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

HALF-YEAR REPORT
31 DECEMBER 2009

GAS2GRID Limited ABN 46 112 138 780
Interim report – 31 December 2009

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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 2009 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 2009.

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
P Sam Yue *was appointed a director on 9 October 2009 and continues in office at the date of this report.*
R D Langusch *was a director from the beginning of this financial year until his resignation on 9 October 2009.*

Review of operations

HIGHLIGHTS

Corporate

- Private placement of 21,315,000 fully paid ordinary shares in July 2009 raised $1,065,750.
- Patrick SamYue appointed as a Non-Executive Director.
- Russell Langusch retired as a Non-Executive Director.
- Gas2Grid Limited ("GGX") and ASX listed Orion Petroleum Limited ("OIP") entered into a Merger Implementation Agreement to merge by Schemes of Arrangement.
- Annual General Meeting held on Friday, 27th November 2009.

Philippines, SC 44 (100%)

- Well workover program commenced in December, 2009.
- Initial results include gas flows.
- New seismic GPS road and track location survey completed.
- Planning for new seismic survey advanced.
- Seismic acquisition planned to commence in February, 2010.

France, St. Griede (50%)

- St. Griede aero-gravity survey completed.
- Selected existing seismic data being reprocessed.

Western Australia, EP 453 (100%)

- Licence terms varied by WA Government.
- Seismic data interpreted.
- Pinnacle reef and anticline prospects identified.
- Farmout for drilling costs planned.

New Ventures

- Assessment of new venture opportunities continued.

CORPORATE

DIRECTORS

Patrick Sam Yue was appointed as a Non-Executive Director on the GGX Board effective the 9th October 2009. Patrick is a member of the Institute of Chartered Accountants in Australia, a member of the Institute of Chartered Accountants in England and Wales, a Fellow of the Chartered Institute of Company Secretaries and a Fellow of the Financial Services Institute of Australasia. Patrick 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 into the resources industry. He has over 20 years experience in financial and corporate management in Australia having held senior financial executive and company secretary positions within ASX listed entities, New Guinea Energy Ltd, Ord River Resources Limited, Eastern Star Gas Limited, Sydney Gas Ltd, Minerals Corporation Limited, Beach Petroleum Limited and Claremont Petroleum NL. He was a non-executive director of Jupiter Mines Limited (2007- 2008) and an executive director of Ord River Resources Limited (2007 - 2009).

Russell Langusch retired from the GGX Board effective the 9th October 2009. The Board would like to sincerely thank Mr Langusch for the important role he has played on the Board since his appointment in August, 2008. Mr Langusch was recently appointed Managing Director of OIP and he retired from the GGX Board in order to fully commit himself to this new role.

MERGER – Gas2Grid Limited and Orion Petroleum Limited

On 5 November 2009, GGX entered into a Merger Implementation Agreement with OIP to merge the two companies via two Schemes of Arrangement (Share Scheme and Option Scheme), subject to the Company's shareholders and optionholders and Court approvals. Approval of OIP shareholders is also required on the acquisition by OIP of the shares held by Dennis Morton in GGX as required under the listing rules of the ASX.

The following were completed during the period to implement the Schemes:

- due diligence by each party on the other;
- appointment of an Independent Expert and preparation of independent valuation of both companies;
- lodgment of Scheme documents with the Australian Securities and Investments Commission (ASIC); and
- obtaining Court approval to hold shareholder and optionholder meetings to vote on the Share Scheme and Option Scheme respectively.

A Scheme Booklet was issued on 22 December 2009 by GGX convening meetings of shareholders and of optionholders on 28 January 2010 ("Scheme Meetings") to consider and approve the Schemes of Arrangement. OIP also convened a general meeting on 27 January 2010 to obtain its requisite approval.

On 28 January 2010, the Scheme Meetings were adjourned to 24 February 2010 to allow time to the Independent Expert to consider and respond to, where appropriate, matters raised by a lawyer representing a shareholder of both GGX and OIP. OIP likewise adjourned its general meeting on 27 January 2010 to 23 February 2010.

On 9 February 2010, GGX released materials being circulated to shareholders and optionholders relating to the matters raised by that lawyer.

The key aspects of the proposed merger are as follows:

- one (1) new OIP share is issued for every two point two five (2.25) existing GGX shares;
- one (1) new listed OIP option (18 cents, 30th November 2010) for every two point two five (2.25) existing GGX listed options; and
- OIP to remain as the listed entity and GGX to be delisted

The Boards of OIP and GGX believe that a successful merger will benefit all shareholders of the two companies with:

- An expanded and more diversified portfolio of granted exploration licences located in prospective Australian and international petroleum basins without having to compete with much larger oil and gas companies to acquire or undertake the usually lengthy process of applications;
- Immediate exposure to planned exploration and appraisal drilling activities in NSW and the Philippines over the next 12 months;
- Funds available to pursue the planned exploration activities without recourse to capital raising in a financial market that is difficult for small exploration companies; and
- A board and management with complementary skills and extensive experience in the technical, commercial and financial aspects of the international upstream oil, gas and coal seam gas industry.

PHILIPPINES – SC 44, Onshore Cebu (100%)

Government: The Philippine Department of Energy ("DOE") agreed to vary the outstanding Service Contract 44 commitments for Sub-Phase 2 (2007-2008: 100 kms seismic, aero-gravity survey, swab tests and one well) and Sub-Phase 3 (2009-2011: 2 wells). The new contract terms provide for the planned well workovers to be completed by the end of June, 2009 plus 100 kms seismic acquisition by the end of December, 2009. This is to be followed by the drilling of one new well by the end of June, 2010 and the drilling of two new wells by the end of December, 2010. A recent meeting with the DOE indicated that the current delays in completing the well workover and seismic acquisition program will not affect the tenure of the Service Contract 44.

Well Workover/s:

- Workover operations have commenced with site clearance and an initial well investigation.
- Natural gas has been produced from both the tubing and the annulus during these operations.
- Additional workover operations will be completed over the next few months with the aim of establishing a sustained gas flow rate.

A re-entry to conduct a workover on the fully cased Malolos-1 well, offers the Company the lowest cost and nearest term, low risk operation to produce commercial gas flow rates. The type of formation damage interpreted to occur in this well is common and similar to damage that has been successfully overcome in other hydrocarbon-bearing sandstones deposited within Tertiary age sedimentary basins Worldwide.

The 2009-2010 work program will involve implementation of a reservoir remediation program, initially on the Malolos-1 well with an option to also workover Nuevo Malolos-1. The workover will target a 90 metre thick sandstone interval, at a depth of 816 metres, which was originally reported to have flowed gas to surface but which currently will not flow - this is interpreted to be due to formation damage sustained during drilling and completion. The operation will be conducted in two Phases:

- **Phase 1:** will consist of initially establishing the well status, installation of wellhead safety equipment, swabbing the existing completion fluid out of the well to reduce back-pressure against the formation and inducing the well to flow, running cased-hole logs; this work has commenced in December, 2009.

- **Phase 2:** determination and implementation of a well remediation program (of which there are numerous options) to induce the formation to flow natural gas at commercial rates and conduct a long term production test; this work will be conducted in Quarter 1, 2010.

Operations Update – Phase 1

- The initial operation involved a wellhead investigation and a brief testing program.

- The well is completed across the 816 metre sandstone interval with 24 metres of perforations (5 spf) and the installation of 2 $^{7}/_{8}$ inch tubing filled with completion fluid (back pressure of about 1,100 psi) and a down-hole packer.

- Surface pressure with the tubing was measured at about 400 psi and when it was opened to atmosphere flowed natural gas for about 1 minute from gas storage in the tubing above the completion fluid; the tubing was shut-in for 36 hours and the well again built up surface pressure and flowed natural gas for slightly less than a minute.

- The annulus (area between the outside of the tubing and the casing above the down-hole packer) also measured about 450 psi surface pressure; the annulus was opened to atmospheric pressure and flowed natural gas for just under 14 minutes from gas storage in the annulus above the completion fluid before depleting; further investigation is required to locate the source of this natural gas

- The site is currently being cleared for installation of wellhead safety equipment, excavation of a gas flare pit, mobilization of a swabbing unit, crane and electric logging unit.

- Over the next few weeks an attempt will be made to gradually swab the completion fluid from the tubing to reduce the back pressure on the gas bearing sandstone reservoir in order to induce a sustainable gas flow to surface.

Seismic Survey: It is planned to acquire approximately 100 kilometres of new seismic data with an initial survey due to commence in February, 2010. The survey will target the two main recognised hydrocarbon play types which are Tertiary age, marine sandstone reservoirs trapped in faulted anticlines and Miocene age carbonate, pinnacle reefs. A detailed GPS survey of existing roads and tracks has recently been completed. The survey aimed to locate all roads and tracks within SC 44 that are suitable for seismic acquisition. The GPS survey was a success being completed on-time and within budget. A seismic acquisition contractor has been selected for this work which will commence in February, 2010.

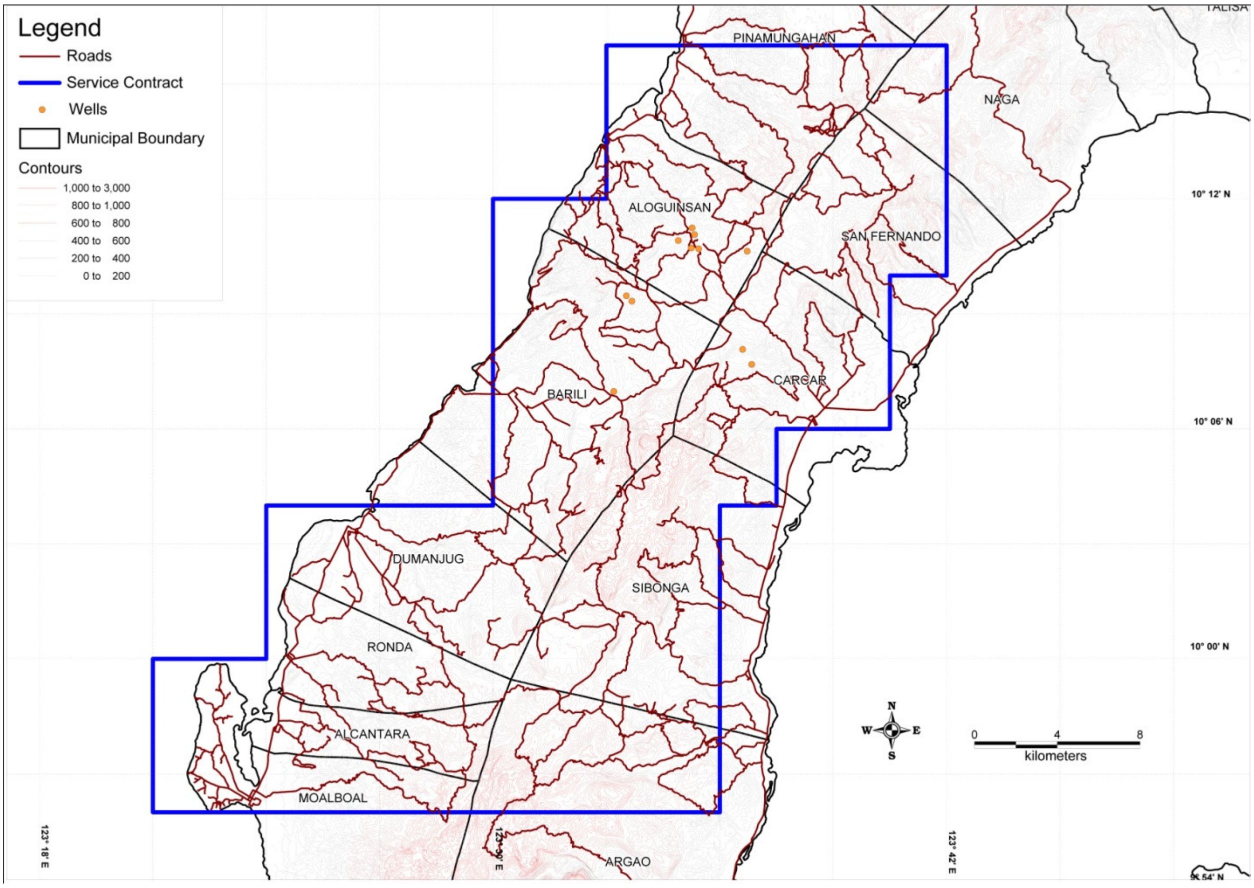

Figure 1: SC 44 – Surveyed Roads and Tracks Suitable for Seismic Acquisition

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

The Company, in conjunction with joint venture partner Flow Energy (formerly Gippsland Offshore Petroleum), awarded a contract to Bell Geospace Limited to acquire an aero-gravity survey (AGG). The survey commenced in November, 2009 and was completed in December, 2009 after acquiring approximately 5,000 line kilometres data.

Structural traps attractive for oil and gas exploration in the Aquitaine Basin are generally cored by Triassic salt. Salt has a much lower density than the surrounding sedimentary rocks and gravity is a useful technique to determine areas of thick salt development. In order to regionally define the location of thick salt accumulations and hence likely structural petroleum traps, the St. Griede joint venture will acquire a regional aero-gravity survey. The survey will be used to test this technique and the results used in planning the location of seismic data or drilling locations.

The Aquitaine Basin is a prolific hydrocarbon province with a long history of discovery and production. Over 13,000 petajoules (approximately 13 trillion cubic feet) of gas and 450 million barrels of liquid hydrocarbons have been produced from the basin, mainly by the large French Government-owned corporations. There has been a hiatus in exploration activity since the 1980s, but a resurgence of licensing activity and operations has occurred recently, coincident with the increase in both oil and natural gas prices. Three wells have been drilled in the Aquitaine Basin in the last 12 months but prior to that there had been no drilling in the basin for over 10 years. Markets and gas pipeline infrastructure are well developed and the commercialisation of even small discoveries is likely.

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

The EP 453 licence conditions have been varied with the combination of the Year 2 and 3 commitments resulting in the requirement to acquire 200 kilometres new seismic data by 17th January, 2010. This program has not commenced at the date of this report and the Company will be negotiating for additional time to complete the work.

The Company has finished reprocessing all seismic data previously acquired over prospects and leads located within EP 453. These reprocessed data have also been interpreted and target horizons mapped generating drilling prospects without the need for new seismic acquisition. The Company will now attempt to farmout these drilling prospects with a possibility that drilling could commence as early as the 2010 dry season (April-November), subject to requisite approvals and funds being provided 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).

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 8.

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

Dennis J. Morton
Managing Director

Sydney
23 February 2010

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Auditor's Independence Declaration

As lead auditor for the review of Gas2Grid Limited for the half year ended 31 December 2009, 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
23 February 2010

Gas2Grid Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2009

	Notes	Half-year 2009 $	2008 $
Revenue from continuing operations		**15,997**	6,901
Administration expense		**(553,397)**	(143,406)
Auditor's remuneration		**(14,850)**	(14,850)
Employee benefits expense		**(42,500)**	(52,893)
Depreciation and amortisation expense		**(1,267)**	(291)
Impairment of Deferred Exploration Expenditure		**-**	(2,065,259)
Insurance costs		**(13,731)**	(13,416)
Rental expenses		**(16,994)**	(8,119)
Travelling expenses		**(19,580)**	(10,383)
Other expenses		**(30,288)**	(35,267)
Loss before income tax		**(677,793)**	(2,336,983)
Income tax expense		**(43,291)**	(4,658)
Loss for the half-year	**3**	**(721,084)**	(2,341,641)
Other comprehensive income			
Exchange differences on translation of foreign operations		**(407,246)**	1,200,195
Other comprehensive loss income for the half-year		**(407,246)**	1,200,195
Total comprehensive loss for the half-year		**(1,128,330)**	(1,141,446)
Loss for the half-year attributable to the owners of Gas2Grid Limited		**(721,084)**	(2,341,641)
Total comprehensive loss for the half-year is attributable to :			
Owners of Gas2Grid Limited		**(1,128,330)**	(1,141,446)
		(1,128,330)	(1,141,446)
		Cents	Cents
Earnings per share for loss attributable to the ordinary equity holders of the company:			
Basic earnings per share		**(0.41)**	(1.96)
Diluted earnings per share		**(0.41)**	(1.96)

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

	31 DECEMBER 2009 $	30 JUNE 2009 $
ASSETS		
Current assets		
Cash and cash equivalents	**968,425**	784,256
Trade and other receivables	**161,337**	131,891
Other financial assets at fair value	**2,409**	2,600
Total current assets	**1,132,171**	918,747
Non-current assets		
Exploration expenditure and rights	**6,068,156**	6,018,178
Plant and equipment	**4,475**	2,561
Total non-current assets	**6,072,631**	6,020,739
Total assets	**7,204,802**	6,939,486
LIABILITIES		
Current liabilities		
Trade and other payables	**598,782**	337,557
Total current liabilities	**598,782**	337,557
Non-current liabilities		
Trade and other payables	**16,500**	188,750
Deferred tax liabilities	**1,479,769**	1,607,320
Total non-current liabilities	**1,496,269**	1,796,070
Total liabilities	**2,095,051**	2,133,627
Net assets	**5,109,751**	4,805,859
EQUITY		
Contributed equity	**12,148,754**	10,716,532
Reserves	**(651,390)**	(244,144)
Retained profits	**(6,387,613)**	(5,666,529)
Total equity	**5,109,751**	4,805,859

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

	Contributed Equity $	Retained Earnings $	Reserves $	Total Equity $
As at 1 July 2008	**9,507,042**	**(2,841,811)**	**(798,485)**	**5,866,746**
Total comprehensive (loss) income for the half-year	**-**	**(2,341,641)**	**1,200,195**	**(1,141,446)**
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	1,129,448	-	-	1,129,448
As at 31 December 2008	**10,636,490**	**(5,183,452)**	**401,710**	**5,854,748**

	Contributed Equity $	Retained Earnings $	Reserves $	Total Equity $
As at 1 July 2009	**10,716,532**	**(5,666,529)**	**(244,144)**	**4,805,859**
Total comprehensive (loss) income for the half-year	**-**	**(721,084)**	**(407,246)**	**(1,128,330)**
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	1,432,222	-	-	1,432,222
As at 31 December 2009	**12,148,754**	**(6,387,613)**	**(651,390)**	**5,109,751**

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

Gas2Grid Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2009

	Half-year 2009 $	2008 $
Cash flows from operating activities		
Interest received	**15,997**	6,901
Payments to suppliers and employees (inclusive of goods and services tax)	**(268,674)**	(617,714)
Net cash outflow from operating activities	**(252,677)**	(610,812)
Cash flows from investing activities		
Exploration expenditure	**(608,585)**	(18,704)
Payment for plant and equipment	**(3,181)**	-
Net cash outflow from investing activities	**(611,766)**	(18,704)
Cash flows from financing activities		
Proceeds from issue of Shares	**1,065,750**	1,157,533
Transaction Costs on issue of Shares	**(4,614)**	-
Net cash inflow from financing activities	**1,061,136**	1,157,533
Net increase (decrease) in cash and cash equivalents	**196,694**	528,017
Cash and cash equivalents at the beginning of the half-year	**784,256**	758,450
Effects of exchange rate changes on cash and cash equivalents	**(12,525)**	(2,543)
Cash and cash equivalents at the end of the half-year	**968,425**	1,283,924

The above consolidated statement of cash flows 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 2009 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 2009 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*.

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

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

The Company is dependent on ongoing availability of new capital to fund its exploration activities. The implementation of the proposed merger by Schemes of Arrangement with Orion Petroleum Limited will among satisfying other objectives provide the necessary funds to the Company for the next twelve months. Implementation of the Schemes of Arrangement is subject to shareholder and optionholder approvals (at meetings to be held on 24 February 2010) and after obtaining those approvals, Court approval on 3 March 2010.

At balance date the Group had 'Cash and Cash Equivalents' of $968,425 and current 'Trade and Other Receivables' of $161,337 which in total exceed the current 'Trade and Other Payables' of $ 598,782 by $530,980. In addition the Company has entered into a loan agreement in January 2010 providing a facility to draw up to $ 500,000 until 30 June 2010 for working capital requirements. If the requisite approvals for the Schemes of Arrangement are not obtained, the Company will need to raise new equity capital to fund its operations. The directors are confident the schemes of arrangement are in the best interests of both the Company and Orion Petroleum Limited shareholders and therefore should be approved.

2 Segment information

The Group operates as an exploration company performing oil and gas exploration including drilling wells, carrying out seismic surveys and geological studies, in the Philippines, France and Western Australia. The group manages these activities from its head office in Sydney, Australia and an office in Singapore. Exploration was being carried out in New Zealand but this licence has since been relinquished.

	Revenue		Segment Results		Segment Assets		Segment Liabilities	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Australia	**15,997**	6,901	**(661,989)**	(2,328,195)	**1,584,548**	1,341,674	**580,890**	502,637
Singapore	**-**	-	**(59,095)**	(13,446)	**63,226**	15,976	**34,392**	23,673
France	**-**	-	**-**	-	**400,633**	40,035	**-**	-
New Zealand	**-**	-	**-**	-	**-**	44,982	**-**	-
Philippines	**-**	-	**-**	-	**5,156,395**	5,496,819	**1,479,769**	1,607,320
Consolidated	**15,997**	6,901	**(721,084)**	(2,341,641)	**7,204,802**	6,939,486	**2,095,051**	2,133,627

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	
	2009	2008
	$	$
Loss for the half-year includes the following specific items:		
Loss		
Impairment of Deferred Exploration Expenditure	**-**	2,065,521
Merger Costs	**324,410**	-

Significant costs have been incurred in relation to a proposed Scheme of Arrangement with Orion Petroleum Limited**.** These are one-off costs associated with the proposed merger.

In the half-year ended 31 December 2008, due to disappointing drilling results, the Directors decided to relinquish their interest in NZ PEP38260. The amount was not expected to be recoverable and was written off accordingly. No deferred exploration expenditure has been written off in the current period.

4 Dividends

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

5 Equity securities issued

	2009 Shares	2008 Shares	**2009 $**	2008 $
Issues of ordinary shares during the half-year				
Issued via Non-Renounceable Entitlements Issue	**-**	38,584,422	**-**	1,157,533
Transaction Costs on Issue of Shares	**-**	-	**-**	(28,085)
Issued via Private Placement	**21,315,000**	-	**1,065,750**	-
Transaction Costs	**-**	-	**(4,614)**	-
Issued via Private Placement	**5,839,844**	-	**373,750**	-
Transaction Costs	**-**	-	**(2664)**	-
	27,154,844	38,584,422	**1,432,222**	1,129,448

The issue of 5,839,844 ordinary shares was by way of placement, approved at the Annual General Meeting held on 27 November 2009, to directors Dennis Morton and David Munns as payment for outstanding director's fees and management fees.

6 Contingencies

(a) Contingent liabilities

The Group has provided a security bond of $1,088,258 (USD 1,000,000) to the Philippines Department of Energy for fulfilment of work commitments under SC44.

7 Events occurring after the balance sheet date

The matters which have arisen since 31 December 2009 which 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 periods are as follows:

(1) The Scheme Meetings to consider the Scheme of Arrangement for the merger of Gas2Grid Limited and Orion Petroleum Limited held on 28 January 2010 was adjourned to 24 February 2010. If all required approvals from shareholders of the Company and of Orion Petroleum Limited and the Court are obtained for the merger, Gas2Grid Limited will become a wholly owned subsidiary of Orion Petroleum Limited and will not be listed on the Australian Securities Exchange.

(2) On 29 January 2010, the parent entity entered into a loan agreement that provides a facility until 30 June 2010 to draw up to $500,000 for general working capital requirements.

8 Commitments for Expenditure

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 the leases. These obligations, which may be farmed out and are subject to renegotiation, are not provided for in the financial statements and are payable:-

	Consolidated	
	31 December 2009	30 June 2009
	$	$
Not later than one year	**3,305,218**	2,461,000
Later than one year but not later than 5 years	**6,012,296**	5,950,000
	9,317,514	8,411,000

Gas2Grid Limited
Directors Declaration
31 December 2009

In the directors' opinion:

(a) the financial statements and notes set out on pages 9 to 16 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 2009 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: 23 February 2010

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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 statements of Gas2Grid Limited, which comprise the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 entity 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 2009 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.

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.

PRICEWATERHOUSECOOPERS

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

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 2009 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.*

Significant uncertainty regarding continuation as a going concern

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

PricewaterhouseCoopers

PricewaterhouseCoopers

MUpcroft

Marc Upcroft
Partner

Sydney
23 February 2010