

13 July 2011

The Manager Companies
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

(3 pages by email)

Dear Madam

OPERATIONS UPDATE - DRILLING

- **PEL 468 Mead's Crossing-1 exploration corehole drilling to commence**
- **Land access, permitting, and drilling approvals received**
- **PEL 468 and 470 seismic activities completed**

New South Wales - Sydney and Gunnedah Basins

Planet Gas Limited (the 'Company') is pleased to provide an update concerning exploration at PELs 468, 469 and 470 (earning 50%) in the Sydney and Gunnedah Basins.

Two exploration coreholes will be drilled on PEL 468 (Bylong) and will target coal bed methane ("CBM") resources in the Illawarra Coal Measures. The purpose of these wells is to confirm the presence, thickness and quality of these coals and undertake an analysis of gas present and concentration. The coreholes will also test the permeability of the coals. Data collected from these combined efforts will be analysed, and used to derive a CBM Contingent Resource estimate.

The drilling of the exploration coreholes involves minimal interference or disturbance to the area in which it is taking place. No hydraulic fracturing, 'fracking' or well stimulation will be undertaken during this drilling programme. The drilling of the first well, Mead's Crossing-1, within PEL 468 is scheduled to commence before the end of July, 2011.

The Company has also recently completed its seismic acquisition programme over PEL's 468 and 470.

PEL 468 is adjacent to PEL 456, which contains Apollo's Cuan-1 gas discovery.

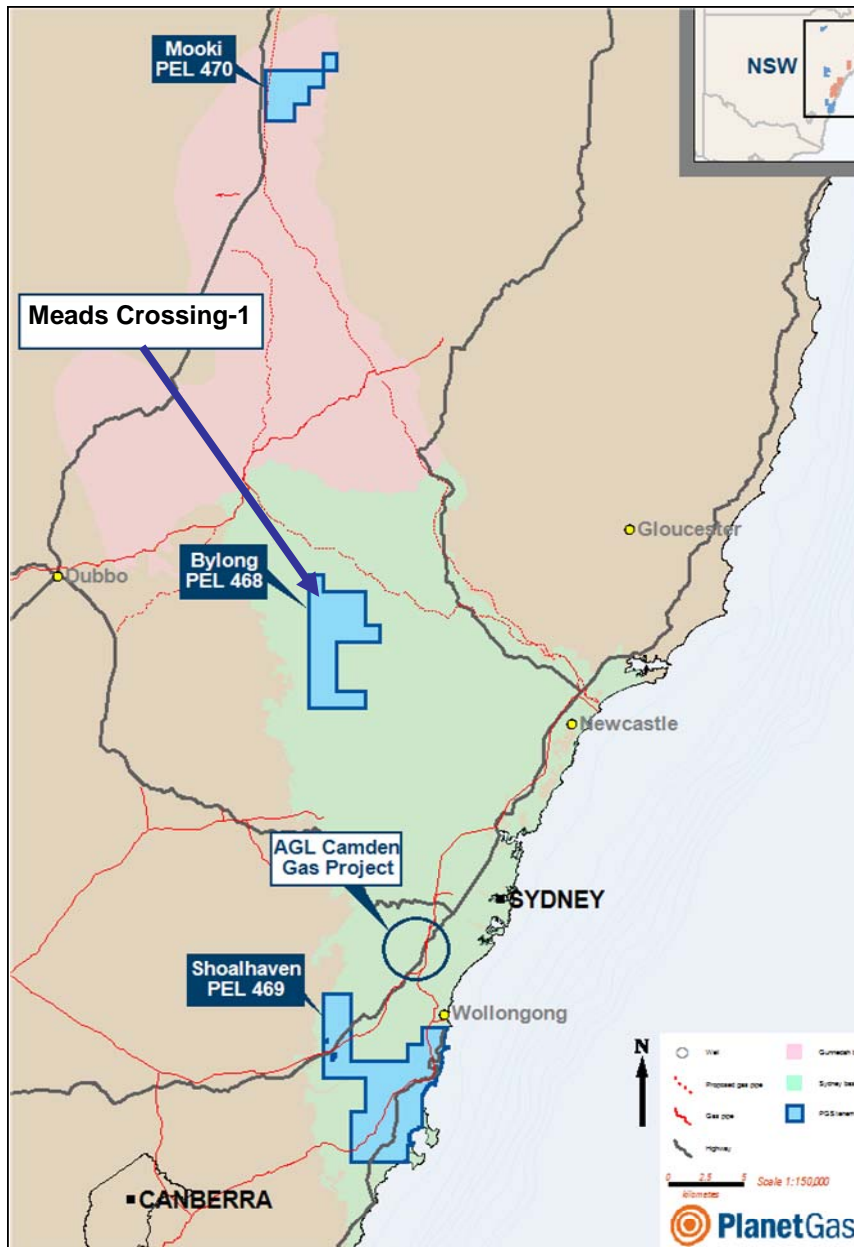
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In PEL 470 (Mooki) the Company is continuing land access discussions with a number of landholders now that it has reviewed the results of its recently acquired seismic data, and has identified a number of geologically optimal locations.

At PEL 469 (Shoalhaven), the company is currently seeking sites to undertake future work programmes.



South Australia - Cooper Basin

The Company continues native title processing on PELA514 (100%), which was the subject of a successful tender by the Company in late 2009.

PELA514 is prospective for conventional Oil and Gas, and is underlain by significant thicknesses of good quality coal, and hydrocarbon rich shales. It is also strategically located close to existing producing oil and gas fields, and underutilised infrastructure in the Cooper Basin.

As part of its continuing evaluation of the PEL's potential, Planet is focussing on the potential for Shale Gas in the Cooper Basin, and will ensure that any exploration drilling in the PEL prioritises a thorough evaluation of the Murteree Shales which are known to be hydrocarbon rich, and underlie PELA 514.

Planet Gas is very encouraged by the drilling of several recent wells by neighbouring Cooper Basin operators, some of which have encountered 200-400 metre thicknesses of hydrocarbon rich shales, and in a recent case reported to have successfully flowed gas.

Statement of Competent Person

The information in this report that relates to Exploration Results is based on information compiled by Mr Ian Halstead, geologist, who is a Member of the American Association of Petroleum Geologists. Ian Halstead is a full-time employee of the Company who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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'. Ian Halstead has consented to the inclusion in this report of the matters based on his information in the form and context in which they appear.

For further information, please contact Norman Seckold, Peter Nightingale, or Ian Halstead on (61-2) 9300 3322.

Yours sincerely

A handwritten signature in black ink, appearing to read 'PJN', written in a cursive style.

Peter J. Nightingale
Director

pjn6105