



30 October 2014

The Manager Companies
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

(4 pages by email)

Dear Madam,

REPORT ON ACTIVITIES FOR THE QUARTER ENDED 30 SEPTEMBER 2014

HIGHLIGHTS

- **Purchase of Overriding Royalty Interest in Kansas, Pennsylvania and New York State, USA.**
- **ORRI of 3.0% over existing production of approximately 500,000 barrels of oil equivalent per annum.**
- **US\$15.0 million Facility Agreement.**
- **Planning for 3D seismic acquisition and drilling for the Origin/Senex/Planet gas joint venture in the Cooper Basin, South Australia.**
- **Hathi-1 and Bagheera East-1 exploration wells drilling complete in the Cooper Basin.**

OVERRIDING ROYALTY INTEREST, USA

During the quarter, the Planet Gas Limited ('Planet Gas' or 'the Company') entered into an agreement with Macquarie Americas Corporation (a Macquarie Bank Limited subsidiary) for the purchase of a 3.0% Overriding Royalty Interest ('ORRI') over established oil and gas production assets in Kansas, Pennsylvania and New York State which total approximately 500,000 barrels of oil equivalent production per annum. The Company's net ORRI pre-tax revenues are estimated to be US\$650,000 per annum on production assets with an estimated 3% per annum decline curve.

Purchase consideration was US\$4.58 million, with US\$1.38 million funded from the Company's existing cash reserves and US\$3.2 million by a drawdown from a 5 year US\$15.0 million debt facility provided by Macquarie Bank Limited which will be repaid US\$150,000 per annum plus a final payment of US\$2.6 million.

The ORRI acquisition forms part of a wider oil and gas strategy for the Company targeting low risk royalty and other cash flow assets with development upside.

COOPER BASIN, SOUTH AUSTRALIA

PEL 514 and PEL 638

PEL 514 and PEL 638 cover a combined area of 1,917 km² in the Cooper Basin of north eastern South Australia, hosting an array of exploration targets for conventional and unconventional hydrocarbons (see Figure 1).

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During the previous quarter, PEL 638, which covers an area of 904 km² in the Patchawarra Trough, was excised from PEL 514 to facilitate the administration of a new joint venture between Origin Energy Limited ('Origin', ASX: ORG), Senex Energy Limited ('Senex', ASX: SXY) and Planet Gas. Prior to the excising of PEL 638, Planet Gas held a 20% interest in PEL 514.

PEL 638 is divided into two joint ventures; the PEL 638 Deeps¹ joint venture (the subject of the farm-in by Origin) and the PEL 638 Shallows¹ joint venture.

Planet Gas' interest in each of these areas is summarised as follows:

- PEL 514 20% free carried.
- PEL 638 Shallows 20% free carried.
- PEL 638 Deeps 12.5% free carried reducing to 10% in the event that Origin proceeds with Stage 2 of the farm-in program.

¹ A stratigraphic division separates the 'Deeps' and 'Shallows' with the Origin agreement relating to the Deeps of the Permian system.

PEL 638 Deeps

As announced on 30 June 2014, Planet Gas' 20% interest in PEL 638 was reduced to a 12.5% free carried interest and may further reduce to a 10% interest based on work program expenditures by Origin and Senex in the event that Origin proceeds with Stage 2 of the farm-in program.

The Deeps work program is split into Stage 1 and Stage 2 with total expenditure of up to \$80 million, being \$40 million in each Stage.

In addition to Stage 1 and Stage 2, the joint venture parties may elect to fund additional work programs, subject to PEL 638 Deeps operating committee approval, totalling up to \$67 million. This could involve additional exploration and appraisal work during either or both Stages.

Senex is the operator of the farm-in programs with Origin having the right to become operator following the completion of Stage 2.

The farm-in programs include the drilling of up to seven exploration and appraisal wells, fracture stimulation and flow testing. Stage 1 will evaluate the potential of the tight gas sands, provide exposure to gas in shales and deep coal seams, and provide proof of concept of the Permian system. Stage 2 would evaluate the commerciality of the gas resource by undertaking extended flow testing through separate pilot programs.

During the quarter, detailed planning work commenced for the acquisition of 250 km² of 3D seismic within PEL 638. The seismic acquisition program is scheduled to commence early 2015.

Also during the quarter, the planning of potential drilling locations and well design commenced. Drilling is expected to commence in mid to late calendar 2015, with fracture stimulation and flow testing to follow.

Senex has reported, "The broad work program aims to evaluate multiple play types in the Patchawarra and Allunga Troughs, including tight gas plays, basin centred potential, shales and deep coals. The characteristics of the targeted areas differ to those in the neighbouring Nappamerri Trough, with wells in the Allunga Trough being shallower and lower temperature. Wells in the Patchawarra Trough are expected to be similar depth to the Nappamerri Trough wells but have much lower temperatures and lower pressures, and are therefore less expensive and less technically complex. In addition, the areas are expected to exhibit lower CO₂ levels, and have gas, liquids and condensate potential."

PEL 514 and PEL 638 Shallows

During the quarter, the Hathi-1 vertical exploration well was completed with no significant hydrocarbons intersected.

Subsequent to the end of the quarter, the Bagheera East-1 vertical exploration well was also completed with no significant hydrocarbons intersected.

Although Hathi-1 and Bagheera East-1 wells were unsuccessful in discovering moveable hydrocarbons, well data indicates that hydrocarbons from mature source rocks in the Patchawarra Trough have migrated into the northern flank of the Cooper Basin beyond previously known limits.

Planet Gas' 20% interest continues to be free carried by Senex for oil exploration in PEL 514 and PEL 638 Shallows.

TENMENT INFORMATION

Tenement	Location	Ownership	Change in quarter
PEL 514	Cooper Basin S.A.	20.0%	-
PEL 638 Shallows	Cooper Basin S.A.	20.0%	-
PEL 638 Deeps	Cooper Basin S.A.	12.5%	-

For further information, please contact Anthony McClure or Peter Nightingale on (61-2) 9300 3322.

Yours sincerely



Peter J. Nightingale
Director

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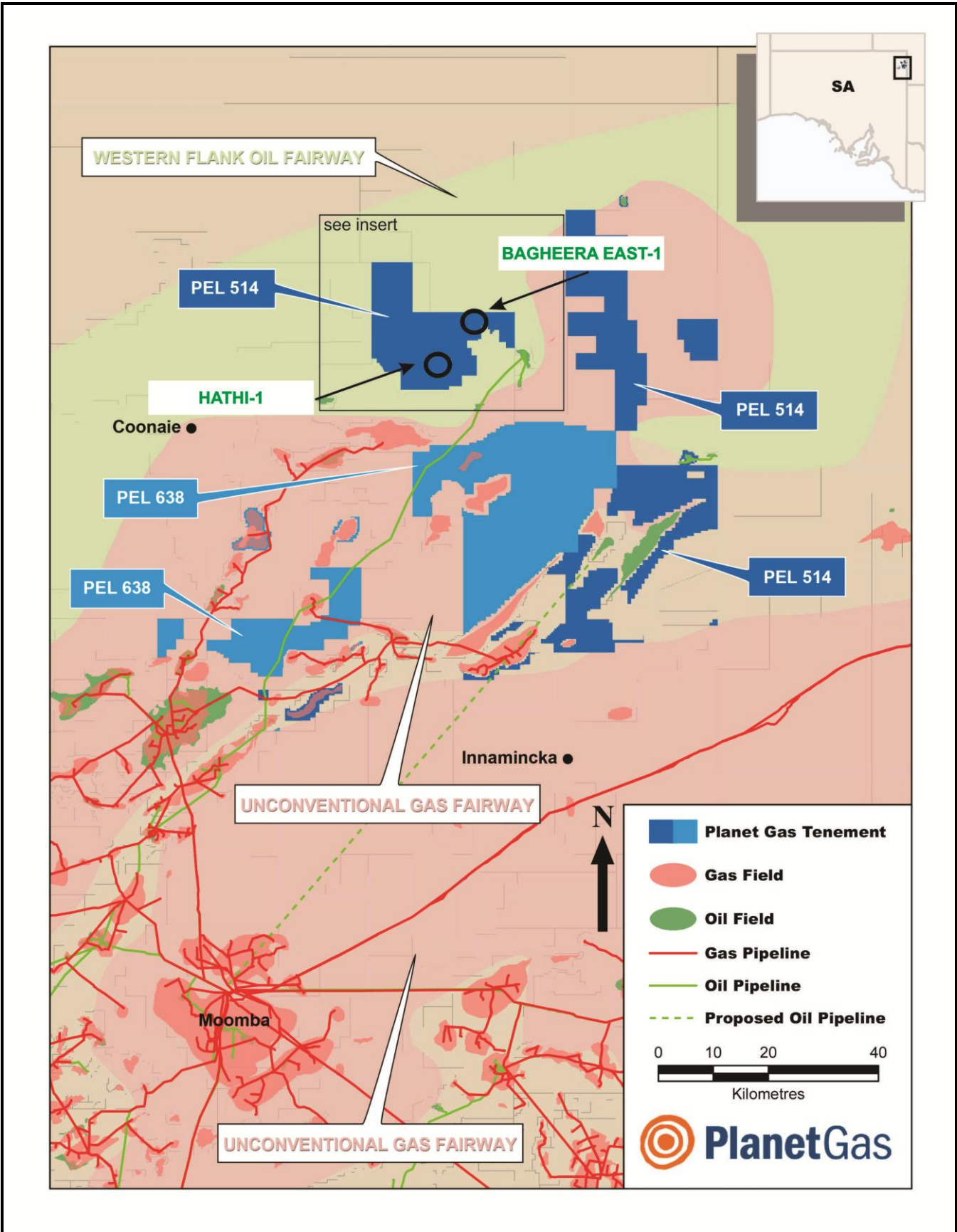


Figure 1: Location of PEL 514 and PEL 638