

31st October, 2016



ACTIVITIES REPORT - SEPTEMBER, 2016

Summary

Philippines

- SC 44 currently in 2 Year Technical Moratorium until 27th January, 2017.
- Nuevo Malolos-1 Deepening Drilling Program approved by the Philippine Department of Energy (DOE) in mid-September.
- The delay in receiving DOE approval to drill does not allow sufficient time in which to conduct required drilling operations and testing to support an application for a 25 year production period.
- Philippine Department of Energy has been formally requested to provide sufficient time in which to complete the recently approved work program.

France

- A judge in the French tribunal had ruled in December 2015 to suspend the decision made by the French Government in October 2015 not to renew the St. Griede licence. In August 2016, the Company was advised that the French Government's appeal to that ruling with the French "Conseil d'Etat" was not admitted.
- A hearing on the Company's objection to the St Griede licence cancellation was held in front of three judges of the Administrative Tribunal of Pau on the 11th October, 2016.
- For the hearing a court magistrate, acting independently to report on the facts and applicable law to the Tribunal, concluded that the refusal by the Ministers of the extension of the St Griede licence should be annulled.
- A decision of the Administrative Tribunal is expected on the 2nd November, 2016
- 3 new petroleum exploration licence applications remain under administrative processing by the Government.

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

The Philippine Department of Energy ("DOE") approved a 2 year technical moratorium in order to provide sufficient time to complete studies and establish the appropriate completion technology for maximising sustainable oil production that if successful will lead to full oil field appraisal/development.

The Drilling Proposal for the Nuevo Malolos-1 Deepening was submitted to the Philippine Department of Energy for their approval in March, 2016. Approval was eventually received by the Company in mid-September, 2016.

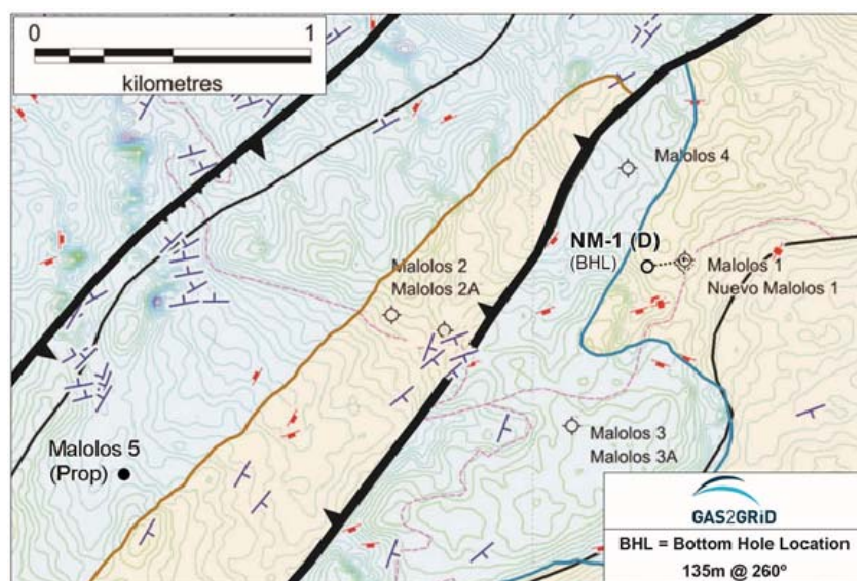
This late approval does not allow sufficient time to complete the drilling operations, conduct a long term oil production test of the well and submit an application for a 25 year production term. The Company has written to the DOE requesting sufficient time be granted in which to complete the operations.

The Company, subject to availability of funding, is planning on deepening the Nuevo Malolos-1 well to the two known oil bearing reservoirs tested in Malolos-1. The well is programmed to deviate slightly so as to intercept the oil bearing reservoirs slightly updip from Malolos-1. The new program will incorporate better open drilling technologies to avoid formation damage. It is planned to cut a rock core through the upper oil bearing sandstone and run a suite of electrical logs. The well will then be completed with screens and placed into oil production.

Farmout

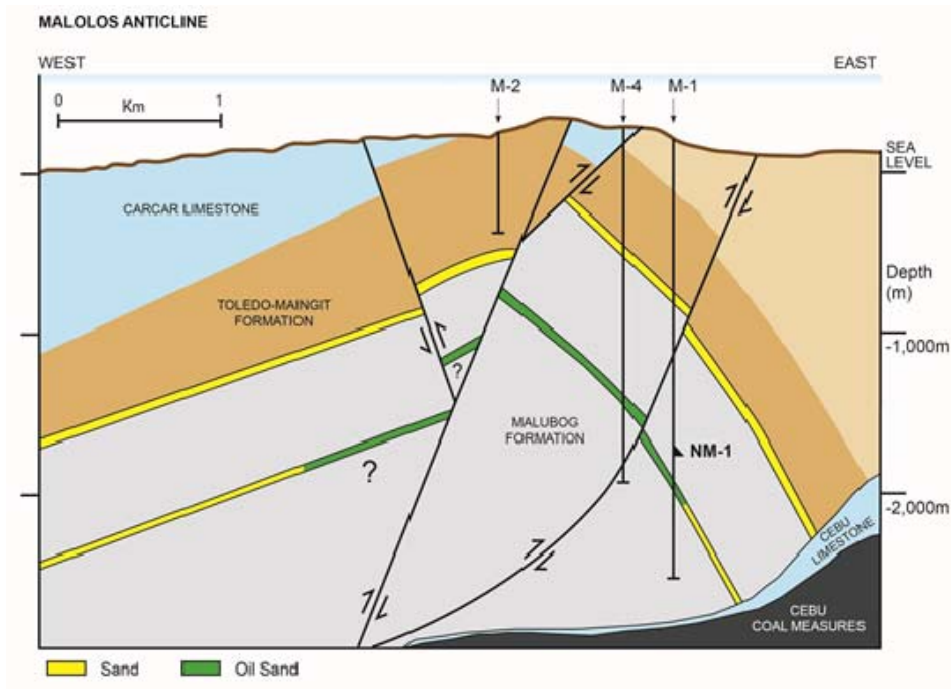
The Company still considers the best way to fund the full appraisal and development of the Malolos Oil Field is by securing a farmin partner. The Company is still continuing with farmout efforts although this is difficult in the current low oil price regime as oil companies worldwide are curtailing substantially their exploration expenditure. Other funding options will also be considered.

The Malolos Oil Field still represents an attractive investment opportunity despite the recent oil price drop and the immediate effect that it has had on the oil industry Worldwide. The Malolos Oil field has a 20.4 million barrel “Best Estimate (P50) Contingent Resource” of good quality, low sulphur crude oil that is located onshore, close to transportation in a country with excellent fiscal terms. This could result in very low development and operating costs which will leave a healthy profit margin, even at the current low oil price.

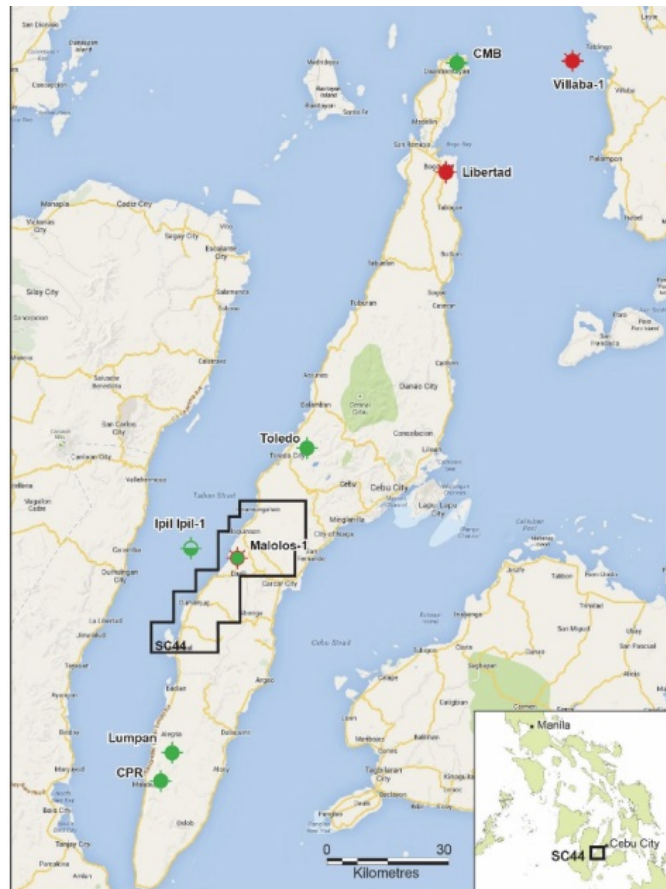


Nuevo Malolos-1 Deepening well location and well track

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Cross-Section: Malolos Oil Field



SC 44 Location on Cebu Island, Philippines

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

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 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 licence is based solely on local elected members and “public disorder risk” considerations within the area where the licence is located. We note an inconsistency with approval being granted earlier in 2015, by local authorities, for Gas2Grid to conduct a seismic acquisition survey with the aim to define a well location in the same area.

In November, 2015 Gas2Grid Limited lodged an action in the French tribunal for the suspension and annulment of the decision by the French Government to cancel the licence on the grounds of it being unlawful.

On the 29th December, 2015 the judge hearing the matter determined in Gas2Grid Limited’s favour and suspended the French Government’s decision not to renew the St. Griede licence. The judge concluded that the St. Griede licence itself cannot cause risks to public order and that there has been an error of law in the decision of the Ministers.

On the 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 the 29th December, 2015 by the judge at the Tribunal in France.

On the 22nd August, 2016 the Company received a copy of an order made by the Conseil D’Etat of France. The Conseil D’Etat did not admit the appeal lodged by the Minister of Energy in January, 2016 on the ruling made on 29th December 2015 by the judge at the tribunal in France to suspend the decision made by the French Government not to renew the St Griede permit.

This decision is very good news for the Company as it strengthens the Company’s legal rights to protect its investment.

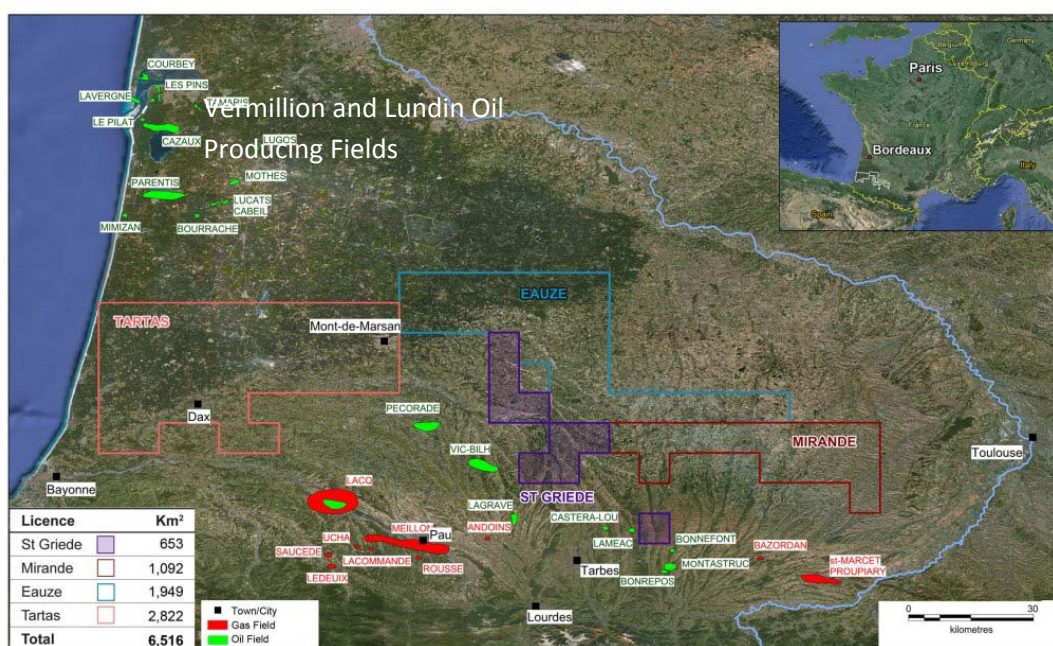
On the 11th October 2016, a full hearing on the Company’s objection to the licence cancellation was held in front of three judges of the Administrative Tribunal of Pau. A key part of that full hearing was the

presentation by a court magistrate, acting independently to report on the facts and the applicable law as well as to provide his opinion for a solution to the litigation, The magistrate concluded that the decision, made by the Ministers responsible, refusing an extension of the St Griede licence should be annulled.

A decision of the Administrative Tribunal of Pau is scheduled to be handed down on the 2nd November 2016. That decision will dictate the necessary steps for the Company to take in order to receive a benefit from the St Griede investment. Gas2Grid Limited has engaged a lawyer in Paris for advice on the course of action that is available to protect its assets.

FRANCE: NEW APPLICATIONS (100%), Onshore Aquitaine Basin

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 officials before a recommendation for grant can be expected.



Gas2Grid Limited Permits in France

Aquitaine Basin: St. Griede Licence and 3 New Licence Application Areas

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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.

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")

30 SEPTEMBER 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	95	95
1.2 Payments for		
(a) exploration & evaluation	(19)	(19)
(b) development		
(c) production		
(d) staff costs	(16)	(16)
(e) administration and corporate costs	(46)	(46)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	15	15

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

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Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	3	3
	(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 (lease security deposit refund less lease make good payment)	27	27
2.6	Net cash from / (used in) investing activities	30	30

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
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		
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	75	75
4.2	Net cash from / (used in) operating activities (item 1.9 above)	15	15
4.3	Net cash from / (used in) investing activities (item 2.6 above)	30	30
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(2)	(2)
4.6	Cash and cash equivalents at end of period	118	118

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	72	75
5.2 Call deposits	46	-
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)	118	75

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

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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	7,700	6,723
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.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	10
9.2 Development	
9.3 Production	
9.4 Staff costs	15
9.5 Administration and corporate costs	65
9.6 Other (provide details if material)	
9.7 Total estimated cash outflows	90

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				

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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: .31 October 2016

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.