



A8N 46 098 952 035

31 January 2007

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

(8 pages by email)

Dear Madam

**REPORT ON ACTIVITIES FOR THE QUARTER ENDED
31 DECEMBER 2006**

1. QUARTERLY ACTIVITY SUMMARY

- West Esponda pilot production dewatering continues.
- Oriva Federal conventional oil and gas well cased and awaiting completion activities.
- Spacing for further conventional oil and gas wells at Oriva Federal.
- Early indications of gas production from the Wall seam at Oriva Throne.
- \$8.0 million Equity Line of Credit obtained.
- US\$1.5 million Convertible Loan Facility taken as part of the Equity Line of Credit.

2. 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 current production steadily above 900 million cubic feet per day from over 10,000 producing wells.

2.1 WEST ESPONDA

The West Esponda project lies near the Powder River Basin's asymmetric structural axis, and is 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 positionally 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 to 45 metres of coal is present. This estimate is supported by results from the stratigraphic drilling program which was completed by the Company at West Esponda late last year which intersected gassy coal with cumulative intersections of up to 50 metres and an average of 35.4 metres, of which the Big George coal seam intervals were between 17 to 22 metres, thereby indicating 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.

2.1.1 Pilot Production Program

Through the December 2006 quarter the 10 well pilot production program in the northern portion of the West Esponda project continued its dewatering period. A second phase of drilling and well completions is scheduled to commence upon receipt of State drilling permit approvals.

Following a geological review of the initial wells, 3 of which have shown indications of early gas production, there appears to be a geological structural high developing to the north of the initial pilot production wells. This favourable geological anomaly will be investigated with the Phase 2 drilling program.

Located in the northern portion of the West Esponda project there are approximately 106 contiguous or near contiguous well locations including the 10 completed pilot production program wells. The wells in the pilot production program were completed in a staggered offset pattern on the State's mandated 32 hectare spacing. The initial wells total 6,874 metres of drilling and are centred on the State lease which was acquired in October 2004 as part of the Company's continuing program of tenure consolidation.

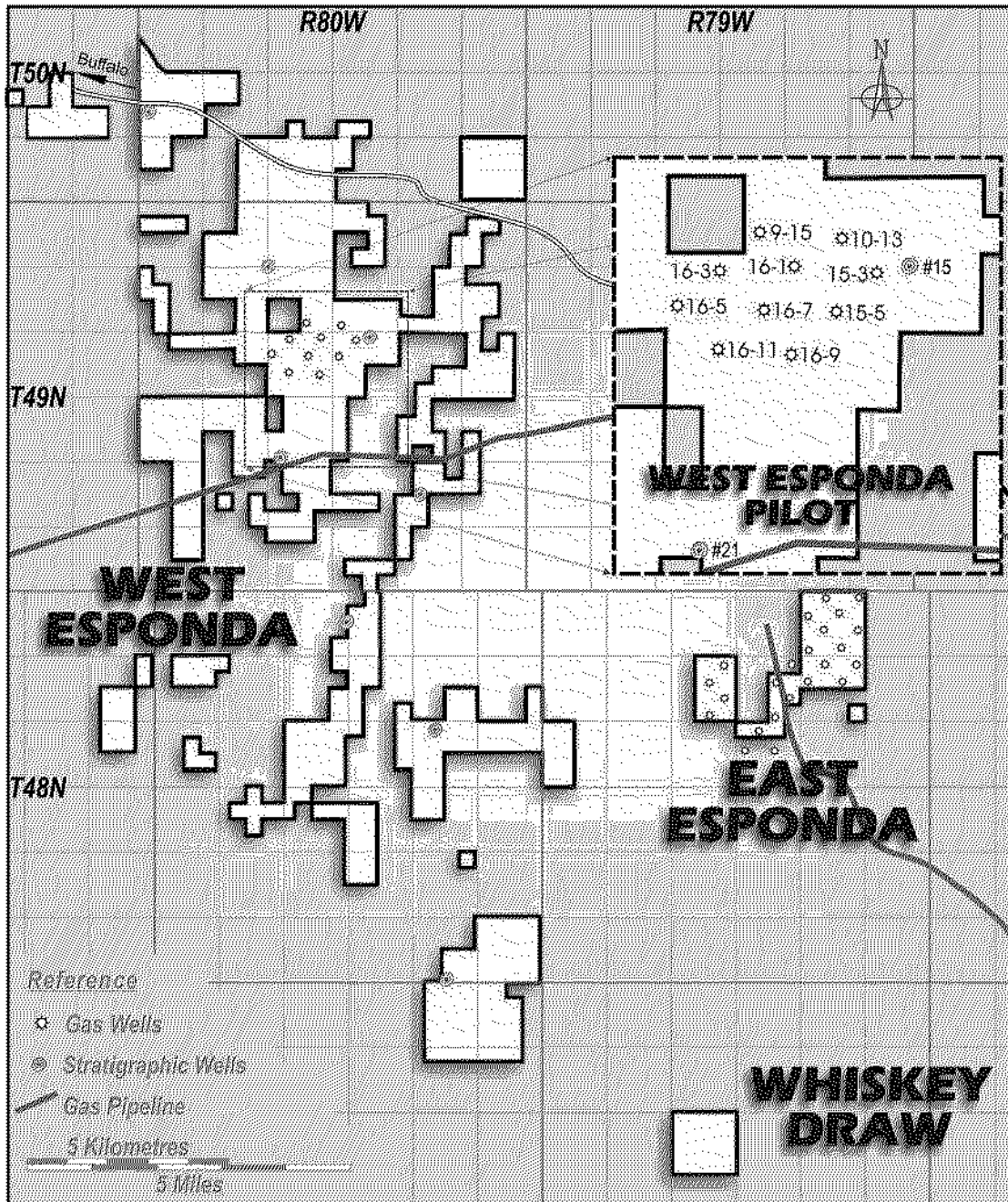
The sole focus of the pilot production program is CBM production from the Big George coal seam. Last year's stratigraphic drilling indicated the Big George coal seam intervals at the West Esponda project were between 17 to 22 metres. These results have been confirmed by the ten pilot production wells. Additionally coals of 17 to 24 metres in total thickness overlie the Big George coal seam. Whilst these are not intended to be produced from at this time, they will be 'behind pipe' so they can be readily accessed in the future. Also the stratigraphic program intersected deeper coal units which will be valid targets for future development.

The pilot production program not only tests the most westerly extensions of the Big George coal seam in the Powder River Basin, but will provide invaluable site specific technical knowledge of the reservoir by its initial development, dewatering and production and will provide an evaluation of the completion methodologies.

2.1.2 Acquisitions

The Company acquired a State of Wyoming lease (North Crazy Woman State) at the October 2006 auction of the Office of State Lands and Investments. This lease, which extends the Company's tenement to the northeast, comprises 259 net hectares (640 net acres). The Company continues its review of select areas for tenure consolidation in the West Esponda leasehold. To date the West Esponda Project area consists of freehold CBM leases and State of Wyoming leases totalling 7,799 net hectares (19,271 acres).

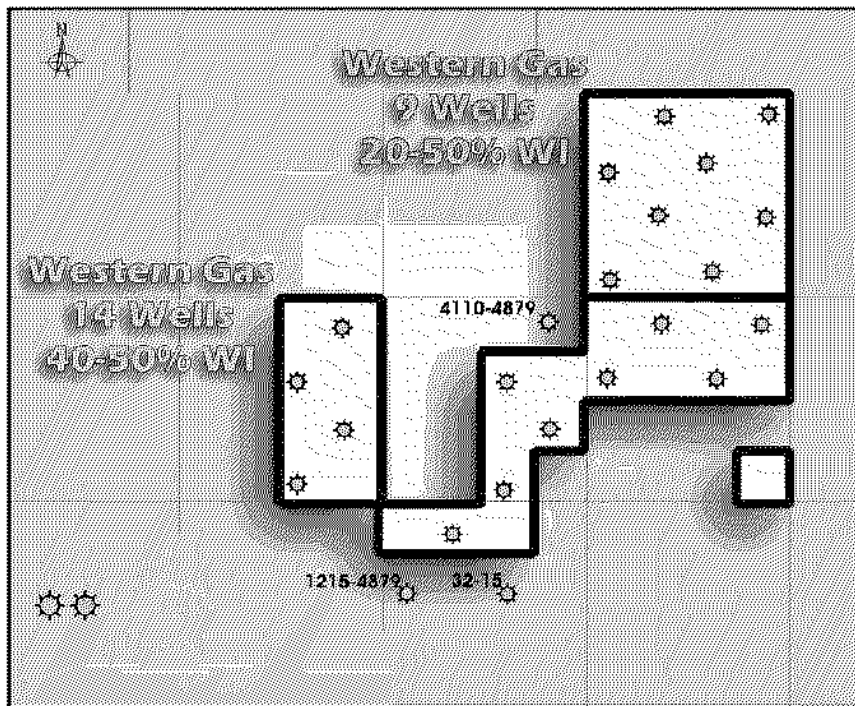
The Company's continuing acquisition program is both strategic by increasing the Company's net gas resource potential as well as practical as more efficient methods of producing the reservoir may be accomplished through a more consolidated leasehold position. It should be noted that a State lease acquired by the Company is the site of the pilot production program and primary facilities.



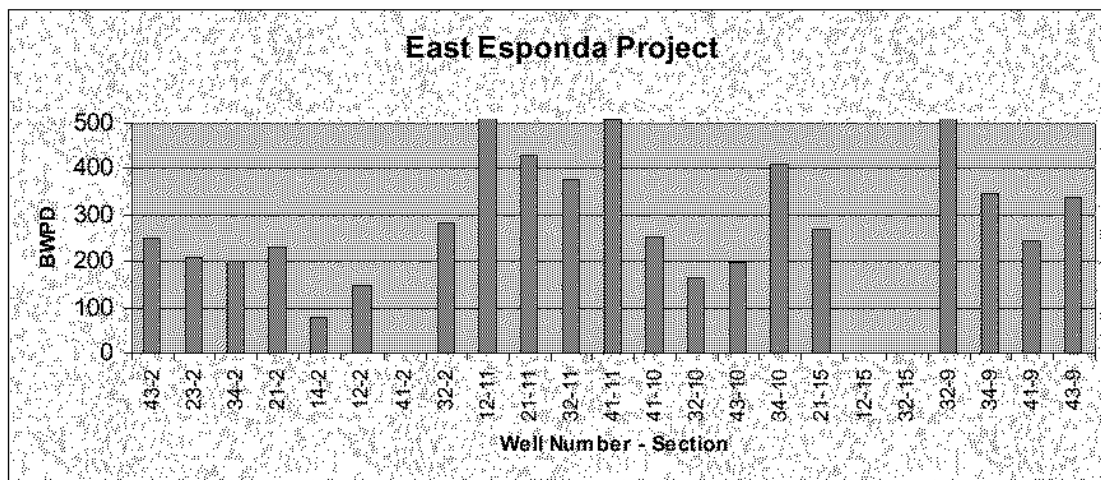
2.2 EAST ESPONDA

The East Esponda project covers a total of 469 net hectares (1,160 acres). To date there have been 23 wells completed within the Company's East Esponda leasehold interests. These include 14 wells in the Big Cat Field and 9 in the Indian Creek Field. Although 3 wells are located exterior to the Company's leasehold (see diagram below), the Company retains an interest in these wells due to the State's mandated 32 hectare (80 acre) spacing orders in its proportional share.

Following an acquisition by Western Gas Resources Inc. ('Western Gas') of select Powder River Basin assets, including the Big Cat Field which includes the Company's East Esponda leasehold, Western Gas is the Operator and the Company's only partner in the East Esponda Project.



The Company's East Esponda project is situated in the Western Gas Indian Creek-Big Cat fields. Since the commencement of production, ranging between ~200 to +1,000 barrels water per day per well (bwpd/well), there are no saleable gas quantities to report; however, there is early gas being produced in the field.



2.3 ORIVA PROJECT

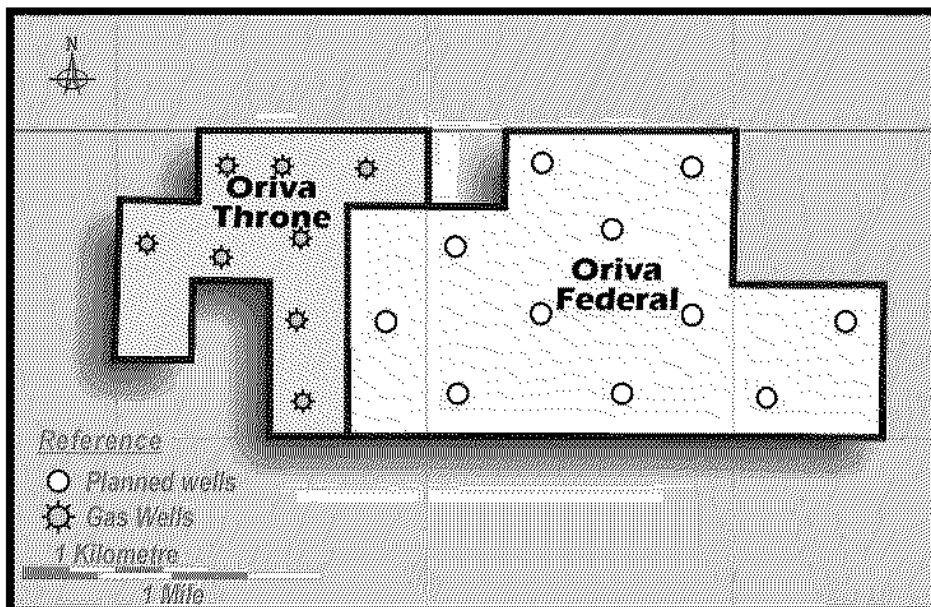
The Oriva project comprises two project areas, Oriva Throne which is in production and Oriva Federal which is in the permitting phase. The Oriva project is located approximately 21 kilometres west of Gillette, Wyoming, and totals 505 net hectares (1,248 acres) in Sections 8, 9 and 10, Township 50 North, Range 74 West, Campbell County.

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.

The Company's interest in Oriva Throne is a 75.975% Working Interest (60.75% Net Revenue Interest). The Oriva Throne leasehold interest is subject to a 20% land/mineral owner royalty.

The Company's interest in Oriva Federal is a 100% Working Interest (85.5% Net Revenue Interest) and subject to a 12.5% mineral owner royalty and a 2% overriding royalty.

The proximity of Oriva Throne to Oriva Federal is of strategic importance, not only for the addition of reserves but to the overall project development with access to existing infrastructure and operations.



2.3.1 Oriva Throne Production

Oriva Throne is operated by Emerald Operating Company and Rocky Mountain Exploration of Denver, Colorado ('EOC-RMEI') which holds the remaining 24.025% Working Interest (19.25% Net Revenue Interest) in Oriva Throne.

Production at Oriva Throne is from 5 State mandated 32 hectare (80 acre) spacing CBM pad sites each of which have been developed with 3 wells, producing CBM from the Felix, Smith, Anderson and Wall Coal seams. In addition there are 3 'exception location' wells completed in the Wall seam during the June 2005 quarter that are presently in the dewatering stage.

During the December quarter, increases in gas flows and accompanying increases in down hole pressure in the Wall wells are encouraging indicators of possible near term production breakthrough. It is also encouraging to see increases in production from the Anderson wells.

CBM production for the December 2006 quarter was as follows:

Coal Seam	CBM Production (Mcf)	Net Revenue Interest (Mcf)
Anderson	24,150	14,671
Felix	3,565	2,165
Wall	662	402
Total	28,376	17,239

The Company's NRI share of production was sold for an average of US\$5.55 per Mcf for total net revenues of US\$95,604 and the Company's share of operating costs totalled US\$162,306.

2.3.2 Oriva Federal

The Oriva Federal leasehold is located approximately 21 kilometres west of Gillette, Wyoming, and totals 359 net hectares (887 acres) in Sections 8, 9 and 10, Township 50 North, Range 74 West, Campbell County. This leasehold is the undrilled portion of the Company's CBM Oriva Project development, totalling 505 net hectares (1,248 acres).

2.3.3 Oriva Federal CBM

With the Oriva Federal CBM project fully permitted, the commencement of development is scheduled for the second quarter after the federally mandated annual wildlife stipulations are lifted. The Company anticipates a sixty to ninety day development period for the drilling, completion and development of its assets. Additionally the final contracts for in-field gas compression (Western Gas) and gas transportation (Thunder Creek) to markets have been signed; electrical power is hooked up; compression is on-site; and, the necessary permits for water disposal are in-hand. It is anticipated that the Anderson coal seam will produce gas with minor dewatering and the Wall coal seam development should greatly enhance the neighbouring Oriva Throne area.

The Oriva Federal project will develop eleven pad sites on the State mandated 32 hectare well spacing with three CBM production wells on each pad. Overall project development will involve the drilling of 33 wells totalling approximately 13,400 metres (44,000 feet), in-field for gas and water gathering 20,000 metres (66,000 feet), underground electrification for its pumping requirements, and construction of multiple water retention reservoirs and pits. The Company's Water Management Plan provides for standard CBM style reservoirs either along or in ephemeral channels with the project designed to fully contain its water output of nearly 25,000 barrels of water per day in constructed earthen pits, called Off-Channel Containment Pits.

2.3.4 Oriva Federal Conventional Oil and Gas

During the December quarter, the Oriva Deep Federal No 9-8A conventional oil and gas well on the Company's Oriva Federal property was commenced and subsequently completed to a depth of 2,949 metres (9,676 feet). The well has been cased to 2,944 metres (9,660 feet) in the Cretaceous Muddy Formation, the primary target, as a potential natural gas and condensate producer.

The Company has been advised by the Operator, Carpenter & Sons and North Finn (C&S-NF) of Casper Wyoming, that well testing will commence immediately once the completion rig, which is currently on-site, finishes its on-site rigging up. The production pipeline route has been approved and its excavation begun in January 2007. This well will be tied into an existing Western Gas-Anadarko (WG-A) pipeline which is less than 1.6 kilometres (1 mile) from the well. WG-A is responsible for the pipeline tie-in. The Operator is under pressure from the Federal BLM to complete its field activities quickly so as not interfere with its wildlife stipulation which restricts surface occupancy.

In addition to the primary Cretaceous Muddy Formation target, gassy Cretaceous aged fractured shales situated above the primary target were intercepted and will continue to be evaluated for potential oil and gas production.

The Company's mineral interest at Oriva Federal is a 100% Working Interest (85.5% Net Revenue Interest) and is subject to a 12.5% Federal royalty with a 2% overriding royalty.

Under the terms of the Conventional Oil and Gas Farmout Agreement, C&S-NF, as Operator, will earn an 81% Net Revenue Interest to conventional oil and gas (not coalbed methane which is retained by the Company) production in one half of the Oriva Federal leasehold by drilling this test well. The completion of a second well will earn-in C&S-NF to the remaining leasehold interest.

The Company retains a 19% Net Revenue Interest which will cover all royalties (totalling 14.5%) and will retain a 4.5% Net Revenue Interest to conventional oil and gas production from the Oriva Federal leasehold. Further, for future wells, the Company has the option to convert its 4.5% Net Revenue Interest to a participating 20% Working Interest.

In addition to Oriva Deep Federal well No 9-8A, on the basis of 65 hectare (160 acre) spacings, there are an additional five Muddy well locations which are able to be developed on the Oriva Federal project.

3. 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 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 up to 9 metres but more typically up to 4 metres with gas contents ranging from 150 to 375 standard cubic feet per ton. The cyclic nature of the deposits makes it possible to intersect multiple coal seams in a single well.

3.1 SKULL CREEK PROJECT

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 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 is 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.

Field activities have been temporarily suspended due to the termination by the Company of the third party operator. The Company expects to resume field activities during the first quarter 2007. Dewatering of the Cherokee coals will recommence with an overall testing period of several months being anticipated before a final decision to drill and complete additional production wells will be made.

4. 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 further exploration programs in Victoria. Work programs have been prepared for ELs 4807, 4859, 4860, 4861, 4862 and 4877 in the Gippsland Basin and EL4811 in the Otway Basin. In addition, the Company continues its appraisal program of other potential CBM prospects in Australia.

No field activities were undertaken in the December quarter, with the Company's focus on its Powder River Basin projects.

5. CORPORATE

During the December 2006 quarter, the Company secured an Equity Line of Credit Facility with USA based Investment Fund, Cornell Capital Partners, LP ('Cornell') with the following principal terms:

- Commitment amount: The Company may, at its discretion, issue shares to Cornell over the next 60 months up to a total of \$8.0 million. The Company may draw down up to \$250,000 in any 10 day trading period.
- Pricing: Shares will be priced at the lowest daily volume weighted average price of the Company's shares traded during the 10 trading days after a draw down.
- Draw downs: The timing of draw downs is at the discretion of the Company and there is no minimum or mandatory draw down amount.
- Fees: Fees totalling \$180,000 are payable in cash or shares to activate and implement the Equity Line of Credit and a 5% commission is payable on the draw downs.

Subsequently, the Company secured a US\$1,500,000 advance against the Convertible Loan Facility with Cornell as part of the Equity Line of Credit Facility.

Managed by USA based Yorkville Advisors LLC, Cornell has a rapidly growing reputation in the USA, Australia, Singapore, the UK and other financial markets for structuring equity participation agreements. To date, Cornell has made available in excess of \$1.0 billion to more than 125 publicly listed corporations.

6. OTHER

The information in this report that relates to exploration results is based on information compiled by Bruce F. Riederer, Executive Director of Exploration and Development of Planet Gas Limited and supervised by Dr. Richard Haren who is a Member of The Australasian Institute of Mining and Metallurgy and who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr. Richard Haren is self employed and has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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

Yours sincerely



Peter J. Nightingale
Director

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