

31 January 2005

The Manager Companies
Australian Stock Exchange Limited
20 Bridge Street
Sydney NSW 2000

(11 pages by email)

Dear Madam

**REPORT ON ACTIVITIES FOR THE QUARTER ENDED
31 DECEMBER 2004**

1. QUARTERLY HIGHLIGHTS**USA**

- East Esponda gathering and compression facilities and pipeline construction completed.
- Gas production start-up commenced.
- Highly encouraging results from stratigraphic drilling program at West Esponda.
- Highly encouraging results from stratigraphic drilling program at Skull Creek.
- Acquisition of Oriva-Throne Project.
- CBM production from Oriva-Throne totals 24,909 MCF (15,132 MCF NRI).
- Significant production increase anticipated when the Wall seams are dewatered.
- Operating profit from Oriva-Throne achieved with upside potential.

AUSTRALIA

- Gippsland Basin drilling program work plan for up to 18 stratigraphic holes approved.
- Gippsland Basin drilling commenced subsequent to the end of the quarter.

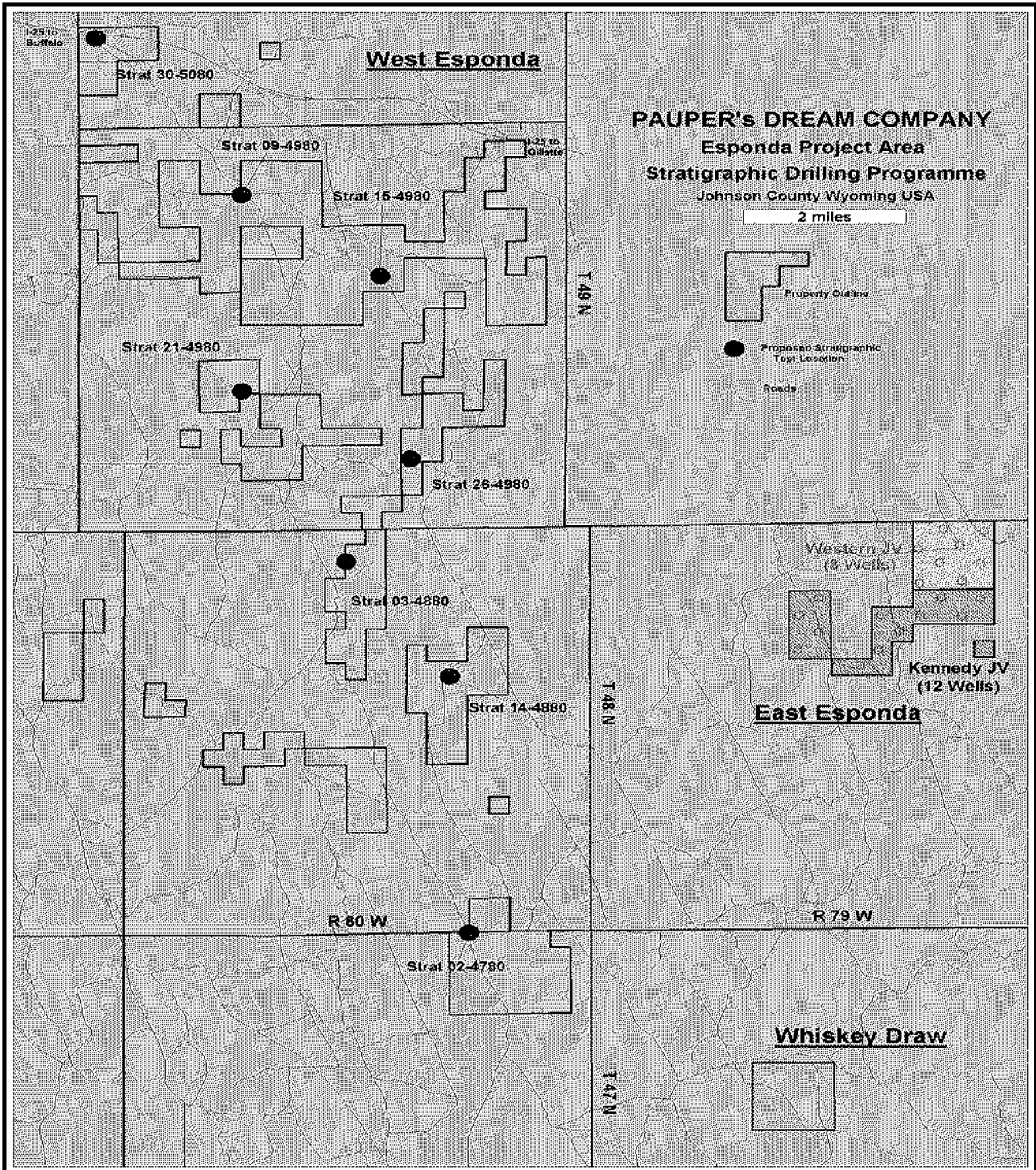
2. USA OPERATIONS

The Company has rights to the following projects in the USA:

Location	Project	Area (Net Hectares)
Powder River Basin, Wyoming	East Esponda	469
Powder River Basin, Wyoming	West Esponda	3,976
Powder River Basin, Wyoming	Whiskey Draw	259
Powder River Basin, Wyoming	Oriva	359
Powder River Basin, Wyoming	Oriva-Throne	146
Cherokee Basin, Kansas	Skull Creek	11,573

2.1 ESPONDA PROJECT POWDER RIVER BASIN, WYOMING, USA

The Powder River Basin encompasses approximately 67,000 square kilometres in the northern Rocky Mountains of the USA straddling the northeast of Wyoming and the southeast of Montana. The Powder River Basin is estimated to contain more than one trillion short tons (0.9 trillion tonnes) of coal with potential coal bed methane ('CBM') resources of over 25 trillion cubic feet. CBM production in the Powder River Basin has increased at a rapid rate since 1995 with production today of around 900 million cubic feet per day from over 10,000 producing wells.



East Esponda

Under two separate arrangements, the East Esponda Project, covering 469 net hectares (1,160 acres) is being developed by the Company's partners, Western Gas Resources Inc ('Western Gas') and Kennedy Oil.

The drilling programs have been completed by the Company's two joint venture partners with Kennedy Oil completing twelve wells and Western Gas completing eight wells. All wells have been completed as future production wells.

During the December quarter, Kennedy Oil completed the construction of gathering and compression facilities, 19 kilometres of pipeline which links the project to the Powder River Basin gas pipeline network and continued its dewatering program in preparation for imminent gas production. At the end of the quarter, the middle of the northern hemisphere winter, Kennedy Oil was at the start-up phase of gas production.

Western Gas has completed its eight wells at East Esponda as part of its much larger (several hundred wells) development program. Western Gas has commenced its production permitting application process and has continued with its in-field infrastructure construction in anticipation of gas production, subject to permitting, by mid-year.

West Esponda

The West Esponda Project lies near the Powder River Basin's asymmetric structural axis, and situated between the depositional centres of the stratigraphically higher Buffalo-Lake De Smet Coalfield to the west (Eocene Wasatch Formation) and the Gillette Coalfield (Paleocene Fort Union Formation) to the east. Thus, the more shallow Eocene-aged coals are being eroded to the east and south across the region and depositionally splitting with less ash content than its thickest member near Buffalo; and the Big George Coal, a part of the Gillette Coalfield, present at East Esponda is splitting towards the west. Total coal isopach mapping of this sparsely drilled area of the deep Powder River Basin estimates between 20 - 45 metres of coal is present.

During the December quarter, the Company commenced a stratigraphic drilling program of up to 7,300 metres at West Esponda to confirm the total coal isopach (thickness) mapping prior to development drilling programs.

During the quarter, four out of up to eight stratigraphic wells were completed with the following results:

Well	Total Depth (metres)	Total Intercepts (metres)
09-4980	916	44.5
15-4980	917	49.0
30-5080	914	50.0
03-4880	916	25.9

Based on preliminary evaluations of electric logs and gas detection runs, the intersections are gassy coals within horizons of the Fort Union and Wasatch Formations which are the primary coalbed methane targets.

These results are highly encouraging and indicate that the Big George coal horizon can be extended 16 kilometres to the northwest with a total thickness correlative to that present in the western portions of the Company's East Esponda Project which has been developed for production by Kennedy Oil and Western Gas.

The Company has commenced permitting for the first 50 wells for commercial production from the West Esponda Project. Drilling is expected to commence in the March quarter.

2.2 ORIVA PROJECT POWDER RIVER BASIN WYOMING, USA

The Oriva Project contains nearly all productive coals in the Powder River Basin: Felix, Smith, and Anderson Seams (depths 60 - 300 metres), Canyon/Cook and Wall Seams (depths 300 - 500 metres). In addition to these primary coal bed targets, there are two deeper seams, Moyer & Danner at depths of approximately 750 metres. State mandated 33 hectare (80 acre) well spacing allows eleven well locations to be drilled upon and the multiple seams present will likely warrant a minimum of two wells per location be completed. Drilling at the Oriva Project is expected to commence in the first half of 2005.

Studies are underway for the Federal POD (Plan of Development) to determine the manner in which the eleven multiple well locations will be operated. The primary aspect of the POD is the Water Management Plan to determine the methods for the handling and disposition of produced coal bed water.

In addition to the CBM potential of the leasehold, a conventional oil and gas prospect in the Lower Cretaceous Muddy Formation may be developed. The Company would likely farm-out the drilling of this deep (3,000 metre) exploration well.

2.3 ORIVA-THRONE PROJECT POWDER RIVER BASIN WYOMING, USA

During the December quarter, the Company acquired a 75.975% Working Interest (60.75% Net Revenue Interest) in 15 producing CBM wells adjoining its Oriva Project in the Powder River Basin, Wyoming, USA.

Approximately 21 kilometres west of Gillette, Wyoming the Oriva-Throne Project consists of 146 hectares (361 acres) in Section 8, Township 50 North, Range 74 West, Campbell County. Current CBM production from the Felix, Smith, Anderson and Wall Coal Seams is 12,000 MCF per month which is expected to increase to 50,000 MCF per month, as the Wall Coal seam is dewatered.

CBM International Engineering LLC ('CBMIE'), of Cody Wyoming, has prepared a Reserve and Economic Report dated 8 September 2004 for the Company demonstrating the following reserves by coal seam:

Coal Seam	Reserve Category	Gross GIP Volume (MMCF)	Cumulative Gas Produced (MMCF)	Remaining Recoverable Volume (MMCF)	Net Revenue Volume (MMCF)
Felix	P-1	224.0	57.0	121.0	73.4
Smith	P-1, P-2	365.2	3.0	286.5	174.3
including (1 well)	P-1			54.3	33.0
and (4 wells)	P-2			232.2	141.1
Anderson	P-1	968.7	50.0	688.0	418.1
Anderson Lower	P-2	820.8	0	653.1	397.0
Canyon	P-4	1153.1	0	828.8	503.7
Wall	P-1	3361.1	3.0	2678.6	1628.1
TOTAL		6892.9	113.0	5256.0	3194.6

Notes:

Definitions of relevant terms utilised in this table are an extract from the above referenced report:

Reserve Category - The reserve portfolio was defined under standard industry guidelines, moreover:

P1 -- PDP = Proven Developed Reserves; these reserves are commercially producing assets. The Felix, Anderson, Wall, and a portion of the Smith reserves are represented in this category.

P2 -- PUD = Proven Undeveloped Reserves; these reserves are within one mile of commercial producing gas within the correlative geologic interval or zone. The lower Anderson and a portion of the Smith reserves are represented in this category.

P4 -- POSS = Possible Reserves; these reserves are located beyond the PROB [probable reserves] locations within the correlative geologic interval or zone. The Canyon reserves are represented in this category.

Gross (GIP) Volume - Volumetric calculation based on total gas in place [prepared by Goolsby Finley & Associates ('GFA'), Casper Wyoming].

Cumulative Gas Produced - Total gross gas produced to date.

Remaining Recoverable Volume - Recoverable gas volume left to be produced based on 80% recovery factors of GIP [matched to a production decline curve].

Net Reserve Volume - Net Revenue Interests percentage of remaining recoverable gas (60.75%).

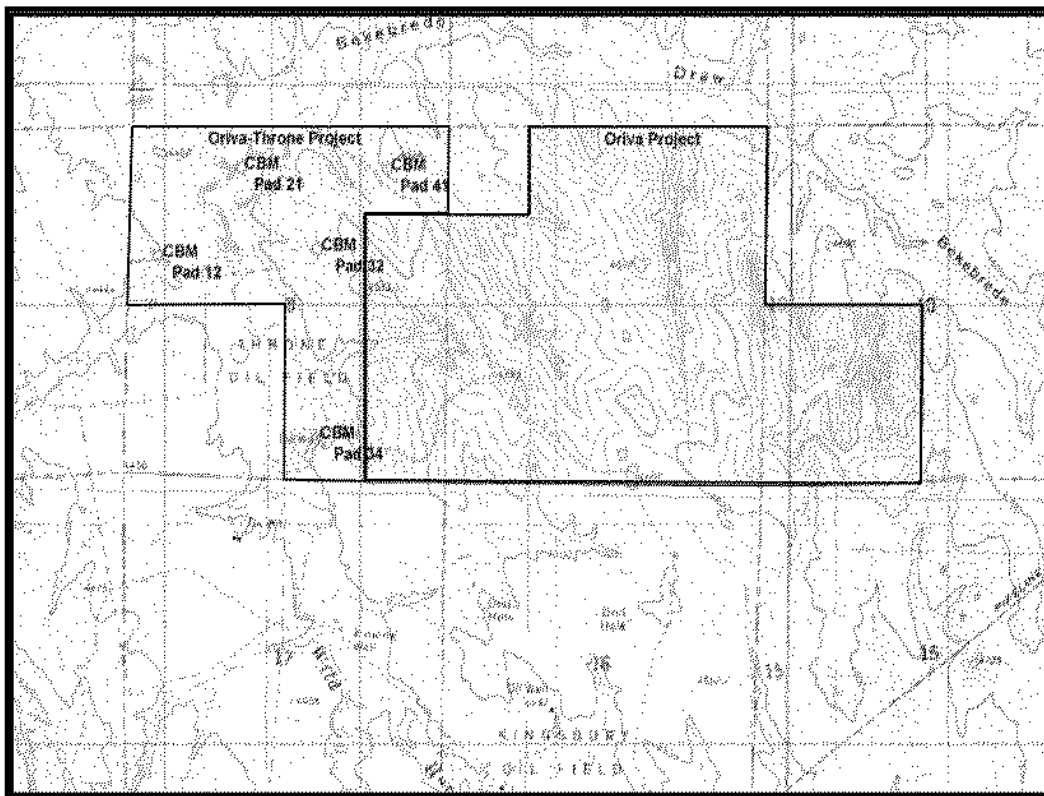
MCF - thousand cubic feet.

MMCF - million cubic feet.

The Oriva-Throne Project is operated by Emerald Operating Company and Rocky Mountain Exploration of Denver, Colorado ('EOC-RMEI'). To date EOC-RMEI has successfully drilled and completed 132 CBM wells in Campbell County with another 60 wells scheduled to be drilled over the next eighteen months. EOC-RMIE have the remaining 24.025% Working Interest (19.25% Net Revenue Interest). The entire leasehold interest is subject to a 20% land/mineral owner royalty.

The proximity (see map below) of the Oriva-Throne Project to the Company's Oriva Project is of strategic importance, not only for the addition of reserves but to the overall project development with access to existing infrastructure and operations.

The combined projects total 505 hectares (1,248 acres) with 42 wells, inclusive of the 15 current wells, being ultimately completed during total project development with CBM completions in the Felix, Smith, Anderson, Anderson Lower, Canyon and Wall Coal Seams. An additional 16 wells are likely to be developed in the deeper Moyer and Danner Coal Seams when offsetting production testing by others is completed.



Production

CBM production for two months from the date of acquisition to the end of the December quarter was as follows:

Coal Seam	CBM Production (MCF)	Net Revenue Interest (MCF)
Anderson	19,212	11,672
Felix	3,701	2,248
Wall	1,996	1,212
Total	24,909	15,132

CBM production was sold for approximately US\$4.31 per MCF in November and US\$5.86 in December for total net revenues of US\$78,880. Operating costs totalled US\$53,891, resulting in an operating profit of US\$25,989.

Currently the well field is producing approximately 12,000 MCF per month which is expected to steadily increase to over 50,000 MCF per month over the next two to three quarters when the Wall Seam is more fully dewatered. This does not include the potential production (estimated to be approximately 20,000 MCF per month) from the yet to be completed five additional wells.

It is anticipated that five additional wells need to be completed to produce from the remaining Smith, Lower Anderson, and Canyon Seams. These wells are planned to be completed conventionally with commingled production.

Additionally, an unquantified potential exists in the deeper Moyer and Danner Seams at depths of approximately 750 metres (~2,500 feet) which could add five more wells for additional production. It should be noted that EOC-RMEI are planning well developments in these seams immediately to the north of the Oriva Project in Section 4, Township 50 North, Range 74 West.

Leasehold CBM production is delivered to Western Gas Resources' Richard Compression Station situated in Section 9, Township 50 North, Range 74 West on the Company's wholly owned Oriva Project.

2.4 SKULL CREEK PROJECT CHEROKEE BASIN KANSAS, USA

The Cherokee Basin contains nearly two dozen Pennsylvanian aged coals with thickness ranging up to 9 metres but more typically up to 4 metres with gas contents ranging from 150 to 375 standard cubic feet per tonne. The principal CBM target coal seams occur in the Cabaniss and Krebs Formations of the Cherokee Group at depths of approximately 600 metres.

The Skull Creek Project is located in the western portion of the Cherokee Basin of southeast Kansas. The tenement occupies 11,573 net hectares (28,598 acres) in Cowley, Elk and Chautauqua Counties near existing infrastructure and within a receptive State regulatory regime.

The project lies to the west and north or south of CBM projects currently being drilled by J M Huber, Amvest, Layne Christensen and others where at least three to five coal seams of the Cherokee Group are present and productive.

The Cherokee Group coals are Pennsylvanian in age and typically of high-volatile A and B bituminous rank. The Cherokee Basin contains nearly two dozen coals with thicknesses from nil to 9 metres but more typically are approximately 4 metres with gas contents ranging from 150 to 375 Scf/t. The cyclic nature of the deposits makes it possible to intersect multiple coal seams in a single well. The major Cherokee Group coal beds make up the largest portion of this resource and include the "Aw", Bevier, Mineral, Riverton, and Weir-Pittsburg coals. The Weir-Pittsburg Seam has been actively mined by both open pit and underground methods in southeast Kansas since the 1900s. With the exception of the Weir-Pittsburg coal these as well as the "Bw", Drywood and Tebo coals are present within the Skull Creek prospect.

The leases are not restricted to CBM, but convey all oil and gas rights to the Company. Conventional oil and gas targets may also exist in the Skull Creek Project and will be evaluated during all drilling operations. Underlying the region are Mississippian and Ordovician aged carbonates that yield conventional hydrocarbons. Also, the Ordovician sediments serve as a water disposal zone for co-produced coalbed methane water. Additional conventional hydrocarbon occurrences in the overlying strata of the Kansas City-Lancing Group are potential targets.

During the December quarter, the Company commenced a stratigraphic drilling program of up to 6,400 metres at the Skull Creek Project to confirm the total coal isopach (thickness) mapping and assess the in-situ gas of both the coal horizons and conventional reservoirs prior to development drilling programs.

Seven stratigraphic wells were completed during the quarter with the following results:

Well	Total Depth (metres)	Total Intercepts (metres)
FR12-31	919	5.9
FR4-30	884	4.0
FR4-19	884	4.5
FR5-15	884	5.1
BLC5-2	881	4.5
FR11-31 (Core)	914	5.2
BLC6-23	896	4.3

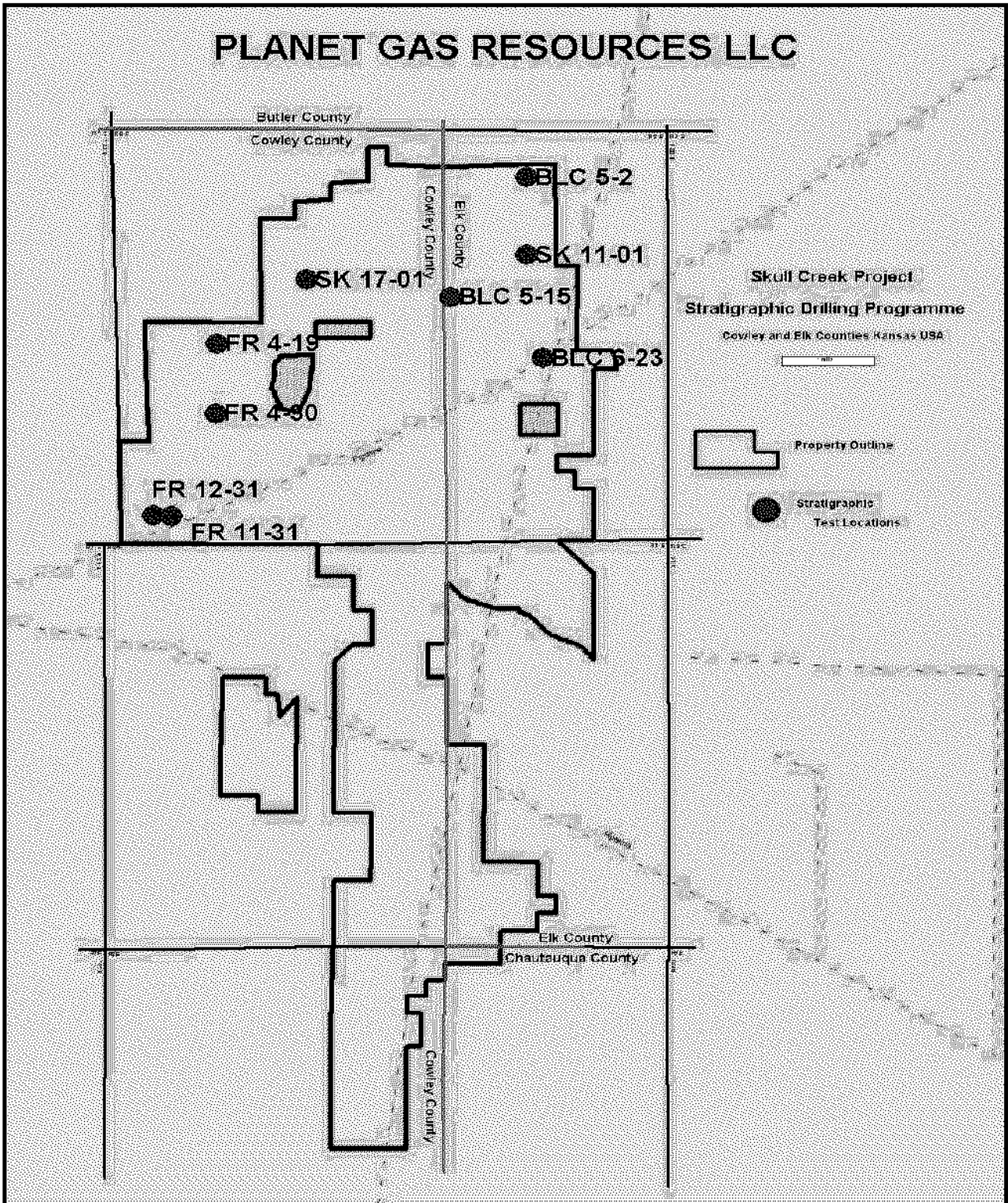
Two locations, SK17-01 and SK11-01 remain staked and approved but undrilled.

Based on preliminary evaluations of electric logs and gas detection runs, the intersections are gassy coals and carbonaceous shales within horizons of the Cherokee Formation which is the primary coalbed methane targets.

These results are highly encouraging with intersections being recorded slightly in excess of the expected average for the Cherokee Basin.

The core well (FR11-31) will be immediately steel cased and cemented in-place. The well will be production tested once the core desorption work has been completed.

PLANET GAS RESOURCES LLC



3. AUSTRALIAN OPERATIONS

The Company holds rights to prospective CBM projects in the Gippsland and Otway Basins of Victoria, the Eromanga and Willochra Basins of South Australia and the Gunnedah Basin of New South Wales. The Company continues its data collation program leading to the development of initial exploration programs, the most advanced being in the Gippsland Basin. In addition, the Company continues its appraisal program of potential CBM prospects in Australia.

3.1 GIPPSLAND BASIN

The Gippsland Basin Project is located to the southeast of metropolitan Melbourne between Dandenong, Wonthaggi, Leongatha and Moe. The current tenements (EL 4500 and 4807) consist of approximately 244,200 hectares.

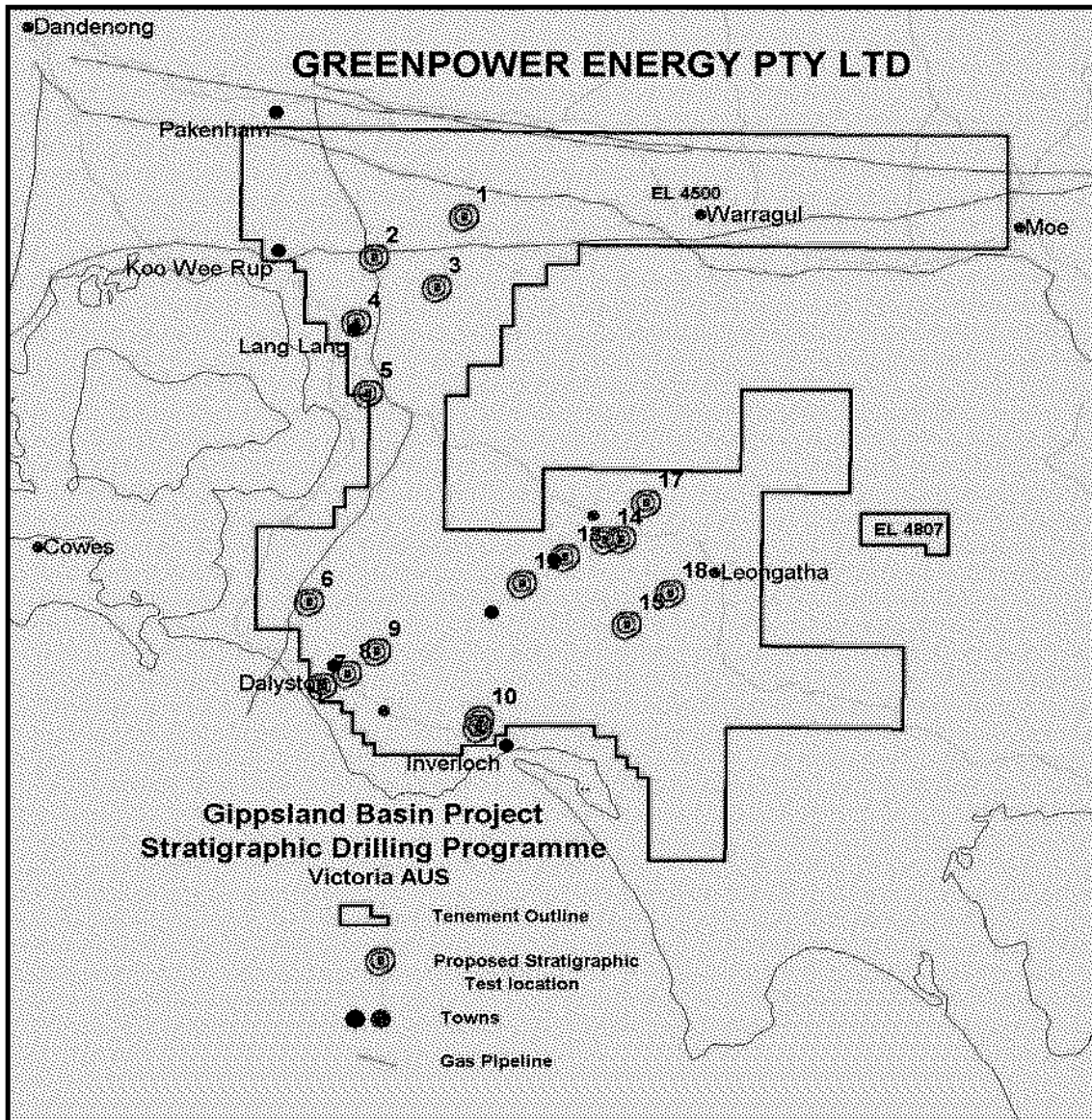
The coalbed methane ('CBM') potential in the Gippsland Basin occurs in the black coals of the Early Cretaceous Strzelecki Group. The Gippsland Basin is a complex rift basin system with the northeast trending structural lineaments composed of anticlines, synclines, monoclines, extensional and compressional faults.

During the December quarter, the Company received notification from the Victoria Department of Primary Industries ('Vic DPI') that its Gippsland Basin Drilling Program Work Plan Application has been approved and registered with the Vic DPI.

Although the Work Plan and Compensation Agreements have been under regulatory review and negotiation since May and August (respectively), there remain two landowners who have yet to sign the requisite Compensation Agreements.

Subsequent to the end of the quarter, the Company initiated its drilling program in the Gippsland Basin.

The Company plans to drill up to eighteen stratigraphic wells (see attached map) totalling 9,000 metres on portions of its Gippsland tenement to depths of 500 metres to evaluate the prospective CBM potential of the Cretaceous Strzelecki Group. With the exception of the Cape Paterson region, the historic black coal mining centres in and around the communities of Korumburra, Outtrim-Jumbunna, Wonthaggi, Kilcunda-Woolami as well as the Koo-Wee-Rup coalfield will receive stratigraphic bore evaluations in the Company's initial evaluation.



4.0 OTHER

The information in this report that relates to mineral resources is based on information compiled by Dr. Jimmy E. Goolsby of Goolsby, Finley & Associates and supervised by Dr. Richard Haren who is a Member of The Australasian Institute of Mining and Metallurgy and who is a competent person as defined by the 1999 edition of the Australasian Code for Reporting of Mineral Resources and Ore Reserves.

For further information, contact Norman Seckold, Bruce Riederer or Peter Nightingale on (61-2) 92475112.

Yours sincerely

Peter J. Nightingale
Director

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