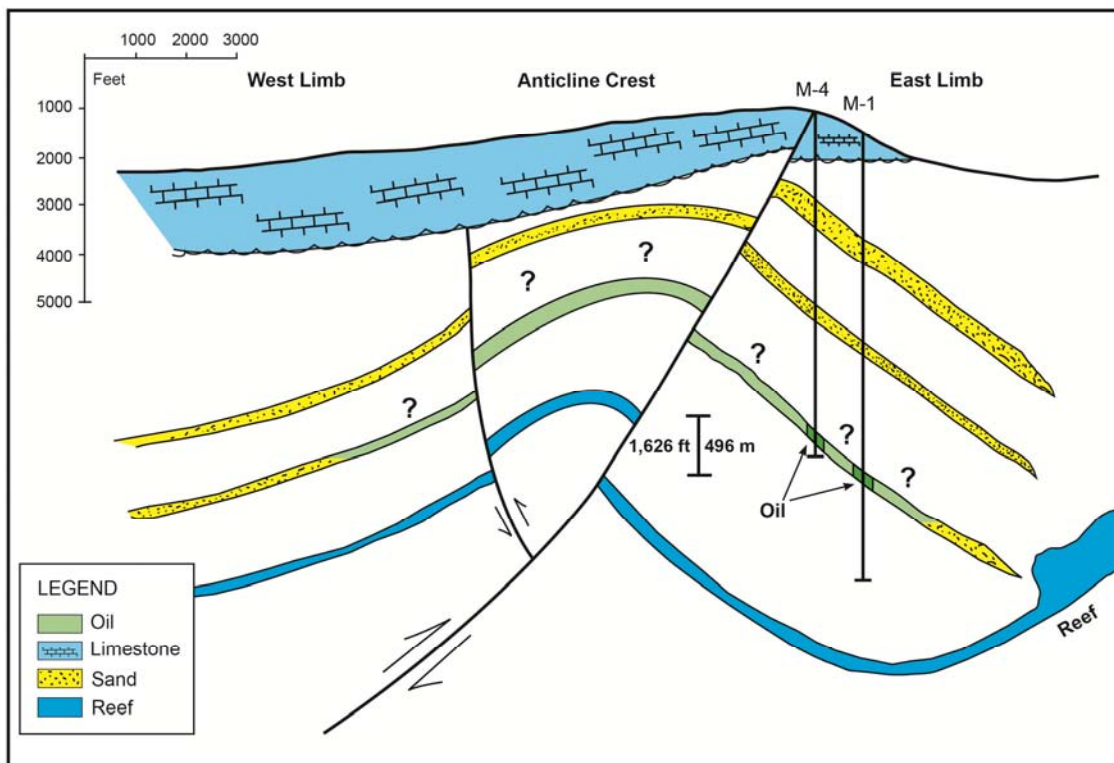


### ACTIVITIES REPORT MARCH 2014 QUARTER

#### SUMMARY

- **Philippines, Service Contract 44 (“SC 44”):**
  - Philippines Department of Energy (“DOE”) approve Malolos-1 as an Oil Discovery and grant 12 month extension to test produce oil.
  - DOE approval of testing program for commencement of oil production at Malolos-1.
  - Oil testing to commence in April, 2014 at Malolos-1.
  - In January 2014, **Unrisked Prospective Resource**\*<sup>1</sup> assessed at Best Estimate of **104 million** barrels of oil in addition to **Contingent Resource**\*<sup>1</sup> in Malolos Oil Field at Best Estimate “2C” of **20.4 million** barrels of “Total Oil Initially in Place”.
- **France:**
  - 3 new petroleum exploration licence applications approaching final stages of processing by French Government.
  - St Griede seismic survey planned for mid-2014.



**Cross-Section: Malolos Oil Field**

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

**APPROVALS:** On the 3<sup>rd</sup> January 2014, the Company announced the approval by the Philippine Department of Energy (“DOE”) of an application to declare Malolos-1 an oil discovery, under the terms and conditions of the Service Contract.

Under the terms of this approval the Company has been granted a 12 month extension to SC 44 in order to conduct oil production testing with the aim of establishing a commercial oil field. The approval covers the period 28<sup>th</sup> January, 2014 to 28<sup>th</sup> January, 2015. The approval was subject to the submission of a detailed oil production test work program prior to commencement of operations.

In February 2014, the Company submitted to the DOE a detailed oil production test work program and on the 20<sup>th</sup> March, 2014 the Company received DOE approval of this program.

The approval of the 12 month extension and right to produce oil is a big step forward in developing the Malolos Oil Field. Numerous other surface anticlines, adjacent to the Malolos Oil Field also warrant evaluation. The Company has confidence that the oil discovery is significant and worthy of extended oil production test which has the potential to transform the Company from an explorer to a producer and in the process benefit all stakeholders.

**WORK PROGRAM AND FUNDING:** Following the approvals, the Company has been acquiring additional equipment, recruiting human resources and discussing with third parties for transport, storage and sale of produced oil aiming to commence production tests in April 2014. The Company owned Rig-2 will be used for the well clean-out and a swabbing unit for extended oil production test. The extended production test will involve individually placing each of the two oil bearing sandstones on extended pump test followed by a shut-in period to assess the reservoir pressure build-up. Results from testing will enable determination of reservoir quality, reservoir damage and relative size of the oil reservoir. The Directors consider that the longer term testing will also enable an independent expert to certify some of the Contingent Resource of oil in place into Proven, Probable and Possible oil reserves.

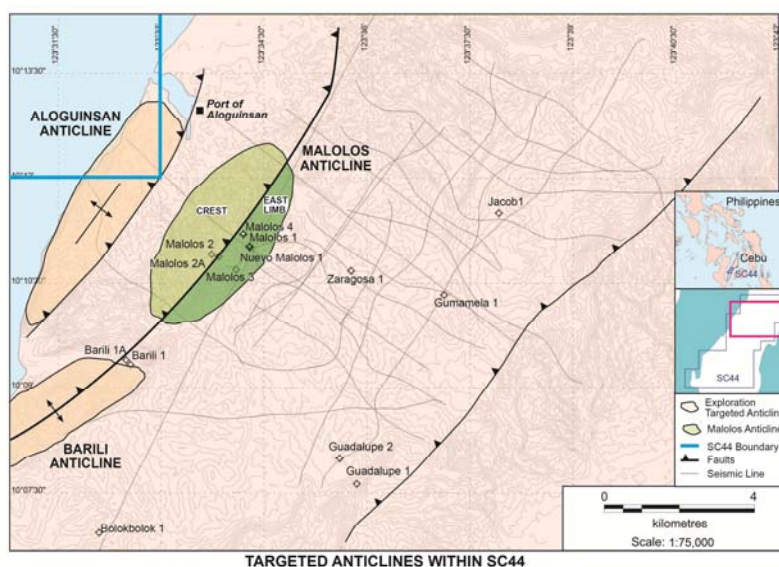
This work will be funded from the Company's existing cash resources and is estimated to cost \$500,000 to \$600,000 without the need of Company owned storage tanks.

Successful longer term oil testing will enable the DOE to approve Malolos Oil Field as commercial and allow production from the retained areas of SC 44 for a period of 25 years.

A complete appraisal and development of SC 44 would likely include acquisition of additional seismic data, drilling of an exploration well and new appraisal wells and possibly re-entering Nuevo Malolos-1. The Company's preferred funding for this full appraisal and development work is by a farmout of part of its 100% interest. Discussions are ongoing with some parties, but as no farmout agreement has been reached to date and to avoid development delays the Company has opted to proceed with a capital raising to fund certain work program that has the potential to enhance its asset value that can be reflected in future farmout terms.

**RESOURCE ESTIMATES:** On the 29<sup>th</sup> January, 2014 the Company announced that an independent assessment of the "Unrisked Prospective Resource"\* within newly identified prospective leads in SC 44 calculates recoverable oil in the range of **14 million barrels** (Low Estimate) to **601 million barrels** (High Estimate) with a Best Estimate of **104 million barrels**. This new resource is in the vicinity of the Malolos Oil Field and in addition to the "Contingent Resources" within the Malolos Oil Field.

On the 29<sup>th</sup> January, 2014 in the Malolos Oil Field, the "Contingent Resource" of oil in place in two productive sandstones was re-assessed upwards from the previous report of June 2013 to be between **6.8 million barrels** (Low Estimate "1C") and **68.1 million barrels** (High Estimate "3C"), with a Best Estimate "2C" of **20.4 million barrels** of "Total Oil Initially in Place". In June 2013, the Company had reported a "Contingent Resource" of the Malolos Oil Field to between **4 million barrels** (Low Estimate "1C") and **42 million barrels** (High Estimate "3C"), with a Best Estimate "2C" of **12 million barrels** of "Total Oil Initially in Place".



**Location Map: Malolos Oil Field**

In the June 2013 quarter, the Company successfully perforated and flow tested two oil bearing sandstones in Malolos-1 at depths of 2,219 – 2,227.5 metres (7,280 – 7,308 feet) and 2,178 – 2,195.4 metres (7,152 – 7,207 feet). Oil was produced on short term test at indicative production rates of between 100 to 200 barrels of oil per day (“bopd”). Oil from the lower sandstone also flowed to just below surface. These results were integrated with all other available technical data and resulted in the declaration of Malolos-1 an oil discovery in October 2013, which was approved by DOE in January 2014.

The two oil bearing sandstones that have tested oil are located within the eastern limb of the Malolos anticline where they are steeply dipping (60°). The crest of the anticline remains to be tested by drilling. Previously drilled wells, Malolos-1 and Malolos-4, recorded oil bearing sandstones **over a 496 metre (1,627 feet) vertical interval**. The recent oil test production rates (between 100 – 200 bopd) confirm Malolos-1 as an oil discovery well. The Directors are confident that further testing of Malolos-1 will result in commercial oil production from a much larger Malolos Oil Field than currently assessed.

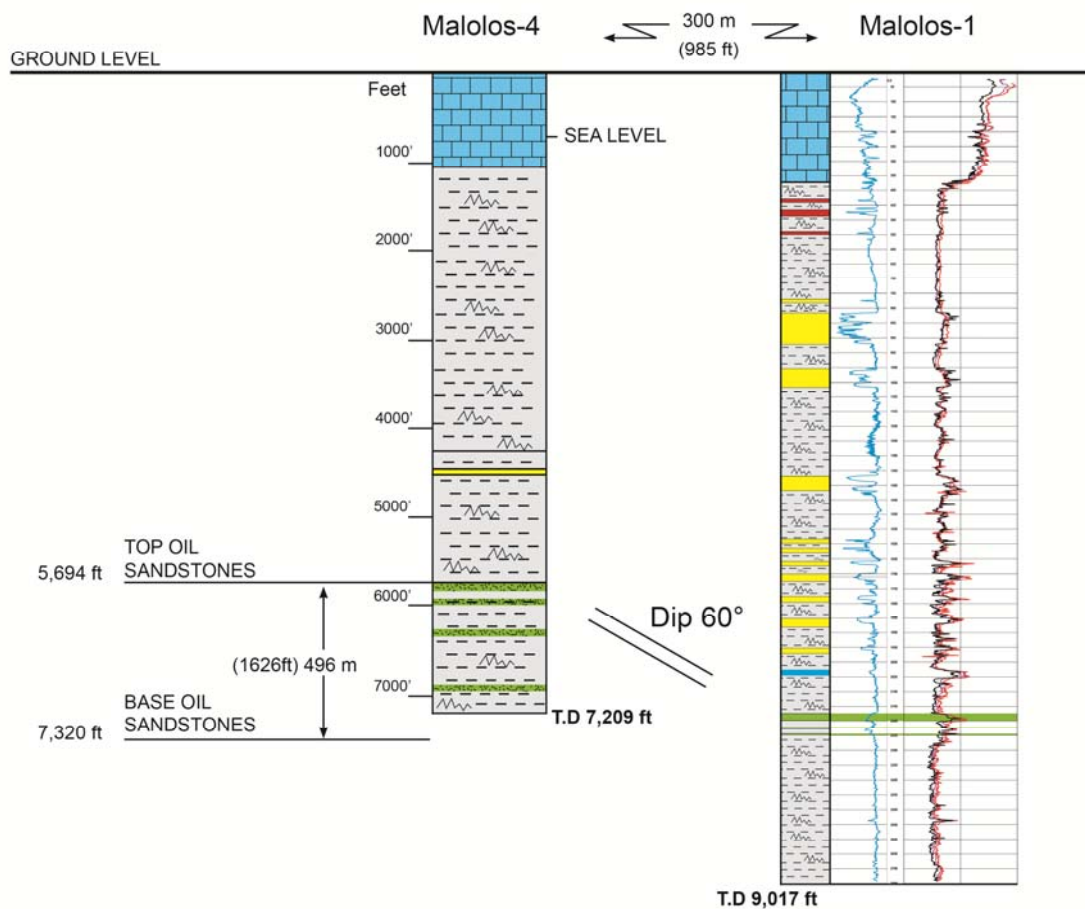
A technical summary of all observations, measurements and testing in Malolos-1 follows:

- Oil has been produced from two separate sandstone intervals in Malolos-1 at rates between 100 to 200 bopd.
- Oil saturated sandstone was recovered in a rock core retrieved from Malolos-4 with several other intervals containing sandstones with excellent oil shows at correlative stratigraphic levels to the oil bearing sandstones in Malolos-1.
- The bedding dip in Malolos-1 and 4 averages about 60° to the east (based on core, seismic and dip-meter data).
- Both wells were sited on the very eastern margin (limb) of the surface anticline.
- No oil-water contact has been intersected - each oil bearing sandstone has oil on rock.
- The anticlinal crest and western limb of the Malolos Oil Field remain to be tested.

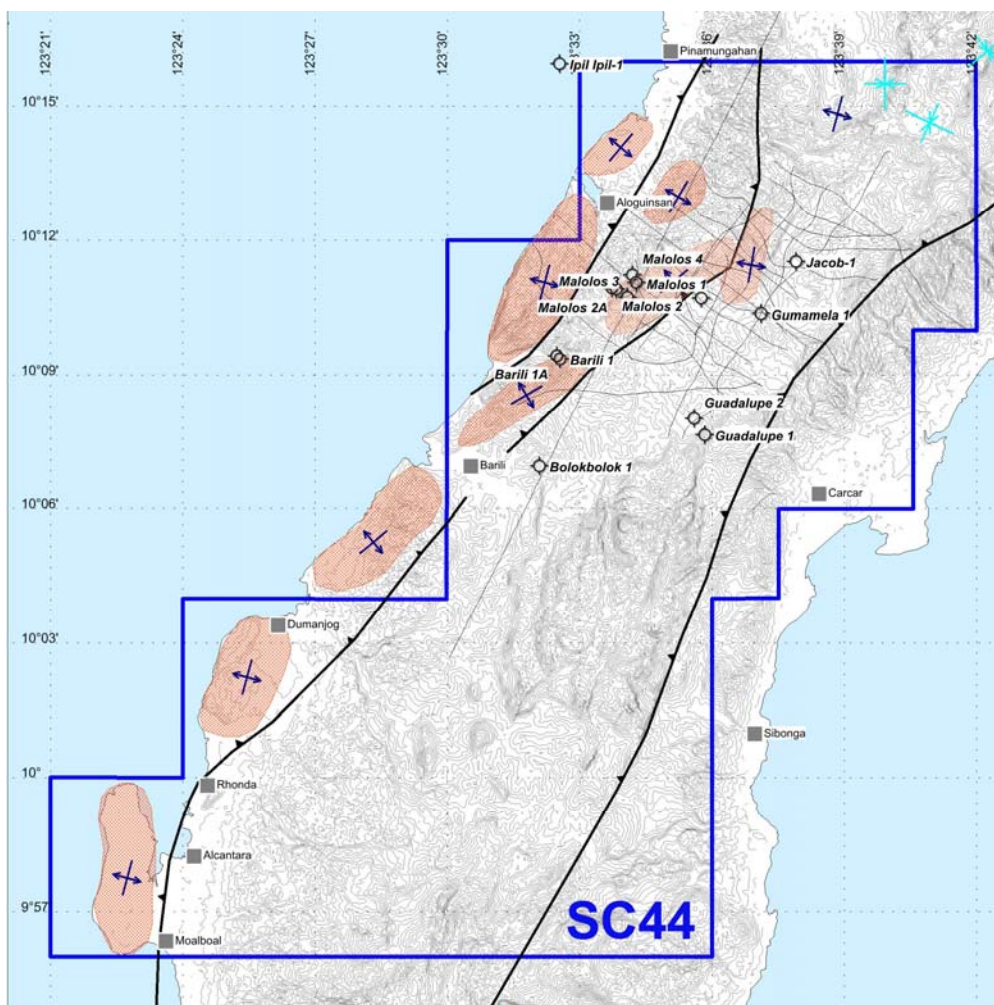
**OIL TRANSPORT AND SALE:** Oil produced from the extended oil production test period will be sold in Cebu as a fuel source. Oil sales from test production during the 12 month extension will generate revenue which will be used to fund any additional SC 44 operations and working capital.

The Malolos Oil Field is located approximately 30 kms by road from the port of Toledo and 60 kilometres from the international port of Cebu City. For longer term, oil transport options from the Malolos Oil Field include road transport by a new, all weather, concrete road from the wellsite to coastal ports for back-loading onto refined products tankers for shipment to refiner. This would involve

back-loading the crude oil into empty oil refined products tankers after they have delivered refined petroleum products to Cebu. Likely points of sale would be to either to one of the two oil refineries located in Batangas, Philippines (approximately 500 kms north) or into Singapore (approximately 2,500 kms south-west). Local sale options on the island of Cebu are also being investigated.



**Oil Sandstone Correlation: Malolos-1 to Malolos-4**



**Service Contract 44: Surface Anticlines**

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

The Company owns 100% of the St. Griede licence and it regards the oil and gas exploration potential within that licence as being exceptional and the 100% ownership provides a great opportunity to create significant value for shareholders.

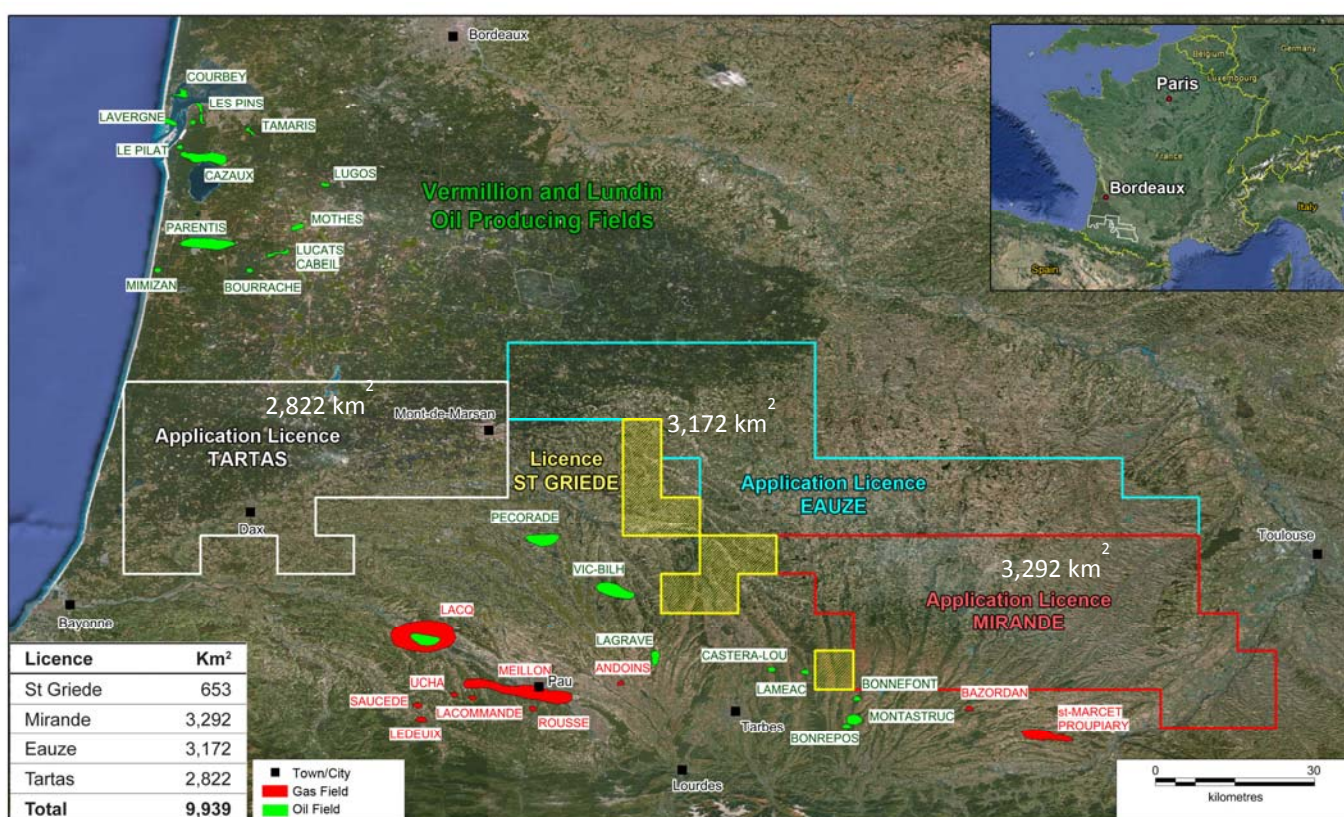
The Company has planned to acquire a new seismic survey commencing in mid-2014. Following discussions with Government a new seismic survey application will be submitted for approval in April 2014.

**2014 Planned Activities:** The Company plans on the following work activities in 2014:

- Complete the acquisition of a new seismic survey to determine at least one drilling location on a conventional oil and gas prospect
- Drill one exploration well

## NEW APPLICATIONS (100%):

Three new exploration licence applications (Tartas, Eauze and Mirande) were submitted to the French Government over 2 years ago. These licence applications have been advertised in the European Union Gazette by the French Government in May 2013 under normal processing procedures. As a result, competing applications were submitted by two international oil companies over the area of Mirande and one of those companies over Eauze as well. The Government will rule on settlement of the competing applications which could result in reducing the areas that the Company applied for. Tartas is not subject to competing applications. The Company looks forward to the French Government advising the outcome of those applications in 2014.



### Aquitaine Basin Licence Areas: St. Griede and Applications Tartas, Eauze and Mirande with nearby Oil and Gas Fields

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 38 years' experience in the oil and gas industry.

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\*The Petroleum Resources Management System (“PRMS”) is a fully integrated system that provides a basis accepted by the industry and the Australian Stock Exchange for classification and categorization of all petroleum reserves and resources. Although the system encompasses the entire resource base, it is focused primarily on estimated recoverable sales quantities. Because no petroleum quantities can be recovered and sold without the installation of (or access to) the appropriate production, processing, and transportation facilities, PRMS is based on an explicit distinction between:

1. a development project that has been (or will be) implemented to recover petroleum from one or more accumulations and, in particular, the chance of commerciality of that project; and
2. the range of uncertainty in the petroleum quantities that are forecast to be produced and sold in the future from that development project. This two-axis PRMS system is illustrated in Figure 1.

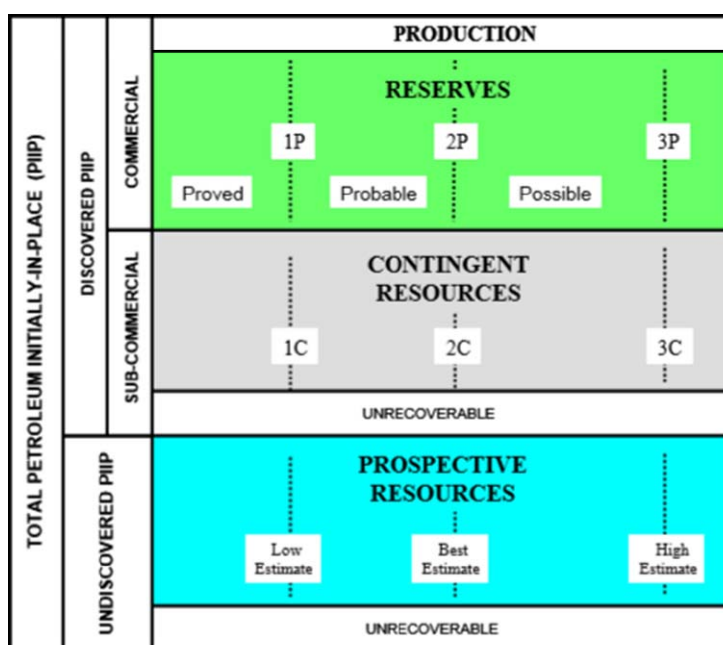


Figure 1: Graphic Summary of the SPE-PRMS classification of resources and reserves for petroleum projects.

<sup>1</sup> The Resources assessment follows guidelines set forth by the Society of Petroleum Engineers – Petroleum Resource Management System (SPE-PRMS). The Resource estimates used in this presentation were compiled by Mr Len Diekman (Member SPE), Energetica Consulting, who is a qualified person as defined under the ASX Listing Rule 5.11 and has consented to the use of Resource figures in the form and context in which they appear in this presentation. Mr Len Diekman and related parties hold shares in Gas2Grid Limited.



## 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")

MARCH 2014

### Consolidated statement of cash flows

		Current quarter	Year to date (9 months)
		\$A'000	\$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	-	59
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(280)	(3,243)
1.3	Dividends received	(99)	(420)
1.4	Interest and other items of a similar nature received	1	3
1.5	Interest and other costs of finance paid	(6)	(7)
1.6	Income taxes paid		
1.7	Other (GST/forex differences)	(11)	(106)
	<b>Net Operating Cash Flows</b>	<b>(395)</b>	<b>(3,714)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets		(69)
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)		
	<b>Net investing cash flows</b>		<b>(69)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(395)</b>	<b>(3,783)</b>

+ 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)	(395)	(3,783)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	1,474
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	133	1,377
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other		
	<b>Net financing cash flows</b>	133	2,851
	<b>Net increase (decrease) in cash held</b>	(262)	(932)
1.20	Cash at beginning of quarter/year to date	1,045	1,706
1.21	Exchange rate adjustments to item 1.20	(1)	8
1.22	<b>Cash at end of quarter</b>	782	782

### 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

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	5,750	4,063
3.2 Credit standby arrangements		

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	50
4.2 Development	
4.3 Production	300
4.4 Administration	80
<b>Total</b>	<b>430</b>

### 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	181	311
5.2 Deposits at call	601	734
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>782</b>	<b>1,045</b>

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+ 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	<b>Preference securities</b>			
	<i>(description)</i>			
7.2	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs, redemptions			
7.3	<b>+Ordinary securities</b>	756,542,413	723,692,413	
7.4	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs			
7.5	<b>+Convertible debt securities</b>			
	<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	<b>Options</b> (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	<b>Debentures</b> (totals only)				
7.12	<b>Unsecured notes</b> (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: 02 April 2014  
Company secretary

Print name: Patrick Sam Yue

## Notes

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+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

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- 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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