

30th July, 2012

**ACTIVITIES REPORT
JUNE 2012 QUARTER**

SUMMARY

- Philippines: 3 well exploration drilling program now on schedule to commence in September
- New drilling rig (Rig-2) delivered safely to Cebu in June – shipping delay
- Rig-2 maintenance work proceeding ahead of schedule
- Philippine Department of Energy (“DOE”) approval has been granted for all three wells
- Site and road access civil works for all three wells near completion
- The work-over rig (Rig-1) refurbishment is near completion and ready to work
- Rig-1 to commence the Malolos-1 drillout and testing program in August
- Philippine DOE granted SC44 Extension to Drill until 28th January, 2014
- St. Griede interpretation of reprocessed seismic data completed
- St. Griede 2012 seismic program location determined and proceeding with approvals



Rig-2: Substructure Undergoing Maintenance, July, 2012

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

During the June 2012 Quarter the Company conducted the following activities:

- New drilling rig (Rig-2) delivered safely to Cebu in June – shipping delay
- Rig-2 maintenance work proceeding ahead of schedule
- Philippine Department of Energy (“DOE”) approval has been granted for all three wells
- Site and road access civil works for all three wells near completion
- Rig-2 drilling to commence operations in September Quarter
- The work-over rig (Rig-1) refurbishment is nearly completed
- Rig-1 to commence the Malolos-1 drill-out and testing program in August
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Malolos-1: Malolos-1 was drilled to a total depth of 2,748 metres in 1960. Gas and oil bearing sandstones are present below 1,000 metres 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 and oil at these shallow depths. The workover also determined that the sandstone reservoirs are of good quality and they seem to be undamaged by previous drilling and completion work.

Oil (39° API) was recovered on several drillstem tests conducted over the gross interval 2,185-2,233 metres when the Malolos-1 well was originally drilled and tested in 1960. Sustained production from these oil bearing sandstones was not established at that time. The Company is now attempting to access this known oil reservoir and conduct tests to try and establish commercial oil production.

Numerous other sandstone intervals are located above the oil bearing sandstone (2,173 metres). Original well records indicate that both gas and water have been produced from these intervals on open hole drillstem testing. We are now fully evaluating the distribution of gas and water and if possible establishing commercial gas production.

In November and December 2011, Malolos-1 was cleaned out to a depth of 7,190 feet (2,191.5 metres) using a coiled tubing unit. During this work-over, oil and gas flowed to surface for over 1 ½ hours – total oil recovered was just over 20 barrels.

At a depth of 7,190 feet (2,191.5 metres) an obstruction was intersected in the hole which has been determined to be 2 7/8 inch tubing. It is likely that this tubing is attached to a packer, both of which (“junk”) form part of the original (1960) cased hole testing equipment which became stuck at that time and were left in the hole. Attempts to mill out the junk were unsuccessful and the main oil bearing reservoirs were not able to be accessed for flow testing.

CASED-HOLE WIRELINE LOGGING: Cased-hole wireline logs were successfully recorded from above the junk in the hole located immediately above the oil sandstone reservoir (7,190 feet - 2,191.5 metres) to surface. Data quality is excellent. The main logging tool employed in the well is the pulsed neutron (PNN) which under good conditions has the ability to differentiate the sandstone reservoir intervals and also separately recognize oil, gas and water.

The new PNN data were processed and interpreted by the logging contractor with excellent results. Numerous sandstone reservoir intervals were identified and these intervals have a good correlation with those intervals interpreted from the original, open-hole wireline logs. In addition, previously perforated intervals (in 1960) have been identified.

The contractor has identified both possible gas and water bearing sandstone reservoir intervals. Six sandstone reservoir intervals have been interpreted as being gas bearing and they warrant cased-hole flow testing.

TESTING PROGRAM: The forward plan is to use the newly acquired Rig-1 to drill out the junk currently in the bottom of the hole and then conduct flow testing of the oil bearing reservoirs followed by selected flow testing of the shallower reservoirs interpreted as being gas bearing. Work-over and testing operations will commence in August.

The flow test results will not in any way influence the likely success of the upcoming three exploration well drilling program. The three new wells are targeting different play types and the well locations have been determined based on good seismic control.

2012 DRILLING PROGRAM: The Company will drill three new exploration wells commencing in the September Quarter. The new wells will target both the Miocene carbonate reefs and Tertiary age sandstone reservoirs trapped within anticlines. The three wells that will test these drilling prospects are Jacob-1, Gumamela-1 and Ilang-1 to depths of 1,000 to 1,300 metres. These prospects vary in size and resource potential of several million barrels with Jacob-1 having an un-risked potential of

up to 50 million barrels recoverable oil. All wells have been approved by the Philippine Department of Energy, landholders' approvals have been granted and site preparations and road access are almost complete

Jacob-1 is designed to test the Miocene age Cebu Limestone trapped in a pinnacle reef with secondary targets in the Miocene age Malubog-Toledo Formation marine sandstone reservoirs, trapped in a drape anticline above the reef and also in onlap traps located on the side of the reef.

Primary Objectives

- Reefal carbonates of the Cebu Limestone.

Secondary Objectives

- Malubog-Toledo Formation sandstones
- Cebu Coal Measures sandstones

Gumamela-1 is designed to test the Oligocene-Miocene age Cebu Limestone trapped in a pinnacle reef with secondary targets being the Miocene age Malubog-Toledo Formation marine sandstones, trapped in a drape anticline above the reef and also in onlap traps located on the side of the reef.

Primary Objectives

- Reefal carbonates of the Cebu Limestone.

Secondary Objectives

- Malubog-Toledo Formation sandstones
- Cebu Coal Measures sandstones

Ilang-1 is designed to test the Early Miocene aged, marine turbidite sandstones within the lower part of the Upper Malubog Formation trapped in an anticline. Secondary targets are the Cebu Limestone and Cebu Coal Measures, if present.

Primary Objectives

- Early Miocene aged, channelized turbidite sandstones within the lower part of the Upper Malubog Formation

Secondary Objectives

- Reefal carbonates of the Cebu Limestone, if present and the underlying Cebu Coal Measures.

DRILLING RIG ACQUISITION: The recently purchased Rig-2 (800 HP, Gardner Denver 500 SCR drilling rig with the capacity to drill to 2,750 metres with 114 mm drill-pipe) arrived in Cebu from Taiwan in mid-June, several months later than anticipated. Rig crews have been sourced locally in the Philippines with about 40 workers now employed in the maintenance of both Rig-1 and Rig-2

Rig-2 maintenance work is progressing faster than planned and despite the shipping delays the rig will likely be ready to start drilling in September. It is estimated that the total cost for this rig, including refurbishment, will equate to the total cost of engaging an external contractor to drill the 3 new exploration wells.

Rig-1 (workover rig) has been undergoing extensive maintenance and whilst progress has been slow the quality of work has been excellent. Rig-1 is capable of setting surface conductor and surface casing as well as completing wells for production and conducting workovers. This rig will be used for the Malolos-1 workover and testing program which will now commence in August.

After completion of the drilling and workover program, the Company will own 2 good drilling rigs, worth more than their actual cost. This will prove extremely beneficial for appraisal and development drilling of oil/gas discoveries using equipment owned and operated by the Company. In addition these rigs can also be used for any other drilling opportunities that may arise.

PHILIPPINE DEPARTMENT OF ENERGY: On the 28th May, 2012 the Company applied to the Philippine Department of Energy (DOE) for an extension of time in which to drill the three exploration wells and complete the Malolos-1 workover. The previous deadline to complete this work was the 28th July, 2012. The DOE has now formally approved an extension of time until the 28th January, 2014 to complete these work obligations. This extension of time will provide plenty of opportunity for the company to complete its work program, although it is the Company's intention to complete these works before the end of 2012, as outlined elsewhere in this report.

FRANCE: ST. GRIEDE (100%), Onshore Aquitaine Basin

The Company owns 100% of the St. Griede licence and it regards the oil and gas exploration potential within that licence as being exceptional and the 100% ownership provides a great opportunity to create significant value for shareholders.

In 2010 a total of 740 kilometres of vintage seismic data (1960-1980) was purchased and these data were reprocessed to determine their quality and application to exploration. These seismic data

showed excellent improvements due to the reprocessing. Interpretation of these data was integrated with the newly acquired aero-gravity data set indicating excellent exploration potential for structural hydrocarbon traps.

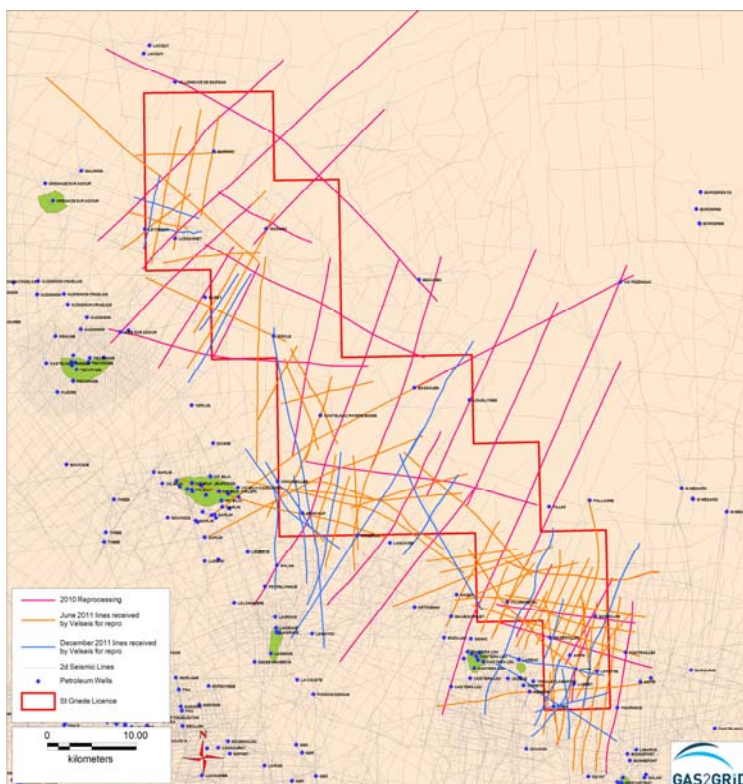
In 2011 a decision was made to reprocess all the other, available vintage seismic data within the St. Griede licence and a few additional vintage seismic lines that tied nearby producing fields and wells to provide additional geological control.

A total of 1,232.6 kilometres of vintage field seismic data was purchased from the BRGM. These data were supplied to the Company by BRGM in two batches. All these data have now been reprocessed with a noticeable improvement in data quality. These data have now been interpreted and the location of a new seismic program has been laid out. The new program will provide sufficient coverage over several prospective drilling prospects to allow the siting of at least one exploration well for drilling in 2013. It is planned to acquire the new seismic data in late 2012-early 2013.

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. Markets and gas pipeline infrastructure are well developed and the commercialisation of even small discoveries is feasible.

2012/2013 Planned Activities: The Company plans on the following work activities for 2012/2013:

- Complete the acquisition of a new seismic survey to determine at least one drilling location on a conventional oil and gas prospect
- Drill one exploration well



St. Griede: Seismic Reprocessing

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

No activity in this licence during the June Quarter.

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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")

June 2012

Consolidated statement of cash flows

	Current quarter	Year to date (12 months)
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation	(1,367)	(3,560)
(b) development		
(c) production		
(d) administration	(140)	(419)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	9	19
1.5 Interest and other costs of finance paid	(11)	(14)
1.6 Income taxes paid		
1.7 Other (provide details if material)	37	28
Net Operating Cash Flows	(1,472)	(3,946)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	(917)
(b) equity investments		
(c) other fixed assets	(1,552)	(1,657)
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		
Net investing cash flows	(1,552)	(2,574)
1.13 Total operating and investing cash flows (carried forward)	(3,024)	(6,520)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(3,024)	(6,520)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	4,413	7,807
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	-	1,300
1.17	Repayment of borrowings	(800)	(804)
1.18	Dividends paid		
1.19	Other	(13)	(23)
	Net financing cash flows	3,600	8,280
	Net increase (decrease) in cash held	576	1,760
1.20	Cash at beginning of quarter/year to date	2,537	1,375
1.21	Exchange rate adjustments to item 1.20	1	(21)
1.22	Cash at end of quarter	3,114	3,114

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	-
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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

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

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	1,250	-
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,300
4.2 Development	
4.3 Production	
4.4 Administration	200
Total	1,500

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	78	119
5.2 Deposits at call	3,036	2,418
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	3,114	2,537

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		
6.2		Interests in mining tenements acquired or increased		

+ 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>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	567,424,436	543,774,436		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	105,168,890	105,168,890		
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	Conversion of one ordinary share per option		<i>Exercise price</i>	<i>Expiry date</i>

+ See chapter 19 for defined terms.

7.8	Issued during quarter				
7.9	Exercised during quarter	37,658,890		\$0.05	15 June 2012
7.10	Expired during quarter	34,190,699		\$0.05	15 June 2012
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

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: Date: 30 July 2012
Company secretary

Print name: Patrick Sam Yue

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.

+ See chapter 19 for defined terms.