

31 July 2009

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

(6 pages by email)

Dear Madam

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

HIGHLIGHTS

- **Appointment of Sharif Oussa as Managing Director and CEO**
- **Recapitalisation of the Company**
- **Agreement to acquire 100% of Gradient Energy Limited for cash and scrip purchase**
- **New domestic energy strategy**
- **Assessment of USA Powder River Basin assets continuing**
- **Callabonna Uranium Limited to merge with MKY Resources Limited**

1. Appointment of New Managing Director and CEO

During the quarter, the Directors of Planet Gas Limited (the 'Company' or 'Planet Gas') appointed Mr Sharif Oussa as Managing Director and Chief Executive Officer of the Company.

Mr Oussa is a geologist and former resources and finance analyst with more than 16 years experience in the mining and resources sector.

Formerly Head of Mining and Resources at D&D Tolhurst Limited, he focused on financing and advising Coal Bed Methane (CBM) companies and later established himself as a leading CBM company founder and executive.

Mr Oussa has played key roles in the establishment of some of Australia's best known CBM companies, including Sydney Gas Company, Eastern Star Gas Limited and Queensland Gas Company.

He is also an original founder and former CEO and Managing Director of Blue Energy Limited, an original founder of Planet Gas Limited, Great Artesian Oil and Gas Limited, a conventional oil and gas company, and a founder and former Director of Hot Rock Limited, a company with geothermal development assets in Australia.

In addition to his normal executive duties, Mr Oussa will take a “hands-on approach” to:

- facilitate re-financing of the Company and its subsidiaries;
- re-establish investor understanding of the Company and its prospects; and
- drive the search for new energy sector opportunities designed to advance shareholder value in the near future.

As part of Sharif's employment package, the Directors have resolved, subject to shareholder approval, to provide an equity participation incentive which was outlined on 25 June 2009.

In addition to the option package offered to the new Managing Director, an executive option plan has been offered to all Directors and senior management in the company.

A general meeting of members has been convened for 20 August 2009 to seek shareholder approval for the allotment and issue of grant of Options, and for approval of the Executive Option plan.

2. Recapitalisation of the Company

During the quarter, the Company successfully placed 30,357,720 shares at \$0.05 to resources investment participants.

The equity placement successfully raised \$1,517,886 working capital for the Company.

In addition to the placement, the Company has recently announced the following capital raising initiatives to re-capitalise the Company:

- a non-renounceable rights issue, where the Directors reserve the right to issue any shortfall at their discretion, of approximately 58.2 million fully paid ordinary shares on a pro-rata basis of 1 new shares for every 4 existing shares held on the record date at an issue price of \$0.05 per new share to raise approximately \$2.9 million ('Rights Issue');
- a placement of approximately 44.7 million new fully paid ordinary shares at an issue price of \$0.05 per new share to related parties to retire outstanding liabilities totalling approximately \$2.2 million ('Placement'). The proposed Placement will 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 has been provided on an interest free basis and with no fixed terms of repayment.

These initiatives require shareholder approval and a prospectus to be issued.

The issue price of the Rights Issue has been set at the same price as the recent 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.

A prospectus, which will, amongst other statutory disclosures, detail the timetable for the completion of the Rights Issue is in the process of being prepared and will be released as soon as it is available.

Documentation for the placement of 44.7 million shares has been issued, and forms part of the documentation for the general meeting of members which has been convened for 20 August 2009 to seek shareholder approval for the allotment and issue of shares and grant of Options.

3. Acquisition of 100% of Gradient Energy Limited.

During the quarter, the Directors announced that the Company had entered into a formal agreement to acquire 100% of Gradient Energy Limited ('Gradient'), a Queensland based, public, unlisted geothermal exploration company.

The acquisition is part of an ongoing business strategy outlined at the Company's 2008 Annual General Meeting to:

- acquire a quality portfolio of Australian domestic energy assets, while;
- undertaking a review of the Company's USA assets, in light of significant USA industry developments.

3.1 The Acquisition Agreement

The Company has entered an agreement to acquire 100% of Gradient, by means of a scrip and cash offer, comprising:

- 39.0 million shares issued to Gradient shareholders which will be subject to a 12 month voluntary escrow (or such longer period as required by the ASX); and
- \$1.35 million cash payment, being a \$50,000 deposit to Gradient and \$1.3 million payable to the vendors 6 months after the completion of certain conditions precedent.

The completion of the acquisition is subject to a number of conditions precedent, including certain shareholder approvals by both the Company's and Gradient's shareholders. The general meeting of members convened for 20 August 2009 will seek shareholder approval for the allotment of shares to complete the transaction.

3.2 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 focussing its largest financial 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 license 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.

Gradients 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 Petratherm'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.

In addition to this proposed acquisition, the Directors plan to continue to actively pursue additional energy project opportunities in the coal bed methane, coal mine methane and geothermal sectors.

During the quarter, number of acquisition opportunities in the energy sector were assessed. In addition to acquisition opportunities, Planet Gas will participate in tenders for energy projects.

4. Powder River Basin, Wyoming, USA

During the quarter, Managing Director, Mr Sharif Oussa, Non-Executive Director Mr Bob Bell, and General Manger Mr Richard Haren, undertook a fact finding mission to assess the USA assets held by the Company in the Powder River Basin.

The Company is currently continuing assessment of the technical merits of its Powder River Basin portfolio, including modelling the dewatering and projected economics of its pilot at West Esponda. In addition, the economics of production at East Esponda and Oriva are being assessed taking into account low gas prices in the USA and the ongoing cost of the USA operations. The operating and financial results to date have been disappointing.

The Directors expect to be able to make some strategic decisions regarding the Company's USA operations in the near future.

4.1 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.

CBM production for the three months to May 2009 was as follows:

Coal Seam	CBM Production (Mcf)	Net Revenue Interest (Mcf)
Anderson	13,582	8,251
Felix	757	460
Wall	481	292
Total	14,820	9,003

The Company's NRI share of production for the three months to May 2009 was sold for an average of US\$2.34 per Mcf for total net revenues of US\$21,106.

4.2 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 three months to May 2009 was sold for total net revenues of US\$1,054.

5. Callabonna Uranium Limited

Following the completion of the quarter the Directors announced that the shareholders of Callabonna Uranium Limited ('Callabonna Uranium'), including Planet Gas have entered into an agreement with ASX listed uranium exploration company MKY Resources Limited (ASX code: MKY) to sell 100% of the issued capital of Callabonna Uranium to MKY.

The transaction, which is subject to a number of conditions precedent, including MKY shareholder approval, will create a new focused uranium exploration company with a very attractive portfolio of uranium properties in South Australia, the Northern Territory and Queensland.

Additionally the deal also brings a cornerstone investor, SK Energy International Pte Ltd (a subsidiary of SK Holdings one of Korea's largest companies) ('SK Energy'), who have committed to provide an additional \$2.0 million capital to MKY.

The acquisition brings together a strong Board and a management team with extensive operational and technical management experience and a track record of exploration success, project financing and shareholder value creation.

The expanded company will likely be renamed and the revised board will have current Callabonna Uranium Chairman and Planet Gas director Peter Nightingale as its Chairman.

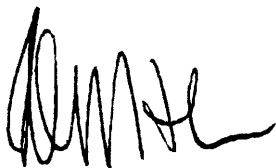
Under the terms of the agreement, MKY will issue 477 million MKY shares in exchange for the 39.5 million current issued shares in Callabonna Uranium. Planet Gas will receive 172.8 million MKY shares, representing approximately 15% of MKY's issued capital after completion of the transaction and SK Energy investment in MKY.

6. 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

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