to Figure 9
of this report)

On 29 January 2014, the Company announced that an independent assessment of the "Unrisked Prospective Resource"* covering newly identified prospective leads within SC 44 calculates recoverable oil in the range of 14 million barrels (Low Estimate) to 601 million barrels (High Estimate) with a Best Estimate of 104 million barrels. This resource is in the vicinity of the Malolos Oil Field and in addition to the "Contingent Resource" within the Malolos Oil Field.

Geological mapping, well data and oil flow test data acquired during 2014 support the calculated Best Estimate Contingent Total Oil Initially in Place of 20.4 million barrels.

GEOLOGICAL MAPPING: In 2014, new surface geological mapping was conducted in conjunction with the swabbing operations and this new mapping was integrated with vintage map data. The new mapping has now clearly defined the areal extent of the Malolos anticline, covering approximately 10 square kilometres and the location of the main thrust fault that cores the anticline. Geological mapping also established that the two deep Malolos wells (Malolos-1 & 4) are located down-dip, on the eastern anticlinal limb near the eastern edge of the field. This interpretation is supported by seismic data and water produced from the lower sandstone interval during swabbing operations, indicating close proximity to the oil-water contact.

LICENCE AREA VARIATION: The Company successfully applied for a variation in the area covered by SC 44 by the relinquishment of non-prospective parts of SC 44 and the addition of adjacent areas containing mapped, surface anticlines.



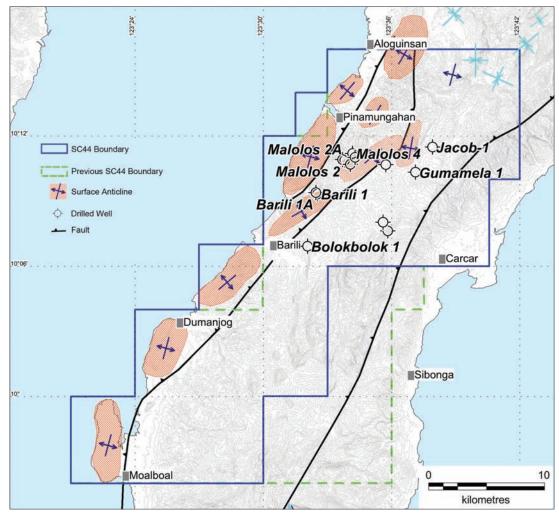


Figure 1 - Outline of Amended SC 44

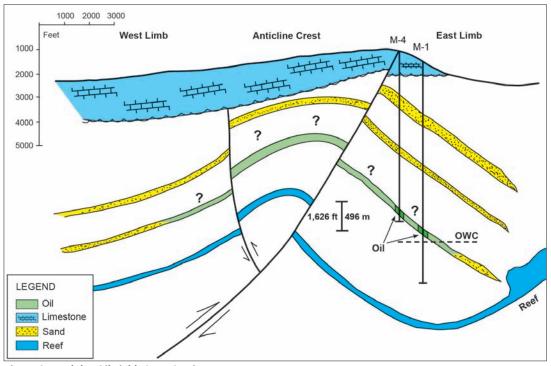


Figure 2 - Malolos Oil Field: Cross Section

MALOLOS OIL FIELD 2013 INITIAL PRODUCTION TESTS

ASSESSMENT: In the June 2013 quarter, the Company successfully perforated and flow tested two oil bearing sandstones in Malolos-1 at depths of 2,219 – 2,227.5 metres (7,280 – 7,308 feet) and 2,178 – 2,195.4 metres (7,152 – 7,207 feet).

Oil flowed from the lower sandstone interval under natural pressure and reached within 22 metres of the surface, with gas flowing to surface under natural pressure at a small but unmeasured rate.

The two sandstone intervals were placed on short term production test in 2013 using Rig-2 for swabbing and they produced 30 bbls oil over a 2.5 hour period before the swabbing assembly parted at surface, dropped downhole in the tubing curtailing the swabbing operations. The oil level in the tubing subsequently rose to 970 feet (296 metres) below surface in 24 hours under natural flow.

The oil produced on the short term tests indicated production rates of between 100 to 200 barrels of oil per day ("bopd"). These results were integrated with all other available technical data and resulted in the declaration of Malolos-1 as an oil discovery in October 2013.

The two oil bearing sandstones that have tested oil are located within the eastern limb of the Malolos anticline where they are steeply dipping (60°). The crest of the anticline remains to be tested by drilling. Previously drilled wells, Malolos-1 and Malolos-4, recorded oil bearing sandstones over a 1,627 feet (496 metre) vertical interval.

The Company assessed that further testing of Malolos-1 will result in commercial oil production from a much larger Malolos Oil Field than initially estimated.

EXTENDED PRODUCTION TESTS IN 2014: The 2014 extended oil production testing program aimed at gathering sufficient technical information to confirm commerciality of the Malolos Oil Field to justify the DOE awarding a 25 year production period and leading to full field appraisal and development.

The Company acquired a fit for purpose swabbing unit which is suitable for testing oil production at the oil pay depth in Malolos-1 and which provides the Company with flexibility in the oil testing program at significant cost savings over alternative equipment rental. The swabbing unit and Rig-2 were used to conduct the extended oil production test which commenced on the 24th April, 2014.

Firstly, two cement plugs were successfully cleaned out of the hole to provide clear access to the two oil bearing sandstone intervals (7,152-7,207 feet; 2,178-2,195.4 metres and 2,219-2,227.5 metres; 7,280-7,308 feet).

The swabbing unit commenced Malolos-1 operations on the 10th May, 2014 testing both oil bearing intervals concurrently. Oil was produced to surface within the first day with the oil concentration increasing as the tubing fluid level was lowered. 100% oil was eventually produced once all the completion water had been swabbed from the tubing. Gas, which is in the solution in the oil trapped in the formation, was also produced and it increased wellhead pressure when the well was shut-in each night. Gas was flared each morning before swabbing operations could recommence.

Whilst 100% oil was being recovered the perforations in the wellbore, through which the oil is produced, became blocked. Swabbing operations induced small amounts of fine grained clay produced with the oil and this clay plugged the perforations through which the oil is produced, from the reservoir sandstone into the wellbore. This situation is a common condition with some sandstone reservoirs and it is technically termed "migration of fines".

Remedial work (acid wash) was undertaken to unblock the perforations. This immediately resulted in an improved influx rate, with 8 barrels of fluid being produced within a 1 hour period indicating that the perforations had been successfully cleaned by the procedures. Significant amounts of fine sand and clay were also produced with the oil (see photos in Figure 3 and Figure 4). After a period, the sediment had again partially plugged the perforations and while clean oil continues to be produced but it is at a lower influx rate.

The short term high influx rate indicates that the oil sands are capable of producing about 200 bopd as long as the perforations are not blocked. This production rate is in line with that observed during the 2013 testing and at the higher end of the Company's pre-test expectations.

The perforations were subjected to a second cleaning process by the use of high-pressure water jets. Following this procedure, the packer was re-set and the production tubing swabbed. A strong oil influx was recorded when the fluid level was at 4,199 feet (1,280 metres). The oil influx caused a rise in fluid level in the tubing to 755 feet (230 metres). The well was then swabbed for almost a full day with a sustained oil influx rate of 33 bopd. The increased oil production rate indicated that the remedial work has been at least partly successful.

The lower and the upper oil bearing sandstones were successfully tested separately. The upper sandstone did not record any significant improvement in oil production rate although oil continued to be produced. The lower sandstone did record a significant increase in production rates to over 100 bbls/day although it was also associated with a significant increase in water production indicating proximity to the oil-water contact.

The Malolos-1 well has demonstrated that it can produce oil at commercial rates. The well has previously produced approximately 200 barrels of oil per day on several occasions but only for short periods. Oil flow has been impaired due to the perforations within the wellbore at the sandstone reservoirs becoming blocked with formation fines.



Figure 3 - Fine sand and clay recovered during swabbing operations (1st June, 2014)

Well testing has determined that the two objective sandstones are oil bearing, established an oil-water contact for the lower oil sandstone indicating a minimum 496 metre vertical oil accumulation (when Malolos-1 is correlated with the oil sands in Malolos-4) and established that oil production rates are being impeded by fines migration and sand production.

Malolos-1 swab testing was suspended on the 17th June, 2014 after sufficient test data had been gathered to support an application to the DOE to continue with SC 44 in order to establish the best completion technology and fully appraise the oil field.



Figure 4 - Fine sand recovered during swabbing operations (1st June, 2014)

Currently Malolos-1 continues to be production tested under natural flow conditions with oil already produced to surface.

The Company considers that sufficient technical data has been gathered to attract a farminee to fund field appraisal and development. Farmout efforts will commence once the 2 year technical moratorium applied for has been confirmed.

FUTURE COMPLETION OPTIONS: A number of drilling (mud and hydraulics) and completion options need to be reviewed as to their suitability for application to new Malolos development and appraisal wells. The aim of this work will be to determine a drilling and completion method that will maximise oil production rates and minimise oil flow inhibition effects.

Detailed petrophysical work, in addition to that already available, will be conducted on the existing Nuevo Malolos-1 core and outcrop samples from the Malubog Formation. There has already been a large amount of petrophysical analysis conducted on the Nuevo Malolos-1 core, including detailed petrology, porosity and permeability measurements and sieve analysis.

The main completion technologies that will be investigated as part of this work are screens, gravel pack or frac-pack. **Screens** are simply a downhole metallic filter designed to prevent production of unwanted formation sand while allowing fines to migrate into the wellbore and be removed by production.

A **gravel pack** is also simply a downhole filter using different materials designed to prevent production of unwanted formation sand while allowing fines to migrate into the wellbore and be removed by production. The formation sand is held in place by properly sized gravel pack sand that in turn is held in place with a properly sized screen. **Frac-packs** combine gravel packing with fracturing, creating wide, highly conductive fractures connecting the reservoir to the wellbore in an attempt to reduce the skin effect and maximize oil production.

Design of the best drilling technologies will review the appropriate mud system and hydraulics in order to minimise drilling induced formation damage.

MALUBOG FORMATION - SANDSTONE RESERVOIRS WITHIN SC 44:

Late Oligocene-Early Miocene age marine, turbidite quartz sandstones comprise the oil and gas reservoirs in the Malolos Anticline and elsewhere, onshore Cebu. These sandstone reservoirs were deposited in deep water marine environments, on the eastern continental margin of the Palawan Continental Block.

Most of the Tertiary age sedimentary basins in Southeast-Asia are, in general terms, characterised by Late Oligocene-Early Miocene reefal carbonate systems (with limestone reservoirs) unconformably overlain by a non-marine to marine sequence of clastics incorporating sandstone reservoirs. The major depositional change from carbonates to clastic sediments is considered to be related to pull-apart of the Eastern China margin and the opening of the South-China Sea in the Eocene and the collision of the China Plate with the Pacific Plate commencing in the Early Miocene. The drift phase after pull-apart and appearance of Oceanic Crust is recorded by carbonate deposition and the change to continentally derived clastic sediments records the collision of the Palawan and Pacific Plates which included subduction of the Pacific Plate, appearance of calc-alkaline vulcanicity and development of the Philippine Fault.

Important facts relating to Malubog Formation sandstones are as follows:

- The Malubog Formation un-conformably overlies the Cebu Limestone.
- The Malubog Formation is a record of clastic basin fill comprising a progradational, upward shallowing depositional sequence that is in excess of 3,000 metres thick.
- The Malubog Formation (equivalent), located about 300 kms northwest of Cebu (south-eastern Mindoro-northwestern Panay), records a basin filling sequence composed of a basal marine shale sequence overlain (with sand content increasing upwards) by fluvio-deltaic sediments (including coal measures) and topped by non-marine fluvial sediments.
- Sandstone content, thickness and reservoir quality increases from the bottom to the top of the formation.
- Sandstones are continentally derived from the Palawan Block and clast components comprise quartz, feldspar and igneous, metamorphic and sedimentary rock fragments.
- Grain size varies from boulders, pebbles and sand grains embedded in a sandstone-siltstone matrix, sub-rounded to rounded.
- Deep water marine clastic reservoir deposition took place in channels, over-bank deposits and fan lobes.
- Whist the over-bank and fan lobe deposits are characterised by overall individual fining upward sequences the coarser grained, basal parts of those sequences are generally poorly sorted with an admixture of boulders, cobbles, pebbles and sands grains.
- Channel sands have a blocky electric log signature in contrast to the over-bank and fan lobes which have an upward fining upward signature.
- Individual sandstone thickness ranges from 1 metre up to 100 metres.



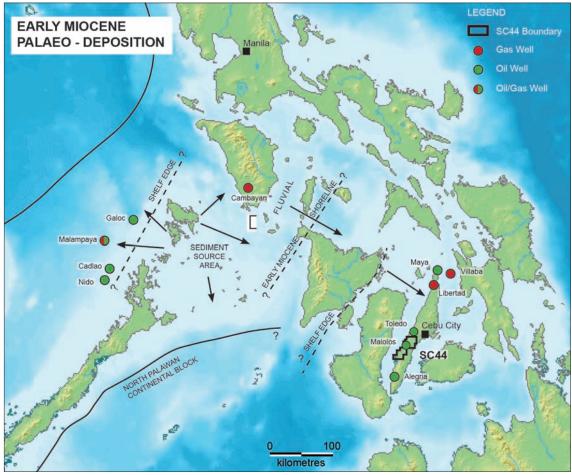


Figure 5 – Regional Map on Reservoirs Formation



Figure 6 – Malubog Formation: Organic Rich Shale Exposed in Quarry

FRANCE:

ST. GRIEDE (100%), Onshore Aquitaine Basin

The Company owns 100% of the St. Griede licence and it regards the conventional 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. The licence is under renewal, since May, 2013 and confirmation of renewal is expected soon.

During the year, the Company has submitted an application to carry out a new seismic survey of 100 kilometres in the first half of 2015. That application has been approved at the end of July, 2014.

Should that seismic data acquisition and their interpretation determine at least one drilling location on a conventional oil and gas prospect, the Company plans to drill one exploration well in late 2015.

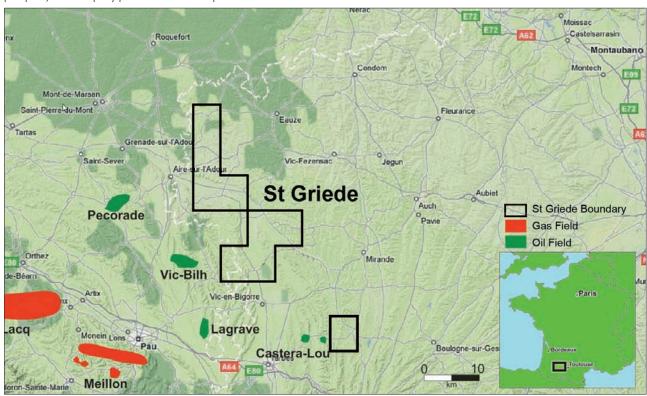


Figure 7 - France: St. Griede Licence with Oil and Gas Field Locations

NEW APPLICATIONS (100%) Onshore Aquitaine Basin

Three new licence applications targeting conventional oil and gas (Tartas, Eauze and Mirande) were submitted to the French Government over 3 years ago. These licence applications have been advertised in the European Union Gazette under normal processing procedure and these are approaching grant decisions by the French Government.

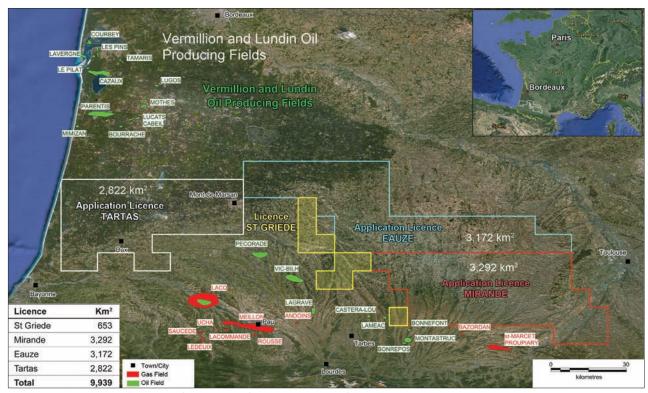


Figure 8 - Aquitaine Basin: St. Griede Licence and 3 New Licence Application Areas

The information in this Review of Operations has been compiled by Dennis Morton, Managing Director of Gas2Grid Limited, who graduated with First Class Honours in Geology (Macquarie University) and who has 38 years' experience in the oil and gas industry.

*The Petroleum Resources Management System ("PRMS") is a fully integrated system that provides a basis accepted by the industry and the Australian Stock Exchange for classification and categorization of all petroleum reserves and resources. Although the system encompasses the entire resource base, it is focused primarily on estimated recoverable sales quantities. Because no petroleum quantities can be recovered and sold without the installation of (or access to) the appropriate production, processing, and transportation facilities, PRMS is based on an explicit distinction between:

- 1. a development project that has been (or will be) implemented to recover petroleum from one or more accumulations and, in particular, the chance of commerciality of that project; and
- 2. the range of uncertainty in the petroleum quantities that are forecast to be produced and sold in the future from that development project. This two-axis PRMS system is illustrated in Figure 9.

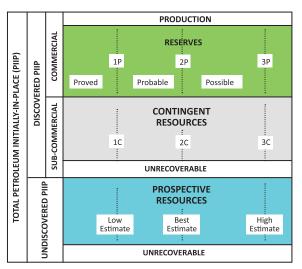


Figure 9: Graphic Summary of the SPE-PRMS classification of resources and reserves for petroleum projects.

The Resources assessment follows guidelines set forth by the Society of Petroleum Engineers – Petroleum Resource Management System (SPE-PRMS). The Resource estimates used in this presentation were compiled by Mr Len Diekman (Member SPE), Energetica Consulting, who is a qualified person as defined under the ASX Listing Rule 5.11 and has consented to the use of Resource figures in the form and context in which they appear in this presentation. Mr Diekman and his related parties hold shares in Gas2Grid Limited.

FINANCIAL

Funding: In September 2013, Gas2Grid Limited raised approximately \$1.8 million in new equity by issuing approximately 82.8 million new fully paid ordinary shares at a price of 2.2 cents per share under private placements to investors. The issues were at 17.8% to 20.8% discount to the volume weighted average price over the previous 15 trading days on the Australian Securities Exchange from the date of issue. The funds were raised for exploration work to be conducted in Service Contract 44 in the Philippines and St. Griede in France and general working capital.

A 1 for 4 Non-renounceable Rights Issue was announced on 2 April 2014 to raise approximately \$5.1 million by offering shares at 3 cents per share. The offer period was twice extended and eventually was withdrawn on 12 June 2014 due to a low level of acceptances as the share price traded below the Rights Issue offer price during the offer period. The Company plans to raise equity capital at an appropriate time and price in the year ending 30 June 2015.

In July 2013, the loan facilities from related entities of Directors (D Morton, D Munns and P Sam Yue) were increased from \$3,000,000 available at 30 June 2013 to a total of \$5,750,000 to ensure that the Company is sufficiently funded for operations. In February 2014, the period of availability of the facilities was extended from 1 October 2014 to 1 October 2015. During May 2014, \$200,000 of the amounts drawn down was repaid thereby reducing the facility available at 30 June 2014 to \$5,550,000. At 30 June 2014 a total of \$3,952,310 has been drawn under the facilities including accrued interest and facility fees. In July 2014 an additional \$395,356 has been drawn under the facilities to pay creditors. The loan facilities bear interest at 9% per annum payable quarterly in arrears with a 1% establishment fee based on arm's length commercial borrowing for an entity in the Company's circumstances. These loans will be repaid as soon as the Company is able to do so from alternative sources of funds.

To undertake exploration and appraisal activities in the 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. Currently the Company has only budgeted for the exploration expenditure that satisfies the licence commitments and the financial position of the Company allows.

The absence of guarantee in sourcing new funds for the Company's future activities presents doubts on the Company's ability to continue as a going concern and to be able to realise its assets and discharge its liabilities in the normal course of business. This going concern issue is further discussed below, is detailed in Note 1 to the Financial Statements and is subject to emphasis in the Auditor's Report.

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

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

Performance: During the year the Group incurred net losses of \$1,938,247 which included \$241,853 of share based payments to eligible persons under the Employee Incentive Plan and to Directors as approved by shareholders at the Annual General Meeting held on 22 November 2013.

Financial Position: Total equity increased to \$12,212,715 from \$12,067,397 primarily as a result of the share issues raising approximately \$1.8 million in September 2013 less the losses of \$1,938,247 incurred for the year.

Cash at 30 June 2014 was \$304,290 reduced from the 30 June 2013 balance of \$1,705,565 as cash was applied to reduce accounts payable and to operations. Current assets was \$414,182 (30 June 2013: \$5,880,107), reduced as a result of cash usage and the transfer of the rigs and equipment that were held for sale at 30 June 2013 to tangible assets in exploration expenditure and rights. The Company did not receive offers for the rigs and is not actively pursuing their sale as Rig-2 is put to use in the Malolos Oil Field production tests since April 2014 and Rig-1 will be required in the future field appraisal and development.

Current liabilities were \$1,087,923, a reduction from the 30 June 2013 amount of \$3,864,135 as most creditors have been settled through cash on hand and funds received from Directors' loans. All amounts owing to Directors for fees to 30 September 2013 were paid by the issue of new shares following approval of shareholders at the Annual General Meeting held on 22 November 2013. Subject to approval of shareholders, the amount owing to Directors at 30 June 2014 for fees of \$244,500 (excluding GST) is planned to be paid by the issue of new shares.

Cash Flows: Operating activities resulted in net outflow of \$522,156 (2013: outflow \$619,785) as the Group is still in the exploration phase with no sales revenue. A total of \$3,523,053 (2013: \$6,812,013) was paid for investment mainly in exploration and plant and equipment mostly incurred in the prior financial year. These outflows were funded from existing cash on hand, new share issues and borrowings from Directors.

STRATEGY AND PROSPECTS FOR FUTURE

The Group proposes to continue its oil and gas exploration program and investment activities in Cebu, the Philippines and the 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:

- On approval of the Department of Energy in the Philippines for additional time to appraise and develop the Malolos Oil Field within SC 44 that has been assessed to have best estimate "Contingent Resource" of 20.4 million barrels of oil and to carry out exploration on newly identified prospective leads that have been assessed to have best estimate "Unrisked Prospective Resource" of 104 million barrels of oil;
- Acquisition of new seismic data; locating and drilling a target within St Griede in France; and
- Grant of 3 new permits in the Acquitaine Basin in France and carrying out exploration in the longer term 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.

GOING CONCERN - EMPHASIS OF MATTER

At 30 June 2014, the Group had no committed expenditure under its exploration licences for the next 12 months, and has \$3,952,310 in Directors' loans that fall due for repayment on 1 October 2015.

Although the Group is still planning to undertake exploration and appraisal 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 2014 therefore includes an emphasis of matter in this regard. For further details please refer to Note 1 of the Financial Statements.

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 an	d 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. 3.1	Promote ethical and responsible decision-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.	making 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 senic 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 succoff the Company's operations:	d e
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	Number of female participants in operations and support positions Number of females in senior executive positions Number of women on the Board Objective Actual % **Number of female participants in 30 30 The second of the second of 30 30 Actual of the second of 30 30 Actual of 30 30 Actual of 30 30 Number of semale participants in 30 30 Number of semale participants in 30 30 Actual of 30 30 Number of female participants in 30 30 Number of female participants in 30 30 Actual of 30 30 Number of female participants in 30 30 Actual of 30 30 Number of female participants in 30 30 Number of females in senior 40 40 40 40 40 40 40 40 40 40 40 40 40	al
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 posted on the Group's website.	is
4. 4.1	Safeguard integrity in financial reporting The Board should establish an audit committee.	Does not comply	Two members of the Board are executives and the other to members do not qualify as independent Directors. The curre stage of establishment and size of the Group does not justithe 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.	ent ify
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.	

	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	Complies	The Group's Corporate Governance Statement states the policy and procedures to ensure compliance with ASX Listing Rule disclosure requirements.
	requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies		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. 6.1	Respect the rights of shareholders 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. 7.1	Recognise and manage risk Companies should establish policies for the oversight and management of	Complies	The Group's Corporate Governance Statement includes a business risk oversight and management policy.
	material business risks and disclose a summary of those policies.		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.	Complies	The Board requires the Managing Director to provide such a report at the relevant time.
	The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.		
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; and . 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 2014.

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 and France.

Operating and financial review

Review of Operations and Financial Performance

A detailed review of operations and financial performance for the financial year is set out on pages 2 to 12.

Dividends - Gas2Grid Limited

The Directors report that during the year ended 30 June 2014 no dividends were declared or paid (2013: \$nil).

Matters subsequent to the end of the financial year

There has not arisen in the interval since 30 June 2014 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 July 2014, the following amounts were drawn down on loan facilities to pay creditors:
 - o \$150,000 from Budside Pty Ltd, a related entity of Director D J Morton.
 - o \$100,000 from Oni Design Pty Ltd, a related entity of Director Mr P W V M Sam Yue.
 - o \$145,356 from TD International SA, a related entity of Director Mr D A Munns.

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 2 to 12.

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

47,262,974 ordinary shares in Gas2Grid Limited.

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

Managing Director

Experience and expertise

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

Other listed company directorships

None.

Former directorships of listed companies in last 3 years

None.

Special responsibilities

Managing Director (since 31 March 2008).

Interest in shares and options

121,288,188 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.

Special responsibilities

Chief Financial Officer.

Interest in shares and options

32,866,000 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

58,605,952 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 2014, and the number of meetings attended by each Director:

Directors' meetings

	Number eligible to attend	Number attended
D A Munns	2	2
D J Morton	2	2
P W V M Sam Yue	2	2
D W Reeder	2	2

Remuneration report and related party transactions

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

- (a) Principles used to determine the nature and amount of remuneration;
- (b) Details of remuneration;
- (c) Service agreements;
- (d) Share-based compensation;
- (e) Equity instruments held by key management personnel;
- (f) Loans from key management personnel or their related entities;
- (g) Other transactions with key management personnel; and
- (h) Additional information.

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

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

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

During the year ended 30 June 2014, the Group did not have a separate remuneration committee. Instead, the duties and responsibilities typically delegated to such a committee were considered to be the responsibility of the entire Board.

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

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

Director's fees

The current base remuneration was last reviewed with effect from 1 July 2013. 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 2013	From 1 July 2012
Chairman	35,000	35,000
Other Directors (each)	25,000	25,000

Additional fees

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

(b) Details of remuneration

Amounts of remuneration

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

The key management personnel of the Group are the Directors.

	Short-term	ı employe	e benefits	Post- employ- ment benefits	Long- term benefits	Termi- nation benefits	Share- based payments		% of remunera- tion that is perfor-
Name	Salary and fees*	Cash bonus	Non- monetary benefits	Superan- nuation			EIP Shares	Total	mance based
	\$	\$	\$	\$	\$	\$	\$	\$	%
2014									
Executive Directors									
D J Morton	145,000	-	-	-	-	-	-	145,000	-
P W V M Sam Yue	121,000	-	-	-	-	-	113,295	234,295	-
Non-Executive Director	rs								
D A Munns	35,000	-	-	-	-	-	113,295	148,295	-
D W Reeder	25,000	-	-	-	-	-	-	25,000	-
Total	326,000	-	-	-	-	-	226,590	552,590	-

^{*}In November 2013, \$295,750 (\$81,500 for 2014 fees and \$214,250 for 2013 fees) was settled through issuance of fully paid ordinary shares.

	Short-term	employe	e benefits	Post- employ- ment benefits	Long- term benefits	Termi- nation benefits	Share- based payments		% of remuneration that is
Name	Salary and fees*	Cash bonus	Non- monetary benefits	Superan- nuation			EIP Shares	Total	perfor- mance based
	\$	\$	\$	\$	\$	\$	\$	\$	%
2013									
Executive Directors									
D J Morton	145,000	-	-	-	-	-	-	145,000	-
P W V M Sam Yue	121,000	-	-	-	-	-	217,700	338,700	-
Non-Executive Directo	ors								
D A Munns	35,000	-	-	-	-	-	-	35,000	-
D W Reeder	25,000	-	-	-	-	-	-	25,000	-
Total	326,000	-	-	-	-	-	217,700	543,700	-

^{*}In December 2012 \$102,791 (\$51,541 for 2013 fees and \$51,250 for 2012 fees) was settled though issuance of fully paid ordinary shares.

(c) Service agreements

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

(d) Share-based compensation

Employee Incentive Plan ("EIP")

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

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

On 22 November 2013, following the approval of shareholders at the Annual General Meeting held on 22 November 2013, 13,000,000 fully paid ordinary shares were issued under the Gas2Grid Limited Employee Incentive Plan (see Note 26) to two Directors for which they were granted interest free non-recourse loans to acquire the shares at \$0.03 per share when the market price was \$0.022 per share and the loans are repayable at their option to be able to deal with the shares, as follows:

		2014			2013	
Name	Number of	Amount	Fair value	Number of	Amount	Fair value
	shares granted	payable at	expensed under	shares granted	payable at \$0.10	expensed under
		\$0.03 per share	share based		per share on	share based
		on or before 21	payments		or before 30	payments
		November 2018			November 2017	
		at the Director's			at the Director's	
		option			option	
		\$	\$		\$	\$
Directors of Gas2Gri	d Limited					
D A Munns	6,500,000	195,000	113,295	-	-	-
D J Morton	-	-	-	-	-	-
P W V M Sam Yue	6,500,000	195,000	113,295	3,500,000	350,000	217,700
D W Reeder	-	-	-	-		-
	13,000,000	390,000	226,590	3,500,000	350,000	217,700

(e) Equity instruments held by key management personnel

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

Name	Balance at beginning of year	Granted during the year as compensation	Received during the year on exercise of options	Equity settled Directors & Management fees	Balance at end of year
Directors of Gas2Grid Lim	ited 2014				
D A Munns (i)	39,172,065	6,500,000	-	1,590,909	47,262,974
D J Morton (ii)	114,697,279	-	-	6,590,909	121,288,188
P W V M Sam Yue (iii)	22,241,000	6,500,000	-	4,125,000	32,866,000
D W Reeder	57,469,589	-	-	1,136,363	58,605,952

i. 7,933,047 shares are registered in the name of TD International SA. 1,000,000 shares are registered in the name of Ann Patricia Munns.

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

	At beginning of year	Loans received	Loans repaid	Finance costs charged	Finance costs paid	At end of year	Total loan facilities available at end of year
	\$	\$	\$	\$	\$	\$	\$
2014							
D A Munns	-	728,729	-	79,595	-	808,324	1,250,000
D J Morton	2,343,290	250,000	-	328,562	-	2,921,852	4,000,000
P W V M Sam Yue	-	400,000	(200,000)	28,184	(6,050)	222,134	300,000
D W Reeder		-	-	-	-	-	
	2,343,290	1,378,729	(200,000)	436,341	(6,050)	3,952,310	5,550,000
2013							
D A Munns	-	-	-	-	-	-	500,000
D J Morton	-	2,350,000	(60,000)	53,290	-	2,343,290	2,500,000
P W V M Sam Yue	-	-	-	-	-	-	-
D W Reeder		-	-	-	-	-	-
		2,350,000	(60,000)	53,290	-	2,343,290	3,000,000

At 30 June 2013, 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, available to the Company. In August 2013, the facility from Budside Pty Ltd was increased to \$4,000,000 and additional total loan facilities of \$500,000 were agreed with Director P Sam Yue and his related entity Oni Design Pty Ltd. In May and June 2014, the loan facility from Director P Sam Yue was reduced to \$300,000 following a \$200,000 repayment of the amounts drawn.

An establishment fee of 1% of the facility amount is payable on agreement of the facilities which expire on 1 October 2015 and a fixed interest rate of 9% per annum payable quarterly in arrears applies.

The total amount owing at 30 June 2014 of \$3,952,310 is disclosed under Note 16 Non-Current Borrowings.

ii. 70,325,643 shares are registered in the name of Budside Pty Limited Employees Superannuation Fund. 35,462,545 shares are registered in the name of Budside Pty Ltd.

iii. 18,191,000 shares are registered in the name of Lamdian Pty Ltd <ATF Samyue Super Fund>.

(g) Other transactions with key management personnel

(i) Following approval of shareholders at the Annual General Meeting held on 22 November 2013, Directors were issued the following fully paid shares at \$0.022 per share in settlement of Directors' and management fees owing for current and prior years:

	2014		2013	
	Shares	\$	Shares	\$
D A Munns	1,590,909	35,000	201,149	17,500
D J Morton	6,590,909	145,000	836,682	72,791
P W V M Sam Yue	4,125,000	90,750	-	-
D W Reeder	1,136,363	25,000	143,678	12,500
	13,443,181	295,750	1,181,509	102,791

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

	2014	2013
	\$	\$
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
Directors' 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 Directors' fees owing at balance date		
Budside Pty Ltd (inclusive of GST)	116,000	161,576
Oni Design Pty Ltd (inclusive of GST)	93,775	66,550
TD International SA	26,250	26,250
D W Reeder	18,750	18,750
	254,775	273,126

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

Amounts recognised as non-current assets for services provided	Amounts recognise	d as non-curren	t assets for s	services provided
--	-------------------	-----------------	----------------	-------------------

Diamond Well Services Pte Ltd ⁴	142,923 207.366	1,391,665 1,617,626
Exploration expenditure for services performed and goods provided by Black		
Desco Incorporated ³	-	62,833
Exploration expenditure for services performed and goods provided by		
For services performed on rig maintenance and operations by TD International SA	64,443	163,128

	2014	2013
	\$	\$
Amounts owing at balance date for services and supplies provided		
TD International SA	42,719	121,088
Desco Incorporated	-	35,803
Black Diamond Well Services Pte Ltd	222,392	906,064
	265,111	1,062,955

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

In addition to the above, Black Diamond Well Services Pte Ltd has charged interest of \$116,517 (2013: \$nil) on their accounts that have not been paid within 30 days of the invoices date. This amount is in dispute.

Related entities of the following Directors:

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

(h) Additional information

Loans to Directors

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

Shares under option

Nil.

Insurance of officers

During the financial year, a premium of \$25,267 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 22 to the financial statements.

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

Auditor's independence declaration

2.6. who

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 28.

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

Dennis J Morton

Director

Sydney

30 September 2014



Auditor's Independence Declaration

As lead auditor for the audit of Gas2Grid Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the $\it Corporations Act 2001$ 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

Sydney 30 September 2014

PricewaterhouseCoopers, ABN 52 780 433 757Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171 T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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Gas2Grid Limited ABN 46 112 138 780

Financial Report for the year ended 30 June 2014

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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.

 ${\it Gas2Grid\ Limited\ is\ a\ company\ limited\ by\ shares,\ incorporated\ and\ domiciled\ in\ Australia.}$

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' report on page 19, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 30 September 2014. 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.

		2014	2013
	Notes	\$	\$
Revenue from continuing operations	5	11,786	5,278
Expenses			
Impairment of deferred exploration expenditure	13	(394,528)	(6,791,584)
Administration expense		(170,731)	(145,632)
Auditor's remuneration	22	(81,590)	(74,100)
Employee benefits expense		(95,253)	(102,152)
Management & Directors Fees	19	(326,000)	(326,000)
Depreciation	12	(38,746)	(34,088)
Finance costs		(411,676)	(84,064)
Insurance costs		(28,937)	(45,274)
Rental expenses		(85,758)	(89,465)
Share-based payments	26	(241,853)	(329,642)
Other expenses	6	(74,961)	(406,811)
Loss before income tax		(1,938,247)	(8,423,534)
Income tax expense	7	-	
Loss from continuing operations		(1,938,247)	(8,423,534)
Other comprehensive income		-	-
Other comprehensive loss for the year, net of tax		-	-
Total comprehensive loss for the year		(1,938,247)	(8,423,534)
Loss for the year attributable to the owners of Gas2Grid Limited	_	(1,938,247)	(8,423,534)
Total comprehensive loss for the year attributable to owners of Gas2Grid Limited		(1,938,247)	(8,423,534)
Loss per share for loss from continuing operations attributable to the		Conto	Contr
ordinary equity holders of the Company: Basic and diluted loss per share	25	Cents (0.27)	Cents (1.41)
שמשוני מווע עווענבע וטאא אבו אומוב	23	(0.27)	(1.41)

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

	Notes	2014 \$	2013 \$
ASSETS			
Current assets			
Cash and cash equivalents	8	304,290	1,705,565
Trade and other receivables	9	44,632	177,237
Assets held for sale	10	-	3,936,205
Other financial assets	11	65,260	61,100
Total current assets		414,182	5,880,107
Non-current assets			
Property, plant and equipment	12	70,614	111,511
Exploration expenditure and rights	13	16,851,015	12,323,403
Total non-current assets		16,921,629	12,434,914
Total assets		17,335,811	18,315,021
LIABILITIES			
Current liabilities			
Trade and other payables	14	850,006	3,858,920
Provisions	15	237,917	5,215
Total current liabilities		1,087,923	3,864,135
Non-current liabilities			
Borrowings	16	3,952,310	2,290,000
Provisions	15	82,863	93,489
Total non-current liabilities		4,035,173	2,383,489
Total liabilities		5,123,096	6,247,624
Net assets		12,212,715	12,067,397
EQUITY			
Contributed equity	17	30,970,525	29,128,813
Reserves	18 (a)	50,250	(191,603)
Accumulated losses	18 (b)	(18,808,060)	(16,869,813)
Total equity		12,212,715	12,067,397

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

	Contributed	Accumulated	D	Takal Facility
	Equity	Losses	Reserves	Total Equity
Consolidated	\$	\$	\$	\$
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
Total comprehensive loss for the year	-	(1,938,247)	-	(1,938,247)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	1,841,712	-	-	1,841,712
Employee Incentive Plan	-	-	241,853	241,853
Balance at 30 June 2014	30,970,525	(18,808,060)	50,250	12,212,715

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

	Notes	2014 \$	2013 \$
	Notes	Ÿ	Ÿ
Cash flows from operating activities			
Interest received		3,896	5,301
Other revenue		7,915	-
Payments to suppliers and employees (inclusive of goods and services tax)		(533,967)	(625,086)
Net cash outflow from operating activities	23	(522,156)	(619,785)
Cash flows from investing activities			
Payments for exploration expenditure		(3,445,168)	(5,103,097)
Payments for plant and equipment		(73,725)	(1,647,816)
Payments for security deposits		(4,160)	(61,100)
Net cash outflow from investing activities	_	(3,523,053)	(6,812,013)
Cash flows from financing activities			
Proceeds from issues of shares	17(b)(ii)	1,822,400	3,909,375
Proceeds from borrowings		1,378,729	2,350,000
Repayment of borrowings		(200,000)	(60,000)
Share issue transaction costs		(348,724)	(147,039)
Finance charges and Interest paid		(10,620)	(773)
Net cash inflow from financing activities	_	2,641,785	6,051,563
Net (decrease)/increase in cash and cash equivalents		(1,403,424)	(1,380,235)
Cash and cash equivalents at the beginning of year		1,705,565	3,113,760
Effects of exchange rate changes on cash and cash equivalents		2,149	(27,960)
Cash and cash equivalents at end of year	8	304,290	1,705,565

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

for the year ended 30 June 2014

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.

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).

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

In July 2013, the loan facilities from related entities of Directors (D Morton, D Munns and P Sam Yue) were increased from \$3 million at 30 June 2013 to a total of \$5.75 million (30 June 2014: \$5.55 million) to enable the Company to continue its planned exploration activities.

The Group has net current liabilities of \$673,741, has incurred a net loss of \$1,938,247 including the impairment of deferred exploration expenditure of \$394,528, for the year ended 30 June 2014, and has nil exploration expenditure commitment for the year ending 30 June 2015.

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 exploration commitments and repay Directors' loans is dependent upon one, or a combination of, the following options that are being actively pursued by the Directors:

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

If required, management will also negotiate to extend the maturity terms of the loan facilities beyond the current maturity date in October 2015.

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 2014. 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 2014 and the results of its subsidiaries for the year then ended. Gas2Grid Limited and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is expected to, or has rights to, variable returns from its investment in the entity.

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

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

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.

(e) Revenue recognition

Interest revenue is recognised using the effective interest rate.

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

(f) Borrowing costs

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

for the year ended 30 June 2014

(g) Income tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

(h) Impairment of assets

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

(i) Cash and cash equivalents

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

(j) Trade receivables

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

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

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

(k) Other financial assets

Classification

The Group classifies its other financial assets as loans and receivables.

i. Loans and receivables

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

Subsequent measurement

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

Impairment

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

(I) 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

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(h)). 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.

for the year ended 30 June 2014

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.

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

(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 which are expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

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

ii. Share based payments

Share-based compensation benefits may be provided to employees via an Employee Incentive Plan.

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

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 subsidiaries

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

(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:

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

for the year ended 30 June 2014

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 if written off when it fails to meet at least one of the conditions outlined above or an area of interest is abandoned.

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

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

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

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 27). Payments under operating leases are charged to income statement on a straight line basis over the period of the lease

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

A number of new and revised standards are effective for annual periods beginning on or after 1 July 2013 as follows:

- AASB 10 Consolidated Financial Statements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 127 Separate Financial Statements
- AASB 13 Fair Value Measurement

The adoption of the above standards did not result in changes in accounting policies and did not amend the amounts recognised in the financial statements.

(z) New accounting standards and interpretation

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting period. The Group's assessment is that there would be no material impact.

(aa) Parent entity financial information

The financial information for the Parent Entity, Gas2Grid Limited, disclosed in Note 21 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:

	2014 \$	2013 \$
Financial assets		
Cash and cash equivalents	304,290	1,705,565
Trade and other receivables	44,632	177,237
Other financial assets	65,260	61,100
	414,182	1,943,902
Financial liabilities		
Trade and other payables	850,006	3,858,920
Borrowings	3,952,310	2,290,000
	4,802,316	6,148,920

(a) Market risk

i. Foreign exchange risk

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

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

The Group's exposure to foreign currency risk at the reporting date, other than translation of overseas subsidiaries, was not material.

ii. Cash flow and fair value interest rate risk

	2014 \$	2013 \$
Increase/(decrease) in net exposure		
-Australian dollar depreciates by 5% against USD	20,837	116,521
-Australian dollar depreciates by 5% against PHP	(465)	28,017
-Australian dollar appreciates by 5% against USD	(18,852)	(105,424)
-Australian dollar appreciates by 5% against PHP	421	(25,280)

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 2014, 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 \$3,043 lower/higher (2013 - change of 100 bps: \$17,056 lower/higher), as a result of lower/higher interest income from cash and cash equivalents and deposits with banks.

(b) Credit risk

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

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

(c) Liquidity risk

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

Financing arrangements

At 30 June 2014, the Group had access to borrowing facilities of \$5,550,000 bearing interest at a fixed rate of 9% and are available until 1 October 2015 (on 5 February 2014, the expiry date of the facilities was extended from 1 October 2014 to 1 October 2015). At balance date an amount of \$3,952,310 had been drawn.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table reflect the contractual undiscounted cash flows (including interest payments where applicable under non-interest bearing liabilities), which may differ to the carrying values of the liabilities at the reporting date. The amounts are based on conditions existing at the balance date and may change depending on decisions taken by the Group.

	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets) / liabilities
	\$	\$	\$	\$	\$	\$	\$
At 30 June 2014							
Non-derivatives							
Non-interest bearing	1,027,860	177,854	88,927	-	-	1,294,641	850,006
Fixed rate	-	-	3,952,310	-	-	3,952,310	3,952,310
Total non-derivatives	1,027,860	177,854	4,041,237	-	-	5,246,951	4,802,316
At 30 June 2013							
Non-derivatives							
Non-interest bearing	3,961,970	103,050	51,525	-	-	4,116,545	3,858,920
Fixed rate	-	-	2,290,000	-	-	2,290,000	2,290,000
Total non-derivatives	3,961,970	103,050	2,341,525	-	-	6,406,545	6,148,920

(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.

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

Estimated impairment of exploration expenditure

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

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

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

Share-based payments

The fair value of shares issued under the Gas2Grid Limited Employee Incentive Plan is measured by reference to the fair value of options granted. The fair value estimate is based on the Black Scholes option-pricing model. The contractual life of the options is used as an input into the model. Further information regarding assumptions is included in Note 26.

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 and France. The Group manages these activities from its head office in Sydney, Australia, a branch office in Manila, the Philippines and an office in Singapore.

	Australia	France	Philippines	Total
2014	\$	\$	\$	\$
Revenues				
Interest revenue	3,871	-	-	3,871
Other revenue	-	-	7,915	7,915
Total segment revenues	3,871	-	7,915	11,786
Segment results				
Loss for the year	1,543,291	-	394,956	1,938,247
Depreciation and amortisation	38,746	-	-	38,746
Share-based payments	241,853	-	-	241,853
Impairment of deferred exploration expenditure	-	-	394,528	394,528
Segment assets	472,300	2,408,439	14,455,072	17,335,811
Segment liabilities	4,410,741	46,148	666,207	5,123,096
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
2000 for the year	1,033,003		0,703,043	
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

	2014 \$	2013 \$
5. Revenue		
From continuing operations		
Interest	3,871	5,278
Other revenue	7,915	3,27
	11,786	5,278
6. Expenses		
Loss before income tax includes the following under other expenses:		
Net foreign exchange loss	74,961	403,948
7. Income tax expense		
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(1,938,247)	(8,423,534)
Tax at the Australian tax rate of 30% (2013- 30%)	(581,474)	(2,527,060
Deferred tax asset not recognised	581,474	2,527,060
Income tax expense	-	
(b) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	(14,528,489)	(13,213,475
Potential tax benefit @ 30%	(4,358,547)	(3,964,043
8. Current assets - Cash and cash equivalents		
Cash at bank and in hand	304,290	1,705,565
9. Current assets - Trade and other receivables		
Other receivables	14,496	31,684
Prepayments	30,136	145,553
	44,632	177,237
Credit risk There is no significant credit risk with respect to receivables and prepayments.		
10. Current assets – Assets held for sale		
Drilling rigs, related equipment and supplies		3,936,205
Assets held for sale at the beginning of the year and not sold during the year are not have been reclassified to tangible assets in deferred exploration expenditure as the Philippines.		
11. Current assets – Other financial assets		
At beginning of year	61,100	2,153
Impairment	-	(2,153
Addition	4,160	61,100
At end of the year	65,260	61,100
Security deposits	65,260	61,100

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

	Plant & equipment	Furniture & fittings	Leasehold improvements	Total
	\$	\$	\$	\$
Cost	51,928	27,975	113,863	193,766
Accumulated depreciation	(41,746)	(14,986)	(66,420)	(123,152)
	10,182	12,989	47,443	70,614

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 د	Total \$
2014	¥	Ÿ	\$	Ÿ
Balance at beginning of year	23,011	18,284	70,216	111,511
Additions	617	-	-	617
Depreciation charged to income statement	(10,678)	(5,295)	(22,773)	(38,746)
Depreciation charged to exploration expenditure	(2,768)	-	-	(2,768)
Balance at the end of year	10,182	12,989	47,443	70,614
2013				
Balance at beginning of year	891,081	21,756	92,988	1,005,825
Additions	3,309,287	622	-	3,309,909
Depreciation charged 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

		2014			2013		
	Tangible	Tangible Intangible Total		Tangible	Intangible	Total	
	\$	\$	\$	\$	\$	\$	
Cost	3,760,785	13,484,758	17,245,543	-	19,114,987	19,114,987	
Impairment	(394,528)	-	(394,528)	-	(6,791,584)	(6,791,584)	
	3,366,257	13,484,758	16,851,015	-	12,323,403	12,323,403	

Reconciliation of the movement in exploration expenditure and rights

	Tangible	Intangible	Total
	\$	\$	\$
2014			
Balance at beginning of year	-	12,323,403	12,323,403
Transfer from assets held for sale	3,936,205	-	3,936,205
Additions	640	1,161,355	1,161,995
Disposals	(31,759)	-	(31,759)
Transfer to exploration expenditure	(47,871)	-	(47,871)
Impairment	(394,528)	-	(394,528)
Depreciation capitalised	(96,430)	-	(96,430)
Balance at end of year	3,366,257	13,484,758	16,851,015

Impairment of \$394,528 was recognised during the year on a drilling rig based on fair value less costs to sell basis.

2	0	1	3

Balance at beginning of year	-	11,795,628	11,795,628
Additions	-	7,319,359	7,319,359
Impairment	-	(6,791,584)	(6,791,584)
Balance at end of year	-	12,323,403	12,323,403

	2014	2013
	\$	\$
14. Current liabilities – Trade and other payables		
Trade payables and other creditors	595,231	3,502,503
Fees owing to Directors (see remuneration report (g)(ii))	254,775	273,126
Finance costs payable on Directors' Loans		83,291
	850,006	3,858,920
15. Provisions		
Current		
Provision for annual leave	5,328	5,215
Provision for disputed costs on exploration	232,589	-
	237,917	5,215
Non-current		
Lease make good provision	18,090	17,324
Lease incentive provision	64,773	76,165
	82,863	93,489

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

Current provisions	Disputed costs on exploration	Annual leave	Total
	\$	\$	\$
Balance at beginning of year	-	5,215	5,215
Charged to profit or loss	-	113	113
Charged to exploration expenditure	232,589	-	232,589
Balance at end of year	232,589	5,328	237,917

Non-current provisions	Make good provision	Lease incentive provision	Total
	\$	\$	\$
Balance at beginning of year	17,324	76,165	93,489
Charged (Credited) to profit or loss	766	(11,392)	(10,626)
Balance at end of year	18,090	64,773	82,863

	2014	2013
16. Non-current Borrowings	Ÿ	Ų.

16. Non-current Borrowings

Loans from Directors' related entities 3,952,310 2,290,000

See remuneration report on pages 21 to 26 for details on the loans.

17. Contributed equity

	Notes	2014	2013	2014	2013
		Shares	Shares	\$	\$
a) Share capital					
Ordinary shares- fully paid	(b),(c)	756,542,413	646,512,868	30,970,525	29,128,813

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 Jul 13	Balance at beginning of year		646,512,868		29,128,813
(i) Non- cash t	transactions				
23 Oct 13	Shares issued under EIP	(d)	750,000	0.030	-
22 Nov 13	Shares issued – Payment of fees to Directors	(e)	13,443,181	0.022	295,750
22 Nov 13	Shares issued under EIP to Directors	(d)	13,000,000	0.030	
			27,193,181		295,750
(ii) Cash trans	actions				
11 Sep 13	Shares issued under Private Placement		73,884,546	0.022	1,625,460
27 Sep 13	Shares issued under Private Placement		8,951,818	0.022	196,940
					1,822,400
	Less: Transaction costs				(276,438)
			82,836,364		1,545,962
	Total movement for the year		110,029,545		1,841,712
30 Jun 14	Balance at end of year		756,542,413	_	30,970,525

c) Ordinary shares

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

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

d) Employee Incentive Plan (EIP) shares

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in Note 26.

e) Share issue

On 22 November 2013 the Company issued 13,443,181 fully paid ordinary shares at \$0.022 per share in settlement of amounts owing to Directors for fees as agreed with the Directors and approved for issue at the Annual General Meeting held on 22 November 2013. The market price of a share on that date was \$0.022.

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.

18. Reserves and accumulated losses

a) Reserves Share-based payments reserve Foreign currency translation reserve Movements: Share-based payments reserve Balance at beginning of year Option expense Balance at end of year Foreign currency translation reserve Balance at beginning and end of year	2014 \$ 1,885,181 (1,834,931) 50,250 1,643,328 241,853	2013 \$ 1,643,328 (1,834,931) (191,603) 1,313,686 329,642
Share-based payments reserve Foreign currency translation reserve Movements: Share-based payments reserve Balance at beginning of year Option expense Balance at end of year Foreign currency translation reserve	1,885,181 (1,834,931) 50,250	1,643,328 (1,834,931) (191,603)
Share-based payments reserve Foreign currency translation reserve Movements: Share-based payments reserve Balance at beginning of year Option expense Balance at end of year Foreign currency translation reserve	(1,834,931) 50,250 1,643,328	(1,834,931) (191,603) 1,313,686
Movements: Share-based payments reserve Balance at beginning of year Option expense Balance at end of year Foreign currency translation reserve	50,250 1,643,328	(191,603) 1,313,686
Share-based payments reserve Balance at beginning of year Option expense Balance at end of year Foreign currency translation reserve	1,643,328	1,313,686
Share-based payments reserve Balance at beginning of year Option expense Balance at end of year Foreign currency translation reserve		
Balance at beginning of year Option expense Balance at end of year Foreign currency translation reserve		
Option expense Balance at end of year Foreign currency translation reserve		
Balance at end of year Foreign currency translation reserve	241,853	329,642
Foreign currency translation reserve		· · · · · · · · · · · · · · · · · · ·
	1,885,181	1,643,328
Palance at heginning and end of year		
Balance at beginning and end of year	(1,834,931)	(1,451,725)
b) Accumulated losses		
Movements in accumulated losses were as follows:		
Balance at beginning of year	(16,869,813)	(8,446,279)
Loss for the year	(1,938,247)	(8,423,534)
Balance at end of year	(18,808,060)	(16,869,813)

18. Reserves and accumulated losses continued

2014	2013
\$	\$

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 profit and loss when the net investment is disposed of.

19. Related party transactions

i) Key management personnel compensation

Short-term employee benefits - fees	326,000	326,000
Share-based payments	226,590 552.590	217,700 543.700
	/	,

Detailed remuneration disclosures are provided in the remuneration report on pages 21 to 26.

20. Subsidiaries

Name of entity	Country of incorporation	Class of shares	Equity ho	olding*
			2014	2013
			%	%
Gas2Grid Pte Limited	Singapore	Ordinary	100	100
Wellfin Pty Limited	Australia	Ordinary	100	100

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

21. Parent entity financial information

The Parent Entity within the Group is Gas2Grid Limited and this is also the ultimate Parent Entity within the Group. The investment by the Parent Entity in subsidiaries at 30 June 2014 is \$1 (2013: \$1).

a) Summary financial information

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

	2014 \$	2013 \$
Balance sheet	Ť	·
Current assets	399,698	1,993,176
Total assets	17,407,059	17,473,340
Current liabilities	(1,599,778)	(3,864,135)
Non-current liabilities	(4,035,173)	(2,383,489)
Total liabilities	(5,634,951)	(6,247,624)
	11,772,108	11,225,716
Shareholders' equity		
Issued capital	30,970,525	29,128,813
Reserves	50,250	(191,603)
Accumulated Losses	(19,248,667)	(17,711,494)
	11,772,108	11,225,716
Loss for the year	(1,537,173)	(9,235,215)
Total comprehensive loss	(1,537,173)	(9,235,215)

for the year ended 30 June 2014

b) Guarantees entered into by the Parent Entity

The Parent Entity has not entered into any financial guarantees as at 30 June 2014 or 30 June 2013.

c) Contingent liabilities of the Parent Entity

The Parent Entity did not have any contingent liabilities as at 30 June 2014 or 30 June 2013.

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 2014 or 30 June 2013 except as disclosed in Note 27.

22. Remuneration of auditor

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

0 1 17		
	2014	2013
	\$	\$
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	81,590	74,100
Total remuneration for audit services	81,590	74,100

No non-audit services were provided.

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

	2014	2013
	\$	\$
Loss for the year	(1,938,247)	(8,423,534)
Depreciation and amortisation	38,746	34,088
Directors' fees paid by way of share issue	295,750	102,791
Impairment of deferred exploration expenditure	394,528	6,791,584
Finance costs capitalised to loans	411,676	84,064
Net exchange differences	(2,149)	257,516
Share based payments	241,853	329,642
Change in operating assets and liabilities:		
Decrease in trade and other receivables	17,186	29,739
(Decrease) Increase in trade and other payables	(80,162)	289,550
Decrease (Increase) in prepayments	98,550	(120,440)
Increase in provisions	113	5,215
Net cash outflow from operating activities	(522,156)	(619,785)
24. Non-cash investing and financing activities		
The Company issued fully paid ordinary shares in payment of the follow $% \left\{ \left(1\right) \right\} =\left\{ \left(1\right) \right$	ing:	
Directors' and management fees	295,750	102,791

Directors' and management fees	295,750	102,791

	2014 Cents	2013 Cents
25. Earnings per share		
a) Basic and diluted earnings (loss) per share		
From continuing operations attributable to the ordinary equity		
holders of the Company	(0.27)	(1.41)

b) Reconciliations of earnings (loss) used in calculating earnings per share

	2014 \$	2013 \$
Basic and diluted earnings per share		_
Loss from continuing operations	(1,938,247)	(8,423,534)
Loss from continuing operations attributable to the ordinary equity		
holders of the Company used in calculating basic earnings per share	(1,938,247)	(8,423,534)

c) Weighted average number of shares used as the denominator

	Number	Number
Weighted average number of ordinary shares used as the denominator in		
calculating basic earnings per share	728,363,182	599,392,586
Weighted average number of ordinary shares and potential ordinary		
shares used as the denominator in calculating diluted earnings per share	728,363,182	599,392,586

26. Share-based payments

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

During the year, 750,000 shares were issued at \$0.03 per share (market price at date of issue was \$0.025 per share) to eligible persons under the plan with non-recourse loans totalling \$22,500. 6,500,000 shares were issued at \$0.03 per share to each of Directors Mr D Munns and Mr P Sam Yue (market price at date of issue was \$0.022 per share) with non-recourse loans totalling \$390,000 as approved by shareholders at the Annual General Meeting held on 22 November 2013. There are no vesting conditions on the shares issued.

	2014	2013
	Shares	Shares
Balance at beginning of year	19,100,000	23,650,000
Granted during the year	13,750,000	6,525,000
Exercised during the year		(11,075,000)
Balance at end of year	32,850,000	19,100,000

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	Value of option	Value of share based payment
		\$			share price	\$	\$
750,000	23/10/13	0.025	5 years	3.31%	119%	0.0203	15,263
13,000,000	22/11/13	0.022	5 years	3.61%	116%	0.0174	226,590
							241,853

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

Comparatives 2013

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

27. Commitments

	2014	2013
	\$	\$
a) Lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating lease.	s are payable as follows:	

 Not later than one year
 125,966
 122,038

 Later than one year but not later than 5 years
 144,860
 255,012

 270,826
 377,050

b) Exploration commitments

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

Not later than one year	-	865,173
Later than one year but not later than 5 years	1,630,903	1,241,581
	1,630,903	2,106,754

28. Events occurring after the reporting period

There has not arisen in the interval since 30 June 2014 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 July 2014, the following amounts were drawn down on loan facilities to pay creditors:
 - o \$150,000 from Budside Pty Ltd, a related entity of Director D J Morton.
 - o \$100,000 from Oni Design Pty Ltd, a related entity of Director Mr P W V M Sam Yue.
 - o \$145,356 from TD International SA, a related entity of Director Mr D A Munns.

In the Directors' opinion:

- a) the financial statements and notes set out on pages 29 to 52 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 2014 and of its performance for the financial year ended on that date.
- 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.

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

Dennis Morton

2.6. who

Director

Sydney

30 September 2014



Independent auditor's report to the members of Gas2Grid Limited

Report on the financial report

We have audited the accompanying financial report of Gas2Grid Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Gas2Grid Limited (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 757Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171 T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Auditor's opinion

In our opinion:

- (a) the financial report of Gas2Grid Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 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 21 to 26 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Gas2Grid Limited for the year ended 30 June 2014 complies with section 300A of the $Corporations\ Act\ 2001$.

PricewaterhouseCoopers

Pricewate Loudsops

Justine Richardson

Partner

Sydney 30 September 2014 The shareholder information set out below was applicable as at 22 September 2013.

1. Substantial Shareholders

Substantial Shareholders in the Company are set out below:-

Ordinary shares	Number held	Percentage of issued shares
Dennis Morton	121,288,188	16.03
Darren Reeder	58,605,952	7.75
David Munns	47,262,974	6.25

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	113
1,001 – 5,000	27
5,001 – 10,000	122
10,001 - 100,000	661
100,001 and over	556
	1,479

ii) There were 497 holders with less than a marketable parcel of shares.

5. Twenty largest Shareholders

	Name of Shareholders	Number held	Percentage of issued shares
1.	Budside Pty Ltd <employees fund="" superannuation=""></employees>	69,880,843	9.24
2.	Darren W Reeder	58,605,952	7.75
3.	Budside Pty Limited	34,727,345	4.59
4.	David Munns	31,829,927	4.21
5.	Lamdian Pty Ltd <samyue a="" c="" superfund=""></samyue>	18,191,000	2.40
6.	Dennis Morton	15,500,000	2.05
7.	J Venpin	15,072,950	1.99
8.	Pobelo Super Pty Ltd <pobelo a="" c="" fund="" l="" p="" super=""></pobelo>	13,400,000	1.77
9.	JP Morgan Nominees Australia Limited <cash a="" c="" income=""></cash>	13,396,662	1.77
10.	Octan Energy Pty Ltd	11,600,000	1.53
11.	Discovery Investments Pty Ltd	11,579,545	1.53
12.	HSBC Custody Nominees (Australia) Limited	10,251,359	1.36
13.	M K Walcott	9,949,434	1.32
14.	J C K To	9,820,920	1.30
15.	M S Ng	9,500,000	1.26
16.	Seistend Pty Ltd <dw a="" c="" fund="" king="" super=""></dw>	8,900,000	1.18
17.	Uraldinarion N V	8,750,000	1.16
18.	Invia Custodian Pty Ltd <mtm a="" c="" fund="" pl="" provident=""></mtm>	8,500,000	1.12
19.	W V Sam Yue	8,175,000	1.08
20.	TD International SA	7,148,565	0.94
		374,779,502	49.55

SCHEDULE OF MINERAL TENEMENTS

Location	Tenement	Holder	Interest	Area	Status
Cebu Island, The Philippines	SC 44	Gas2Grid Pte Ltd	100%	750 km²	Extended to 28/01/2015
Onshore Aquitaine Basin, France	St Griede Licence	Gas2Grid Limited	100%	1,238 km²	Under renewal application to 21/05/2018.
Onshore Aquitaine Basin, France	Tartas	Gas2Grid Limited	100%	2,822 km²	Under new application
Onshore Aquitaine Basin, France	Mirande	Gas2Grid Limited	100%	3,292 km²	Under new application
Onshore Aquitaine Basin, France	Eauze	Gas2Grid Limited	100%	3,172 km²	Under new application

Key to Tenement Types

SC Service Contract