



**ACTIVITIES REPORT
QUARTER ENDED 31st DECEMBER, 2017**

30th January, 2018

SUMMARY

Philippines

- SC 44
 - In new discussions with the Philippine Department of Energy (“DOE”) to a request for extension of time under “Force Majeure” following the expiry of the technical moratorium on the 27th January, 2017.
 - The Company re-submitted to the DOE a proposed program and budget to be implemented during the requested extension period.

France

- St Griede:
 - On the 5th January, 2018 the Company became aware that on the 23rd December, 2017 the French Government had issued a new decree extending the St. Griede licence for a 5 month period up until the 31st 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.
 - Awaiting the Appeal Court’s decision on an appeal lodged by the French Government on the decision previously handed down in the Company’s favour by the Pau Tribunal in November 2016.
 - Awaiting Pau Tribunal decision on the Company’s request for payment of €3,000/day penalties from 3rd December 2016 imposed on the French Government by the Tribunal for delay in granting the St. Griede permit.

- Mirande permit application: Tribunal hearing held on 30th June 2017 and decision handed down on 21st July 2017 on the grant of the Mirande application. The Minister was directed to decide within 3 months on the application and any delay is subject to a penalty to the Government of €300/day.

- Tartas and Eauze permit applications: No update has been received.
- Mining Act amendments: At the end of December 2017 amendments to the Mining Act came into effect banning the grant of new petroleum exploration permits in France and also stopping the renewal or extension of existing permits beyond 2040.

Corporate

The Company is actively pursuing new petroleum projects for the Company as the price of oil is firming up well above US\$60 per barrel.

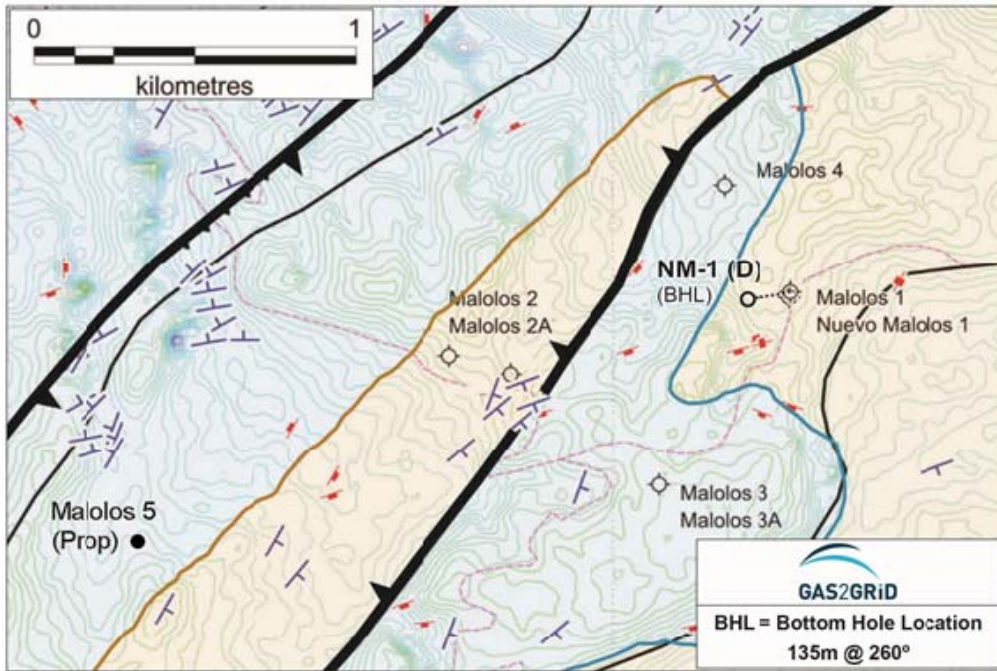
PHILIPPINES: SERVICE CONTRACT 44 (100%), Onshore Cebu

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 drilling and completion technology for maximising sustainable oil production that if successful would lead to full oil field appraisal/development.

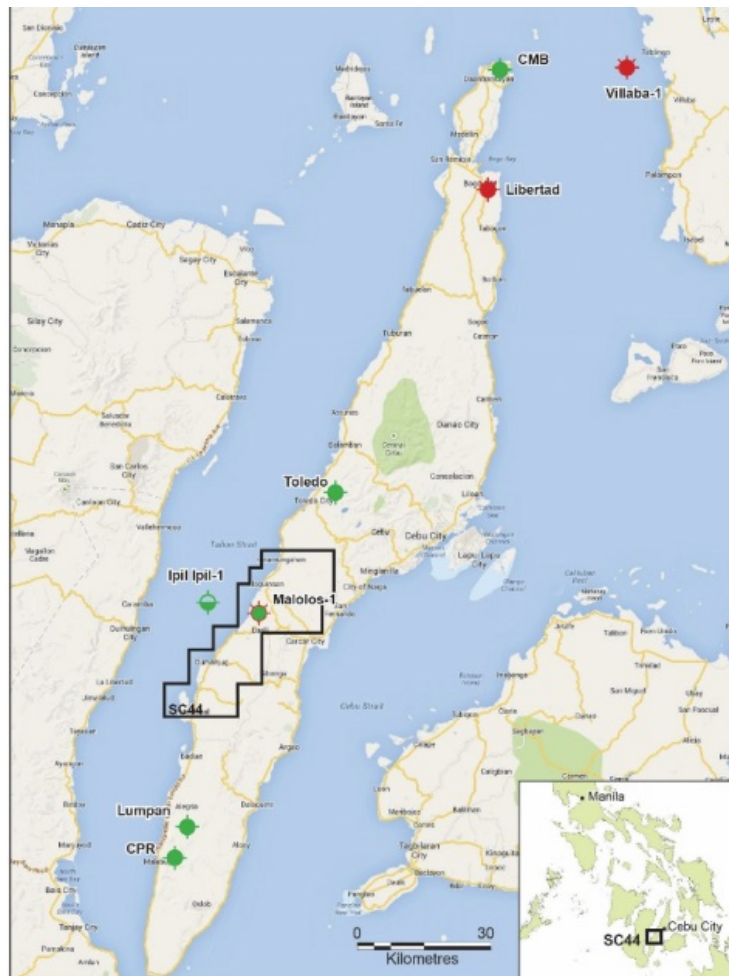
The Drilling Proposal for the Nuevo Malolos-1 Deepening was submitted to the DOE for their approval in March 2016. Approval was not received by the Company until mid-September 2016. The late approval did not allow sufficient time to complete the drilling operations, conduct a long term oil production 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 has been recently contacted by the Philippine DOE and it has been in new discussions regarding an extension of SC 44. Company representatives have met with DOE officials and the Company has submitted material requested by the DOE. The DOE has requested a further meeting to discuss the matter.

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\$ 60+ per barrel of oil, funding for new drilling within SC 44 would be attractive to investors.



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 has 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 29th 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 had 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 28th 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 29th December 2015 by the judge at the Tribunal. That appeal was not admitted, as advised to the Company in August 2016, on the grounds that the Minister had not presented any valid argument. This decision affirmed the Company's legal rights to renewal of the permit.

On 11th October 2016, a full hearing of the licence cancellation dispute was held in front of three judges of the Administrative Tribunal 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 St Griede permit;
2. Instruction to the Ministers to grant, within 30 days, a 5 year extension to the St Griede permit commencing from 3rd November 2016; and
3. A penalty, to the French Government, of Euros 3,000 for each day after 3rd December 2016 that the grant of the permit extension is delayed.

On 3rd January 2017, the French Government lodged an appeal against the decision of the Administrative Tribunal of Pau. In June 2017, the Company submitted its response to that appeal and we are waiting for the Appeal Court's determination.

In the opinion of the Company's lawyers the €3,000 /day penalty has been accruing, from 3rd December 2016. The Company has lodged a request in the Tribunal to direct the Government to pay the court determined 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.

On the 5th January, 2018 the Company became aware that on the 23rd December, 2017 the French Government had issued a new decree extending the St. Griede licence for a 5 month period up until the 31st 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 3 permit applications, 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 awaiting 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 30th June 2017 and the judgement was handed down on 21st 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 decision of the Minister has been received at the date of this report.

No new information has been received on progress relating to the processing of Tartas and Eauze applications.

At the end of December 2017 a new law amending the Mining Act came into effect banning the grant of new petroleum exploration permits in France and also stopping the renewal or extension of existing permits beyond 2040.

NEW VENTURES

Gas2Grid Limited's business has suffered from anti-fossil fuel policies instigated by the previous socialist French Government of François Hollande and the now centre-left Government of Emmanuel Macron. Gas2Grid Limited had its St. Griede petroleum exploration licence unlawfully cancelled by the Hollande led Government and the current Macron led Government recently passed a new law banning the issuance of any new petroleum exploration licences and completely shutting down the industry by 2040. This puts an end to Gas2Grid's long term pursuit of oil and gas exploration opportunities in France.

In the Philippines the Company has been waiting over 12 months to receive a decision to its request for investment continuity in Service Contract 44.

We reviewed Australian new energy opportunities to pursue utilising management's many years of working experience in that jurisdiction, but unfortunately all is not simple in acquiring new licences. Opportunities to explore for and develop natural gas resources should abound, but unfortunately access to them is either banned or restricted.

The main problem for onshore explorers is that NSW and Victoria are “closed for business” and they 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 grants new petroleum exploration areas by a staged process of Government gazettal, which is far more progressive than NSW or Victoria, but it is a process that takes many years before a Company, if successful in the bidding process, can be active on the ground. Gas2Grid Limited cannot wait that long to develop its business. South Australia and Western Australia are open for business and not surprisingly most of the attractive areas are already under licence. One way forward for the Company is 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 (eg. seismic acquisition and drilling). The increase in the administrative procedures and the extra time to work through these approval processes with Australian State Governments not only significantly delays starting operations but 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. most of the onshore USA States, is about 1 month in total whereas a similar approval in Australia can take up to a year or more.

Consequently due to the issues that confront all onshore petroleum explorers in Australia, the Company is directing its focus overseas. The realism is that international jurisdictions are better places to acquire petroleum assets in the near term, but only in those jurisdictions where the sovereign risk is deemed low. The Company’s management has solid technical understanding of particular regions in the USA and in Asia which are both becoming our new focus. We are actively exploring asset acquisition in either jurisdiction by direct leasing or farmin.

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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 DECEMBER 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7	19
1.2 Payments for		
(a) exploration & evaluation (see 1.8 below)		
(b) development		
(c) production		
(d) staff costs	(16)	(29)
(e) administration and corporate costs	(46)	(92)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (GST, fx and licence renewal costs)	9	(14)
1.9 Net cash from / (used in) operating activities	(46)	(116)

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

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
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		
2.6	Net cash from / (used in) investing activities	-	-
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares (sale EIP shares)	12	12
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		
3.5	Proceeds from borrowings	35	75
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	47	87
4.	Net increase / (decrease) in cash and cash equivalents for the period		
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)	(46)	(116)
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)	47	87
4.5	Effect of movement in exchange rates on cash held	(1)	(1)
4.6	Cash and cash equivalents at end of period	13	13

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

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

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

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	8,700	7,780
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 which are included in amount drawn.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	
9.2 Development	
9.3 Production	
9.4 Staff costs	15
9.5 Administration and corporate costs	25
9.6 Other (provide details if material)	25
9.7 Total estimated cash outflows	65

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
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: 30 January 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.