

29th January, 2016



ACTIVITIES REPORT DECEMBER 2015 QUARTER

SUMMARY

Philippines

- SC 44 currently in 2 Year technical moratorium until 27th January, 2017.
- Completed studies to determine the best well drilling and completion technology to maximise oil production at Malolos.
- Drilling programs being prepared for deepening Nuevo Malolos-1 and a new well on the mapped crest of the Malolos Oil Field – drilling proposed for 2016.
- Proposed drilling program to be funded by farmout.

France

- In October 2015, the French Government advised the Company of its decision to refuse the first renewal of St. Griede licence.
- In November 2015, the Company lodged requests at the tribunal in France for the suspension and annulment of the French Government's decision.
- In December 2015, a judge at the French tribunal ruled to suspend the decision made by the French Government and the Ministers are given 2 months to make a decision based on proper legal grounds.
- The French Government and the Company were allowed two weeks from formal receipt of the Judge's decision to lodge an appeal. On 28 January 2016, the Company received notice that an appeal has been lodged by the Minister of Energy.
- The Company is seeking legal advice on available courses of action.
- 3 new petroleum exploration licence applications being processed.

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 Company completed technical work with industry experts. That work included analysis of all available technical data to determine a completion technology that will minimize sand and clay production and avert production blockage in order maximize oil production rates. The results of this work recommend that the preferred method to complete the new wells will be with standard industry

screens. The installation of screens, as opposed to perforated casing, should maximize and sustain oil production whilst retaining the reservoir sand and producing the clay fines.

Studies have also been completed on the open-hole mud and hydraulic program design in order to minimize formation damage and maintain well-bore stability.

Proposals for the deepening of Nuevo Malolos-1 and drilling of a new Malolos-5 well are being prepared for submission to the Philippine Department of Energy. The Malolos-5 well is to be sited on the crest of the mapped surface anticline.

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 up dip from Malolos-1. The new program will incorporate better open hole 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.

Recent surface geological mapping has also been completed and integrated with previous work leading to a more detailed understanding of the surface geological structure. The crest of the Malolos anticline has been confidently located approximately 2.5 to 3 kilometres south-southwest of Malolos-1.

The Company, subject to availability of funding, would like to drill a new well to test the known oil bearing reservoirs in a crestal location on the anticline. Due to structural uplift all known sandstone reservoirs would be intercepted at a significantly shallower depth on the crest of the anticline, relative to Malolos-1.

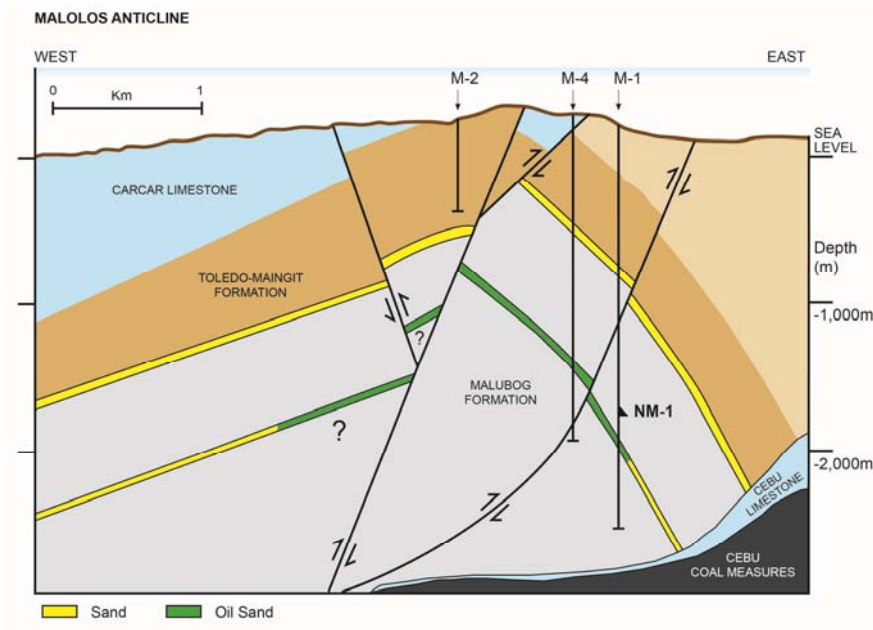
The Company is also reviewing the benefits that could be achieved by the stimulation of the upper oil bearing sandstone in Malolos-1.

Farmout

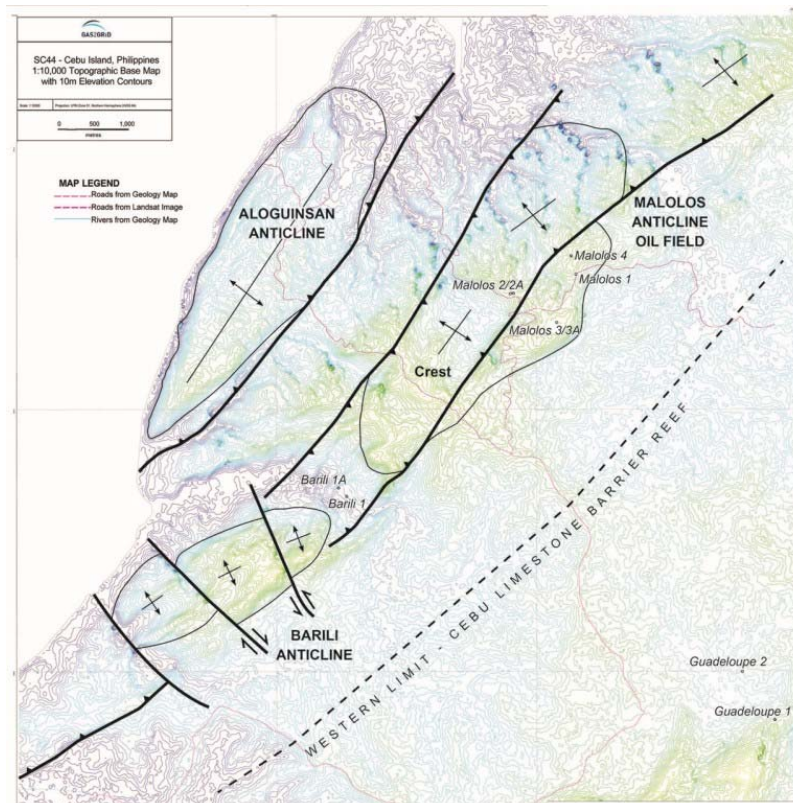
The Company considers the best way to fund the full appraisal and development of the Malolos Oil Field is by securing a farmin partner. The Company is continuing with farmout efforts with terms now reflecting the current lower oil price in order achieve a farmout.

The Malolos Oil Field still represents an attractive investment opportunity despite the recent oil price drop and the immediate effect that it is having 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 may generate a reasonable profit margin, even at the current low oil price.



Cross-section of Malolos Oil Field showing locations of wells drilled



Malolos, Aloguinsan and Barili Surface Anticlines within SC 44

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.

The Company was formally advised by the French Government in October 2015 that it has decided not to grant the renewal. The decision not to renew the licence was based solely on local elected members and risks to public order considerations within the area where the licence is located. That decision is inconsistent with an approval granted last year by local authorities, while the application for renewal was being processed, for Gas2Grid to conduct a seismic acquisition survey with the aim to define a well location in the same area.

In November 2015, the Company lodged requests at the French tribunal for the suspension and annulment of the decision made by the French Government.

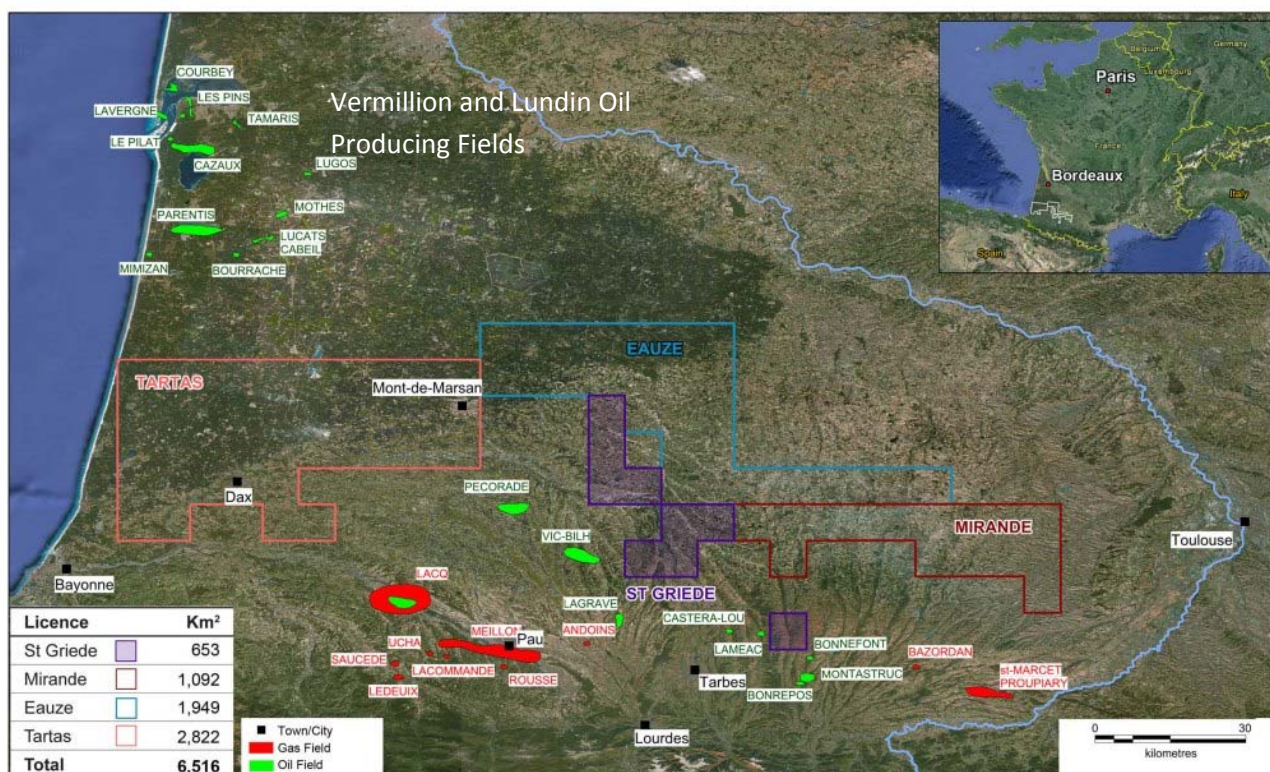
On the 29th December, 2015 the judge hearing the matter ruled in the Company's favour and suspended the decision made by the French Government not to renew the St. Griede licence. The judge concluded that the St. Griede licence itself cannot cause risks to public order and that there has been an error of law in the decision of the Ministers. The two relevant Ministers have been given 2 months to make a decision on the St. Griede licence renewal based on proper legal grounds. An appeal by the parties on the judge's ruling is allowed within two weeks from formal receipt of the ruling.

On 28 January 2016, the Company received a notice from the Conseil d'Etat of France that the Minister of Energy has lodged an appeal to annul the 29th December, 2015 ruling of the judge at the tribunal. Further notice is expected later advising whether the Conseil d'Etat will allow the appeal to proceed.

The Company is receiving legal advice on courses of action that is available to protect its rights and assets.

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

The Company 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 still 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

LICENCES STATUS

Pursuant to ASX Listing Rule 5.4.3 the Company reports as follows in relation to oil and gas tenements held at the end of the 31 December 2015 quarter and their locations.

Tenement	Location	Beneficial Percentage Interest	Status
Service Contract 44	Onshore, Cebu, Philippines	100%	Under a 2 year technical moratorium to 28 January 2017
St Griede	Aquitaine Basin, France	100%	Renewal application to May 2018 rejected by French Government in September 2015 and renewal currently under dispute in court

There were no tenements acquired or disposed of or change in beneficial interests under farm-in or farm-out agreements during the quarter.

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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, 01/05/2013

Name of entity

GAS2GRID LIMITED

ABN

46 112 138 780

Quarter ended ("current quarter")

31 DECEMBER 2015

Consolidated statement of cash flows

	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	37	83
1.2 Payments for (a) exploration & evaluation	(76)	(123)
(b) development	-	-
(c) production	-	-
(d) administration	(133)	(228)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (GST/forex differences)	14	11
Net Operating Cash Flows	(157)	(256)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
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 refunded)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(157)	(256)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(157)	(256)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	50	150
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (share issue transaction costs)	(3)	(3)
	Net financing cash flows	47	147
	Net increase (decrease) in cash held	(110)	(109)
1.20	Cash at beginning of quarter/year to date	167	166
1.21	Exchange rate adjustments to item 1.20	(1)	(1)
1.22	Cash at end of quarter	56	56

Payments to directors of the entity, associates of the directors, 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	-
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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

\$301,000 owing for directors' and management fees were paid by the issue of 100,333,332 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	7,100	5,825
3.2 Credit standby arrangements	-	-

Funds will be drawn from the loan facilities to meet cash outflows in next quarter.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	50
4.2 Development	-
4.3 Production	-
4.4 Administration	50
Total	100

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	56	167
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	56	167

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

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

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	Preference securities			
	<i>(description)</i>			
7.2	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	901,409,076	845,759,076	
7.4	Changes during quarter			
	(a) Increases through issues	100,333,332	\$0.003	\$0.003
	(b) Decreases through returns of capital, buy-backs	12,000,000	\$0.008	\$0.008
7.5	+Convertible debt securities			
	<i>(description)</i>			

+ See chapter 19 for defined terms.

Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

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 5).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date: 29 January 2016
Company secretary

Print name: Patrick Sam Yue

+ See chapter 19 for defined terms.

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 and petroleum 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 or petroleum 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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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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