

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

HALF-YEAR REPORT
31 DECEMBER 2008

GAS2GRID Limited ABN 46 112 138 780
Interim report – 31 December 2008

Contents	Page
Directors' report	2
Interim financial report	
Consolidated income statement	7
Consolidated balance sheet	8
Consolidated statement of changes in equity	9
Consolidated cash flow statement	10
Notes to the consolidated financial statements	11
Directors' declaration	14
Independent auditor's review report to the members	15

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Gas2Grid Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' report

Your directors present their report on the consolidated entity consisting of Gas2Grid Limited and the entity it controlled at the end of, or during the half-year ended 31 December 2008.

Directors

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

D A Munns

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

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

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

E D Espiritu was a director from the beginning of this financial year until his resignation on 21 November 2008.

Review of operations

Board Movements:

Dr David King retired from the Board effective 25th August and Eric Espiritu retired from the Board by not seeking re-election at the 2008 Annual General Meeting. Russell Langusch accepted an invitation to join the Board as a Non-Executive Director and Consultant.

The Board commends Dr King for his contribution to the Company and in particular his role as Executive Director since the former Managing Director resigned in July, 2006. Dr King has done an outstanding job managing the Company for the last two years and his Board contribution will be missed. The Board also extends its thanks to Eric Espiritu who has also been a very supportive Board member for several years.

Russell Langusch accepted an invitation to join the Board and he brings a wealth of public company management experience with over 33 years working in the oil and gas industry. Russell was the founding Managing Director of ASX and AIM listed Elixir Petroleum Ltd. (2004-2008) and remained in that position until Elixir merged with another ASX listed company. Since that merger Russell has been the Principal and a Director of the oil and gas research consultancy company Langusch and Associates. Russell is also a non-executive director on the ASX listed Drillsearch Energy Limited board. Prior to founding Elixir Russell worked as Director – Global Energy Group with CIBC World Markets and as a Senior Resources Analyst with Deutsche Morgan Grenfell, James Capel Australia and other stockbroking firms. Prior to joining the finance sector he was employed as a petroleum engineer with Esso Australia Limited and spent 10 years with Schlumberger Inc. worldwide in both managerial and technical roles.

Russell will provide consultancy services to Gas2Grid Limited and assist the Managing Director, Dennis Morton, with executive management of the Company. Ian Grierson and David Munns will also provide technical and operational consultancy services to the Company.

The Company aims to leverage off the extensive oil and gas industry experience that the Board and Executives possess in order to acquire ground-floor entry to low risk, onshore, oil and gas exploration opportunities. SC 44 (Philippines), EP 453 (Australia) and St. Griede (France) are all assets that have been acquired by the Company in this manner. As a priority the Company will continue to acquire assets in this

way. Wherever possible it will aim to expand in areas where it is currently active, given these provide low cost entry, excellent fiscal terms and little sovereign risk.

Rights Issue:

In early November the Company announced a 1:1 Rights Issue to shareholders in order to raise a maximum \$3.45 million of new capital. Each new share was issued at 3 cents and had an attaching 3 year, 8 cent option. The rights issue closed on the 8th December with a total of 38,584,422 new shares having been issued representing a 33.4% take-up and raising almost \$1.3 million. The total number of shares now on issue is 154,104,488 with 38,584,422 listed options also having been issued. The board considers that the result is a good one for the Company considering the Global Financial Crisis. The Directors now have until early March (a period of three months) in which to place any or all of the shortfall shares (76,935,644).

PHILIPPINES – SC 44, Onshore Cebu (100%)

The Company met with and has formally requested the Philippine Department of Energy (“DOE”) approve combining the outstanding Service Contract commitments for Sub-Phase 2 (2007-2008: 100kms seismic, aero-gravity survey, swab tests and one well) and Sub-Phase 3 (2009-2011: 2 wells). The Company is waiting for a response from the DOE to this request.

The Company has continued with technical studies and planning for remediation of hydrocarbon bearing sandstone reservoirs in the Nuevo Malolos-1 well that was drilled, cased and suspended in early 2007. Nuevo Malolos-1 intersected a number of thick sandstone intervals that possess good reservoir properties. These sandstone reservoirs are interpreted to contain both oil and gas supported by core analysis. The sandstone reservoirs were damaged during the drilling process and as a result have produced only small amounts of oil and gas on both cased and open-hole tests.

The forward program involves the design and implementation of a reservoir remediation program that will likely involve a small fracture stimulation (“frac”) to connect the well bore with undamaged formation. Work on the frac design has commenced and contractors have been engaged to investigate equipment availability and mobilisation into the Philippines in order to conduct the workover. An alternative to the fracture stimulation is to workover the well with nitrogen using a coiled tubing unit that is currently operating on a nearby island in the Philippines. The aim is to have a workover program completed as soon as possible, but with a target by the end of the second quarter, 2009.

The proposed Nuevo Malolos-1 workover offers the Company the lowest cost and nearest term, low risk, operation to produce commercial rates of gas and/or oil. The licence commitment required a new exploration well to be drilled before year-end 2008, however that commitment has been the subject of a variation request with the Philippine DOE. New exploration drilling will only take place after an acceptable licence variation is made by the DOE and a successful workover program has been completed on Nuevo Malolos-1.

There is currently no land seismic acquisition crews located in the Philippines and the Company has endeavoured to mobilise a crew into the country. In order to mobilise a crew into the Philippines sufficient work needs to be aggregated with other service contract operators. Accordingly the Company has met with other onshore operators and it is participating in an attempt to import a seismic crew into the Philippines in 2009.

AUSTRALIA – EP 453, Onshore Canning Basin, Western Australia (100%)

The Company is finalising the reprocessing seismic data previously acquired over prospects and leads located within EP 453. These reprocessed data will then be interpreted and target horizons mapped to generate drilling prospects. It is possible that prospects will be generated without the need for new seismic acquisition and if so, drilling is anticipated to commence sometime during the 2009 dry season (April-November) being funded by farmin partner/s.

EP 453 is a highly prospective licence with both oil and gas targets in Late Devonian-age carbonate, pinnacle reefs and Devonian sandstone reservoirs. A number of pinnacle reef prospects have been mapped on existing seismic data. Only two wells have previously been drilled (during the 1980s) within EP 453 and surrounding areas targeting these reefs. In addition the prospectivity of Devonian sandstone reservoirs is evidenced by the fact that the only well drilled within EP 453 and the surrounding area in recent history, Chestnut-1 (1994), intersected a shallow (depth ca 1,350 metres) 8 metre thick sandstone reservoir interpreted from logs to be hydrocarbon bearing, although the interval was not tested. A deeper (1,800 metres) sandstone reservoir is hydrocarbon bearing but has relatively poor reservoir parameters and on a drillstem test flowed gas to surface at a rate too small to measure with no produced water. These two sandstone reservoirs were deposited in a submarine fan complex and reservoir quality should improve in the direction of their depositional source (proximal area).

FRANCE – St. Griede, Onshore Aquitaine Basin (100%)

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

The licence has been awarded for a 5 year term with an aggregate total work commitment of €942,000. The licence is already covered by a regional grid of seismic data and there are a number of petroleum exploration wells that have been drilled both within and surrounding the licence. Three large oil fields are located a few kilometres west of the licence boundary. Selective seismic is being acquired from the French Government for reprocessing and these data will be integrated with existing petroleum well information in order to formulate the forward exploration program. Planning is also underway to acquire an aero-gravity survey over the licence area. Most of the existing oil and gas fields have been formed by or modified by salt movement and gravity data should enable the exact mapping of structural closures within the licence area.

The Aquitaine Basin is a prolific hydrocarbon province with a long history of discovery and production. Over 13,000 petajoules (approximately 13 trillion cubic feet) of gas and 450 million barrels of liquid hydrocarbons have been discovered within the basin, mainly by the large French Government-owned corporations. There has been a hiatus in exploration activity since the 1980s, but a resurgence of licensing activity and operations has occurred recently, coincident with the increase in both oil and natural gas prices. Three wells have been drilled in the Aquitaine Basin in the last 12 months but prior to that, activity there had been no drilling in the basin for over 10 years. Markets and infrastructure are well developed and the commercialisation of even small discoveries is not expected to be problematic.

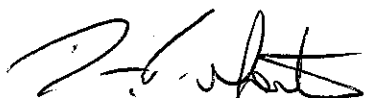
NEW ZEALAND – PEP 38260 (onshore), Canterbury Basin (55%)

The licence is currently undergoing a licence technical review and a decision as to whether retain or withdraw from the licence. The joint venture partner has advised the Company that it is withdrawing from the licence by assigning its interest to an unrelated, private NZ company.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 6.

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



Dennis J. Morton
Managing Director

Sydney
13 March 2009

PricewaterhouseCoopers
ABN 52 780 433 757

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

Auditor's Independence Declaration

As lead auditor for the review of Gas2Grid Limited for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

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

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



Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
13 March 2009

Gas2Grid Limited
Consolidated income statement
For the half-year ended 31 December 2008

		Half-year	
	Notes	2008	2007
		\$	\$
Revenue from continuing operations		6,901	81,797
Administration expense		(143,406)	(127,024)
Auditor's remuneration		(14,850)	(13,500)
Employee benefits expense		(52,893)	(59,281)
Depreciation and amortisation expense		(291)	(347)
Impairment of Deferred Exploration Expenditure		(2,065,259)	-
Insurance costs		(13,416)	(18,043)
Rental expenses		(8,119)	(3,600)
Travelling expenses		(10,383)	(26,800)
Other expenses		(35,267)	(26,318)
Loss before income tax expense		<u>(2,336,983)</u>	<u>(193,116)</u>
Income tax expense		(4,658)	(13,220)
Loss for the half-year	3	<u>(2,341,641)</u>	<u>(206,336)</u>
Loss for the half-year attributable to the members of Gas2Grid Limited		<u>(2,341,641)</u>	<u>(206,336)</u>
		Cents	Cents
Earnings per share for loss attributable to the ordinary equity holders of the company:			
Basic earnings per share		(1.96)	(0.20)
Diluted earnings per share		(1.96)	(0.20)

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

Gas2Grid Limited
Consolidated balance sheet
As at 31 December 2008

	31 DECEMBER	30 JUNE
	2008	2008
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	1,283,924	758,450
Trade and other receivables	206,693	205,406
Other financial assets at fair value	3,065	2,366
	<hr/>	<hr/>
Total current assets	1,493,682	966,222
Non-current assets		
Exploration expenditure and rights	6,778,109	7,098,049
Plant and equipment	935	1,227
	<hr/>	<hr/>
Total non-current assets	6,779,044	7,099,276
	<hr/>	<hr/>
Total assets	8,272,726	8,065,498
LIABILITIES		
Current liabilities		
Trade and other payables	226,647	580,690
	<hr/>	<hr/>
Total current liabilities	226,647	580,690
Non-current liabilities		
Trade and other payables	319,143	266,250
Deferred tax liabilities	1,872,188	1,351,812
	<hr/>	<hr/>
Total non-current liabilities	2,191,331	1,618,062
	<hr/>	<hr/>
Total liabilities	2,417,978	2,198,752
	<hr/>	<hr/>
Net assets	5,854,748	5,866,746
EQUITY		
Contributed equity	10,636,490	9,507,042
Reserves	401,711	(798,485)
Retained profits	(5,183,453)	(2,841,811)
	<hr/>	<hr/>
Total equity	5,854,748	5,866,746
	<hr/>	<hr/>

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

Gas2Grid Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2008

	Half-year	
	2008	2007
	\$	\$
Total equity at the beginning of the half-year	5,866,746	3,724,958
Exchange differences on translation of foreign operations	1,200,195	(208,509)
Net income recognised directly in equity	1,200,195	(208,509)
Loss for the half-year	(2,341,641)	(206,336)
Total recognised income and expense for the half-year	(1,141,446)	(414,845)
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity	1,129,448	2,353,425
Total equity at the end of the half-year	5,854,748	5,663,538
Total recognised income and expense for the half-year is attributable to:		
Members of Gas2Grid Limited	(2,341,641)	(414,845)
	(2,341,641)	(414,845)

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

Gas2Grid Limited
Consolidated cash flow statement
For the half-year ended 31 December 2008

	Half-year	
	2008	2007
	\$	\$
Cash flows from operating activities		
Interest received	6,901	81,797
Receipts from customers (inclusive of goods and services tax)	-	-
Payments to suppliers and employees (inclusive of goods and services tax)	(617,714)	(350,428)
Net cash inflow/(outflow) from operating activities	(610,812)	(268,631)
Cash flows from investing activities		
Exploration expenditure	(18,704)	(96,905)
Payment for plant and equipment	-	-
Payment for other financial assets	-	-
Net cash inflow/(outflow) from investing activities	(18,704)	(96,905)
Cash flows from financing activities		
Repayment of Share Purchase/Placement		
Oversubscriptions from the Prior Year	-	(1,353,833)
Proceeds from Issue of Shares	1,157,533	2,464,319
Transaction Costs on Issue of Shares	-	(110,894)
Net cash inflow/(outflow) from financing activities	1,157,533	999,592
Net increase (decrease) in cash and cash equivalents	528,017	634,056
Cash and cash equivalents at the beginning of the half-year	758,450	2,094,158
Effects of exchange rate changes on cash and cash equivalents	(2,543)	(6,142)
Cash and cash equivalents at the end of the half-year	1,283,924	2,722,072

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

1 Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Gas2Grid Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim report has been prepared on a going concern basis. The company is dependent on ongoing capital raising to continue to fund committed future exploration activities and the directors are confident that successful capital raising will be obtained as required. At this stage the company has sufficient funds to meet its immediate needs. However, the Directors expect that sufficient funds will be raised in order to satisfy the longer-term exploration commitments.

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

2 Segment information

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

	Revenue		Segment Results		Segment Assets		Segment Liabilities	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$
Australia	6,901	81,797	(2,328,195)	(190,683)	1,725,924	2,720,850	514,870	255,010
Singapore	-	-	(13,446)	(15,653)	7,354	19,045	30,920	89,087
France	-	-	-	-	26,846	26,846	-	-
New Zealand	-	-	-	-	165,707	-	-	-
Philippines	-	-	-	-	6,346,895	5,016,055	1,872,188	1,775,160
Consolidated	6,901	81,797	(2,341,641)	(206,336)	8,272,726	7,782,796	2,417,978	2,119,257

3 Loss for the half-year

The loss for the half-year includes the following items that are unusual because of their nature, size or incidence.

	Half-year	
	2008	2007
	\$	\$
Loss for the half-year includes the following specific items:		
Loss		
Impairment of Deferred Exploration Expenditure	2,065,521	-

Due to disappointing drilling results the Directors' have decided to relinquish their interest in the NZ PEP38260. This amount will not be recoverable and has been written off accordingly.

4 Dividends

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

5 Equity securities issued

	2008	2007	2008	2007
	Shares	Shares	\$	\$
Issues of ordinary shares during the half-year				
Issued via Share Purchase Plan/Placement	-	41,071,989	-	2,464,319
Issued via Non-Renounceable Entitlements Issue	38,584,422	-	1,157,533	-
Transaction Costs on Issue of Shares	-	-	(28,085)	(110,894)
	38,584,422	41,071,989	1,129,448	2,353,425

6 Key management personnel disclosures

(a) Other transactions with key management personnel

There were no transactions with key management personnel during the period.

7 Contingencies

(a) Contingent liabilities

The consolidated entity had no contingent liabilities at 31 December 2008.

8 Events occurring after the balance sheet date

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

9 Commitments for Expenditure

Exploration Commitments

The parent entity has the following Exploration Commitments:

St Griede Licence, Onshore Aquitaine Basin: An amount of \$750,000 is required to be spent from 01 January 2008 until April 2010.

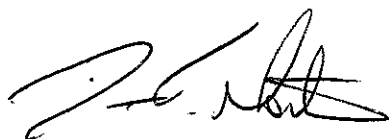
EP453, Onshore Canning Basin, WA: An amount of \$600,000 is required to be spent from 01 January 2008 until January 2010.

SC 44, Cebu, Philippines: An amount of \$2,500,000 is required to be spent from 01 January 2008 until February 2011.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 13 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Gas2Grid Limited will be able to pay its debts as and when they become due and payable.

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



Dennis J. Morton
Director

Sydney
Date: 13 March 2009

PricewaterhouseCoopers
ABN 52 780 433 757

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

Independent auditor's review report to the members of Gas2Grid Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Gas2Grid Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Gas2Grid Limited Group (the consolidated entity). The consolidated entity comprises both Gas2Grid Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Gas2Grid Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

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

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

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.


PricewaterhouseCoopers


Marc Upcroft
Partner

Sydney
13 March 2009