



**ACTIVITIES REPORT
QUARTER ENDED 31 MARCH 2020**

3rd April, 2020

SUMMARY

Philippines

- Nuevo Malolos 1 (“NM-1”) well has been suspended since December 2019 after the drilling assembly became stuck in the hole after a “pry” bar fell in the hole and accidentally wedged off.
- Imported equipment to free the drilling assembly landed at the port of Cebu in March 2020 but not cleared customs because of delays in procedures arising from Government measures on people movements to control the spread of Covid-19.
- Approvals received in March 2020 from relevant authorities for delivery of required consumables, including string shot, for the operation.
- The Company has requested for an extension of time of at least 12 months for the drilling operations at NM-1 on the grounds of *Force Majeure* under the terms of Service Contract No. 44 having regards to the *State of Calamity* declared in Philippines and travel and other restrictions in Philippines, Australia and other Asian countries. Response of Department of Energy (“DOE”) is awaited.
- The economic model of Malolos Oil Field will need re-assessment having regards to the extent and timing of impact of the Covid-19 pandemic on World economy and oil market. However, we also note that if production testing is successful a 20 year production licence would be applied for and ideally with expectation of the oil price rising from its current low of around US \$20 per barrel as the World economy recovers during the term of such licence.

France

- Company’s claim of €34.35 million (approximately A\$61 million at current exchange rate) for compensation against the French Government lodged and registered in early January 2020 at the Pau Tribunal, France. This claim is in respect to the damages caused by the French Government in unlawfully refusing, as ruled by the French Courts, to renew the St Griede conventional hydrocarbon exploration permit in accordance with the prevailing mining law. The current confinement measures in France due to the Covid-19 pandemic are expected delay the court procedures.

PHILIPPINES

SERVICE CONTRACT 44 (“SC 44”) (100% working interest), Onshore Cebu

The current 2 year tenure extension of SC 44 will expire in early September 2020 and the Company planned to complete a deepening of well NM-1 followed by production testing by that deadline in order to apply for a 20 year production licence should the testing be successful.

Field operations at the NM-1 location commenced in September 2019 in line with the condition of the tenure extension that operations must commence by the end of September 2019. The planned operations were expected to meet the other condition of spending at least US\$1.175 million on deepening, completing and testing oil from NM-1.

In the December 2019 quarter, Rig-2 was moved onto the NM-1 well and the cased section of the well was re-entered with two existing cement plugs drilled out. A significant amount of gas had accumulated below the lower cement plug and the gas was circulated out of the hole. The well was cleaned out to a depth of 1,913.7 metres (6,287.5 feet) from ground level (GL) and the drilling assembly was being pulled out of the hole prior to conducting a cement squeeze with the casing shoe at 1,934.2 metres (6,345.7 feet) GL.

In December 2019, during the pulling of the drilling assembly to surface, a metal “pry” bar accidentally fell into the hole and wedged against the drilling assembly, comprising a drill bit, drill collars and 2 7/8” tubing, with the drill bit at a depth of 837 metres (2,746 feet GL). The drilling assembly has become stuck at this depth and attempts to free the drilling assembly were unsuccessful. The well has been suspended and the drill crew placed on leave since Christmas 2019.

During the March quarter, the Company has sourced the required equipment, some from overseas, engaged a service provider based in Philippines to free the drilling assembly, obtained the necessary approvals of relevant authorities, which have long lead time to obtain, for the movement and storage of string shot (explosives) and has raised new capital to meet the additional operations costs.

While the Company was ready to re-commence operations during the quarter, the plan was disrupted by direct effects of the advent of the Covid-19 pandemic, imposed Philippine Government measures including travel restrictions and a declaration of *State of Calamity* to control the spread of the virus in the country. The imported equipment arrived on time in March 2020 at Cebu port but has not cleared customs yet because of delays in procedures and people movement restrictions.

With the restrictions in place and uncertainty of duration of the Government imposed measures, the Company therefore requested from the Department of Energy (“DOE”) for an extension of time of at least 12 months to complete the drilling operations at NM-1 on the grounds of *Force Majeure*, as provided for under the terms of Service Contract No. 44. The Company proposes to present a new schedule for the drilling operations after the various restrictions are lifted. The response of the DOE is awaited and the Company looks forward to the Government support which has seen the need to fast track oil and gas exploration/development in the country.

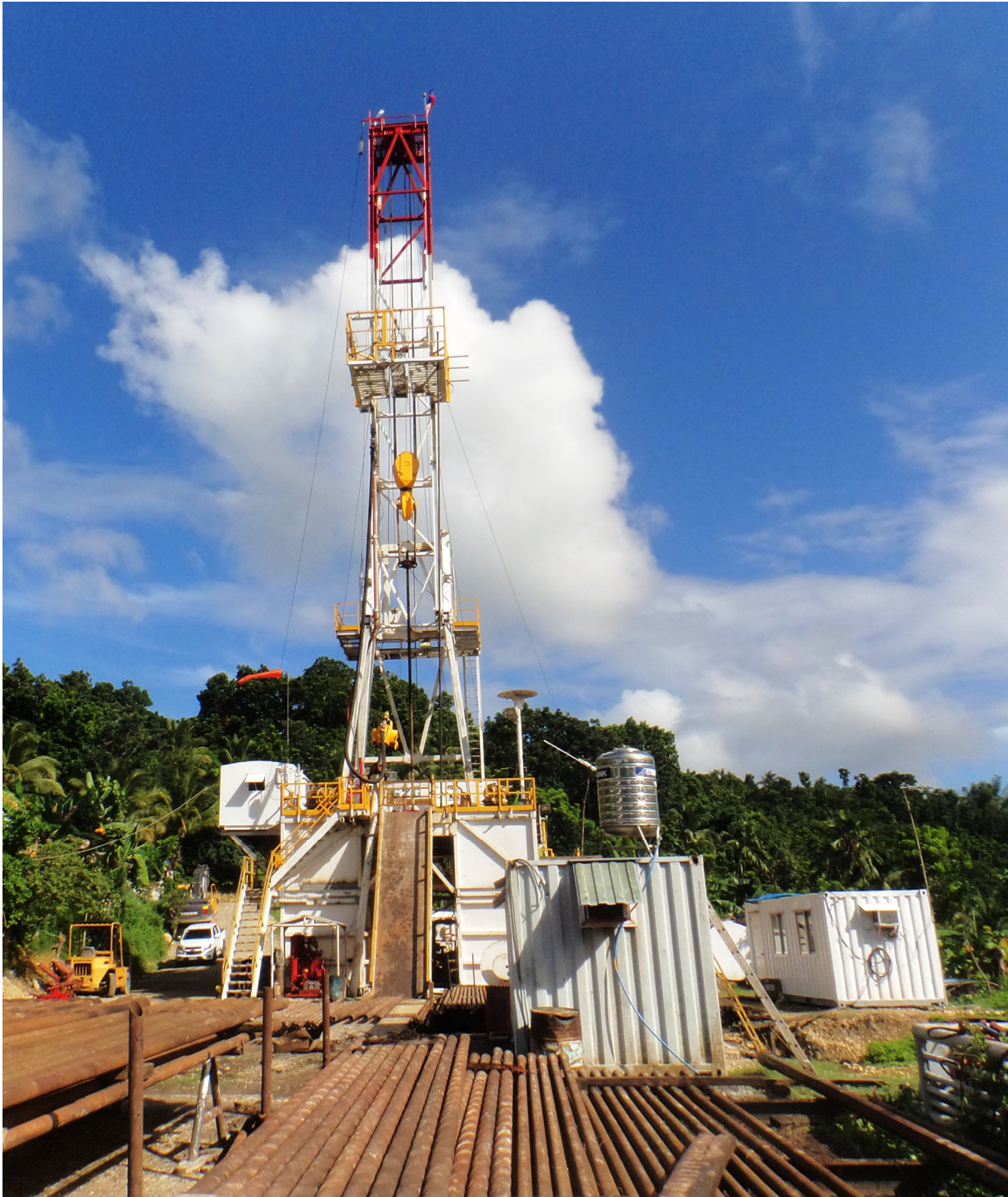
The economic model of Malolos Oil Field will need re-assessment having regards to the extent and timing of impact of the Covid-19 pandemic on World economy and oil market. However, we note that if production testing is successful a 20 year production licence would be applied for and ideally with expectation of the oil price rising from its current low of around US\$ 20 per barrel as the World economy recovers during the term of such licence. Such re-assessment can be done after the major World economies have overcome the havoc caused by the Covid-19 pandemic and when the outlook on the future of world oil supply and demand is clear including oil price, supply chains and costs.

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.

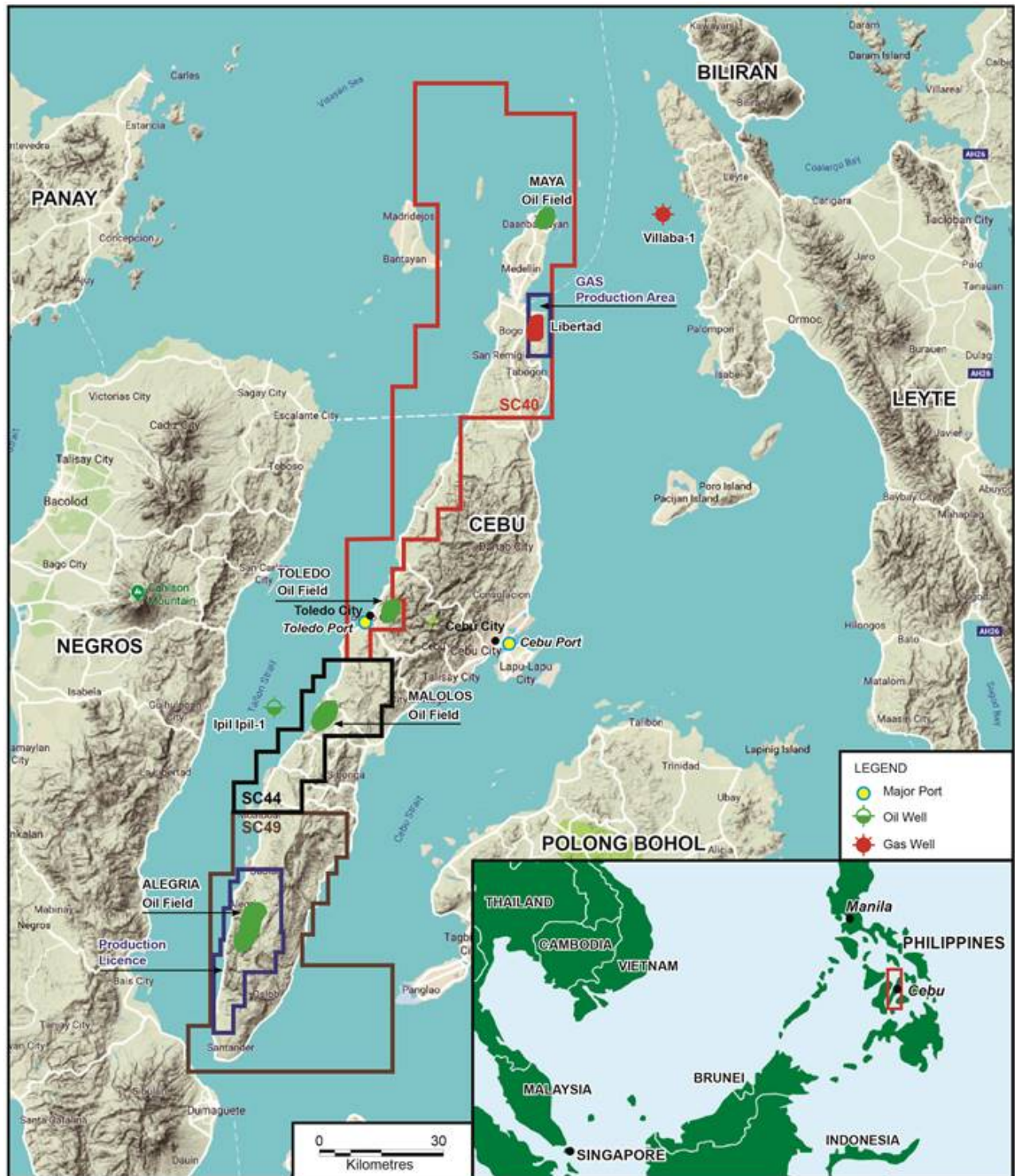
NEW VENTURES

The Company had identified certain oil and gas appraisal opportunities onshore Philippines which it has been pursuing through technical evaluation and commercial negotiation. The recently recommenced negotiations on one farm-in opportunity was terminated without an agreement.

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. The Company will continue to seek oil and gas appraisal opportunities onshore Philippines using the Company’s 100% owned drilling rig to drill to earn equity.



Gas2Grid's Rig-2 located on Nuevo-Malolos - 1



Petroleum Service Contracts and Production Licences, Cebu Island, Philippines

FRANCE

Legal Claim: ST. GRIEDE (100% working interest), Onshore Aquitaine Basin – Renewal Renounced

In early January 2020, the Company lodged and registered at the Pau Tribunal, France, a claim of €34.35 million (approximately A\$61 million at current exchange rate) for compensation against the French Government. This claim is in respect to the damages caused by the French Government in unlawfully refusing, as ruled by the French Courts, to renew the St Griede conventional hydrocarbon exploration permit in accordance with the prevailing mining law.

While the Company believes it has a good chance of success, based on legal advice, the outcome and timing for determination of this claim are uncertain. The current confinement measures in France due to the Covid-19 pandemic are expected delay the court procedures.

In July 2019, the Company submitted a financial claim with the French Ministers who did not respond within 2 months and therefore effectively and implicitly rejected the claim.

Background

The St Griede permit in which the Company had 100% interest and located within the Aquitaine Basin in 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 unlawfully 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 by annulling the September 2015 decision of the French Ministers refusing to grant renewal of the St Griede permit. The Tribunal also instructed the Ministers to grant, within 30 days, a 5 year extension to the St Griede permit commencing from 3rd November 2016. The Tribunal also ruled for a financial penalty on the French Government of €3,000 for each day after 3rd December 2016 that the grant of the permit extension is delayed. Subsequently, the Tribunal imposed on the French Government penalties and costs totalling €414,400 (approximately A\$626,550) that were paid to the Company in 2018.

On 3rd January 2017, the French Government lodged an appeal at the Appeal Court of Bordeaux against the November 2016 decision of the Tribunal. While the appeal was on foot, on 23rd December 2017 the French Government issued a decree extending the St. Griede licence up until

31st May 2018. This extension was not in accordance with the November 2016 court directions and it provided 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 Appeal Court of Bordeaux handed down its decision on 5th March 2019 as follows:

- Annulment of the section of the judgment of November 2016 handed down by the Tribunal whereby the Ministers were directed to grant an extension of the St Griede permit for 5 years from the date of that judgement.
- The Ministers are urged to reconsider the request for an extension of the St Griede permit for a second 5 year period and to make a new decision within 2 months of the judgment of the Appeal Court.
- A penalty of €1,000 per day of delay for non-compliance by the Ministers to the period fixed by the present judgement.
- The Government to pay €2,000 to Gas2Grid Limited for costs.

The unlawful resistance over the last 6 years of the French Ministers to renew the St Griede permit, the introduction of new laws that will shut down the petroleum exploration and production industry in France by 2040 and the capital market's perception of the significant sovereign risk created in France for oil and gas explorers compelled the Company to renounce its rights for the renewal of the permit in April 2019. The French sovereign risk discourages investors to fund any of the Company's potential oil and gas operations in France. The Company's success to date in its legal actions conducted in the Tribunal and Appeal Court dictates that the Company should pursue further its legal rights in France.

Competent Person

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.

Forward-Looking Statement

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning planned exploration program and other statements that are not historical facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward-looking statements. Although Gas2Grid Limited believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

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Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

GAS2GRID LIMITED

ABN

46 112 138 780

Quarter ended ("current quarter")

31 MARCH 2020

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | | |
| 1.2 Payments for | | |
| (a) exploration & evaluation (if expensed) | | |
| (b) development | | |
| (c) production | | |
| (d) staff costs | - | (1) |
| (e) administration and corporate costs | (30) | (120) |
| 1.3 Dividends received (see note 3) | | |
| 1.4 Interest received | | |
| 1.5 Interest and other costs of finance paid | 2 | - |
| 1.6 Income taxes paid | | |
| 1.7 Government grants and tax incentives | | |
| 1.8 Other (provide details if material) | 8 | 4 |
| 1.9 Net cash from / (used in) operating activities | (20) | (117) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | | |
| (b) tenements | | |
| (c) property, plant and equipment | | |
| (d) exploration & evaluation (if capitalised) | (76) | (607) |
| (e) investments | | |
| (f) other non-current assets | | |

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|---|------------------------------------|--|
| 2.2 | Proceeds from the disposal of: | | |
| | (a) entities | | |
| | (b) tenements | | |
| | (c) property, plant and equipment | | |
| | (d) investments | | |
| | (e) other non-current assets | | |
| 2.3 | Cash flows from loans to other entities | | |
| 2.4 | Dividends received (see note 3) | | |
| 2.5 | Other (provide details if material) | | |
| 2.6 | Net cash from / (used in) investing activities | (76) | (607) |

| | | | |
|-------------|---|------------|------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | 280 | 619 |
| 3.2 | Proceeds from issue of convertible debt securities | | |
| 3.3 | Proceeds from exercise of options | | |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | (1) | (9) |
| 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) | 11 | (23) |
| 3.10 | Net cash from / (used in) financing activities | 290 | 587 |

| | | | |
|-----------|--|------|-------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 177 | 502 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (20) | (117) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (76) | (607) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 290 | 587 |

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|---|------------------------------------|--|
| 4.5 | Effect of movement in exchange rates on cash held | (9) | (3) |
| 4.6 | Cash and cash equivalents at end of period | 362 | 362 |

| 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 | 67 | 151 |
| 5.2 | Call deposits | 295 | 26 |
| 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) | 362 | 177 |

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

| Current quarter \$A'000 |
|------------------------------------|
| |
| |

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

| 7. Financing facilities | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|---|---|--|
| <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> | | |
| <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i> | | |
| 7.1 Loan facilities | 8,700 | 8,097 |
| 7.2 Credit standby arrangements | | |
| 7.3 Other (please specify) | | |
| 7.4 Total financing facilities | 8,700 | 8,097 |
| 7.5 Unused financing facilities available at quarter end | | 603 |
| 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well. | | |
| The loan facilities are unsecured, bear interest at 9% per annum, mature on 16 April 2021 (extension can be negotiated) and are provided by related parties of the 3 Directors of the Company (D Morton, D Munns and P Sam Yue): | | |
| | \$A'000 | |
| D Morton | 5,250 | |
| D Munns | 2,000 | |
| P Sam Yue | 1,450 | |

| 8. Estimated cash available for future operating activities | \$A'000 |
|---|----------------|
| 8.1 Net cash from / (used in) operating activities (Item 1.9) | (20) |
| 8.2 Capitalised exploration & evaluation (Item 2.1(d)) | (76) |
| 8.3 Total relevant outgoings (Item 8.1 + Item 8.2) | (96) |
| 8.4 Cash and cash equivalents at quarter end (Item 4.6) | 362 |
| 8.5 Unused finance facilities available at quarter end (Item 7.5) | 603 |
| 8.6 Total available funding (Item 8.4 + Item 8.5) | 965 |
| 8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3) | 10 |
| 8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions: | |
| 1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not? | |
| Answer: | |
| 2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful? | |
| Answer: | |
| 3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis? | |

Answer:

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.

Date: 3 April 2020.....

Authorised by: Dennis Morton – Managing Director

Patrick Sam Yue – Director/Company Secretary.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.