



ABN 46 098 952 035

30 October 2009

The Manager Companies
ASX Limited
20 Bridge Street
Sydney NSW 2000

(7 pages by email)

Dear Madam

**REPORT ON ACTIVITIES FOR THE QUARTER ENDED
30 SEPTEMBER 2009**

HIGHLIGHTS

- **New Growth Strategy Outlined**
- **Acquisition of Gradient Energy Limited completed**
- **Recapitalisation of Company well underway**
 - a. **Retirement of outstanding liabilities**
 - b. **New Hope Corporation Limited agrees to take up to 19.9% in the Company**
 - c. **1 for 4 Entitlement Issue completed**
- **Appointment of Mr John Castleman as Manager of Planet Gas USA operations**
- **Successful completion of the transaction between Callabonna Uranium Limited and ASX Listed MKY Resources Limited**

1. New Strategy for Growth

At a General Meeting of Members held on 20 August 2009, the Company's Managing Director presented and outlined in detail a new strategy for growth for Planet Gas Limited (the 'Company' or 'Planet Gas'). The Company strategy, as outlined is to:

- build and acquire a broad Geothermal/Coal Bed Methane ('CBM') portfolio of Australian domestic energy assets;
- undertake a technical review of the Company's USA assets, in light of significant USA industry developments; and
- refinance and re-capitalise the business.

Level 2, 66 Hunter Street, Sydney NSW Australia 2000 **T:** + 61 2 9300 3322 **F:** + 61 2 9221 6333

E: pnightingale@planetgas.com **W:** www.planetgas.com

For personal use only

At that General Meeting, Members ratified the issue of 83,718,390 new fully paid ordinary shares, comprising:

- 39,000,000 fully paid ordinary shares issued as part consideration for the acquisition of Gradient Energy Limited ('Gradient').
- 44,718,390 fully paid ordinary shares issued to retire outstanding liabilities.

2. Acquisition of 100% of Gradient Energy Limited

On 7 September 2009, the Company successfully completed the acquisition of Gradient, a Queensland based, public, unlisted geothermal exploration company. Gradient is now a wholly owned subsidiary and is the Company's operating entity for the geothermal activities in Australia.

This acquisition is part of the ongoing growth strategy outlined at the Company's Annual General Meeting.

2.1 Gradient Acquisition Agreement

The agreement to acquire 100% of Gradient was by means of scrip and cash, and comprised:

- 39.0 million shares issued to Gradient shareholders which are be subject to a 12 month voluntary escrow; and
- \$1.35 million cash payment.

2.2 Gradient Energy Limited

Gradient is a public, unlisted Australian geothermal exploration and development company, with a projects covering 18,300 km² as follows:

NSW – Clarence Moreton and Gloucester

In NSW, Gradient has identified two separate geological basins it believes are prospective for geothermal energy resources. Both projects are near the east coast and close to significant population centres.

As the most populated state in Australia, NSW relies heavily on coal for electricity generation, particularly from the Hunter Region. The development of renewable and sustainable energy resources is imperative with the changing scene for carbon and climate change, and the Company will be focus its efforts on Gradient's NSW tenement holdings.

Clarence Moreton - EL 7146: Granted in May 2008, this is the largest geothermal licence granted in NSW to date, covering 1,942 km² of the Clarence Moreton Basin. The main east coast electricity transmission network passes through the tenement, which lies approximately 130 kilometres south of Brisbane, and is close to the Gold Coast and the regional cities of Lismore, Grafton and Coffs Harbour.

The Company will explore for shallow Hot Geothermal Aquifer and Hot Fractured Rock type geothermal resources in EL 7146.

Gloucester - EL 7350: Covering the entire Gloucester Basin, adjacent to the Hunter Valley, the exploration licence is 66 kilometres from Newcastle, and close to electricity infrastructure.

The Company will be seeking both Hot Aquifer and Hot Fractured Rock resources, and the main focus will be co-generation of electricity through binary power systems, employing gas and geothermal energy to turn turbines.

South Australia – Cooper/Eromanga Basin and the Torrens Hinge zone

Gradient's licences in South Australia cover almost 6,101 km² of highly prospective ground in Australia's most advanced geothermal exploration province - the Cooper/Eromanga Basin. The Eromanga project is located north of Geodynamics flagship Habanero project, and near to Pacific Hydro's HGA project.

Gradient's licences in the Cooper/Eromanga Basin are considered highly prospective for both Hot Geothermal Aquifer and Hot Fractured Rock resources. The licences cover two large gravity features, interpreted to be hot buried granites, capped by a thick sequence of sediments thought to host regionally extensive hot aquifer horizons.

The Leigh Creek application covers 6,600 km² centred over the Leigh Creek Coal mine and at the head of the electricity grid that feeds into Adelaide. The project is located within a key geothermal heat flow province, with Torrens Energy's Parachilna project on the southern border and in a similar geological setting as Petrathern's Paralana project located 75 kilometres to the east.

Queensland – Innot Hot Springs

The Innot Hot Springs project is located 10 kilometres from the east coast electricity transmission network, midway between Townsville and Cairns.

The Hot Springs temperatures at surface are up to 74°C, with indicated aquifer temperatures of 144°C to 165°C by fluid chemistry. These temperatures are amongst the hottest indicated aquifer temperatures in Australia, outside of the Cooper Basin, and are within the window for viable electricity generation using conventional binary geothermal power plant technology. The exploration and appraisal target at Innot Hot Springs is a pre-existing and structurally developed Hot Fractured Aquifer system.

Initial exploration by the Company will focus on shallower Hot Sedimentary Aquifer (HSA) and Hot Fractured Aquifer (HFA) targets with immediate access to existing electricity infrastructure and good proximity to the large electricity markets of Sydney, Newcastle, Brisbane and Townsville.

These targets are of the style that already supports electricity generation at Landau & Unterhaching in Germany, and have the potential to support commercial scale power generation in Australia. They can also be explored for more rapidly and cost-effectively, and developed using conventional and existing technologies.

The portfolio also has several Hot Fractured Rock (HFR) targets of the style being explored by Geodynamics in the Cooper Basin of South Australia.

During the quarter a number of acquisition opportunities in the energy sector were assessed. The directors are continuing to actively pursue additional energy project opportunities in the coal bed methane, coal mine methane and geothermal sectors via acquisition, joint venture and tender.

3. Re-capitalisation of the Company

During the quarter, the Company announced the successful completion of the following capital raising initiatives to re-capitalise the Company:

- the placement of 44,718,390 fully paid ordinary shares at an issue price of \$0.05 per new share to retire outstanding liabilities totalling \$2,235,920. This placement was to retire outstanding liabilities which have accrued as a result of related parties (Directors and Director related entities) providing services and working capital financial support to the Company over prior years. As disclosed in the Company's Annual Report, funding was provided on an interest free basis and with no fixed terms of repayment.
- the issue of shares to Hueridge Pty Ltd ('Hueridge'), a wholly owned subsidiary of New Hope Corporation Limited ('New Hope'). The investment by New Hope is for the subscription of up to 19.9% of the shares in the Company in two tranches on the following terms:
 - (a) under the first tranche, Hueridge has subscribed for 47,469,151 new fully paid ordinary shares at \$0.095 per share for a total of \$4,509,569. These shares were issued under the 15% exemption in ASX Listing Rule 7.1; and
 - (b) under the second tranche, subject to approval by the Company's shareholders, Hueridge will subscribe for 38,940,600 fully paid shares at \$0.095 per share for a total of \$3,699,357. Shareholder approval will be sought at a General Meeting of Members to be held on 30 October 2009
- a fully underwritten Entitlement Issue to shareholders on a 1 for 4 basis, whereby 90,982,541 fully paid ordinary shares were issued to raise \$4,549,127. Shares subscribed for under this Entitlement Issue were allotted on 27 October 2009.

The considerable investment being made in the Company would provide significant impetus for accelerating work on the Company's Australian east cost geothermal projects and for new acquisitions in the energy sector.

4. New Hope Corporation Investment and Proposed Appointment of a new Director

As detailed on 8 September 2009, following completion of the second tranche investment by Hueridge and subject to the any further shareholder approvals required from time to time, the Directors have given Hueridge a right to participate in any further capital raisings on a priority basis to a level where post the completion of such capital raising Hueridge will retain a 19.9% shareholding in the Company.

Such participation will be on the same terms and conditions for all participants in such capital raising to subscribe for further fully paid ordinary shares in the Company to maintain its 19.9% shareholding if the Company transacts any other business by which it is required to issue ordinary fully paid shares. In such case the price per share will be equal to the VWAP over the 5 days immediately preceding completion of the triggering transaction. The provisions of this clause will cease as of the earlier of the Company failing in its attempt to obtain shareholder approval to the issue of the second tranche securities; or if Hueridge on-sells or sells down its shareholding or on the first occasion when, provided with the right to subscribe to maintain its 19.9% shareholding in accordance with the clause, Hueridge fails to subscribe.

As part of the subscription agreement, the Directors are pleased to accept the nomination by Hueridge of Mr Robert Neale to join the Company's Board of Directors. Mr Neale is the Managing Director of New Hope and has more than 40 years' experience in the mining and exploration industries covering coal, base metals, gold, synthetic fuels, bulk materials shipping, and power generation. He joined New Hope in 1996 as General Manager, and has been Chief Executive Officer since 2005. He was appointed to the New Hope Board of Directors in November 2008.

New Hope is an independent energy company which has open cut mines at Acland on the Darling Downs, as well as at Amberley and at Rosewood near Ipswich. The company focuses on niche marketing of its thermal coal and exports around 75% of coal production to Asia Pacific markets including Taiwan, Japan, and Korea with the remainder being consumed by customers in south-east Queensland.

The company also holds various exploration tenements in central Queensland and on the Darling Downs in southern Queensland. New Hope's investments include a 100% shareholding in Queensland Bulk Handling a common user coal export terminal at the Port of Brisbane.

5. Entitlement Issue

During the quarter and as detailed in the Offer Document dated 18 September 2009, the Company made a 1 for 4 Entitlement Issue to all eligible shareholders at an issue price of \$0.05 per new share. The issue price was set at the same price as the placement by the Company, as announced on 3 June 2009, to provide an equitable opportunity for existing shareholders to invest in the Company and participate in the Company's future growth prospects.

The Entitlement Issue was very well supported, with more than 85% of the total offer of 90,982,541 shares being subscribed for by the Company's shareholders and, as the Entitlement Issue was fully underwritten, it closed on 21 October 2009 fully subscribed and raising \$4,549,127.

6. Completion of the Transaction between Callabonna Uranium Limited and MKY Resources Limited

During the quarter, the Directors announced that the shareholders of Callabonna Uranium Limited ('Callabonna Uranium'), including the Company, entered into an agreement with ASX listed uranium exploration company MKY Resources Limited ('MKY') to sell 100% of the issued capital of Callabonna Uranium to MKY.

Following the approval of MKY shareholders on 23 September 2009 the transaction was completed, creating a new uranium focused exploration company with a very attractive portfolio of uranium properties in South Australia, the Northern Territory and Queensland.

Additionally, as part of the transaction, SK Energy International Pte Ltd, a subsidiary of SK Holdings, one of Korea's largest companies, subscribed for \$2.0 million of shares in MKY and is substantial shareholder and cornerstone investor in the company.

The expanded company has been renamed Callabonna Uranium Limited and changed its ASX stock code to CUU. The revised board has Planet Gas director Peter Nightingale as its Chairman.

As per the agreement, MKY issued 477 million MKY shares in exchange for 39.5 million Callabonna Uranium shares. The Company received 172.8 million MKY shares, representing approximately 15% of MKY's issued capital after completion of the transaction. As of close of trade on 28 October 2009 the Callabonna Uranium share price was 2.5 cents, giving a value to the Company's holding of \$4,320,000.

7. USA Operations

7.1 Powder River Basin, Wyoming, USA

During the quarter the Company commenced a detailed appraisal of the Company's USA CBM assets and their current status.

This appraisal will include modelling, the continuation of dewatering, fracking and work-over activities to fully appraise the project economics of the pilot at West Esponda. This appraisal work will commence with a number of field activities scheduled to begin during the first week of November 2009.

The Directors are pleased to announce the appointment of Mr John Castleman as Manager of the Company's USA operations.

Mr Castleman has significant experience in the CBM and conventional oil and gas and drilling sector. He has worked as an operator and sole proprietor of oil and gas leases in the USA and elsewhere since 1965, and has been periodically affiliated with other independent operators elsewhere in the USA where he has pursued exploration and production activities in Oklahoma, Texas, Louisiana, New Mexico, India and the Gulf Coast and on a number of other occasions developed coal bed methane projects in the USA and consulted to other CBM/power development projects in Zimbabwe, the USA and Australia. In addition, he was one of the original founders and executive directors of formerly ASX listed company Sydney Gas Limited (former ASX code: SGL) where from 1997 to 2005 he was responsible for various aspects of exploration and production operations and also provided assistance in the areas of corporate finance and gas marketing. Sydney Gas Ltd was acquired by Australian Gas Light in February 2009.

In addition to the field activities at West Esponda, the economics of production at East Esponda and Oriva and Oriva Throne have been re-assessed, taking into account low gas prices in the USA and the ongoing costs of these USA operations.

7.1.1 West Esponda

During the quarter, the Company:

1. Renewed the lease has with the Esponda Trust for an initial primary term of 2 years with the ability to extend the lease term. The leasing rate is US\$8 per acre per year, or an approximate annual cost is \$54,902. This is a significant saving compared to the original leasing costs.
2. Reduced the West Esponda lease size to approximately 2,777 net hectares (6,863 acres), based on geological constraints, and interpreted coal thickness.
3. Initiated field activities with the preparation for completion and testing of 2 Phase II wells. These completion activities will commence following the winter thaw. With this stimulation or water fracking we are aiming for continued water production to ascertain the well economics for the West Esponda project.
4. Initiated work-over of 2 wells (16-5 and 16-1) in section 16. Field work is scheduled to commence in the first week of November to enable restoration of water production in this section and the continued dewatering of the lease.

7.1.2 East Esponda

During the quarter and on the basis of recent previous production results and the current low gas prices in the Powder River Basin, the Company elected to reduce its interest to net royalty, by allowing Anadarko, the Company's partner in the East Esponda project, to sole risk and fund 100% of additional costs.

7.1.3 Oriva Throne

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

Due to low gas prices in the USA, Oriva Throne did not been produce for the quarter ending 30 September 2009. The wells are on care and maintenance.

7.1.4 Oriva Federal conventional oil and gas

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).

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.

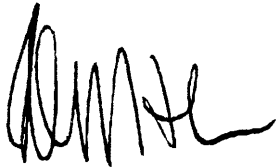
The Company's 4.5% NRI share of production for the months of June and July 2009 was sold for total net revenues of US\$836.

8. Other

The information in this report that relates to exploration results is based on information compiled 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, Sharif Oussa or Peter Nightingale on (61-2) 9300 3322.

Yours sincerely



Peter J. Nightingale
Director

pjn5051