



26th November, 2015

ASX Market Announcements

CHAIRMAN'S ADDRESS AT ANNUAL GENERAL MEETING ON 26 NOVEMBER 2015

Since writing to you in the 2015 Annual Report, we have made some good progress towards developing our business, albeit slowly given the depressed state of the investment market and the oil and gas industry generally.

With the grant in December 2014 of the technical moratorium for Service Contract 44 in the Philippines ending on 27 January, 2017 we have completed significant technical studies focussing on an optimal method to drill and complete wells in the Malolos oil field. The aim is to overcome previously encountered problems of downhole production blockage, minimise formation damage and maximize oil production rates and sustainability.

We have also conducted a detailed surface geological mapping review which has led to the clear recognition of the Malolos anticline that forms the oil field. This work, combined with available seismic and well data confirmed Malolos-1 is located at the very eastern, down-dip part of the oil field, meaning it is not the best place to drill a well. The work also located the crest of the anticline, some 3 kilometres southwest of Malolos-1. That crest would be the preferred location to drill a new well.

We have considered various options to test and develop the Malolos oil field that includes deepening and completing the existing Nuevo Malolos well and drilling a new 1,800 metre well on the crest of the anticline. Using our Company owned Rig-2 that is already on location, we estimate that the cash costs for either option to be reasonably low:

- approximately US\$600,000 to deepen and complete Nuevo Malolos; and
- approximately US\$1.25 million for a new well on the crest.

With limited funds and prevailing low share price we decided that the best way to fund the proposed new work is by farmout. Unfortunately, the world low oil price has reduced significantly the pool of potential farminees as many have reduced, deferred or cancelled their budgets for exploration in the short term.

However, investors for the long term are still seeking good projects and we believe we do have a chance of securing a partner with a funding/reward structure and timing that takes account of the low oil price environment, especially with an initial low cost of entry.

Failing a farmout we will consider alternative types of funding that includes equity issues for an appropriate program to be implemented next year.

The St Griede licence (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 2014.

With no response from the Minister, in early 2015 we sought meetings with the Minister of Energy and the Minister of Economy, the two ministers who have joint carriage of decision for the oil and gas industry.

While we were able to meet with a senior adviser to the Minister of Economy in June 2015 who expressed support for our project, we had no such luck with the Minister of Energy who was very busy and would not meet with us.

Not giving up, in October 2015 we were able to meet with a senior adviser of the Prime Minister and also other officials of the Department of hydrocarbon exploration and production in Paris who verbally advised us that the French Government had decided not to grant the renewal and a formal written notification was received later that month.

The decision of the ministers is based solely on views of local elected members and its citizens and risks to public order considerations within the area where the licence is located.

We note that approval was granted in 2014, by local authorities, for Gas2Grid to conduct a seismic survey within the St Griede permit with the aim to target a well location and there has been no registered citizen's objection when our proposal was exposed for public comments. Another large company has conducted a 3D seismic survey earlier this year in the same region. We are not aware of any reported public disorder in the region.

Following legal advice, Gas2Grid has lodged in the French Administrative Tribunal on 10th November 2015 a challenge to the ministers' decision. The determination should be known in the not too distant future, in following usual tribunal procedures and decisions in France.

Gas2Grid has 3 licence applications, namely Tartas, Eauze and Mirande (all 100% interest), in the Aquitaine Basin that are awaiting grant. Tartas, having been fully processed, has been recommended for grant by the French Government officials and is awaiting the Minister of Energy's approval. Eauze and Mirande have some more procedures to be carried out by the Government officials before a recommendation for grant can be expected.

The Company has continued to receive loans from the Directors for its day to day operations thereby avoiding issuing new shares with 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 still require patience from our shareholders as we strive to develop the Malolos oil field and get satisfaction in France for the several million Euros invested there.

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Chairman

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