



ABN 46 098 952 035

28 July 2006

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

(10 pages by email)

Dear Madam

**REPORT ON ACTIVITIES FOR THE QUARTER ENDED
30 JUNE 2006**

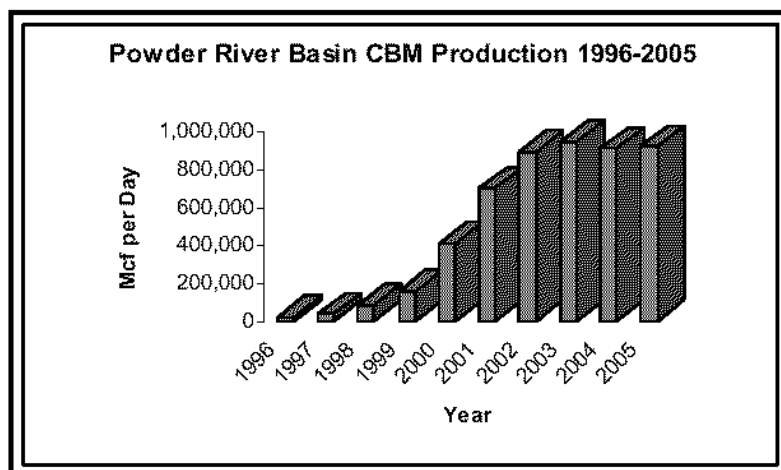
1. QUARTERLY HIGHLIGHTS

- West Esponda permits approved.
- All wells in the West Esponda pilot production program completed.
- Construction of the water retention pond at West Esponda completed.
- Dewatering initiated at the West Esponda pilot.
- Further strategic acquisitions at West Esponda.
- Western Gas Resources Inc., new partner and operator of the East Esponda Project, bid for by Anadarko Petroleum Corporation.
- Oriva Federal Plan of Development and State permits approved.
- Conventional oil and gas drilling planned at Oriva Federal.

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 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.

Pilot Production Program

The pilot production program in the northern portion of the West Esponda Project has been completed and the dewatering phase of production has commenced. 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.

During the June quarter, the last of the ten wells in the pilot production program were drilling and completed.

The ten wells in the pilot production program were completed in a staggered offset pattern on the State's mandated 32 hectare spacing. The wells total 6,874 metres of drilling and are 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.

The following tabulates the drilling results:

Well Name	Total Drilled Depth (metres)	Total Coal Intercepts (metres)	Total Big George Interval (metres)
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
Esponda 4980-15-3	689	38.1	18.3

All wells were cased on reaching the well's total depth. Well completion, including downhole cleanup, seam perforations, formation enhancement and pump installation, is complete.

Two wells, State 16-7 and 16-3, were 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 90⁰ and 120⁰ successfully tested the pilot's perforation procedures, and have been utilised on the remaining wells.

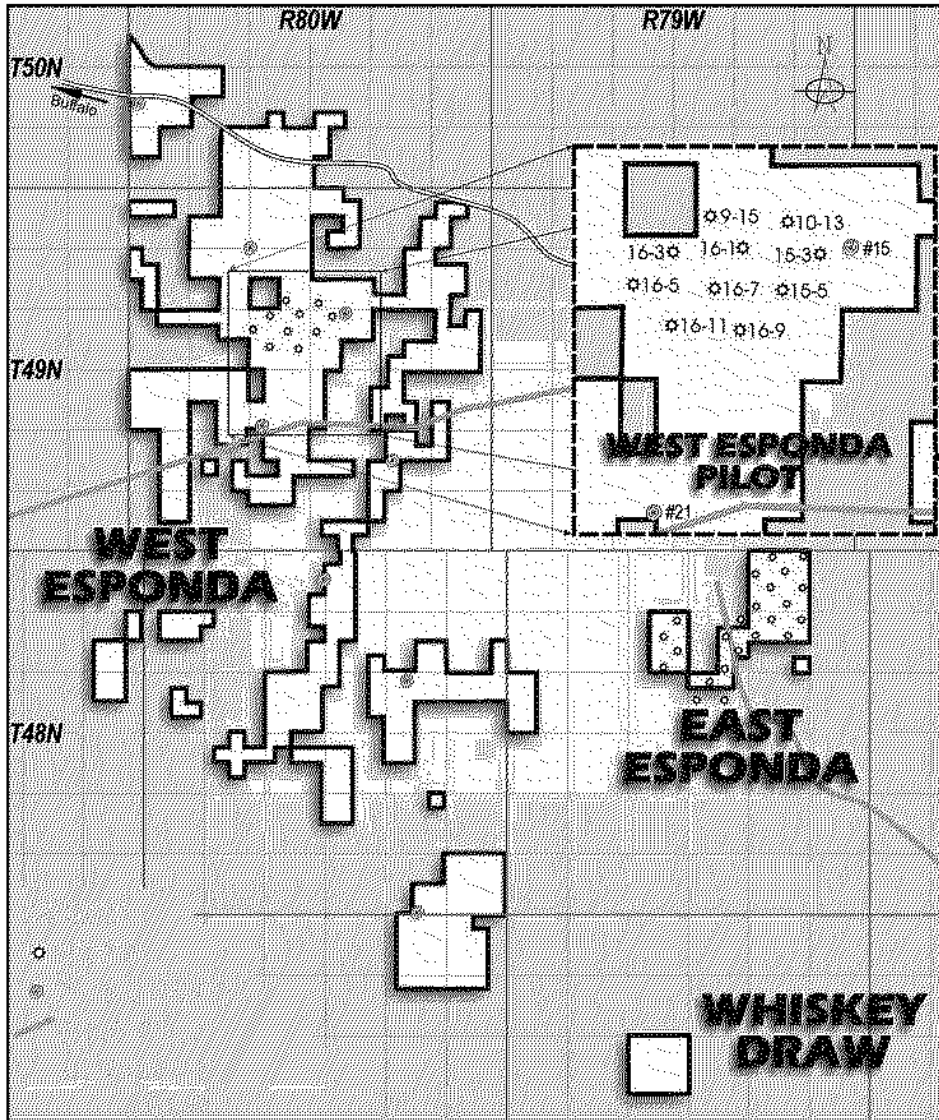
The in-field gas and water reticulation and well tie-ins for the pilot production program have been completed and a generator to power in-well pumps is being used on-site.

Also during the June quarter, the Wyoming Oil and Gas Conservation Commission approved the Company's construction permit for its water discharge retention facility with a capacity of approximately 200 megalitres, the Southwest Pond, and the Wyoming Department of Environmental Quality approved the Company's Wyoming Pollution Discharge Elimination System Option 1A permit, WY0054313.

Following receipt of these approvals, construction of the Southwest Pond, was commenced and is now being used for water discharge.

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 overly 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 the future.

The pilot production program not only tests 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.



Acquisitions

The Company has continued its tenure consolidation in the West Esponda leasehold in Townships 48-50N, Ranges 80-81W with the acquisition of freehold tenements totalling 1,199 net hectares (2,962 net acres). These acquisitions are contiguous with the Company's existing tenements and cost US\$236,744. To date the West Esponda Project area consists of freehold CBM leases and State of Wyoming leases totalling 7,540 net hectares (18,631 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.

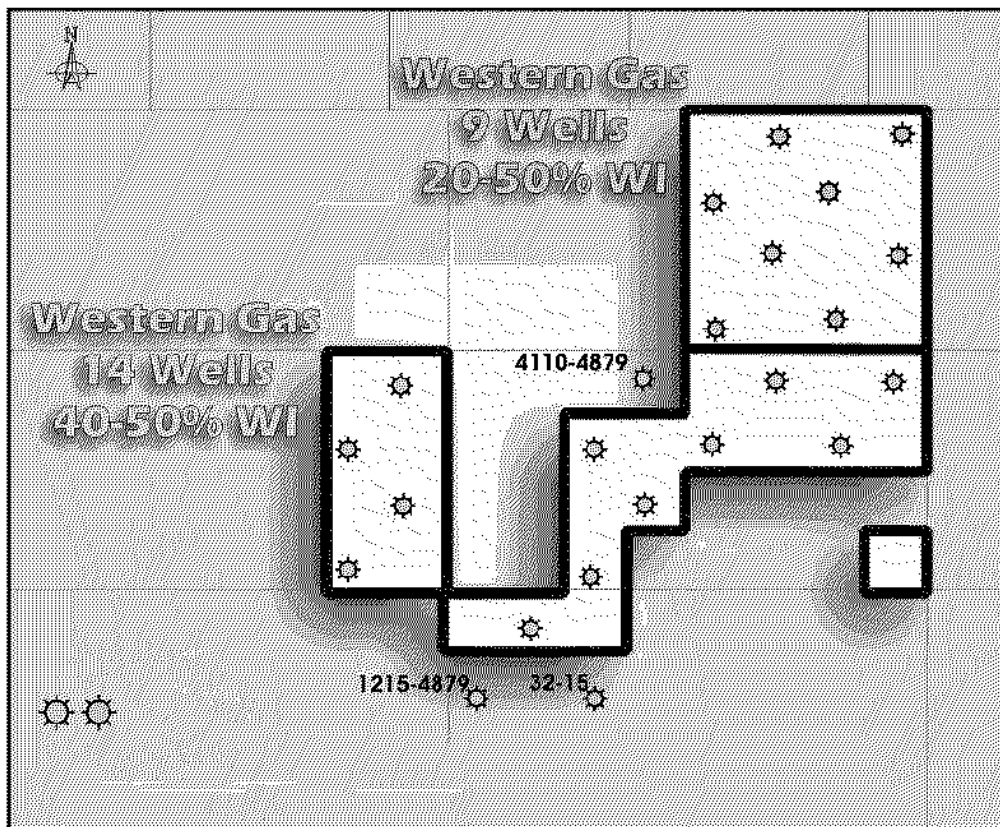
2.1.2 EAST ESPONDA

The East Esponda Project comprises two joint ventures covering a total of 469 net hectares (1,160 acres). Effective 21 March 2006, Western Gas Resources Inc. ('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 US\$137 million. As a result, Western Gas is the Operator and the Company's only partner in the East Esponda Project.

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.

Western Gas is well into the dewatering program for our East Esponda Project and the surrounding Big Cat and Indian Creek fields and has advised the Company that CBM production is expected to commence in October 2006.

On 23 June 2006 Anadarko Petroleum Corporation announced a bid to acquire Western Gas for US\$5.5 billion, a 49% premium to the pre-bid Western Gas share price. This offer reaffirms the strength of the North American CBM market, and its increasing importance to major companies as a source of expanding natural gas production in a stable political and economic market.



2.1.3 ORIVA PROJECT

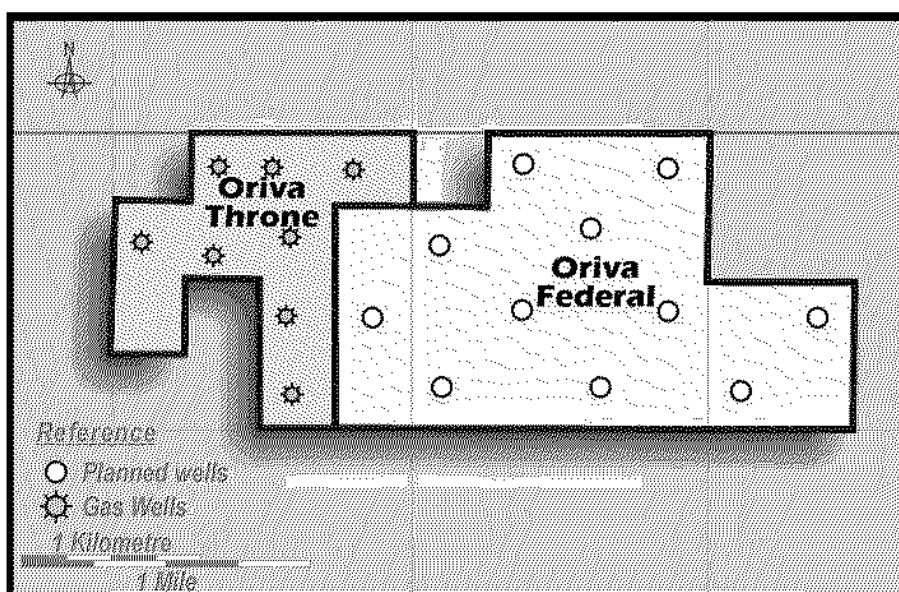
The Oriva Project comprises two project areas, Oriva Throne which is in production and Oriva Federal which is in the permitting phase. The Oriva Project is located approximately 21 kilometres west of Gillette, Wyoming, and totals 505 net hectares (1,248 acres) in Sections 8, 9 and 10, Township 50 North,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

CBM production for the June 2006 quarter was as follows:

Coal Seam	CBM Production (Mcf)	Net Revenue Interest (Mcf)
Anderson	20,531	12,473
Felix	6,000	3,645
Wall	392	238
Total	26,923	16,356

The Company's NRI share of production was sold for an average of US\$5.07 per Mcf for total net revenues of US\$82,974 and the Company's share of operating costs totalled US\$108,112.

Oriva Federal CBM

During the June quarter, the Company's Plan of Development ('POD') was approved by the Federal Bureau of Land Management's Buffalo Field Office ('BLM-BFO'). Additionally, the Wyoming Department of Environmental Quality and State Engineers Office ('SEO') approved and issued their respective permits, thereby facilitating the commencement of development of the Oriva Federal Project.

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.

Final negotiated contracts for in-field gas compression and gas transportation to markets are being reviewed.

Oriva Federal Conventional Oil and Gas

During the June quarter, the Company entered into a Conventional Oil and Gas Farmout Agreement ('Farmout Agreement') with Carpenter & Sons and North Finn ('C&S-NF'), both located in Casper Wyoming, over the non-CBM rights at the Company's Oriva Federal Project.

The primary conventional oil and gas target is the Cretaceous Muddy Formation at a depth of approximately 2,900 metres with Cretaceous aged fractured shales situated above the primary target as a secondary objective.

C&S-NF, as Operator, will earn their interest in the conventional oil and gas (not CBM) from the Oriva Federal lease as follows:

- By drilling a well which must commence on or before 31 October 2006, C&S-NF will earn an 81% net revenue interest in 50% of the non-CBM interests in the Oriva Federal lease.
- By the completion of a second well, C&S-NF will earn an 81% net revenue interest in the remaining non-CBM Oriva Federal lease.

Under the terms of the Farmout Agreement the consolidated entity will retain a 19% interest which will cover all royalties (totalling 14.5%) which are payable in respect of the Oriva Federal lease. The consolidated entity retains a net 4.5% net revenue interest in the conventional oil and gas production from the Oriva Federal lease which the consolidated entity may convert a 20% working interest. In the event of this conversion, the royalties payable will be shared in proportion to the parties working interests.

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 to 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.

Early in the June quarter the test well was shut-in due to repairs to the surface pumping equipment. The pump jacks weights had become unstable and replacements have been difficult to obtain due to high industry demand. It is estimated that operations will recommence in the next month.

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 continues its data collation program leading to the development of initial exploration programs in Victoria. Work programs have been prepared for EL4807 and EL4811 and others are in preparation. In addition, the Company continues its appraisal program of potential CBM prospects in Australia.

Gippsland Basin, Victoria

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.

Following the granting of additional tenements and the consolidation of the Company's Gippsland Project tenements, the Company's Gippsland Project has an area of approximately 4,625 km².

The Company plans to drill up to eighteen stratigraphic holes totalling up to 14,000 metres on portions of its Gippsland tenements to depths of up to 1000 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 consolidated entity's initial evaluation.

The general prospectivity of the Gippsland region for CBM has been proven by the earlier drilling but the Company needs to source drilling equipment that is up to the task of penetrating to 900 or 1,000 metres. The prospectivity of the deeper stratigraphic section, as encountered in hole GS13, is highlighted by the fact that the cumulative average coal thickness for the previous five (shallow) holes was 1.95 metres, while GS13 produced a cumulative coal thickness of 7.5 metres. It is important to note that the base of the prospective Strzelecki Group's coals was not reached in GS13, again due to rig limitations.

A desorption core hole is planned to be drilled in the vicinity of GS13/GS15 prior to the continuation of drilling the outstanding stratigraphic bores.

Otway Basin, Victoria

The Otway Basin Project Area is adjacent to the South Australian border and alongside the route of the South East Australia gas pipeline. A work program to facilitate the drilling of up to four 1,200 metre stratigraphic test holes has been lodged with the Department of Primary Industries and, once this has been accepted and registered, a test drilling is planned to commence.

Gunnedah Basin, New South Wales

PEL 428 covers an area of 6,021 km² in northern New South Wales and lies immediately north and west of Eastern Star Gas' PEL 238 permit which contains the Coonarah Gas Field, the Wilga Park Power Station and the Bohena coal seam gas pilot. Eastern Star Gas is funding Comet Ridge Limited's expenditure commitment at present and is the operator. No significant exploration work was completed during the quarter.

Interests in PEL 428 after Eastern Star Gas 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. CORPORATE

Share Placement

On 5 April 2006 the Company completed 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.

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 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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