PLANET GAS LIMITED

ABN 46 098 952 035

26 October 2005

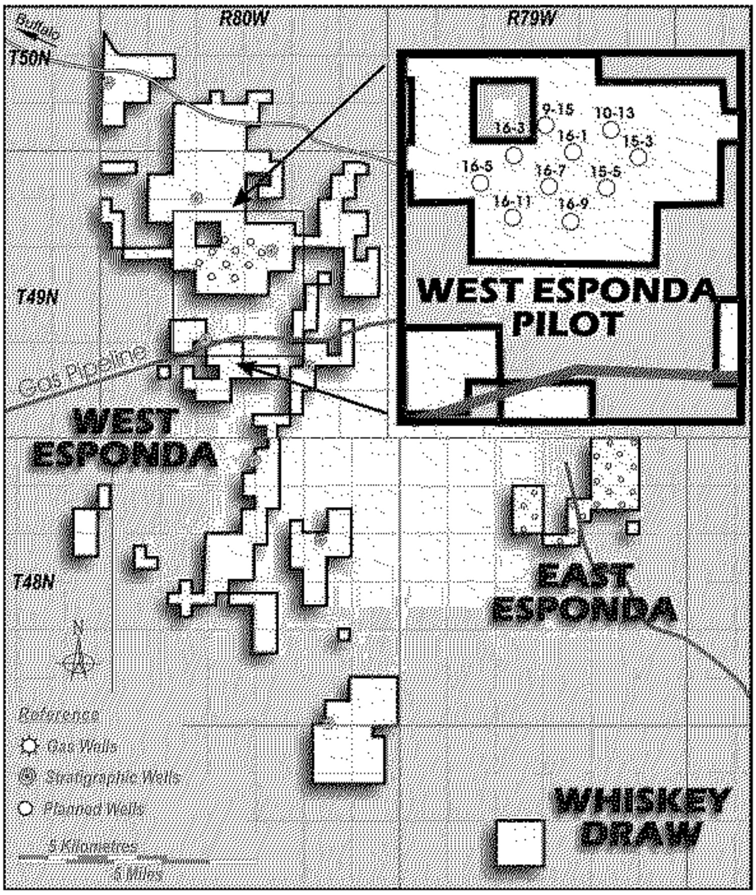
The Manager Companies
Australian Stock Exchange Limited
20 Bridge Street
Sydney NSW 2000 (2 pages by email)

Dear Madam

WEST ESPONDA PILOT PRODUCTION PROGRAM

Planet Gas Limited is pleased to announce the commencement of drilling of the pilot production program at its West Esponda project. This is the first stage of the commercialisation of the West Esponda project, a major Company asset.

The West Esponda project totals 5,850 net hectares and has the capacity for approximately 230 wells on the state mandated 32 hectare (80 acre) spacing. Total coal isopach mapping of this sparsely drilled 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 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.



The pilot program, which comprises ten holes drilled in a concentric 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. This northern portion of the West Esponda project has approximately 88 contiguous or near contiguous well locations. All ten wells will be drilled in a continuous program, by the contractor Kid Pronghorn Enterprises Inc of Sheridan, Wyoming. As with our prior stratigraphic drill program, on-site supervision will be carried out by Goolsby Finley and Associates of Casper Wyoming.

All wells will be fully cased on drilling and contemporaneously in-field reticulation will be completed. At the end of the program, cleanup and perforation will be carried out. A generator to power in-well pumps has been sourced.

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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.

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 they 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 estimated cost to drill and complete the ten wells is US$2.0 million with a projected monthly operating cost of US$33,000.

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

Yours sincerely

Peter J. Nightingale
Director

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