

29 October 2010

The Manager Companies
ASX Limited
20 Bridge Street
Sydney NSW 2000

Dear Madam,

(8 pages by email)

**REPORT ON ACTIVITIES FOR THE QUARTER ENDED
30 SEPTEMBER 2010**

HIGHLIGHTS

- **Agreement reached to farm-in to 50% of 3 CBM prospective NSW Petroleum Exploration Licences (PELs 468, 469 and 470).**
- **Farm-in arrangements progressed to stage 2.**
- **A tenement portfolio of 5,579 km² focused on the Shoalhaven and Bylong areas in the Sydney Basin and the Mooki area of the Gunnedah Basin.**
- **Proven Basins, highly prospective for CBM, conventional gas and shale gas.**
- **Continues the Company's strategy to target infrastructure/market advantaged projects for delivery of power and gas supply to serve Sydney and NSW.**
- **Ian Halstead appointed as new CEO.**

AUSTRALIAN OPERATIONS

NSW CBM/Gas Projects

During the quarter, Planet Gas Limited (the 'Company') entered into an agreement to a 50% farm-in and operatorship of three highly prospective and well situated NSW petroleum exploration licences.

The agreement, with Leichhardt Resources Pty Ltd covers a tenement portfolio of 5,579 km² at Bylong (PEL 468) and Shoalhaven (PEL 469) in the Sydney Basin, and at Mooki (PEL 470) in the Gunnedah Basin.

All three licences are regarded as highly prospective for coal bed methane ('CBM') and natural gas resources, as well as having potential for conventional and shale gas resources.

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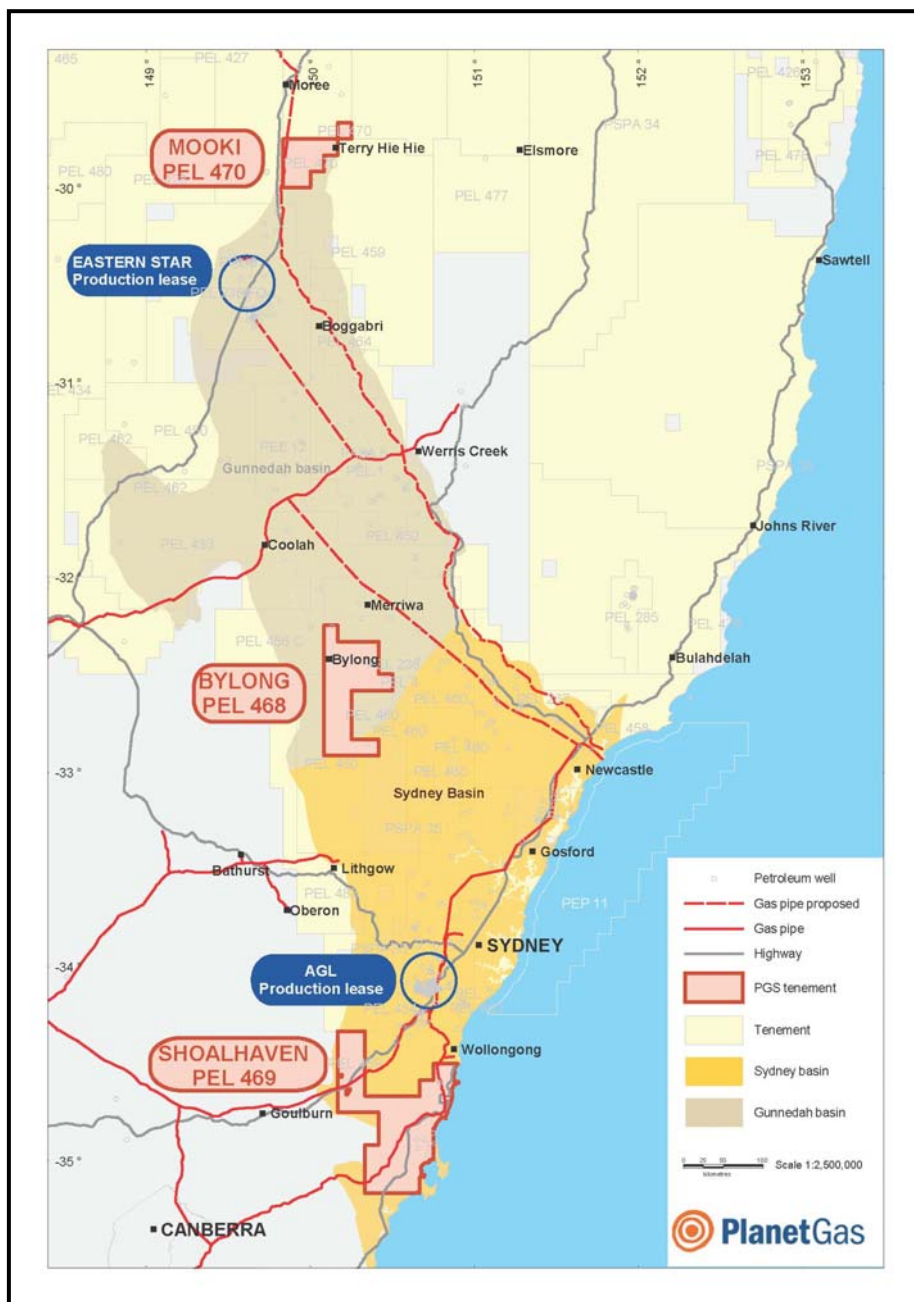
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The Company, through its wholly owned subsidiary Planet Gas & CBM Pty Ltd ('Planet'), will earn up to 50% in each project, via an agreed work program, and immediately assumes the role of Operator of the PELs.

In the Sydney Basin tenements, the Company plans to target any CBM resources hosted by the geological sequences of the Illawarra Coal Measures (or equivalent) and the Shoalhaven Groups. Such resources could potentially deliver natural gas production for electrical power generation and gas reticulation to serve Sydney's rapidly expanding electrical and energy demands.

The Gunnedah Basin tenement is adjacent to the Eastern Star Gas CBM gas development project, and the Company will be targeting the Maules Creek coals.



Location Map of the NSW CBM Projects

Bylong (PEL 468)

Bylong (PEL 468) covers some 1,736 km² and is located on the boundary of the Gunnedah Basin and Sydney (Hunter Coalfield) Basins and is 300 kilometres northwest of Sydney and approximately equidistance to the regional centres of Dubbo, Tamworth and Newcastle.

To date, some 48 drillholes, mostly NSW Government commissioned for open pit and shallow underground mining studies, have been identified in the public domain within the area, and a number of oil and gas exploration wells have been drilled within close proximity to the margins of this licence. These holes intersected the Late Permian Black Jack Formation/Wittingham Coal Measures (Illawarra equivalent) at depths ranging from subcrop to 800 metres. Drilling of these coal seams in adjacent areas has indicated a coal thickness of these coals of up to 90 metres, with gas contents ranging up to 8 m³/tonne.

Shoalhaven (PEL 469)

Shoalhaven (PEL 469) covers some 3,173 km² in the Southern Coalfield of the Sydney Basin. The project is approximately 80 kilometres south of Sydney and adjacent to the operating AGL (PEL 2) tenement. A major regional pipeline linking Sydney Gas to Canberra and Victoria passes through the prospect and the proposed 40TJ/ Day Rosalind Park Gas Plant is less than 40 kilometres from the prospect.

Prospective for CBM gas resources are the Illawarra coals which range up to 15 metres thick for the Clyde Coal Measures and more than 25 metres thick for the Illawarra Coal Measures. The Illawarra Coal Measures contain 11 named coal seams including four main prospective target seams, those being the Bulli, Balgownie, Wongawilli and Tongarra Seams. Coal vitrinite reflectance data for these seams average 1.2 and historical mine gas data indicates gas contents of 10 to 16 m³/tonne. There are a number of existing drill holes and seismic lines within the licence.

Mooki (PEL 470)

Mooki (PEL 470) covers some 670 km² and is located between the regional centres of Moree and Narrabri and less than 100 kilometres from the Wilga Park Gas Fired Power Station. The proposed Wullumbilla-Newcastle pipeline development from Roma Gas Fields to Newcastle runs through the area, providing numerous options for future gas offtake.

The project is located in the Northern Gunnedah Basin. The eastern boundary of the prospect is adjacent to the Hunter-Mooki Fault, a regional structure active throughout deposition of the coal measures and a depo-centre for thick accumulations of coal bearing sediments. Drilling in the area has intersected net coal thicknesses of between 15 to 20 metres from the early-mid Permian Black Jack/Maules Creek Formations, and CBM gas contents of up to 10 m³/tonne, which are highly prospective for CBM gas resources.

The Farm-In Agreement

The farm-in agreement requires no upfront payments by the Company. The estimated minimum expenditure for the technical works, or *in ground* costs, by the Company over the 3 year life of the farm-ins is \$15,880,000. Each area will be the subject of a three phase farm-in process, commencing with a 60 day due diligence period.

During the quarter, Planet advanced to Stage 2 of the farm-in agreement. The Stage 2 work programs will earn the Company a 10% equity interest in each of the three PELs, at a total cost of \$3.0 million. The work will be undertaken concurrently and will include seismic acquisition programs of 30 kilometres in PELs 468 and 470, and 20 kilometres in PEL 469. Stage 2 also includes the drilling, logging and testing of one open hole well in each of PELs 469 and 470 and two open-hole wells in PEL 468.

A successful result in any or all of the Stage 2 work programs will trigger the Company's participation in the final Stage 3 of the farm-ins, in which the Company may earn another 40% in each of the PELs.

Leigh Creek Geothermal Project (GELs 448 - 461)

During the quarter, the Company was successful in its application for a South Australian Government PACE (Plan for Accelerating Exploration) Grant, round 6 in 2010. The grant was awarded for innovative systematic geothermal exploration focused on identifying and mapping the surface expression of deep hot fractured aquifer (HFA) geothermal systems within the Company's licence area.

The grant of \$80,000 will help fund the first two years of the Leigh Creek work program with the major component of the work program consisting of ASTER (Advanced Spaceborne Thermal Emission and Reflection Radiometer) satellite imaging.

The ASTER imaging will be used to:

- Identify thermal and mineral alterations within the tenement area.
- Potentially confirm the prospectivity of the Norwest Fault System, believed to host a HFA geothermal system, which strikes through the majority of the Leigh Creek tenement area.
- Fill the knowledge gap of geothermal data within a large area of South Australia heat flow anomaly.

Temperature and alteration anomalies in the Leigh Creek licence area will be followed up in water sampling of known springs, water bores and mineral holes to further understand the geothermal resource.

This program will cost effectively evaluate a large region of the Leigh Creek tenement for geothermal prospectivity.

Cooper Basin Oil and Gas Project (PELA 514)

The Right to Negotiate (RTN) process is continuing with native title claimants. Once completed, the RTN will allow for the granting of the exploration licence. The RTN process is nearing finalisation and the Company expects the granting of this licence in the near term.

Other Projects

No field activities were undertaken during the quarter at the Company's other projects (Clarence/Moreton, Eromanga and Innot geothermal projects and Wyoming CBM projects). Preliminary geological and geophysical work has been ongoing.

Sharif Oussa

The Directors regret to advise that during the quarter, the Company's Managing Director, Mr. Sharif Oussa, passed away. Sharif was one of the Company's founders and had rejoined as Managing Director and CEO during 2009. He had also previously held key positions and was involved in the establishment of several of Australia's well known CBM companies.

The Directors express their sincere condolences to Sharif's family and friends.

Appointment of New Chief Executive Officer

The Directors are pleased to advise of the appointment of Mr. Ian G. Halstead as the Company's Chief Executive Officer.

Ian Halstead is a geologist with more than 27 years of conventional oil and gas exploration and production experience, including 16 years in senior management roles. Ian has extensive international experience with a focus on the Asia Pacific region. Prior to joining the Company in July 2010 as Chief Operating Officer, Ian was Chief Operating Officer/General Manager for Pan Orient Energy Corp., a TSX listed company, based in Thailand. Ian was instrumental in the Wichian Buri, Na Sanun East, and Bo Rang North field developments, onshore Thailand, where both daily production and reserves were increased significantly over the 2006-2009 period.

Ian's earlier appointments included Director/General Manager for Cairn Energy plc in Bangladesh, where he managed the acquisition of Shell's operating unit and merger with Cairn in 2004. He also managed the Sangu offshore gas Phase 2 development project and has performed other roles including Group Risk and HSE Manager based in Scotland and General Manager Far East - a regional role based in Singapore.

In summary, Ian has been involved with all aspects of management in the oil and gas exploration and production sector, developing organisations from their infancy into fully staffed and functional operational production teams.

Statement of Competent Person

The information in this report that relates to Exploration Results is based on information compiled by Mr Ian Halstead, geologist, who is a Member of the American Association of Petroleum Geologists. Ian Halstead is a full-time employee of the Company who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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'. Ian Halstead has consented to the inclusion in this report of the matters based on his information in the form and context in which they appear.

For further information, please contact Ian Halstead, Norman Seckold or Peter Nightingale on (61-2) 9300 3322.

Yours sincerely



Peter J. Nightingale
Director

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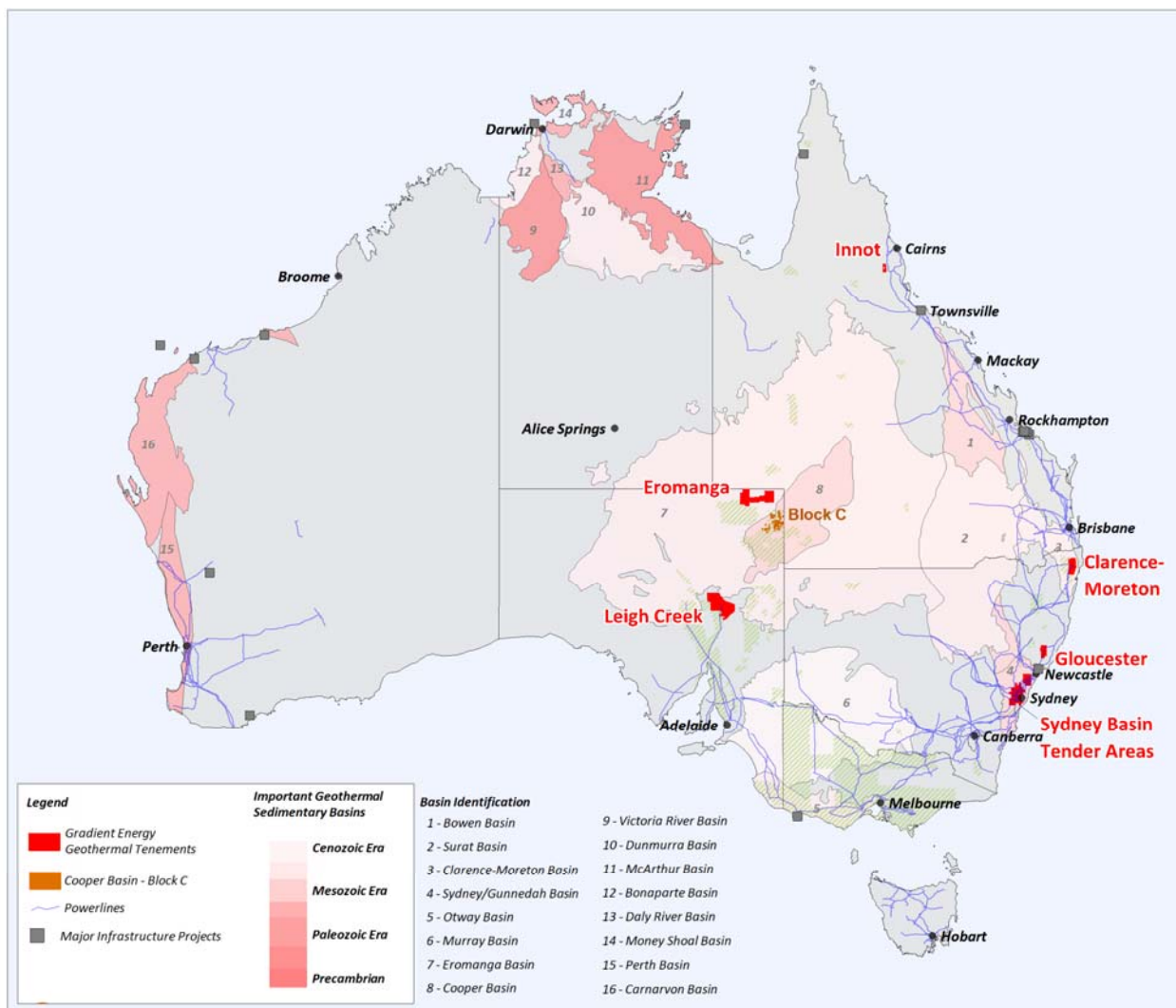
PLANET GAS PROJECT LIST

AUSTRALIA

State	Tenement	Resource	Project	Status	Granted	Expiry	Company	Area (km ²)
NSW	EL7146	Geothermal	Clarence Moreton	Granted	28-May-08	28-May-12	Gradient Energy Ltd	1,942 km ²
NSW	EL7350	Geothermal	Gloucester	Granted	10-Jun-09	10-Jun-11	Gradient Energy Ltd	1,230 km ²
NSW	EL7510	Geothermal	Sydney - Ourimbah	Granted	7-Apr-10	7-Apr-13	Gradient Energy Ltd	1,377 km ²
NSW	EL7512	Geothermal	Sydney – Richmond	Granted	7-Apr-10	7-Apr-13	Gradient Energy Ltd	1,800 km ²
NSW	EL7513	Geothermal	Sydney	Granted	7-Apr-10	7-Apr-13	Gradient Energy Ltd	1,900 km ²
QLD	EPG29	Geothermal	Innot	Granted	13-Apr-10	30-Apr-15	Gradient Energy Ltd	596 km ²
SA	GEL354-GEL365 and GEL377	Geothermal	Eromanga	Granted	26-May-08	25-May-13	Gradient Energy Ltd	6,101 km ²
SA	GEL448-GEL461	Geothermal	Leigh Creek	Granted	17-Nov-09	16-Nov-14	Gradient Energy Ltd	6,590 km ²
SA	PELA514	Petroleum	Cooper Basin	App Lodged 9-Dec-09 (awaiting Native Title clearance)			Planet Cooper Basin Pty Ltd	1,917 km ²

FARM-IN AGREEMENTS

State	Tenement	Resource	Project	Status	Granted	Expiry	Company	Area (km ²)
NSW	PEL 468	CBM/Gas	Bylong	Farm-in stage 2			Planet Gas & CBM Pty Ltd	1,736 km ²
NSW	PEL 469	CBM/Gas	Shoalhaven	Farm-in stage 2			Planet Gas & CBM Pty Ltd	3,173 km ²
NSW	PEL 470	CBM/Gas	Mooki	Farm-in stage 2			Planet Gas & CBM Pty Ltd	745 km ²



Planet Gas Australian tenement map

USA

State	Basin	Holder	Resource	Project	Area
Wyoming	Powder River	Paupers Dream Company	Oil & Gas	Esponda East	469 Ha
Wyoming	Powder River	Paupers Dream Company	Oil & Gas	Esponda West	11,586 Ha
Wyoming	Powder River	Paupers Dream Company	Oil & Gas	Oriva Throne	146 Ha
Wyoming	Powder River	Paupers Dream Company	Oil & Gas	Oriva Federal	359 Ha