



GAS2GRID LIMITED

A.B.N. 46 112 138 780

HALF-YEAR REPORT

31 DECEMBER 2013

GAS2GRID Limited ABN 46 112 138 780
Half Year Report – 31 December 2013

Contents	Page
Directors' report	2
Auditor's independence declaration	13
Interim financial report	
Consolidated income statement and statement of comprehensive income	14
Consolidated statement of financial position	15
Consolidated statement of changes in equity	16
Consolidated statement of cash flows	17
Notes to the financial statements	18
Directors' declaration	21
Independent auditor's review report to the members	22

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 2013 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 2013.

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
D W Reeder
P W V M Sam Yue

Review of operations

SUMMARY

Exploration

- Philippines, Service Contract 44:
 - Philippines Department of Energy recognises Malolos-1 as an Oil Discovery and grants 12 month extension to 2015 to test produce oil to 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" of 20.4 million barrels of "Total Oil Initially in Place"
- France: 3 new petroleum exploration licence applications progressing well.

Financial

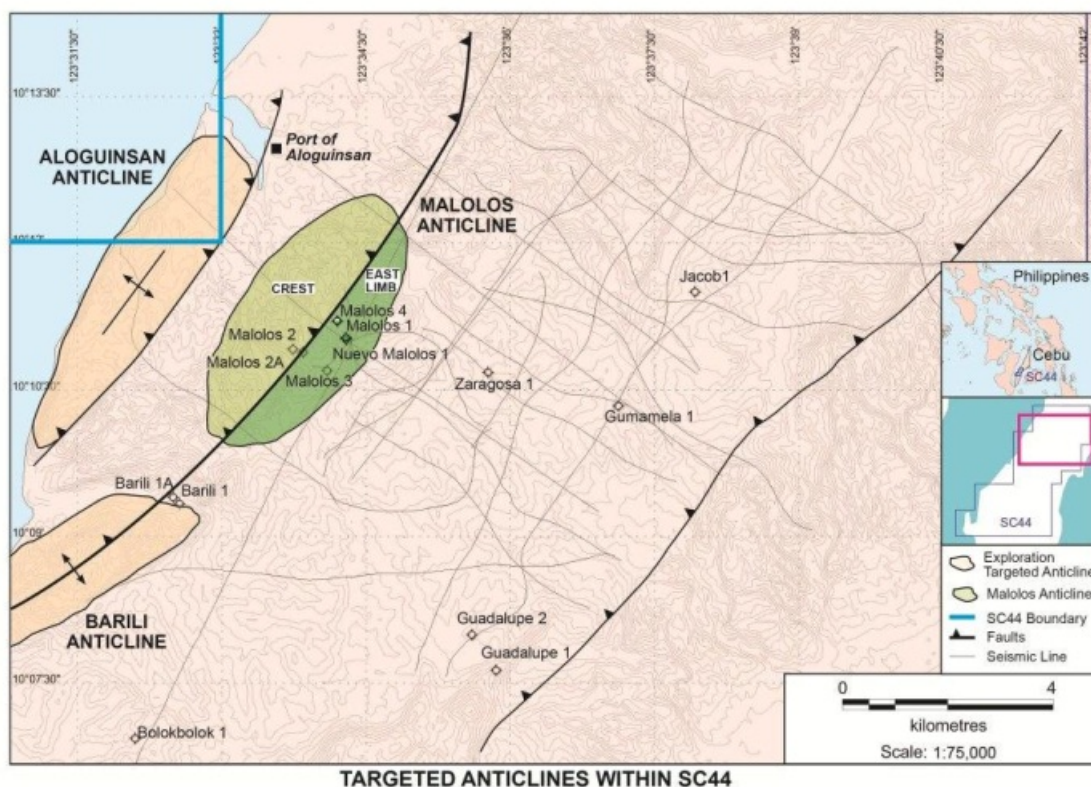
- Private Placement: raises approximately \$1.8 million.

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

During the September 2013 quarter, the Company applied to the Philippine Department of Energy ("DOE") for a declaration of Malolos-1 as an oil discovery under the terms and conditions of the Service Contract.

On 2 January 2014, the DOE responded positively on the Company's application and granted a 12 month extension to SC 44 to 28 January 2015 for the conduct of 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. Numerous other surface anticlines adjacent to the Malolos Oil Field also warrant evaluation. The Company is confident that the oil discovery is significant and worthy of extended oil test production which has the potential to transform the Company from an explorer to a producer and in the process benefit all stakeholders.

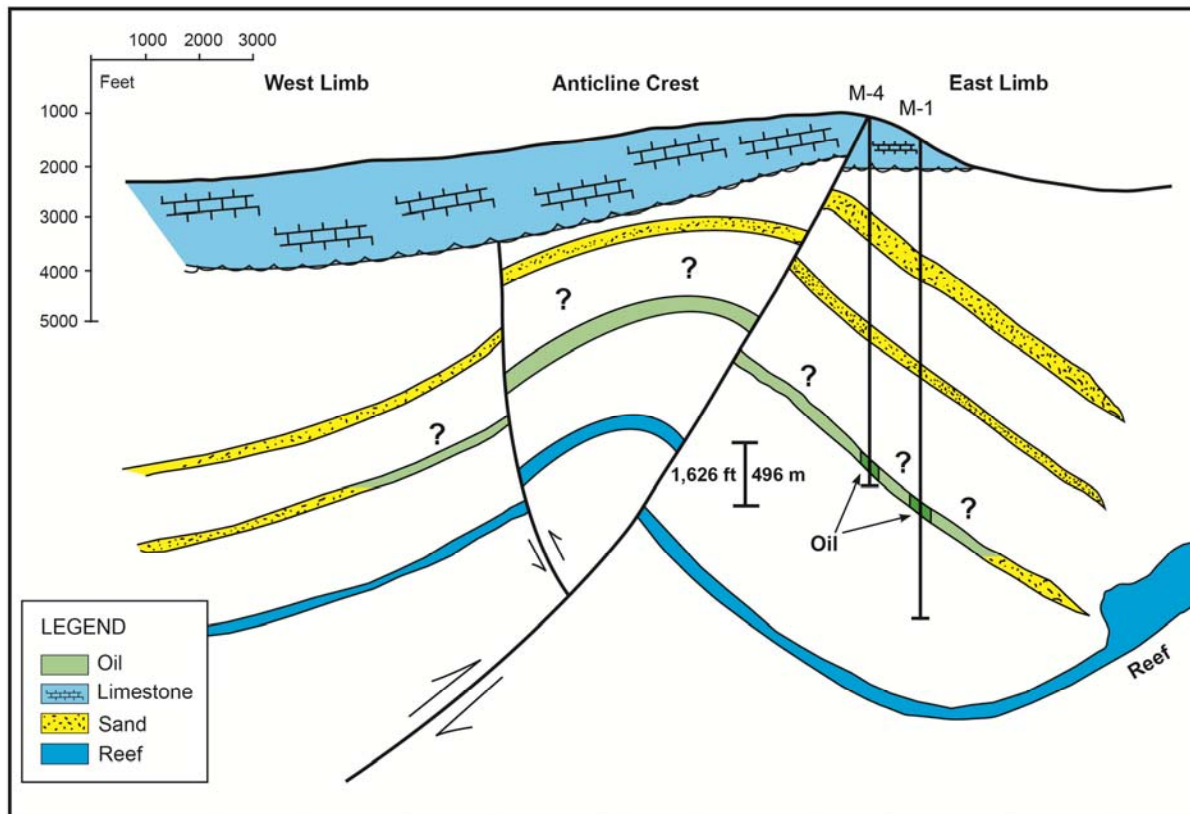


Location Map: Malolos Oil Field

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 was produced on short term test at indicative production rates of between 100 to 200 barrels of oil per day (“bopd”). Oil from the lower sandstone also flowed to just below surface. These results were integrated with all other available technical data and resulted in the declaration of Malolos-1 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 496 metre (1,627 feet) vertical interval. The recent oil test production rates (between 100 – 200 bopd) confirm Malolos-1 as an oil discovery well. The Company is confident that further testing of Malolos-1 will result in commercial oil production from a much larger Malolos Oil Field than initially assessed.

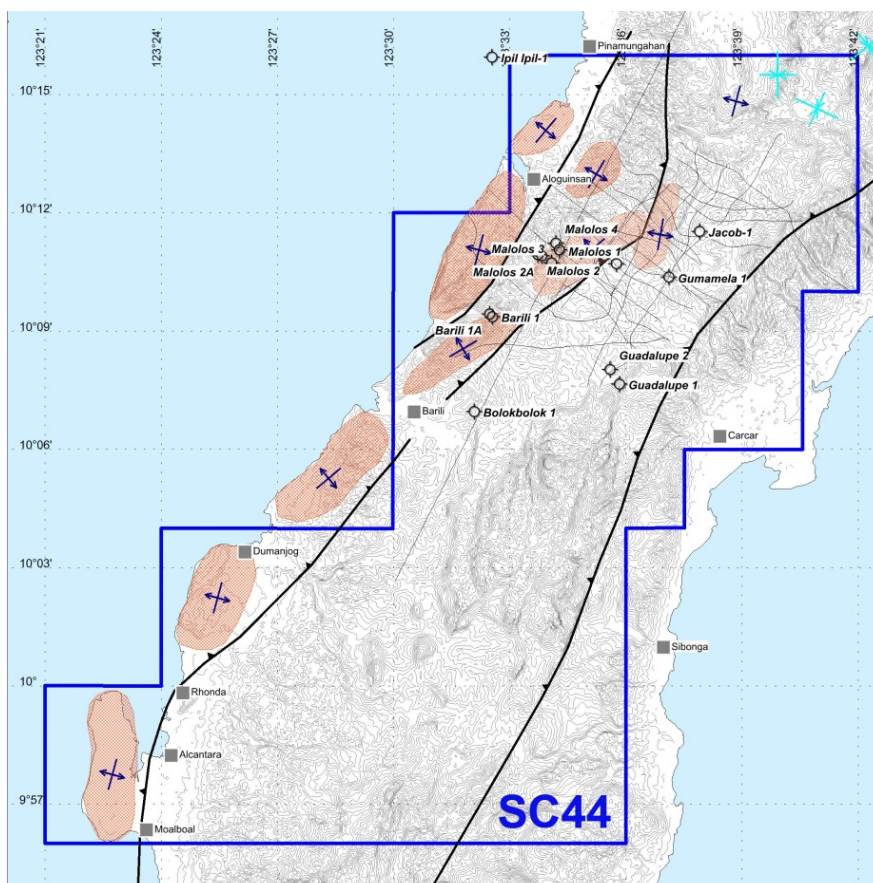
Initial assessment of the oil volume potential within the Malolos Oil Field in June 2013 is a “Contingent Resource” oil in place in two oil productive sandstones in the range of between a “Low Estimate” (1C) of 4 million barrels and a “High Estimate” (3C) of 42 million barrels, with a “Best Estimate” (2C) of 12 million barrels of “Total Oil Initially in Place”.



Cross-Section: Malolos Oil Field

A technical summary of all observations, measurements and testing in Malolos-1 follows:

- Oil has been produced from two separate sandstone intervals in Malolos-1 at rates between 100 to 200 bopd.
- Oil saturated sandstone was recovered in a rock core retrieved from Malolos-4 with several other intervals containing sandstones with excellent oil shows at correlative stratigraphic levels to the oil bearing sandstones in Malolos-1.
- The bedding dip in Malolos-1 and 4 averages about 60° to the east (based on core, seismic and dip-meter data).
- Both wells were sited on the very eastern margin (limb) of the surface anticline.
- No oil-water contact has been intersected - each oil bearing sandstone has oil on rock.
- The anticlinal crest and western limb of the Malolos oil field remain to be tested.



Service Contract 44: Surface Anticlines

Updated “Contingent Resource” of Malolos Oil Field and Assessment of “Unrisked Projective Resource” Within SC 44: On 29 January 2014, the Company announced that an independent assessment of the “Unrisked Projective Resource” within 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” previously announced in June 2013.

In the Malolos Oil Field, the “Contingent Resource” of oil in place in two productive sandstones has been re-assessed upwards from the initial assessment made in June 2013 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”.

The independently assessed “Unrisked Projective Resource” and “Contingent Resource” indicate the magnitude of oil resources targeted within SC 44 and their potential impact on the value of the Company.

The new prospective leads have been identified using a combination of available seismic data, satellite imagery and mapping of surface geology. The calculations have been made in accordance with Clause 7.3 of ASX Guidance Note 32.

The Resources assessment follows guidelines set forth by the Society of Petroleum Engineers – Petroleum Resource Management System (SPE-PRMS). The reported Resource estimates used in this presentation were compiled by Mr Len Diekman (Member AAPG and 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 report. Mr Diekman and related parties hold shares in Gas2Grid Limited.

The Petroleum Resources Management System ("PRMS") is a fully integrated system that provides a basis accepted by the industry and the Australian Securities 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 1.

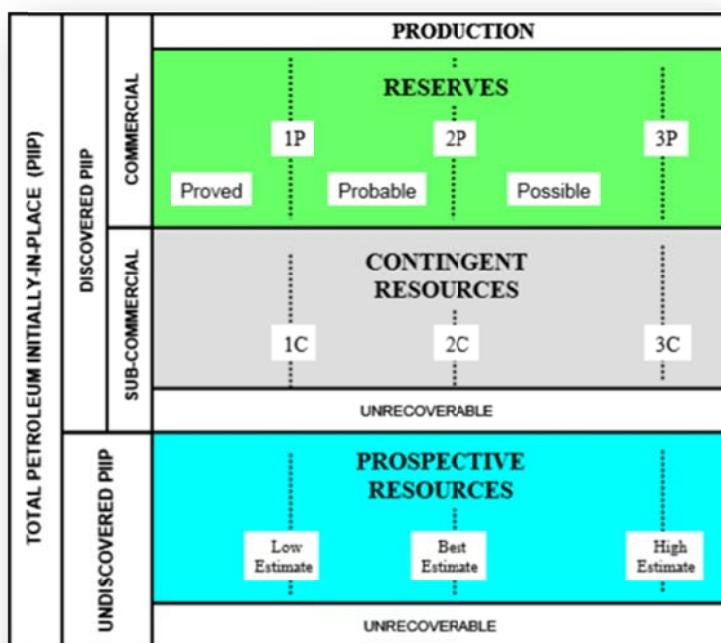
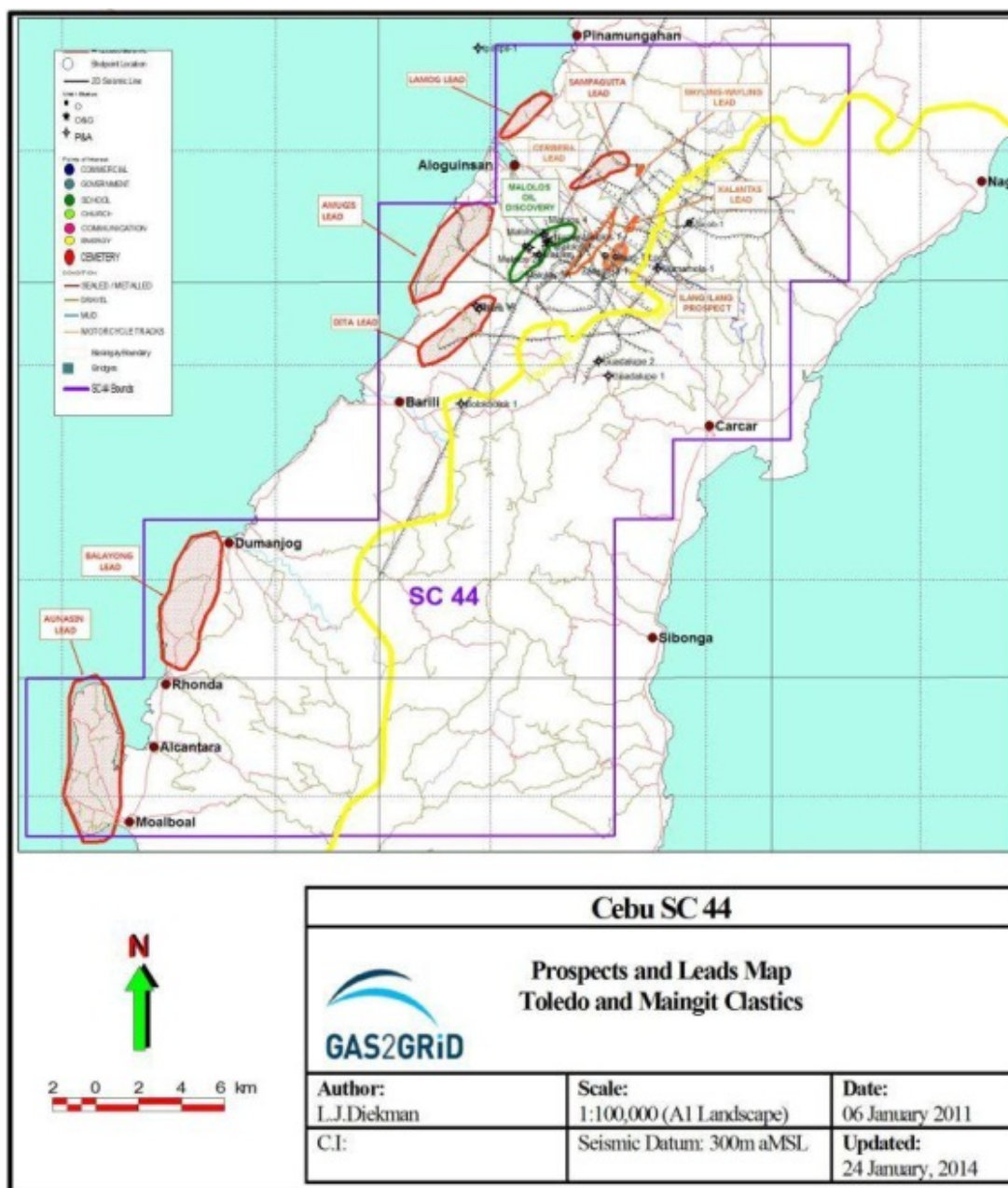


Figure 1: Graphic Summary of the SPE-PRMS classification of resources and reserves for petroleum projects.



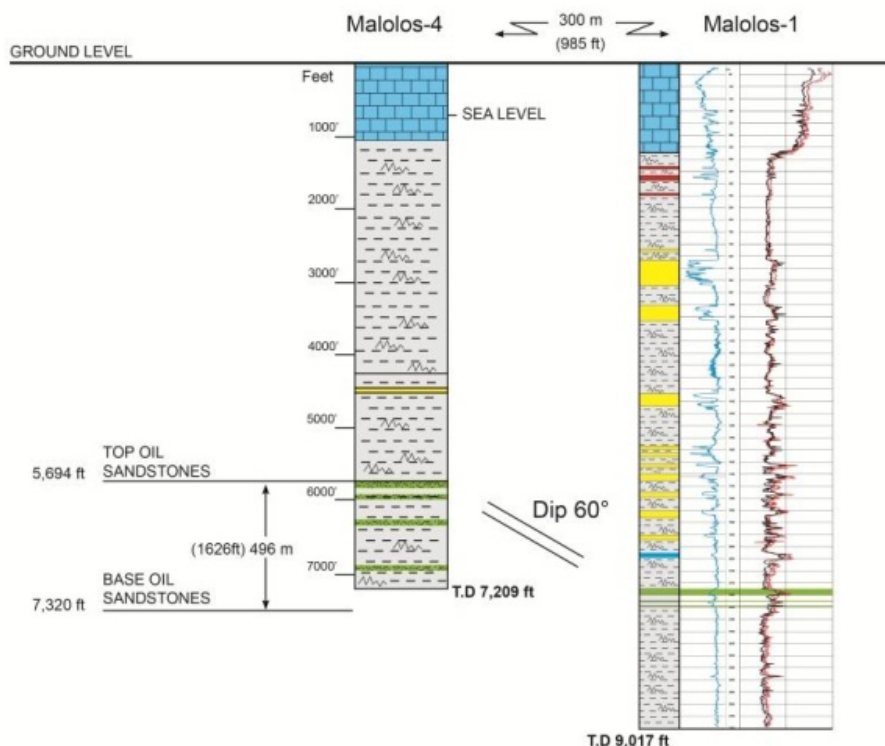
Forward Work Program and Funding: Planning is underway to commence operations in February 2014, subject to equipment availability. The estimated cost of production testing Malolos-1 is US\$500,000-US\$1 million.

Oil sales from test production during the 12 month extension will generate revenue which will be used to fund additional SC 44 operations. Successful longer term oil testing will enable the DOE to approve Malolos as a commercial oil field and allow production from the retained areas of SC 44 for a period of 25 years.

The two oil bearing sandstones were recently production tested for very short periods of time and whilst both show commercial productive capacity they will need to be tested for a longer period in order to establish commerciality. In order to complete a longer term testing a beam pump and oil storage will be required onsite, as there is currently very limited onsite storage capacity.

The extended production test will involve individually placing each of the two oil bearing sandstones on extended pump test followed by a shut-in period to assess the reservoir pressure build-up. Results from testing

will enable determination of reservoir quality, any reservoir damage and relative size of the oil reservoir. Positive results from the longer term testing will also enable an independent expert to certify some of the Contingent Resource of oil in place into Proven, Probable and Possible oil reserves.



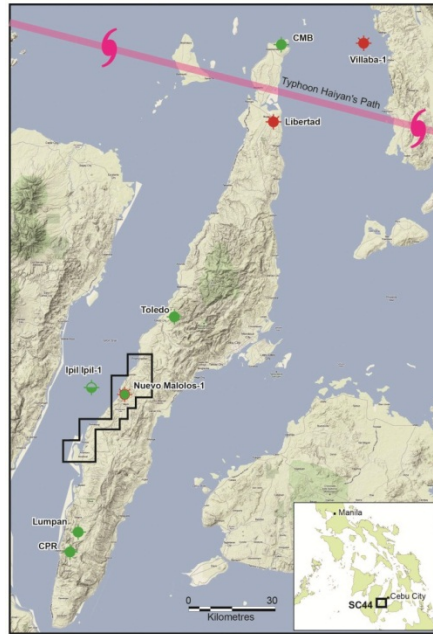
Oil Sandstone Correlation: Malolos-1 to Malolos-4

The Malolos Oil Field is located approximately 8 kms by road from the western coast of Cebu. Oil transportation options from the Malolos Oil Field include road transport by a new, all weather, concrete road from the wellsite to coastal port options at nearby Aloguinsan (8kms – less than 10 minutes) or the larger, established port of Toledo (32 kms – 30 minutes). One option would then be to back-load onto empty oil refined products tankers after they have delivered refined petroleum to Cebu. Likely points of sale would be to either to one of the two oil refineries located in Batangas, Philippines (approximately 500 kms north) or into Singapore (approximately 2,500 kms south-west). Local sale on the island of Cebu is also a possibility.

A complete appraisal and development of the Malolos Oil Field would likely include re-entering Nuevo Malolos-1, acquisition of additional seismic data and drilling of Ilang-1 and new appraisal wells.

The Company's preferred funding for that appraisal and development work is by a farmout of SC 44, thus reducing its current 100% interest, subject to reasonable terms.

Typhoon Haiyan: In November 2013, Philippine was hit by typhoon Haiyan. Fortunately there was no substantial damage caused by that typhoon either to our sites or installed equipment within SC 44. The path of typhoon Haiyan passed across the northern end of Cebu Island about 150 kms north of the Malolos Oil Field location where the Company owned drilling rigs are stored. Heavy rain and strong winds were experienced but no substantial damage was sustained within SC 44.



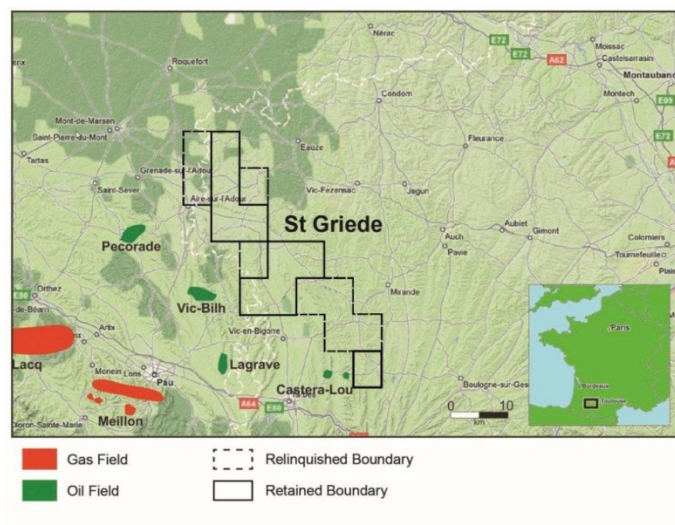
Typhoon Haiyan: Track

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

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

The St Griede licence completed the first 5 year period on 28th May 2013. A renewal application for a second period of 5 years over approximately 50% of the original area (619 km² retained area) has been submitted to the French Government during the last financial year.

The Company has planned for mid-2014 the acquisition of a new seismic survey within the retained areas of the St. Griede licence, subject to approval of Government which is not expected before the local government elections in March 2014.



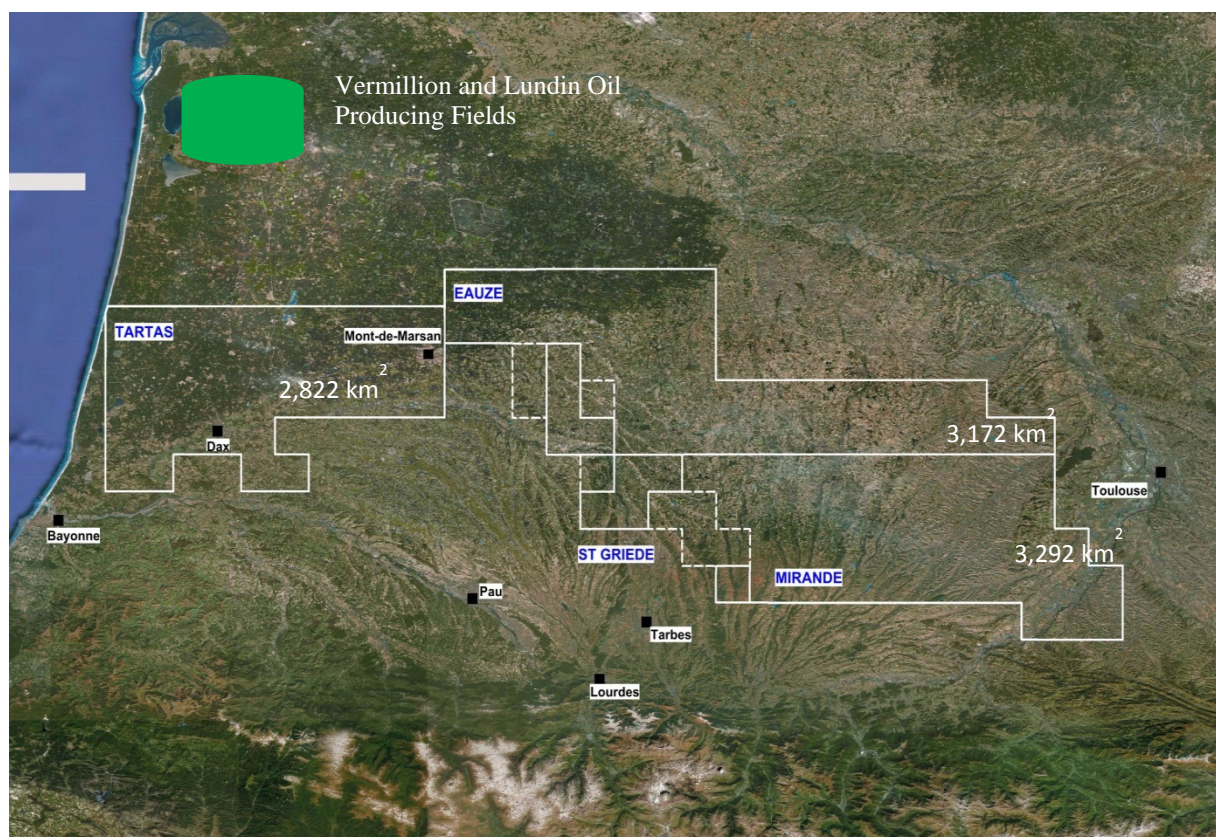
France: St. Griede Licence with nearby Oil and Gas Field Locations

2014 Planned Activities: The Company plans on the following work activities in 2014:

- Complete the acquisition of a new seismic survey to determine at least one drilling location on a conventional oil and gas prospect
- Drill one exploration well

FRANCE: NEW APPLICATIONS (100%)

Three new licence applications (Tartas, Eauze and Mirande) were submitted to the French Government over 2 years ago. These licence applications have been advertised by the French Government in the European Union Gazette in May 2013 under normal processing procedures. The Company understands that the applications are progressing well and is awaiting advice on the grant in due course.



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

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 are for exploration work to be conducted in Service Contract 44 in Philippines and St. Griede in France and general working capital.

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 has been extended from 1 October 2014 to 1 October 2015. At 31 December 2013 a total of \$3,789,474 has been drawn under the facilities including accrued interest and facility fees. In February 2014, an additional amount of \$128,224 was drawn down. The loan facilities bear interest at 9% per annum with a 1% establishment fee based on arm's length commercial borrowing for an entity in the Company's circumstance. These loans are considered last resort bridging finance and will be repaid as soon as the Company is able to do so from alternative sources of funds.

To undertake exploration and appraisal activities in Philippines and exploration in France while the Company has no revenue producing assets, the Company requires regular injection of funds and the level of activities is dictated by the funds that are available. Currently the Company has only budgeted for the exploration expenditure that satisfies the minimum 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:

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

Performance: During the half year the group incurred net losses of \$928,690 which included \$241,853 of share based payments to Directors as approved by shareholders at the Annual General Meeting held on 22 November 2013.

Financial Position: Total equity increased to \$13,222,272 from \$12,067,397 primarily as a result of the share issues raising of approximately \$1.8 million in September 2013.

Cash at 31 December 2013 was \$1,044,588 (30 June 2013: \$1,705,565) whereas current assets was \$5,068,456 (30 June 2013: \$5,880,107) made up substantially of the rigs and equipment held for sale. The Company is actively pursuing the sale of the rigs.

Current liabilities were \$800,471, a reduction from 30 June 2013 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.

Cash Flows: Operating activities resulted in net outflow of \$355,874 (2012: outflow \$429,657) as the Group is still in the exploration phase with no sales revenue. A total of \$3,029,586 (2012: \$4,016,812) was paid for investment mainly in exploration and plant and equipment. 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, Philippines and Aquitaine Basin in France. However, no indication as to likely results in the future can be given due to the uncertainties usually associated with exploration activities. Future financial performance will be driven by success in the following:

- Appraisal and development of the Malolos Oil Field within SC 44 that has been assessed to have best estimate "Contingent Resource" of 20.4 million barrels of oil;
- Exploration of newly identified prospective leads within SC 44 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 Aquitaine Basin in France and carrying out exploration in the longer term to develop those permits.

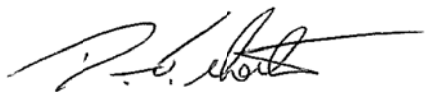
To carry out those above activities the Company will require funding which may be by farmout of interests that may include upfront cash payments or equity issues or a combination of both. The method of funding will be determined at the appropriate time as part of the group's capital management in maintaining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

GOING CONCERN – EMPHASIS OF MATTER

At 31 December 2013, the Group had committed expenditure under its exploration licences of \$513,464 for the next 12 months, and has \$3,789,474 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 review conclusion for the year ended 31 December 2013 therefore includes an emphasis of matter in this regard. For further details please refer to Note 1 of the financial statements.



Dennis J. Morton
Managing Director

Sydney
21 February 2014



Auditor's Independence Declaration

As lead auditor for the review of Gas2Grid Limited for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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 entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Justine Richardson', is written over a faint dotted line.

Justine Richardson
Partner
PricewaterhouseCoopers

Sydney
21 February 2014

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Liability limited by a scheme approved under Professional Standards Legislation.

Gas2Grid Limited
Consolidated income statement and statement of comprehensive income
for the half-year ended 31 December 2013

	Notes	Half-year 2013 \$	2012 \$
Revenue from continuing operations		9,508	4,096
Deferred expenditure written off		(46,716)	(5,302,267)
Administration expense		(128,835)	(127,545)
Auditor's remuneration		(22,100)	(16,300)
Employee benefits expense		(103,225)	(102,960)
Finance costs		(175,035)	(384)
Foreign exchange losses		(54,595)	(105,475)
Depreciation and amortisation expense		(19,370)	(17,855)
Insurance costs		(17,226)	(16,786)
Listing and registry fees		(38,700)	(43,692)
Rental expenses		(45,870)	(45,643)
Share based payments		(241,853)	(329,641)
Other expenses		(44,673)	(43,131)
Loss before income tax		(928,690)	(6,147,583)
Income tax expense		-	-
Loss from continuing operations		(928,690)	(6,147,583)
Other comprehensive income		-	-
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year		(928,690)	(6,147,583)
Loss for the half-year attributable to the owners of Gas2Grid Limited		(928,690)	(6,147,583)
Total comprehensive loss for the half-year attributable to owners of Gas2Grid Limited		(928,690)	(6,147,583)
		Cents	Cents
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic and diluted loss per share		(0.13)	(1.08)

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

Gas2Grid Limited
Consolidated statement of financial position
as at 31 December 2013

	31 DECEMBER 2013	30 JUNE 2013
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	1,044,588	1,705,565
Trade and other receivables	77,938	177,237
Assets held for sale	3,884,830	3,936,205
Other financial assets at fair value	61,100	61,100
Total current assets	5,068,456	5,880,107
Non-current assets		
Exploration expenditure and rights	12,740,563	12,323,403
Plant and equipment	91,374	111,511
Total non-current assets	12,831,937	12,434,914
Total assets	17,900,393	18,315,021
LIABILITIES		
Current liabilities		
Trade and other payables	794,101	3,858,920
Provisions	6,370	5,215
Total current liabilities	800,471	3,864,135
Non-current liabilities		
Borrowings	3,789,474	2,290,000
Provisions	88,176	93,489
Total non-current liabilities	3,877,650	2,383,489
Total liabilities	4,678,121	6,247,624
Net assets	13,222,272	12,067,397
EQUITY		
Contributed equity	30,970,525	29,128,813
Reserves	50,250	(191,603)
Accumulated losses	(17,798,503)	(16,869,813)
Total equity	13,222,272	12,067,397

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

Gas2Grid Limited
Consolidated statement of changes in equity
for the half-year ended 31 December 2013

	Contributed Equity	Accumulated Losses	Reserves	Total Equity
	\$	\$	\$	\$
As at 1 July 2012	25,329,385	(8,446,279)	(521,245)	16,361,861
<i>Total comprehensive loss for the half-year</i>	-	(6,147,583)	-	(6,147,583)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	2,674,295	-	-	2,674,295
Employee Incentive Plan	-	-	329,641	329,641
As at 31 December 2012	28,003,680	(14,593,862)	(191,604)	13,218,214
As at 1 July 2013	29,128,813	(16,869,813)	(191,603)	12,067,397
<i>Total comprehensive loss for the half-year</i>	-	(928,690)	-	(928,690)
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
As at 31 December 2013	30,970,525	(17,798,503)	50,250	13,222,272

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 2013

	Half-year	
	2013	2012
	\$	\$
Cash flows from operating activities		
Interest received	1,607	4,124
Other revenue	59,290	-
Payments to suppliers and employees (inclusive of goods and services tax)	(416,771)	(433,781)
Net cash outflow from operating activities	(355,874)	(429,657)
Cash flows from investing activities		
Payments for exploration expenditure	(2,960,172)	(2,711,949)
Payments for plant and equipment	(69,414)	(1,243,763)
Payments for security deposits	-	(61,100)
Net cash outflow from investing activities	(3,029,586)	(4,016,812)
Cash flows from financing activities		
Proceeds from issue of shares	1,822,400	2,705,775
Transaction costs on issue of shares	(348,724)	(134,272)
Proceeds from borrowings	1,243,023	-
Interest paid	(1,493)	(384)
Net cash inflow from financing activities	2,715,206	2,571,119
Net decrease in cash and cash equivalents	(670,254)	(1,875,350)
Cash and cash equivalents at the beginning of the half-year	1,705,565	3,113,760
Effects of exchange rate changes on cash and cash equivalents	9,277	(19,701)
Cash and cash equivalents at the end of the half-year	1,044,588	1,218,709

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 2013 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 2013 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.

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 to enable the Company to continue its planned exploration activities. 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 Group has net current assets of \$4,267,985, has incurred a net loss of \$928,690 for the 6 months ended 31 December 2013, and has committed minimum expenditure under its exploration licences of \$513,464 for the year ended 31 December 2014.

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

The continuing ability of the Group to continue as a going concern and to meet its exploration commitments and repay Directors' loans is dependent upon one, or a combination of, the following alternatives 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.
- Selling of two drilling rigs and other field equipment, which is expected to realise their carrying amounts as disclosed in the statement of financial position.
- Undertaking further capital raisings.

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 31 December 2013. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

Gas2Grid Limited
Notes to the financial statements
For the half-year ended 31 December 2013
(continued)

2. Non-current Borrowings

	31 December 2013	30 June 2013
	\$	\$
Loans from Director related entities	3,789,474	2,290,000

On 29 January 2014, the Company drew down an additional \$128,224 under the Directors' loan facilities facility.

On 5 February 2014, the expiry date of the loan facilities of \$5,750,000 made available by the Directors' related entities was extended from 1 October 2014 to 1 October 2015.

3. Segment information

The Group operates as an exploration company performing exploratory drilling of wells, seismic and aerogravity surveys, geological and geophysical studies in the Philippines and France. The Group manages these activities from its head office in Sydney, Australia and a branch office in Manila, Philippines.

	Revenue		Segment Results		Segment Assets		Segment Liabilities	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$	\$	\$
Australia	9,508	4,096	(946,353)	(847,350)	5,159,830	4,834,913	4,025,705	571,163
France	-	-	17,663	-	2,360,152	2,243,328	58,329	11,293
Philippines	-	-	-	(5,300,233)	10,380,411	7,978,196	594,087	1,255,767
Consolidated	9,508	4,096	(928,690)	(6,147,583)	17,900,393	15,056,437	4,678,121	1,838,223

4. Dividends

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

5. Equity securities issued

	2013	2012	2013	2012
	Shares	Shares	\$	\$
Issues of ordinary shares during the half-year				
For payment of Directors' fees and management services	13,443,181	1,181,509	295,750	102,791
Under Employee Incentive Plan "EIP"	13,750,000	6,525,000	-	673,750
Under private placement	82,836,364	31,261,923	1,822,400	2,032,025
Transaction Costs	-	-	(276,438)	(134,272)
	110,029,545	38,968,432	1,841,712	2,674,294

6. Contingent Liabilities

The Group did not have any contingent liabilities as at 31 December 2013.

7. Commitments for Expenditure

Exploration Expenditure 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:-

	31 December 2013	30 June 2013
	\$	\$
Not later than one year	513,464	865,173
Later than one year but not later than 5 years	1,198,083	1,241,581
	1,711,547	2,106,754

Operating Lease Commitments

Minimum payment, including agreed annual increases, under non-cancellable operating lease according to the time expected to elapse to the expected date of payment:

	Consolidated	
	31 December 2013	30 June 2013
	\$	\$
Not later than one year	121,467	122,038
Later than one year but not later than 5 years	194,735	255,012
	316,202	377,050

8. Events occurring after the balance sheet date

There are no matters which have arisen since 31 December 2013 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 other than that on 2 January 2014 the Company received confirmation from the Philippine Department of Energy granting approval of Malolos-1 Well Discovery and 12 months extension of Service Contract 44 from 28 January 2014 to determine whether the Malolos Oil Field can be developed.

Gas2Grid Limited
Directors Declaration
For the half-year ended 31 December 2013

In the directors' opinion:

- (a) the financial statements and notes set out on pages 14 to 20 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 2013 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: 21 February 2014



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 consolidated statement of financial position as at 31 December 2013, the consolidated income statement and the statement of comprehensive income, consolidated statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Gas2Grid Limited (the consolidated entity). The consolidated entity comprises 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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

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 Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 2013 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. 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.

Independence

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

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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 2013 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as Going Concern

Without qualifying our conclusion, we draw attention to Note 1 to the Half Year report, which comments on the need for Directors to actively pursue certain funding alternatives in relation to the consolidated entity. These conditions, along with other matters as set forth in Note 1, 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 the consolidated entity 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Richardson

Justine Richardson
Partner

Sydney
21 February 2014