

25th January, 2011

**ACTIVITIES REPORT
DECEMBER 2010 QUARTER**

- Rights Issue completed
- Darren Reeder appointed to the Board as a Non-Executive Director
- SC 44 Phase 2 seismic survey completed in December, 2010
- SC 44 Phase 2 Maolos-1 well workover to commence in January-February 2011
- SC 44 three exploration wells scheduled for 2011 and planning has commenced
- St. Griede seismic interpretation completed and numerous prospects/leads mapped
- St. Griede – remaining vintage seismic data to be purchased, reprocessed and interpreted

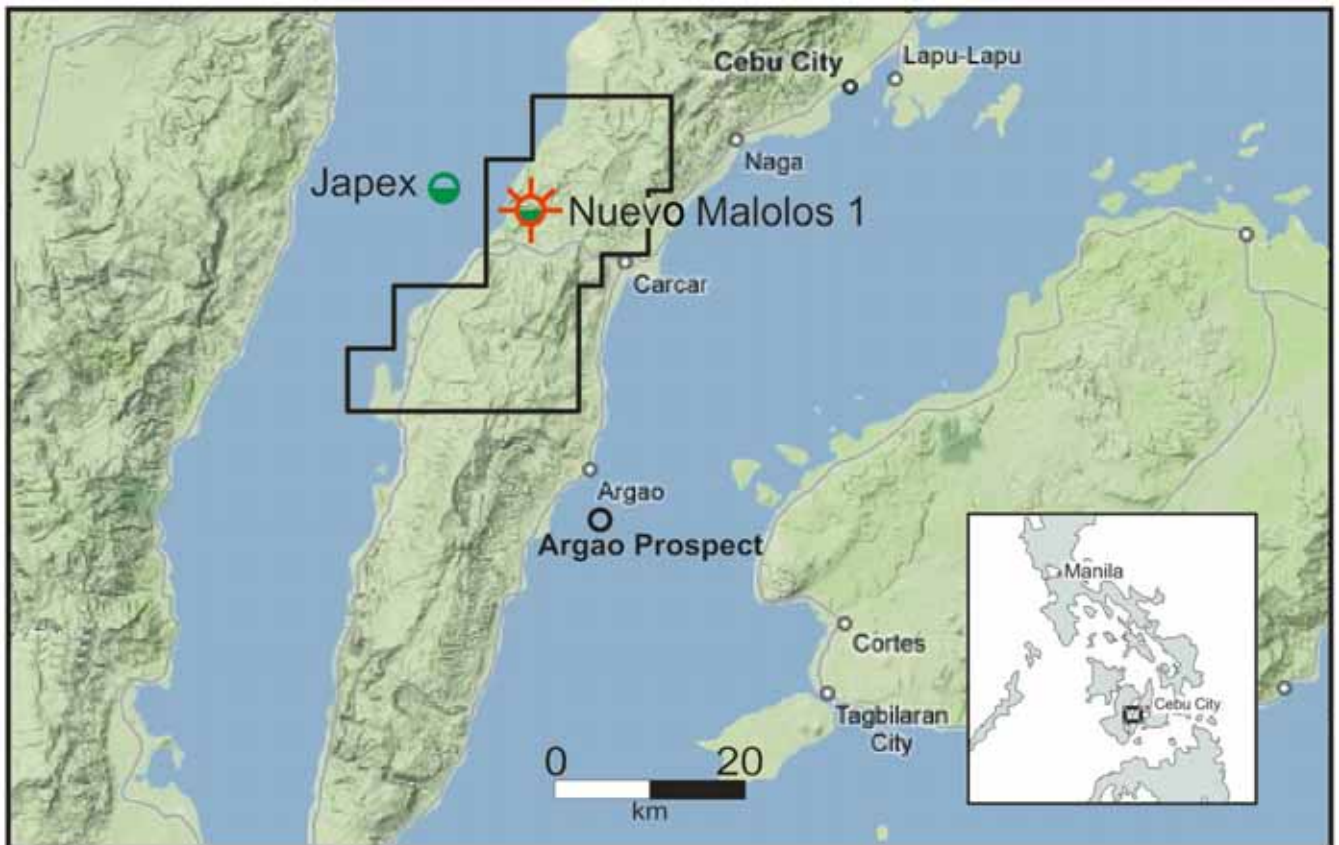


Figure 1: Service Contract 44, Cebu Island, Philippines

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

Seismic Survey

Phase 2 seismic acquisition commenced on the 9th November with data acquisition completed on the 16th December for a total 61.3 kilometres recorded (a total 115.3 kilometres in Phases 1 and 2). Field data quality is generally excellent.

The aim of the Phase 2 seismic survey was to acquire sufficient data over at least three existing leads (including the newly identified limestone reefs) and converting them into drilling prospects. Data processing and interpretation is expected to be completed in the first Quarter of 2011. The Company is hopeful that drilling locations will be identified for drilling to commence in the first half of 2011.

A 54 kilometre seismic acquisition program (Phase 1) was completed in May, 2010 with field operations being curtailed by the onset of the wet season. The newly acquired seismic data is of excellent quality where it has been acquired over ground not affected by outcropping limestone. The interpretation of the data has also been completed providing good geologic insight over selected areas of Service Contract 44. The new data has clearly identified, for the first time, the Cebu Limestone carbonate reef play and the younger turbidite sandstone traps, both structural and structural/stratigraphic. The newly acquired seismic data is generally of high frequency enhancing the ability to identify and map reservoir targets.

The Cebu Limestone reef targets were interpreted to be present within SC 44 before the 2010 seismic data was acquired and it has been extremely pleasing to now, conclusively identify this exploration target, as it greatly enhances the value of SC 44. The Cebu Limestone is of Miocene age and similar age limestone reefs are prolific oil and gas producers elsewhere in the Philippines (eg. Malampaya, Nido) and they are also prolific oil and gas producers in neighbouring Indonesia.

Malolos-1 Workover

Gas and oil bearing sandstones are present deeper in the Malolos-1 well but they were not targeted during the Phase 1 workover which was completed in May, 2010. The Phase 1 workover targeted gas bearing sandstones above 1,000 metres in depth and this worked proved the existence of natural gas and 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 will conduct the Phase 2 workover commencing in January - February 2011. The Phase 2 workover will involve 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.

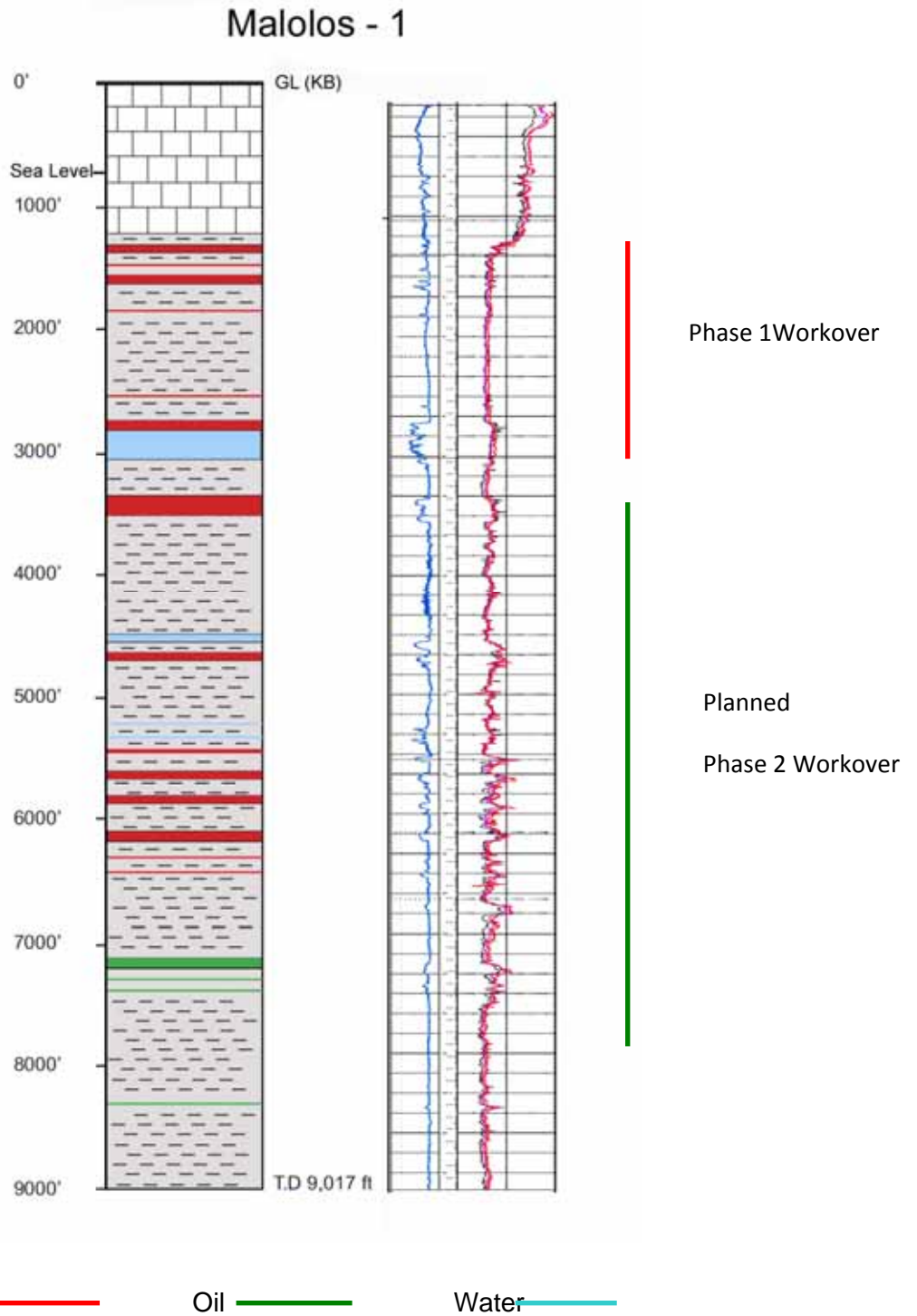


Figure 2: Malolos - 1 Well Schematic, Service Contract 44, Cebu Island, Philippines

2011 DRILLING PROGRAM

The Company plans to drill three new exploration wells commencing in the first half of 2011. 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.

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

Data processing and interpretation of the 5,000 line kilometre aero-gravity survey have 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 will now 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.

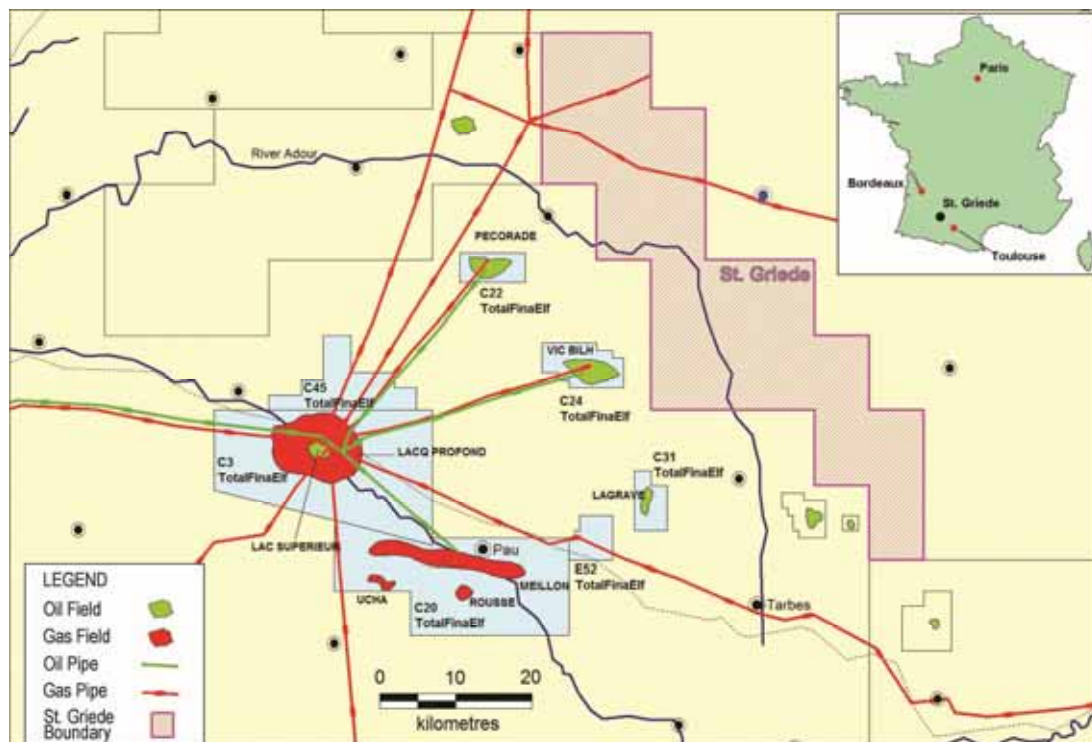


Figure 3: St. Griede, Onshore Aquitaine Basin, France

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

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).

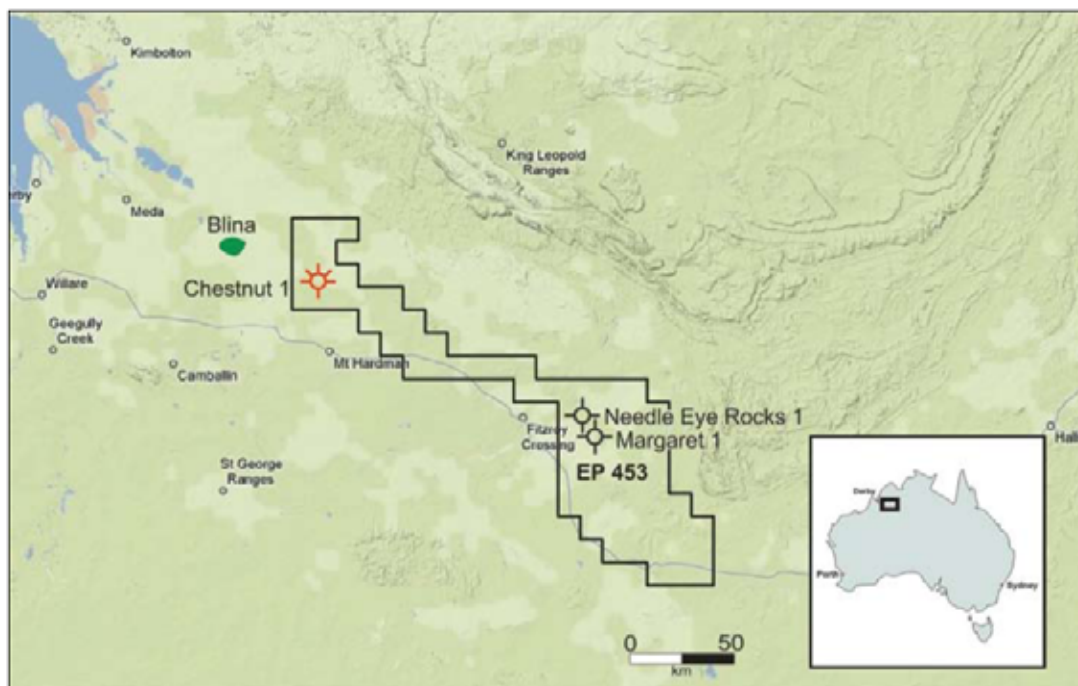


Figure 4: EP 453, Onshore Canning Basin, Western Australia

RIGHTS ISSUE

A 1:3 Non-Renounceable Rights Issue priced at 2.5 cents/share with one attaching unlisted option exercisable at \$0.05 per share and exercisable on or before the 15th June, 2012 closed on 15th November, 2010. The Rights Issue raised approximately \$1.9 million. The Rights Issue was fully underwritten by Budside Pty Ltd (a company controlled by Gas2Grid Limited Managing Director Dennis Morton).

Of the total 76,927,404 entitlement shares offered the Company received acceptances for 49,498,045 shares with 27,429,359 shares being taken up by the Underwriter and his nominees. The Company has the following securities on issue at the date of this report:

326,070,035 Fully paid, ordinary shares (listed)
12,750,000 Fully paid ordinary shares (unlisted under Employee Incentive Plan)
46,800,000 Unlisted Options \$0.05 – 30th September, 2011
76,544,105 Unlisted Options \$0.05 -15th June, 2012

The current substantial shareholders are also Directors as follows:

Dennis Morton:	62,544,483 shares (18.5%)
Darren Reeder:	46,666,665 shares (13.8%)
David Munns:	26,856,900 shares (7.9%)

APPOINTMENT OF NON-EXECUTIVE DIRECTOR

Mr Darren W. Reeder was appointed to the Board as a Non-Executive Director on the 7th December, 2010. Mr Reeder is a substantial shareholder of the Company with 14.8% of the issued capital and he has also been a long term supporter of the Company. Mr Reeder is Singapore based and controls a number of businesses including an oil and gas drilling and workover company with operations in the Philippines.

The Company will benefit from Mr Reeder's extensive experience in oil and gas drilling and production operations.

Dennis Morton
Managing Director
Phone: +61-2-9254 9013
dennis@gas2grid.com

Patrick Sam Yue
Non-Executive Director
Phone : +61-2-9254 9012
psy@gas2grid.com

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")

31 DECEMBER 2010

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 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	(488)	(652)
(b) development	-	-
(c) production	-	-
(d) administration	(125)	(482)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5	6
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	16	51
Net Operating Cash Flows	(592)	(1,077)
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)	(592)	(1,077)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(592)	(1,077)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,923	1,923
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	150	150
1.17	Repayment of borrowings	(150)	(150)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	(156)	(156)
	Net financing cash flows	1,767	1,767
	Net increase (decrease) in cash held	1,175	690
1.20	Cash at beginning of quarter/year to date	75	570
1.21	Exchange rate adjustments to item 1.20	(10)	(20)
1.22	Cash at end of quarter	1,240	1,240

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	39
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

Payment of fees to director related entities.

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	750
4.2 Development	-
4.3 Production	-
4.4 Administration	120
Total	870

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	1,196	48
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	44	27
Total: cash at end of quarter (item 1.22)	1,240	75

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 (b) Decreases through returns of capital, buy-backs, redemptions	None None			
7.3 +Ordinary securities	314,486,736	311,986,736		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	79,427,404 None	76,927,404 None		
7.5 +Convertible debt securities <i>(description)</i>	None			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	None None			
7.7 Options <i>(description and conversion factor)</i>	52,000,000 76,927,404		<i>Exercise price</i> 5 cents 5 cents	<i>Expiry date</i> 30.09.2011 15.06.2012
7.8 Issued during quarter	76,927,404		5 cents	15.06.2012
7.9 Exercised during quarter				
7.10 Expired during quarter	38,584,422	38,584,422	8 cents	30.11.2010
7.11 Debentures <i>(totals only)</i>	None			

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)	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 /does not* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:  Date: 25 January 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.

Appendix 5B
Mining exploration entity quarterly report

== == == == ==

+ See chapter 19 for defined terms.