

Level 14, 19 -31 Pitt Street
Sydney NSW 2000
Tel: +61 2 9252 7210
Fax: +61 2 9252 7216
Cell: + 61 414 292 934
Email:davidking@gas2grid.com

ABN 46 112 138 780

Ms Elizabeth Harris
Australian Stock Exchange Limited

By Fax 089 221 2020

Dear Ms Harris

Gas2Grid Limited Quarterly Report Appendix 5B

We refer to your letter of 11th August in relation to the information provided in our Appendix 5B lodged on 28th July 2006.

In relation to your questions, we respond as follows:-

1. The Company is an exploration entity, and the cash expenditure in the Quarter ended June 30th 2006 reflected costs incurred in the drilling of the Nuevo Malolos well in the January to March Quarter. The Company currently has no plans or commitments for additional drilling, and will not continue to expend cash at the rate disclosed in the Appendix 5B.
2. The Company is an exploration entity with no production revenue, however the forecast negative operating cash flows will not be at or near the rate reported in the Appendix 5B.
3. The Company will not determine its on-going work program until such time as it completes its interpretation and assessment of the drilling results from the Nuevo Malolos -1 well (where, significantly, some hydrocarbons were recovered from the well). The Company expects to have available a range of alternative strategies to enable it to pursue its determined course.
4. The Company is in compliance with the Listing Rules, and in particular listing rule 3.1.
5. The Company has sufficient funds to meet all its liabilities, and has access to additional funds through the introduction of new Company and/or project equity.

Yours faithfully

Steven Danielson
Company Secretary



ASX
AUSTRALIAN STOCK EXCHANGE

11 August 2006

Mr Steven Danielson
Company Secretary
Gas2Grid Limited
Level 14
19-31 Pitt Street
SYDNEY NSW 2001

Facsimile: (02) 9252 7215

Australian Stock Exchange Limited
ABN 98 008 624 691
Level 8
Exchange Plaza
2 The Esplanade
Perth WA 6000

GPO Box D187
Perth WA 6840

Telephone 61 (08) 9224 0017
Facsimile 61 (08) 9221 2020
Internet <http://www.asx.com.au>

Dear Steven

Gas2Grid Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 5B for the period ended 30 June 2006, released to Australian Stock Exchange Limited ("ASX") on 28 July 2006, (the "Appendix 5B").

ASX notes that the Company has reported the following.

1. Receipts from product sales and related debtors of \$0.
2. Net negative operating cash flows for the quarter of \$847,652.
3. Cash at end of quarter of \$810,605.

In light of the information contained in the Appendix 5B, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 5B, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?

4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

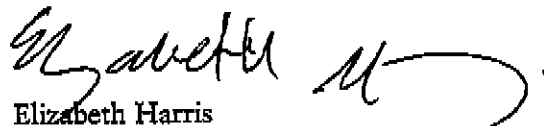
This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on facsimile number (08) 9221 2020. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than 5.00 p.m. W.S.T. today.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries regarding any of the above, please contact me on 9224 0011.

Yours sincerely,



Elizabeth Harris
Adviser, Issuers (Perth)