



ABN 46 112 138 780

**MINING EXPLORATION ENTITY QUARTERLY REPORT
FOR THE THREE MONTHS ENDED
31 DECEMBER 2005**

The Directors submit herewith the Mining Exploration Entity Quarterly Report in respect of the quarter ended 31 December 2005, furnished pursuant to Chapter 5 of the Australian Stock Exchange Limited Listing Rules.

A handwritten signature in black ink, appearing to read "Hildegunde Maria Royle", is positioned above a horizontal line.

Hildegunde Maria Royle

Managing Director



GAS2GRID LIMITED
ABN 46 112 138 780

**MINING EXPLORATION ENTITY QUARTERLY REPORT
FOR THE THREE MONTHS ENDED
31 DECEMBER 2005**

Highlights

- Start-up of the drilling campaign at Malolos site on 10 December 2005.
- Malolos 1 re-entry successfully engineered, but the prospective reservoir sections in the M-sands showed signs of formation damage.
- Drilling at the Nuevo Malolos 1 site commenced.

Forward operations

G2G is planning to perforate in the Maingit Formation at around 2,759 ft which had hydrocarbon shows and exhibited residual hydrocarbons in the core. Permeabilities and porosities were excellent and shows had been encountered. The equipment to perform these tests is presently not on site and the well will be suspended to facilitate future operations.

REVIEW OF OPERATIONS

1. Re-entry of Malolos 1

During the last quarter, Gas2Grid commenced the drilling campaign at Malolos with the re-entry of Malolos 1, with a view to completing one of the two zones which produced gas on drill stem tests in 1960.

The rationale for re-entering the well was based on the fact that the existing cased well represented a significant investment in the ground and its utilization was desirable. Malolos 1 had encountered a number of gas zones. Re-using the well would have been a cost efficient way to secure a second production well.

The top of the well was dressed and a wellhead installed. The well was successfully re-entered, but encountered perforated casing at a depth of about 1,250 ft which had not been recorded. These were filled (squeezed) and the well was cleaned out and obstructions removed to a total depth of 3,160 ft. The well was logged with a suite of cased-hole logs, and the interval 2,695 to 2,775 ft in the M2.1 sand member was perforated, yielding only a small amount of water and gas.

The high flow rate of the interval in 1960 and the fact that the cement entered the formation very easily in the squeeze job during the current operations leads to the conclusion that the formation was most likely deeply invaded by cement during the original completion in 1960. The gas bearing reservoir was therefore out of reach of the perforations whose reach is typically about 1 meter deep.



2. Nuevo Malolos 1

Nuevo Malolos 1 was spudded on the 27th December, 2005 and was drilling at 1,010 ft at the end of the quarter.

The well has now reached its final depth of 6,281 ft (1,945 m) and has been logged.

The log analysis to date confirmed the presence of significant amounts of hydrocarbons in the well. This is consistent with the gas chromatography results recorded during drilling. The log data suggests that none of the sands present over the interval 2,400 ft (732 m) at the casing shoe to TD at 6,381 ft (1,945 m) contain water. The hydrocarbon-bearing sands are distributed over 3,981 ft (1,213 m). The sands are contained in 5 major interbedded sand sequences. The total amount of net sand contained in the sequences is estimated to be 764 ft (233 m).

Core analysis from 2,759 ft to 2,769 ft confirms the presence of high porosity and permeability in the Maingit sands.

The Toledo sands encountered from 5,525 ft onwards are attractive as they are more likely to contain a higher proportion of potential reservoir section. Furthermore, they may contain condensate whose content increases with depth. This is supported by core analysis of the Maingit core from 2,759 to 2,769 ft which revealed the presence of a light oil/condensate as a small fraction alongside gas. Gas chromatography revealed the fluid to be a light immature oil which is consistent with samples from other wells in the Visayan Basin.

In order to secure the well and protect it from the severe caving which was encountered in the shaly sections, the well has been cased with 7" casing from 2,402 ft to total depth which allows the well to be re-entered at a later stage.

It is noteworthy that the entire operation was conducted without any health and safety incident - a measure of the diligence of our staff and that of our contractors.

The outcome and next operations

Positive

1. Excellent gas shows and fluorescence were observed in the mudlog over a section of more than 2900 ft.
2. Excellent porosity and permeability observed in core. Porosities of 23 to 27% were recorded and permeabilities of 100 to 400 millidarcies were measured. Reservoir quality had been a concern in the fore-arc basin geological setting of the Visayan Basin. Petrology analysis continues.
3. A light immature oil was extracted from the core. Furthermore, some oil was lifted from the 6,223 ft Toledo sand perforation which is still being typed.
4. Logs indicated good porosity (density.neutron, mudcake build- up, etc.).

Negative

1. The 1st. test of 2,750 ft section failed. This was a mechanical rather than a geological failure of the formation. The test tool was plugged with fines very quickly and no flow to the surface was achieved.
2. The 2nd. test through perforated casing at 6,223 - 6,243 ft did not move hydrocarbons to the surface, other than a small amount of oil which was recovered through reverse circulating the tubing.



Going forward

1. Section 2,750 - 2800 left exposed behind casing for further test. This section was cored and has a valid data point of high porosity and permeability. The equipment is presently not on the site and will be mobilised in the near future for the test. This test will be carried out without the drill rig;
2. Further analysis of the data collected at the well including sophisticated electron microscopic analysis of rock samples, further core analysis and fluid analysis;
3. Reservoir geometry and fracture system will be modelled to predict the distribution of fluids. Fractures were observed in the core and the position of the well on the toe of a thrust make the contribution of fractures to fluid movement plausible.
4. The Malolos anticline and the other leads around Malolos remain attractive - hydrocarbons have been observed and the presence of reservoir rocks has been confirmed. Further appraisal locations on the Malolos/Barili anticline and Zaragosa will be worked up.
5. The licence contains some 10 other leads which need to be developed into prospects. Zaragosa which had blown out is an obvious target, but the Balungog carbonate play will also be developed with a view to introduce variation into the portfolio.

3. New projects

1. Gas2Grid and its partner, Gippsland Offshore Petroleum, have completed a study and prepared an application for an onshore license in a known gas province in Europe.
2. Other new areas are being pursued.



Mining Exploration Entity Quarterly Report

Name of Entity

GAS2GRID LIMITED

ABN

46 112 138 780

Quarter Ended ("Current Quarter")

31 DECEMBER 2005

CONSOLIDATED STATEMENT OF CASH FLOWS

		Current Quarter \$A	Year to Date (6 Months) \$A
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for:		
	(a) Exploration and evaluation	(1,002,025)	(1,706,577)
	(b) Development		
	(c) Production		
	(d) Administration	(85,867)	(198,811)
	(e) GST	(5,273)	(5,273)
1.3	Dividends received		
1.4	Net GST received	6,752	34,431
1.5	Interest	35,234	79,375
1.6	Other costs of finance paid (IPO costs)	-	(28,189)
1.7	Income taxes paid	-	-
	Other	-	-
Net operating cash flows		(1,051,178)	(1,825,044)
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 sales 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	-	-
Net investing cash flows		0	0
Cash flows related to financing activities			
1.13	Proceeds from issue of shares, options, etc.	-	89,800
1.14	Proceeds from sale of forfeited shares	-	-
1.15	Proceeds from borrowings	-	-
1.16	Repayments of borrowings	-	-
1.17	Dividends paid	-	-
1.18	Other (JV partners)	25,787	25,787
Net financing cash flows		25,787	115,587
Net increase (decrease) in cash held		(1,025,391)	(1,709,457)
1.19	Cash at beginning of quarter/year to date	4,413,203	5,098,930
1.20	Exchange rate adjustments to Item 1.19 above	70,940	69,280
1.21	Cash at end of quarter	3,458,753	3,458,753



Mining Exploration Entity Quarterly Report
Continued . . .

Name of Entity

GAS2GRID LIMITED

ABN

46 112 138 780

Quarter Ended ("Current Quarter")

31 DECEMBER 2005

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
1.22	Aggregate amount of payments to the parties included in item 1.24	491,328
1.23	Aggregate amount of loans to the parties included in item 1.10	None
1.24	Explanation necessary for an understanding of the transactions	
	<p>Fee for management and geological services (\$45,124) to Aquamex Ltd, a company associated with Mrs Royle, office rental (\$3,774) to RFC a company of which Michael Stirzaker is a director, and fee for drilling services and materials (\$442,331) to DESCO and TD International, firms associated with Mr David Munns.</p>	

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

		Amount Available \$A	Amount Used \$A
3.1	Loan facilities	None	
3.2	Credit standby arrangements	None	

ESTIMATED CASH OUTFLOWS FOR NEXT QUARTER

		\$A
4.1	Exploration and evaluation	2,750,000
4.2	Development	0
	Total	2,750,000



Mining Exploration Entity Quarterly Report
Continued . . .

Name of Entity

GAS2GRID LIMITED

ABN

46 112 138 780

Quarter Ended ("Current Quarter")

31 DECEMBER 2005

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	Previous Quarter \$A
5.1 Cash on hand and at bank	1,203,267	580,016
5.2 Deposits at call	2,229,710	3,833,187
5.3 Bank overdraft	None	None
5.4 Other	25,776	-
Total: cash at end of quarter (item 1.21)	3,458,753	4,413,203

CHANGES IN INTERESTS IN MINING TENEMENTS

	Tenement Reference	Nature of Interest	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		



Mining Exploration Entity Quarterly Report
Continued . . .

Name of Entity

GAS2GRID LIMITED

ABN

46 112 138 780

Quarter Ended ("Current Quarter")

31 DECEMBER 2005

ISSUED AND QUOTED SECURITIES AT END OF CURRENT QUARTER

	Total Number	Number Quoted	Issue Price per Security (see note 1) (cents)	Amount paid up per security (see note 1) (cents)
7.1 Preference securities	None			
Changes during quarter				
7.2 a) Increases	None			
b) Decreases	None			
7.3 Ordinary securities	54,520,067	30,082,828		
Changes during quarter				
7.4 a) Increases	None			
b) Decreases	None			
7.5 Convertible debt securities	None			
Changes during quarter				
7.6 a) Increases	None			
b) Decreases	None			
7.7 Options	2,600,000	None	Exercise price 30 cents	Expiry date 15.3.2009
7.8 Issued during quarter	None			
7.9 Exercised during quarter	None			
7.10 Expired during quarter	None			
7.11 Debentures	None			
7.12 Unsecured notes	None			



Mining Exploration Entity Quarterly Report
Continued . . .

Name of Entity

GAS2GRID LIMITED

ABN

46 112 138 780

Quarter Ended ("Current Quarter")

31 DECEMBER 2005

COMPLIANCE STATEMENT

1. This statement has been prepared under accounting policies that comply with accounting standards as defined in the Corporations Act or other standards acceptable to the ASX.
2. This statement does give a true and fair view of the matters disclosed.

A handwritten signature in black ink, appearing to read "Hildegunde Maria Royle", is written over a horizontal line.

Signed by

Hildegunde Maria Royle – Managing Director

Date 31.1.2006