



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

31<sup>st</sup> January, 2019

### **SUMMARY**

#### **Philippines**

- Preparation of drilling to deepen and test oil sandstones in Nuevo Malolos-1 ("NM-1") with Company owned Rig-2.
- Planning the move of Rig-2 from Malolos-1("M-1") to NM-1 site.
- NM-1 deepening and testing planned to commence in March/April 2019 once service providers secured.
- Negotiating a new onshore petroleum appraisal project for farmin/purchase.
- Strategies to drill new wells using 100% Company owned rigs located in Philippines as part contribution to earn equity in new ventures, minimising cash investment.

#### **France**

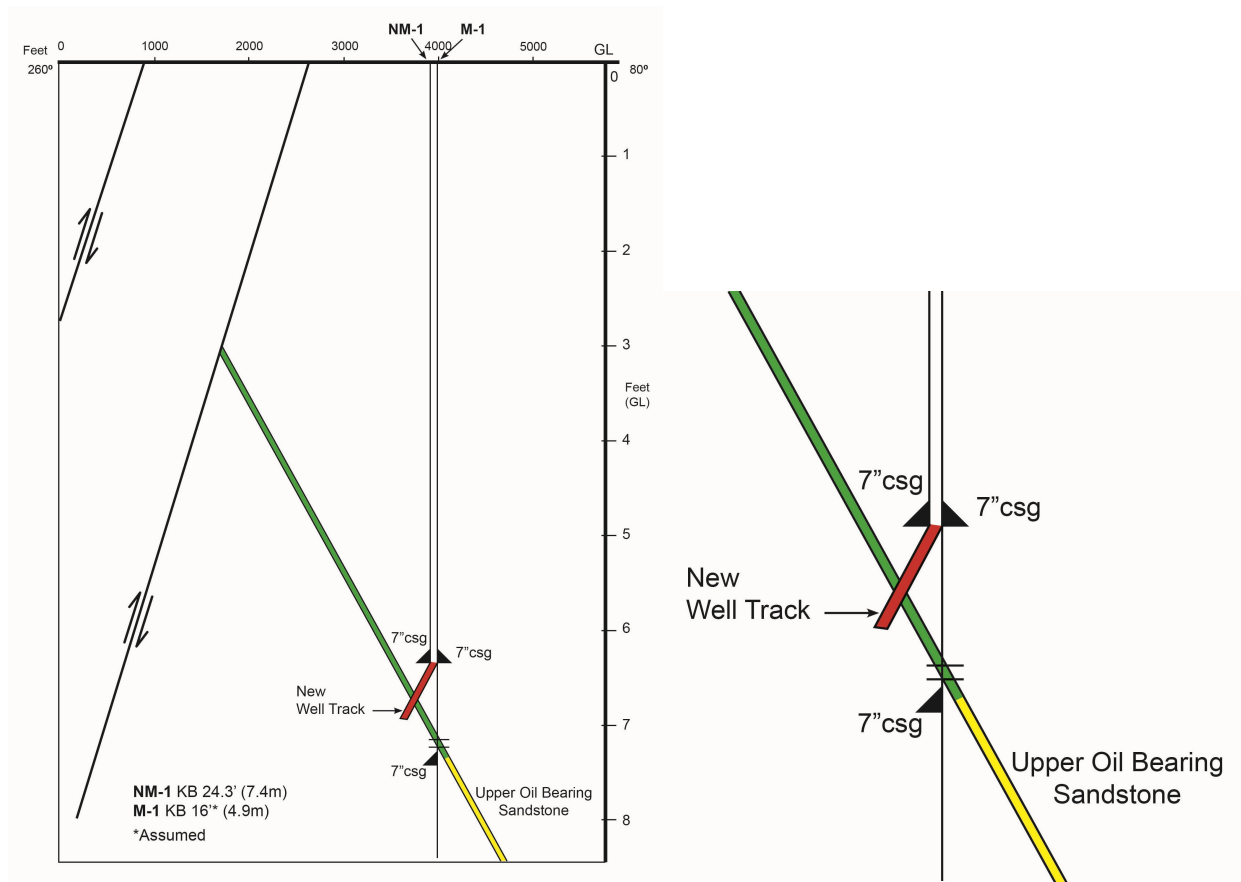
- St Griede: submissions closed on the 14th September, 2018 in relation to the French Government's appeal against the November 2016 Tribunal decision on the renewal of the permit that was in favour of the Company.
- Court of Appeal hearing to be held on the 5<sup>th</sup> February 2019 and decision will be awaited thereafter.

### **PHILIPPINES**

#### **SERVICE CONTRACT 44 (100% working interest), Onshore Cebu**

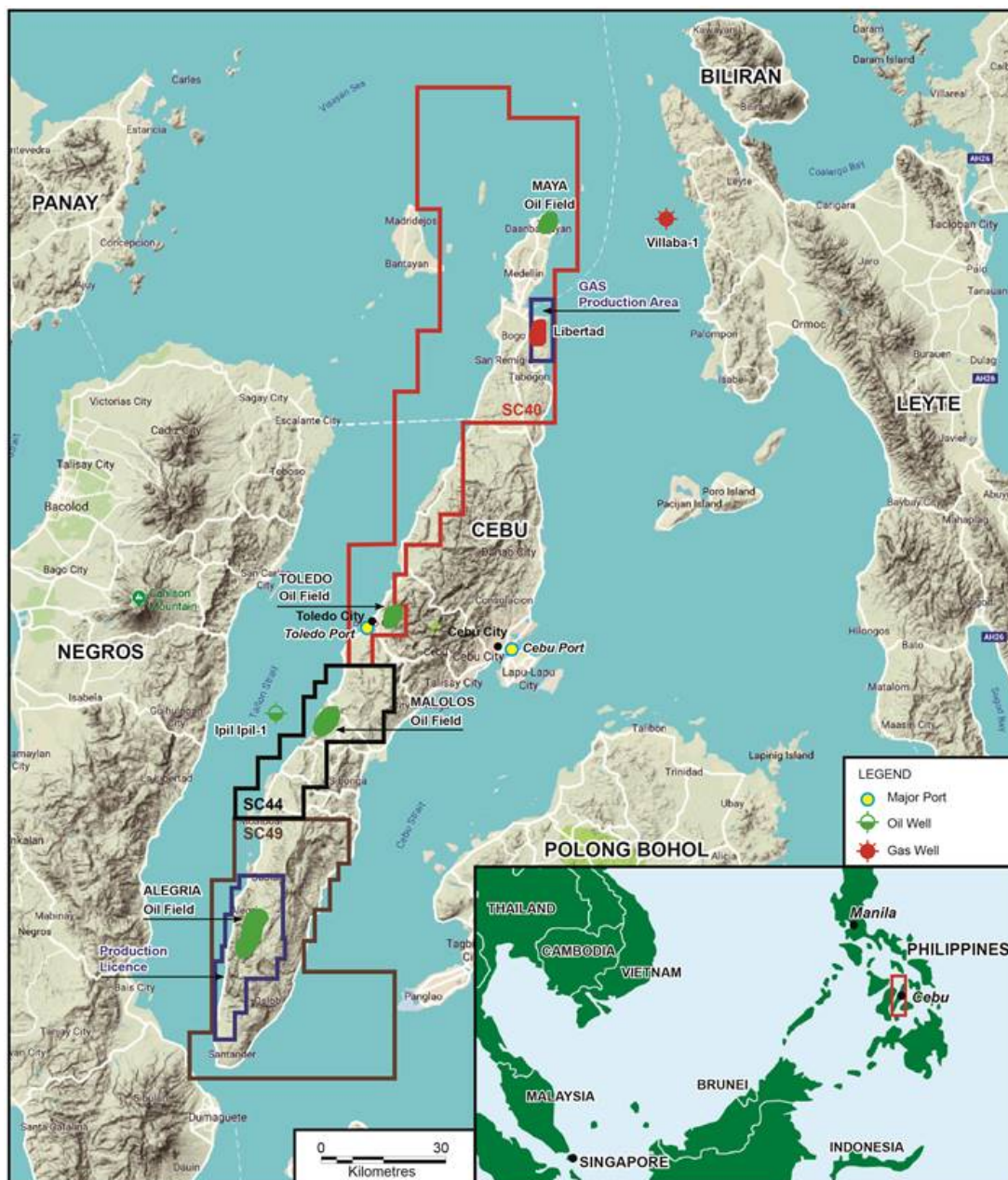
The Department of Energy ("DOE") confirmed the extension of tenure of SC 44 for two (2) years. The Company plans to promptly commence deepening, completing and testing oil from NM-1 as pre-approved by DOE using Company owned Rig-2. That Rig-2 is to be moved from M-1 for approximately 20 metres to NM-1 site.

The Company is assessing quotes for services and equipment supply necessary to enable the drilling and completion of the two targeted oil bearing sandstones in NM-1.



### Nuevo Maolos-1 Deepening: Well Track

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 having been 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.



**Petroleum Service Contracts and Production Licences, Cebu Island, Philippines**

## NEW VENTURES

The Company has identified certain oil and gas appraisal opportunities onshore Philippines which it has been pursuing through technical evaluation and commercial negotiation. The Company is currently engaged in negotiations on one of these farmin opportunities. Successful conclusion of negotiations would result in new appraisal well/s being drilled in 2019 using the Company owned drilling rig as part contribution to earn equity in the new projects, minimising cash outlays.

With management's many years of working experience in Philippines, new ventures in that country present good potential for the Company to generate growth in a relatively low cost environment and in short time frame whilst using the Company's 100% owned drilling rig to drill for equity.



**Gas2Grid's Rig-2 based in Philippines**

## **FRANCE**

### **ST. GRIEDE (100% working interest), Onshore Aquitaine Basin**

The St Griede permit 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.

Following an action in the Pau Tribunal in November 2015, a judgement was handed down in early November 2016 fully supporting 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 in the Court of Appeal against the decision of the Pau Tribunal. On 23<sup>rd</sup> December, 2017 the French Government issued a decree extending the St. Griede licence up until the 31<sup>st</sup> May, 2018. This extension is not in accordance with the November 2016 court directions and it provides the Company with only 5 months in which to complete a 5 year work program that was proposed on the application for renewal of the permit in 2013.

The French Government had also appealed the penalty of Euros, 3000 per day. That appeal was lost and penalties and costs totalling €414,400 (equivalent to approximately AU\$662,000) was subsequently imposed on the French Government and this money has been received by the Company in August 2018.

Deadline for submissions to the Court of Appeal on the November 2016 Pau tribunal judgement was the 14<sup>th</sup> September 2018. The hearing of the appeal is set for the 5<sup>th</sup> February, 2019 and a decision will be awaited thereafter.

The Company continues to be guided by its lawyers in France regarding the various actions available to achieve the best outcome for the Company's shareholders.

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*The information on oil and gas projects 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 over 40 years' experience in the oil and gas industry.*