

31 January 2006

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

(11 pages by email)

Dear Madam

**REPORT ON ACTIVITIES FOR THE QUARTER ENDED  
31 DECEMBER 2005**

**1. QUARTERLY HIGHLIGHTS**

**USA**

- Completion of 5 wells in the West Esponda Pilot Production Program.
- Further strategic acquisitions at West Esponda.
- JV partner constructing its facilities for East Esponda interests.
- Oriva CBM production rises 20% to 35,239 Mcf (21,408 Mcf NRI)
- Average CBM sale price received was US\$9.29 per Mcf.
- US\$7.5 million funding proposal is being finalised.
- Appointment of North American financial advisor.

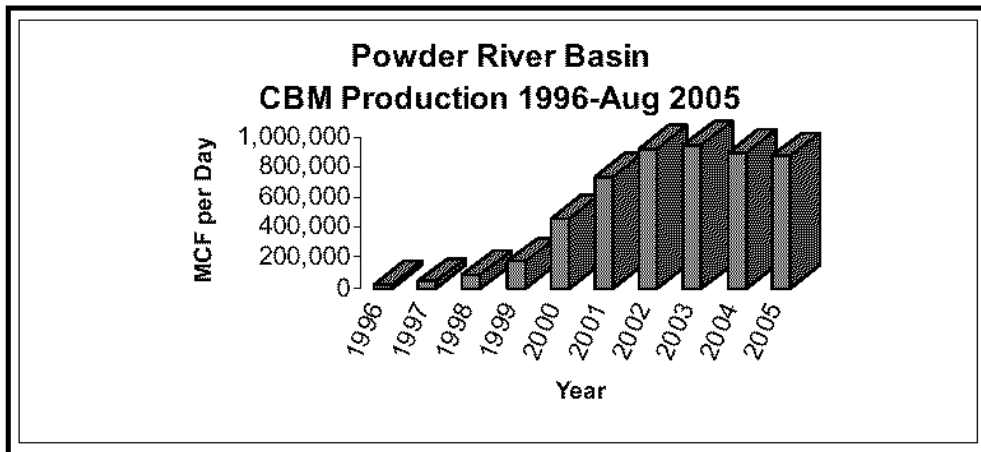
**AUSTRALIA**

- Gippsland tenements granted.

**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 production today of around 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.

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 will be 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 Department of Environmental Quality (WDEQ) has recently notified the Company its Wyoming Pollution Discharge Elimination System (WYPDES) Option 1A permit, WY0054313, is complete. This approval process now proceeds to a 30 day public notice advertisement period beginning on 17 February 2006 thence to the Director's Office for final approval. In addition the Wyoming Oil and Gas Conservation Commission (WOGCC) are currently reviewing the Company's construction permit (Form 14A) for its water discharge retention facility.

To date, five wells in the pilot program have been completed with the sixth recently spudded.

| 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                               |

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.

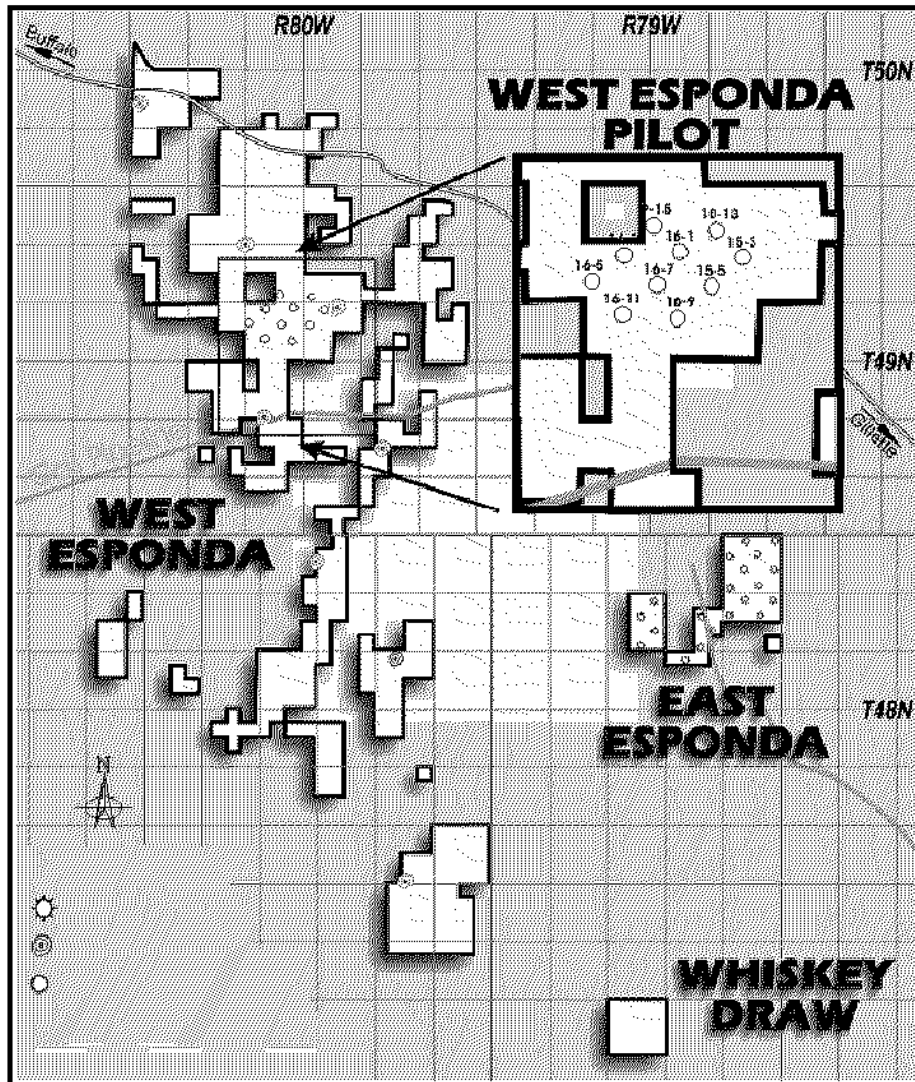
The in-field gas and water reticulation has been completed. This system will be tied into the individual wells at the conclusion of the drilling/well completion program. A generator to power in-well pumps has been delivered to site. State 16-7 has been equipped with a pump to supply drilling water and 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 Inc, 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 259 net hectares (640 net acres) and further consolidating its net acreage holdings by acquiring outstanding interests in four freehold leases totalling 113 net hectares (280 net acres). These acquisitions are contiguous with the Company's existing tenements and cost US\$78,000. To date the West Esponda Project area consists of freehold CBM leases and State of Wyoming oil and gas leases totalling 7,030 gross hectares (17,371 gross acres) and 6,222 net hectares (15,375 net 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 recent (October 2004) state lease acquisition is currently being utilised in the pilot production program to site its primary facilities.

### **2.1.2 EAST ESPONDA**

Under two separate arrangements, the East Esponda Project, covering 469 net hectares (1,160 acres) is being developed by the Company's partners, Western Gas Resources Inc ('Western Gas') and Kennedy Oil. The previously announced East Esponda gas-in-place resource estimate is unchanged.

The drilling programs completed to date by the Company's two joint venture partners consist of twelve wells in the Big Cat Project (Kennedy Oil) and nine wells in the Indian Creek Project (Western Gas). This recent ninth well, Welles Fed 32-15-4879, completed by Western Gas is located in Section 15, adjacent to lands with offset drilling completed by the Kennedy joint venture. The Company retains a 50% Working Interest in this ninth well with Western Gas the remaining interest. All twenty one wells have been completed as future production wells.

Western Gas has informed the Company that it has received its State of Wyoming water discharge permit during the quarter which allows discharge to the Powder River after water treatment. Western Gas has commenced construction of approximately 15 miles of discharge pipeline and the water treatment facility. Presently the field gathering system is being finished and brought to the central gathering point. From here the water will be pumped via newly constructed steel pipeline to the Indian Creek Harriet Treating Facility near the river. The facility's construction is approximately thirty five percent complete. The initial de-watering from the Western Gas joint venture wells completed in the Big George Seam will commence once the treatment facility is operational which is expected during March 2006.

The remaining East Esponda tenements, developed by Kennedy Oil at its Big Cat Project, continue in a dewatering phase. Kennedy Oil, who as the operator and is sole funding these wells (to be repaid from production), has been provided with recommendations from Planet's consultants, CBM Engineering International, with a view to expediting commercial gas production from the Big Cat Field. Kennedy has informed the Company that it intends drilling four 'exception location' wells within its East Esponda joint venture holdings to facilitate the dewatering of the coal seam. State approval will be required to reduce the well density from the mandated 32 hectare (80 acre) spacing orders. It is anticipated that this should occur within the first quarter of 2006. The Company agrees that a more aggressive dewatering plan will be beneficial to the project's development.

During the December 2005 quarter, Kennedy Oil's exclusive financial advisor, Credit Suisse First Boston LLC, received written indications of interest for the possible purchase of Kennedy Oil's assets and allowed prospective purchasers a detailed data review of the Kennedy Oil assets.

### 2.1.3 ORIVA PROJECT

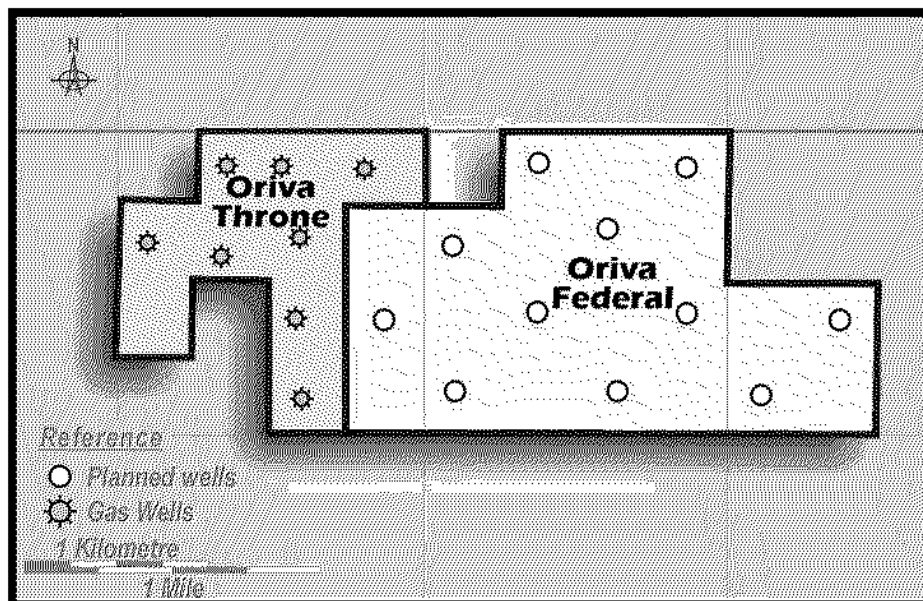
The Oriva Project comprises two project areas, Oriva Throne which is in production and Oriva Federal which is in the permitting phase. The Oriva Project is located approximately 21 kilometres west of Gillette, Wyoming, and totals 505 net hectares (1,248 acres) in Sections 8, 9 and 10, Township 50 North,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

Gas production rates have risen 21.8% from the previous quarter since the installation and shake down of the new screw compressor during the last quarter.

CBM production for the December 2005 quarter was as follows:

| <b>Coal Seam</b> | <b>CBM Production<br/>(Mcf)</b> | <b>Net Revenue Interest<br/>(Mcf)</b> |
|------------------|---------------------------------|---------------------------------------|
| Anderson         | 30,620                          | 18,602                                |
| Felix            | 4,092                           | 2,486                                 |
| Wall             | 527                             | 320                                   |
| <b>Total</b>     | <b>35,239</b>                   | <b>21,408</b>                         |

The Company's NRI share of production was sold for an average of US\$9.29 per Mcf for total net revenues of US\$198,824 and the Company's share of operating costs totalled US\$193,262.

### **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.

The Company's Plan of Development ('POD') application submitted to the Federal Bureau of Land Management's Buffalo Field Office (BLM-BFO) has progressed through its initial review process. During the quarter an Operator's Initial Meeting (OIM) was completed where the Company received comments from BLM-BFO personnel addressing its administrative and technical review of the project. Although the Pre-Approval On-Site Inspection was rescheduled several times through mid-December it was postponed until 5 January due to severe winter weather and snow cover which limited surface exposures in December. The Company is currently addressing the site specific issues following the BLM-BFO's Pre-Approval On-Site Inspection.

During the quarter the Wyoming Department of Environmental Quality (WDEQ) completed its technical review of the Company's Wyoming Pollution Discharge Elimination System (WYPDES) Option 1A permit, WY0053970, and initiated the requisite 30 day public notice advertisement period on 15 November 2005. The Company is awaiting notification of any comments but expects formal approval from the Director's Office.

The WDEQ has recently notified the Company its technical review of the Company's WYPDES Option 2 permit, WY0054178, is complete. This approval process now proceeds to a 30 day public notice advertisement period beginning on 15 February 2006 then to the Director's Office for final approval.

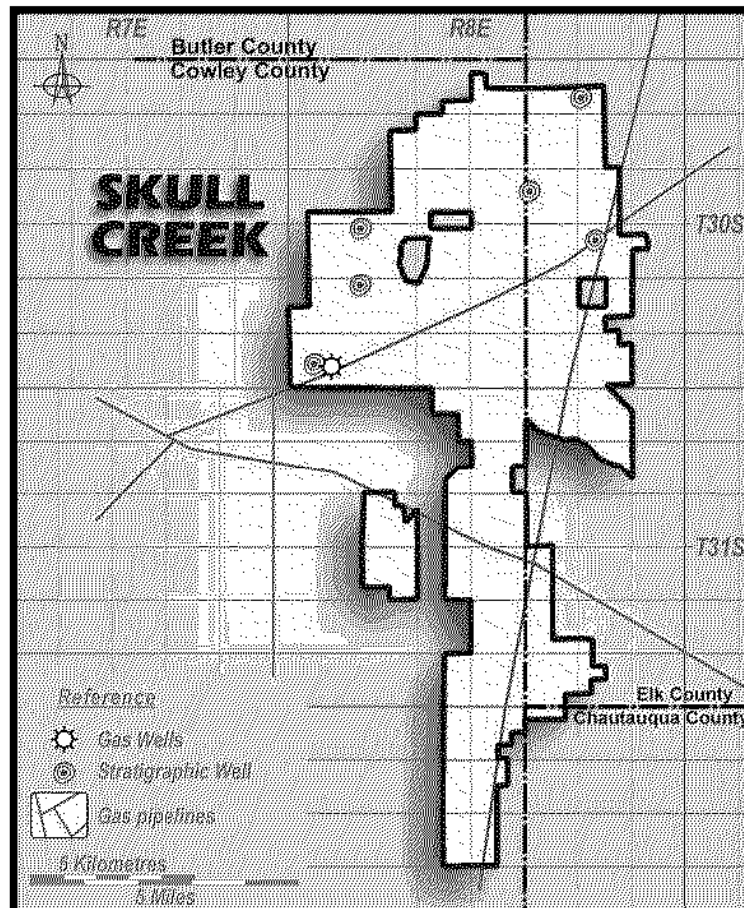
## 2.2 CHEROKEE BASIN KANSAS, USA

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.

The first of multiple zones on the FR11-31 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. The well was shut-in to prepare for the testing of multiple up-hole zones. Materials and services for the completion of up-hole zones are scheduled for January 2006. An overall testing period of several months is anticipated before a final decision to drill and complete additional production wells can 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, the most advanced being in the Gippsland Basin. In addition, the Company continues its appraisal program of potential CBM prospects in Australia.

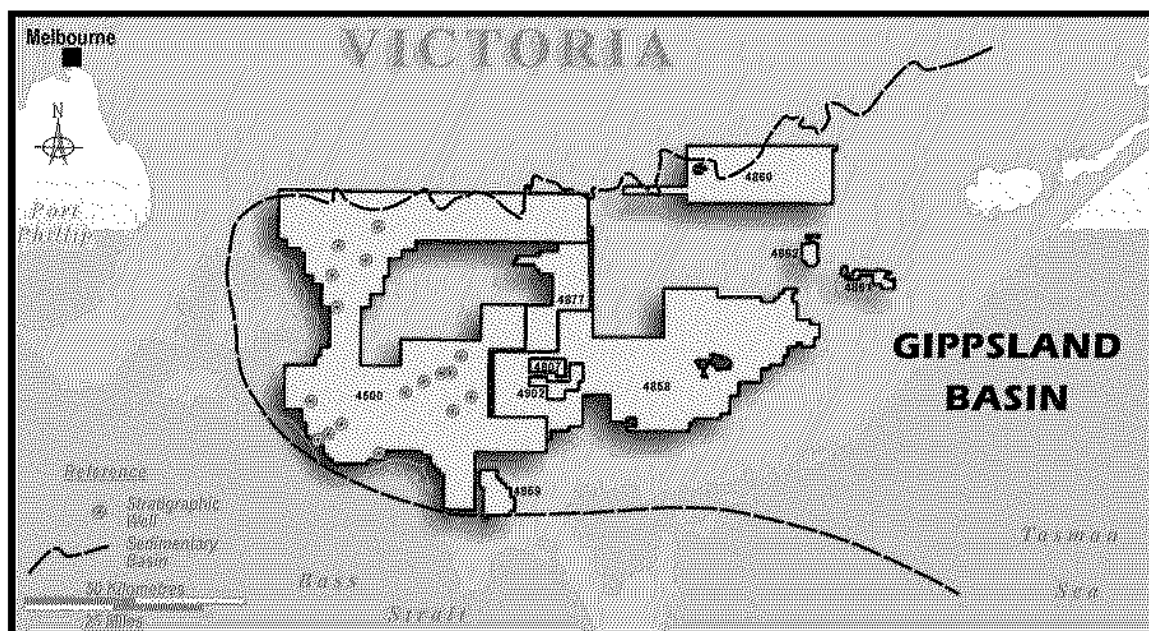
#### **3.1 GIPPSLAND BASIN**

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 December 2005 quarter, two tenements, ELs 4858 and 4902, totalling approximately 1,150 km<sup>2</sup> have been granted in the greater Gippsland Basin Victoria. The Company's existing tenements total approximately 4,376 km<sup>2</sup>.

The Company's research indicates that there exist regionally deep black coals at depths similar to the San Juan Basin New Mexico USA. These seams cumulatively total thirty percent of a 75 metre interval. The Company's acquisition strategy in Gippsland is based on this premise.



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.

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

#### 4. CORPORATE

##### 4.1 MACQUARIE BANK LIMITED FACILITY

During the December quarter, the Company committed to complete a US\$7.5 million debt and hedging facility ('Facility') with Macquarie Bank Limited ('MBL').

Documentation for the Facility is currently being finalised with the following principal terms:

|                         |  |
|-------------------------|--|
| <b>Facility Amount:</b> | US\$7.5 million in 3 tranches (US\$2.0 million, US\$4.5 million and US\$1.0 million).  |
| <b>Purpose:</b>         | To finance the acquisition and development and to hedge associated gas price risk of the of the Company's coal bed methane interests in the USA. |
| <b>Debt Repayment:</b>  | Commencing 12 months from closing in quarterly instalments and with a final maturity date 4 years from closing.                                  |
| <b>Hedging:</b>         | A minimum of 75% of forecast net gas production from PDP reserves will be hedged for the term of the debt plus 1 year.                           |

**Option Issue:**

The Company will issue MBL the following options, each to acquire one fully paid ordinary share at 27.5 cents per share at any time up to 5 years from the date of issue:

- 25,320,000 options to be issued at closing;
- 4,680,000 options to be issued within 6 months of closing; and
- 5,000,000 options on the drawdown of the third tranche.

The Facility will provide the Company with the capacity to aggressively continue its acquisition of strategic USA based properties and will fund the on-going development of the Oriva Throne and Oriva Federal properties and to further develop the Esponda and Skull Creek properties.

**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.

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

Yours sincerely



Peter J. Nightingale  
Director

pjn3359