



## **ACTIVITIES REPORT QUARTER ENDED 31<sup>st</sup> MARCH, 2018**

**27<sup>th</sup> April, 2018**

### **SUMMARY**

#### **Philippines**

- Pursuing onshore oil and gas projects at appraisal stage as new venture opportunities
- Plan is to acquire equity in new ventures by drilling new wells using 100% Company owned rigs which are already in Philippines
- Technical review of selected opportunities completed and currently in commercial negotiations
- Target appraisal drilling programs in 2018
- SC 44: held meeting in Manila with DOE officials and now awaiting DOE decision on extension request

#### **France**

- St Griede: Awaiting Pau Tribunal decision on the Company's request for payment of €3,000/day penalties effective from 3<sup>rd</sup> December 2016 imposed on the French Government by the Tribunal for delay in granting the St. Griede permit under the judgement handed down in November 2016.
- Mirande permit application: The Minister formally cancelled this permit application as a direct consequence of December, 2017 new law banning petroleum exploration in France
- Mirande: pursuing payment to the Company by the Government of a court determined €300/day penalty from 20<sup>th</sup> October 2017 to the date of a properly supported decision by the Government on the application.
- Tartas and Eauze: The Minister formally cancelled these permit applications as a direct consequence of December, 2017 new law banning petroleum exploration in France

### **NEW VENTURES**

The Company is pursuing new venture opportunities in the Philippines in view of the disappearance of opportunities in France as result of the new law introduced in December 2017 banning petroleum exploration, and the delay being experienced in securing extension of SC 44 in Philippines.

We have reviewed Australian new energy opportunities to pursue utilising management's many years of working experience in that jurisdiction, but unfortunately it is now an extremely difficult and lengthy process to acquire onshore Australian petroleum licences.

NSW and Victoria are “closed for oil and gas business” and have been for over 6 years with no certainty as to when that situation will be reversed – the sovereign risk now associated with Victoria and NSW is high. Queensland is open for business but acquisition of new petroleum licences is by a gazettal process which provides no certainty of success and takes approximately 3 years from commencing the process with a nomination request. In the uncertain event of successful issue of a new licence it will take at least three years (maybe longer) before field operations can commence. South Australia and Western Australia are open for business and not surprisingly most of the attractive areas are already under licence. The only way forward in these states is for the Company to farm-in to an existing licence in Queensland, South Australia or Western Australia, but licence holders would be seeking free carry interests representing a high financial premium in order to participate.

The other major negative for doing business in each of the Australian mainland States and Territories is the significant increase in the bureaucratic approval process in order to be able to conduct land based exploration operations (e.g. seismic acquisition and drilling). The increase in the administrative procedures and community opposition adds significantly to the time for approval of operations. This directly results in the Australian State Governments approval processes causing significant time delays to commence field operations and also substantially increases the administrative cost. By comparison, approval to drill a petroleum exploration well or conduct a seismic acquisition survey in other jurisdictions eg. onshore, Philippines, is about 1 month in total whereas a similar approval in Australia can take up to a year or more.

**Philippines:** The Company owned drilling rigs are located in Cebu. Philippine Government approval of new seismic acquisition and drilling programs can be gained within months of application and provide for a dynamic low cost operating environment.

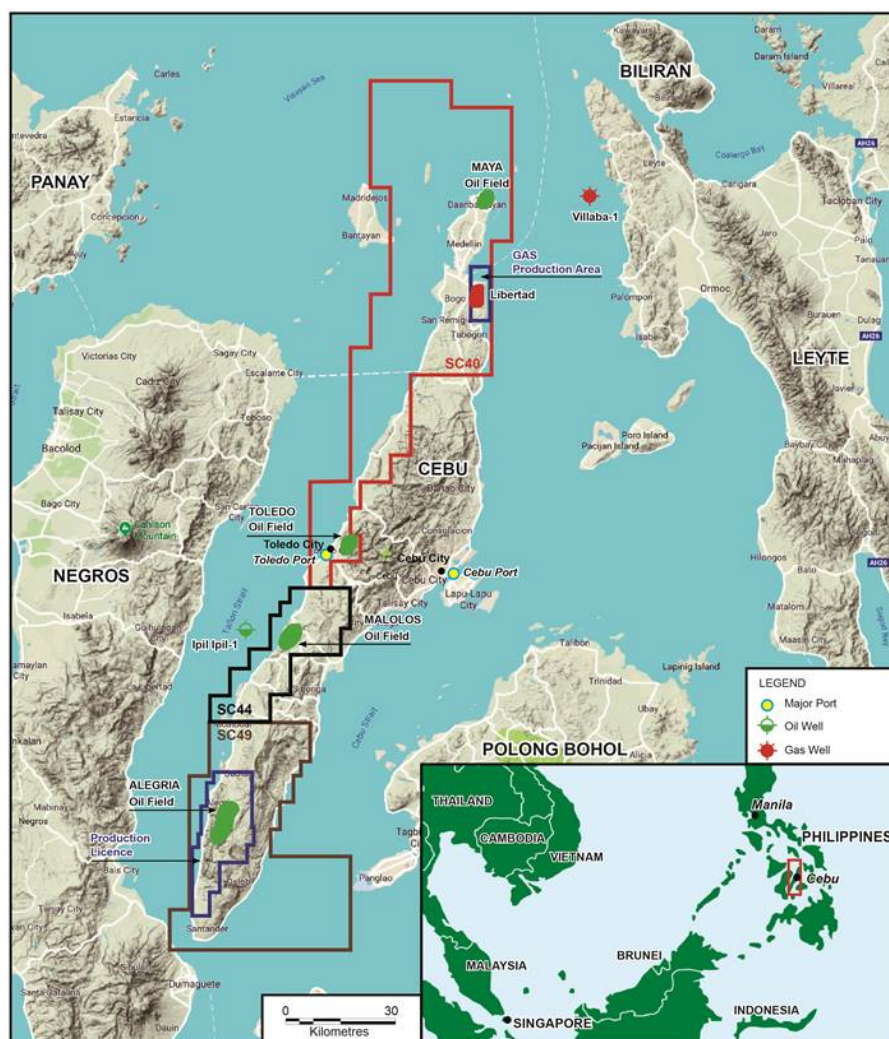
Onshore, Cebu is rapidly becoming the focus of an emerging petroleum production region with the operator of SC 49 in the southern part of the island being recently awarded a 25 year production licence. The SC 49 operator has discovered and is developing the Alegria oil field which produces oil and gas from the same sandstone reservoirs that are oil productive in SC 44. The Libertad gas field in SC 40, northern Cebu has already been awarded a 25 year production licence.

The Company has identified several oil and gas appraisal opportunities, onshore Philippines which it is pursuing through technical evaluation and commercial negotiation. Successful resolution of these negotiations will result in new appraisal wells being drilled in 2018 using the Company owned drilling rig.

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

The Company was contacted by the Philippine DOE requesting additional written information regarding the SC 44 extension request, which was duly provided. In late February, Company representatives met in Manila with DOE officials in order to review the status of the SC 44 extension request. The Company then provided further written information to the DOE. The Company is now waiting for a formal written response from the DOE regarding the SC 44 extension.

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. At US\$65+ per barrel, funding for new drilling within SC 44 would be attractive to investors.



**Petroleum Service Contracts and Production Licences, 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. In September 2015, the French Government illegally decided not to grant the renewal.

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.

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 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<sup>rd</sup> November 2016; and
3. A penalty, to the French Government, of Euros 3,000 for each day after 3<sup>rd</sup> December 2016 that the grant of the permit extension is delayed.

On 3<sup>rd</sup> January 2017, the French Government lodged an appeal against the decision of the Administrative Tribunal of Pau. In June 2017, the Company and the Government submitted their arguments to that appeal. We are waiting for the Appeal Court's determination and the Tribunal's directions on the penalty payment by the Government.

On the 18<sup>th</sup> January, 2018 the Company became aware that on the 23<sup>rd</sup> December, 2017 the French Government had issued a new decree extending the St. Griede licence up until the 31<sup>st</sup> May, 2018. The extension announced by the French Government provides the Company 5 months in which to complete a 5 year work program that was proposed on the application for renewal of the permit in 2013. This extension is not in accordance with the November 2016 court directions of a 5 year extension from the judgement date.

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 been formally advised by the French Government that the three petroleum licence applications, namely Mirande, Tartas and Eauze, it had submitted in 2010 had been rejected. These petroleum licence applications rejection is a direct consequence of the implementation in December, 2017 of a new law banning petroleum exploration in France.

The Company is pursuing payment by the French Government to the Company of a court imposed €300/day penalty on the Mirande application from 20<sup>th</sup> October 2017 to the date of the formal rejection under the new law.

*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.*

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## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

**Name of entity**

GAS2GRID LIMITED

**ABN**

46 112 138 780

**Quarter ended ("current quarter")**

31 MARCH 2018

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	3	22
1.2	Payments for		
	(a) exploration & evaluation (see 1.8 below)		
	(b) development		
	(c) production		
	(d) staff costs	(11)	(40)
	(e) administration and corporate costs	(85)	(177)
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid	(14)	(14)
1.6	Income taxes paid		
1.7	Research and development refunds		
1.8	Other (GST, fx and licence renewal costs)	(38)	(52)
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(145)</b>	<b>(261)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	500	512
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	(5)	(5)
3.5	Proceeds from borrowings	35	110
3.6	Repayment of borrowings	(50)	(50)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>480</b>	<b>567</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	13	43
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(145)	(261)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	480	567
4.5	Effect of movement in exchange rates on cash held	-	(1)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>348</b>	<b>348</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	13	12
5.2 Call deposits	335	1
5.3 Bank overdrafts		
5.4 Other (provide details)		
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>348</b>	<b>13</b>

**6. Payments to directors of the entity and their associates**

**Current quarter  
\$A'000**

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

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**7. Payments to related entities of the entity and their associates**

**Current quarter  
\$A'000**

7.1 Aggregate amount of payments to these parties included in item 1.2

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

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## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	8,650	7,954
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The loan facilities are provided by related parties of the 3 Directors of the Company (D Morton, D Munns and P Sam Yue), are unsecured and bear interest at 9% per annum accruing quarterly in arrears. Loans repaid may not be redrawn.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	
9.2 Development	
9.3 Production	
9.4 Staff costs	-
9.5 Administration and corporate costs	40
9.6 Other (provide details if material)	25
<b>9.7 Total estimated cash outflows</b>	<b>65</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

(Director/Company secretary)

Date: 27 April 2018

Print name: Patrick Sam Yue

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.