

GAS2GRID LIMITED
**ANNUAL
REPORT**
2017

Corporate Directory

GAS2GRID LIMITED ABN 46 112 138 780

DIRECTORS

David A Munns
(Non-Executive Chairman)

Dennis J Morton
(Managing Director)

Patrick W V M Sam Yue
(Executive Director)

COMPANY SECRETARY

Patrick W V M Sam Yue

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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SHARE REGISTRY

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Level 16
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SYDNEY NSW 2000 AUSTRALIA
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AUDITOR

PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay
BARANGAROO NSW 2001 AUSTRALIA

STOCK EXCHANGE LISTING

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

WEBSITE ADDRESS

www.gas2grid.com

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Chairman's Letter

Dear Shareholders,

The oil industry is still in turmoil as the oil price is still hovering around US\$50 per barrel- although there was a brief period when it traded above US\$55 during the year. Investment in oil exploration by junior companies and majors alike has been severely cut back worldwide.

We have not invested significant funds on exploration work during the year while the security of tenure of our licences remains uncertain and we have instead focussed on securing extensions of those licences.

The Philippines Department of Energy ("DOE") has been receptive to our claim of "force majeure" under the Service Contract 44 when the technical moratorium expired on the 27th January 2017. Recognising the extensive work we have conducted in past years, the DOE is considering our request for an extension of time that will enable us to deepen Nuevo Malolos-1 and conduct extended production testing, which if successful, will result in an application for a 25 year production licence.

A meeting was held with DOE in July 2017 at which we presented our proposed drilling and work program. We have subsequently presented a 2 year work program and a further meeting with the DOE is expected soon. Achieving a longer period for the service contract would provide security of title. This security of title would increase the interest of potential joint venture partners considering that at current low oil prices participation in the proposed work program as the economics of an onshore oil field development in the Philippines is still attractive.

In France, we are persevering with our legal attempts to protect the investment we made in our wholly owned St Griede permit, located within the Aquitaine Basin. We have been in dispute with the French Government in the French Tribunal since November 2015 on their unlawful refusal to renew the permit which expired in May 2013. A judgement handed down by the Tribunal in early November 2016 was in favour of the Company and awarded penalties to the Company of Euros 3,000 per day to be paid by the French Government if they delay in granting a 5 year extension of the permit. The French Government appealed this judgement in January 2017 and it has resisted the payment of the penalties. We presently wait on decisions by the Tribunal on this payment and on the appeal application which we expect to be announced in the near term.

The Company has 3 permit applications for conventional hydrocarbon exploration, namely Tartas, Eauze and Mirande (all 100% interest), in the Aquitaine Basin, and those sit among more than a hundred other permit applications all of which have been waiting on determination for a very long time. The Minister of Energy, newly appointed after the recent Presidential election, is proposing to amend the French Mining Act to ban the issue of new permits and any permit extensions, except those already under litigation in court. We wait on decisions by the French Government.

The Company has continued to receive loans from the Directors for its day to day operations and the Directors have also agreed to defer payment of their fees by 15.5 months from the end of the financial year avoiding the payment of their fees, as approved in previous years, by issuing new shares with a dilutive effect. The Board is reviewing all types of funding for ongoing operations as this loan funding from Directors cannot be expected to continue long term.

We thank our shareholders for their patience and support as we seek to develop the Malolos oil field and get a return on our investment in France.



David Munns
Chairman

21 September 2017

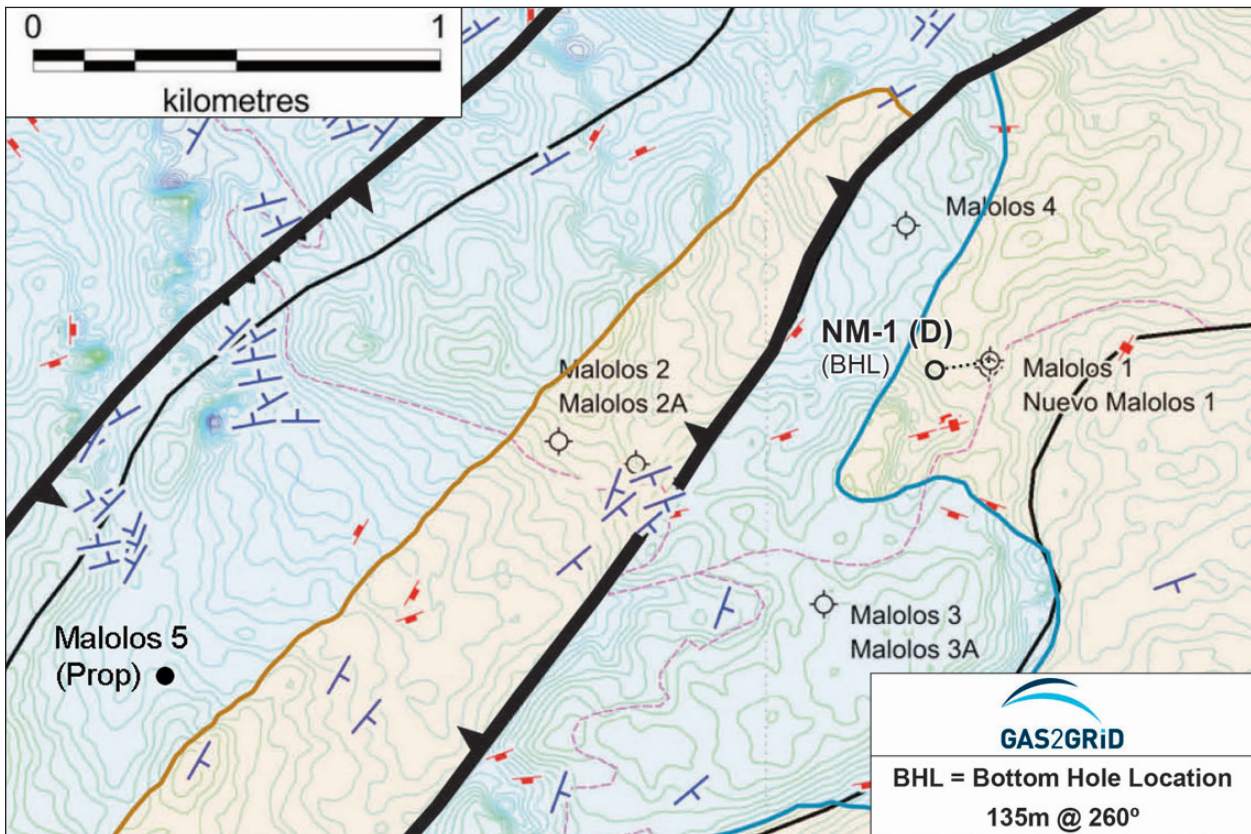
PHILIPPINES: SERVICE CONTRACT 44 (100%), Onshore Cebu

The Philippine Department of Energy (“DOE”) had approved a 2 year technical moratorium under the terms of the Service Contract 44 (“SC 44”) in order to provide sufficient time to complete studies and establish the appropriate completion technology for maximising sustainable oil production that if successful will lead to full oil field appraisal/development.

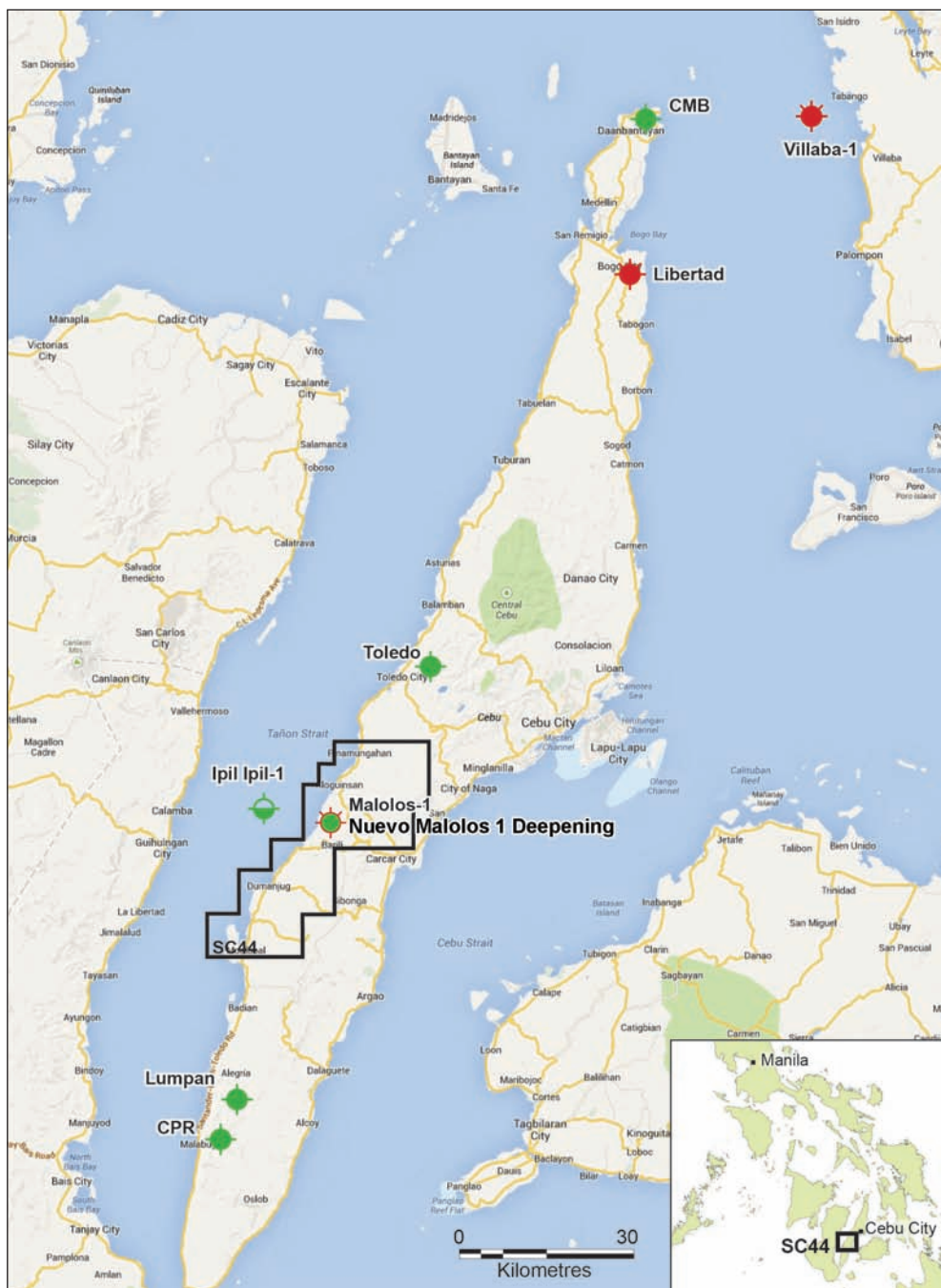
The Drilling Proposal for the Nuevo Malolos-1 Deepening was submitted to the DOE for their approval in March 2016. Approval was not received by the Company until mid-September 2016.

The late approval did not allow sufficient time to complete the drilling operations, conduct a long term oil production test of the well and if successful, submit an application for a 25 year production term prior to the expiry of the technical moratorium on 27 January 2017. The Company applied to the DOE requesting for additional time in which to complete the proposed operations. The request was denied. The Company engaged in discussions with the DOE and has lodged an application under “Force Majeure”, as provided for under the Service Contract terms. A 2 year work program has been submitted recently following a meeting in July 2017. The application is being considered by the DOE but the timing for an outcome is not known.

The Company has put operations in SC 44 on hold until security of title has been established as under the current situation, security of title is not guaranteed. Minimum expenditure is being incurred to maintain security of equipment and well site.



Nuevo Malolos-1 Deepening well location and well track



SC 44 Location on Cebu Island, Philippines

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

The St Griede permit (100% working interest) located within the Aquitaine Basin, France was due for its first renewal in May 2013 after an initial 5 year term. With the terms and conditions of the work and expenditure commitments having been met for the first 5 year term, a renewal application for a second 5 year term was submitted in January 2013 in order to continue the work program towards the drilling of a well. Normally, a first renewal is expected as a matter of course if the initial commitments have been met. That application was processed by French Government officials who recommended renewal and submitted it to the Minister of Energy for signature and issue.

In October 2015, the Company was formally advised by the French Government that it had decided not to grant the renewal. The decision not to renew the permit is based solely on local elected members and “public disorder risk” considerations within the area where the permit is located. We note an inconsistency with approval being granted earlier in 2015, by local authorities, for the Company to conduct a seismic acquisition survey with the aim to define a well location in the same area.

In November 2015, the Company lodged an action in the French tribunal for the suspension and annulment of the decision by the French Government to cancel the permit on the grounds of it being unlawful.

On 29 December 2015, the judge hearing the matter determined in the Company’s favour and suspended the French Government’s decision not to renew the St Griede permit. The judge concluded that the St. Griede permit itself cannot cause risks to public order and that there has been an error of law in the decision of the Ministers. The relevant Ministers were given 2 months to reconsider the St. Griede permit renewal.

On 28 January 2016, the Company received notice that the French Minister of Energy had lodged with the “Conseil d’Etat” (a high court for legal affairs of the state) an appeal for the annulment of the ruling made on 29 December 2015 by the judge at the Tribunal in France. That appeal was not admitted, as advised to the Company in August 2016, on the grounds that the Minister has not presented any valid argument. This decision affirmed the Company's legal rights to renewal of the permit.

On 11 October 2016, a full hearing of the licence cancellation dispute was held in front of three judges of the Administrative Court of Pau. In the process an independent magistrate presented his assessment of the facts and the applicable law as well as his opinion on a solution to the dispute. He concluded that the decision made by the Ministers in refusing an extension to the St Griede permit is not valid.

In early November 2016, the Administrative Tribunal of Pau handed down a judgement that fully supports the Company as follows:

1. Annulment of the decision of the French Ministers made in September 2015 to refuse the renewal of the St Griede permit;
2. Instruction to the Ministers to grant, within 30 days, a 5 year extension to the St Griede permit commencing from 3 November 2016; and
3. A penalty, to the French Government, of Euros 3,000 for each day that the grant of the permit extension is delayed.

On 3 January 2017, the French Government lodged an appeal against the decision of the Administrative Tribunal of Pau. To date no notice has been received on whether the appeal will be admitted.

In the opinion of the Company’s lawyers the 3,000 Euro/day penalty has been accruing, from 3 December 2016. The Company has lodged a request in the Tribunal to direct the Government to pay the penalty that has been accruing. In June 2017, the Government and the Company have both lodged their arguments relating to the payment and a decision is awaited.

The Company is guided by its lawyers in France of the various actions available to achieve the best outcome for its shareholders.

FRANCE: NEW APPLICATIONS (100%), Onshore Aquitaine Basin

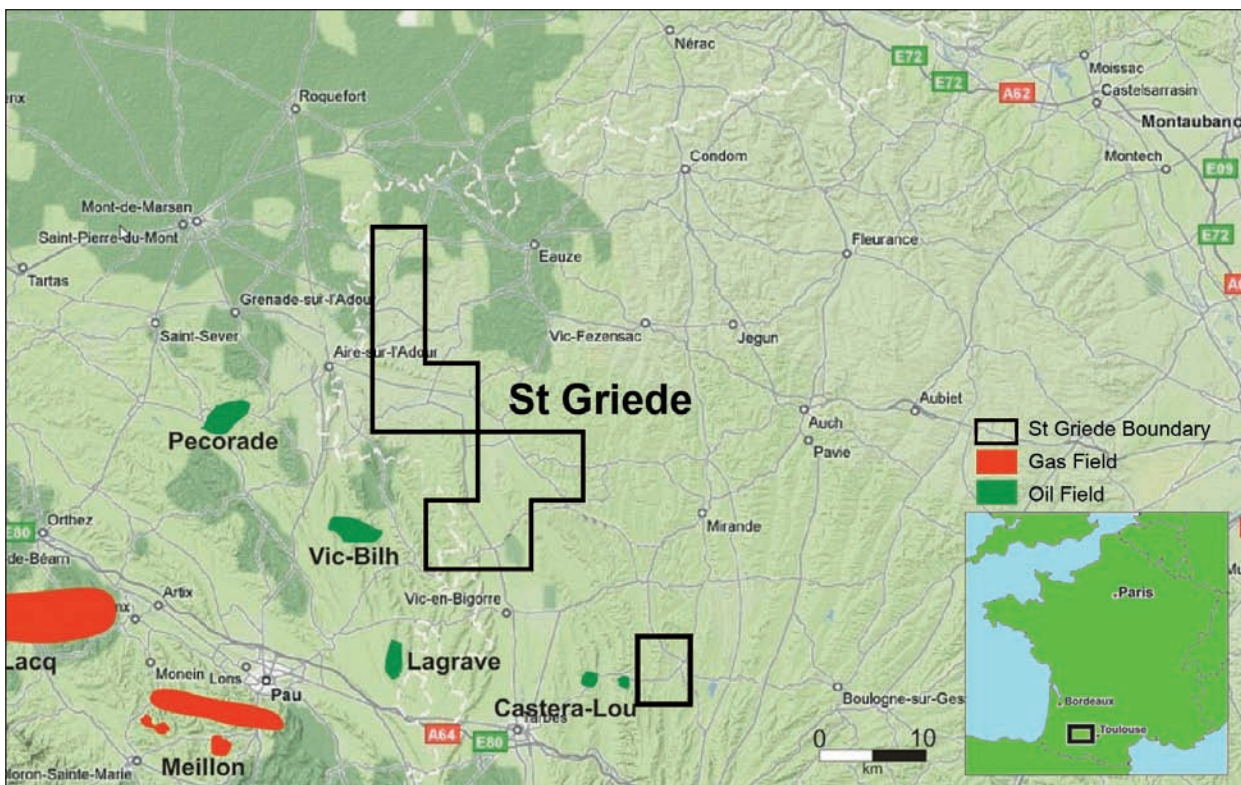
The Company has 3 permit applications for conventional hydrocarbon exploration, namely Tartas, Eauze and Mirande (all 100% interest), in the Aquitaine Basin that are waiting grant.

Tartas, having been fully processed, has been recommended for grant by the French Government officials and is waiting the Minister of Energy’s approval.

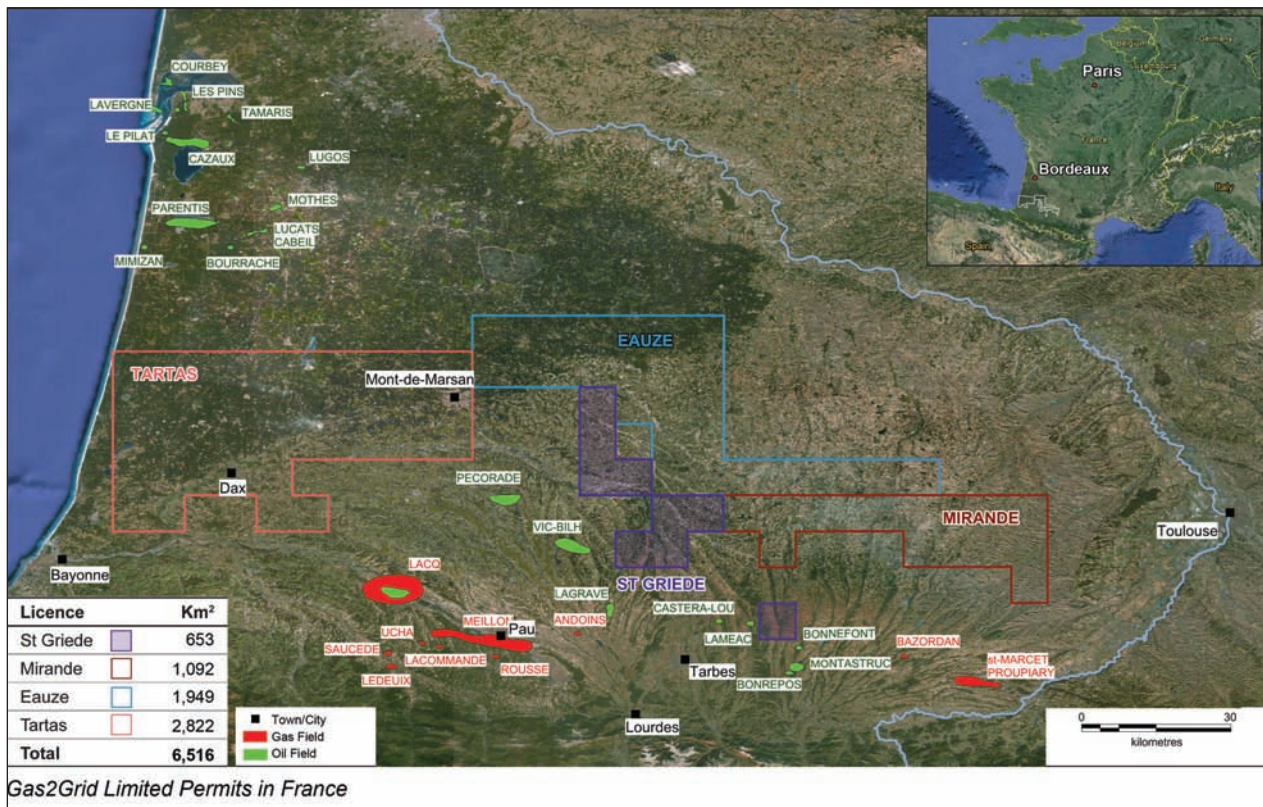
The Company has disputed in the Tribunal the implicit rejection of the Mirande application as a result of no decision being made by the Government within the prescribed time. After final documents were lodged in the Tribunal in June 2017 by both the Company and the Minister, a hearing was held on 30 June 2017 and the judgement was handed down on 21 July 2017. The judgement annulled the implicit rejection of the application and directed the Minister to advise its decision with reasons on the application within 3 months and any delay is subject to a penalty to the Government of €300/day. Costs were also awarded to the Company.

No new information has been received on progress relating to the processing of Eauze application and we understand that there are hundreds of applications pending the Government’s determination.

The Minister of Energy, newly appointed after the recent Presidential election, is proposing to amend the French Mining Act to ban the issue of new permits and any permit extensions, except those already under litigation in court. We wait on decisions by the French Government.



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



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

Financial Review

FINANCIAL ANALYSIS

Funding: During the year, the loan facilities from related entities of Directors (D Morton, D Munns and P Sam Yue) were increased from \$7,100,000 at 30 June 2016 to a total of \$8,700,000 to ensure that the Company is sufficiently funded for operations.

On 30 December 2016, the period of availability of the facilities was extended from 16 October 2017 to 16 October 2018. At 30 June 2017 a total of \$7,289,125 has been drawn under the facilities including provision for accrued interest and establishment fees. Cash of \$150,000 was drawn under the facilities during the period. The loan facilities bear interest at 9% per annum computed quarterly in arrears with a 1% establishment fee based on arm's length commercial borrowing for an entity in the Group's circumstances. It is the intention of the Group to repay these loans with the agreement of the lenders as soon as the Group is able to do so when funds are raised.

To undertake exploration and appraisal activities in Philippines and exploration in France while the Group has no revenue producing assets, the Group requires regular injection of funds and the activities during the year have been essentially towards legal costs for seeking extension of the permit in France and site upkeep in Philippines pending the extension of the technical moratorium of SC 44. At the date of this report there are no minimum licence commitments as the Company is waiting on the grant of extension of its licences in France and Philippines. Consequently, the Company has not budgeted for exploration expenditure other than costs relating to licence extension applications and minimal site maintenance in Philippines pending confirmation of the extensions.

The absence of guarantee in sourcing new funds for the Company's future activities presents 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. This going concern issue is further discussed below, in detailed in Note 26 to the Financial Statements and is subject to emphasis in the auditor's audit 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:

- Amounts that can be drawn under the loan facilities provided by the Directors;
- Management's preferred option of selling part of the Group's interests in its exploration licences and entering into joint ventures for the potential development of the projects when the licences have been extended;
- Undertaking further capital raisings; and
- selling of two drilling rigs and other field equipment.

Performance: During the year the Group incurred net losses of \$1,482,807 which included \$114,457 of expenditure relating to exploration licences in France and the Philippines and \$44,400 of share based payment to a Director as approved by shareholders at the Annual General Meeting on 29 November 2016.

Financial Position: Total negative equity increased from \$6,535,139 to \$7,958,096 primarily as a result of continuing loss from operations.

Cash at 30 June 2017 was \$43,075 reduced slightly from the 30 June 2016 balance of \$74,511. Cash loan of \$150,000 was drawn under the Directors' loan facilities during the period and used in operations and to pay creditors. Current assets were \$65,945 (30 June 2016: \$233,953).

Current liabilities were \$87,861, a reduction from the 30 June 2016 amount of \$177,873 as most creditors have been settled through cash on hand and funds received from Directors' loans.

The Directors agreed to defer payment of their Director's and management fees of \$301,000 for the year and \$225,750 for the prior year to 16 October 2018.

Cash Flows: Operating activities resulted in net outflow of \$171,392 (2016: outflow \$265,743) as the Group is still in the exploration phase with no sales revenue. The other revenue received of \$116,696 (2016: \$139,280) related to reimbursements of expenditure paid by the Company. A total of \$52,116 (2016: \$224,273) was paid for investment in exploration activities. These outflows were funded from existing cash on hand 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 and to the security of tenure of the licences.

Future financial performance will be driven by success in the following and subject to security of tenure of licences:

- Appraisal and development of the Malolos Oil Field within SC 44 that has been assessed to have best estimate "Contingent Resource"¹ 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"¹ 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

The consolidated financial statements of the Group have been prepared on a going concern basis, which indicates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business.

At 30 June 2017, the Group had net current liabilities of \$21,916; and net liabilities of \$7,958,096 (2016: Net liabilities of \$6,535,139) including \$7,289,125 in Directors' loans and \$576,425 in Directors' fees that fall due for repayment on 16 October 2018. The Group has made a loss of \$1,482,807 for the year ended 30 June 2017.

Management is actively pursuing extension of SC 44 following expiry of the technical moratorium on 27 January 2017 and seeking recovery of its investment in the St Griede permit in France which had not been renewed by the French Government on improper legal grounds as ruled by the tribunal. In November 2016, the tribunal has directed the French Government to grant the renewal within one month failing which a Euros 3,000 per day penalty applies to the benefit of the Group and in January 2017 the French Government has appealed the judgement. A decision is awaited as to whether the appeal will be allowed. A decision of the tribunal is also awaited on the Company's request for payment of the penalty imposed on the Minister and accrued from 3 December 2016 to date.

Although the Group is still planning to undertake exploration activities on its various tenements once they have been renewed or granted, it has currently only budgeted for those amounts that 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. In the short term additional funds will be required for the Group to continue as a going concern.

As a result of these matters, there is a material uncertainty related to events or conditions that may cast significant doubt on whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of the business and at the amounts stated in the financial report.

At the date of this report, the Directors are of the opinion that there are reasonable grounds to expect that the Group will be able to continue as a going concern. In arriving at this conclusion, the Directors considered the following:

- The loan facilities from related entities of Directors (D Morton, D Munns and P Sam Yue) were increased from \$7.1 million to a total of \$8.7 million at 30 June 2017 and the expiry date was extended to 16 October 2018. The undrawn amount on these loans is \$1.4 million at 30 June 2017 and is able to be drawn upon in the short term.
- The Director's fees and management fees can continue to be deferred and not paid in cash by the Group.
- If required, management will negotiate to extend the maturity terms of the loan facilities and the fees payable to the Directors beyond the current maturity date on 16 October 2018.
- Depending on the outcome of the SC44 matter, selling of two drilling rigs and other field equipment.

In the longer term, the continuing ability of the Group to continue as a going concern and to undertake exploration activities and repay Directors' loans is dependent upon resolution of the above SC44 and St Griede issues.

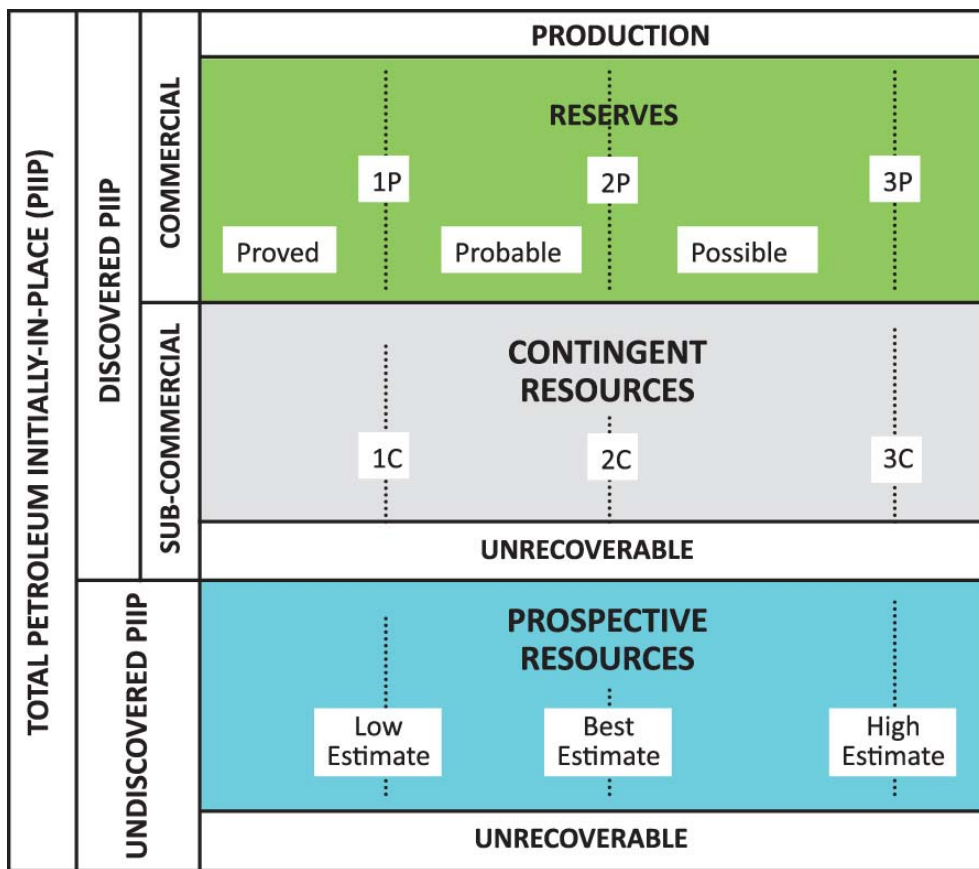
If the extension of SC 44 is granted, management's preferred option is to sell part of the Group's interest in SC 44 and enter into joint venture for the potential development of the project.

On that basis the Directors have prepared the financial report on a going concern basis. At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2017. 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 group not continue as a going concern.

The attached annual report for the year ended 30 June 2017 contains an independent auditor's report which includes an emphasis of matter paragraph in regard to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The information in this report has been compiled by Dennis Morton, Managing Director of Gas2Grid Limited, who graduated with First Class Honours in Geology (Macquarie University) and has 40 years' experience in the oil and gas industry.

¹ *The Resources assessment follows guidelines set forth by the Society of Petroleum Engineers – Petroleum Resource Management System (SPE-PRMS). The Resource estimates used in this report were compiled by Mr Len Diekman (Member SPE), Energetica Consulting, who is a qualified person as defined under the ASX Listing Rule 5.11 and has consented to the use of Resource figures in the form and context in which they appear in this presentation.*



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

CORPORATE GOVERNANCE STATEMENT

A table on Corporate Governance Statement setting out the extent to which the Group has followed the recommendations of the ASX Corporate Governance Principles and Recommendations – 3rd edition and the Corporate Governance Statement are posted on the group’s website for reference on disclosures (www.gas2grid.com/corporate-governance/).

Directors' report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Gas2Grid Limited and the entities it controlled at the end of, or during the year ended 30 June 2017.

Directors

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

David A Munns

Dennis J Morton

Patrick W V M Sam Yue

Principal activities

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

Operating and financial review

A detailed review of operations and financial performance for the financial year is set out on pages 2 to 10.

Dividends – Gas2Grid Limited

The Directors report that during the year ended 30 June 2017 no dividends were declared or paid (2016: \$nil).

Matters subsequent to the end of the financial year

There has not arisen in the interval since 30 June 2017 and up to the date of this report, any matter that, in the opinion of the Directors, has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Likely developments and expected results of operations

In relation to the Group's oil and gas exploration activities, no indication as to likely results in the future can be given due to the uncertainties usually associated with such activities. The Group proposes to continue its oil and gas exploration program and investment activities that are set out on pages 2 to 10.

Environmental regulation

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

Information on Directors

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

Chairman – Non-executive

Experience and expertise

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

Other listed company directorships

None.

Former directorships of listed companies in the last 3 years

None.

Special responsibilities

Chairman of the Board.

Interest in shares and options

61,262,973 ordinary shares in Gas2Grid Limited.

Dennis J Morton BA (Hons-Geology), (Macquarie University)

Managing Director

Experience and expertise

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

Other listed company directorships

None.

Former directorships of listed companies in last 3 years

None.

Special responsibilities

Managing Director (since 31 March 2008).

Interest in shares and options

174,288,187 ordinary shares in Gas2Grid Limited.

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

Executive Director

Experience and expertise

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

Other listed company directorships

None.

Former directorships of listed companies in last 3 years

None.

Special responsibilities

Chief Financial Officer.

Interest in shares and options

109,590,999 ordinary shares in Gas2Grid Limited.

Company Secretary

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

Meetings of Directors

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2017, and the number of meetings attended by each Director:-

	Directors' meetings	
	Number eligible to attend	Number attended
D A Munns	3	3
D J Morton	3	3
P W V M Sam Yue	3	3

Remuneration report and related party transactions

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

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

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

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

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

During the year ended 30 June 2017, the Group did not have a separate remuneration committee. Instead, the duties and responsibilities typically delegated to such a committee were considered to be the responsibility of the entire Board.

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

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

Director's fees

The current base remuneration was last reviewed with effect from 1 July 2016. Director's fees are determined within an aggregate fee pool limit, which currently stands at \$150,000 per annum. That limit shall not be increased except pursuant to a resolution passed at a general meeting of the Company.

Base fees	From 1 July 2017	From 1 July 2016
Chairman	35,000	35,000
Other Directors (each)	25,000	25,000

Additional fees

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

(b) Details of remuneration

Amounts of remuneration

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

The key management personnel of the Group are the Directors.

Name	Short-term employee benefits			Post-employment benefits	Long-term benefits	Termination benefits	Share-based payments	Total	% of remuneration that is performance based
	Salary and fees*	Cash bonus	Non-monetary benefits	Superannuation			EIP Shares		
	\$	\$	\$	\$	\$	\$	\$	\$	%
2017									
Executive Directors									
D J Morton	145,000	-	-	-	-	-	-	145,000	-
P W V M Sam Yue	121,000	-	-	-	-	-	44,400	165,400	-
Non-Executive Director									
D A Munns	35,000	-	-	-	-	-	-	35,000	-
Total	301,000	-	-	-	-	-	44,400	345,400	-

*The Directors agreed to defer payment of the 2017 fees to 16 October 2018.

Name	Short-term employee benefits			Post-employment benefits	Long-term benefits	Termination benefits	Share-based payments	Total	% of remuneration that is performance based
	Salary and fees*	Cash bonus	Non-monetary benefits	Superannuation			EIP Shares		
	\$	\$	\$	\$	\$	\$	\$	\$	%
2016									
Executive Directors									
D J Morton	145,000	-	-	-	-	-	-	145,000	-
P W V M Sam Yue	121,000	-	-	-	-	-	20,100	141,100	-
Non-Executive Director									
D A Munns	35,000	-	-	-	-	-	-	35,000	-
Total	301,000	-	-	-	-	-	20,100	321,100	-

*In November 2015, \$301,000 (\$75,250 for 2016 fees and \$225,750 for 2015 fees) was settled through issuance of fully paid ordinary shares.

(c) Service agreements

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

(d) Share-based compensation

Employee Incentive Plan ("EIP")

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

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

On 5 December 2016, following the approval of shareholders at the Annual General Meeting held on 29 November 2016, 12,000,000 fully paid ordinary shares were issued under the Gas2Grid Limited Employee Incentive Plan (see Note 24) to Director P W V M Sam Yue for which he was granted an interest free non-recourse loan to acquire the shares at \$0.008 per share when the market price was \$0.004 per share. The loan is repayable at his option to be able to trade the shares, as follows:

	2017			2016		
	Number of shares granted	Amount payable at \$0.008 per share on or before 29 November 2021 at the Directors' option	Fair value expensed under share based payments	Number of shares granted	Amount payable at \$0.008 per share on or before 30 November 2020 at the Directors' option	Fair value expensed under share based payments
		\$	\$		\$	\$
Directors of Gas2Grid Limited						
D A Munns	-	-	-	-	-	-
D J Morton	-	-	-	-	-	-
P W V M Sam Yue	12,000,000	96,000	44,400	12,000,000	96,000	20,100
	12,000,000	96,000	44,400	12,000,000	96,000	20,100

(e) Equity instruments held by key management personnel

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

	Balance at beginning of year	Granted during the year as compensation	EIP shares surrendered	Balance at end of year
Directors of Gas2Grid Limited 2017				
D A Munns (i)	61,262,973	-	-	61,262,973
D J Morton (ii)	179,288,187	-	(5,000,000)	174,288,187
P W V M Sam Yue (iii)	98,590,999	12,000,000	(1,000,000)	109,590,999

- i. 10,266,380 shares are registered in the name of TD International SA. 1,000,000 shares are registered in the name of Ann Patricia Munns.
- ii. 70,060,843 shares are registered in the name of Budside Pty Limited Employees Superannuation Fund. 34,727,345 shares are registered in the name of Budside Pty Ltd.
- iii. 66,590,999 shares are registered in the name of Lamdian Pty Ltd <ATF Samyue Super Fund>.

(f) Loans and accruals for finance costs from key management personnel and their related entities

	At beginning of year	Loans received	Amount drawn down	Directors' prior year fees drawn down reallocated to non-current creditors	Finance costs charged	At end of year	Total loan facilities available at end of year
	\$	\$	\$	\$	\$	\$	\$
2017							
D A Munns	1,424,734	-	27,933	(26,250)	170,953	1,597,370	2,000,000
D J Morton	4,161,469	150,000	-	(108,750)	495,531	4,698,250	5,250,000
P W V M Sam Yue	978,893	-	-	(90,750)	105,362	993,505	1,450,000
	6,565,096	150,000	27,933	(225,750)	771,846	7,289,125	8,700,000

On 30 December 2016, the loan facilities were increased to \$8,700,000 and the expiry date of facilities was extended from 16 October 2017 to 16 October 2018.

2016

	At beginning of year	Loans received	Directors' fees drawn down	Finance costs charged	At end of year	Total loan facilities available at end of year
D A Munns	1,202,725	80,000	26,250	115,759	1,424,734	1,600,000
D J Morton	3,556,023	159,375	108,750	337,321	4,161,469	4,500,000
P W V M Sam Yue	664,923	155,000	90,750	68,220	978,893	1,000,000
	5,423,671	394,375	225,750	521,300	6,565,096	7,100,000

On 26 August 2015, the loan facilities were increased to \$7,100,000 and the expiry date of facilities had been extended from 1 October 2016 to 16 October 2017

An establishment fee of 1% of the facility amount is payable on agreement of an increase or extension of the facilities which expire on 16 October 2018 and a fixed interest rate of 9% per annum accruing quarterly in arrears applies.

The total amount owing at 30 June 2017 of \$7,289,125 is disclosed under Note 11 Non-Current Borrowings.

(g) Other transactions with key management personnel

(i) Following approval of shareholders at the Annual General Meeting held on 26 November 2015, Directors were issued the following fully paid shares in 2016 at \$0.003 per share in settlement of Directors' and management fees owing for 2016 and prior years:

	2017		2016	
	Shares	\$	Shares	\$
D A Munns	-	-	11,666,666	35,000
D J Morton	-	-	48,333,333	145,000
P W V M Sam Yue	-	-	40,333,333	121,000
	-	-	100,333,332	301,000

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

	2017 \$	2016 \$
Management fees to the following entities recognised as expense		
Budside Pty Ltd ¹	120,000	120,000
Oni Design Pty Ltd ²	96,000	96,000
	<u>216,000</u>	<u>216,000</u>
Directors' fees recognised as expense		
Budside Pty Ltd	25,000	25,000
Oni Design Pty Ltd	25,000	25,000
David Munns	35,000	35,000
	<u>85,000</u>	<u>85,000</u>
Management and Directors' fees owing at balance date - current		
Budside Pty Ltd (inclusive of GST)	-	10,875
Oni Design Pty Ltd (inclusive of GST)	-	9,075
David Munns	-	-
	-	<u>19,950</u>
Management and Directors' fees owing at balance date - non- current		
Budside Pty Ltd (fees inclusive of GST)	155,875	-
Budside Pty Ltd (interest accrual)	15,647	-
Oni Design Pty Ltd (fees inclusive of GST)	127,050	-
Oni Design Pty Ltd (interest accrual)	13,265	-
David Munns (fees)	35,000	-
David Munns (interest accrual)	3,838	-
	<u>576,425</u>	

The non-current fees payable to the Directors are due on 16 October 2018 and interest rate of 9% per annum is provided quarterly in arrears.

Amounts owing at balance date for services and supplies provided

TD International SA ³	-	<u>13,380</u>
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The amounts due and payable for the services and supplies in Philippines were on an arm's length basis by reference to industry standards and where available third party charges for equivalent work. These services were recognised as exploration expenditure in non-current assets.

Related entities of the following Directors:

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

(h) Additional information

Loans to Directors

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

Shares under option

Nil.

Insurance of officers

During the financial year, a premium of \$17,834 was paid to insure the Directors of the Group and the parent entity.

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

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

Proceedings on behalf of the Company

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

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

Non-audit services

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

Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 19.

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



Dennis J Morton
Director

Sydney
21 September 2017



Auditor's Independence Declaration

As lead auditor for the audit of Gas2Grid Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in blue ink, appearing to read 'J. Richardson'.

Justine Richardson
Partner
PricewaterhouseCoopers

Sydney

21 September 2017

Gas2Grid Limited ABN 46 112 138 780 Financial Report for the year ended 30 June 2017

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

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

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' report on page 11, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 21 September 2017. The Directors have the power to amend and reissue the financial statements.

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

Consolidated Income Statement and Statement of Comprehensive Income

For the Year ended 30 June 2017

	NOTES	2017 \$	2016 \$
Interest and other income	2	56,824	167,315
Expenses			
Impairment of deferred exploration expenditure	8	(43,288)	(13,118,916)
Administration expense		(86,184)	(100,249)
Auditor's remuneration	23	(63,240)	(65,400)
Employee benefits expense		(61,830)	(82,843)
Management and Directors' fees	20	(301,000)	(301,000)
Depreciation	7	(4,373)	(41,139)
Finance costs		(813,879)	(522,367)
Insurance costs		(16,853)	(18,722)
Licence renewal costs		(71,169)	-
Rental expenses		(33,034)	(88,421)
Share-based payments	22	(44,400)	(40,152)
Net foreign exchange loss		(381)	(11,845)
Loss before income tax		(1,482,807)	(14,223,739)
Income tax expense	3	-	-
Loss from continuing operations		(1,482,807)	(14,223,739)
Other comprehensive income		-	-
Other comprehensive loss for the year, net of tax		-	-
Total comprehensive loss for the year		(1,482,807)	(14,223,739)
Loss for the year attributable to the owners of Gas2Grid Limited		(1,482,807)	(14,223,739)
Total comprehensive loss for the year attributable to owners of Gas2Grid Limited		(1,482,807)	(14,223,739)
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic and diluted loss per share	24	(0.16)	(1.66)

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

Consolidated Balance Sheet

As at 30 June 2017

	NOTES	2017 \$	2016 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	43,075	74,511
Trade and other receivables	5	22,870	98,375
Other financial assets	6	-	61,067
Total current assets		65,945	233,953
Non-current assets			
Property, plant and equipment	7	-	4,297
Exploration expenditure and rights	8	-	-
Total non-current assets		-	4,297
Total assets		65,945	238,250
LIABILITIES			
Current liabilities			
Trade and other payables	9	81,438	132,452
Provisions	10	6,423	45,421
Total current liabilities		87,861	177,873
Non-current liabilities			
Trade payables	9	647,055	30,420
Borrowings	11	7,289,125	6,565,096
Total non-current liabilities		7,936,180	6,595,516
Total liabilities		8,024,041	6,773,389
Net (liabilities)/assets		(7,958,096)	(6,535,139)
EQUITY			
Contributed equity	12	31,595,144	31,579,694
Reserves	13 (a)	233,802	189,402
Accumulated losses	13 (b)	(39,787,042)	(38,304,235)
Total (deficit)/equity		(7,958,096)	(6,535,139)

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

Consolidated Statement of Changes in Equity

For the Year ended 30 June 2017

	CONTRIBUTED EQUITY \$	ACCUMULATED LOSSES \$	RESERVES \$	TOTAL EQUITY / (DEFICIT) \$
Balance at 30 June 2015	31,272,145	(24,080,496)	149,250	7,340,899
Total comprehensive loss for the year	-	(14,223,739)	-	(14,223,739)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	307,549	-	-	307,549
Employee Incentive Plan	-	-	40,152	40,152
Balance at 30 June 2016	31,579,694	(38,304,235)	189,402	(6,535,139)
Total comprehensive loss for the year	-	(1,482,807)	-	(1,482,807)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	15,450	-	-	15,450
Employee Incentive Plan	-	-	44,400	44,400
Balance at 30 June 2017	31,595,144	(39,787,042)	233,802	(7,958,096)

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

Consolidated Statement of Cash Flows

For the Year ended 30 June 2017

NOTES	2017 \$	2016 \$
Cash flows from operating activities		
Interest received	877	680
Other income	116,696	139,280
Payments to suppliers and employees (inclusive of goods and services tax)	(288,965)	(405,703)
Net cash outflow from operating activities	14 (171,392)	(265,743)
Cash flows from investing activities		
Payments for exploration expenditure	(52,116)	(224,273)
Proceeds from sale of fixed assets	3,060	-
Payments for security deposits	-	(61,067)
Repayment of security deposits	27,207	61,100
Net cash outflow from investing activities	(21,849)	(224,240)
Cash flows from financing activities		
Proceeds from sale of EIP shares	15,700	11,350
Proceeds from borrowings	150,000	394,375
Share issue transaction costs	(250)	(4,800)
Net cash inflow from financing activities	165,450	400,925
Net decrease in cash and cash equivalents	(27,791)	(89,058)
Cash and cash equivalents at the beginning of year	74,511	166,306
Effects of exchange rate changes on cash and cash equivalents	(3,645)	(2,737)
Cash and cash equivalents at end of year	4 (43,075)	74,511

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

Notes to the Consolidated Financial Statements

For the Year ended 30 June 2017

1. SEGMENT INFORMATION

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

	AUSTRALIA \$	FRANCE \$	PHILIPPINES \$	TOTAL \$
2017				
Interest and other income				
Interest revenue	877	-	-	877
Other revenue	55,947	-	-	55,947
Total segment revenues	56,824	-	-	56,824
Segment results				
Loss for the year	(1,368,350)	(41,957)	(72,500)	(1,482,807)
Depreciation and amortisation	(4,373)	-	-	(4,373)
Share-based payments	(44,400)	-	-	(44,400)
Impairment of deferred exploration expenditure	-	-	(43,288)	(43,288)
Licences renewal costs	-	(41,957)	(29,212)	(71,169)
Segment assets	64,289	-	1,656	65,945
Segment liabilities	8,007,017	17,024	-	8,024,041
2016				
Interest and other income				
Interest revenue	680	-	-	680
Other income	166,635	-	-	166,635
Total segment revenues	167,315	-	-	167,315
Segment results				
Loss for the year	(1,104,823)	(88,759)	(13,030,157)	(14,223,739)
Depreciation and amortisation	(41,139)	-	-	(41,139)
Share-based payments	(40,152)	-	-	(40,152)
Impairment of deferred exploration expenditure	-	(88,759)	(13,030,157)	(13,118,916)
Segment assets	230,736	-	7,514	238,250
Segment liabilities	6,738,764	2,361	32,264	6,773,389

2. INTEREST AND OTHER INCOME

	2017 \$	2016 \$
Interest	877	680
Other revenue	55,947	166,635
	56,824	167,315

2017	2016
\$	\$

3. INCOME TAX EXPENSE

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

Loss from continuing operations before income tax expense	(1,482,807)	(14,223,739)
Tax at the Australian tax rate of 27.5% (2016- 28.5%)	(407,772)	(4,053,766)
Deferred tax asset not recognised	(407,772)	4,053,766
Income tax expense	-	-

(b) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	(14,708,015)	(14,017,660)
Potential tax benefit @ 27.5% (2016- 28.5%)	(4,044,704)	(4,023,891)

4. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

Cash at bank and in hand	43,075	74,511
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5. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Other receivables	8,144	75,900
Prepayments	14,726	22,475
	22,870	98,375

Credit risk

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

6. CURRENT ASSETS – OTHER FINANCIAL ASSETS

Security deposits

At beginning of year	61,067	61,100
Repayment	(61,067)	(61,100)
Addition	-	61,067
At end of the year	-	61,067

7. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	PLANT & EQUIPMENT	FURNITURE & FITTINGS	LEASEHOLD IMPROVEMENTS	TOTAL
	\$	\$	\$	\$
Cost	-	-	-	-
Accumulated depreciation	-	-	-	-
	-	-	-	-

7. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

Movements during the year

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

	PLANT & EQUIPMENT	FURNITURE & FITTINGS	LEASEHOLD IMPROVEMENTS	TOTAL
	\$	\$	\$	\$
2017				
Balance at beginning of year	-	2,399	1,898	4,297
Additions	-	-	76	76
Depreciation charged to income statement	-	(2,399)	(1,974)	(4,373)
Balance at the end of year	-	-	-	-
2016				
Balance at beginning of year	333	7,694	24,670	32,697
Additions	-	-	12,861	12,861
Depreciation charged to income statement	(211)	(5,295)	(35,633)	(41,139)
Depreciation charged to exploration expenditure	(122)	-	-	(122)
Balance at the end of year	-	2,399	1,898	4,297

8. NON-CURRENT ASSETS – EXPLORATION EXPENDITURE AND RIGHTS

	TANGIBLE \$	INTANGIBLE \$	TOTAL \$
2017			
Gross cost	3,753,942	(13,981,391)	17,735,333
Accumulated impairment	(3,753,942)	(13,981,391)	(17,735,333)
Balance at end of year	-	-	-
2016			
Gross cost	3,753,942	13,938,103	17,692,045
Accumulated impairment	(3,753,942)	(13,938,103)	(17,692,045)
Balance at end of year	-	-	-

Reconciliation of the movement in exploration expenditure and rights

2017

Balance at beginning of year	-	-	-
Additions	-	43,288	43,288
Impairment	-	(43,288)	(43,288)
Balance at end of year	-	-	-

2016

Balance at beginning of year	3,359,414	9,560,342	12,919,756
Additions	-	199,039	199,039
Impairment	(3,359,414)	(9,759,502)	(13,118,916)
Depreciation capitalised	-	121	121
Balance at end of year	-	-	-

Impairment of exploration expenditure and rights

Tangible assets

Tangible assets included in exploration expenditure and rights consist of two drilling rigs and related equipment. Full impairment of the carrying value of the tangible assets had been recognised at 30 June 2016 under the accounting standards. Should economic conditions change such that there is value in use of the assets or an active market for the asset is established then the impairment could be reversed in part or in full in future years.

Intangible assets

Intangible assets consist of deferred exploration expenditure on the Group's petroleum licences and are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or group of assets (cash generating units). The Group has identified the licence in the Philippines as being a separate cash generating unit. The Directors have assessed that a full impairment of the carrying value of the intangible assets is required at balance date as follows:

Philippines licence – The technical moratorium for Service Contract 44 expired on 27 January 2017. The Company applied to the DOE requesting for additional time in which to complete the operations planned under the technical moratorium and the request was denied. The Company has lodged an application under "Force Majeure", as provided for under the Service Contract terms, but the timing for an outcome is not known. The Company has put operations in SC 44 on hold until security of title has been established as under the current situation, security of title is not guaranteed. Impairment charge of \$43,288 has been recognised at 30 June 2017.

	2017	2016
	\$	\$

9. TRADE AND OTHER PAYABLES

Current

Trade payables and other creditors	81,438	132,452
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Trade payables include \$19,074 owing to Director P Sam Yue for reimbursement of expenses paid on behalf of the Company.

Non-current

Trade payables and other creditors	70,630	30,420
Fees payable to Directors (including GST and interest accrual)	576,425	-
	<u>647,055</u>	<u>30,420</u>

At 30 June 2017, trade payables of \$70,630 have agreed for the amounts owing at balance date to be settled on or after 1 October 2018. Directors have agreed for the amounts owing to them at balance date to be settled on 16 October 2018.

10. PROVISIONS

Current

Provision for annual leave	6,423	10,294
Lease make good provision	-	32,783
Lease incentive provision	-	2,344
	<u>6,423</u>	<u>45,421</u>

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

Current provisions

	Make good provision	Lease incentive provision	Annual leave \$	Total \$
Balance at beginning of year	32,783	2,344	10,294	45,421
Paid during the year	(32,783)	-	-	(32,783)
Charged/(credited) to profit or loss	-	(2,344)	(3,871)	(6,215)
Balance at end of year	<u>-</u>	<u>-</u>	<u>6,423</u>	<u>6,423</u>

2017	2016
\$	\$

11. NON-CURRENT BORROWINGS

Loans from Directors' related entities	7,289,125	6,565,096
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See remuneration report on pages 13 to 18 for details on the loans.

Interest and establishment fee for the year amounting to \$771,846 (2016: \$518,799) are included in the loans and not paid.

12. CONTRIBUTED EQUITY

NOTES	2017 SHARES	2016 SHARES	2017 \$	2016 \$
a) Share capital				
Ordinary shares- fully paid	(b),(c) 913,409,076	901,409,076	31,595,144	31,579,694

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

b) Movements in ordinary share capital:

2017	DETAILS	NOTES	NUMBER OF SHARES	ISSUE PRICE	\$
1 Jul 16	Balance at beginning of year		901,409,076		31,579,694
	(i) Non- cash transactions				
5 Dec 16	Shares issued under EIP to Director	(d)	12,000,000	0.008	-
			12,000,000		
	(ii) Cash transactions				
17 Jan 17	Sale of 6,500,000 shares surrendered under EIP	(d)	-	0.002	13,000
9 May 17	Sale of 900,000 shares surrendered under EIP		-	0.003	2,700
	Less: Transaction costs		-		(250)
	Total movement for the year		-		15,450
30 Jun 17	Balance at end of year		913,409,076		31,595,144
2016					
1 Jul 15	Balance at beginning of year		787,275,744		31,272,145
	(j) Non- cash transactions				
29 Oct 14	Shares issued under EIP (omitted in prior year)		1,800,000	0.020	-
27 Nov 15	Shares issued – Payment of fees to Directors		100,333,332	0.003	301,000
27 Nov 15	Shares issued under EIP to Director	(d)	12,000,000	0.003	-
			114,133,332		301,000
	(ii) Cash transactions				
24 Jun 16	Sale of 5,675,000 shares surrendered under EIP	(d)	-	0.002	11,350
	Less: Transaction costs		-		(4,801)
	Total movement for the year		114,133,332		301,619
30 Jun 15	Balance at end of year		901,409,076		31,579,694

c) Ordinary shares

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

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

d) Employee Incentive Plan (EIP) shares

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in Note 22.

Loans extended under the EIP for 7,400,000 shares, including 6,000,000 for Directors, were not repaid at their maturity date. Under the terms of the EIP those shares were sold and the Company has retained the proceeds as payment of the loans with no further recourse to the EIP loans.

Share issue

On 29 November 2016 the Annual General Meeting approved the issue of 12,000,000 fully paid ordinary shares under EIP to a Director.

e) Capital risk management

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

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

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

13. RESERVES AND ACCUMULATED LOSSES

	2017 \$	2016 \$
a) Reserves		
Share-based payments reserve	2,068,733	2,024,333
Foreign currency translation reserve	(1,834,931)	(1,834,931)
	233,802	189,402
Movements:		
<i>Share-based payments reserve</i>		
Balance at beginning of year	2,024,333	1,984,181
Option expense	44,400	40,152
Balance at end of year	2,068,733	2,024,333
<i>Foreign currency translation reserve</i>		
Balance at beginning and end of year	(1,834,931)	(1,834,931)
b) Accumulated losses		
Movements in accumulated losses were as follows:		
Balance at beginning of year	(38,304,235)	(24,080,496)
Loss for the year	(1,482,807)	(14,223,739)
Balance at end of year	(39,787,042)	(38,304,235)

c) Nature and purpose of reserves

i. Share-based payments reserve

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

ii. Foreign currency translation reserve

Exchange differences arising on translation of the foreign subsidiary are taken to the foreign currency translation reserve, as described in Note 26(d). The reserve is recognised in profit and loss when the net investment is disposed of.

	2017 \$	2016 \$
14. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Loss for the year	(1,482,807)	(14,223,739)
Depreciation and amortisation	4,373	41,139
Directors' fees paid by way of share issue	-	301,000
Directors' fees included in non-current creditors	301,000	-
Impairment of deferred exploration expenditure	43,288	13,118,916
Finance costs capitalised to loans	771,846	521,299
Finance costs included in non-current creditors	42,033	-
Finance costs relating to make good provision in lease	-	1,068
Lease incentive credited	-	(51,038)
Gain on disposal of fixed assets	(3,060)	-
Net exchange differences	3,645	2,737
Other costs included in non-current creditors	25,350	-
Share based payments	44,400	40,152
Change in operating assets and liabilities:		
Decrease/(Increase) in trade and other receivables	69,815	(30,467)
Increase in trade and other payables	7,190	17,135
Decrease/(Increase) in prepayments	7,749	(8,342)
(Decrease)/Increase in provisions	(6,214)	4,397
Net cash outflow from operating activities	(171,392)	(265,743)

15. NON-CASH INVESTING AND FINANCING ACTIVITIES

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

Directors' and management fees	-	301,000
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16. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

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

Estimated impairment of exploration expenditure

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

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

The Group tests semi-annually whether exploration expenditure carried forward has suffered any impairment, in accordance with the accounting policy stated in Note 26(v).

Share-based payments

The fair value of shares issued under the Gas2Grid Limited Employee Incentive Plan is measured by reference to the fair value of options granted. The fair value estimate is based on the Black Scholes option-pricing model. The contractual life of the options is used as an input into the model. Further information regarding assumptions is included in Note 22.

Recognition of assets and disclosure of contingent assets

In respect of the litigation that the Company currently has with the French Government, the Company has applied its judgement with respect to the recognition of an asset or disclosure of contingent assets in light of the requirements of the Australian Accounting Standards. In considering these matters the Company has taken into account the legal advice it received and information available at balance sheet date.

17. FINANCIAL RISK MANAGEMENT

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

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

The Group holds the following financial instruments:

	2017	2016
	\$	\$
Financial assets		
Cash and cash equivalents	43,075	74,511
Trade and other receivables	22,870	98,375
Other financial assets at fair value	-	61,067
	<u>65,945</u>	<u>233,953</u>
Financial liabilities		
Trade and other payables- current	81,438	132,452
Trade and other payables – non-current	647,055	30,420
Borrowings	7,289,125	6,565,096
	<u>8,017,618</u>	<u>6,727,968</u>

(a) Market risk

i. Foreign exchange risk

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

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

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

ii. *Cash flow and fair value interest rate risk*

Increase/(decrease) in net exposure

-Australian dollar depreciates by 5% against USD	(61)	899
-Australian dollar depreciates by 5% against PHP	(26)	(248)
-Australian dollar depreciates by 5% against EUR	896	124
-Australian dollar appreciates by 5% against USD	56	(814)
-Australian dollar appreciates by 5% against PHP	23	224
-Australian dollar appreciates by 5% against EUR	(811)	(112)

The Group's main interest rate risk arises from cash and cash equivalents and deposits with banks.

The Group is not exposed to price risk.

iii. *Group sensitivity*

At 30 June 2017, if interest rates had changed by +/- 100 basis points ("bps") from the year-end rates with all other variables held constant, post-tax profit for the year would have been \$431 lower/higher (2016 - change of 100 bps: \$742 lower/higher), as a result of lower/higher interest income from cash and cash equivalents and deposits with banks.

(b) Credit risk

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

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

(c) Liquidity risk

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

Financing arrangements

At 30 June 2017, the Group had access to borrowing facilities of \$8,700,000 bearing interest at a fixed rate of 9% and is available until 16 October 2018. At balance date an amount of \$7,289,125 had been drawn.

Maturities of financial liabilities

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

	LESS THAN 6 MONTHS	6 – 12 MONTHS	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS	TOTAL CONTRACTUAL CASH FLOWS	CARRYING AMOUNT (ASSETS) / LIABILITIES
	\$	\$	\$	\$	\$	\$	\$
At 30 June 2017							
Non-derivatives							
Fixed rate	438,566	373,199	8,893,713	-	-	9,705,478	8,017,618
Total non-derivatives	438,566	373,199	8,893,713	-	-	9,705,478	8,017,618
At 30 June 2016							
Non-derivatives							
Fixed rate	427,881	295,429	6,769,131	-	-	7,492,441	6,727,968
Total non-derivatives	427,881	295,429	6,769,131	-	-	7,492,441	6,727,968

(d) Fair value estimation

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

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

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

18. COMMITMENTS

2017	2016
\$	\$

a) Lease commitments

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

Not later than one year	15,359	14,473
Later than one year but not later than 5 years	19,327	-
	<u>34,686</u>	<u>14,473</u>

b) Exploration commitments

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

Not later than one year	-	1,285,017
	<u>-</u>	<u>1,285,017</u>

At 30 June 2017 the Company is still awaiting decisions by the relevant overseas authorities on the renewal of its licences and has no exploration commitment.

19. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There has not arisen in the interval since 30 June 2017 and up to the date of this report, any matter that, in the opinion of the Directors, has significantly affected or may significantly affect the operations of the group

20. RELATED PARTY TRANSACTIONS

(i) Key management personnel compensation

Short-term employee benefits	301,000	301,000
Post-employment benefits	-	-
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments (see Note 22)	44,400	20,100
	<u>345,400</u>	<u>321,100</u>

Detailed remuneration disclosures are provided in the remuneration report on pages 13 to 18.

(ii) Other transactions and balances

Other transactions with and balances at reporting date with key management personnel or their related entities are disclosed in the remuneration report on pages 13 to 18 and in Notes 9 and 11.

21. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 26 (b).

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING*	
			2017 %	2016 %
Gas2Grid Pte Limited	Singapore	Ordinary	100	100
Wellfin Pty Limited	Australia	Ordinary	100	100

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

22. SHARE-BASED PAYMENTS

The Company has established a Gas2Grid Limited Employee Incentive Plan ("EIP") under which the Directors may offer options for free and ordinary shares at market price in the Company to eligible persons. The Directors may also offer interest free non-recourse loans for terms of up to 5 years under the plan for subscription of shares. Under such loans the Company holds a lien over the issued shares and the loans are repayable at the option of the eligible persons to be able to deal with the shares. Shares issued under the EIP in conjunction with non-recourse loans are accounted for as options. As a result, the amounts receivable from the eligible persons in relation to these loans are not recognised in the financial statements. Refer to the Remuneration Report contained in the Directors' Report on pages 13 to 18 for details of the Gas2Grid Limited Employee Incentive Plan.

During the year, 12,000,000 shares were issued at \$0.008 per share to Director Mr P Sam Yue (market price at grant date was \$0.004 per share) with non-recourse loans totalling \$96,000 as approved by shareholders at the Annual General Meeting held on 29 November 2016. There are no vesting conditions on the shares issued.

	2017 SHARES	2016 SHARES
Balance at beginning of year	49,975,000	41,850,000
Granted during the year	12,000,000	12,000,000
Granted during preceding years	-	1,800,000
Surrendered during the year	(7,400,000)	(5,675,000)
Balance at end of year	54,575,000	49,975,000

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

SHARES ISSUED UNDER EIP	ISSUE AND GRANT DATE	EXERCISE PRICE	SHARE PRICE AT GRANT DATE	LIFE ASSUMPTION	RISK FREE RATE	EXPECTED PRICE VOLATILITY OF COMPANY'S SHARE PRICE	VALUE OF OPTION	VALUE OF SHARE BASED PAYMENT
		\$	\$				\$	\$
2017								
12,000,000	29/11/16	0.008	0.004	5 years	2.26%	170%	0.0037	44,400
2016								
12,000,000	27/11/15	0.008	0.003	5 years	2.29%	156%	0.0026	20,100
1,800,000	29/10/14	0.020	0.014	5 years	2.84%	119%	0.0111	20,052
								40,152

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

23. REMUNERATION OF AUDITOR

2017	2016
\$	\$

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

Audit services

Services provided by the auditor of the Parent Entity and its related firms

PwC Australian firm

Audit and review of financial reports and other audit work under the
Corporations Act 2001

63,240	65,400
63,240	65,400

Total remuneration for audit services

No non-audit services were provided.

24. EARNINGS PER SHARE

a) Basic and diluted earnings (loss) per share

2017	2016
CENTS	CENTS
(0.16)	(1.66)

From continuing operations attributable to the ordinary equity
holders of the Company

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

\$	\$
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Basic and diluted earnings/(loss) per share

Loss from continuing operations

(1,482,807)	(14,223,739)
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Loss from continuing operations attributable to the ordinary equity
holders of the Company used in calculating basic earnings per share

(1,482,807)	(14,223,739)
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c) Weighted average number of shares used as the denominator

NUMBER	NUMBER
908,214,555	855,370,825
908,214,555	855,370,825

*Weighted average number of ordinary shares used as the denominator in
calculating basic earnings per share*

*Weighted average number of ordinary shares and potential ordinary shares used
as the denominator in calculating diluted earnings per share*

25. PARENT ENTITY FINANCIAL INFORMATION

The Parent Entity within the group is Gas2Grid Limited and this is also the ultimate Parent Entity within the group. The investment by the Parent Entity in subsidiaries at 30 June 2017 is \$1 (2016: \$1).

a) Summary financial information

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

	\$	\$
Balance sheet		
Current assets	65,945	233,953
Total assets	65,945	233,953
Current liabilities	87,861	(177,873)
Non-current liabilities	8,360,664	(7,019,999)
Total liabilities	8,448,525	(7,197,871)
Net assets	(8,382,580)	(6,959,621)
<i>Shareholders' equity</i>		
Issued capital	31,595,144	31,272,145
Reserves	233,800	149,250
Accumulated Losses	(40,211,524)	(24,520,862)
	(8,382,580)	6,900,533
Loss for the year	(1,482,807)	(5,272,195)
Total comprehensive loss	(1,482,807)	(5,272,195)

b) Guarantees entered into by the Parent Entity

The Parent Entity has not entered into any financial guarantees as at 30 June 2017 (2016: nil).

c) Contingent liabilities of the Parent Entity

The Parent Entity did not have any contingent liabilities as at 30 June 2017 or 30 June 2016.

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

The Parent Entity did not have any contractual commitments for the acquisition of property, plant or equipment as at 30 June 2017 or 30 June 2016 except as disclosed in Note 18.

26. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

i. Compliance with IFRS

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

ii. Historical cost convention

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

iii. Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 16.

iv. Going concern

The consolidated financial statements of the Group have been prepared on a going concern basis, which indicates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business.

At 30 June 2017, the Group had net current liabilities of \$21,916; and net liabilities of \$7,958,096 (2016: Net liabilities of \$6,535,139) including \$7,289,125 in Directors' loans and \$576,425 in Directors' fees that fall due for repayment on 16 October 2018. The Group has made a loss of \$1,482,807 for the year ended 30 June 2017.

Management is actively pursuing extension of SC 44 following expiry of the technical moratorium on 27 January 2017 and seeking recovery of its investment in the St Griede permit in France which had not been renewed by the French Government on improper legal grounds as ruled by the tribunal. In November 2016, the tribunal has directed the French Government to grant the renewal within one month failing which a Euros 3,000 per day penalty applies to the benefit of the Group and in January 2017 the French Government has appealed the judgement. A decision is awaited as to whether the appeal will be allowed. A decision of the tribunal is also awaited on the Company's request for payment of the penalty imposed on the Minister and accrued from 3 December 2016 to date.

Although the Group is still planning to undertake exploration activities on its various tenements once they have been renewed or granted, it has currently only budgeted for those amounts that 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. In the short term additional funds will be required for the Group to continue as a going concern.

As a result of these matters, there is a material uncertainty related to events or conditions that may cast significant doubt on whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of the business and at the amounts stated in the financial report.

At the date of this report, the Directors are of the opinion that there are reasonable grounds to expect that the Group will be able to continue as a going concern. In arriving at this conclusion, the Directors considered the following:

- The loan facilities from related entities of Directors (D Morton, D Munns and P Sam Yue) were increased from \$7.1 million to a total of \$8.7 million at 30 June 2017 and the expiry date was extended to 16 October 2018. The undrawn amount on these loans is \$1.4 million at 30 June 2017 and is able to be drawn upon in the short term.
- The Director's fees and management fees can continue to be deferred and not paid in cash by the Group.
- If required, management will negotiate to extend the maturity terms of the loan facilities and the fees payable to the Directors beyond the current maturity date on 16 October 2018.
- Depending on the outcome of the SC44 matter, selling of two drilling rigs and other field equipment.

In the longer term, the continuing ability of the Group to continue as a going concern and to undertake exploration activities and repay Directors' loans is dependent upon resolution of the above SC44 and St Griede issues.

If the extension of SC 44 is granted, management's preferred option is to sell part of the Group's interest in SC 44 and enter into joint venture for the potential development of the project.

On that basis the Directors have prepared the financial report on a going concern basis. At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2017. 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 group not continue as a going concern.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Gas2Grid Limited ("Company" or "Parent Entity") as at 30 June 2017 and the results of its subsidiaries for the year then ended. Gas2Grid Limited and its subsidiaries together are referred to in this financial report as the group or the Consolidated Entity.

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

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

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the group (refer to Note 26(s)).

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

(c) Segment reporting

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

(d) Foreign currency translation

i. Functional and presentation currency

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

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(e) Revenue recognition

Interest revenue is recognised using the effective interest rate.

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

(f) Borrowing costs

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

(g) Income tax

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

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

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

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(h) Impairment of assets

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

(i) Cash and cash equivalents

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

(j) Trade receivables

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

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

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

(k) Other financial assets

Classification

The group classifies other financial assets as loans and receivables.

i. Loans and receivables

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

Subsequent measurement

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

Impairment

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

(l) Plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 26(h)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(m) Trade and other payables

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

(n) Borrowings

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

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

(o) Provisions

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

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

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

(p) Employee benefits

i. Wages and salaries

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

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

ii. Share based payments

Share-based compensation benefits may be provided to employees via an employee incentive plan.

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

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

(q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(r) Earnings per share

i. Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

ii. Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(s) Investment in subsidiaries

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

(t) Goods and Service Tax (GST)

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

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

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

(u) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(v) Exploration and evaluation expenditure

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

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

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

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

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

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its amount. Where this is the case, the impairment loss will be measured in accordance with the Group's impairment policy (Note 26(h)).

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

(w) Leases

Leases to which a significant portion of the risks and rewards of the ownership are not transferred to the Group as leases are classified as operating leases (Note 18). Payments under operating leases are charged to income statement on a straight line basis over the period of the lease.

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

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 July 2016. The adoption of these standards did not result in changes in accounting policies and did not amend the amounts recognised in the financial statements. Additional disclosures required by these standards have been included where relevant.

(y) New accounting standards and interpretation

Certain new accounting standards and interpretations have been published that are not mandatory for annual reporting periods ending 30 June 2017 as follows:

- AASB 9 Financial Instruments (for annual reporting period commencing 1 January 2018)
- AASB 15 Revenue from Contracts with Customers (for annual reporting period commencing on or after 1 January 2018)
- AASB 16 Leases (for annual reporting period commencing on or after 1 January 2019)
- AASB 2015-8 Amendments to Australian Accounting Standards

The Group's assessment is that there would be no material impact.

(z) Parent entity financial information

The financial information for the Parent Entity, Gas2Grid Limited, disclosed in Note 25 has been prepared on the same basis as the consolidated financial statements.

Directors' Declaration

In the Directors' opinion:

- a) the financial statements and notes set out on pages 21 to 45 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 26(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



Dennis Morton
Director

Sydney
21 September 2017



Independent auditor's report

To the members of Gas2Grid Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Gas2Grid Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2017
- the consolidated income statement and statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757

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Material uncertainty related to going concern

We draw attention to Note 26(a) to the financial report, which comments on the ongoing funding requirements of the Group. The Group has experienced operating losses and negative cash flows in the current period and its liabilities exceed its assets as at 30 June 2017. The Group's ability to continue as a going concern is dependent upon being able to draw down loan facilities, defer directors' fees and management fees and if required, negotiate to extend the maturity terms of the loan facilities and the fees payable to the Directors beyond their current maturity date. These conditions, along with other matters as set forth in Note 26(a) indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Company is an ASX listed entity and its principal activities consisted of oil and gas exploration in the Philippines and France.



Materiality

- For the purpose of our audit we used overall Group materiality of \$72,000, which represents approximately 1% of the Group's total liabilities.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.



Materiality

- We chose the Group's total liabilities because the Group is not generating any revenue and its exploration expenditures and rights assets have been fully impaired in prior years. The Group is in a negative net assets position and the most significant item on the consolidated balance sheet is total liabilities, which primarily consists of loans from the directors. Therefore, based on the above analysis, we considered total liabilities as the appropriate benchmark in calculating the materiality.
- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit scope

- Our audit focused on where we identified a higher risk of material misstatement to the financial report including areas where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The accounting processes are based out of the Group's head office finance function in Australia.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p>Share based payments (Refer to note 22 of the financial statements) [\$44,400]</p> <p>On 29 November 2016, the Employee Incentive Plan 2016 (EIP 2016) was approved by the Shareholders. Under this plan, the Directors at their discretion may offer ordinary fully paid shares in the Company or options to acquire ordinary fully paid shares in the Company to Eligible Persons.</p>	<p>Our audit procedures performed on the share based payments included, amongst others:</p> <ul style="list-style-type: none"> • assessed the adequacy of the accounting treatment adopted by the Group at 30 June 2017 as described in note 22 in light of the requirements of Australian Accounting Standards noting that shares issued during the year under the EIP 2016 in conjunction with the non-recourse loans are accounted for as options;



<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>The Company at the time of making an offer to purchase shares may also provide an interest free loan to assist with purchase of those shares.</p> <p>During the year, 12,000,000 shares were issued at \$0.008 per share to Director Patrick W V M Sam Yue (market price at grant date was \$0.004 per share) with a non-recourse loans totalling \$96,000 as approved the shareholders at the Annual General Meeting held on 29 November 2016. There are no vesting conditions on the shares issued.</p> <p>The accounting for the share based payment was a key audit matter because the Group valued the options using the Black Scholes model, where inputs such as volatility, dividend yield and risk free rate require judgement.</p> <p>The impact on the financial report for the year ended 30 June 2017 of the share based payment transaction reflected a profit and loss charge of \$44,400.</p>	<ul style="list-style-type: none"> • compared the grant made during the year to the terms that were approved by the Shareholders at the Annual General Meeting dated 29 November 2016 and to the acceptance of the grant offer by the Director; • compared the key inputs to the options Black Scholes valuation model to supporting documentation and checked the mathematical accuracy of the share based payment expense recognised during the year; • evaluated the disclosures made in the financial statements in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's Letter, Operations Review, Financial Review, Directors' Report and Additional Information included in the Group's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.



Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 13 to 18 of the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Gas2Grid Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Justine Richardson

Justine Richardson
Partner

Sydney
21 September 2017

Additional Information

The shareholder information set out below was applicable as at 29 August 2017.

1. Substantial Shareholders

Substantial Shareholders in the Company are set out below:-

ORDINARY SHARES	NUMBER HELD	PERCENTAGE OF ISSUED SHARES
Dennis Morton	179,288,187	19.89
Patrick Sam Yue	98,590,999	10.94
David Munns	61,262,973	6.80
Darren Reeder	60,272,618	6.69

2. Voting rights

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

3. On-market buy-back

There is no current on-market buy-back.

4. Distribution of Shareholders

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

NO. OF SHARES	NO. OF SHAREHOLDERS
1 – 1,000	118
1,001 – 5,000	26
5,001 – 10,000	117
10,001 – 100,000	578
100,001 and over	478
	1,317

ii) There were 946 holders with less than a marketable parcel of shares.

5. Twenty largest Shareholders

	NAME OF SHAREHOLDERS	NUMBER HELD	PERCENTAGE OF ISSUED SHARES
1.	BUDSIDE PTY LTD <EMPLOYEES SUPERANNUATION FUND>	86,880,843	9.51
2.	LAMDIAN PTY LTD <SAMYUE SUPERFUND A/C>	66,590,999	7.29
3.	DARREN W REEDER	59,772,618	6.54
4.	DENNIS MORTON	51,499,999	5.64
5.	WONG VOON SAM YUE	43,000,000	4.71
6.	BUDSIDE PTY LIMITED	34,727,345	3.80
7.	OCTAN ENERGY PTY LTD	32,261,912	3.53
8.	MR DAVID MUNNS	31,829,927	3.48
9.	DAVID ALLISTAIR MUNNS	18,166,666	1.99
10.	POBELO SUPER PTY LTD <POBELO P/L SUPER FUND A/C>	15,650,000	1.71
11.	J P MORGAN NOMINEES AUSTRALIA	13,763,512	1.51
12.	M S NG	12,620,000	1.38
13.	J C K TO	10,109,232	1.11
14.	REMORA PTY LTD	10,069,000	1.10
15.	WALCOTT SUPER FUND PTY LTD <THE WALCOTT SUPER FUND A/C>	9,949,434	1.09
16.	TD INTERNATIONAL SA	9,481,898	1.04
17.	SEISTEND (SUPER) PTY LTD <DW KING SUPER FUND A/C>	8,900,000	0.97
18.	URALDINARION N V	8,750,000	0.96
19.	FAMBLERY PTY LTD <MTM PL PROVIDENT FUND A/C>	8,500,000	0.93
20.	DISCOVERY INVESTMENTS PTY LTD <RASCOL FAMILY SUPER FUND A/C>	8,105,682	0.89
		540,629,067	59.19

SCHEDULE OF OIL AND GAS TENEMENTS

LOCATION	TENEMENT NAME	HOLDER	INTEREST	AREA	STATUS
Cebu Island, The Philippines	Service Contract 44	Gas2Grid Pte Ltd	100%	750 km ²	Extension application
Onshore Aquitaine Basin, France	St Griede Licence	Gas2Grid Limited	100%	653 km ²	Renewal application to 21/05/2018. Under dispute
Onshore Aquitaine Basin, France	Tartas	Gas2Grid Limited	100%	2,822 km ²	Under new application
Onshore Aquitaine Basin, France	Mirande	Gas2Grid Limited	100%	1,092 km ²	Under new application
Onshore Aquitaine Basin, France	Eauze	Gas2Grid Limited	100%	1,949 km ²	Under new application