

5 November 2004

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

(2 pages by email)

Dear Madam

RE: CHEROKEE BASIN DRILLING

Planet Gas Limited is pleased to advise that its wholly owned subsidiary, Planet Gas Resources LLC ('Company'), will initiate its drilling program at the Skull Creek Project in the Cherokee Basin, Kansas USA. The Company has contracted with an independent oil and gas company, Running Foxes Petroleum ('RFP') of Centennial Colorado, to manage this initial drilling program. RFP operates both coalbed methane ('CBM') and conventional wells, and a 25 kilometre pipeline in Bourbon County Kansas.

The Skull Creek Project is located in the western portion of the Cherokee Basin of southeast Kansas. The tenement occupies 11,573 hectares (28,598 acres) in Cowley, Elk and Chautauqua Counties near existing infrastructure and within a receptive State regulatory regime.

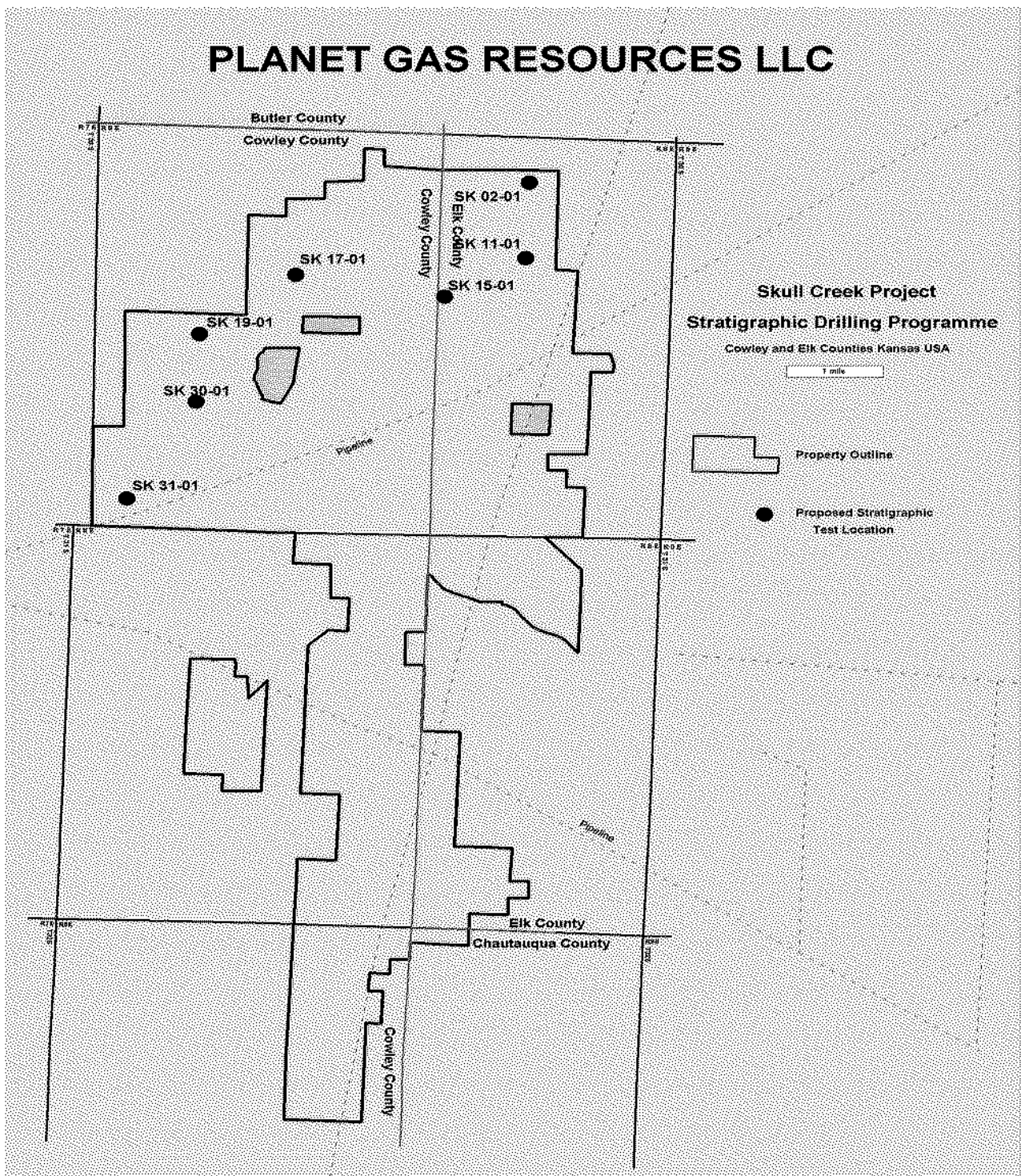
The project lies to the west and north or south of CBM projects currently being drilled by J M Huber, Amvest, Layne Christensen and others where at least three to five coal seams of the Cherokee Group are present and productive. Additionally the Skull Creek Project area is situated over two existing pipeline systems.

In July 2004, the Company entered into an agreement to purchase a 100% working interest (80% net revenue interest) of the Ferguson/Bannon Ranches leases (Skull Creek Project) in Cowley, Elk and Chautauqua Counties, Kansas, USA. Under the terms of the agreement the Company will increase its working interest from the current 33.33% to 50% during its evaluation period by completing six test wells and making an additional payment of \$250,000 within 60 days of the test wells' completion. The Company's working interest is increased to 75% by completion of a five well pilot within six months of making the US\$250,000 payment. The Company is able to earn its 100% working interest in the un-drilled leasehold area by making a final payment to the vendor of US\$750,000 or by incurring certain additional project drilling and well completion expenditures.

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 ranging up to 9 metres (30 feet) but more typically are approximately 4 metres (12 to 15 feet) 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 Project.

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 Company plans to drill up to seven stratigraphic wells (see attached map) totalling 6,400 metres on its tenement to confirm the total coal isopach mapping and assess the in-situ gas of both the coal horizons and conventional reservoirs prior to development drilling programs.



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

Yours sincerely

Peter J. Nightingale
Director

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