

28 April 2006

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 2006**

**1. QUARTERLY HIGHLIGHTS**

**USA**

- Completion of 9 wells in the West Esponda Pilot Production Program.
- Further strategic acquisitions at West Esponda.
- Western Gas Resources Inc. new partner and operator of Big Cat Project.
- Big Cat Field dewatering enhancement study commences.
- Dewatering commences on East Esponda Indian Creek Project.
- Well testing commences at Skull Creek.
- Oriva Federal Plan of Development lodged.
- Oriva Federal permitting approvals significantly advanced.
- Oriva CBM production of 31,450 Mcf (19,106 Mcf NRI)
- Average CBM sale price received was US\$6.28 per Mcf.

**AUSTRALIA**

- Gippsland and Otway work plans submitted.

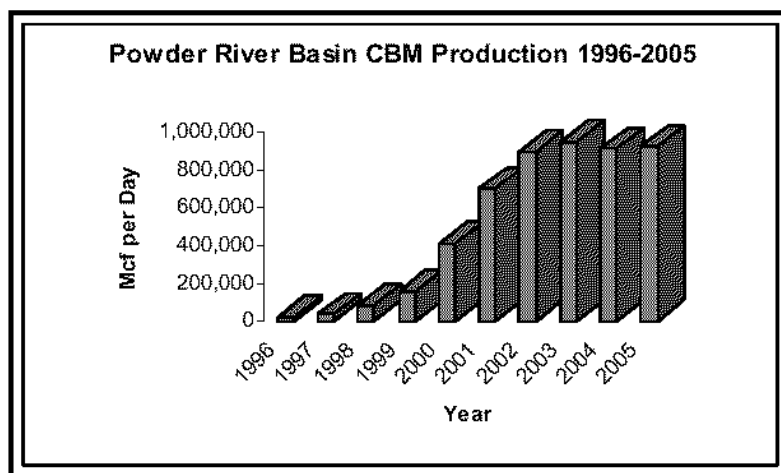
**CORPORATE**

- Share placement raises \$4 million.

## 2. USA OPERATIONS

### 2.1 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 (see graph below) with current production steadily above 900 million cubic feet per day from over 10,000 producing wells.



#### 2.1.1 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 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.

#### Pilot Production Program

The Company's first stage of commercialisation of the West Esponda project has been initiated with the commencement of drilling at its West Esponda project area, a major Company asset. This northern portion of the West Esponda project has approximately 106 contiguous or near contiguous well locations including the ten pilot wells which are discussed below.

The pilot production program, which comprises ten wells drilled in a staggered offset pattern, will total approximately 6,700 metres of drilling and is centred on the State lease which was acquired in October 2004 as part of the continued program of area consolidation of the Company's lease package. All ten wells are being drilled in a continuous program, by the contractor Kid Pronghorn Enterprises Inc of Sheridan, Wyoming. As with the Company's prior stratigraphic drill program, on-site supervision will be carried out by Goolsby Finley and Associates of Casper Wyoming.

The Wyoming Oil and Gas Conservation Commission has approved the Company's construction permit for its water discharge retention facility with a capacity of approximately 200 megalitres.

The Wyoming Department of Environmental Quality ('WDEQ') has notified the Company that its Wyoming Pollution Discharge Elimination System ('WYPDES') Option 1A permit, WY0054313, is complete. The approval process has proceeded through its 30 day public notice advertisement period which began on 17 February 2006. The WDEQ is currently ratifying the permit and public advertisement process and final approval by the Director's Office is expected imminently.

To date, nine of the ten wells in the pilot production program have been drilled with the following results and drilling of the tenth well is nearly complete.

<b>Well Name</b>	<b>Total Drilled Depth (metres)</b>	<b>Total Coal Intercepts (metres)</b>	<b>Total Big George Interval (metres)</b>
State 4980-16-7	641	37.5	15.5
State 4980-16-3	671	47.5	18.0
Hodges 4890-9-15	701	40.8	18.0
State 4980-16-1	701	35.1	16.8
State 4980-16-9	701	28.3	14.0
State 4980-16-5	701	39.0	11.3
State 4980-16-11	702	40.5	13.7
Esponda 4980-15-5	695	35.7	18.3
Esponda 4980-10-13	671	30.8	14.0

All wells are being fully cased on reaching the well's total depth. Well completion, including downhole cleanup, seam perforations, formation enhancement and pump installation, will be conducted at the end of the program. Two wells, State 16-7 and 16-3, have been initially tested using Schlumberger's 10.2 cm (4 inch) HEGS (High-Efficiency Gun System) perforating gun and standard Powder River Basin water enhancement techniques. Two sets of 22.7 gram Deep Penetrator charges each utilising 4 shots per foot and phased at 90<sup>0</sup> and 120<sup>0</sup> successfully tested the pilot's perforation procedures.

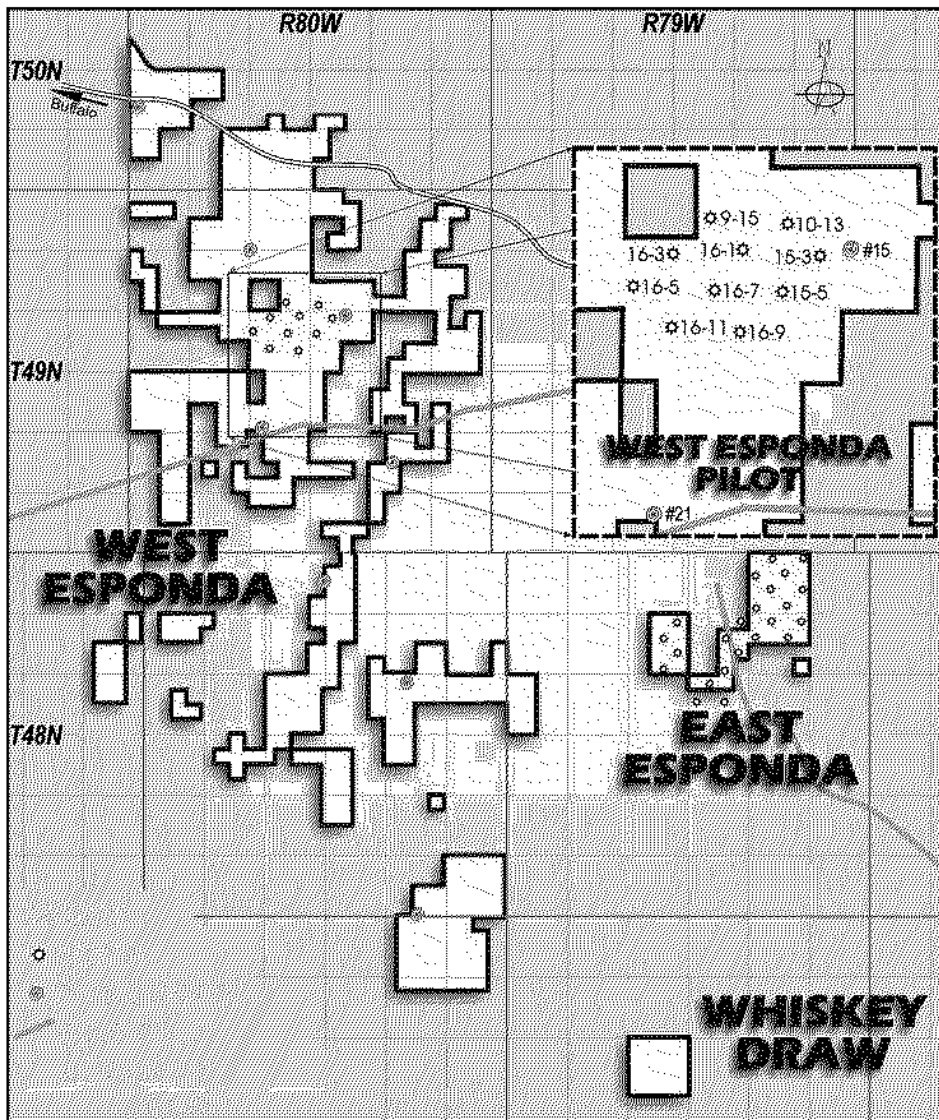
The in-field gas and water reticulation has been completed. This system will be tied into the individual wells at the conclusion of the drilling/well completion program. A generator to power in-well pumps has been delivered to site. State 16-7 has been equipped with a pump to supply drilling water and will also provide a water quality sampling point for the various State permits.

There is an under-utilised high pressure gas pipeline, operated by Western Gas Resources Inc ('Western Gas'), passing approximately 2.5 kilometres to the south of the pilot program area with these becoming bridged through recent tenement acquisitions.

The sole focus of the pilot program will be the Big George formation. Last year's stratigraphic drilling indicated the Big George coal seam intervals were between 17 to 22 metres. Additionally coals of 17 to 24 metres in total thickness overly the Big George. 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 the future.

The Pilot will not only test the most westerly extensions of the Big George 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.

The estimated cost to drill and complete the ten wells is US\$2.0 million with a projected monthly operating cost of US\$33,000.



## **Acquisitions**

The Company has continued its tenure consolidation in the West Esponda leasehold in Townships 48N and 49N, Range 80W with the acquisition of two freehold tenements totalling 309 net hectares (764 net acres). These acquisitions are contiguous with the Company's existing tenements and cost US\$30,561. To date the West Esponda Project area consists of freehold CBM leases and State of Wyoming leases totalling 7,339 gross hectares (18,135 acres), and 6,341 net hectares (15,669 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.

### **2.1.2 EAST ESPONDA**

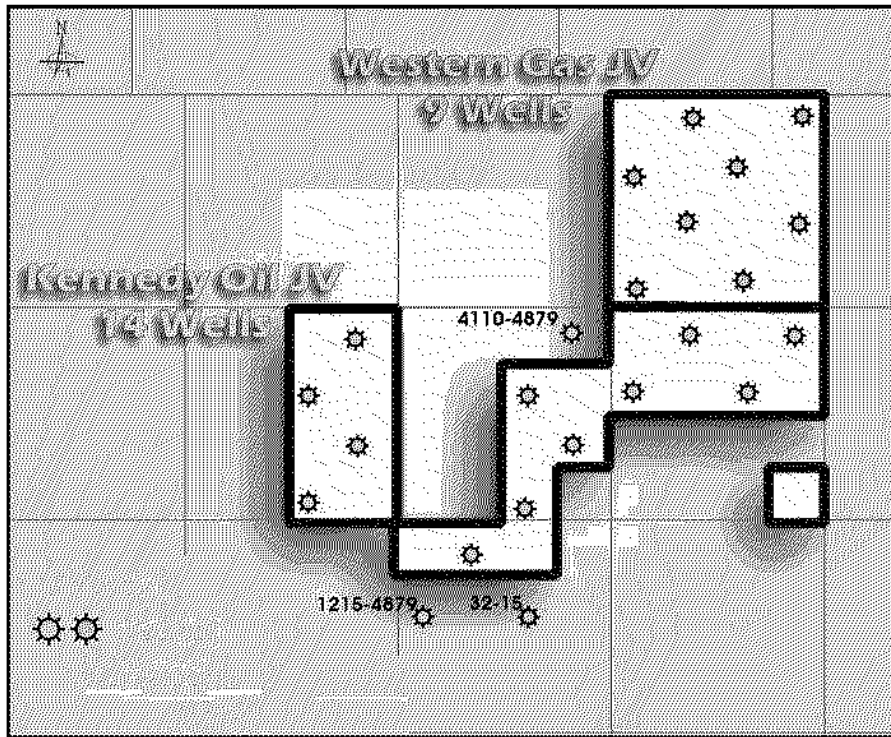
At East Esponda, the Company has been involved in two separate joint ventures covering 469 net hectares (1,160 acres). Our partners have been Kennedy Oil and Western Gas. Effective 21 March 2006, Western Gas purchased select Powder River Basin assets, including the Big Cat Field which includes the Company's East Esponda leasehold, from Kennedy Oil for \$US137 million. As a result, Western Gas is the Operator and the Company's only partner in the East Esponda Project.

In their press release, Western Gas stated "Gas production is expected to begin in the third quarter of 2006. ... This acquisition offers the same low risk development that the Company has been successfully drilling for the last eight years in the Powder River Basin."

Following Western Gas's acquisition of Kennedy Oil's interest in the East Esponda Project, the original development agreements remain in effect whereby the Company's interest in the Big Cat Field is being of sole funding by the Operator and will be repaid from production while the Company actively participates in its working interest in the Indian Creek Field.

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 (previously Kennedy and now Western Gas) and 9 in the Indian Creek Field (Western Gas). 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.

Western Gas has advised the Company that it has commenced dewatering activities since commissioning its Indian Creek-Harriet Water Treating Facility near the river and the approximately 15 miles of discharge pipeline. Additionally, Western Gas advises that it is analysing the results in the Big Cat Field area to enhance this area's dewatering progress.



### 2.1.3 ORIVA PROJECT

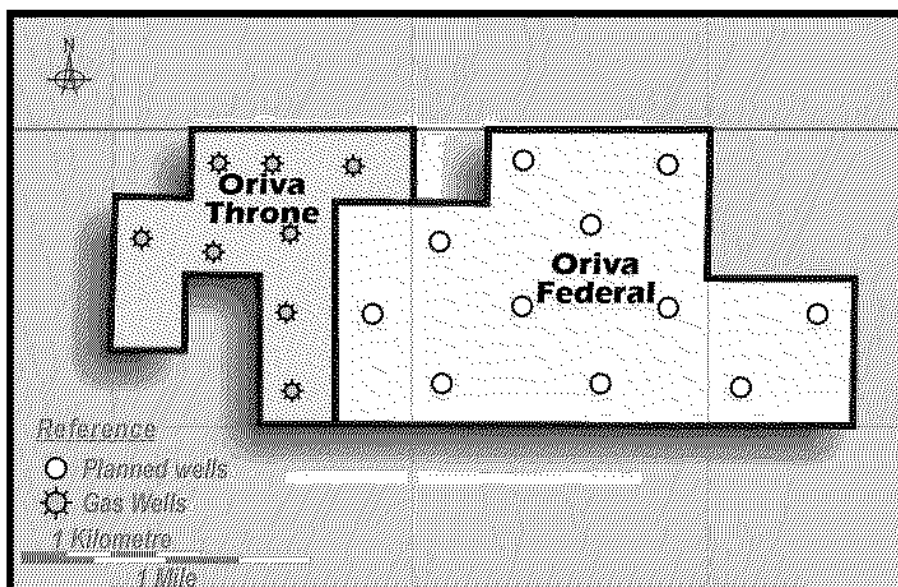
The Oriva Project comprises two project areas, Oriva Throne which is in production and Oriva Federal which is in the permitting phase. The Oriva Project is located approximately 21 kilometres west of Gillette, Wyoming, and totals 505 net hectares (1,248 acres) in Sections 8, 9 and 10, Township 50 North,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



### 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 an early dewatering stage.

CBM production for the March 2006 quarter was as follows:

Coal Seam	CBM Production (Mcf)	Net Revenue Interest (Mcf)
Anderson	24,692	15,001
Felix	6,380	3,876
Wall	378	230
<b>Total</b>	<b>31,450</b>	<b>19,106</b>

The Company's NRI share of production was sold for an average of US\$6.28 per Mcf for total net revenues of US\$120,058 and the Company's share of operating costs totalled US\$108,839.

### Oriva Federal

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. Although the Company's Water Management Plan will provide for standard CBM style reservoirs either along or in ephemeral channels, the project has been 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. The Company's plan to fully contain its water production should be reviewed favourably during the Federal permitting process.

Documentation supporting the Company's Plan of Development application was accepted as complete by the Federal Bureau of Land Management's Buffalo Field Office ('BLM-BFO'). Late last year an Operator's Initial Meeting was completed where the Company received comments from BLM-BFO personnel addressing its administrative and technical review of the project. Subsequently an On-Site Inspection was held and the Company received comments from BLM-BFO personnel concerning its technical field review of the project's disturbances and wildlife impacts. The specific issues raised during this inspection in January 2006 have been addressed and accepted by the BLM-BFO. The Company is awaiting the BLM-BFO's administrative process for final approval.

The Wyoming Department of Environmental Quality (WDEQ) has completed technical review of the Company's WYPDES Option 2 permit, WY0054178. The approval process has proceeded through its 30 day public notice advertisement period which began on 15 February 2006. The WDEQ is currently ratifying the permit and public advertisement process and final approval by the Director's Office is expected imminently.

Significant permitting approvals and early development advancements have been made:

- The WDEQ has approved the Company's Option 1A permit, WY0053970, to discharge produced water into man made, off channel containment facilities.
- Wyoming Office of State Lands preliminary approval for power line easement was received.
- Wyoming State Engineer's Office approval to construct five on channel reservoirs for water management with a total capacity of 78,622 cubic metres (63.74 acre feet) was received.
- The WDEQ determined that ground water compliance monitoring sites will not be required at the five on channel and five of the six off channel impoundments.
- Powder River Energy Corporation's Master Service Agreement was executed to supply electrical power. Two service drops at 480 V and 4180 V with a contracted capacity of 650 kVa are presently being installed.
- Discussions with two major natural gas pipeline companies for the transportation of the Company's coal seam gas to market are continuing.

## **2.2 CHEROKEE BASIN KANSAS, USA**

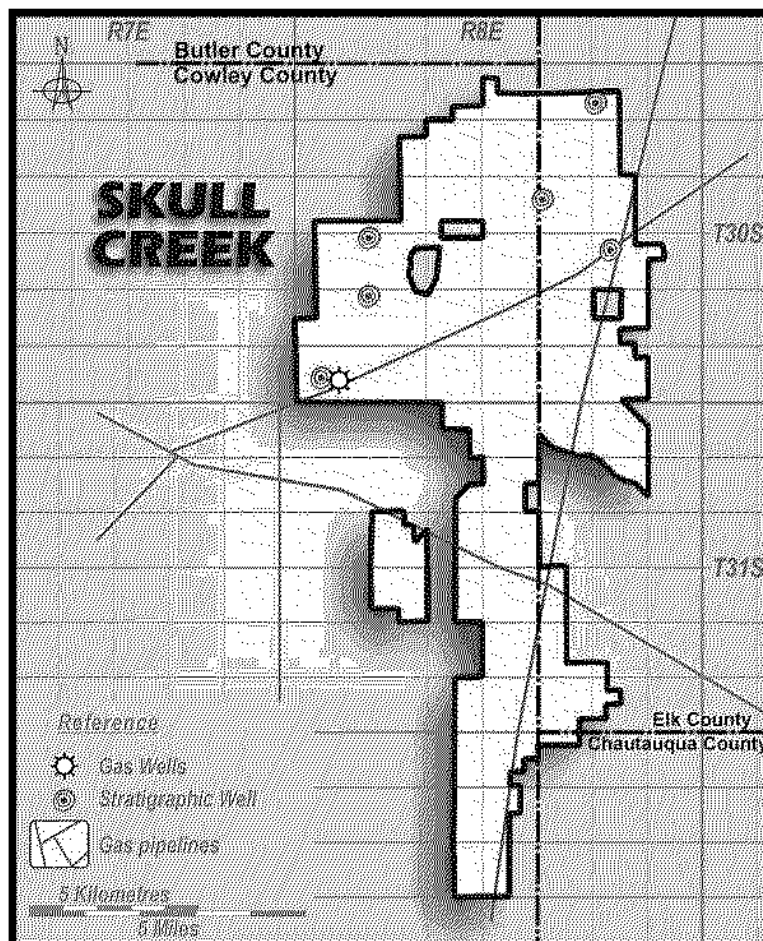
The Cherokee Basin contains nearly two dozen Pennsylvanian aged coals with thickness ranging up to 9 metres but more typically up to 4 metres with gas contents ranging from 150 to 375 standard cubic feet per tonne. The principal CBM target coal seams occur in the Cabaniss and Krebs Formations of the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



## 2.2.1 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 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 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.

As previously reported, the first of multiple zones on the FR11-31 (which was drilled in 2005) was completed in the Tebo B at a depth 844 metres (2,768 feet). Initial testing showed water volumes more than 40 bwpd with some associated gas (not measured). The static fluid level indicated a reservoir pressure gradient of 0.32 psi/ft from the Tebo B zone which is consistent with the range of pressure gradients in the Cherokee from 0.25 – 0.43 psi/ft.

Completion and testing operations are in progress for multiple zones in the Cherokee formation. Individual zone stimulations on the Tebo A, Mineral, V-Shale, and Summit/Excello formations were performed in January 2006. The well was cleaned out and setup for pump testing of all zones. Pump testing has commenced with associated fluid levels being measured to understand the pressure drawdown of the dewatering effort. To the end of the March quarter, nearly 2,200 barrels of water were produced, primarily representing the load water volume used in stimulation operations.

Dewatering of the Cherokee coals is in progress and an overall testing period of several months is anticipated before a final decision to drill and complete additional production wells will be made.

### **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 has continued its data collation program leading to the development of exploration programs in Victoria. The Company has recently submitted new Work Plans to drill stratigraphic wells in the Gippsland and Otway Basins. In addition, the Company continues its appraisal program of potential CBM prospects throughout Australia.

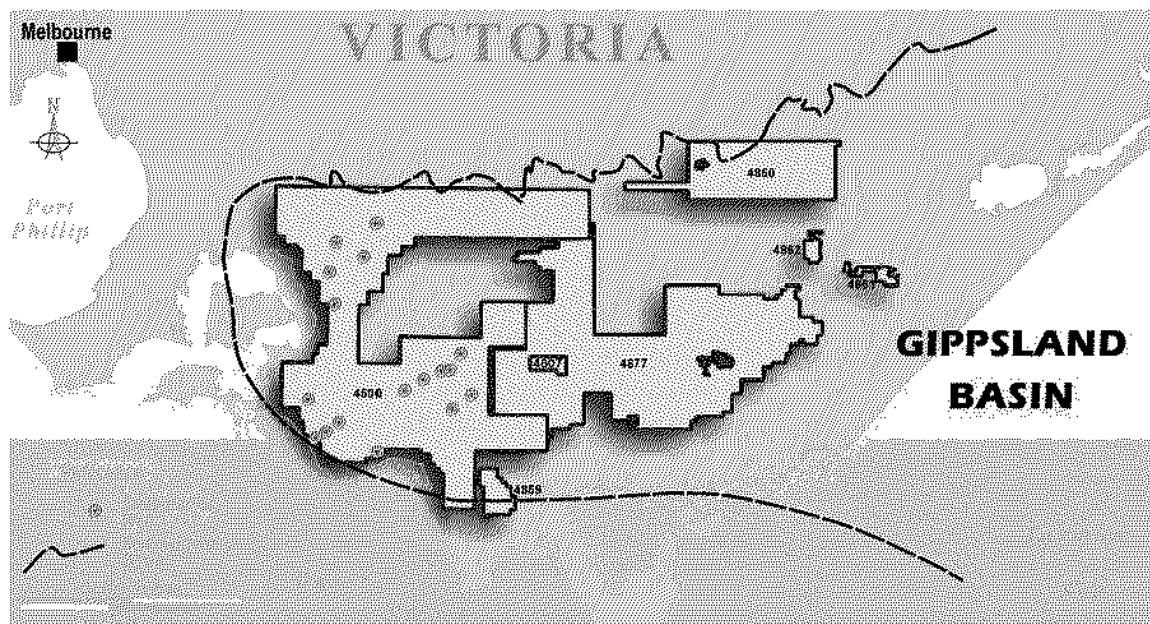
#### **3.1 GIPPSLAND BASIN**

The Gippsland Basin Project is located to the southeast of metropolitan Melbourne between Dandenong, Wonthaggi, Leongatha and Moe.

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.

During the March 2006 quarter, the Company submitted a Work Plan to facilitate drilling two test wells on one of the newer Exploration Licences (EL) near Mirboo in central Gippsland. As well three licences (EL 4858, 4877, and 4902) have been amalgamated to form one tenement (EL4877) containing over 1,650 km<sup>2</sup>. The Company's existing tenements in Gippsland total approximately 4,376 km<sup>2</sup>.

The Company has based its acquisition strategy and exploration programs on the premise that the on-shore Gippsland Basin is an analogue of the San Juan Basin New Mexico USA which hosts deep black coals at depths greater than 750 metres.



Rig availability continues to be very limited due to the overall robust natural resource sector throughout the country which thwarts the Company's ability in securing a suitable drilling/coring contractor to further its approved Victorian Stratigraphic Work Plan on EL4500.

The Company's plan is to complete a desorption core hole to evaluate the gas content of the black coals of the Strzelecki Group. The continued interpretation of the initial borehole data completed last year further encourages the Company's outlook for its Gippsland Basin project.

### 3.2 OTWAY BASIN

The Otway Basin Project is located on shore adjacent to the South Australian border in a position that takes advantage of the gas pipeline joining Victoria to South Australia.

Potential CBM resources exist in the sub-bituminous to high volatile bituminous black coal seams of the Eumeralla and Strzelecki Formations and the thicker younger Tertiary brown coals. It is thought that the black coals may be gassy because explosions and fires at mines in the adjacent Gippsland Basin to the east are anecdotal evidence of the presence of methane in the coal seams in both of these basins.

In the Otway brown and black coal seams occur down to a depth greater than 1000m, so both biogenic and thermogenic methane can be expected, also there is a strong expectation that other deeper coal seams may be present in the areas held under EL 4811.

The region under licence is 957 km<sup>2</sup> and a Work Plan was submitted during the quarter to facilitate the drilling of up to four stratigraphic bore holes. These wells will enable the Company to assess the depth, thickness and potential gas content within the Otway coal seams, at present negotiations with landowners to gain access is underway.

## **4. CORPORATE**

### **4.1 SHARE PLACEMENT**

On 5 April 2006 the Company announced a placement of 12,500,000 new shares at an issue price of \$0.32 per share to raise \$4 million to provide funds for the continued development and exploration of the Company's coal bed methane projects and for working capital purposes.

As a result of this placement and the proposed North American Proposal (discussed below) a US\$7.5 million debt and hedging facility which Macquarie Bank Limited had approved and offered to the Company was declined by the Company.

### **4.2 NORTH AMERICAN PROPOSAL**

On 20 December 2005 the Company announced that it had engaged Sprott Securities Inc. of Canada to act as its financial advisor with a view to identifying and executing a strategic transaction for the Company in the North American capital markets. The purpose of the proposed transaction is to match the Company's asset base with the Canadian market environment with a view to attaining the generally higher prevailing North American market values for energy stocks. The Company continues to actively investigate suitable transactions to obtain this objective.

## **5. 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 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

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