



PLANET GAS LIMITED



## ANNUAL REPORT 2004

PLANET GAS LIMITED and its controlled entities  
ABN 46 098 952 035

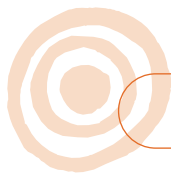




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## CHAIRMAN'S LETTER

Dear fellow shareholder,

The year ended 31 December 2004 was a momentous year for Planet Gas Limited ('Planet Gas' or 'the Company').

Major achievements include:

- ⊙ Pursuant to the Company's prospectus dated 9 January 2004, Planet Gas raised \$15 million in new capital.
- ⊙ The Company's initial public offering was heavily oversubscribed and Planet Gas shares commenced trading on the Australian Stock Exchange Limited ('ASX') on 11 March 2004.
- ⊙ The acquisition of 5 CBM projects in the USA, increasing the Company's USA tenement position by 400%.
- ⊙ Completion of 20 wells by 2 joint venture partners at East Esponda for near term CBM production.
- ⊙ Drilling of 8 stratigraphic wells and commencement of permitting for 50 production wells at West Esponda.
- ⊙ First CBM production from 15 production wells at Oriva-Throne.
- ⊙ Commencement of permitting for 11 multiple well locations at Oriva Federal.
- ⊙ Drilling of 7 stratigraphic wells in preparation for further development at Skull Creek.
- ⊙ Commencement of an 18 stratigraphic well drilling program at Gippsland.
- ⊙ Since year end, completion of a CBM reserve estimate for the Oriva-Throne and Oriva Federal projects totalling 15.3 billion cubic feet (gross) and 12 billion cubic feet (net).

The Board intends to aggressively pursue further acquisitions of near term production assets and to develop the Company's existing projects to production as rapidly as possible, particularly in the USA where CBM is sold at a multiple of the prevailing price in Australia, while capital and operating costs are comparable and pipeline infrastructure is significantly superior.

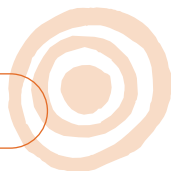
2005 will be a year in which we drill a substantial number of future gas producing wells. This will be the foundation for the Company's future prosperity.

Yours faithfully

Norman A. Seckold  
Chairman



## REVIEW OF OPERATIONS



Planet Gas Limited was incorporated on 4 December 2001 under the laws of the State of New South Wales, Australia. The Company's headquarters are in Sydney.

During the year ended 31 December 2004, the Company successfully completed its initial public offering and application for official quotation by the ASX. Pursuant to the Company's prospectus dated

9 January 2004, 75 million new fully paid ordinary shares were issued at \$0.20 each to raise \$15 million. The offer was heavily oversubscribed, closed early and the Company was listed on the ASX on 11 March 2004.

The Company is engaged in the acquisition, exploration, development, production and operation of oil, gas, and coal bed methane ('CBM') properties. The Company has rights to the following tenements in the USA and Australia:

Block/Project	Location	Area Net Hectares
<b>USA</b>		
East Esponda	Powder River Basin, Wyoming	469
West Esponda	Powder River Basin, Wyoming	3,976
Whiskey Draw	Powder River Basin, Wyoming	259
Oriva Federal	Powder River Basin, Wyoming	359
Oriva-Throne	Powder River Basin, Wyoming	146
Skull Creek	Cherokee Basin, Kansas	11,573
<b>Australia</b>		
EL 4500	Gippsland Basin, Victoria	241,600
EL 4807	Gippsland Basin, Victoria	2,600
ELA 4368	Otway Basin, Victoria	48,379
ELA 4369	Otway Basin, Victoria	24,190
EL 4811	Otway Basin, Victoria	95,700
PELA 145	Willochra Basin, South Australia	619,432
PELA 146	Eromanga Basin, South Australia	267,786
PEL 428	Gunnedah Basin, New South Wales	150,842

### ESPONDA PROJECT POWDER RIVER BASIN, WYOMING, USA

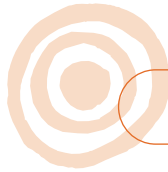
The Powder River Basin encompasses approximately 67,000 square kilometres in the northern Rocky Mountains of the USA straddling the northeast of Wyoming and the southeast of Montana. The Powder River Basin is estimated to contain more than one trillion short tons (0.9 trillion tonnes) of coal with potential CBM resources of over 25 trillion cubic feet. CBM production in the

Powder River Basin has increased at a rapid rate since 1995 with production today of around 900 million cubic feet per day from over 10,000 producing wells.

#### EAST ESPONDA

Under two separate arrangements, the East Esponda Project, covering 469 net hectares (1,160 acres) is being developed by the Company's partners, Western Gas Resources Inc ('Western Gas') and Kennedy Oil.

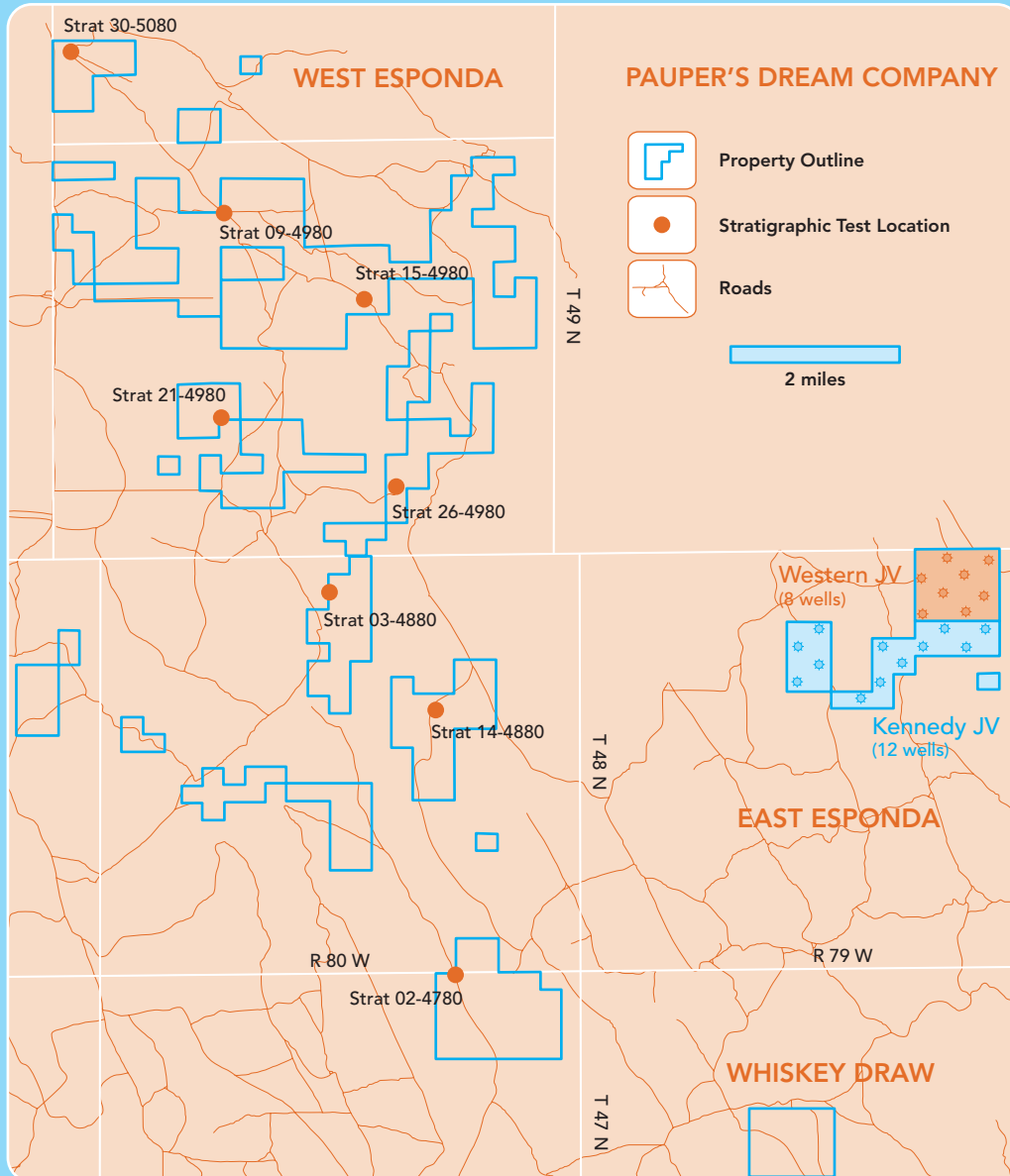




## REVIEW OF OPERATIONS

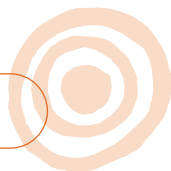
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*Esponda Project Area  
Stratigraphic Drilling Program  
Johnson County Wyoming USA*

## REVIEW OF OPERATIONS



### Resources

During the year, a Gas-In-Place ('GIP') resource estimate was completed on the Company's Esponda East Project by Dr. Jimmy E. Goolsby of Goolsby, Finley & Associates ('GFA') of Casper Wyoming, considered to be pre-eminent authorities on the CBM geology of the Powder River Basin.

As detailed below, the GIP resource estimate totalled 21.9 billion cubic feet ('Bcf') (gross) and 7.3 Bcf (net) (ie attributable to the Company) within the Big George Seam:

Operator	Coal Seam	Gross GIP (Mcf)	Net GIP (Mcf)
Western Gas	Big George (merged)	9,515,520	2,378,880
Kennedy Oil	Big George (merged & upper/lower)	12,397,080	4,958,832
<b>Totals</b>		<b>21,912,600</b>	<b>7,337,712</b>

The resource estimate was based upon volumetric calculations derived from the twenty well program conducted by Western Gas and Kennedy Oil and was calculated using 80 acre blocks (legal drill spacing unit), the seam's thickness (closest neighbour interpolation) and a gas content factor of 100 standard cubic feet per ton ('Scf/t').

The gas content factor is an estimation based on a published study by GFA completed on behalf of the State of Wyoming. Although this is the maximum gas content value at these depths that GFA utilises in its GIP volumetric calculations, GFA have been apprised of proprietary gas desorption tests indicating values greater than 100 Scf/t in this general area of the Powder River Basin.

The Big George Seam is completely merged in the Western Gas area but splits into an upper and lower unit in the western portion of Kennedy Oil's area. Where the Big George Seam is merged, its thickness is greater than 80 feet, and where split its total thickness is approximately 65 feet.

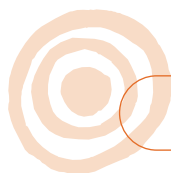
### Development

During the year, drilling programs were completed by the Company's two joint venture partners with Kennedy Oil completing twelve wells and Western Gas completing eight wells. All wells have been completed as future production wells.

Kennedy Oil has completed the construction of gathering and compression facilities, 19 kilometres of pipeline which links the project to the Powder River Basin gas pipeline network and continued its dewatering program in preparation for imminent gas production. At year end, the middle of the northern hemisphere winter, Kennedy Oil was at the start-up phase of gas production.

Western Gas has completed its eight wells at East Esponda as part of its much larger (several hundred wells) development program. Western Gas has commenced its production permitting application process and has continued with its in-field infrastructure construction in anticipation of gas production, subject to permitting, by mid-year.





## REVIEW OF OPERATIONS

*Oriva-Throne production location*

*Powder River Basin winter*



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### WEST ESPONDA

The West Esponda Project lies near the Powder River Basin's asymmetric structural axis, and 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 positionally splitting with less ash content than its thickest member near Buffalo; and the Big George Coal, a

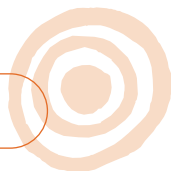
part of the Gillette Coalfield, present at East Esponda is splitting towards the west. Total coal isopach mapping of this sparsely drilled area of the deep Powder River Basin estimates between 20 - 45 metres of coal is present.

### Drilling

During the year, the Company commenced a stratigraphic drilling program of up to 7,300 metres at West Esponda to confirm the total coal isopach (thickness) mapping prior to development drilling programs. Results from this program are:

Well	Total Depth (metres)	Total Intercepts (metres)
09-4980	916	44.5
15-4980	917	49.0
30-5080	914	50.0
03-4880	916	25.9
21-4980	914	42.4
26-4980	914	25.3
02-4780	823	18.3
14-4880	914	28.0

## REVIEW OF OPERATIONS



Based on preliminary evaluations of electric logs and gas detection runs, the intersections are gassy coals within horizons of the Fort Union and Wasatch Formations which are the primary coalbed methane targets.

The results of the stratigraphic program, with gassy coal intersections of up to 50.0 metres and an average of 35.4 metres, are highly encouraging and indicate 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 which has been developed for production by Kennedy Oil and Western Gas.

Core desorption testwork, to determine the coals' gas content, and well completions will be commenced in the near future. The Company has commenced permitting for the first 50 wells for commercial production from the West Esponda Project.

### ORIVA FEDERAL PROJECT POWDER RIVER BASIN WYOMING, USA

The Oriva Federal 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 and Danner at depths of approximately 750 metres. State mandated 32 hectare (80 acre) well spacing allows eleven well locations to be drilled upon and the multiple seams present will likely warrant a minimum of two wells per location being completed. Drilling at the Oriva Federal Project is expected to commence in the first half of 2005.

Studies are underway for the Federal Plan of Development ('POD') to determine the manner in which the eleven multiple well locations will be operated. The primary aspect of the POD is the Water Management Plan to determine the methods for the handling and disposition of produced coal bed water.

Subsequent to the end of the year, a GIP resource estimate and a CBM reserve estimate was completed for the Oriva Federal Project in conjunction with the neighbouring Oriva-Throne Project. Details of these GIP resource and CBM reserve estimates are detailed below under the Oriva-Throne Project information.

In addition to the CBM potential of the leasehold, a conventional oil and gas prospect in the Lower Cretaceous Muddy Formation may be developed. The Company would likely farm-out the drilling of this deep (3,000 metre) exploration well.

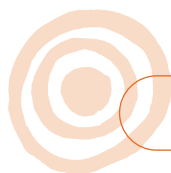
### ORIVA-THRONE PROJECT POWDER RIVER BASIN WYOMING, USA

In November 2004 the Company acquired a 75.975% Working Interest (60.78% Net Revenue Interest) in 15 producing CBM wells adjoining its Oriva Federal Project in the Powder River Basin, Wyoming, USA. Approximately 21 kilometres west of Gillette, Wyoming the Oriva-Throne Project consists of 146 hectares (361 acres) in Section 8, Township 50 North, Range 74 West, Campbell County.

#### Resources

Subsequent to 31 December 2004, an independent study completed by Dr. Jimmy E. Goolsby of Goolsby, Finley & Associates concluded that the Company's Oriva-Throne and Oriva Federal Projects contain GIP resources of 19.5 Bcf (gross) and 15.2 Bcf (net).





## REVIEW OF OPERATIONS

As described below, a further 6.0 Bcf (gross) potential resource is estimated to be contained in deeper coal seams beyond the scope of this GIP resource estimate.

The following table summarises the Oriva Project GIP resources within six coal seams of the Wasatch and Fort Union Formations:

Project Area	Gross GIP (Mcf)	Net interest (%)	Net GIP (Mcf)
Oriva-Throne	5,974,800	60.78	3,631,483
Oriva Federal	13,570,400	85.50	11,602,692
<b>Totals</b>	<b>19,545,200</b>		<b>15,234,175</b>

The GIP resource is based on a volumetric analysis of the six Wasatch and Fort Union coal seam's actual or projected thickness using 32 hectare (80 acre) blocks, and a gas content factor, depending upon the depth of the coal seam, between 10 and 85 standard cubic feet per ton. The gas content factor is a well defined estimation based on a published study by GFA completed on behalf of the State of Wyoming. It should be noted that the State of Wyoming has dictated a standard CBM well location spacing unit of 32 hectare (80 acre) blocks, and it maintains a publicly available database consisting of geophysical logs on all completed CBM wells that, once culled and correlated, is an invaluable asset for resource estimates.

Although beyond the scope of this GIP resource estimate, Dr Goolsby estimates the deeper (+600 metre) multiple Moyer coal seams may contain an additional potential resource of approximately 6.0 Bcf (gross), if the combined Moyer coals remain similar to what has been observed in logs drilled to date.

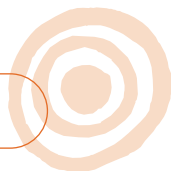
Further, based on limited past production, Dr Goolsby considers that the surrounding area may contain shallow (<800 metre) Fort Union Formation sands containing trapped natural gas derived from the adjacent CBM coals. These sands have the potential to further increase the GIP resource.

### Reserves

Subsequent to completion of the GIP resource estimate, an independent reserve estimate has been completed by CBM International Engineering LLC ('CBMIE'), of Cody Wyoming, for the Company's Oriva-Throne and Oriva Federal Projects reporting total CBM reserves of 15.3 Bcf (gross) and 12.0 Bcf (net).



## REVIEW OF OPERATIONS

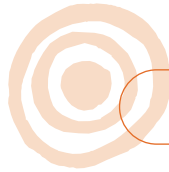


As set out in the table below, these reserves comprise:

- Proven (PDP and PUD) reserves of 9.4 Bcf (gross) and 7.1 Bcf (net); and
- Additional Possible (POSS) reserves of 5.9 Bcf (gross) and 4.9 Bcf (net).

Coal Seam	Reserve Category	Gross GIP Volume (MMCF)	Cumulative Gas Produced (MMCF)	Remaining Recoverable Volume (MMCF)	Net Gas Reserves (MMCF)
Felix	P-1	206	64	67	41
	P-2	724	0	585	500
Smith	P-1	68	4	39	24
	P-2	1,137	0	907	723
Anderson	P-1	884	119	581	353
	P-2	4,229	0	3,369	2,880
Anderson Lower	P-2	1,959	0	1,559	1,192
Canyon	P-4	2,747	0	2,203	1,702
Wall	P-1	2,925	7	2,286	1,390
	P-4	4,665	0	3,731	3,190
<b>Total Proven Reserves</b>	<b>P-1, P-2</b>	<b>12,132</b>	<b>194</b>	<b>9,393</b>	<b>7,103</b>
<b>Total All Reserves</b>	<b>P-1, P-2, P-4</b>	<b>19,544</b>	<b>194</b>	<b>15,327</b>	<b>11,995</b>





## REVIEW OF OPERATIONS

### Notes:

Definitions of relevant terms utilised in this table are an extract from the above referenced report:

Reserve Category - The reserve portfolio was defined under standard industry guidelines, moreover:

P1 – PDP = Proven Developed Reserves; these reserves are commercially producing assets.

P2 – PUD = Proven Undeveloped Reserves; these reserves are within one mile of commercial producing gas within the correlative geologic interval or zone.

P4 – POSS = Possible Reserves; these reserves are located beyond the PROB [probable reserves locations within the correlative geologic interval or zone].

Gross (GIP) Volume - Volumetric calculation based on total gas in place prepared by Goolsby Finley & Associates of Casper Wyoming.

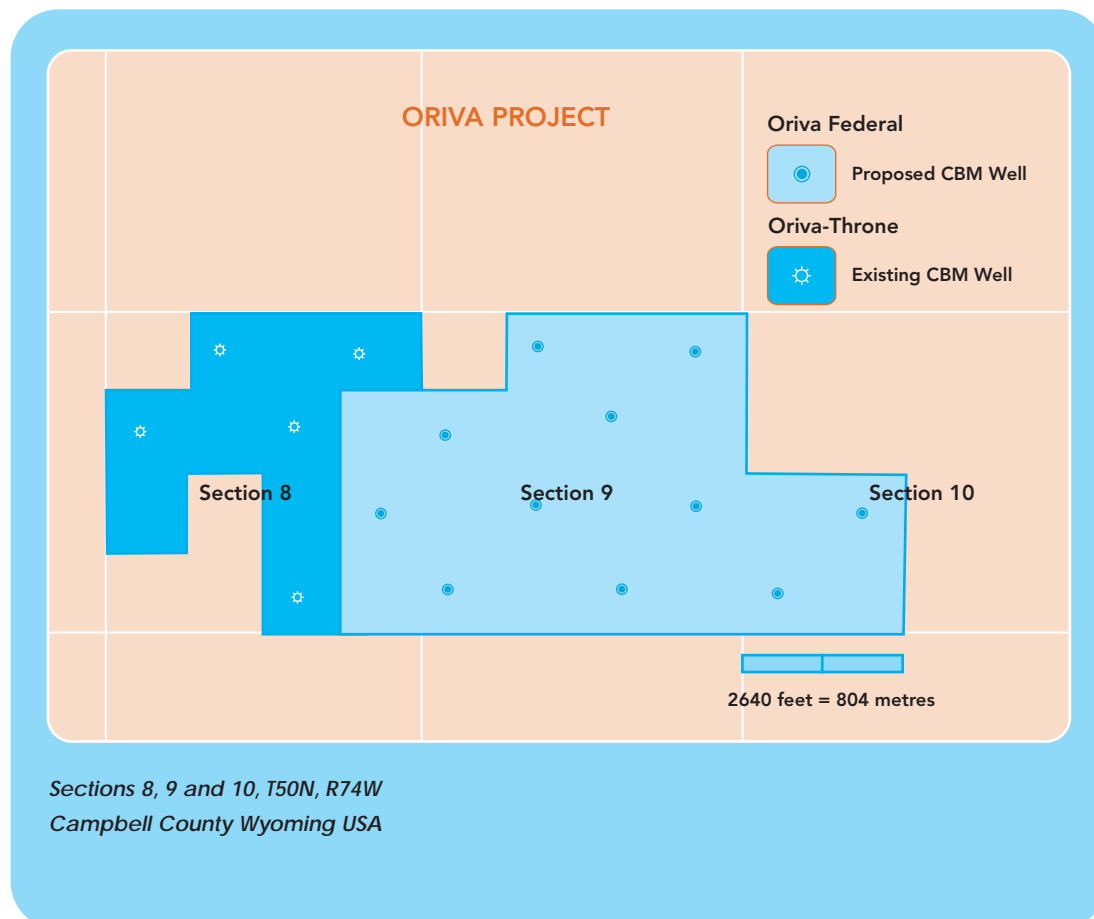
Cumulative Gas Produced - Total gross gas produced to date.

Remaining Recoverable Volume - Recoverable gas volume left to be produced based on 80% recovery factors of GIP matched to a production decline curve.

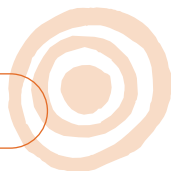
Net Gas Reserves - Net Revenue Interests percentage of remaining recoverable gas (60.78% at Oriva-Throne and 85.5% at Oriva Federal).

MCF - thousand cubic feet.

MMCF - million cubic feet.



## REVIEW OF OPERATIONS



### Production

The Oriva-Throne Project is operated by Emerald Operating Company and Rocky Mountain Exploration of Denver, Colorado ('EOC-RMEI'). To date EOC-RMEI has successfully drilled and completed 132 CBM wells in Campbell County with another 60 wells scheduled to be drilled over the next eighteen months. EOC-RMEI have the remaining 24.025% Working Interest (19.22% Net Revenue Interest). The entire leasehold interest is subject to a 20% land/mineral owner royalty.

The proximity of the Oriva-Throne Project to the Company's Oriva Federal Project is of strategic importance, not only for the addition of reserves but to the overall project development with access to existing infrastructure and operations.

The combined projects total 505 hectares (1,248 acres) with 42 wells, inclusive of the 15 current wells, being ultimately completed during total project development with CBM completions in the Felix, Smith, Anderson, Anderson Lower, Canyon and Wall Coal Seams. An additional 16 wells are likely to be developed in the deeper Moyer and Danner Coal Seams when offsetting production testing by others is completed.

CBM production for two months from the date of acquisition to the end of December 2004 was as follows:

Coal Seam	CBM Production (MCF)	Net Revenue Interest (MCF)
Anderson	19,212	11,672
Felix	3,701	2,248
Wall	1,996	1,212
<b>Total</b>	<b>24,909</b>	<b>15,132</b>

CBM production was sold for approximately US\$4.31 per MCF in November and US\$5.86 in December for total net revenues of US\$78,880.

At the end of December 2004, the well field was producing approximately 12,000 Mcf per month. This production is expected to steadily increase to over 50,000 Mcf per month over the next two to three quarters when the Wall Seam is more fully dewatered. This does not include the potential production (estimated to be approximately 20,000 Mcf per month) from the yet to be completed five additional wells.

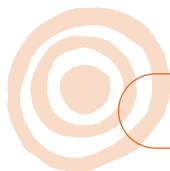
It is anticipated that five additional wells need to be completed to produce from the remaining Smith, Lower Anderson and Canyon Seams.

These wells are planned to be completed conventionally with commingled production.

Additionally, an unquantified potential exists in the deeper Moyer and Danner Seams at depths of approximately 750 metres (~2,500 feet) which could add five more wells for additional production. It should be noted that EOC-RMEI are planning well developments in these seams immediately to the north of the Oriva Project in Section 4, Township 50 North, Range 74 West.

Leasehold CBM production is delivered to Western Gas Resources' Richard Compression Station situated in Section 9, Township 50 North, Range 74 West on the Company's Oriva Federal Project.





## REVIEW OF OPERATIONS

*The Richard compression station*



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### SKULL CREEK PROJECT CHEROKEE BASIN KANSAS, USA

The Cherokee Basin contains nearly two dozen Pennsylvanian aged coals with thickness ranging up to 9 metres but more typically up to 4 metres with gas contents ranging from 150 to 375 standard cubic feet per ton. The principal CBM target coal seams occur in the Cabaniss and Krebs Formations of the Cherokee Group at depths of approximately 600 metres.

The Skull Creek Project is located in the western portion of the Cherokee Basin of southeast Kansas. The tenement occupies 11,573 net 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.

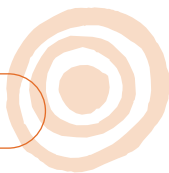
The Cherokee Group coals are Pennsylvanian in age and typically of high-volatile A and B bituminous rank. The Cherokee Basin contains nearly two dozen coals with thicknesses from nil to 9 metres but more typically are approximately 4

metres with gas contents ranging from 150 to 375 Scf/t.

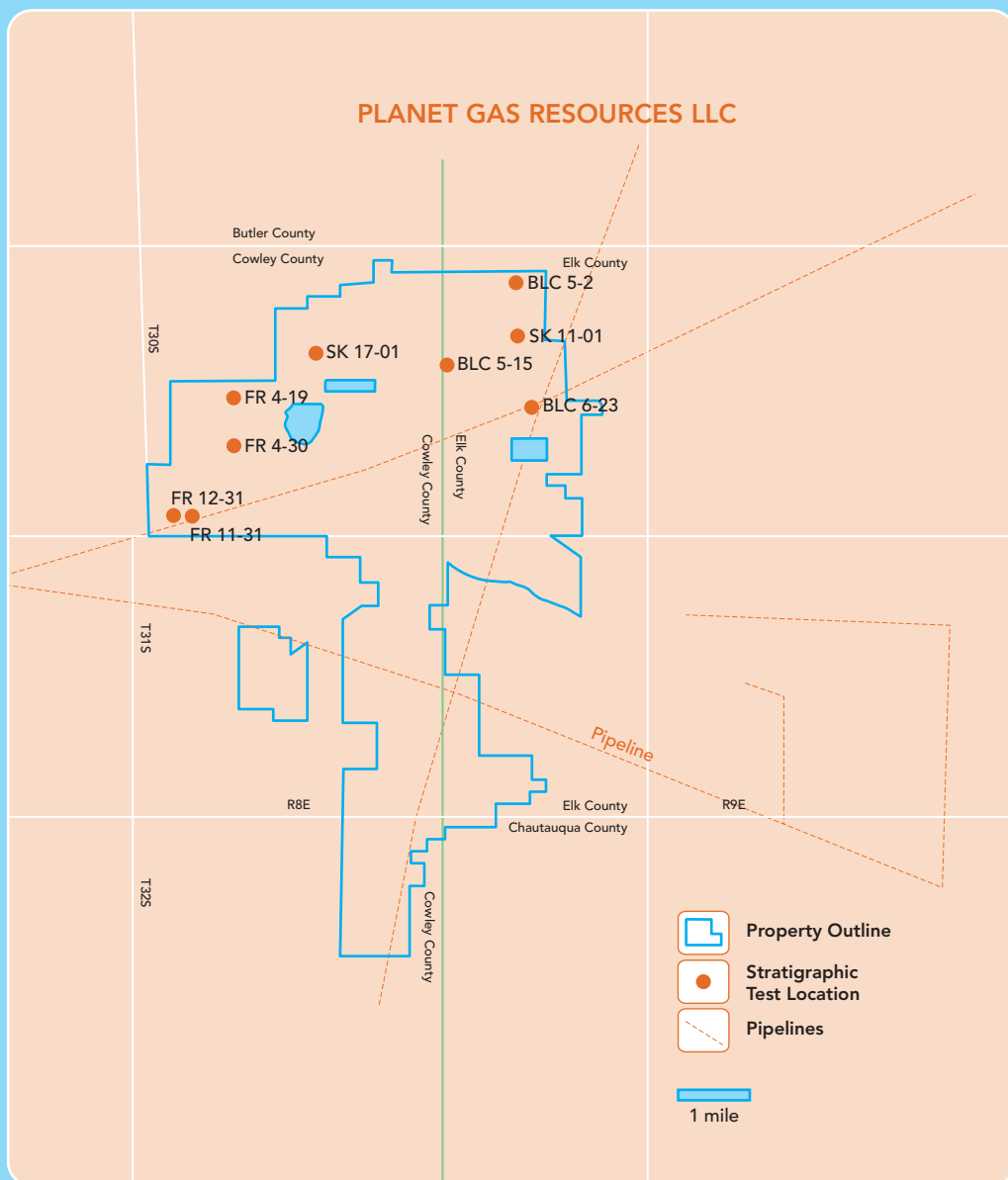
The cyclic nature of the deposits makes it possible to intersect multiple coal seams in a single well. The major Cherokee Group coal beds make up the largest portion of this resource and include the "Aw", Bevier, Mineral, Riverton, and Weir-Pittsburg coals. The Weir-Pittsburg Seam has been actively mined 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 prospect.

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 are 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.

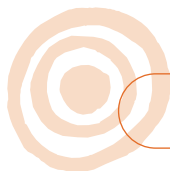
# REVIEW OF OPERATIONS



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*Skull Creek Project  
Stratigraphic Drilling Program  
Cowley and Elk Counties Kansas USA*



## REVIEW OF OPERATIONS

### Drilling

Towards the end of 2004, the Company commenced a stratigraphic drilling program of up to 6,400 metres at the Skull Creek Project to confirm the total coal isopach (thickness) mapping and assess the in-situ gas of both the coal horizons and conventional reservoirs prior to development drilling programs.

In this program, seven stratigraphic wells were completed with the following results:

Well	Total Depth (metres)	Total Intercepts (metres)
FR12-31	919	5.9
FR4-30	884	4.0
FR4-19	884	4.5
BLC5-15	884	5.1
BLC5-2	881	4.5
FR11-31 (Core)	914	5.2
BLC6-23	896	4.3

Two locations, SK17-01 and SK11-01 remain staked and approved but undrilled.

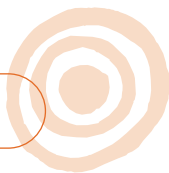
Based on preliminary evaluations of electric logs and gas detection runs, the intersections are gassy coals and carbonaceous shales within horizons of the Cherokee Formation which are the primary coalbed methane targets.

These results are highly encouraging with intersections being recorded slightly in excess of the expected average for the Cherokee Basin.

The core well (FR11-31) has been steel cased and cemented in-place. This well will be production tested once the core desorption work has been completed.



## REVIEW OF OPERATIONS



East Esponda compressor installation

Construction of a CBM water retention pond

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### AUSTRALIAN OPERATIONS

The Company holds rights to prospective CBM projects in the Gippsland and Otway Basins of Victoria, the Willochra and Eromanga Basins of South Australia and the Gunnedah Basin of New South Wales.

#### GIPPSLAND BASIN, VICTORIA

The Gippsland Basin Project is located to the southeast of metropolitan Melbourne between Dandenong, Wonthaggi, Leongatha and Moe. The Company's current tenements (ELs 4500 and 4807) total approximately 244,200 hectares.

The CBM potential in the Gippsland Basin occurs in the black coals of the Early Cretaceous Strzelecki Group. The Gippsland Basin is a complex rift basin system with the northeast trending structural lineaments composed of anticlines, synclines, monoclines, extensional and compressional faults.

During the year the Company conducted a data review to cull a working database from an enormous dataset consisting of coal, petroleum, extractive minerals, groundwater and engineering bores, and the historic coal mining records housed within the Victorian archives. A surprising paucity of geophysical logging of the bores necessitated

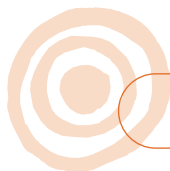
a modest drilling program to establish a regional geophysical framework.

In December 2004, the Company received notification from the Victoria Department of Primary Industries ('Vic DPI') that its Gippsland Basin Drilling Program Work Plan Application has been approved and registered with the Vic DPI.

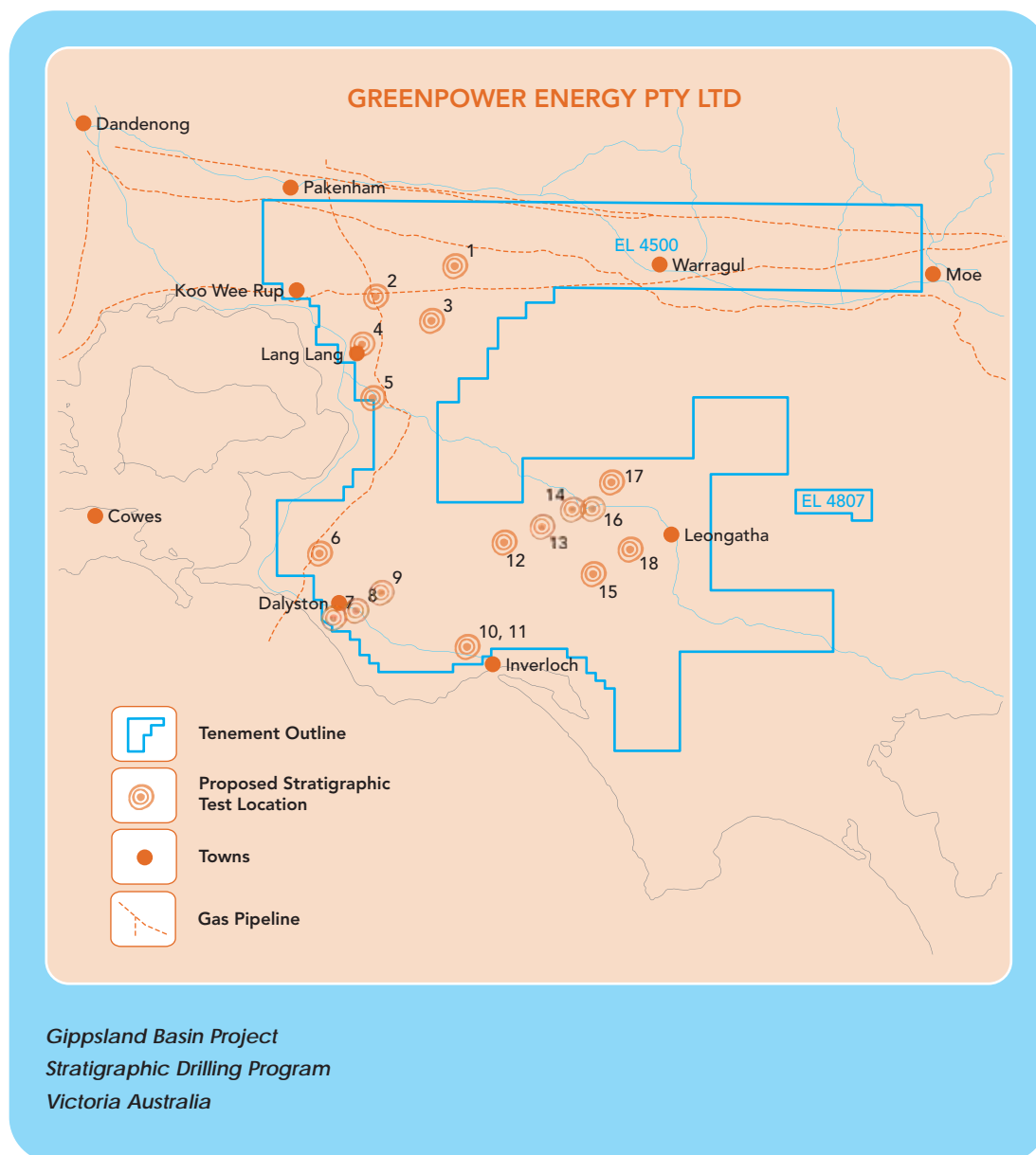
Although the Work Plan and Compensation Agreements had been under regulatory review and negotiation since May and August (respectively), at year end there remained two landowners who had yet to sign the requisite Compensation Agreements.

Subsequent to year end, the Company initiated its drilling program in the Gippsland Basin. The Company plans to drill up to eighteen stratigraphic wells (see attached map) totalling 9,000 metres on portions of its Gippsland tenement to depths of 500 metres to evaluate the prospective CBM potential of the Cretaceous Strzelecki Group. With the exception of the Cape Paterson region, the historic black coal mining centres in and around the communities of Korumburra, Outtrim-Jumbunna, Wonthaggi, Kilcunda-Woolami as well as the Koo-Wee-Rup coalfield will receive stratigraphic bore evaluations in the Company's initial evaluation.





## REVIEW OF OPERATIONS



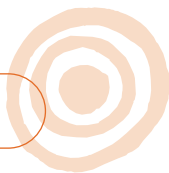
### OTHER AUSTRALIAN PROJECTS

The Company's projects in the Otway Basin of Victoria, the Willochra and Eromanga Basins of South Australia and the Gunnedah Basin of New South Wales are relatively early stage exploration projects. The Company will continue its data collation program leading to the development of initial exploration programs which may include the drilling of appraisal wells.

### OTWAY BASIN, VICTORIA

The Otway Basin is the westerly extension of the Gippsland/Bass Basin system situated to the west of the Bass and Gippsland Basins on-shore and off-shore in the southwest of Victoria, extending into the southeast of South Australia. The Basin contains thick seams of lignite in the near surface and thin seams of black coals at depth.

## REVIEW OF OPERATIONS



Skull Creek Project drilling

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The Company's current tenements (ELAs 4368 and 4369 and EL4811 which was granted during the year) total approximately 168,269 hectares. These tenements are on the western margin of the Otway Basin where little or no exploration for CBM has occurred.

Conventional oil and gas wells on the licence area and in the region have encountered black coal seams that will be targeted in the initial exploration program.

During the year, negotiations over native title issues continued as a pre-requisite to the conversion of the Company's exploration licence applications to granted exploration licences.

### **WILLOCHRA AND EROMANGA BASINS, SOUTH AUSTRALIA**

The Willochra Basin is located approximately 200 kilometres north of Adelaide and to the north east of Port Augusta. The southeast of the Basin is situated approximately 50 kilometres from the main gas pipeline between Moomba and Adelaide, which may facilitate the sale of any gas discovered directly into Adelaide.

The Eromanga Basin is a large on-shore sedimentary basin that covers southwest Queensland, northeast South Australia and northern

New South Wales. The underlying Cooper Basin straddles the border area of southwest Queensland and northeast South Australia. The Cooper Basin has been responsible for large scale conventional gas and oil production on-shore in Australia.

The Company has a 100% interest in PELAs 145 and 146 which total approximately 887,218 hectares. These are greenfield projects on which no exploration work has yet been undertaken.

### **GUNNEDAH BASIN, NEW SOUTH WALES**

The Gunnedah Basin is an on-shore basin situated in northeast New South Wales and south of the Queensland state border. The Gunnedah Basin connects the related Sydney Basin to the south and the Bowen/Surat Basin to the north.

The Company holds a 20% interest in PEL 428, representing 150,842 net hectares. The Company is not the operator of this project and no exploration work has yet been undertaken.



## STATEMENT OF CORPORATE GOVERNANCE

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, unless otherwise stated.

### BOARD OF DIRECTORS

The board is responsible for the overall Corporate Governance of the consolidated entity including its strategic direction, establishing goals for management and monitoring the achievement of these goals. Because of the small number of directors, a Nomination Committee, a Remuneration Committee and an Audit Committee have not been established.

The board of directors has three executive and three non-executive directors. The three executive directors of the chief entity are actively involved in the operations of the consolidated entity. Having regard to the current membership of the board and the size, organisational complexity and scope of operations of the Company, the board does not believe that creating a board having a majority of independent directors is appropriate for the Company at this time.

The composition of the board has been determined on the basis of providing the consolidated entity with the benefit of a broad range of technical, administrative and financial skills, combined with an appropriate level of experience at a senior corporate level. The names, terms of office, skills, experience and expertise of the board are disclosed in the Directors' Report on page 20.

The Chairman reviews the composition of the board annually to ensure that it provides the consolidated entity with the appropriate levels of both expertise and experience.

When a vacancy exists, through whatever cause, or where it is considered that the board would benefit from the services of a new director with particular skills, the board identifies a panel of candidates with appropriate expertise and experience. A selection procedure is then completed and the board appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

Directors are subject to re-election by the shareholders at least every three years.

Each director has the right to seek independent professional advice at the consolidated entity's expense. Prior approval of the Chairman is required, but such approval is not unreasonably withheld.

### REMUNERATION

The remuneration of the directors is determined by the board as a whole, with the director to whom a particular decision relates being absent from the meeting during the time that the remuneration level is discussed and decided upon. As stated above, given the nature of the Company the board has chosen not to establish a Remuneration Committee.

For details on the amount of remuneration for each director, refer to Note 14 of the financial statements.



# STATEMENT OF CORPORATE GOVERNANCE



## INTERNAL CONTROLS

The board of directors acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. The system of internal control adopted by the consolidated entity seeks to provide an appropriate division of responsibility and careful selection and training of personnel relative to the level of activities and size of the consolidated entity.

The full board takes responsibility for reviewing financial reporting procedures, internal controls and the performance of the financial management and the external auditors. The full board reviews financial statements and other information distributed externally prior to distribution.

## EXTERNAL AUDITORS

The board reviews the performance of the external auditors and the Chairman and Company Secretary meet with them at the commencement of the half yearly review and annual audit to discuss any issues that have arisen with respect to accounting policies, any significant operational issues and level of proposed audit fees.

The auditors also meet regularly with the Company Secretary to discuss the scope of the audit work to be performed, and during the course of the audit.

Should a vacancy arise, through whatever reason, the board will invite submissions from a panel of suitable firms to undertake the position of auditor, and having carried out a selection process, nominate the most suitable candidate for election at the next general meeting of shareholders.

Deloitte Touche Tohmatsu, the Company's auditors, were appointed in July 2002.

## SIGNIFICANT BUSINESS RISKS

Each director reviews the business risks affecting his particular area of expertise annually and reports to the board.

The board then determines the appropriate actions to eliminate or minimise the identified business risks.

## PERFORMANCE

Given the nature of the Company, the board has adopted an informal ad-hoc performance evaluation process of its key executives.

## ETHICAL STANDARDS

All directors, managers and employees are expected to act with the utmost integrity and objectivity, endeavouring at all times to enhance the performance and reputation of the consolidated entity. Each director is expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Directors, officers and employees are permitted to trade in the Company's securities only in accordance with the provisions of the Corporations Act and ASX Listing Rules. The directors are under an obligation to report any dealings by them in the Company's securities.



## STATEMENT OF CORPORATE GOVERNANCE

*Powder River Basin CBM water discharge*

*Powder River Basin CBM water retention*



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PLANET GAS LIMITED  
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### THE ROLE OF SHAREHOLDERS

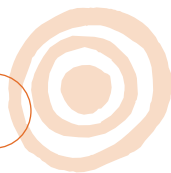
The board ensures that the shareholders are informed of all major developments affecting the consolidated entity by the following means:

- distribution of the annual report to all shareholders which contains relevant information about the operations of the entity during the year in addition to disclosures required by the Corporations Act 2001;
- lodgement of the half yearly report with the ASX, which contains summarised and audit reviewed financial information. Copies of the half year financial statements prepared in accordance with the Corporations Act 2001, are available to any shareholder on request;
- lodgement of quarterly reports with the ASX which show summarised financial information and a report on operations for the quarter. Copies of these reports are available to shareholders on request;

- announcements to the ASX concerning any significant development in the economic entity's operations, financing and administration. All announcements are immediately available to the general public; and
- disclosure of all major announcements to the ASX on the Company's website.

The shareholders are responsible for voting on the appointment of directors.

## DIRECTORS' REPORT



The directors present the consolidated financial report of Planet Gas Limited ('Planet Gas' or 'the Company') and its controlled entities for the financial year ended 31 December 2004. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### DIRECTORS

The names and particulars of the directors at any time during or since the financial year are:

#### **NORMAN ALFRED SECKOLD, EXECUTIVE CHAIRMAN**

Director since 4 December 2001.

Norman Seckold graduated with a Bachelor of Economics degree from the University of Sydney in 1970. He has spent more than 20 years in the full time management of natural resource companies, both in Australia and overseas.

Mr Seckold has been the Chairman of a number of publicly listed companies including Moruya Gold Mines (1983) N.L., which acquired the Golden Reward heap leach gold deposit in South Dakota, USA, Pangea Resources Limited, which acquired and developed the Pauper's Dream gold mine in Montana, USA, Timberline Minerals, Inc. which acquired and completed a feasibility study for the development of the MacArthur copper deposit in Nevada, USA, Perseverance Corporation Limited, which discovered and developed the Nagambie gold mine in Victoria, Valdora Minerals N.L., which developed the Rustler's Roost gold mine in the Northern Territory and the Ballarat East Gold Mine in Victoria, Viking Gold Corporation, which discovered a high grade gold deposit in northern Sweden and Mogul Mining N.L., which drilled out the Magistral and Ocampo Gold deposits in Mexico.

Mr Seckold is currently Chairman of Bolnisi Gold NL and Kings Minerals NL, Australian public listed mining companies.

#### **PETER JAMES NIGHTINGALE, EXECUTIVE DIRECTOR, SECRETARY AND CFO**

Director since 4 December 2001.

Peter Nightingale graduated with a Bachelor of Economics degree from the University of Sydney and is a member of the Institute of Chartered Accountants in Australia. He has worked as a chartered accountant in both Australia and the USA.

Mr Nightingale has, for the past 16 years, been a director or company secretary of a number of private and public listed companies in Australia, the USA and Europe including Pangea Resources Limited, Timberline Minerals Inc., Perseverance Corporation Limited, Valdora Minerals N.L., Bolnisi Gold NL, Biotron Limited, ETT Limited and IMD Group Limited. Mr. Nightingale has been responsible for the financial control, administration, secretarial and in-house legal functions of these companies.

He is currently a director of Bolnisi Gold NL.

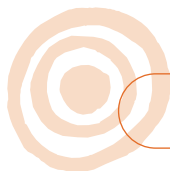
#### **BRUCE FULLERTON RIEDERER, EXECUTIVE DIRECTOR OF EXPLORATION AND DEVELOPMENT**

Director since 10 September 2003.

Bruce Riederer graduated with a Bachelor of Geoscience (Geology) degree from the University of Arizona in 1974. Mr Riederer is a professional geologist and has over 29 years experience in the mining and resources industry.

For a number of years he has conducted a consulting practice in the management of CBM and conventional oil and gas exploration and development programs in the Powder River, Wind River and Green River Basins in Wyoming, the Cherokee Basin in Kansas, and the Gippsland and Otway Basins in Australia.





## DIRECTORS' REPORT

### **ANTHONY JOHN MCCLURE, INDEPENDENT AND NON-EXECUTIVE DIRECTOR**

Director since 27 August 2003.

Anthony McClure graduated with a Bachelor of Science (Geology) degree from Macquarie University in 1986. Mr McClure has almost 20 years of extensive technical, management and financial experience in the resource sector within Australia, South America and Africa in project management and executive development roles. He has worked in the financial services sector and stockbroking, primarily as a resource analyst covering both mineral and energy sectors.

Mr McClure is currently an Executive Director of Kimberley Oil NL, a publicly listed company in Australia, whose main interests are in CBM projects in Europe.

### **ANTHONY JOHN MCDONALD, INDEPENDENT AND NON-EXECUTIVE DIRECTOR**

Director since 19 November 2003.

Anthony McDonald graduated with a Bachelor of Laws degree from the Queensland University of Technology in 1981. He was admitted as a solicitor in 1982 and has been in private legal practice in Brisbane since that time.

Mr McDonald has been a director, secretary and/or legal advisor to a number of listed and unlisted public companies in the resources sector. He is also a director and corporate secretary of Kings Minerals NL.

### **NORMAN JOSEPH ZILLMAN, INDEPENDENT AND NON-EXECUTIVE DIRECTOR**

Director since 20 August 2002.

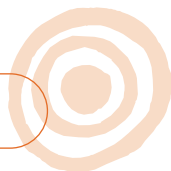
Norman Zillman graduated with a Bachelor of Science Honours degree from the University of Queensland in 1966. Mr Zillman is a professional geologist with over 35 years experience in the petroleum and coal industries in Australia and internationally. He has extensive worldwide experience in oil and natural gas exploration and production having worked in Australia, the USA, Asia, and Europe. His initial training was as a petroleum geologist with international companies Aquitaine Petroleum in Papua New Guinea and Union Oil Company of California (UNOCAL) in Indonesia.

Mr Zillman was the CEO of Crusader Petroleum and was the Manager of the Petroleum Branch of the Queensland Department of Mines and Energy. Mr Zillman's most recent position was Managing Director of Queensland Gas Company Limited, a publicly traded CBM company in Australia. He is currently the non-executive Chairman of Great Artesian Oil and Gas Limited, and a member of the Australasian Institute of Mining and Metallurgy and the Petroleum Exploration Society of Australia.





## DIRECTORS' REPORT



### DIRECTORS' INTERESTS

Directors' beneficial shareholdings at the date of this report are:

Director	Fully Paid Ordinary shares
Norman A. Seckold	23,250,003
Peter J. Nightingale	3,625,001
Bruce F. Riederer	4,000,000
Anthony J. McClure	3,000,000
Anthony J. McDonald	3,000,000
Norman J. Zillman	4,000,000

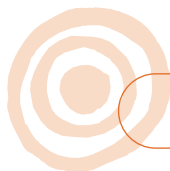
### DIRECTORS' MEETINGS

The number of directors' meetings and number of meetings attended by each of the directors (while they were a director) of the Company during the year are:

Director	Board Meetings Held	Board Meetings Attended
Norman A. Seckold	4	4
Peter J. Nightingale	4	4
Bruce F. Riederer	4	4
Anthony J. McClure	4	4
Anthony J. McDonald	4	4
Norman J. Zillman	4	4







## DIRECTORS' REPORT

*A typical Powder River Basin CBM well*



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### DIRECTORS' AND EXECUTIVES' REMUNERATION

For details on the amount of remuneration for each director, refer to Note 14 of the financial statements.

### PRINCIPAL ACTIVITIES

The Company is engaged in the acquisition, exploration, development, production and operation of oil, gas, and coal bed methane projects.

### FINANCIAL RESULTS

The consolidated loss after income tax attributable to members of the Company for the year was \$17,703 (2003 - \$93,259).

### REVIEW OF OPERATIONS

The review of operations is set out on pages 2 to 16 of this Annual Report.

### EMPLOYEES

The Company does not have any employees.

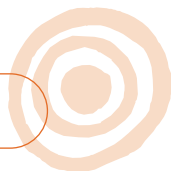
### DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2004. No dividends have been paid or declared during the financial year.

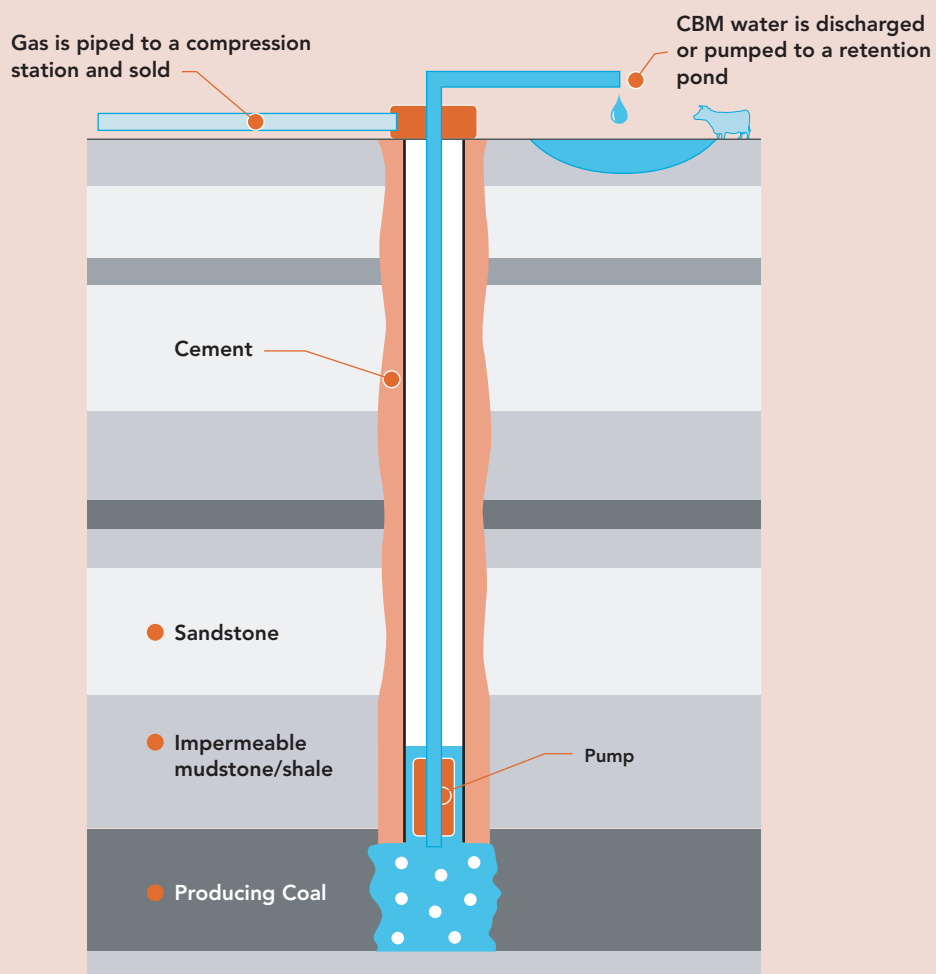
### CHANGES IN STATE OF AFFAIRS

In the opinion of the directors, significant changes in the state of affairs of the consolidated entity that occurred during the year ended 31 December 2004 were as follows:

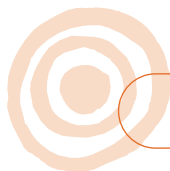
- Completion of the Company's prospectus dated 9 January 2004, resulting in 75 million new fully paid ordinary shares being issued at \$0.20 each to raise \$15 million.
- Admission to official quotation by the ASX on 11 March 2004.
- The acquisition of 5 CBM projects in the USA, increasing the Company's USA tenement position by 400%.
- Completion of 20 wells by 2 joint venture partners at East Esponda for near term CBM production.
- First CBM production from 15 production wells at the Oriva-Throne project.



## COAL BED METHANE WELL



*Schematic of a typical CBM well*



## DIRECTORS' REPORT

### ENVIRONMENTAL REGULATIONS

The Company's operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its activities.

The board of directors regularly monitors compliance with environmental regulations. The directors are not aware of any breaches of these regulations up to the date of this report.

### SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

### LIKELY DEVELOPMENTS

Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent years has not been included in this report because disclosure of this information would be likely to result in unreasonable prejudice to the Company.

### INDEMNIFICATION OF OFFICERS & AUDITORS

During or since the financial year, the Company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Company against a liability incurred as such an officer or auditor. In addition, the Company has not paid or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

Signed at Sydney this 28th day of February 2005 in accordance with a resolution of the Board of Directors:

Norman A. Seckold  
Director



## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PLANET GAS LIMITED

### Scope

#### *The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cashflows, accompanying notes to the financial statements, and the directors' declaration for both Planet Gas Limited (the company) and the consolidated entity, for the financial year ended 31 December 2004 as set out on pages 28 to 45. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Audit approach*

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement.

The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

## Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

## Audit Opinion

In our opinion, the financial report of Planet Gas Limited is in accordance with:

- (a) The Corporations Act 2001, including:
  - (i) Giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2004 and of their performance for the year ended on that date; and
  - (ii) Complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) Other mandatory professional reporting requirements in Australia.



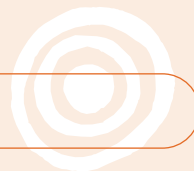
DELOITTE TOUCHE TOHMATSU



James H W Riddell  
Partner  
Chartered Accountants

SYDNEY, 28 February 2005

## DIRECTORS' DECLARATION



In the opinion of the directors of Planet Gas Limited:

- (a) the financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2004 and of its performance; and
  - (ii) complying with Accounting Standards in Australia.
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed at Sydney this 28th day of February 2005  
in accordance with a resolution of the Board of Directors:

Norman A. Seckold  
Director



# STATEMENTS OF FINANCIAL PERFORMANCE

for the year ended 31 December 2004

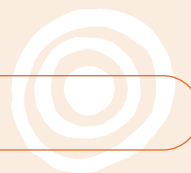
	Notes	Consolidated		Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
Revenue from the sale of coal bed methane		101,181	-	-	-
Cost of product sold					
Mining and treatment costs		(31,566)	-	-	-
Gross profit from the sale of coal bed methane		69,615	-	-	-
Other revenues from ordinary activities	2	507,943	7,728	507,943	7,728
Other expenses from ordinary activities					
Consultants' expense		(557,503)	(42,848)	(557,503)	(42,848)
Depreciation expense		(6,630)	(10,372)	(6,630)	(10,372)
Borrowing costs		-	(15,733)	-	(15,733)
Other		(31,128)	(32,034)	(31,128)	(32,034)
Loss from ordinary activities before income tax	2	(17,703)	(93,259)	(87,318)	(93,259)
Income tax expense relating to ordinary activities	3	-	-	-	-
Net loss		(17,703)	(93,259)	(87,318)	(93,259)
Total changes in equity other than those resulting from transactions with owners as owners		(17,703)	(93,259)	(87,318)	(93,259)
Basic loss per share	11	0.01 cents			
Diluted loss per share	11	0.01 cents			

Notes to the financial statements are included on pages 32 to 45.



# STATEMENTS OF FINANCIAL POSTION

as at 31 December 2004

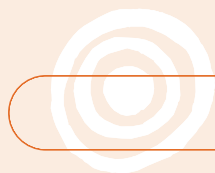


	Notes	Consolidated		Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash assets		8,128,692	816,322	8,128,588	816,318
Receivables	4	140,370	21,254	70,755	21,254
<b>TOTAL CURRENT ASSETS</b>		<b>8,269,062</b>	<b>837,576</b>	<b>8,199,343</b>	<b>837,572</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	4	-	-	11,156,066	259,125
Other financial assets	5	-	-	550,104	50,004
Plant and equipment	6	14,189	6,915	14,189	6,915
Exploration and evaluation expenditure	7	11,641,542	2,491,482	43,764	2,182,357
Other	8	138,288	20,000	30,000	20,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>11,794,019</b>	<b>2,518,397</b>	<b>11,794,123</b>	<b>2,518,401</b>
<b>TOTAL ASSETS</b>		<b>20,063,081</b>	<b>3,355,973</b>	<b>19,993,466</b>	<b>3,355,973</b>
<b>CURRENT LIABILITIES</b>					
Payables	9	773,258	164,782	773,258	164,782
Other	10	-	2,500,000	-	2,500,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>773,258</b>	<b>2,664,782</b>	<b>773,258</b>	<b>2,664,782</b>
<b>NON-CURRENT LIABILITIES</b>					
Loans	9	1,173,375	-	1,173,375	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,173,375</b>	<b>-</b>	<b>1,173,375</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>1,946,633</b>	<b>2,664,782</b>	<b>1,946,633</b>	<b>2,664,782</b>
<b>NET ASSETS</b>		<b>18,116,448</b>	<b>691,191</b>	<b>18,046,833</b>	<b>691,191</b>
<b>EQUITY</b>					
Contributed equity	10	18,765,014	1,322,054	18,765,014	1,322,054
Accumulated losses	12	(648,566)	(630,863)	(718,181)	(630,863)
<b>TOTAL EQUITY</b>		<b>18,116,448</b>	<b>691,191</b>	<b>18,046,833</b>	<b>691,191</b>

Notes to the financial statements are included on pages 32 to 45.







## STATEMENTS OF CASHFLOWS

for the year ended 31 December 2004

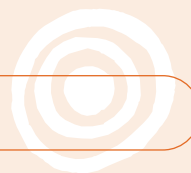
	Notes	Consolidated		Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Cash payments in the course of operations		(502,657)	(81,374)	(502,657)	(81,374)
Interest received		507,943	7,728	507,943	7,728
<b>Net cash provided by/(used in) operating activities</b>	13	5,286	(73,646)	5,286	(73,646)
<b>Cash flows from investing activities</b>					
Loans to controlled entities		-	-	(7,068,352)	-
Payments for controlled entities		-	-	(100)	(4)
Payments for security deposits		(118,288)	(10,000)	(10,000)	(10,000)
Payments for development		(268,976)	-	-	-
Payments for exploration and evaluation		(2,203,609)	-	(43,620)	-
Payments for oil and gas properties		(4,531,099)	-	-	-
Payments for plant and equipment		(13,904)	(29,948)	(13,904)	(29,948)
<b>Net cash used in investing activities</b>		(7,135,876)	(39,948)	(7,135,976)	(39,952)
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares		15,000,000	1,053,049	15,000,000	1,053,049
Costs of issue		(557,040)	-	(557,040)	-
Repayments of borrowings		-	(200,000)	-	(200,000)
Borrowing costs		-	(23,853)	-	(23,853)
<b>Net cash provided by financing activities</b>		14,442,960	829,196	14,442,960	829,196
<b>Net increase in cash held</b>		7,312,370	715,602	7,312,270	715,598
<b>Cash at the beginning of the financial year</b>		816,322	100,720	816,318	100,720
<b>Cash at the end of the financial year</b>	13	8,128,692	816,322	8,128,588	816,318

Notes to the financial statements are included on pages 32 to 45.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004



## 1. SUMMARY OF ACCOUNTING POLICIES

### Financial reporting framework

This financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values of non-current assets. Cost is based on the fair values of consideration given in exchange for assets.

### Significant accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events are reported.

In addition to the accounting policies prescribed by applicable Accounting Standards and Urgent Issues Consensus Views, the following significant accounting policies have been adopted in the preparation and presentation of the financial report:

### Revenue recognition

#### *Interest revenue*

Interest revenue is recognised on an accrual basis.

#### *Sale of goods*

Revenue from the sale of goods is recognised when the consolidated entity has passed control of the goods to the buyer.

### Income tax

The Company adopts the liability method of tax effect accounting. Income tax expense is calculated on accounting profit adjusted for permanent differences. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax. Future income tax benefits are not brought to account unless realisation of the asset is virtually certain.

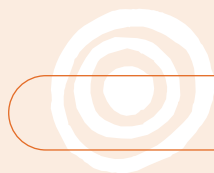
### Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from or payable to the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from or payable to the ATO are classified as operating cash flows.





# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

## 1. SUMMARY OF ACCOUNTING POLICIES (Cont.)

### Exploration expenditure

Exploration, evaluation and development expenditure is accumulated in respect of each identifiable area of interest. These costs are carried forward in the statement of financial position where the right of tenure of the area of interest is current and the costs are expected to be recouped through the sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest are ongoing and have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial year in which the decision is made. Each area of interest is also reviewed at the end of each financial year and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward exploration, evaluation and development costs are amortised on a units of production basis over the life of the economically recoverable reserves.

### Plant and equipment

Items of plant and equipment are initially recorded at cost and are depreciated over their estimated useful lives using the declining balance method from the date of acquisition.

Office equipment is depreciated at rates between 30% and 60% per annum.

### Accounts payable

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 60 days.

### Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

### Financial instruments issued by the Company

Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement. Interest and dividends are classified as expenses or as distributions of profit, consistent with the statement of financial position classification of the related debt or equity instruments. Costs associated with the issue of equity of are offset against equity.

### Foreign currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date.

Exchange differences are recognised in net profit or loss in the period in which they arise.

Financial statements of integrated foreign operations are translated at reporting date using the temporal method and exchange differences are taken to net profit or loss for the year.

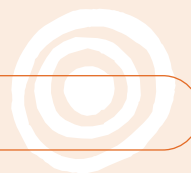
### Investments

Investments in controlled entities are recorded at cost. Dividend revenue is recognised on a receivable basis.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004



## 1. SUMMARY OF ACCOUNTING POLICIES (Cont.)

### Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (parent entity) and its controlled entities as defined in Accounting Standard AASB 1024 'Consolidated Accounts'. A list of controlled entities appears in Note 20 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances and transactions arising within the consolidated entity are eliminated in full.

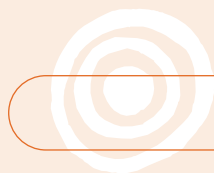
### Recoverable amount of non-current assets

Non-current assets are written down to the recoverable amount where the carrying value of any non-current assets exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

### Joint Venture operations

Interests in joint venture operations are reported in the financial statements by including the consolidated entity's share of assets employed in the joint venture, the share of liabilities incurred in relation to the joint venture, and the share of any expenses incurred in relation to joint ventures in their respective classification categories.





# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

## 2. LOSS FROM ORDINARY ACTIVITIES

Loss from ordinary activities includes the following items of revenue and expense:

### Operating Revenue

	Consolidated 2004 \$	Consolidated 2003 \$	Company 2004 \$	Company 2003 \$
Sale of coal bed methane	101,181	-	-	-
Interest revenue	507,943	7,728	507,943	7,728
Total operating revenue	609,124	7,728	507,943	7,728

### Expenses

Auditors' remuneration				
- Audit and review of financial reports	38,500	13,500	38,500	13,500
- Other services	7,500	-	7,500	-
Depreciation of plant and equipment				
- Office equipment	6,630	10,372	6,630	10,372
Borrowing costs				
- Interest expense	-	15,733	-	15,733

## 3. INCOME TAX EXPENSE

Prima facie income tax benefit on loss from ordinary activities at 30%	5,311	27,978	26,195	27,978
Permanent differences	-	(731)	-	(731)
Timing differences and tax losses not brought to account as assets	(5,311)	(27,247)	(26,195)	(27,247)
Income tax expense	-	-	-	-

The following cumulative potential income tax benefit calculated at 30% arising from tax losses and timing differences has not been recognised as an asset because recovery is not virtually certain.

Tax losses and timing differences	176,324	171,013	197,208	171,013
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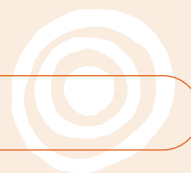
The potential future income tax benefit will only be obtained if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;
- the Company continues to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the Company in realising the benefit.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004



## 3. INCOME TAX EXPENSE (Cont.)

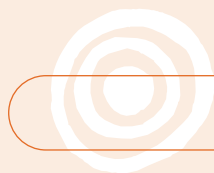
### Tax Consolidation System

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The Company and its wholly owned Australian resident entities are eligible to consolidate for tax purposes under this legislation and the directors of these entities consider it likely that they will elect to implement the tax consolidation system in due course. The directors have not made a final formal decision whether or not to implement the tax consolidation system and if so, from which date implementation would occur.

Accordingly, the financial effect of the implementation of the tax consolidation system has not been recognised in this financial report. However, as each of the entities eligible to participate in the tax consolidation system are in a cumulative tax loss position and these tax losses have not been brought to account as deferred tax assets, the impact of the tax consolidation system on the current financial report would not be material.

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>4. RECEIVABLES</b>				
<b>Current</b>				
Other debtors	117,189	17,050	47,574	17,050
GST receivable	23,181	4,204	23,181	4,204
	140,370	21,254	70,755	21,254
<b>Non-current</b>				
Loan to controlled entities	-	-	11,179,498	282,557
Allowance for doubtful debts	-	-	(23,432)	(23,432)
	-	-	11,156,066	259,125
<b>5. OTHER FINANCIAL ASSETS</b>				
<b>Non-current</b>				
Investment in controlled entities, at cost	-	-	550,104	50,004
<b>6. PLANT AND EQUIPMENT</b>				
Office equipment - at cost	41,171	27,267	41,171	27,267
Accumulated depreciation	(26,982)	(20,352)	(26,982)	(20,352)
Net book value	14,189	6,915	14,189	6,915
Reconciliations of the carrying amounts for each class of plant and equipment are set out below:				
<b>Office equipment</b>				
Carrying amount at beginning of year	6,915	17,287	6,915	17,287
Additions	13,904	-	13,904	-
Depreciation	(6,630)	(10,372)	(6,630)	(10,372)
Net book value	14,189	6,915	14,189	6,915





# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>7. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE</b>				
<b>Areas of Interest - Exploration/Evaluation Phase</b>				
Oriva Federal - Powder River Basin, Wy, USA	802,268	-	-	-
Whiskey Draw - Powder River Basin, Wy, USA	51,202	-	-	-
Skull Creek - Cherokee Basin, Ks, USA	2,127,034	-	-	-
Eromanga Basin - SA (PELA 146)	5,795	144	5,795	144
Gippsland Basin - Vic (ELs 4500 and 4807)	758,771	77,202	-	27,202
Gunnedah Basin - NSW (PEL 428)	271,964	259,125	-	-
Otway Basin - Vic (ELAs 4368 and 4369 and EL 4811)	30,320	-	30,320	-
Sawells Pty Limited - SA	21,820	-	-	-
Willochra Basin - SA (PELA 145)	7,649	-	7,649	-
<b>Areas of Interest - Development Phase</b>				
Esponda - Powder River Basin, Wy, USA	4,417,259	2,155,011	-	2,155,011
<b>Areas of Interest - Production Phase</b>				
Oriva-Throne - Powder River Basin, Wy, USA	3,147,460	-	-	-
	<b>11,641,542</b>	<b>2,491,482</b>	<b>43,764</b>	<b>2,182,357</b>

Ultimate recoupment of these costs is dependent on successful development and commercial exploitation, or alternatively sale of the respective areas of interest. For properties in the development phase, amortisation is not being charged, pending the commencement of production. Amortisation on areas of interest where production has commenced will begin from 1 January 2005.

## 8. OTHER NON-CURRENT ASSETS

Security deposits	138,288	20,000	30,000	20,000
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## 9. PAYABLES

### Current

Creditors and accruals	773,258	164,782	773,258	164,782
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### Non-current

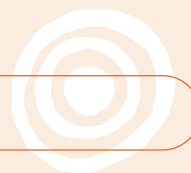
Share of Kennedy Oil development expenditure	1,173,375	-	1,173,375	-
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This non-current payable represents the Company's share (40%) of development expenditure incurred by Kennedy Oil in East Esponda. There are no other assets, liabilities or expenses of the joint venture operation.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004



## 10. CONTRIBUTED EQUITY

168,800,005 (2003 – 60,750,005) fully paid ordinary shares

Consolidated		Company	
2004	2003	2004	2003
\$	\$	\$	\$
18,765,014	1,322,054	18,765,014	1,322,054

## Fully paid ordinary shares

Balance at beginning of financial year

Issue of shares

Less costs of issue

Balance at end of financial year

2004		2003	
No.	\$	No.	\$
60,750,005	1,322,054	19,140,005	269,005
108,050,000	18,000,000	41,610,000	1,053,049
-	(557,040)	-	-
168,800,005	18,765,014	60,750,005	1,322,054

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

During the year ended 31 December 2004:

- 75,000,000 fully paid ordinary shares were issued at \$0.20 each for cash consideration totalling \$15,000,000.
- 1,800,000 fully paid ordinary shares were issued for \$500,000 as part consideration for the acquisition of the Company's wholly owned subsidiary, Greenpower Energy Pty Limited.
- 5,000,000 Convertible Notes with a face value of \$2,500,000 on issue at 31 December 2003 were converted into 31,250,000 fully paid ordinary shares.

## 11. LOSS PER SHARE

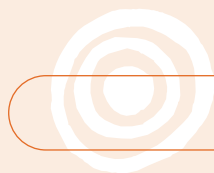
Basic and diluted loss per share have been calculated using:

	Consolidated	
	2004	2003
	\$	\$
Net loss for the year	17,703	93,259
Weighted average number of ordinary shares	148,078,087	25,871,704

As at 31 December 2004 there are no 'potential' ordinary shares, therefore diluted earnings per share is the same as basic earnings per share.







## NOTES TO THE FINANCIAL STATEMENTS

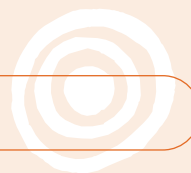
for the year ended 31 December 2004

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>12. ACCUMULATED LOSSES</b>				
Accumulated losses at the beginning of the year	630,863	537,604	630,863	537,604
Net loss attributable to members of the parent entity	17,703	93,259	87,318	93,259
Accumulated losses at the end of the year	648,566	630,863	718,181	630,863
<b>13. STATEMENTS OF CASH FLOWS</b>				
<b>Reconciliation of net loss from ordinary activities after tax to net cash used in operating activities</b>				
Loss from ordinary activities after tax	(17,703)	(93,259)	(87,318)	(93,259)
<b>Items classified as financing activities</b>				
Interest accrued on borrowings	-	15,733	-	15,733
<b>Non-cash items</b>				
Depreciation of plant and equipment	6,630	10,372	6,630	10,372
<b>Changes in assets and liabilities</b>				
Increase in receivables	(119,116)	(2,251)	(49,501)	(2,251)
Increase/(decrease) in accounts payable	135,475	(4,241)	135,475	(4,241)
<b>Net cash provided by/(used in) operating activities</b>	5,286	(73,646)	5,286	(73,646)
<b>Reconciliation of cash</b>				
For the purposes of the Statements of Cash Flows, cash includes cash on hand and at bank and cash on deposit net of bank overdrafts and excluding security deposits. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:				
<b>Cash</b>	8,128,692	816,322	8,128,588	816,318



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004



## 14. DIRECTORS' REMUNERATION

The broad remuneration policy is to ensure the remuneration package properly reflects the persons' duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The directors are not employed directly by the Company. Their services are provided by way of arrangements with related parties. No options were granted to directors or executives as part of their remuneration.

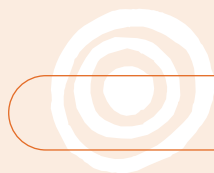
The following table provides the details of all directors ('specified directors') of the Company.

	Year	Primary salary and fees \$	Total \$
<b>Specified Directors</b>			
<i>Executive directors</i>			
Norman A. Seckold (Chairman)	2004	75,000	75,000
	2003	-	-
Peter J. Nightingale (Director, Secretary and CFO)	2004	50,000	50,000
	2003	-	-
Bruce F. Riederer (Director of Exploration and Development)	2004	174,212	174,212
	2003	-	-
<i>Non-executive directors</i>			
Anthony J. McClure	2004	96,000	96,000
	2003	-	-
Anthony J. McDonald	2004	41,140	41,140
	2003	-	-
Norman J. Zillman	2004	20,000	20,000
	2003	-	-
Total, all specified directors	2004	456,352	456,352
	2003	-	-

### Specified Executives

There are no specified executive officers of the Company or consolidated entity that are not directors.





# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

## 15. RELATED PARTY DISCLOSURES

### Directors

The names of each person holding the position of director of the Company during the year are Norman A. Seckold, Peter J. Nightingale, Bruce F. Riederer, Anthony J. McClure, Anthony J. McDonald and Norman J. Zillman. Details of directors' remuneration are set out in Note 14.

Details of relevant interests of directors of the Company and their director-related entities in shares of entities within the consolidated entity are as follows:

Specified Director	Held at 31 December 2003	Purchased shares	Received on exercise of convertible notes	Sales	Held at 31 December 2004
Norman A. Seckold	22,875,003	-	375,000	-	23,250,003
Peter J. Nightingale	3,000,001	-	625,000	-	3,625,001
Bruce F. Riederer	4,000,000	-	-	-	4,000,000
Anthony J. McClure	3,000,000	-	-	-	3,000,000
Anthony J. McDonald	3,000,000	-	-	-	3,000,000
Norman J. Zillman	4,000,000	-	-	-	4,000,000

Apart from the details disclosed in this note, no director has entered into a contract with the Company during the year and there were no contracts involving directors' interests subsisting at year end.

## 16. FINANCIAL INSTRUMENTS DISCLOSURE

### Interest rate risk

With the exception of cash, all the Company's financial assets and liabilities are non-interest bearing. The cash balance earns interest at an average of 5.15%.

### Credit risk exposure

The credit risk exposure on financial assets of the consolidated entity which have been recognised on the statement of financial position is the carrying amount, net of any provision for doubtful debts.

### Net fair values of financial assets and liabilities

The carrying amounts of financial assets and liabilities approximate their net fair values, with the exception of intercompany receivables and non-current liabilities which bear no specified terms of repayment and are non-interest bearing. Accordingly, a fair value for these liabilities cannot be calculated.

## 17. JOINT VENTURE OPERATIONS

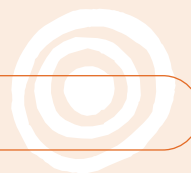
	Area	Output Interest	
		2004	2003
		%	%
Esponda – Kennedy Oil	USA	40	40
Esponda – Western Gas	USA	20	20
Oriva–Throne	USA	61	-
Davidson Prospecting (PEL 428)	Australia	20	20

The consolidated entity's interest in assets employed in the above joint venture operations includes capitalised exploration, evaluation and development expenditure totalling \$4,925,201 (2003 - \$488,574), and current accounts receivable totalling \$69,615 (2003 - \$nil). The contingent liabilities and capital commitments arising from the consolidated entity's interest in joint venture operations, where applicable, are disclosed in Note 19 to the financial statements. All joint venture operations are engaged in the evaluation, exploration, and development of oil and gas properties.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004



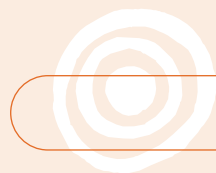
## 18. SEGMENT REPORTING

The consolidated entity operates wholly within the mining industry in Australia and the United States.

Geographical Segments	Australia	USA	Consolidated Total
	\$	\$	\$
<b>31 December 2004</b>			
<b>Revenue</b>			
External segment revenue	-	101,181	101,181
Unallocated revenue			507,943
<b>Total revenue</b>			<u>609,124</u>
<b>Result</b>			
Segment result	-	69,615	69,615
Unallocated corporate revenues and expenses			(87,318)
<b>Net loss</b>			<u>(17,703)</u>
<b>Assets</b>			
Segment assets	9,325,766	10,723,126	20,048,892
Unallocated corporate assets			14,189
			<u>20,063,081</u>
Including non-current assets acquired during the year:			
Exploration and evaluation	243,536	2,569,489	2,813,025
Mining projects	500,000	4,531,099	5,031,099
Mine development	-	1,467,527	1,467,527
	<u>743,536</u>	<u>8,568,115</u>	<u>9,311,651</u>
<b>Segment liabilities</b>	<u>129,726</u>	<u>1,816,907</u>	<u>1,946,633</u>
<b>31 December 2003</b>			
<b>Revenue</b>			
External segment revenue	-	-	-
Unallocated revenue			7,728
<b>Total revenue</b>			<u>7,728</u>
<b>Result</b>			
Segment result	-	-	-
Unallocated corporate revenues and expenses			(93,259)
<b>Net loss</b>			<u>(93,259)</u>

In the prior year, capitalised exploration and evaluation expenditure of \$2,155,011 was incurred in relation to properties in the USA, and \$336,471 in relation to properties in Australia. As the consolidated entity had no revenue generating properties in the prior year, the directors are of the opinion that no further segment disclosure is material to the understanding of the financial report. Division of the consolidated entity's results and assets into geographical segments has been ascertained by direct identification of assets and revenue cost centres. There are no intersegment revenue transactions and the major product is coal bed methane.





## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

### 19. COMMITMENTS AND CONTINGENCIES

#### Kennedy Oil

In June 2003, the Company entered into a farmout agreement with Kennedy Oil of Wyoming, USA whereby Kennedy Oil committed to sole fund twelve wells within the Company's eastern Powder River Basin acreage in return for a 50% - 60% working interest depending on the location. Prior to capital payback, the Company will receive a 1.5% gross royalty. Kennedy Oil has completed its drilling program with 12 wells as future production wells. The Company holds a 40% free-carried interest in these wells.

#### Lynch Mining Pty Limited

In December 2003 the Company entered into a Heads of Agreement with Lynch Mining Pty Ltd ('Lynch Mining'). The Company assumed all of the administrative obligations and expenses under the applications for Exploration Licences 4368 and 4369 in the Otway Basin. This included the negotiation with the Native Title Claimants. This negotiation is continuing.

Upon granting of the Exploration Licences, the Company will reimburse Lynch Mining \$100,000 in exchange for a transfer of the Exploration Licences.

#### Western Gas Resources Inc

Western Gas Resources Inc ('Western Gas') is manager of 8 wells in one Section at the Company's Esponda Project in the Powder River Basin. The Company reimburses Western Gas for its 25% working interest in this Section. The 8 wells have been completed and a production permitting application process begun.

### 20. CONTROLLED ENTITIES

#### Parent Entity

Planet Gas Limited is an Australian incorporated company listed on the Australian Stock Exchange.

Wholly Owned Controlled Entities	Country of Incorporation	Ownership Interest	
		2004	2003
		%	%
Davidson Prospecting Pty Limited	Australia	100	100
Greenpower Energy Pty Limited	Australia	100	100
Pauper's Dream Company	USA	100	100
Sawells Pty Limited	Australia	100	-
Planet Gas Resources LLC	USA	100	-
Planet Gas Properties LLC	USA	100	-

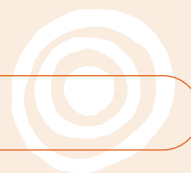
During the year ended 31 December 2004, the Company incorporated:

- Sawells Pty Limited, an Australian wholly owned subsidiary, with an initial investment of \$100.
- Planet Gas Resources LLC, a USA wholly owned subsidiary.
- Planet Gas Properties LLC, a USA wholly owned subsidiary.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004



## 21. AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated entity will be required to prepare financial reports using Australian accounting standards that are equivalent to International Financial Reporting Standards (A-IFRS) and their related pronouncements for all periods beginning on or after 1 January 2005.

The first financial report to be prepared by the consolidated entity in accordance with A-IFRS will be the financial report for the half year ending 30 June 2005. A-IFRS also requires the consolidated entity to restate comparative period balances. As a result, the opening statement of financial position of the consolidated entity as at 1 January 2004 will be restated so that all transactions and balances are recognised and measured in accordance with A-IFRS. Transitional adjustments will be reflected either as a reclassification of items in the statement of financial position, or an adjustment of opening retained earnings.

A formal A-IFRS conversion project will be started during the 2005 financial year. The project will be divided into three distinct phases: impact assessment and evaluation, information systems design and adaptation, and implementation. The directors will be working with A-IFRS specialists to ensure that the interpretation of the standards and application to the consolidated entity is as intended. The first phase of the project is in progress and a review of the appropriateness of current information systems will commence shortly.

The following are some of the topics that are expected to impact the consolidated entity following the adoption of A-IFRS. It is not practical at this time to quantify these changes as no conclusions have been reached regarding various accounting treatments under A-IFRS where alternatives are available to the consolidated entity and the financial impact of such alternatives has not been fully assessed.

### Accounting for Exploration, Evaluation and Development Expenses

Generally, the application of the 'area of interest' accounting for exploration and evaluation expenditures under A-IFRS will be treated in the same manner as current Australian Accounting Standards. However, as outlined further below, under A-IFRS, entities recognising exploration and evaluation assets will be required to perform an impairment test on those assets when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Under A-IFRS the cost of an item of property, plant and equipment (including capitalised development expenses) is required to include the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period. Accordingly, additional provisions for site restoration may be required under A-IFRS as the measurement and recognition criteria differ from current Australian Accounting Standards.

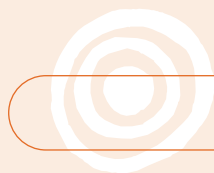
### Impairment of Assets

A-IFRS has a more prescriptive impairment test including restrictions on cash flows used in the assessment of recoverable amount and detailed guidance relating to the discount rate to be used. This may trigger the need for impairment write-downs at a date earlier than might otherwise be determined under current Australian Accounting Standards.

### Business Combinations

The consolidated entity has the option of retaining the accounting treatment for business combinations in accordance with Australian Accounting Standards, or restating all business combinations prior to the opening balance sheet date. Accordingly, the fair values attributable to certain assets and liabilities at acquisition date may change and additional assets and liabilities could be recognised for the first time as if A-IFRS had always applied. No decision has been made as to whether the consolidated entity will restate prior business combinations.





## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

### 21. AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont.)

#### Tax Effect Accounting

A-IFRS requires a full provision approach to deferred tax which is based on "temporary differences", being differences between the carrying value of an asset or liability and the amount attributed to it for tax purposes. The recognition criteria for deferred tax assets under A-IFRS are not as strict as current Australian Accounting Standards, and as a result, more deferred tax balances may be recognised.

#### Foreign Currency Translation

A-IFRS requires an entity to determine its functional currency and record transactions, on initial recognition, in the entity's functional currency (which may differ from its presentation currency). An entity will be required to translate its financial report to the presentation currency if the entity's presentation currency is different from its functional currency. The entity must translate assets and liabilities at the closing rate, and income and expense items at the rate that applied at the date of each transaction. Exchange differences are recognised as a separate component of equity.

Under current Australian Accounting Standards, the Company's foreign subsidiaries are classified as integrated operations and the Company uses the temporal method when accounting for foreign operations and does not currently recognise a foreign currency translation reserve.

Under A-IFRS, a foreign currency translation reserve may arise if it is determined that the functional currency of the Company's subsidiaries and operations is not the Australian currency.



## ADDITIONAL STOCK EXCHANGE INFORMATION

Additional information as at 31 January 2005 required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report.

### Home Exchange

The Company is listed on the Australian Stock Exchange. The Home Exchange is Sydney.

### Audit Committee

As at the date of the Directors' Report, there was no audit committee of the Board of Directors, because the small number of Directors comprising the Board does not warrant the formal constitution of such a committee.

### Substantial Shareholdings

At 31 January 2005 the Register of Substantial Shareholders showed the following:

Altinova Nominees Pty Ltd	23,250,001
Citigroup Nominees Pty Ltd CFS W/Sale	20,194,015
ANZ Nominees Ltd	8,608,610

### Class of Shares and Voting Rights

The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, attorney or representative, shall have one vote on a show of hands and one vote for each share held on a poll.

A member holding partly paid shares is entitled to a fraction of a vote equivalent to the proportion which the amount paid up bears to the issue price for the share.

As at 31 January 2005 the twenty largest quoted shareholders held 60.32% of the fully paid ordinary shares as follows:

Name	Number	%	Name	Number	%
1 Altinova Nominees Pty Ltd	23,250,001	13.77%	11 Mr Thomas J Mann	3,000,000	1.78%
2 Citigroup Nominees Pty Ltd CFS W/wholesale	20,194,015	11.96%	12 Mr Anthony J McClure	3,000,000	1.78%
3 ANZ Nominees Ltd	8,608,610	5.10%	13 Trio Investments Pty Ltd	3,000,000	1.78%
4 All-States Finance Pty Ltd	4,777,740	2.83%	14 Mdm Thie Tjie Hoa	2,200,000	1.30%
5 Berpaid Pty Ltd	4,371,595	2.59%	15 Sharif A Oussa	2,000,001	1.18%
6 Nitroshire Pty Ltd	4,000,000	2.37%	16 All-States Secretarial Pty Ltd	2,000,000	1.18%
7 Mr Bruce Riederer	4,000,000	2.37%	17 Paradyn Holdings Pty Ltd	2,000,000	1.18%
8 Westpac Custodian Nominees Limited	3,993,425	2.37%	18 Removele Pty Ltd	1,762,535	1.04%
9 Rosignol Pty Ltd	3,625,000	2.15%	19 Mr Geoffrey Charles Clarke	1,500,000	0.89%
10 Citigroup Nominees Pty Ltd	3,250,000	1.93%	20 Mr P J & Mrs J A Bartter	1,300,000	0.77%



## ADDITIONAL STOCK EXCHANGE INFORMATION

### Distribution of shareholders

As at 31 January 2005, the total distribution of each class of equity was as follows:

#### Fully paid ordinary shares

Range	Total Holders	Units	% Issued Capital
1-1,000	3	722	0.00%
1,001 - 5,000	52	186,833	0.15%
5,001 - 10,000	83	735,692	0.61%
10,001 - 100,000	552	25,215,640	20.92%
100,001 - 9,999,999,999	30	94,411,113	78.32%
<b>Total</b>	<b>819</b>	<b>120,550,000</b>	<b>100.00%</b>

As at 31 January 2005, 13 shareholders held less than marketable parcels of 2,174 shares.

#### Fully paid ordinary shares subject to escrow until 11 March 2006

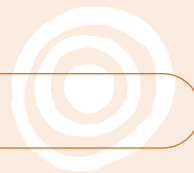
Range	Total Holders	Units	% Issued Capital
1-1,000	3	3	0.00%
1,001 - 5,000	0	0	0.00%
5,001 - 10,000	0	0	0.00%
10,001 - 100,000	0	0	0.00%
100,001 - 9,999,999,999	12	48,250,002	100.00%
<b>Total</b>	<b>15</b>	<b>48,250,005</b>	<b>100.00%</b>

### On Market Buy Back

There is no on market buy-back.



## CORPORATE DIRECTORY



### **Directors**

Mr Norman A. Seckold (Chairman)  
Mr Peter J. Nightingale  
Mr Bruce F. Riederer  
Mr Anthony J. McClure  
Mr Anthony J. McDonald  
Mr Norman J. Zillman

### **Company Secretary**

Mr Peter J. Nightingale

### **Principal Place of Business and Registered Office**

Level 8, 261 George Street  
SYDNEY NSW 2000  
Phone: 61-2 9247 5112  
Fax: 61-2 9247 7273

### **Auditors**

Deloitte Touche Tohmatsu  
Grosvenor Place  
225 George Street  
SYDNEY NSW 2000

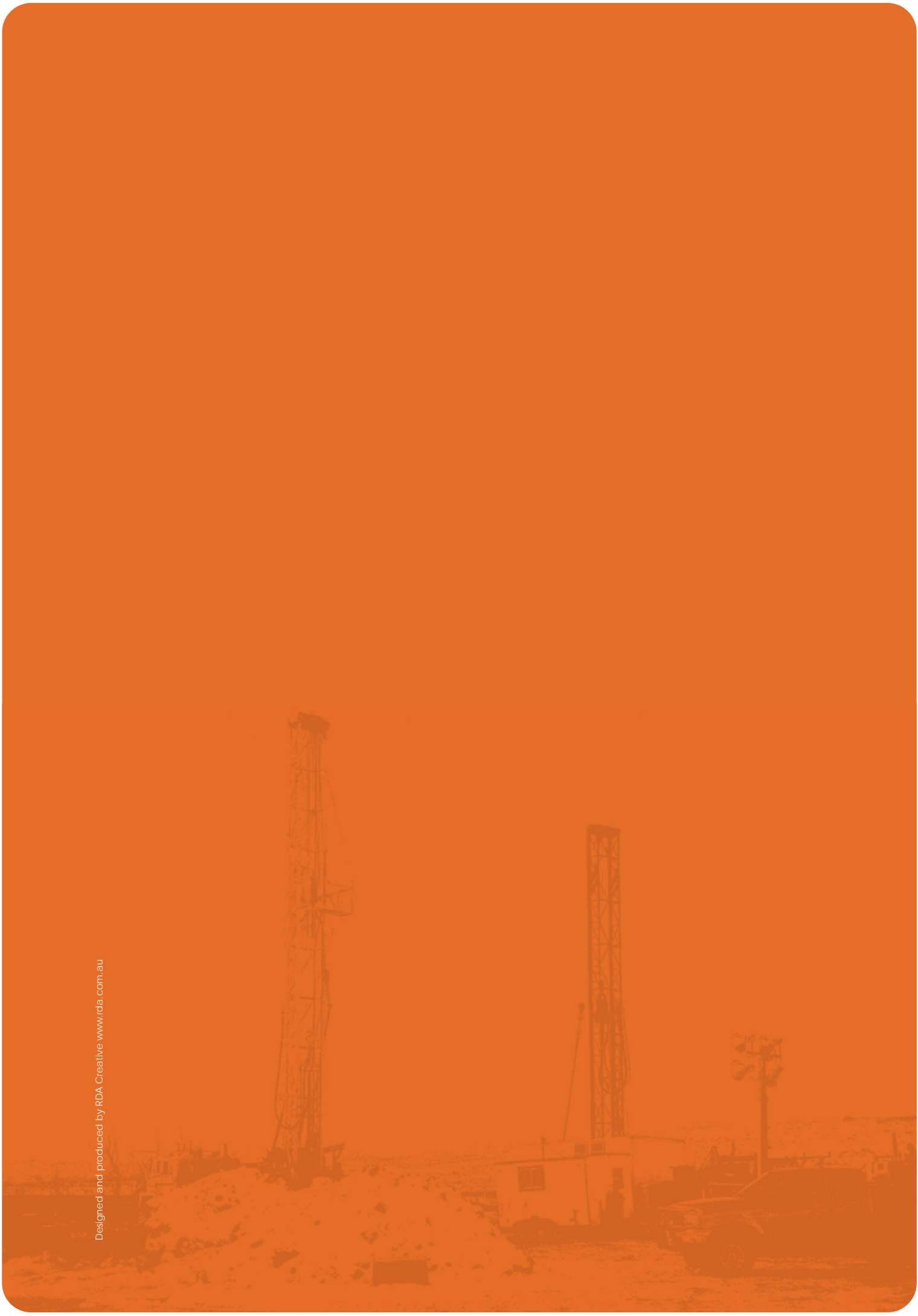
### **Solicitors**

Minter Ellison  
88 Phillip Street  
SYDNEY NSW 2000

### **Share Registrars**

Computershare Investor Services Pty Limited  
Level 27  
Central Plaza One  
345 Queen Street  
BRISBANE QLD 4000  
Phone: 61-7 3237 2100  
Fax: 61-7 3229 9860







PLANET GAS LIMITED

