



31st January, 2013

## ACTIVITIES REPORT DECEMBER 2012 QUARTER

### SUMMARY

- Philippines: Jacob-1 drilled and suspended
- Philippines: Gumamela-1 drilled then plugged and abandoned
- Philippines: Malolos-1 workover commenced in December but delayed due to rig repairs
- France: St. Griede seismic survey application submitted to French Government
- France: 3 new petroleum exploration licence applications being processed

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

During the December 2012 Quarter the Company conducted the following activities:

- Rig-2 commenced drilling operations
- Jacob-1 was drilled to a total depth of 664.5 metres (KB) and suspended
- Gumamela-1 was drilled to a total depth of 1.051.6 metres (KB) then plugged and abandoned
- Rig-1 refurbishment completed
- Malolos-1 workover commenced in December and the work has experienced significant delays due to rig repairs

### 2012 DRILLING PROGRAM

**Jacob-1** was designed to test the Miocene age Cebu Limestone trapped as a pinnacle reef. Secondary targets were the Miocene age Malubog-Toledo Formation marine sandstone reservoirs, trapped in a drape anticline above the reef.

Jacob-1 spudded on 23<sup>rd</sup> October, 2012 and it was drilled to a total depth of 664.5 metres (KB). The top of the main limestone reef objective was intersected at a depth of 340 metres (KB), close to pre-drill prognosis. This limestone lithology continued to the well total depth of 664.5 metres. Unfortunately the limestone reservoir objectives did not have any significant porosity or permeability

development (“tight”). The secondary objective, sandstone reservoirs in the section above the reef, was not encountered. The section overlying the reef was comprised of calcareous marl (lime rich mudstone) which while providing an excellent sealing unit for the reef it was devoid of any sandstone reservoirs. Minor hydrocarbon shows (slightly increased gas levels, fluorescence and cut) were observed while drilling the limestone reef.

The well was terminated at a shallower than programmed depth due to a significant lost circulation zone being encountered as the result of fracture development within the reef. The content of the fracture system (water, oil, gas) is unknown as significant mud was lost into it immediately upon penetration, with no returns. The well was suspended pending a decision to swab the fracture system using Rig-1 in order to determine the fluid content.

**Gumamela-1** was designed to test an Oligocene-Miocene age Cebu Limestone trapped in a pinnacle reef. Secondary targets were Miocene age Malubog-Toledo Formation marine sandstones, in the section overlying the reef.

Gumamela-1 spudded on the 23<sup>rd</sup> December, 2012 and it was drilled to a total depth of 1,051.6 metres (KB). The top of the main limestone reef objective was intersected close to prognosis at a depth of 774.8 metres (KB) and continued to a depth of 876.3 metres (KB), being 101.5 metres thick. The formation changed at a depth of 876.3 metres into an inter-bedded claystone, siltstone and minor sandstone lithology. The well reached a total depth of 1,051.6 metres (KB) still within these lithologies.

There was no reservoir quality porosity or permeability development (“tight”) within the limestone reef section. There was also no reservoir quality sandstones developed in the section immediately overlying the reef, where they had been prognosed before drilling commenced.

Very high levels of methane (1,195 units or 12% by volume on a background of 5-6 units) was recorded at a depth of 535 metres (KB) although there was no associated lithology change. Subsequent electric logging indicated no reservoir development at this depth and the gas was likely associated with a small fracture system. The well has been plugged and abandoned.

**Ilang-1** is designed to test the Early Miocene aged, marine turbidite sandstones within the lower part of the Upper Malubog Formation trapped in an anticline. Both Jacob-1 and Gumamela-1 penetrated the equivalent section that comprises the main Ilang-1 objective. The lithology in these wells was composed completely of marl with no sandstone reservoir development. These recently acquired results increase the risk of not finding any sandstone within this formation and the anticlinal trap.

A decision has been made to undertake a detailed technical study incorporating the recently acquired results in order to better determine the technical robustness and risk profile of the Ilang Prospect. A decision will be made whether to drill Ilang-1 after this work has been completed.

### **MALOLOS-1 WORKOVER AND TESTING PROGRAM**

On the 23<sup>rd</sup> December, 2012 the Malolos-1 wellhead pressure (275 psi) was bled down through a 6/64" choke with gas being flared and oil/water being recovered for over an hour. Rig-1 was then rigged up and the mill bit assembly run into the hole tagging the well bore obstruction ("junk") at a depth of 2,187.2 metres (KB). Just over 10 cm of junk was milled before the Rig-1 experienced a series of mechanical breakdowns requiring repair (draw-works brake and main gearbox).

Rig-1 repairs were not completed until the 24<sup>th</sup> January, 2013 when milling operations recommenced. Rig-1 with a 4 inch (10.2 mm) mill bit has milled over a metre of junk from the hole. During that process the Company engineers have been able to determine that the junk is actually a test packer. The packer is set within the 7 inch (17.8 mm) casing and is composed of both steel and rubber. The packer cannot be completely milled out of the hole with the current bottom hole assembly, which includes a 4 inch mill bit. A 5 inch (12.7 mm) liner was set from surface to a depth of 2,827.25 feet to isolate sets of open perforations. The installation of the 5.5 inch liner, with an inside diameter of 4.95 inches, means that the largest mill bit that can be run into the hole is 4 inches which is not large enough to drill out the packer.

A decision has therefore been made to replace Rig-1 with Rig-2 to complete the Malolos-1 workover and flow testing. Rig-2 is a larger rig with better capacity to complete the workover and it will also be worked 24 hours/day whereas Rig-1 is only working 12 hours/day. Rig-2 will retrieve the 5 inch casing and then mill out the junk with a larger 6 inch bit. The oil bearing sandstones will then be perforated and tested. Whilst there will be a delay of about a month while the two rigs are changed out this action will make the workover operation simpler to complete.

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

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

The Aquitaine Basin is a prolific hydrocarbon province with a long history of discovery and production. Over 13,000 petajoules (approximately 13 trillion cubic feet) of gas and 450 million barrels of liquid hydrocarbons have been produced from the basin, mainly by the large French

Government-owned corporations. There has been a hiatus in exploration activity since the 1980s, but a resurgence of licensing activity and operations has occurred recently, coincident with the increase in both oil and natural gas prices. Markets and gas pipeline infrastructure are well developed and the commercialisation of even small discoveries is feasible.

In 2010 a total of 740 kilometres of vintage seismic data (1960-1980) was purchased and these data were reprocessed to determine their quality and application to exploration. These seismic data showed excellent improvements due to the reprocessing. Interpretation of these data was integrated with the 2009 aero-gravity data set indicating excellent exploration potential for structural hydrocarbon traps.

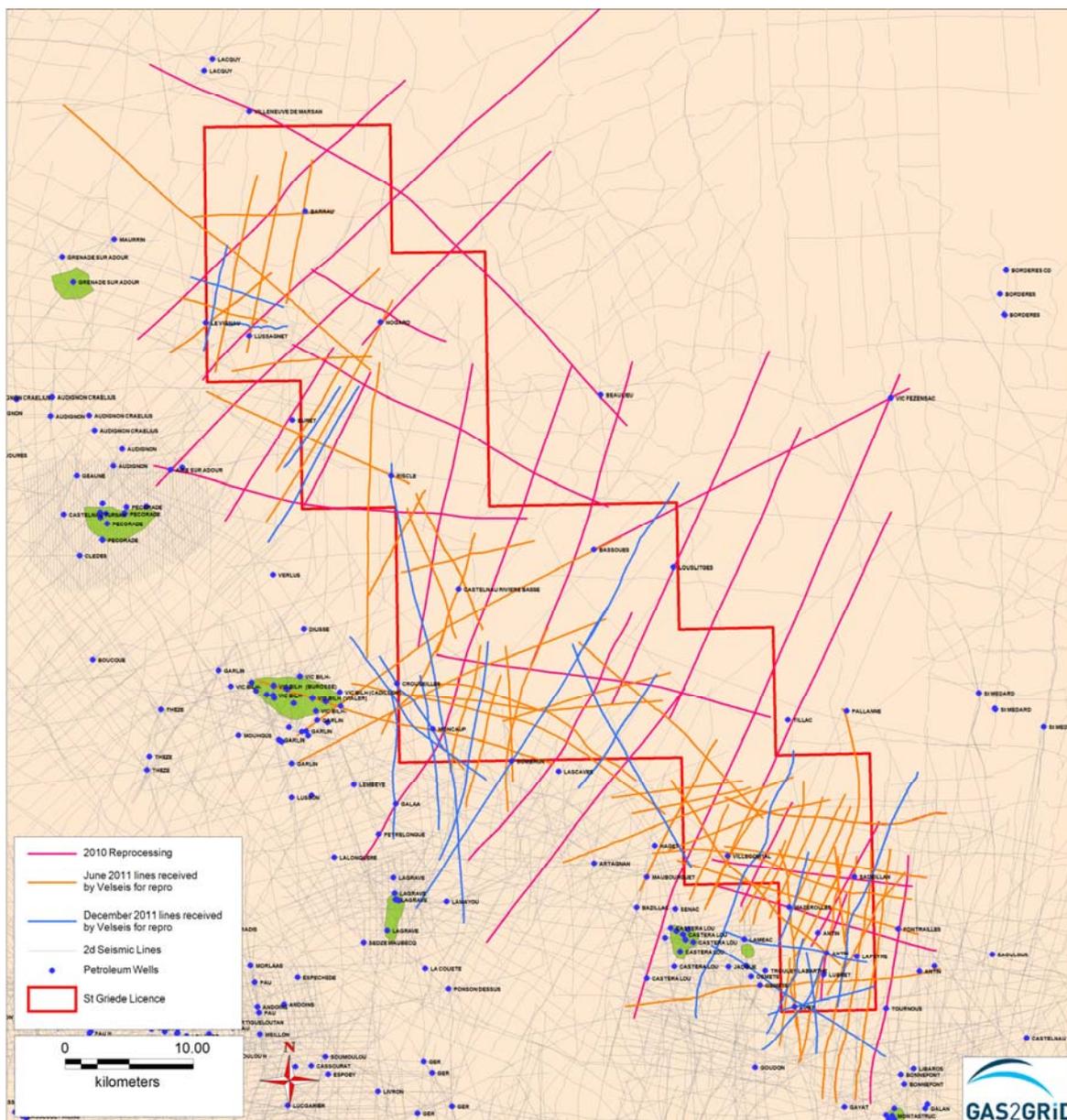
In 2011 a decision was made to reprocess all the other, available vintage seismic data within the St. Griede licence and a few additional vintage seismic lines that tied nearby producing fields and wells to provide additional geological control.

A total of 1,232.6 kilometres of vintage field seismic data was purchased from the BRGM. These data were supplied to the Company by BRGM in two batches. All these data have now been reprocessed with a noticeable improvement in data quality. These data have now been interpreted and the location of a new seismic program has been laid out. The new program will provide sufficient coverage over several prospective drilling prospects to allow the siting of at least one exploration well for drilling in 2013. It was planned to acquire the new seismic data in late 2012-early 2013.

During the December 2012 Quarter the planned seismic program was situated on the ground, seismic contract tenders received and the seismic survey approval application submitted to the French Government.

**2013 Planned Activities:** The Company plans on the following work activities for 2013:

- Complete the acquisition of a new seismic survey to determine at least one drilling location on a conventional oil and gas prospect
- Drill one exploration well
- Renew the licence for another 5 years with a statutory reduction of approximately 50% in surface area.



***St. Griede: Seismic Reprocessing***

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

The Company has agreed to transfer its 100% interest in the licence to an unrelated company in return for equity in that company which will assume all work commitments. The transaction is incomplete at this time as certain conditions have yet to be satisfied.

Dennis Morton  
 Managing Director  
 Phone: +61-2-8298-3682  
[dennis@gas2grid.com](mailto:dennis@gas2grid.com)

Patrick Sam Yue  
 Director  
 Phone : +61-2-8298-3668  
[psy@gas2grid.com](mailto:psy@gas2grid.com)

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

GAS2GRID LIMITED

ABN

46 112 138 780

Quarter ended ("current quarter")

DECEMBER 2012

### Consolidated statement of cash flows

	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation	(1,522)	(2,831)
(b) development		
(c) production		
(d) administration	(203)	(550)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	1	4
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)	32	26
<b>Net Operating Cash Flows</b>	<b>(1,692)</b>	<b>(3,351)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects		
(b) equity investments		
(c) other fixed assets	(423)	(1,030)
1.9 Proceeds from sale of: (a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (security deposit)		(61)
<b>Net investing cash flows</b>	<b>(423)</b>	<b>(1,091)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(2,115)</b>	<b>(4,442)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(2,115)	(4,442)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	674	2,699
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (capital raising costs)	(7)	(132)
	<b>Net financing cash flows</b>	667	2,567
	<b>Net increase (decrease) in cash held</b>	(1,448)	(1,875)
1.20	Cash at beginning of quarter/year to date	2,667	3,114
1.21	Exchange rate adjustments to item 1.20	-	(20)
1.22	<b>Cash at end of quarter</b>	1,219	1,219

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	30
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Director's and management fees paid to director

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

\$102,791 owing for directors' and management fees were paid by the issue of 1,181,509 fully paid ordinary shares.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	1,250	-
3.2 Credit standby arrangements		

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	900
4.2 Development	
4.3 Production	
4.4 Administration	150
<b>Total</b>	1,050

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	140	120
5.2 Deposits at call	1,079	2,547
5.3 Bank overdraft		
5.4 Other		
<b>Total: cash at end of quarter (item 1.22)</b>	1,219	2,667

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed				
6.2 Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference + securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	606,392,868	587,292,868		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	5,331,509	5,331,509		
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	Conversion of one ordinary share per option		<i>Exercise price</i>	<i>Expiry date</i>

+ See chapter 19 for defined terms.

7.8	Issued during quarter			
7.9	Exercised during quarter			
7.10	Expired during quarter			
7.11	<b>Debentures</b> <i>(totals only)</i>			
7.12	<b>Unsecured notes</b> <i>(totals only)</i>			

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: ..... Date: 31 January 2013  
Company secretary

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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