

31 October 2008

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

(8 pages by email)

Dear Madam

## REPORT ON ACTIVITIES FOR THE QUARTER ENDED 30 SEPTEMBER 2008

### 1. QUARTERLY ACTIVITY SUMMARY

- Drilling commenced at Oriva Federal with two completed wells ready for pumping.
- Negotiations underway for additional drilling at West Esponda.
- East Esponda wells showing increased gas production and Western Gas are drilling another well.

### 2. 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 with current production steadily above 900 million cubic feet per day from over 10,000 producing wells.

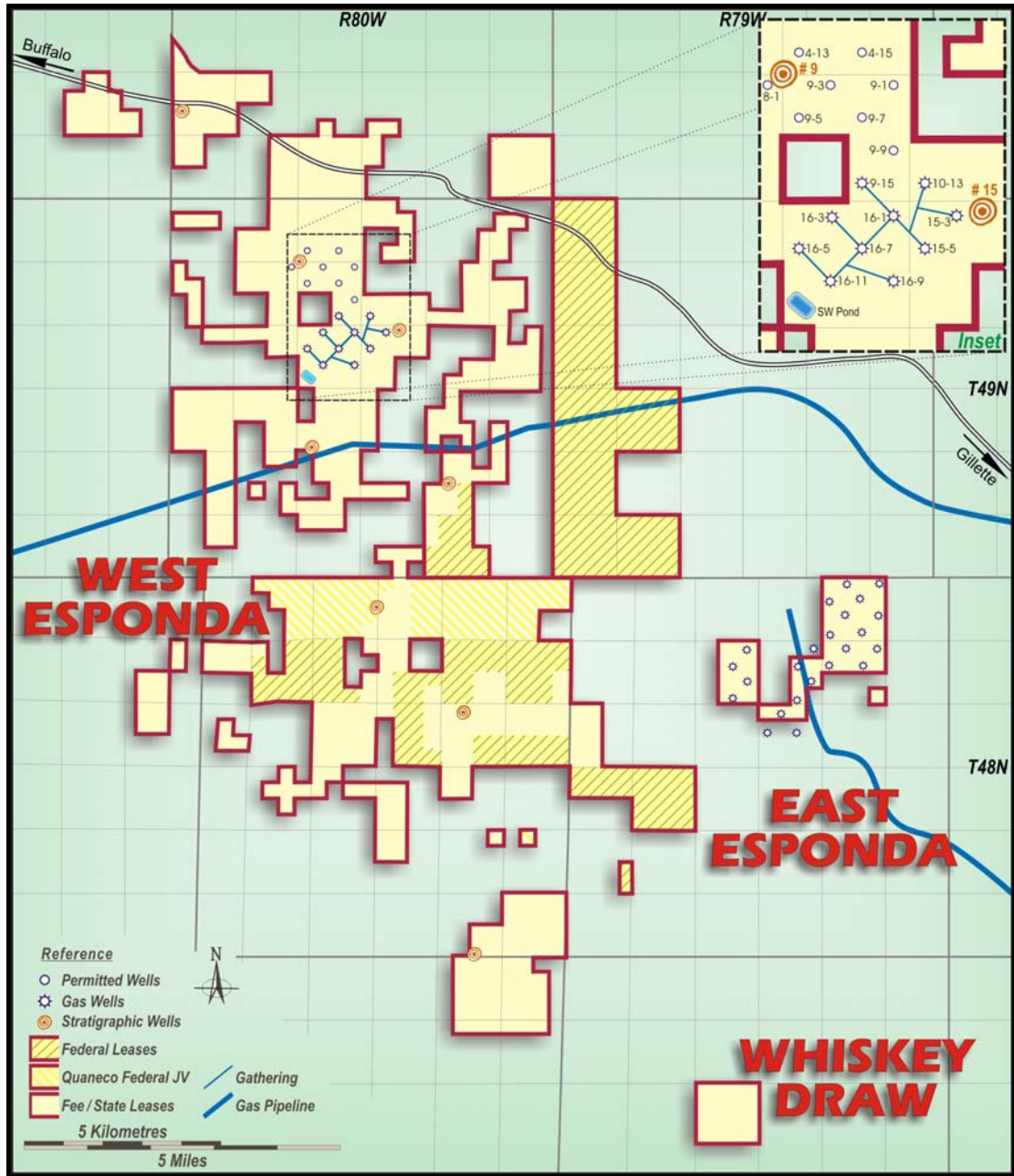
#### 2.1 WEST ESPONDA

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 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.

Geological mapping based on the Company's previous West Esponda pilot program wells and stratigraphic bores in this area of the deep Powder River Basin estimates that between 20 to 45 metres of coal is present. This estimate is supported by results from the Company's stratigraphic drilling program 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.

The West Esponda project totals 11,586 net hectares (28,629 acres) and has the capacity for approximately 400 wells on the state mandated 32 hectare (80 acre) drill spacing units.

Development of the West Esponda project has begun in the northern portion of the West Esponda project where the Company's tenements have the capacity for approximately 106 contiguous or near contiguous well locations. To date, 10 wells have been completed in a pilot production program with an additional 8 production wells in an extension program having been drilled but not completed.

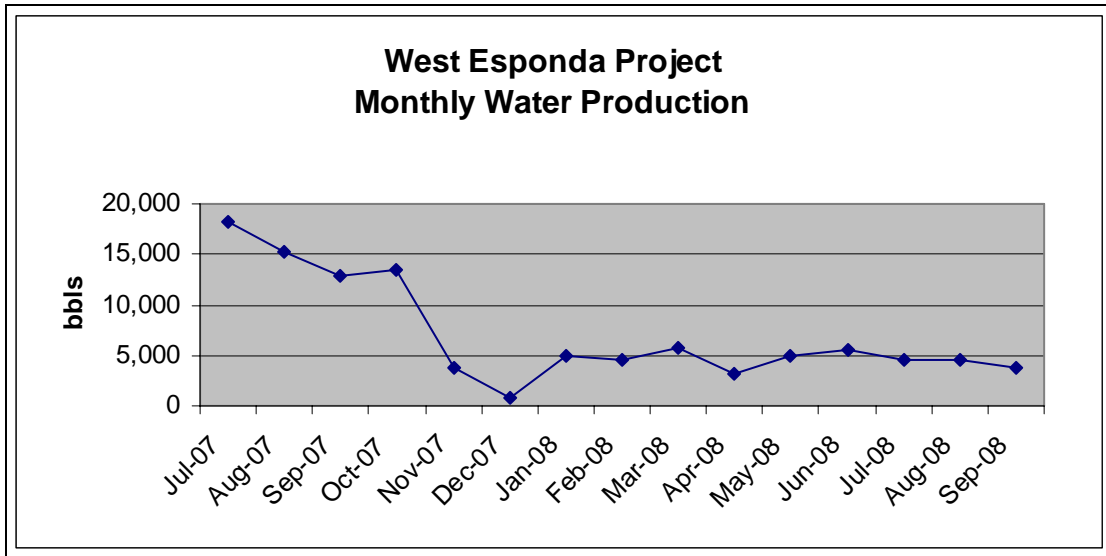


### 2.1.1 Pilot Production Program

Located in the northern portion of the West Esponda project, a pilot production program, comprising 10 wells, has been developed and is currently in the dewatering phase. The commencement of production from these wells will be assisted by the development of the 8 well extension program.

The pilot production program not only tests the most westerly extensions of the Big George coal 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.

During the September 2008 quarter, the 10 well pilot production program in the northern portion of the West Esponda project continued its dewatering period.



In addition, an extension program comprising 8 wells has been drilled immediately northwest of the existing 10 well pilot production program at West Esponda. All wells have been fully cased on reaching total depth and well completions, including downhole cleanup, seam perforations, formation enhancement, pump installation, and in-field reticulation is to be completed to commence a dewatering program from these wells.

### 2.1.2 West Esponda Permitting and Negotiations

The Company is required by the Federal Bureau of Land Management's Buffalo Field Office ('BLM-BFO') to develop a Plan of Development ('POD') to conduct CBM operations on its Federal lease interests. Approximately 150 CBM production wells are able to be developed on the new Federal lease interests based on the State mandated 32 hectare drill spacing units.

To meet the specific requirements of the POD process, the Company has initiated the requisite long lead items for the POD with seasonal wildlife surveys. Additional studies for archaeological and cultural heritage and the development of a Water Management Plan to contain the water generated from its well dewatering program are being evaluated.

The Company has entered into negotiations with a California based group interested in assisting with the development of the West Esponda CBM project. The potential farminee owns numerous drilling rigs and it is believed that their involvement would accelerate the proposed drilling and completion program facilitating earlier production.

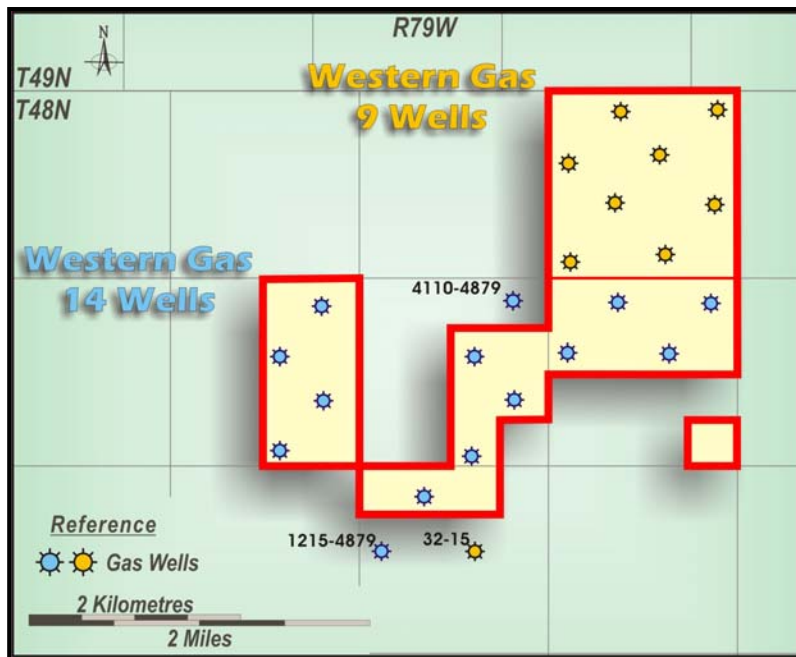
## 2.2 EAST ESPONDA

The East Esponda project covers a total of 469 net hectares (1,160 acres). 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 spacing orders in its proportional share.

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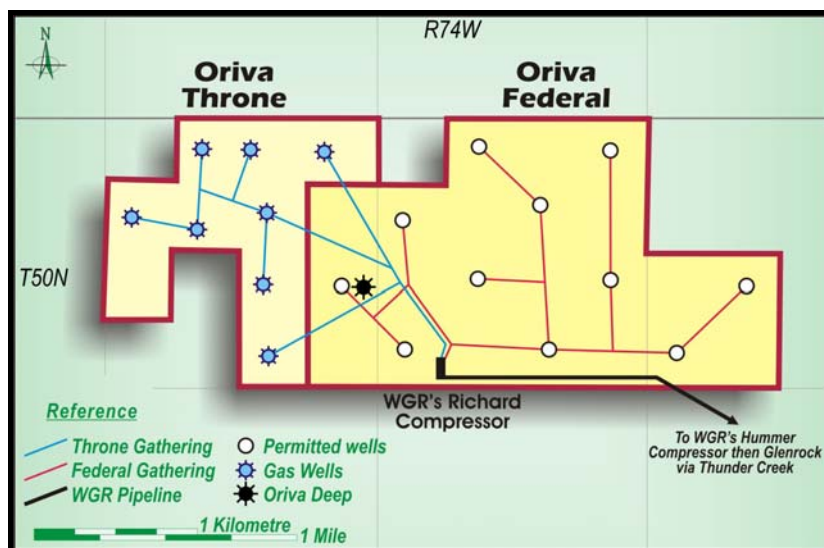
The Company's East Esponda project is situated in the Western Gas Indian Creek-Big Cat fields. Since the commencement of dewatering, production ranging between ~200 to +1,000 barrels water per day per well (bwpd/well) have been produced. The latest production figures available are from July 2008 and show that two of the wells at East Esponda have shown a dramatic reduction in water production with a concurrent increase in gas production. The gas production at present is relatively low being 36,000 and 44,000 cubic feet per day, but the production is increasing as would be expected and augers well for the next quarter. All the other wells in the field are still dewatering.

Western Gas is about to drill and complete another well at the mandated 32 hectare spacing outside the Company's leases in the southeast between the leases (NESE 11-4879) shown in green, the Company will retain an interest in the gas produced.



### 2.3 ORIVA PROJECT

The Oriva project comprises two project areas, Oriva Throne which is in production and Oriva Federal which is currently being drilled by the Company's joint venture partner. 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.

### 2.3.1 Oriva Throne

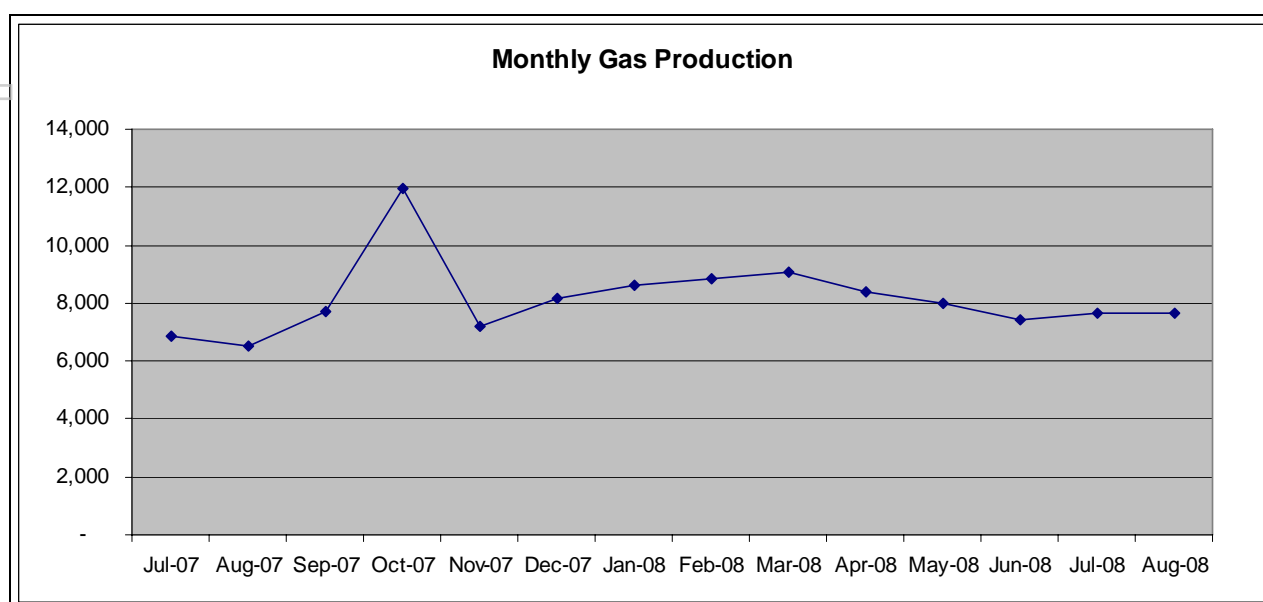
Oriva Throne is operated by Emerald Operating Company and Rocky Mountain Exploration of Denver, Colorado ('EOCRMEI') which holds the remaining 24.025% Working Interest (19.25% Net Revenue Interest) in Oriva Throne.

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, 3 'exception location' wells have been completed in the Wall seam.

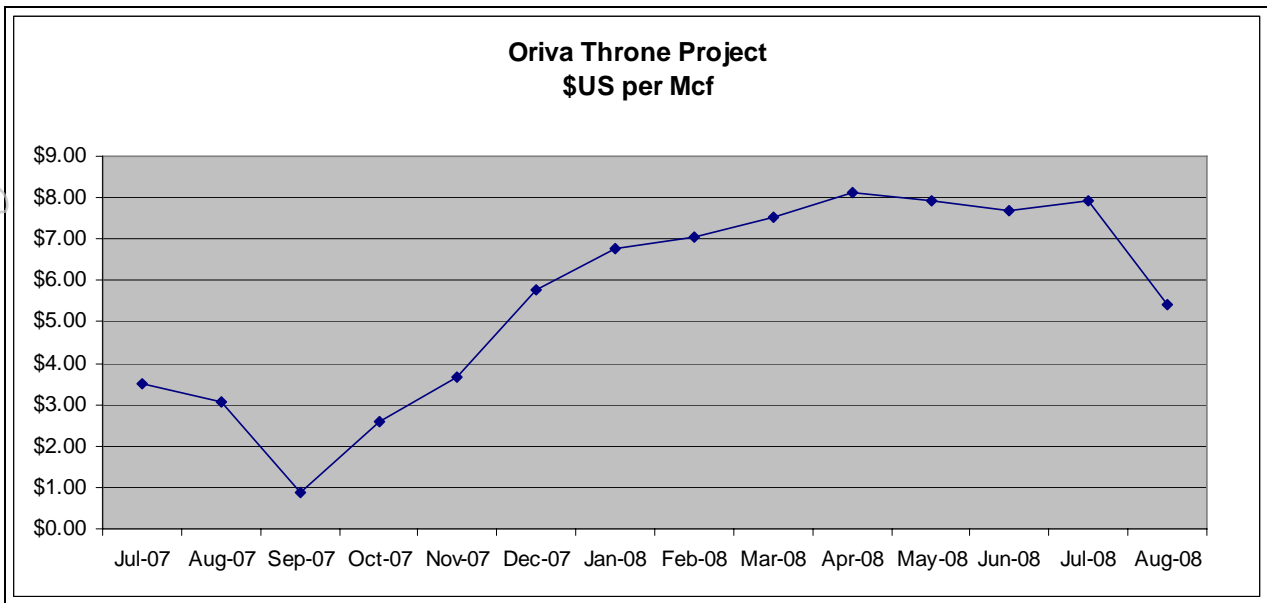
CBM production for the four months of May to August 2008 was as follows:

Coal Seam	CBM Production (Mcf)	Net Revenue Interest (Mcf)
Anderson	20,678	12,562
Felix	1,320	802
Wall	2,314	1,406
<b>Total</b>	<b>24,312</b>	<b>14,769</b>

The Company's NRI share of production for the reported period was sold for an average of US\$7.24 per Mcf for total net revenues of US\$134,927.



The chart below shows the price per Mcf being received remains well above that of twelve months ago following significant improvement following the clearing of pipeline capacity constraints.



### 2.3.2 Oriva Federal

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 has entered into an agreement EOCRMEI, the operators of the Company's Oriva Throne project, which will facilitate and expedite the development of the Oriva Federal project. Under the agreement EOCRMEI agrees to drill or cause the drilling of a test well in search of oil and gas on the Oriva Federal project. EOCRMEI will have the exclusive right to drill further wells. EOCRMEI will fund 100% of all drilling and well completion costs.

Costs and revenues will be shared as follows:

- Before the wells pay out all the drilling, completion and producing costs

Working Interests: 100% EOCRMEI

Revenue Interests: 81% EOCRMEI  
4.5% Planet Gas  
12.5% Federal Royalty  
2% Overriding Royalty

- After the wells pay out all the drilling, completion and producing costs

Working Interests: 75% EOCRMEI  
25% Planet Gas

Revenue Interests: 61.875% EOCRMEI  
23.625% Planet Gas  
12.5% Federal Royalty  
2% Overriding Royalty

## Oriva Federal CBM

EOCRMEI have commenced the development of 11 pad sites on the State mandated 32 hectare well spacing with multiple completions on each well. To date, two wells have been completed, 12-9W to 1720 feet and 13-7W to 1785 feet. Both wells have been fitted with production casing and well heads in preparation for early pumping. Hole three has been spudded and is due for completion in the near future.

## Oriva Federal Conventional Oil and Gas

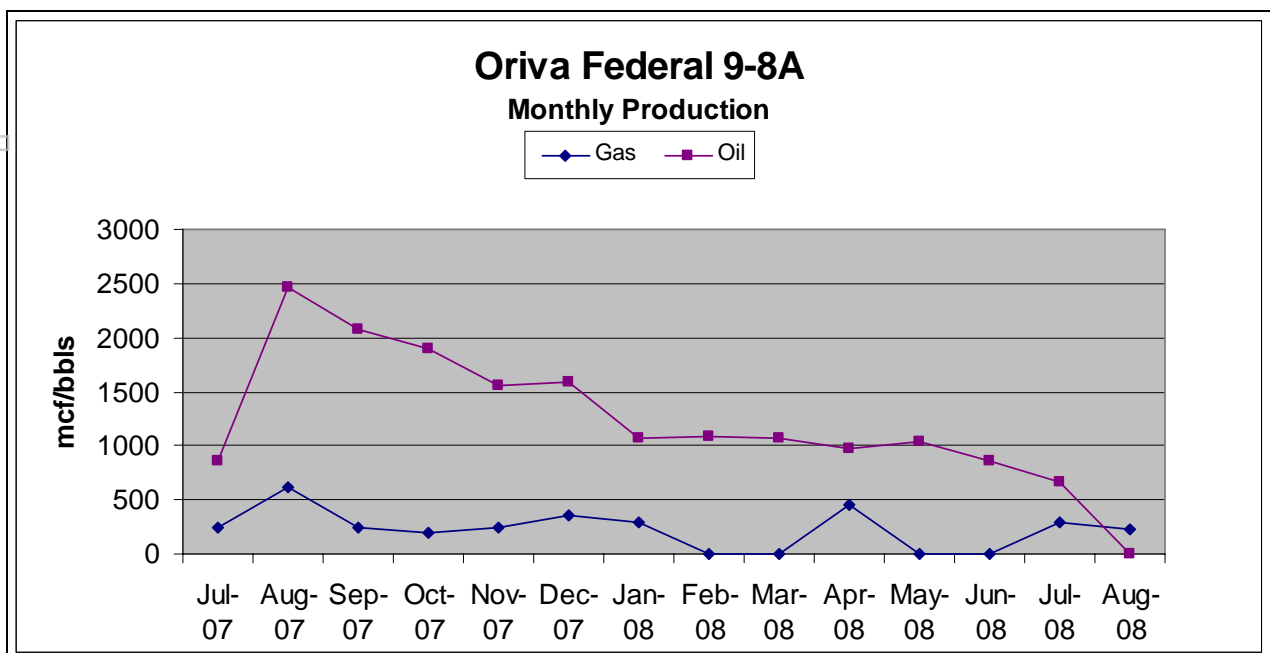
Under the terms of the Conventional Oil and Gas Farmout Agreement, Carpenter & Sons and North Finn ("C&S-NF") of Casper Wyoming, as Operator, will earn an 81% Net Revenue Interest to conventional oil and gas (not coalbed methane which is retained by the Company) production in one half of the Oriva Federal leasehold by drilling this test well. The completion of a second well will earn-in C&S-NF to the remaining leasehold interest.

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. Further, for future wells, the Company has the option to convert its 4.5% Net Revenue Interest to a participating 20% Working Interest.

Late in 2006, the Oriva Deep Federal No 9-8A conventional oil and gas well on the Company's Oriva Federal property was completed to a depth of 2,949 metres (9,676 feet). The well has been cased to 2,944 metres (9,660 feet) in the Cretaceous Muddy Formation, the primary target, as a potential natural gas and condensate or oil producer.

In addition to the primary Cretaceous Muddy Formation target, gassy Cretaceous aged fractured shales situated above the primary target were intercepted and will continue to be evaluated for potential oil and gas production. The Muddy pay zone found in Well No.9-8A is similar to that found in the nearby Amos Draw field, located 3 miles northwest, which has a cumulative production of 2.7 MMBO (million barrels of oil) and 67 Bcf of gas since its discovery in 1982. The Kingsbury Creek field has also produced commercial oil and gas since its discovery in 1968; it is located 1 mile southeast, and has produced 627,000 barrels of oil and 11 Bcf of gas.

The first oil and gas income from the Oriva Deep Federal well were received during the September 2007 quarter. The Company's 4.5% NRI share of production for June to August 2008 was sold for total net revenues of US\$2,673. The production graph follows:



In addition to Oriva Deep Federal well No 9-8A, on the basis of 65 hectare (160 acre) spacings, there are an additional 5 Muddy well locations which are able to be developed on the Oriva Federal project.

### **3. SKULL CREEK PROJECT**

No field work was undertaken during the September 2008 quarter on the Skull Creek project located in the western portion of the Cherokee Basin of southeast Kansas.

### **4. CORPORATE ACTIVITIES**

#### **4.1 Callabonna Uranium Limited IPO**

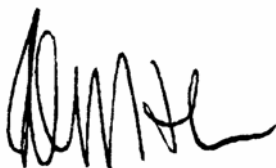
During the September 2008 quarter, drafting of the Callabonna Uranium Limited ('Callabonna') prospectus was completed ahead of anticipation of lodgement of the prospectus with ASIC. Lodgement with ASIC has been held until there is a stabilisation in world capital markets.

### **5. 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 or Peter Nightingale on (61-2) 9300 3322.

Yours sincerely



Peter J. Nightingale  
Director

pjn4560