



25 October 2016

The Manager Companies
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

(5 pages by email)

Dear Madam,

**REPORT ON ACTIVITIES FOR THE QUARTER ENDED
30 SEPTEMBER 2016**

HIGHLIGHTS

- **Overriding Royalty Interest ('ORRI') in Kansas, Pennsylvania and New York State, USA production revenues increased by 22% over previous quarter.**
- **Silverstar-1 well to be spudded prior to end 2016.**
- **Well is part of the Origin/Senex/Planet Gas Joint Venture in PEL 638, Cooper Basin.**
- **Target depth 3600 metres targeting basin centred gas in Permian sandstones.**
- **Well expenditure totals \$15 million with Planet Gas' interest free-carried.**

OVERRIDING ROYALTY INTEREST, USA

Planet Gas Limited ('Planet Gas' or 'the Company') holds a 3% Overriding Royalty Interest ('ORRI') over established oil and gas production assets in Kansas, Pennsylvania and New York State in the United States of America. The ORRI is over approximately 450,000 barrels of oil equivalent per annum (see Figure 1).

During the quarter ORRI revenue was follows:

| | September Quarter | YTD |
|------------------------|-------------------|---------|
| Planet Gas ORRI (US\$) | 60,060 | 149,588 |

The ORRI acquisition was completed during the March quarter 2015. The acquisition forms part of a wider oil and gas strategy for the Company targeting low risk royalty and other cash flow assets with development upside.

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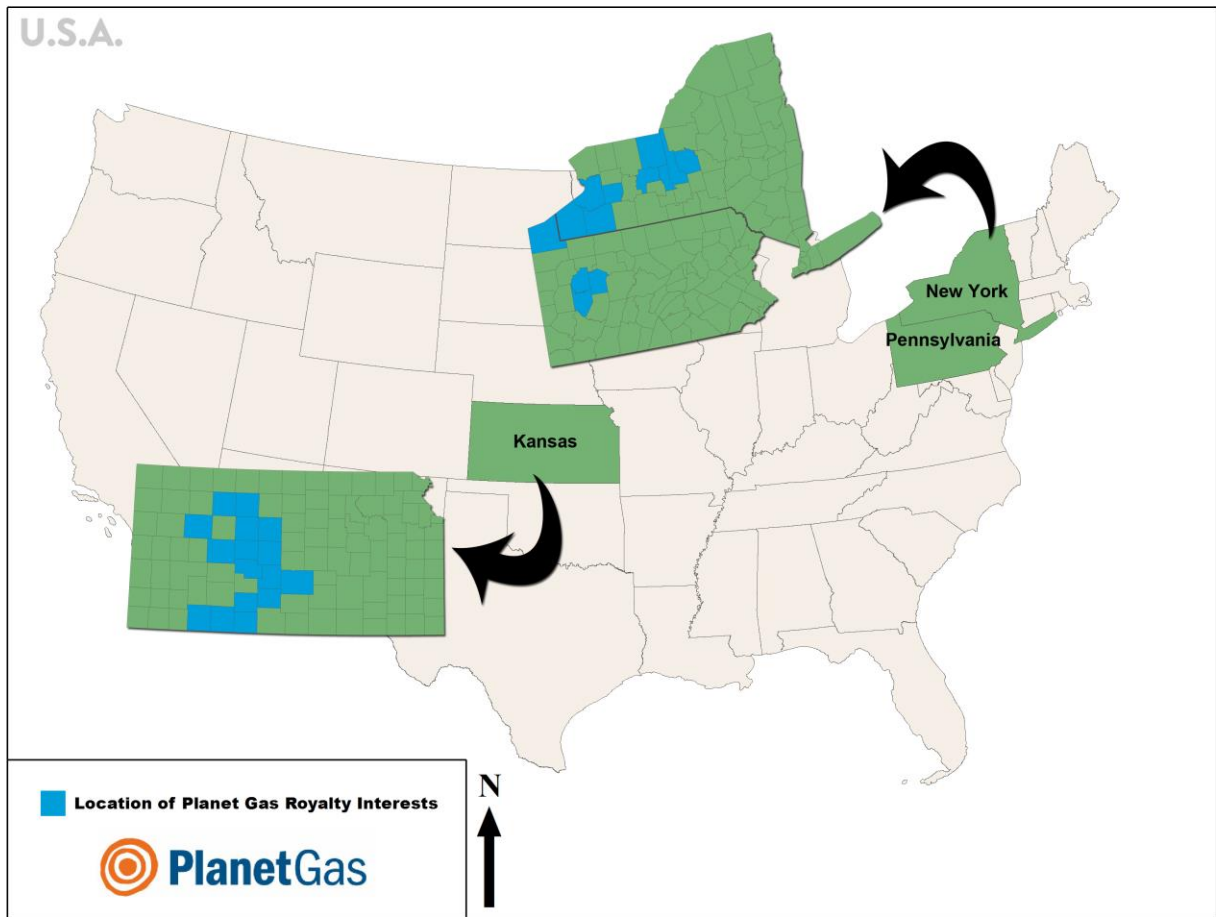


Figure 1: Location of Planet Gas Royalty Interests, United States of America

September 2016 quarter revenues increased by 22% when compared to the previous quarter reflecting higher crude oil and higher gas prices.

During the September 2016 quarter, crude oil prices although stronger, remained volatile with West Texas Intermediate Crude (“WTI”) prices ranging from approximately US\$40 per barrel to US\$50 per barrel. During the quarter, NYMEX natural gas prices remained relatively stable ranging from approximately US\$2.70 per MMBtu to US\$3.20 per MMBtu.

COOPER BASIN, SOUTH AUSTRALIA

PRL 118 through PRL 128 (previously PEL 514) and PEL 638

PRL 118 through PRL 128 and PEL 638 cover a combined area of 1,917 km² in the Cooper Basin of north eastern South Australia, hosting an array of exploration targets for conventional and unconventional hydrocarbons (see Figure 2).

Previously, PEL 638, which covers an area of 904 km² in the Patchawarra Trough, was excised from PEL 514 to facilitate the administration of a new joint venture between Origin Energy Limited (‘Origin’, ASX: ORG), Senex Energy Limited (‘Senex’, ASX: SXY) and Planet Gas. Prior to the excising of PEL 638, Planet Gas held a 20% interest in PEL 514.

PEL 638 is divided into two joint ventures; the PEL 638 Deeps¹ joint venture (the subject of the farm-in by Origin) and the PEL 638 Shallows¹ joint venture.

Planet Gas' interest in each of these areas is summarised as follows:

- PRL 118 through PRL 128 20% free carried.
- PEL 638 Shallows 20% free carried.
- PEL 638 Deeps 12.5% free carried reducing to 10% in the event that Origin proceeds with Stage 2 of the farm-in program.

1. A stratigraphic division separates the 'Deeps' and 'Shallows' with the Origin agreement relating to the Deeps of the Permian system.

PEL 638 Deeps

As previously announced, Planet Gas' 20% interest in PEL 638 was reduced to a 12.5% free carried interest and would further reduce to a 10% interest based on work program expenditures by Origin and Senex in the event that Origin proceeds with Stage 2 of the farm-in program.

The Deeps work program is split into Stage 1 and Stage 2 with total expenditure of up to \$80 million, being \$40 million in each Stage.

In addition to Stage 1 and Stage 2, the joint venture parties may elect to fund additional work programs, subject to PEL 638 Deeps operating committee approval, totalling up to \$67 million. This could involve additional exploration and appraisal work during either or both Stages.

Senex is the operator of the farm-in programs with Origin having the right to become operator following the completion of Stage 2.

The farm-in programs include the drilling of exploration and appraisal wells, fracture stimulation and flow testing. Stage 1 will evaluate the potential of the tight gas sands and provide proof of concept of the Permian system. Stage 2 would evaluate the commerciality of the gas resource by undertaking extended flow testing through a separate pilot program.

During the September 2016 quarter the joint venture confirmed that the spudding of the Silver-Star-1 gas exploration well will occur prior to end 2016.

The Silverstar-1 vertical well has been identified from the Jonothan 3D seismic survey and is in close proximity to the existing Moondie-1 and Beanbush-1 discoveries. Silverstar-1 is a high impact exploration well and will target basin centred gas in the Permian sandstones, and is expected to be drilled to a depth of around 3,600 metres.

Depending on the properties of the reservoir successfully meeting certain criteria as defined by the joint venture, a lateral section of up to 1,500 metres will then be drilled. Multi-stage fracture stimulation and testing of the well is expected to follow.

The gross drill cost estimate is approximately \$15 million with Planet Gas' 12.5% interest free carried.

PRL 118 through PRL 128 (previously PEL 514) and PEL 638 Shallows

Limited work was completed during the September 2016 quarter and no exploration drilling is scheduled for calendar 2016.

Planet Gas' 20% interest continues to be free carried by Senex for oil exploration in PRL 118 through PRL 128 and PEL 638 Shallows.

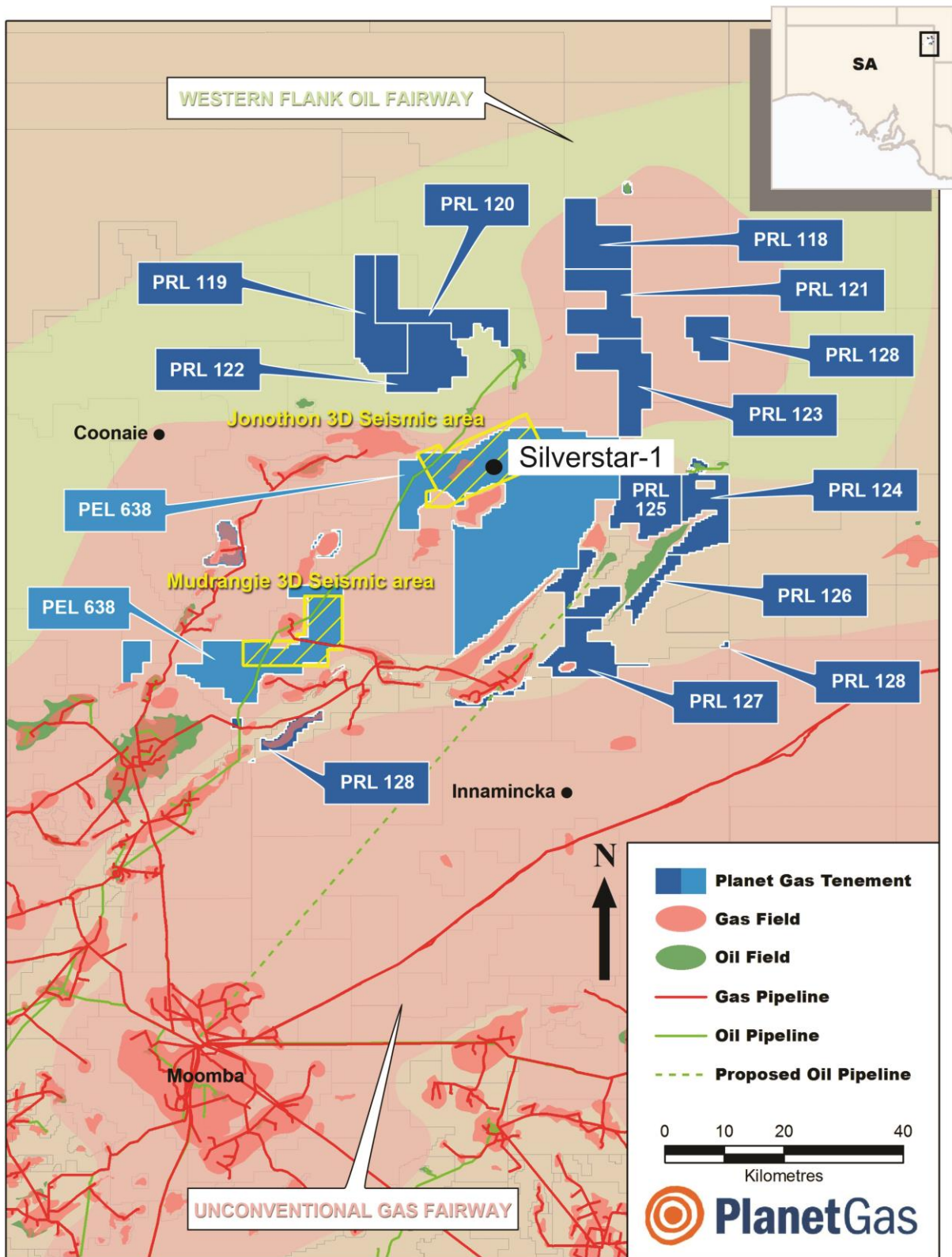


Figure 2: Location of PRL 118 through PRL 128 and PEL 638

TENEMENT INFORMATION

| Tenement | Location | Ownership | Change in quarter |
|--|-------------------|-----------|-------------------|
| PRLs 118 through 128 (previously PEL 514) | Cooper Basin S.A. | 20.0% | - |
| PEL 638 Shallows | Cooper Basin S.A. | 20.0% | - |
| PEL 638 Deeps | Cooper Basin S.A. | 12.5% | - |

For further information, please contact Peter Nightingale on (61-2) 9300 3322.

Yours sincerely



Peter J. Nightingale
Director

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