

29 April 2005

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

(12 pages by email)

Dear Madam

**REPORT ON ACTIVITIES FOR THE QUARTER ENDED  
 31 MARCH 2005**

**1. QUARTERLY HIGHLIGHTS**
**USA**

- CBM production up 194% to 48,299 Mcf (29,342 Mcf NRI).
- Average CBM sale price received was US\$5.56 per Mcf.
- Independent GIP resource estimate of 19.5 Bcf (15.2 Bcf net) at Oriva.
- Independent CBM reserve estimate of 15.3 Bcf (12.0 Bcf net) at Oriva.
- Successful completion of stratigraphic drilling program at West Esponda.
- Strategic acquisitions at West Esponda.
- Commencement of staking and permitting for an increased number of production wells at West Esponda.
- Ownership of Skull Creek increased to a 50% working interest.

**AUSTRALIA**

- Commencement of stratigraphic drilling at Gippsland and successful completion of five drill holes.

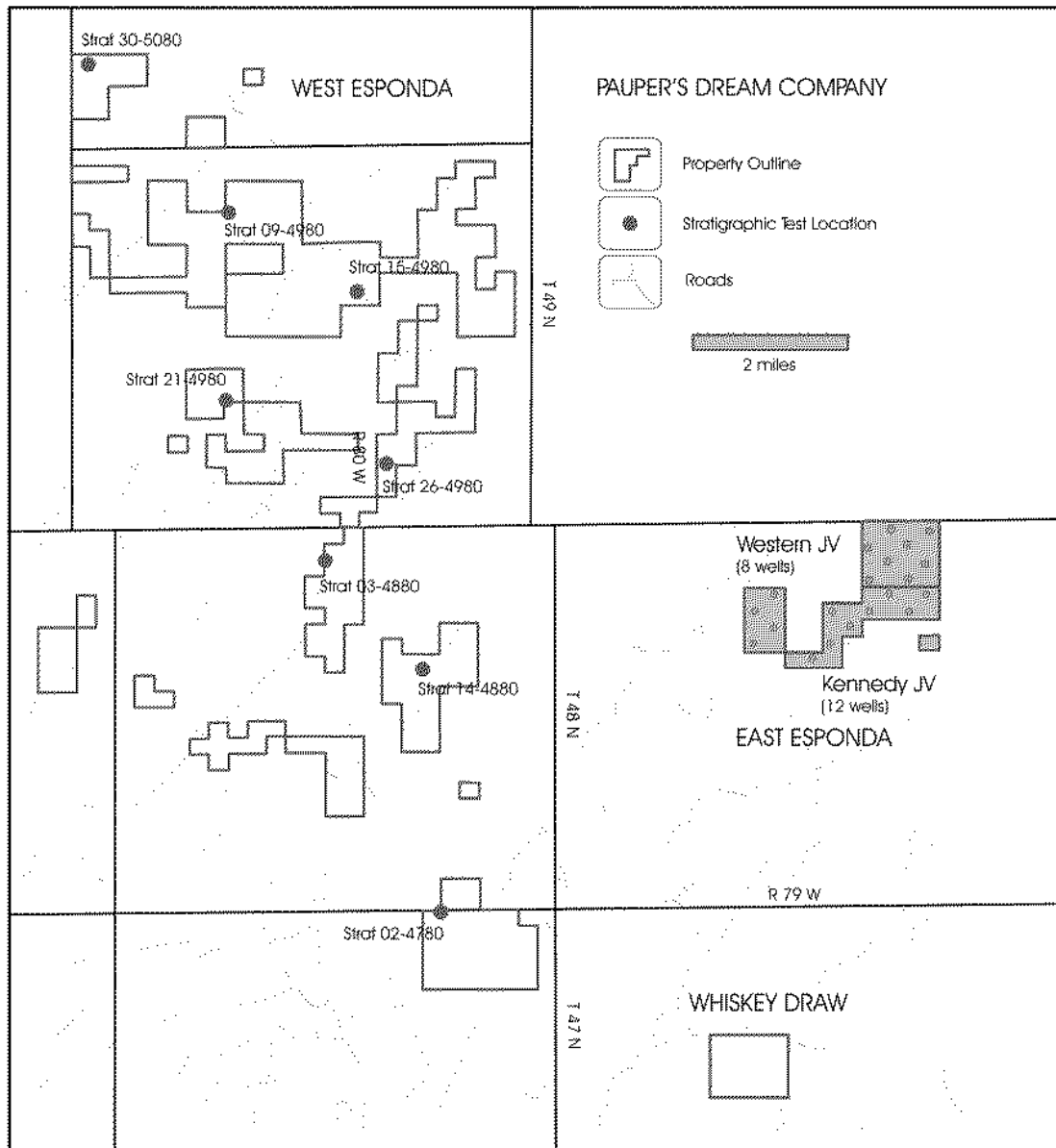
**2. USA OPERATIONS**

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	4,298
Powder River Basin, Wyoming	Whiskey Draw	259
Powder River Basin, Wyoming	Oriva Federal	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 in its Big Cat field and Western Gas completing eight wells. All wells have been completed as future production wells.

During the December 2004 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. Since then, Kennedy Oil have continued its dewatering program and coal field water levels continue to decrease which is very positive as desorbed gas follows the water path.

Due to the fact that commercial scale gas production is behind schedule, the Company has commissioned an independent geological and reservoir assessment of the Big Cat CBM field. This comprehensive study will, amongst other things, update the Gas-In-Place ('GIP') resources, and develop an analogue to provide a forecast of future gas production from the Big Cat field.

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 to 45 metres of coal is present.

This estimate is supported by results from the Company's eight well stratigraphic drilling program which was completed at West Esponda during the March quarter.

### **Stratigraphic drilling**

During the March quarter, the Company completed an eight well stratigraphic drilling program at West Esponda.

The drilling program was designed to confirm previous total coal isopach (thickness) mapping and assess the presence of gas in each coal horizon through standard oil field mud logging techniques prior to the commencement of development drilling programs.

STRAT 21-4980, 26-4980, 02-4780 and 14-4880 (see map above) were completed during the March quarter with the following results:

Well	Total Depth (metres)	Total Coal Intercepts (metres)
21-4980	914	42.4
26-4980	914	25.3
02-4780	823	18.3
14-4880	914	28.0

Preliminary evaluation of the electric logs and gas detection runs indicate gassy coal intersections within horizons of the Fort Union and Wasatch Formations which are the primary coalbed methane targets.

The results of the stratigraphic program, with gassy coal intersections of up to 50.0 metres and an average of 35.4 metres, 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.

### **Acquisitions**

During the March quarter, the Company acquired a 100% Working Interest (83.33% Net Revenue Interest) in two fee leases which total 322 net hectares (795 acres) in Townships 49N and 50N, Ranges 80W and 81W and contiguous with the Company's existing West Esponda tenements.

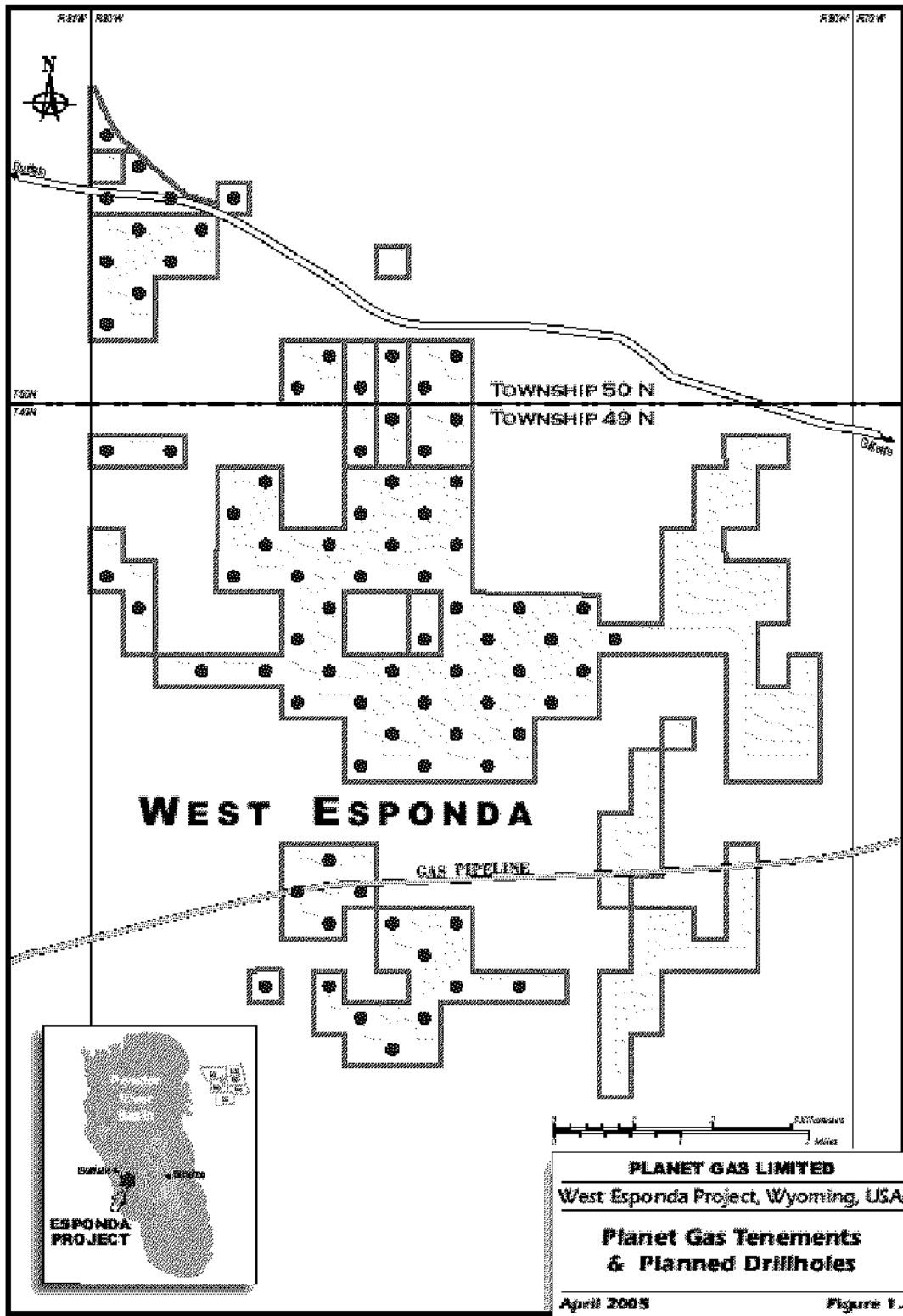
These acquisitions, which cost US\$59,640, are a further step by the Company to infill the West Esponda tenement positions into a consolidated contiguous holding which will improve the logistics of the West Esponda development program and production. With these acquisitions, the first phase of the West Esponda development program has been increased to 80 wells.

Further strategic acquisitions are currently being negotiated.

### **Future work**

The Company has commenced staking and permitting for the first 80 wells, as shown on the following map, for commercial production from the West Esponda Project.

The initial drilling area which is scheduled to commence in the middle of the North American summer will have capacity for the development of 21 wells on the state mandated 32 hectare (80 acre) well spacing.



## 2.2 ORIVA PROJECT POWDER RIVER BASIN WYOMING, USA

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.

State mandated 32 hectare (80 acre) well spacing allows for a total of 16 CBM pads (5 at Oriva Throne and 11 at Oriva Federal), with multiple wells being permitted at each pad site, to be drilled at the Oriva Project.

The 5 Oriva Throne CBM pad sites have been developed with 3 wells on each site, for a total of 15 wells, currently producing CBM from the Felix, Smith, Anderson and Wall Coal seams. The Company's interest is a 75.975% Working Interest (60.78% Net Revenue Interest). The Oriva Throne leasehold interest is subject to a 20% land/mineral owner royalty.

Oriva Federal is currently being permitted for the development of 33 CBM wells with production from the same coal seams as on the adjoining Oriva Throne area. The Company's interest 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.

### **Gas-In-Place Resources**

During the March quarter, an independent study concluded that the Company's Oriva Project contains GIP resources of 19.5 billion cubic feet ('Bcf') (gross) and 15.2 Bcf (net).

As described below, a further 6.0 Bcf potential resource is estimated to be contained in deeper coal seams beyond the scope of this GIP resource estimate.

The following table summarises the Oriva Project GIP resources within six coal seams of the Wasatch and Fort Union Formations:

<b>Project Area</b>	<b>Gross GIP (Mcf)</b>	<b>Net Interest (%)</b>	<b>Net GIP Mcf</b>
Oriva Throne	5,974,800	60.78	3,631,483
Oriva Federal	13,570,400	85.50	11,602,692
<b>Totals</b>	<b>19,545,200</b>		<b>15,234,175</b>

The resource estimate was completed by Dr. Jimmy E. Goolsby of Goolsby, Finley & Associates ('GFA') of Casper Wyoming who are considered to be pre-eminent authorities on the CBM geology of the Powder River Basin, providing consulting services to the State's leading CBM producers and developers. Additionally, the State of Wyoming retained GFA to conduct a study of the CBM reserve potential of the Powder River Basin.

The GIP resource is based on a volumetric analysis of the six Wasatch and Fort Union coal seam's actual or projected thickness using 32 hectare (80 acre) blocks, and a gas content factor, depending upon the depth of the coal seam, between 10 and 85 standard cubic feet per ton. The gas content factor is a well defined estimation based on a published study by GFA completed on behalf of the State of Wyoming. It should be noted that the State of Wyoming has dictated a standard CBM well location spacing unit of 32 hectare (80 acre) blocks, and it maintains a publicly available database consisting of geophysical logs on all completed CBM wells that once culled and correlated is an invaluable asset for resource estimates.

Although beyond the scope of this GIP resource estimate, Dr Goolsby estimates the deeper (+600 metre) multiple Moyer coal seams may contain an additional potential resource of approximately 6.0 Bcf within the Oriva Project, if the combined Moyer coals remain similar to what is observed on the project's type log. Further, based on limited past production, Dr Goolsby considers that the area surrounding the Oriva Project may contain shallow (<800 metre) Fort Union Formation sands containing trapped natural gas derived from the adjacent CBM coals. These sands have the potential to further increase the GIP resource.

## Reserves

During the March quarter, an independent reserve estimate was completed for the Company's Oriva Project reporting:

- Total CBM reserves of 15.3 Bcf (gross) - 12.0 Bcf (net).

As set out in the table below, these reserves comprise:

- Proven (PDP and PUD) reserves of 9.4 Bcf (gross) - 7.1 Bcf (net); and
- Additional Possible (POSS) reserves of 5.9 Bcf (gross) - 4.9 Bcf (net).

CBM International Engineering LLC ('CBMIE'), of Cody Wyoming, prepared the Reserve and Economic Report demonstrating the following reserves by coal seam:

Coal Seam	Reserve Category	Gross GIP Volume (MMCF)	Cumulative Gas Produced (MMCF)	Remaining Recoverable Volume (MMCF)	Net Gas Reserves (MMCF)
Felix	P-1	206	64	67	41
	P-2	724	0	585	500
Smith	P-1	68	4	39	24
	P-2	1,137	0	907	723
Anderson	P-1	884	119	581	353
	P-2	4,229	0	3,369	2,880
Anderson Lower	P-2	1,959	0	1,559	1,192
Canyon	P-4	2,747	0	2,203	1,702
Wall	P-1	2,925	7	2,286	1,390
	P-4	4,665	0	3,731	3,190
<b>Total Proven Reserves</b>	<b>P-1, P-2</b>	<b>12,132</b>	<b>194</b>	<b>9,393</b>	<b>7,103</b>
<b>Total All Reserves</b>	<b>P-1, P-2, P-4</b>	<b>19,544</b>	<b>194</b>	<b>15,327</b>	<b>11,995</b>

## 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.

P2 -- PUD = Proven Undeveloped Reserves; these reserves are within one mile of commercial producing gas within the correlative geologic interval or zone.

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

Gross (GIP) Volume - Volumetric calculation based on total gas in place prepared by Goolsby Finley & Associates of Casper Wyoming.

Cumulative Gas Produced - Total gross gas produced to the date of the report.

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

Net Gas Reserves - Net Revenue Interests percentage of remaining recoverable gas (60.78% at Oriva Throne and 85.5% at Oriva Federal).

MMCF - million cubic feet.

## Production

Oriva Throne is operated by Emerald Operating Company and Rocky Mountain Exploration of Denver, Colorado ('EOC-RMIE'). EOC-RMIE hold the remaining 24.025% Working Interest (19.25% Net Revenue Interest) in Oriva Throne. The entire leasehold interest is subject to a 20% land/mineral owner royalty.

CBM production for the March quarter was as follows:

Coal Seam	CBM Production (Mcf)	Net Revenue Interest (Mcf)
Anderson	38,581	23,438
Felix	8,401	5,104
Wall	1,317	800
<b>Total</b>	<b>48,299</b>	<b>29,342</b>

The Company's NRI share of production was sold for an average of US\$5.56 per Mcf for total net revenues of US\$163,014 and the Company's share of operating costs totalled US\$151,074.

Average monthly production is up to 16,100 Mcf, compared to 12,454 Mcf per month for the December 2004 quarter. It is expected that production will steadily increase to over 50,000 Mcf per month over the next two to three quarters when the Wall seam is more fully dewatered. Larger pumps have been installed in the Wall seam wells to accelerate the dewatering process. Depending on field conditions, which are currently subject to continued Spring snows and rain, it is planned that three Wall seam wells will be completed on 40 acre 'exception' locations to facilitate further seam de-watering. These wells will be immediately brought on-line utilising the existing infrastructure.



In addition to the production increases noted above, it is planned that five additional wells will be completed to produce from the remaining Smith, Lower Anderson and Canyon seams. These wells are planned to be completed conventionally with commingled production.

The Company is reviewing opportunities to acquire additional producing acreage in the proximity of the Oriva Project.

### **2.3 SKULL CREEK PROJECT CHEROKEE BASIN KANSAS, USA**

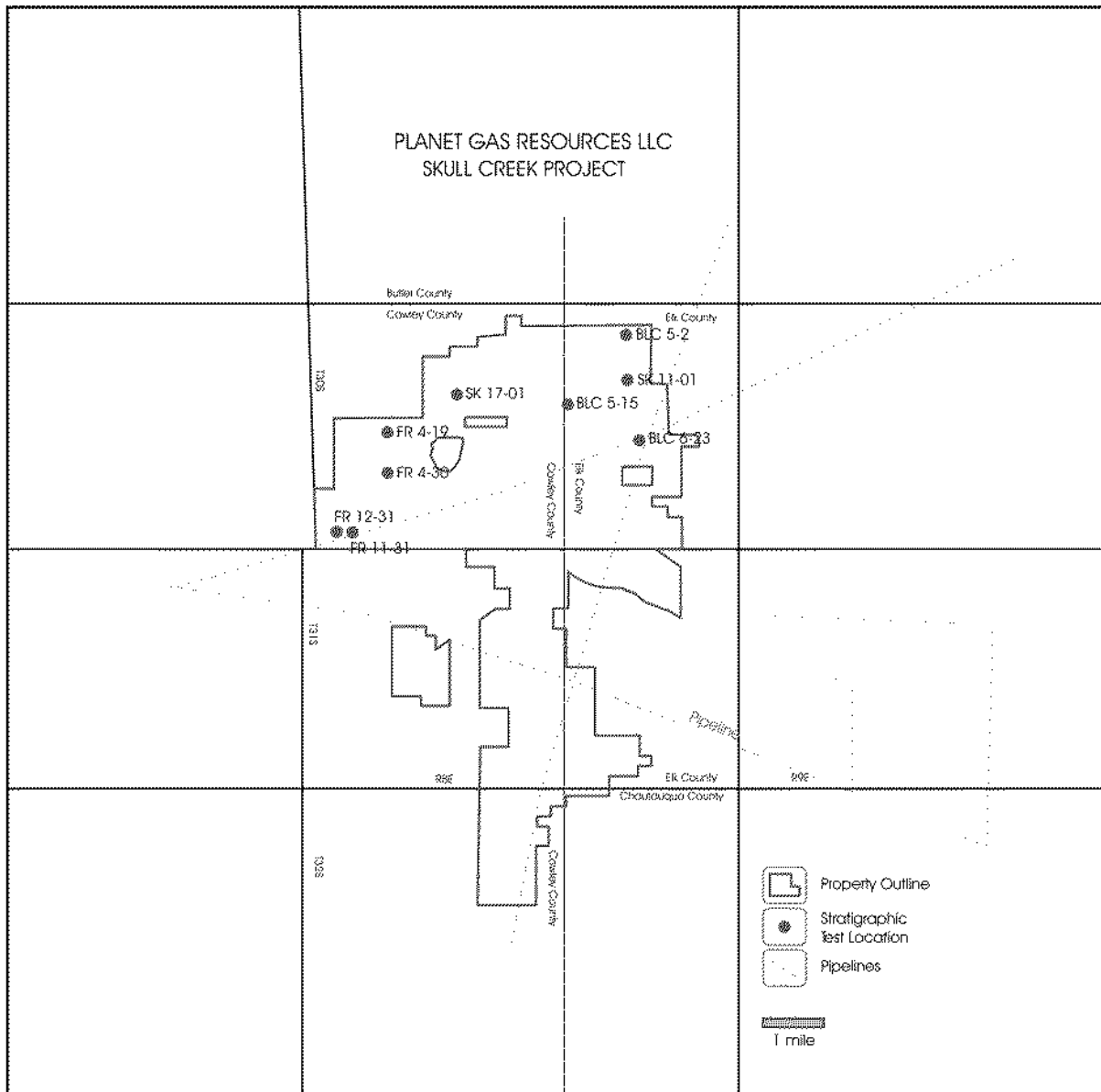
The Cherokee Basin contains nearly two dozen Pennsylvanian aged coals with thickness ranging up to 9 metres but more typically up to 4 metres with gas contents ranging from 150 to 375 standard cubic feet per tonne. The principal CBM target coal seams occur in the Cabaniss and Krebs Formations of the 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 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. 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 March quarter, the Company increased its interest in the Skull Creek Project to a 50% working interest by successfully completing six test wells during a six month evaluation period and making an additional payment of US\$250,000. The Company can further increase its working interest to 75% by completion of a five well pod within six months of making the US\$250,000 payment. The Company is able to earn a 100% working interest in the un-drilled leasehold area by making a further final payment of US\$750,000 or by incurring certain additional project drilling and well completion expenditures.



The stratigraphic drilling program initiated in late 2004 was completed in the March quarter with a core hole, FR 11-31, which was steel cased and cemented in place. This well and its offset, FR 12-31, are located within 800 metres of an existing pipeline.

During the next quarter FR11-31 will be perforated in Cherokee Group coals for production testing. It is then planned that FR 12-31 will be re-entered, cased and production tested.

### 3. AUSTRALIAN OPERATIONS

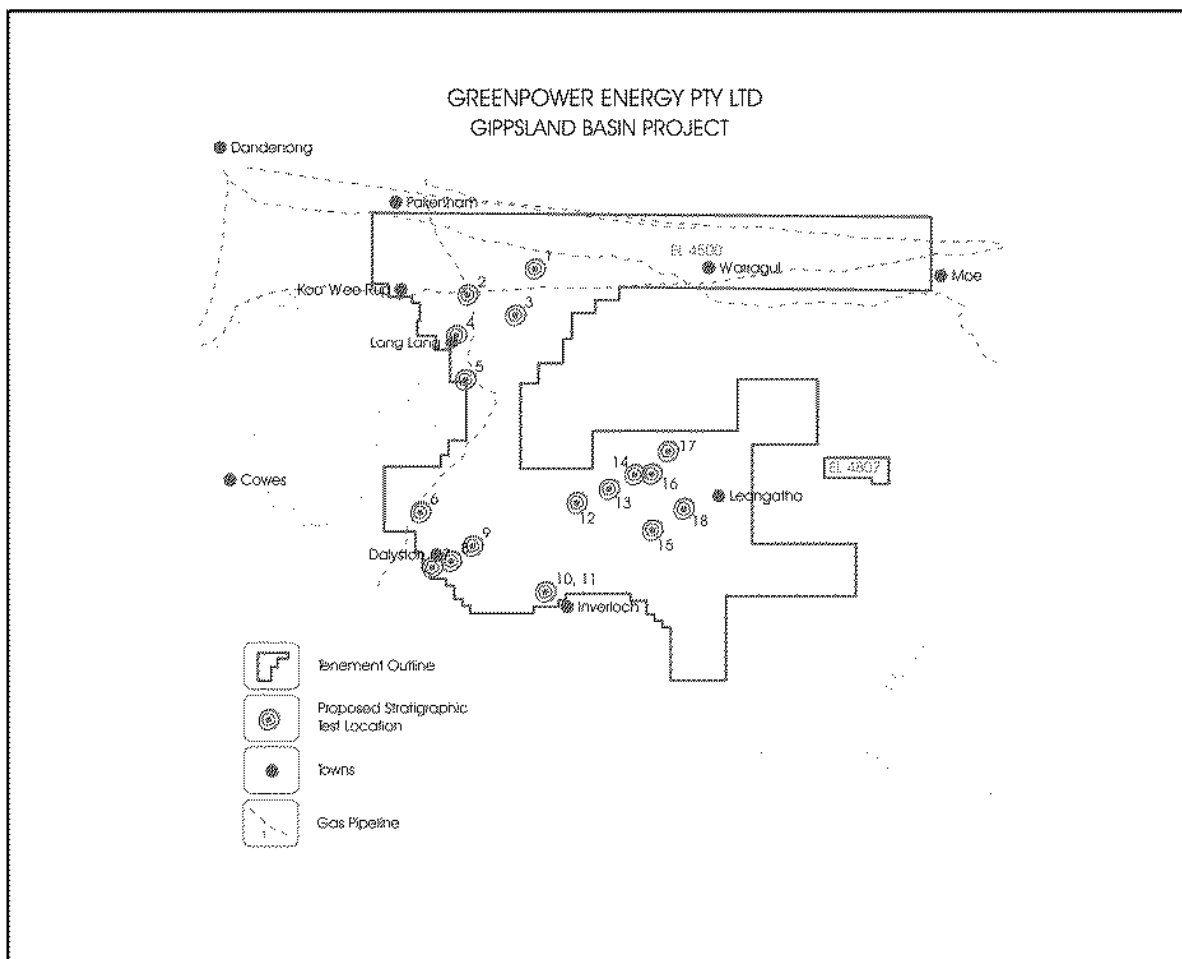
The Company holds rights to prospective CBM projects in the Gippsland and Otway Basins of Victoria, the Eromanga and Willochra Basins of South Australia and the Gunnedah Basin of New South Wales. The Company continues its data collation program leading to the development of initial exploration programs,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

The Company plans to drill up to eighteen stratigraphic holes (see map below) 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 and Kilcunda-Woolami as well as the Koo-Wee-Rup coalfield will receive stratigraphic bore evaluations in the Company's initial evaluation.



During the March quarter, five stratigraphic drill holes were completed. Due to rig capacity, total depth reached was limited to an average of 360 metres. In each hole a number of clean and ashy coals were encountered and confirmed in subsequent logging.

Since the end of the quarter, a new rig with greater capacity has been able to penetrate beyond the previous depth limit and is presently at 714 metres in hole GS13. This hole has shown good correlation with the upper zones of the first five holes, (particularly with hole GS12, which is located approximately 5 kilometres to the southwest) but the coals

have been gassier in GS13. Most importantly, GS13 has, according to field observation, returned significant Strzelecki Group coal intercepts totalling approximately 11 metres including a broad zone of 3.5 metres of bright and ashy coals which have given the highest gas readings to date. The 3.5 metre coals occur at 493.5 metres depth in a total section that is 13 metres thick.

Future drilling will include a deeper hole in the proximity of the earlier holes plus a core hole for gas desorption.

### 3.2 GUNNEDAH BASIN

Subsequent to the end of the March quarter, Eastern Star Gas Limited ('Eastern Star') entered into an agreement with Comet Ridge Limited ('Comet'), the Company's joint venture partner in the Gunnedah Basin Petroleum Exploration Licence ('PEL') 428, whereby Eastern Star will earn a 60% interest in PEL 428 by funding 100% of Comet's years 1 and 2 work commitments which consist of seismic acquisition and the drilling of one well.

PEL 428 covers an area of 6,021 km<sup>2</sup> in northern New South Wales and lies immediately north and west of Eastern Star's PEL 238 permit which contains the Coonarah Gas Field, the Wilga Park Power Station and the Bohena coal seam gas pilot.

Interests in PEL 428 after Eastern Star has fulfilled its earning obligation will be:

Planet Gas Limited (through its wholly owned subsidiary Davidson Prospecting Pty Limited)	20%
Eastern Star Gas Limited	60%
Comet Ridge Limited	20%

### 4.0 OTHER

The information in this report that relates to the CBM resources and reserves is based on information compiled by Dr. Jimmy E Goolsby, Wyoming Registered Professional Geologist No. 56, of Goolsby, Finley & Associates, Casper Wyoming and John W. Sinclair, Wyoming Registered Professional Engineer (Petroleum) No. 9233 of CBM International Engineering LLC, Cody Wyoming and supervised by Dr. Richard Haren who meets the requirements of ASX Listing Rule 5.11 and who has consented to the inclusion in this report of the matters based on the information in the form and context in which it appears.

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

Yours sincerely



Peter J. Nightingale  
Director

pjn3004