



29 July 2010

ACTIVITIES REPORT JUNE 2010 QUARTER

- Planning of Phase 2 workover at Malolos-1 in SC 44
- SC 44 seismic data acquisition and interpretation completed
- St. Griede aero-gravity survey interpretation in process

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

Malolos-1 Workover

Following the successful completion of the Malolos-1 workover in the March quarter the Company has been planning implementation of the Phase 2 workover for the September quarter. Commencement of work is dependent on equipment availability, funding and requisite approvals. This Phase 2 workover will likely involve a well intervention, recompletion and flow testing of selected oil and gas bearing sandstones at both the shallow and deeper levels within the well.

The interpretation of the results of Phase 1 workover in the March quarter confirmed the following at the Malolos-1 well:

- The presence of natural gas.
- The sandstone reservoir is accessed through the casing perforations and that reservoir properties are good quality.
- The hydrocarbon bearing intervals are confidently identified.
- The shallow section of the well (i.e. above 915 metres) contains several gas bearing intervals: four separate sandstones (each 3 - 5 metres thick) over the gross interval 367.3 - 478.5 metres, an additional 3 metre thick gas bearing sandstone over the interval 774.2 - 777.3 metres and a gross 23 metre thick gas column (816.9 - 839.7 metres) overlying water.

Gas and oil bearing sandstones are present deeper in the Malolos-1 well but they were not targeted during the Phase 1 workover and are to be the focus of the Phase 2 workover.

Background

A workover on the fully cased Malolos-1 well, offers the Company the lowest cost and nearest term, low risk operation to try to produce commercial gas and oil flow rates. The type of formation damage interpreted to occur in this well is common and similar to damage that has

been successfully overcome in other hydrocarbon-bearing sandstones deposited within Tertiary age sedimentary basins worldwide.

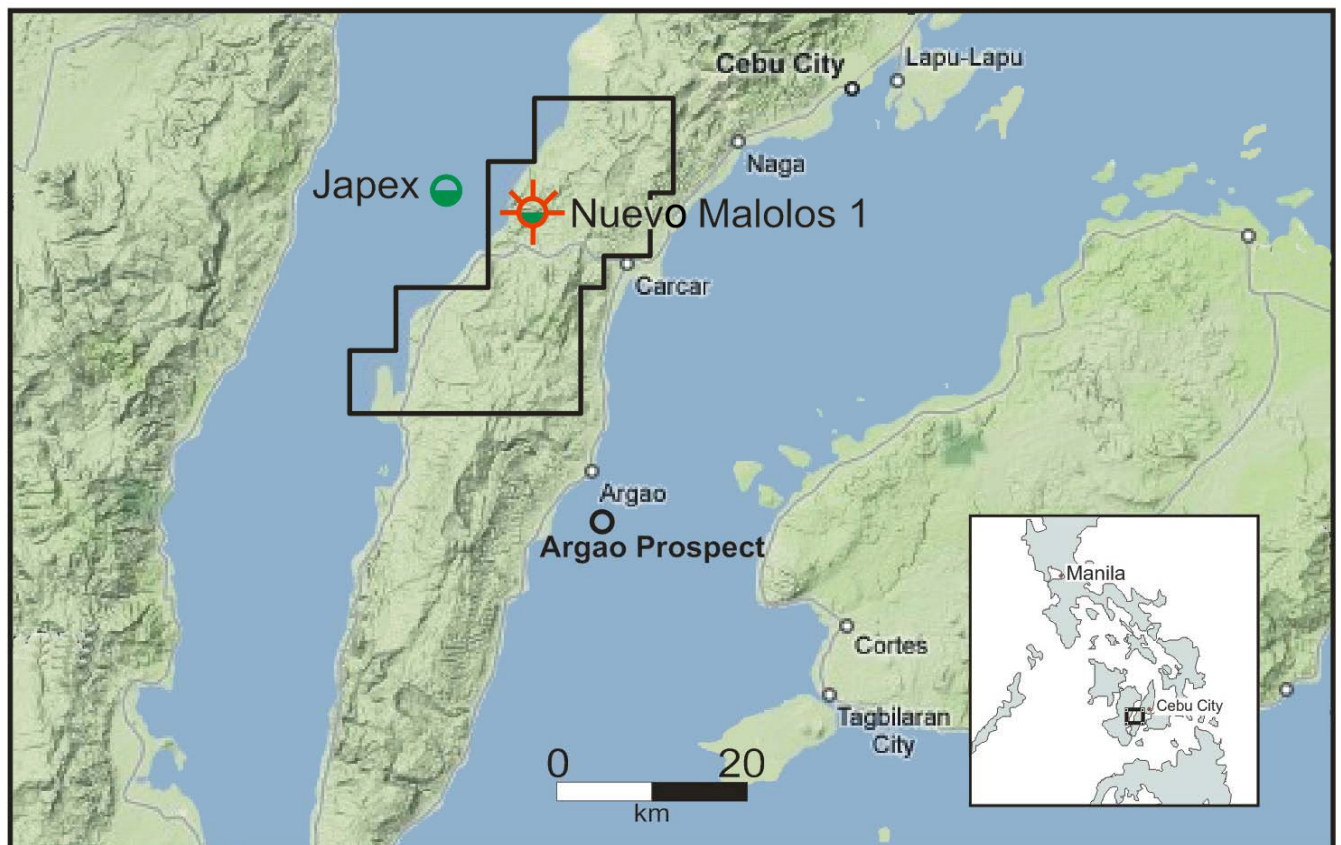
The workovers were planned to be conducted in two phases.

- **Phase 1:** consisted of establishing the well status, installation of wellhead safety equipment, swabbing the existing completion fluid out of the well to reduce back-pressure against the formation and if possible inducing the sandstone interval (816.9 - 841.3 metres) to flow, and running cased-hole logs. Whilst better oil and gas bearing intervals exist deeper in the well, the shallow sandstone offered a lower cost option.
- **Phase 2:** determination and implementation of a well intervention program (of which there are numerous options) to induce selected oil and gas bearing intervals to flow natural gas and oil at commercial rates and conduct a long term production test.

Seismic Survey

The seismic acquisition program was completed during the quarter with 50 kms of new data acquired. The interpretation of the data has also been completed providing good geologic insight over selected areas of Service Contract 44.. A second seismic program to cover 50 kms is currently planned for December quarter. Commencement of work is dependent on contractor availability, funding and requisite approvals.

Figure 1: Service Contract 44, Cebu Island, Philippines



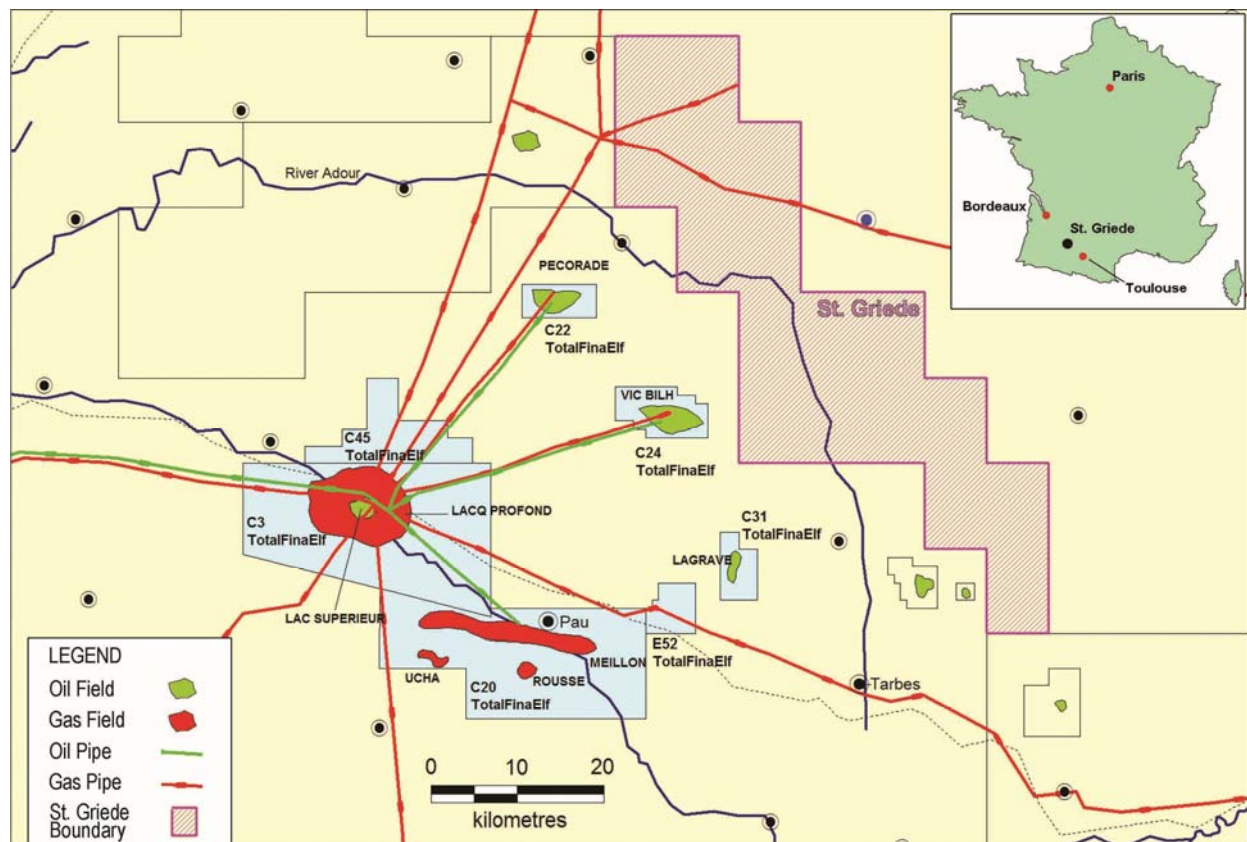
FRANCE: ST. GRIEDE (50%), Onshore Aquitaine Basin

The Company, in conjunction with joint venture partner Flow Energy (formerly Gippsland Offshore Petroleum), completed an aero-gravity survey (AGG) in December, 2009 acquiring approximately 5,000 line kilometres data. These data have been processed and interpretation commenced in the quarter and is in process.

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 results will be used in planning the location of seismic data or drilling locations.

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



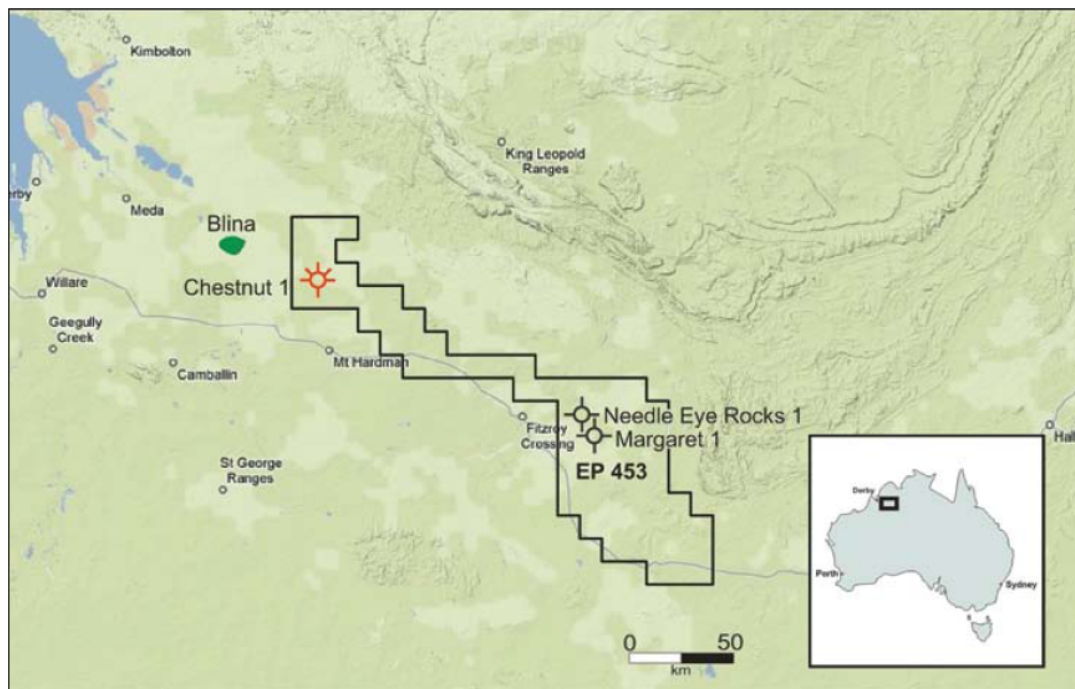
AUSTRALIA: EP 453 (100%), Onshore Canning Basin, Western Australia

The Company 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 the drilling of the prospects during the 2010 dry season.

The EP 453 licence conditions require the acquisition of 200 kilometres new seismic data by 17th January, 2010. The Company will be negotiating for additional time to complete this seismic work in light of the plan to drill as described above.

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 3: EP 453, Onshore Canning Basin, Western Australia



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The information on exploration is compiled by Managing Director Mr Dennis Morton who has a degree in geology and has practised for more than 5 years. He has consented to the inclusion of the information in the form and context in which it appears in this report.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

GAS2GRID LIMITED

ABN

46 112 138 780

Quarter ended ("current quarter")

30 JUNE 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(716)	(1,797)
(b) development	-	-
(c) production	-	-
(d) administration	(344)	(750)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	6	27
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (GST)	(20)	2
Net Operating Cash Flows	(1,074)	(2,518)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(2)	(5)
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	(2)	(5)
1.13 Total operating and investing cash flows (carried forward)	(1,076)	(2,523)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,076)	(2,523)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	623	2,321
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	623	2,321
Net increase (decrease) in cash held			
1.20	Cash at beginning of quarter/year to date	1,038	807
1.21	Exchange rate adjustments to item 1.20	(15)	(35)
1.22	Cash at end of quarter	570	570

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	71
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

Related parties used for contracting and administrative services.

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.

		Amount available \$A'000	Amount used \$A'000
β.1	Loan facilities The facility expired on 30 June 2010 and a new facility is being negotiated	500	-

+ See chapter 19 for defined terms.

3.2 Credit standby arrangements	None	-
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Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	200
4.2	Development	-
4.3	Production	-
4.4	Administration	350
Total		550

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	537	1,045
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	33	(7)
Total: cash at end of quarter (item 1.22)	570	1,038

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	235,059,332	235,059,332		
7.4 Changes during quarter				
(a) Increases through issues	26,000,000	26,000,000		
(b) Decreases through returns of capital, buy-backs	-	-		
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>	38,584,422 52,000,000	38,584,422 52,000,000	<i>Exercise price</i> 8 cents 5 cents	<i>Expiry date</i> 30.11.2010 30.09.2011
7.8 Issued during quarter	52,000,000	52,000,000	5 cents	30.09.2011
7.9 Exercised during quarter	None			
7.10 Expired during quarter	None			
7.11 Debentures <i>(totals only)</i>	None			
7.12 Unsecured notes <i>(totals only)</i>	None			

+ See chapter 19 for defined terms.

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 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

Company secretary

Date: 29 July 2010

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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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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