

29th July, 2011

ACTIVITIES REPORT JUNE 2011 QUARTER

- SC 44 Phase 2 Malolos-1 well workover commenced in April
- Natural gas and oil produced from shallow reservoirs in Malolos-1
- All equipment sourced and workover/testing of deeper section to commence in August
- Natural gas build-up in Nuevo Malolos-1
- SC 44 2011 seismic survey commenced – drilling locations
- SC 44 three exploration wells scheduled for early 2012 and planning has commenced
- Philippine Department of Energy has granted an 18 month extension of time in which to drill the three outstanding exploration wells
- St. Griede seismic interpretation completed and numerous prospects/leads mapped
- St. Griede – remaining vintage seismic data being purchased and being reprocessed
- Review of the petroleum potential within Devonian age shales within EP 453 commenced

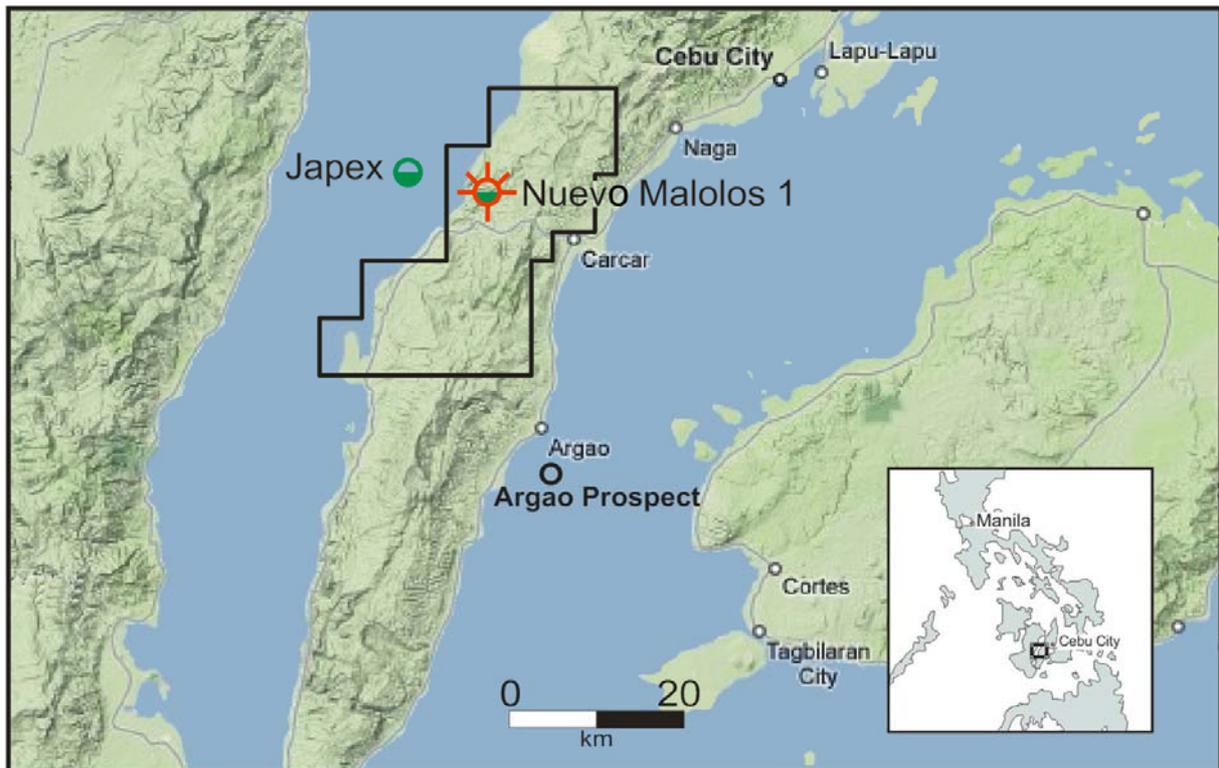


Figure 1: Service Contract 44, Cebu Island, Philippines

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

Malolos-1 - Workover

Malolos-1 was originally drilled to a total depth of 2,748 metres. Gas and oil bearing sandstones are present at depth in the Malolos-1 well but they were not targeted during the Phase 1 workover, which was conducted in March, 2010. The Phase 1 workover targeted gas bearing sandstones above 1,000 metres in depth and this work proved the existence of natural gas. The workover also determined the sandstone reservoirs to be of good quality and to be undamaged by previous drilling and completion work.

Following the successful completion of the Phase 1 workover, the Company commenced the Phase 2 workover in April, 2011. The Phase 2 workover comprises a well re-entry, plugging the existing shallow perforations, cased hole logging and a decision on recompletion and flow testing of selected oil and gas bearing sandstones at deeper levels (below 1,000 metres) within the well.

Delays in sourcing critical equipment for drilling out cement plugs and cleaning the cased hole, which comprise part of the Phase 2 workover, allowed the Company time in April to complete a 'nitrogen enhancement' on the shallow perforations (between 367–777 metres). This operation was conducted down the annulus, with a packer and the production tubing still in place, isolating the slightly deeper 822 metres sandstone interval.

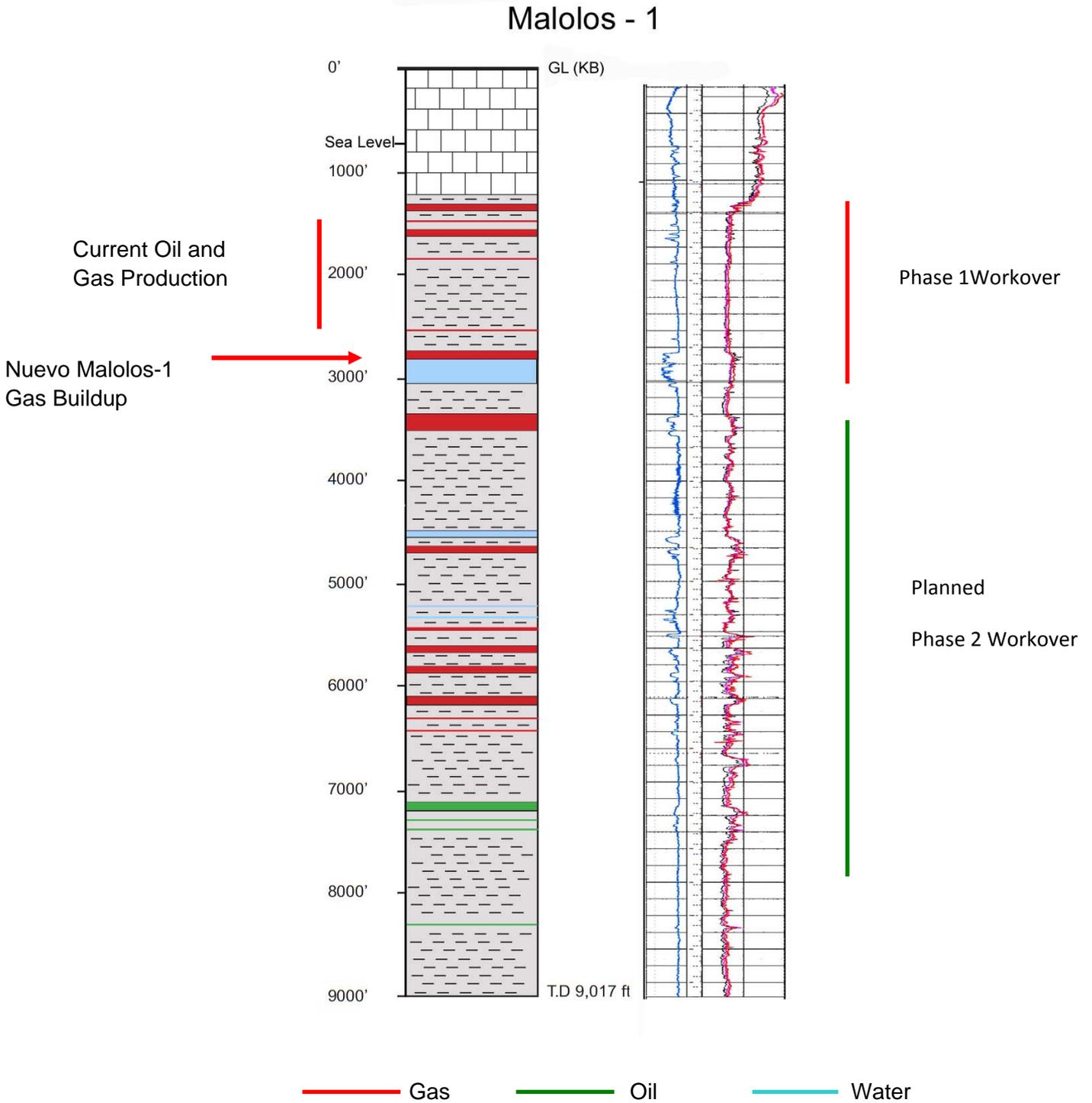
The nitrogen enhancement has improved gas production from the shallow reservoirs and it has resulted in natural gas flowing to surface from the annulus. Although the flow has not been continuous, gas immediately charges the annulus and pressure build up once the well is shut-in. Oil has also been recovered from the annulus. The well was cyclically flowed and shut-in over a few week period in order to try and induce continuous gas flow which was not achieved. The essential equipment required to conduct the Phase 2 workover has now been sourced and access to and evaluation of the deeper hydrocarbon bearing intervals will commence.

Seismic Survey

The 2011 seismic survey is designed to determine the final drilling locations for the 3 well exploration drilling program, that is planned to start in the 1st Quarter, 2012. Acquisition commenced on 5th July and was suspended on 25th July with 28 kilometres new data having been recorded. Extreme wet weather and the onset of the wet season caused the postponement. The survey will recommence once the weather has improved, likely to be later in the year.

Exploration Drilling Program

The Company plans on drilling three new exploration wells commencing in the first quarter of 2012. The new wells will target both the Miocene carbonate reefs and Tertiary age sandstone reservoirs trapped within anticlines. These prospects have been delineated by the 2010 Seismic Survey.



Service Contract - Extension

The Philippine Department of Energy has granted the Company an 18 month extension of Sub-Phase 2 until the end of July, 2012 and in which period three exploration wells are to be drilled.



Malolos-01 (June, 2011): Oil being recovered from shallow sandstone interval

FRANCE: ST. GRIEDE (50%), Onshore Aquitaine Basin

Data processing and interpretation of the 5,000 line kilometre aero-gravity survey has been completed. In addition, the Company has reprocessed and interpreted nearly 750 kilometres of pre-existing seismic data. Seismic reprocessing attempted to enhance vintage data that was acquired over the period 1960-1984. All vintages of seismic data responded favourably to reprocessing and they will contribute to the exploration evaluation. Aero-gravity and seismic data have been integrated and numerous structural hydrocarbon leads and prospects mapped.

Based on the successful results achieved with the initial seismic reprocessing the Company is now purchasing and will reprocess the approximate 1,300 kilometres of remaining vintage seismic data within the St. Griede licence.

Structural traps attractive for oil and gas exploration in the Aquitaine Basin are generally cored by Triassic salt. Salt has a much lower density than the surrounding sedimentary rocks and gravity is a useful technique to determine areas of thick salt development. The regional aero-gravity survey will assist to define the location of thick salt accumulations and hence likely structural petroleum traps.

The Aquitaine Basin is a prolific hydrocarbon province with a long history of discovery and production. Over 13,000 petajoules (approximately 13 trillion cubic feet) of gas and 450 million barrels of liquid hydrocarbons have been produced from the basin, mainly by the large French Government-owned corporations. There has been a hiatus in exploration activity since the 1980s, but a resurgence of licensing activity and operations has occurred recently, coincident with the increase in both oil and natural gas prices. Three wells have been drilled in the Aquitaine Basin in the last 12 months but prior to that there had been no drilling in the basin for over 10 years. Markets and gas pipeline infrastructure are well developed and the commercialisation of even small discoveries is likely.

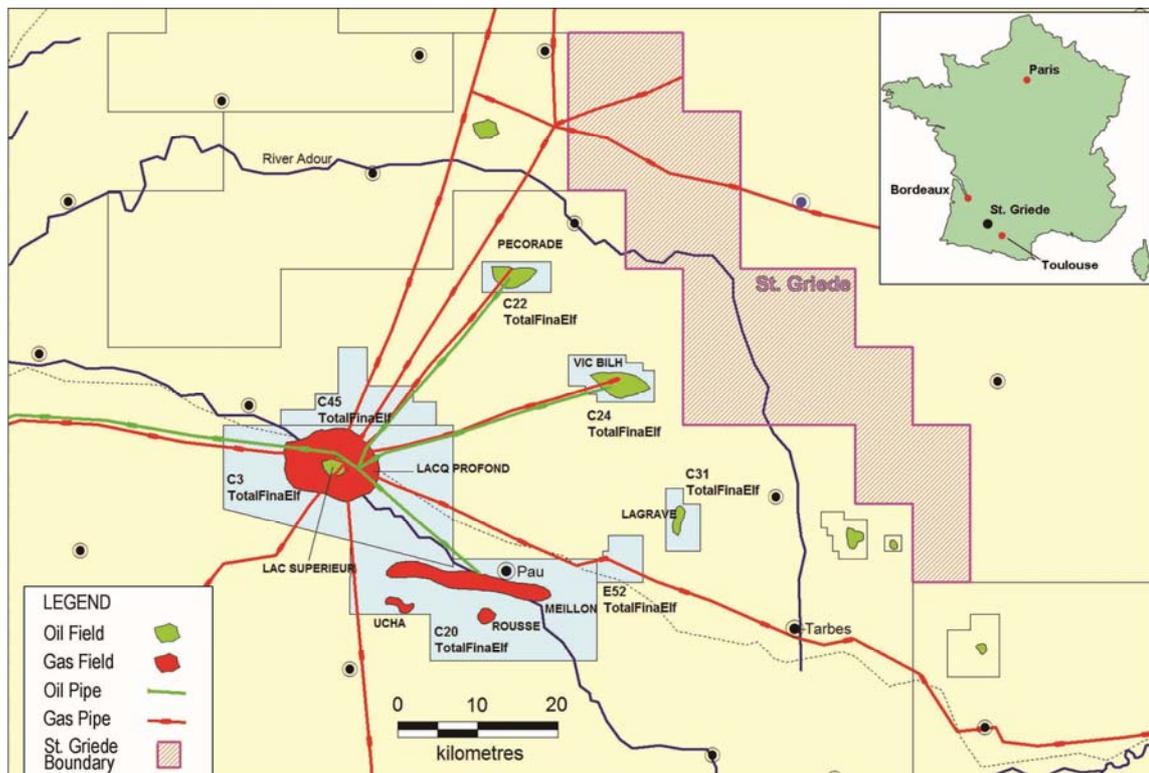


Figure 2: St. Griede, Onshore Aquitaine Basin, France

AUSTRALIA: EP 453 (100%), Onshore Canning Basin, Western Australia

The Company is conducting a review of the petroleum potential within Devonian age shales within EP 453. This review is expected to be completed within the next quarter. Recent press reports regarding petroleum potential from shales within the onshore Canning Basin and the proposed expenditure of over \$100 million on this work by international companies, such as ConocoPhillips, has placed a significant focus on this potential resource.

The Company had previously reprocessed and interpreted all existing seismic data available over prospects and leads located within EP 453. Target horizons had been mapped generating drilling prospects without the need for new seismic acquisition. The Company is seeking joint venture partners to fund exploration drilling.

The EP 453 licence conditions have been varied with the combination of the Year 2 and 3 commitments resulting in the requirement to acquire 200 kms new seismic data by 17th January, 2010. These conditions have not been met and the WA Government will be approached for a further variation of the licence terms.

EP 453 is a highly prospective licence with both oil and gas targets in Late Devonian-age carbonate, pinnacle reefs and Devonian sandstone reservoirs. A number of pinnacle reef prospects have been mapped on existing seismic data. Only two wells have previously been drilled (during the 1980s) within EP 453 and surrounding areas targeting these reefs. In addition, the prospectivity of Devonian sandstone reservoirs is evidenced by the fact that the only well drilled within EP 453 and the surrounding area in recent history, Chestnut-1 (1994), intersected a shallow (depth ca 1,350 metres) 8 metre thick sandstone reservoir interpreted from logs to be hydrocarbon bearing, although the interval was not tested. A deeper (1,800 metres) sandstone reservoir is hydrocarbon bearing but has relatively poor reservoir parameters and on a drillstem test flowed gas to surface at a rate too small to measure with no produced water. These two sandstone reservoirs were deposited in a submarine fan complex and reservoir quality should improve in the direction of their depositional source (proximal area).

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Appendix 5B

Mining 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

Name of entity

GAS₂GRID LIMITED

ABN

46 112 138 780

Quarter ended ("current quarter")

30 JUNE 2011

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(313)	(1,291)
(b) development	-	-
(c) production	-	-
(d) administration	(52)	(745)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	3	14
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	(37)	4
Net Operating Cash Flows	(399)	(2,018)
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 (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(399)	(2,018)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(399)	(2,018)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	816	3,074
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	150
1.17	Repayment of borrowings	-	(150)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	(6)	(175)
	Net financing cash flows	810	2,899
	Net increase (decrease) in cash held	411	881
1.20	Cash at beginning of quarter/year to date	1,017	570
1.21	Exchange rate adjustments to item 1.20	(53)	(76)
1.22	Cash at end of quarter	1,375	1,375

Payments to directors of the entity and associates of the directors
Payments to 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	None
1.24 Aggregate amount of loans to the parties included in item 1.10	None

1.25 Explanation necessary for an understanding of the transactions

None

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

None

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

None

Financing facilities available

Add notes as necessary for an understanding of the position.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	500	-
3.2	Credit standby arrangements	None	-

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	800
4.2	Development	-
4.3	Production	-
4.4	Administration	80
Total		880

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	1,345	978
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	30	39
Total: cash at end of quarter (item 1.22)		1,375	1,017

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	None		
6.2	Interests in mining tenements acquired or increased	None		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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>	None			
7.2 Changes during quarter				
(a) Increases through issues	None			
(b) Decreases through returns of capital, buy-backs, redemptions	None			
7.3 +Ordinary securities	356,272,231	343,522,231		
7.4 Changes during quarter				
(a) Increases through issues	16,333,353	16,333,353		
(b) Decreases through returns of capital, buy-backs	None	None		
7.5 +Convertible debt securities <i>(description)</i>	None			
7.6 Changes during quarter				
(a) Increases through issues	None			
(b) Decreases through securities matured, converted	None			
7.7 Options <i>(description and conversion factor)</i>	34,000,000	None	<i>Exercise price</i> 4.96 cents (adjusted per item 10 of terms and conditions of options)	<i>Expiry date</i> 30.09.2011
	71,891,909	None	5 cents	15.06.2012
7.8 Issued during quarter	None	None		
7.9 Exercised during quarter	16,333,353	None		

+ See chapter 19 for defined terms.

7.10	Expired during quarter	None	None		
7.11	Debentures <i>(totals only)</i>	None			
7.12	Unsecured notes <i>(totals only)</i>	None			

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 give a true and fair view of the matters disclosed.

Sign here:  Date: 29 July 2011
(Director/Company secretary)

Print name: Steven J. Danielson

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 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, 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.

+ See chapter 19 for defined terms.