

30 July 2004

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

(5 pages by email)

Dear Madam

**REPORT ON ACTIVITIES FOR THE QUARTER ENDED
30 JUNE 2004**

1. QUARTERLY HIGHLIGHTS

USA

- Near term production anticipated from Eastern Esponda Project.
- Eastern Esponda Gas-In-Place resource estimate completed.
- New acquisitions in the Powder River Basin.

Australia

- Work Plan Application for Gippsland Basin continuing.
- Native Title negotiations over the Otway Basin tenements commenced.
- Company granted EL 4811, covering 102,200 hectares in the Otway Basin.

3. USA OPERATIONS

The Company has the rights to the Esponda Project which covers 4,186 net hectares (10,344 acres) in the Powder River Basin, Wyoming, USA.

The Company also has rights to tenements which were acquired during the quarter covering a further 618 hectares (1,527 acres) in the Powder River Basin. These tenements are known as the Whisky Draw and Oriva Projects.

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.

The USA natural gas market continues to strengthen. Based on data from the US Federal Reserve Bank of St Louis, the Henry Hub pricing of natural gas has increased from a quarterly average price of US\$2.41 to US\$5.64 per million BTU from December 2001 to March 2004.

3.1 ESPONDA PROJECT, POWDER RIVER BASIN WYOMING, USA

Eastern Esponda

Under two separate arrangements, the eastern blocks, covering 469 net hectares (1,160 net acres), or approximately 11% of the Company's Esponda Project, are being drilled 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 and Western Gas completing eight wells. All wells have been completed as future production wells.

During the June quarter, Kennedy continued dewatering its wells and the Company has been advised that initial gas recovery is anticipated before the end of the year.

Negotiations between the owner of the local oil pipeline and Kennedy Oil to construct a new and larger capacity line are underway. The Company has been advised by Kennedy Oil that the production timetable should not be adversely affected by the new pipeline construction.

Western Gas has completed its eight wells on the Eastern Esponda block which are part of a much larger Western Gas program. Indications remain that Western Gas' additional drilling, in-field gathering and production/dewatering activities on the Company's Esponda Project will be completed before the end of the year.

Gas-In-Place Resources

During the June quarter, a Gas-In-Place ('GIP') resource estimate was completed for the Eastern Esponda block, covering 469 net hectares (1,160 net acres) of the Company's total 4,189 net hectare (10,344 net acre) tenement area. The GIP resource estimate totalled 21.9 billion cubic feet ('Bcf') (gross) and 7.3 Bcf (net) within the Big George Seam. This resource estimate was completed by Dr. Jimmy E. Goolsby of Goolsby, Finley & Associates ('GFA') of Casper Wyoming. Goolsby, Finley & Associates 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. The resource assessment utilises volumetric calculations of the twenty well program conducted by Kennedy Oil and Western Gas.

The GIP resource is calculated using 80 acre blocks (legal drill spacing unit), the seam's thickness (closest neighbour interpolation) and a gas content factor of 100 standard cubic feet per ton ('Scf/t').

The following tabulates the Gross GIP by Operator and that attributable to the Company (Net GIP):

Operator	Seam	Gross GIP (Mcf)	Net GIP (Mcf)
Western Gas	Big George (merged)	9,515,520	2,378,880
Kennedy Oil	Big George (merged & upper/lower)	12,397,080	4,958,832
Totals		21,912,600	7,337,712

The Big George Seam is completely merged in the Western Gas area but splits into an upper and lower unit in the western portion of Kennedy Oil's area. Where the Big George Seam is merged, its thickness is greater than 80 feet, and where split its total thickness is approximately 65 feet.

The Directors are very encouraged by this result, particularly considering that the reported GIP resource is only from the Eastern Esponda block which represents approximately 11% of the Company's Esponda Project. The Company holds a 100% working interest in the remainder of its Powder River Basin land position.

Western Esponda

The Company plans to drill up to eight stratigraphic wells for 7,300 metres on its remaining Western Esponda leasehold in the Powder River Basin. The Company is currently sourcing drill rigs, preparing a development drilling program for lodgement with the appropriate State governmental agencies and completing administrative matters such as contract preparation and insurance placement. A drill rig has been secured and drilling is expected to commence in August 2004.

Within the remaining acreage approximately one hundred well sites may be drilled under current well spacing orders.

3.2 WHISKY DRAW PROJECT, POWDER RIVER BASIN WYOMING, USA

During the June quarter, the Company acquired the Whisky Draw project, a State lease comprising 259 hectares (640 acres) ten kilometres directly south of the Company's East Esponda tenements, in Township 47 North, Range 79 West, Johnson County. This acquisition further consolidates the Company's CBM acreage in proximity to the Esponda Project.

This lease is not restricted to CBM but conveys all oil and gas rights. The primary term of this lease is five years and subject to a 16.67% State royalty. The primary target for CBM is the Big George Seam at depths of approximately 600 metres. This project is adjacent to Kennedy Oil's Big Cat Federal CBM field which is currently being brought into production. Although State mandated 80 acre (33 hectare) well spacing allows up to eight well locations to be completed, if multiple seams are encountered and downhole conditions warrant then more than one well per location may be completed.

3.3 ORIVA PROJECT, POWDER RIVER BASIN WYOMING, USA

During the June quarter, the Company acquired the Oriva Project, a Federal lease comprising 359 hectares (887 acres) located twenty one kilometres west of Gillette, Wyoming between the Amos and West Kitty Oil Fields in Township 50 North, Range 74 West, Campbell County.

This lease is not restricted to coal bed methane (CBM) but conveys all oil and gas rights which are potentially prospective for conventional oil and/or gas.

The primary term of the lease is 10 years and subject to a 12.5% Federal royalty. The Oriva Project is located in a premium CBM production region of the Powder River Basin in the immediate vicinity of substantial drilling completed by Kennedy Oil, Williams Production RMT Company, Prima Oil and Gas Company and Emerald Operating Company.

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 33 hectare (80 acre) well spacing allows eleven well locations to be completed and the multiple seams present will likely warrant a minimum of two wells per location be completed.

The Company is assessing its options for the completion of eleven multiple well locations to be conducted under a Plan of Development and Water Management Plan requiring Federal and State approvals. The necessary permitting will be initiated in the September 2004 quarter.

4. AUSTRALIAN OPERATIONS

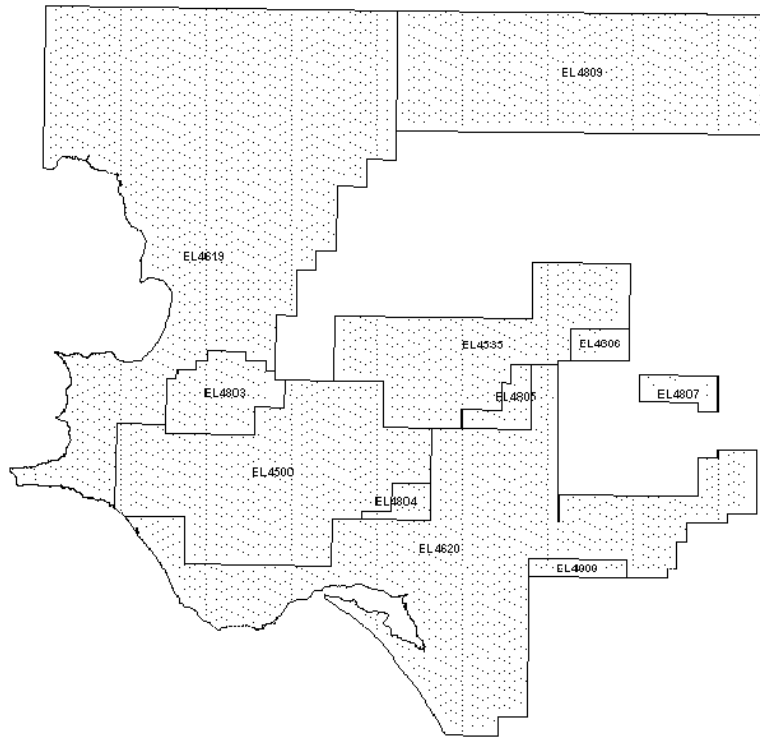
Having acquired the rights to prospective CBM projects in the Gippsland and Otway Basins of Victoria, the Eromanga and Willochra Basins of South Australia and the Gunnedah Basin of New South Wales, these are relatively early stage exploration projects. The Company continues its data collation program leading to the development of initial exploration programs which may include the drilling of appraisal wells. In addition, the Company continues its Australia wide appraisal of potential CBM prospects.

4.1 GIPPSLAND BASIN

In the Gippsland Basin the Company plans the drilling of up to eighteen test wells to verify the economic viability of the drilling of production wells. The results from this initial program, which is planned over a six to eight month period, will determine the subsequent exploration and development program.

During the June quarter, the Company progressed the draft Work Plan Application with the Victorian Department of Primary Industries which had been lodged by the Company to permit drilling in the Gippsland Basin. The process is anticipated to be completed shortly with drilling expected to be able to be commenced in the September 2004 quarter. Initially, eighteen wells will be permitted to obtain modern subsurface control. Data analysis is expected to continue through the September and December quarters of this year.

The tenements in the Gippsland Basin, including recently applied for and now granted tenements, (ELs 4500, 4535, 4619, 4620, 4803, 4804, 4805, 4806, 4808, and 4809) have been amalgamated into a single, contiguous Exploration Licence (EL 4500) for operational and reporting considerations. A single tenement (EL 4807) remains outside the EL 4500 block.



4.2 OTWAY BASIN

Negotiations with the Gournditch Mara People, Native Title claimants, over the Otway Basin tenements (ELAs 4368 and 4369) have been initiated. It is anticipated that the Company's response to their preliminary proposal will be discussed during the September 2004 quarter.

During the quarter, the Company was granted a tenement, EL 4811, which comprises approximately 102,200 hectares.

5. OTHER

The information in this report that relates to mineral resources is based on information compiled by Dr. Jimmy E. Goolsby of Goolsby, Finley & Associates and supervised by Dr. Richard Haren who is a Member of The Australasian Institute of Mining and Metallurgy and who is a competent person as defined by the 1999 edition of the Australasian Code for Reporting of Mineral Resources and Ore Reserves.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter J. Nightingale'.

Peter J. Nightingale
Director

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