



PLANET GAS LIMITED

and its Controlled Entities

A.B.N. 46 098 952 035

ANNUAL REPORT 2008



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CHAIRMAN'S LETTER



Dear Fellow Shareholder,

As we discuss in the Directors' Report, it has been a difficult year for Planet. Our biggest challenge is that for the Company to fully realise the potential of our Western Powder River Basin properties, we need to drill perhaps in the first instance up to a further 50 wells on the West Esponda project.

As most of you would be aware, the successful development of coal seam gas relies on creating a "sink", by pumping water from the coals, which in turn allows the gas contained in the coals to migrate to the de-watered "sink".

Naturally this de-watering process will occur more quickly if your neighbours are participating and assisting. However, disappointingly, despite the fact that our immediate neighbours include major corporations, to date we have been the sole driller in this area.

The significant deterioration in the world's capital markets in recent months leaves us, for the present, in a position where raising the funds needed to expand the number of wells under pump has not been a possibility.

Therefore, given your Board cannot forecast when this situation will be reversed, it has been deemed appropriate to take an impairment charge onto our books.

We continue to review other opportunities, as I feel that bear markets often present opportunity.

Yours faithfully,

A handwritten signature in dark ink, appearing to read 'Norman A. Seckold'. The signature is fluid and cursive, with a large loop at the end.

Norman A. Seckold
Chairman



REVIEW OF OPERATIONS

SUMMARY

The year ended 31 December 2008 was a difficult year for Planet Gas Limited ('Planet Gas' or 'the Company'), principally due to the lack of attractive financing alternatives available to pursue the development of the Company's projects.



Despite this, advances were made during the year:

- ◎ **Sale of Australian CBM assets completed following the listing of Greenpower Energy Limited.**
- ◎ **Oriva Federal Farmout Agreement negotiated.**
- ◎ **Drilling commenced at Oriva Federal with six wells completed.**
- ◎ **An average gas price of \$6.18/mcf for gas produced at Oriva Throne.**
- ◎ **Increased gas production at East Esponda.**
- ◎ **Callabonna Uranium Limited IPO advanced and supported by SK Energy Co. Limited.**

The global financial crisis has caused the Directors to assess the ultimate recovery of the Company's exploration, evaluation and development assets. Whilst the underlying geologic resources of the Company's projects are not diminished, the assessment of extracting those resources is made more difficult due to uncertainty about the financing alternatives for the development of those assets.

As a result of this assessment, the Company has impaired the carrying value of all exploration, evaluation and development expenditure on the Esponda and Skull Creek projects until such time as there is conclusive evidence the impairment has reversed.



REVIEW OF OPERATIONS (CONT.)

PROJECTS

The Company is engaged in the acquisition, exploration, development, production and operation of oil, gas and CBM properties in the USA.



The Company has rights to the following projects in the USA:

- Esponda Project, Powder River Basin, Wyoming
- Oriva Project, Powder River Basin, Wyoming

Project	Location	Area Net Hectares
USA		
East Esponda	Powder River Basin, Wyoming	469
West Esponda	Powder River Basin, Wyoming	11,586
Oriva Throne	Powder River Basin, Wyoming	146
Oriva Federal	Powder River Basin, Wyoming	359

REVIEW OF OPERATIONS (CONT.)

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 15,000 producing wells.

ESPONDA PROJECT

The Esponda Project, which is located approximately 25 kilometres southeast of Buffalo, Wyoming, and totals 12,055 net hectares (29,789 acres) in Townships 47 to 50 North, Ranges 79 and 80 West, Johnson County, Wyoming, comprises two project areas, East Esponda and West Esponda. East Esponda has been developed under joint venture arrangements and continues to be dewatered in advance of the commencement of production. West Esponda includes 10 completed wells in a pilot production program with an additional 8 wells in an extension program having been drilled.

The project lies near the Powder River Basin's asymmetric structural axis, and is 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 depositionally 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 to 45 metres of coal is present. This estimate is supported by results from the Company's stratigraphic drilling program which intersected gassy coal with cumulative intersections of up to 50 metres and an average of 35.4 metres, of which the Big George coal seam intervals were between 17 to 22 metres.



REVIEW OF OPERATIONS (CONT.)

East Esponda

The East Esponda Project is subject to two joint ventures covering 469 net hectares (1,160 acres). It is situated in the Western Gas Indian Creek-Big Cat fields.

To date there have been 23 wells completed within the Company's East Esponda leasehold interests. These include 14 wells in the Big Cat Field and 9 in the Indian Creek Field. Although 3 wells are located exterior to the Company's leasehold, the Company retains an interest in these wells due to the State's mandated 32 hectare spacing orders in its proportional share.

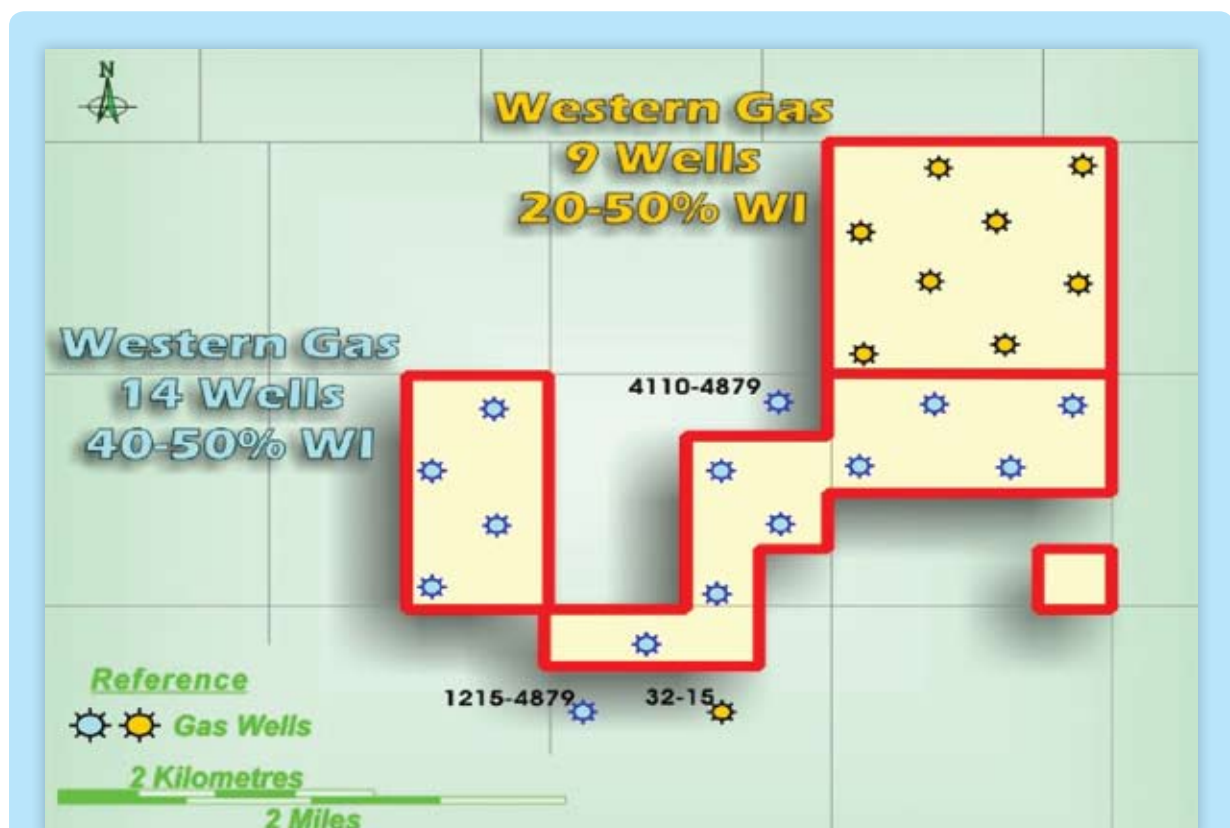
Since the commencement of dewatering, production ranging between ~200 to +1,000 barrels water per day per well (bwpd/well) have been produced.

A Gas-In-Place ('GIP') resource estimate of 21.9 billion cubic feet ('Bcf') (gross) and 7.3 Bcf (net) (ie attributable to the Company) within the Big George Seam has been completed on the Company's East Esponda Project by Dr. Jimmy E. Goolsby of Goolsby, Finley & Associates of Casper Wyoming, considered to be pre-eminent authorities on the CBM geology of the Powder River Basin.

The resource estimate was based upon volumetric calculations derived from the well development program 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 Goolsby, Finley & Associates completed on behalf of the State of Wyoming. Although this is the maximum gas content value at these depths that Goolsby, Finley & Associates utilises in its GIP volumetric calculations, Goolsby, Finley & Associates 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 24 metres, and where split its total thickness is approximately 20 metres.



REVIEW OF OPERATIONS (CONT.)

West Esponda

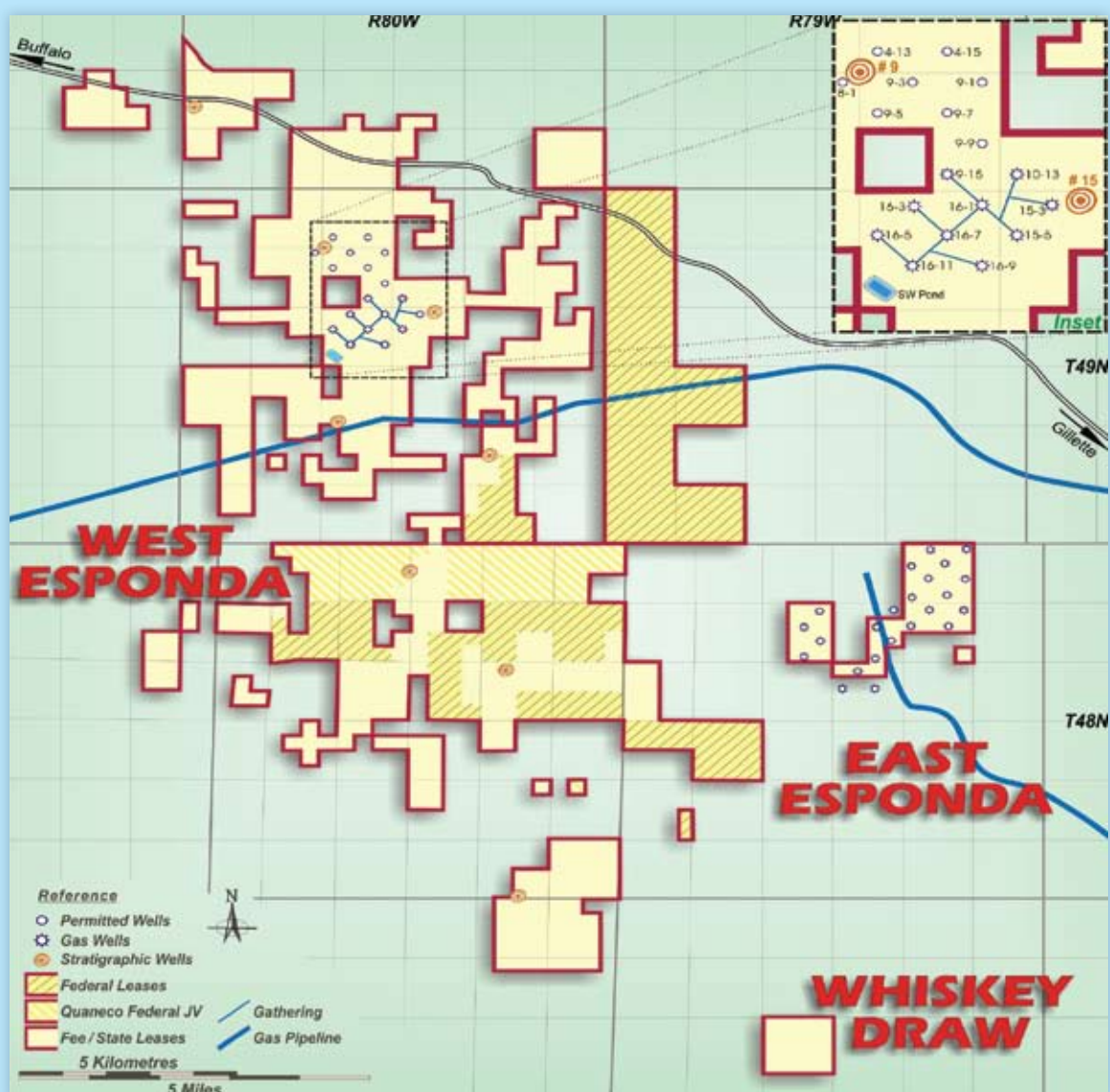
Geological mapping based on the Company's previous West Esponda pilot program wells and stratigraphic bores in this area of the deep Powder River Basin estimates that between 20 to 45 metres of coal is present. This estimate is supported by results from the Company's stratigraphic drilling program which intersected gassy coal with cumulative intersections of up to 50 metres and an average of 35.4 metres, of which the Big George coal seam intervals were between 17 to 22 metres, thereby indicating that the Big George coal horizon can be extended 16 kilometres to the northwest with a total thickness correlative to that present in the western portions of the Company's East Esponda project.

The West Esponda project totals 11,586 net hectares (28,629 acres) and has the capacity for more than 350 wells on the state mandated 32 hectare (80 acre) drill spacing units.

Pilot Production Program

Located in the northern portion of the West Esponda project, a pilot production program, comprising 10 wells, has been developed and is currently in the dewatering phase. In addition, an extension program has been initiated with 8 wells having been drilled and cased in preparation for future completion and dewatering.

The pilot production program not only tests the most westerly extensions of the Big George coal seam in the Powder River Basin, but will provide invaluable site specific technical knowledge of the reservoir by its initial development, dewatering and production and will provide an evaluation of the completion methodologies.



REVIEW OF OPERATIONS (CONT.)

ORIVA PROJECT

The Oriva Project comprises two contiguous project areas, Oriva Throne which is in production and Oriva Federal which has been permitted for development, scheduled for mid year. The Oriva Project is located approximately 21 kilometres west of Gillette, Wyoming, and totals 505 net hectares (1,248 acres) in Sections 8, 9 and 10, Township 50 North, Range 74 West, Campbell County.

The Oriva Project contains nearly all productive coals in the Powder River Basin: Felix, Smith, and Anderson seams (depths 60 to 300 metres), Canyon/Cook and Wall seams (depths 300 to 500 metres). In addition to these primary coal bed targets, there are two deeper seams, Moyer and Danner at depths of approximately 750 metres.

In addition to the CBM potential of Oriva Federal, a conventional oil and gas prospect in the Lower Cretaceous Muddy Formation has been farmed out and is under development.

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

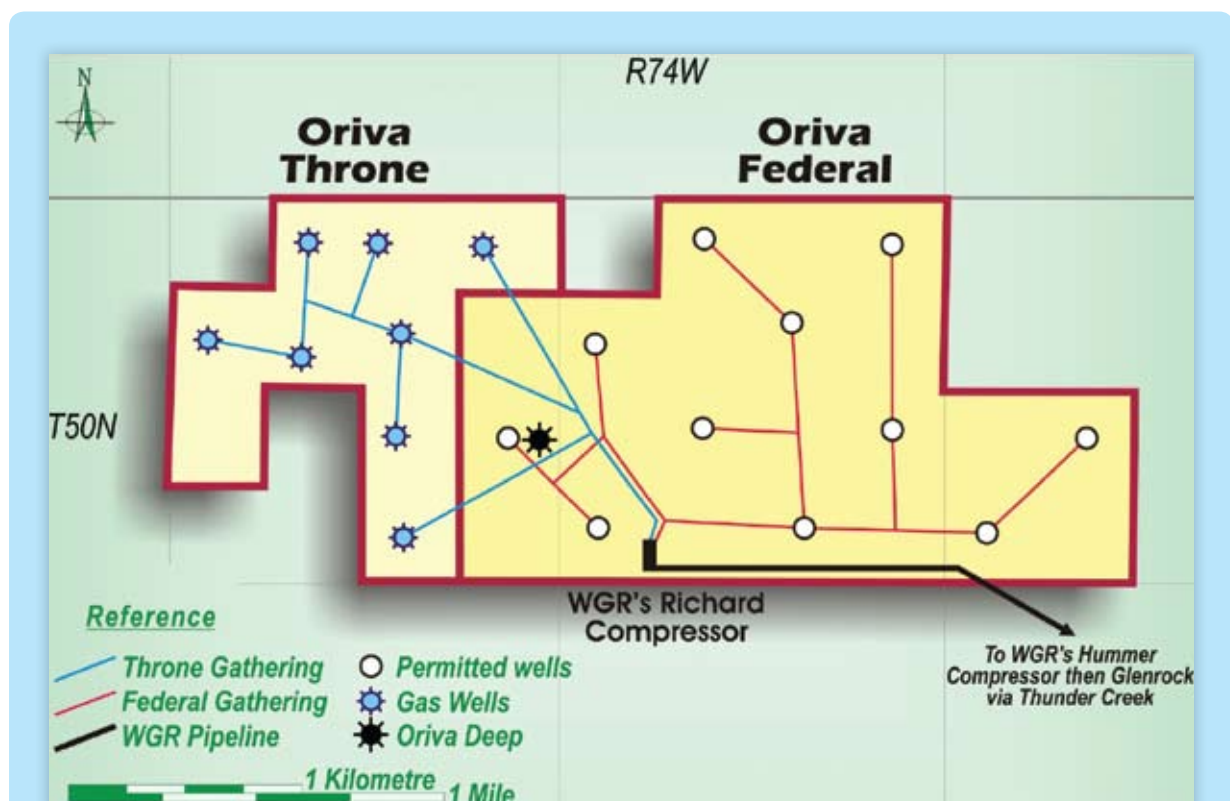
Resources

An independent study completed by Dr. Jimmy E. Goolsby of Goolsby, Finley & Associates in 2005 concluded that the Company's Oriva Throne and Oriva Federal tenements contain GIP resources of 19.5 Bcf (gross) and 15.2 Bcf (net).

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 6 coal seams of the Wasatch and Fort Union Formations:

Project Area	Coal Seams	Gross GIP (MMcf)	Net GIP (MMcf)
Oriva Throne	Wasatch/Fort Union	5,974.8	3,629.7
Oriva Federal	Wasatch/Fort Union	13,570.4	11,602.7
Totals	Wasatch/Fort Union	19,545.2	15,232.4



REVIEW OF OPERATIONS (CONT.)

The GIP resource is based on a volumetric analysis of the 6 Wasatch and Fort Union coal seams 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 Scf/t. The gas content factor is a well defined estimation based on a published study by Goolsby, Finley & Associates completed on behalf of the State of Wyoming.

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.

Oriva Throne

The Company holds a 75.975% Working Interest (60.75% Net Revenue Interest) in the Oriva Throne tenements which total 146 net hectares (361 acres). Oriva Throne is operated by Emerald Operating Company and Rocky Mountain Exploration Inc. ('EOCRMEI') of Denver, Colorado which holds the remaining 24.025% Working Interest (19.25% Net Revenue Interest). The entire leasehold interest is subject to a 20% land/mineral owner royalty.

Production during the year at Oriva Throne was from the 5 state mandated 32 hectare (80 acre) spacing CBM pad sites each of which have been developed with 3 wells, producing CBM from the Anderson, Felix and Wall Coal seams plus 3 'exception location' Wall seam wells.

CBM production from the Oriva Throne tenements for the year ended 31 December 2008 was as follows:

Coal Seam	CBM Production (Mcf)	Net Revenue Interest (Mcf)
Anderson	78,525	47,704
Felix	5,554	3,374
Wall	7,595	4,614
Totals	91,674	55,692

CBM production was sold for an average of US\$6.18 per Mcf in 2008 for total net revenues of US\$344,218. CBM production is delivered to Western Gas's Richard Compression Station situated in Section 9, Township 50 North, Range 74 West on the Company's Oriva Federal tenements.

Oriva Federal

The Oriva Federal tenements, which total 359 net hectares (887 acres), have the capacity for 11 pad sites on the basis of the State mandated 32 hectare (80 acre) well spacing.

During the year, the Company entered into an agreement with EOCRMEI, the operators of the Company's Oriva Throne project, which will facilitate and expedite the development of the Oriva Federal project. Under the agreement EOCRMEI agrees to drill or cause the drilling of a test well in search of oil and gas on the Oriva Federal project. EOCRMEI will have the exclusive right to drill further wells. EOCRMEI will fund 100% of all drilling and well completion costs.

Costs and revenues will be shared as follows:

Before the wells pay out all the drilling, completion and producing costs

Working Interests:	100% EOCRMEI
Revenue Interests:	81% EOCRMEI
	4.5% Planet Gas
	12.5% Federal Royalty
	2% Overriding Royalty

After the wells pay out all the drilling, completion and producing costs

Working Interests:	75% EOCRMEI
	25% Planet Gas
Revenue Interests:	61.875% EOCRMEI
	23.625% Planet Gas
	12.5% Federal Royalty
	2% Overriding Royalty

CBM Development

The fully permitted Oriva Federal project will develop 11 pad sites on the State mandated 32 hectare well spacing with three CBM production wells on each pad. Overall project development will involve the drilling of 33 wells totalling approximately 13,400 metres (44,000 feet), in-field piping for gas and water gathering of 20,000 metres (66,000 feet), underground electrification for its pumping requirements and construction of multiple water retention reservoirs and pits. The Company's Water Management Plan provides for standard CBM style reservoirs either along or in ephemeral channels with the project designed to fully contain its water output of nearly 25,000 barrels of water per day in constructed earthen pits, called Off-Channel Containment Pits. In addition, two contracts for in-field gas compression and gas transportation to markets are in place.

A total of 6 wells have been completed to date, all of which have been fitted with production casing and well heads in preparation for early pumping.



REVIEW OF OPERATIONS (CONT.)

Conventional Oil and Gas Development

Under the terms of the Conventional Oil and Gas Farmout Agreement, Carpenter & Sons and North Finn ('C&S-NF') of Casper Wyoming, as Operator, will earn an 81% Net Revenue Interest to conventional oil and gas (not CBM which is retained by the Company as described above) production in one half of the Oriva Federal leasehold by drilling this test well. The completion of a second well will earn-in C&S-NF to the remaining leasehold interest.

The Company retains a 19% Net Revenue Interest which will cover all royalties (totalling 14.5%) and will retain a 4.5% Net Revenue Interest to conventional oil and gas production from the Oriva Federal leasehold. Further, for future wells, the Company has the option to convert its 4.5% Net Revenue Interest to a participating 20% Working Interest.

In addition to the primary Cretaceous Muddy Formation target, gassy Cretaceous aged fractured shales situated above the primary target were intercepted and will continue to be evaluated for potential oil and gas production. The Muddy pay zone found in Well No.9-8A is similar to that found in the nearby Amos Draw field, located 3 miles northwest, which has a cumulative production of 2.7 MMBO (million barrels of oil) and 67 Bcf of gas since its discovery in 1982. The Kingsbury Creek field has also produced commercial oil and gas since its discovery in 1968; it is located 1 mile southeast, and has produced 627,000 barrels of oil and 11 Bcf of gas.

The Company's 4.5% NRI share of production for the year was sold for total net revenues of US\$6,116.

In addition to Oriva Deep Federal well No 9-8A, on the basis of 65 hectare (160 acre) spacings, there are an additional 5 Muddy well locations which are able to be developed on the Oriva Federal project.

SKULL CREEK PROJECT

Neither the Company nor its joint venture partner in has sought to renew the leases underlying the Skull Creek Project. The Company assessed that the expenditure of further money was not justified on a risk reward basis. The carrying value of the project has been fully impaired.

AUSTRALIAN OPERATIONS

Following successful completion of ASX listing by Greenpower Energy Limited ('Greenpower') in March 2008 sale of the Company's Australian CBM assets was completed. The Company retains an interest in the future success of the projects through its holding of 12,500,000 shares (19.71% interest) in Greenpower.

CORPORATE ACTIVITIES

As announced on 1 June 2007 the Company has entered into Heads of Agreement with Touchstone Management Pty Ltd ('Touchstone') to form the basis of Callabonna Uranium Limited which is proposed to be listed for quotation by the ASX.

Callabonna's operating activities will be focused on uranium exploration, initially in South Australia and the Northern Territory. In summary, Callabonna has rights to exploration licences with uranium potential totalling approximately 8,835 square kilometres in South Australia and the Northern Territory ('Project Area').

Callabonna's commercial intent and principle business will be the exploration and exploitation of the uranium potential of the Project Area.

Under the proposed IPO, 40.0 million shares will be offered at \$0.20 per share to raise \$8.0 million with a minimum of \$6.0 million and oversubscriptions up to \$10.0 million will be considered.

Callabonna has raised \$600,000 in seed capital at \$0.10 per share to fund an extensive airborne electromagnetic survey to map channels and structure at the Curnamona project located in the Frome Embayment in South Australia.

In addition, vendor consideration has been renegotiated with Touchstone Management Pty Limited ('Touchstone') such that on the basis of an \$8.0 million capital raising under the IPO and the conversion of the SK Energy convertible notes to 5.0 million fully paid ordinary shares relevant parties will hold the following interests in Callabonna:

Shareholder Group	Shares	%
Public subscription	40,000,000	47.2
Touchstone shareholding	18,562,500	21.9
Planet Gas shareholding	14,400,000	17.0
Other existing shareholders	11,787,505	13.9
Total	84,750,005	100.0

Planet Gas Limited shareholders will be offered an entitlement to participate in the Callabonna IPO and the Company will hold a substantial investment in Callabonna.

During the year Callabonna secured the support of SK Energy Co. Ltd ('SK Energy') for the IPO. Founded in 1962 as Korea's first oil refiner SK Energy, a subsidiary of SK Holdings, is Korea's largest, and Asia's fourth largest, refiner and is one of the world's leading energy and petrochemical companies with 5,084 employees, US\$23.65 billion in sales and 26 offices spanning the globe. SK Energy is one of the most significant enterprises in the Asia Pacific energy marketplace.



REVIEW OF OPERATIONS (CONT.)

Callabonna and SK Energy have entered into a Memorandum of Understanding for SK Australia Pty Limited ('SK Australia'), a subsidiary of SK Energy, to subscribe for convertible notes with a face value totalling \$500,000 ('Notes') before the Callabonna IPO. The Notes will:

- convert to 5.0 million fully paid ordinary Callabonna shares if:
 - i. the Callabonna IPO raises a minimum of \$6.0 million by 30 June 2009; and
 - ii. SK Australia subscribes for 10.0 million Callabonna shares under the IPO.

or

- be redeemed in full if the Callabonna IPO does not raise a minimum of \$6.0 million by 30 June 2009 or if Callabonna is subject to an insolvency event.

or

- be redeemed for a total of \$5 if SK Australia does not subscribe for 10.0 million Callabonna shares under the IPO.

In addition, Callabonna will grant SK Energy the right (but not the obligation) to purchase at least 20% of uranium production from mines operated by Callabonna or its subsidiaries at the market price (subject to maintaining a minimum shareholding of 15.0 million shares in Callabonna and any Australian law requirements regarding the export of uranium) and will appoint SK Energy as its exclusive marketing representative for customers and end users located in the Republic of Korea.

Independent expert reports have been completed in anticipation of lodgement of the prospectus with ASIC in the near future.

Responsibility Statements

The information in this report that relates to exploration results is based on information compiled by Dr. Richard Haren who is a Member of The Australasian Institute of Mining and Metallurgy and who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify

as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr. Richard Haren is self employed and has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to CBM resources is based on information compiled by Dr. Jimmy E Goolsby, Wyoming Registered Professional Geologist No. 56, of Goolsby, Finley & Associates, Casper Wyoming and John W. Sinclair, Wyoming Registered Professional Engineer (Petroleum) No. 9233 of CBM International Engineering LLC, Cody Wyoming and supervised by Bruce F. Riederer and Dr. Richard Haren who is a Member of The Australasian Institute of Mining and Metallurgy and who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr. Richard Haren is self employed and has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to CBM reserves is based on information compiled by John G. Hattner, Texas Registered Professional Geoscientist No. 559, of Netherland, Sewell & Associates, Inc, Dallas Texas and Dan Paul Smith, Texas Registered Professional Engineer No. 49093 of Netherland, Sewell & Associates, Inc, Dallas Texas and supervised by Bruce F. Riederer and Dr. Richard Haren who is a Member of The Australasian Institute of Mining and Metallurgy and who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr. Richard Haren is self employed and has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.





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 Group 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 two executive and three non-executive directors. The two executive directors of the Company are actively involved in the operations of the Group. 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 having an independent Chairman is appropriate for the Company at this time.

The composition of the board has been determined on the basis of providing the Group 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.

The Chairman reviews the composition of the board annually to ensure that it provides the Group 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 Group's expense. Prior approval of the Chairman is required, but such approval is not unreasonably withheld. A copy of the advice received by the Director is made available to all other members of the Board.

In the event that a potential conflict of interest may arise, involved Directors must withdraw from all deliberations concerning the matter.

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.

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 the Remuneration Report in the Directors' Report.

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 Group 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 Group.

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.

The CEO and CFO state in writing to the board that the Company's financial statements present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

External Auditors

The board reviews the performance of the external auditors and the Chairman and CFO 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 CFO 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. KPMG, the Company's auditors, were appointed in March 2005.



STATEMENT OF CORPORATE GOVERNANCE (CONT.)

The Role of Shareholders

The board ensures that the shareholders are informed of all major developments affecting the Group 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 Group'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.

Risk Management

Due to the size of the Company, the number of officers and employees and the nature of the Company's business, a formal risk management policy and internal compliance and control system has not been implemented. The Managing Director and CFO declare, in writing, to the Board that the system of risk management and internal compliance and control which implements the policies adopted by the Board has been assessed and found to be operating efficiently and effectively in all material respects.

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. The full Board oversees the establishment, implementation and ongoing review of the Group's risk management and internal control system. The internal control system covers financial, operational and compliance risks.

Recommendations made by external auditors and other external advisers are investigated by the Board and, where necessary, appropriate action is taken to ensure that the Group has the internal control environment to manage the key risks identified. Ways of enhancing existing risk management strategies, including segregation of duties, employment and training of suitably qualified and experienced personnel are investigated by the Board.

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 and executives are expected to act with the utmost integrity and objectivity, endeavouring at all times to enhance the performance and reputation of the Group. 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 and executives 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.

Performance Evaluation of the Board and Key Executives

Given the size and nature of the Group and the number of key executives, the Board has adopted an informal and continuous performance evaluation process of its key executives. The Company has not established formal performance review measures for the Board or key executives nor has it established a Nomination Committee.





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 2008. 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 and CEO**

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 25 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 and Bolnisi Gold N.L., which discovered and is currently developing the Palmarejo and Guadalupe gold and silver deposits in Mexico.

Mr Seckold is currently a director of Cockatoo Coal Limited, an Australian coal exploration and project development company, Kings Minerals N.L., a company exploring for precious and base metals in Australia and its Canadian listed subsidiary San Anton Resources Inc which is exploring for precious and base metals in Mexico.

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.

As a director or company secretary Mr Nightingale has, for over 20 years, been responsible for the financial control, administration, secretarial and in-house legal functions 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., ETT Limited and Bolnisi Gold N.L.. Mr Nightingale is currently a director or company secretary of Biotron Limited and Cockatoo Coal Limited.

Robert M. Bell **Independent and Non-Executive Director**

Director since 30 October 2007.

Bob Bell graduated from Birmingham University in 1960 and moved to Australia in 1964, working as a geologist on the Roma gas fields. After a time with the Queensland Government Mines Department in the late 1970s he established his own consultancy business, specialising in oil and gas exploration in Australia and overseas. He was one of the first geologists in Australia to recognise the enormous potential of CBM in Queensland.

He has a continuing royalty interest in the Peat CBM field operated by Origin Energy and was one of the founders of Queensland Gas Company which was bought by British Gas in 2008.

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 over 20 years technical, management and financial experience in the resource sector within Australia, Africa and the Americas 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 a director of European Gas Limited.

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 currently a director of Deep Yellow Limited and Industree Limited.



DIRECTORS' REPORT (CONT.)

Bruce Fullerton Riederer

Executive Director of Exploration and Development

Director from 10 September 2003 to 8 January 2008.

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 30 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' 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
Anthony J. McClure	3,000,000
Anthony J. McDonald	3,000,000
Robert M. Bell	200,000

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	Attended
Norman A. Seckold	5	5
Peter J. Nightingale	5	5
Anthony J. McClure	5	5
Anthony J. McDonald	5	5
Robert M. Bell	5	3

Directors' and Executives' Remuneration

For details on the amount of remuneration for each director, refer to the Remuneration Report on page 15.

Principal Activities

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

Financial Results

The consolidated loss after income tax attributable to members of the Company for the year was \$17,067,776 (2007 – \$1,867,776).

Review of Operations

The review of operations is set out on pages 2 to 10 of this Annual Report.

Dividends

The directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2008. 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 Group that occurred during the year ended 31 December 2008 were as follows:

- Sale of Australian CBM assets completed following the listing of Greenpower Energy Limited ('Greenpower') on 4 March 2008.
- Oriva Federal Farmout Agreement signed
- Impairment write-off of the Esponda project
- Impairment write-off of the Skull Creek project
- Partial write-off of the Oriva project
- Callabonna Uranium Limited IPO advanced and supported by SK Energy Co. Limited.

Environmental Regulations

The Company's operations are subject to significant environmental regulations under both Australian 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 Group, the results of those operations, or the state of affairs of the Group, in future financial years.



DIRECTORS' REPORT (CONT.)

Likely Developments

Further information as to likely developments in the operations of the Group 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 and 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.

Remuneration Report - Audited

The remuneration policy of directors and senior executives 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 consulting services are compensated by way of fee arrangements with related parties. The remuneration disclosed below represents the cost to the Group for the services provided under these fee arrangements.

No directors or executives receive performance related remuneration.

Details of the nature and amount of each major element of the remuneration of each director of the Company and each of the named executive officers of the Company and Group are:

Specified Directors and Executives	Year	Fees \$	Total \$
Executive directors			
Norman A. Seckold (Chairman and CEO)	2008	90,000	90,000
	2007	90,000	90,000
Peter J. Nightingale (Director, Secretary and CFO)	2008	75,000	75,000
	2007	67,500	67,500
Bruce F. Riederer (Director of Exploration and Development) (1)	2008	-	-
	2007	164,482	164,482
Non-executive directors			
Anthony J. McClure	2008	25,000	25,000
	2007	35,417	35,417
Anthony J. McDonald	2008	60,000	60,000
	2007	66,000	66,000
Robert M. Bell	2008	24,000	24,000
	2007	4,000	4,000
Total, all specified directors	2008	274,000	274,000
	2007	427,399	427,399
Executives			
Dr. Richard Haren (2)	2008	60,986	60,986
Total, all specified executives	2008	60,986	60,986
(1) - resigned 8 January 2008			
(2) - fees paid since date of appointment as General Manager on 1 February 2008			



DIRECTORS' REPORT (CONT.)

No options or bonuses were granted to directors or executive officers as part of their remuneration.

As a result of the difficult economic environment the directors agreed to suspend payment of all director's fees accrued during 2008.

Consequences of Performance on Shareholders' Wealth - Audited

In considering the Group's performance and benefits for shareholders' wealth, the Board has regard to the following indices in respect of the current financial year and the previous three financial years.

	2008	2007	2006	2005	2004
Net loss attributable to equity holders of the parent	17,067,776	1,867,776	1,684,394	854,672	17,703
Dividends paid	-	-	-	-	-
Change in share price	(\$0.117)	(\$0.13)	\$0.105	\$(0.045)	\$0.02*

* The Company listed on the Australian Stock Exchange on 9 January 2004

The overall level of key management personnel's compensation has been determined based on market conditions and advancement of the Group's projects.

Non-audit Services

During the year ended 31 December 2008 KPMG, the Company's auditor has not performed other services in addition to their statutory audit duties.

	2008 \$	2007 \$
Statutory audit		
Auditors of the Company		
- audit and review of financial reports	49,670	47,158





DIRECTORS' REPORT (CONT.)

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 18 and forms part of the directors' report for the year ended 31 December 2008.

Signed at Sydney this 27th day of February 2009 in accordance with a resolution of the Board of Directors:



Norman A. Seckold
Director



Peter J. Nightingale
Director

LEAD AUDITOR'S INDEPENDENCE DECLARATION



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Planet Gas Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 31 December 2008, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in grey ink that reads 'KPMG'.

KPMG

A handwritten signature in grey ink that reads 'S.J. Board'.

S.J. Board
Partner

27 February 2009



INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
Revenue from the sale of coalbed methane		392,014	261,069	-	-
Revenue from the sale of oil and gas		9,525	-	-	-
		401,539	261,069	-	-
Financial income	4	2,480	42,925	2,461	41,604
Financial expenses	4	(192,200)	(182,053)	(725)	(52,658)
Net finance income/(expense)		(189,720)	(139,128)	1,736	(11,054)
Production and transport costs		(465,749)	(594,322)	-	-
Consultants' and administration expenses		(573,972)	(832,303)	(566,501)	(817,624)
Depreciation expense	4	(4,020)	(6,201)	(2,084)	(3,251)
Amortisation expense	4	(187,722)	(428,800)	-	-
Impairment loss - investments	7	(1,000,000)	-	(12,057,222)	(1,913,896)
Impairment loss - write-off of exploration and evaluation expenditure	10	(2,413,243)	-	-	-
Impairment loss - write-off of development expenditure	9	(12,618,523)	-	-	-
Share of profit in associate	8	47,700	-	-	-
Other expenses		(64,066)	(128,091)	(42,753)	(114,638)
Loss before income tax expense		(17,067,776)	(1,867,776)	(12,666,824)	(2,860,463)
Income tax expense	5	-	-	-	-
Loss for the period		(17,067,776)	(1,867,776)	(12,666,824)	(2,860,463)
Basic loss per share	18	8.43 cents	0.97 cents		
Diluted loss per share	18	8.43 cents	0.97 cents		

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 31 DECEMBER 2008

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Foreign exchange translation differences	1,221,911	(1,790,565)	-	-
Net gain/(expense) recognised directly in equity	1,221,911	(1,790,565)	-	-
Loss for the period	(17,067,776)	(1,867,776)	(12,666,824)	(2,860,463)
Total recognised income and expense for the period	(15,845,865)	(3,658,341)	(12,666,824)	(2,860,463)

Other movements in equity arising from transactions with owners as owners are set out in Note 16.



BALANCE SHEETS

AS AT 31 DECEMBER 2008

	Notes	Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents		31,971	84,485	18,324	38,060
Trade and other receivables	6	73,879	99,895	10,175	21,711
Assets classified as held for sale	11	-	2,506,609	-	112,441
TOTAL CURRENT ASSETS		105,850	2,690,989	28,499	172,212
NON-CURRENT ASSETS					
Investments	7	1,500,000	-	6,686,447	16,905,198
Investments in equity accounted investees	8	1,107,656	-	-	-
Property, plant and equipment	9	4,087,585	16,660,620	4,005	6,089
Exploration and evaluation expenditure	10	-	2,353,256	-	-
Other	12	293,507	1,187,971	-	1,029,997
TOTAL NON-CURRENT ASSETS		6,988,748	20,201,847	6,690,452	17,941,284
TOTAL ASSETS		7,094,598	22,892,836	6,718,951	18,113,496
CURRENT LIABILITIES					
Borrowings	15	1,248,737	250,000	1,075,000	250,000
Trade and other payables	13	1,439,329	870,565	1,093,982	646,703
TOTAL CURRENT LIABILITIES		2,688,066	1,120,565	2,168,982	896,703
NON-CURRENT LIABILITIES					
Other payables	13	-	1,560,807	-	-
Provisions	14	129,156	88,224	-	-
TOTAL NON-CURRENT LIABILITIES		129,156	1,649,031	-	-
TOTAL LIABILITIES		2,817,222	2,769,596	2,168,982	896,703
NET ASSETS		4,277,376	20,123,240	4,549,969	17,216,793
EQUITY					
Issued capital	16	28,539,389	28,539,389	28,539,389	28,539,389
Option premium reserve	17	-	46,058	-	46,058
Foreign currency translation reserve	17	(2,188,902)	(3,410,813)	-	-
Accumulated losses	17	(22,073,111)	(5,051,394)	(23,989,420)	(11,368,654)
TOTAL EQUITY		4,277,376	20,123,240	4,549,969	17,216,793

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
Cash flows from operating activities					
Cash receipts from customers		447,698	305,245	-	-
Cash paid to suppliers		(198,324)	(619,251)	(131,711)	(589,882)
Payments for production		(467,867)	(563,417)	-	-
Cash generated from operations		(218,493)	(877,423)	(131,711)	(589,882)
Interest received		2,480	42,924	2,461	41,603
Net cash used in operating activities	20	(216,013)	(834,499)	(129,250)	(548,279)
Cash flows from investing activities					
Investments in controlled entities		-	-	(699,135)	(3,133,938)
Payments for development		(629,021)	(2,613,911)	-	-
Payments for capitalised production costs		-	(25,340)	-	-
Payments for exploration and evaluation		(63,354)	(134,828)	(831)	(6,830)
Payments for deferred expenditure	12	(135,533)	(129,997)	(9,350)	(129,997)
Payments for acquisitions of exploration areas		-	(31,673)	-	-
Net cash used in investing activities		(827,908)	(2,935,749)	(709,316)	(3,270,765)
Cash flows from financing activities					
Proceeds from issue of shares		-	2,790,000	-	2,790,000
Costs of issue of shares		-	(139,500)	-	(139,500)
Interest paid		(1,885)	(55,693)	(725)	(52,658)
Proceeds from borrowings		998,737	250,000	825,000	250,000
Net cash provided by financing activities		996,852	2,844,807	824,275	2,847,842
Net decrease in cash held		(47,069)	(925,441)	(14,291)	(971,202)
Cash and cash equivalents at 1 January		84,485	1,065,779	38,060	1,065,115
Effect of exchange rate adjustments on cash held		(5,445)	(55,853)	(5,445)	(55,853)
Cash and cash equivalents at the end of the financial year	20	31,971	84,485	18,324	38,060



NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Planet Gas Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 2, 66 Hunter Street, Sydney, NSW, 2000. The consolidated financial report of the Company for the year ended 31 December 2008 comprises the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates. The Group is primarily engaged in the acquisition, exploration, development, production and operation of oil, gas and CBM properties in the USA.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial report of the Group and the financial report of the Company comply with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial report was authorised for issue by the directors on 27 February 2009.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 2(e) - going concern
- Note 7 - investments
- Note 9 - property, plant and equipment
- Note 10 - exploration and evaluation expenditure
- Note 13 - trade and other payables
- Note 14 - provisions

(e) Going concern

The financial report has been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

The Company and Group have incurred significant losses in the year ended 31 December 2008 and in prior periods. At 31 December 2008 the Group has \$31,971 in cash and \$2,817,222 in liabilities and accumulated losses of \$22,073,111. As detailed in Note 15 the Group has an undrawn finance facility and has received loan funding from a director. The ongoing availability of these funding sources is uncertain. These conditions give rise to a material uncertainty that may cast significant doubt upon the Company's and the Group's ability to continue as a going concern.



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

2. BASIS OF PREPARATION (CONT.)

The ongoing operation of the Company and the Group is dependent upon the Company raising additional funding from shareholders and/or other parties sufficient to allow the Company and the Group to continue to pay all debts when they become due and payable and to continue to operate without the need to wind up operations.

In the event that the Company and the Group do not obtain additional funding and/or achieve cash flow positive trading operations, they will be unable to continue their operations as a going concern and therefore the Company and the Group may not be able to realise their assets and extinguish their liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by entities in the Group.

New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 December 2008, but have not been applied in preparing this financial report:

- Revised AASB 3 *Business Combinations* (2008) incorporates the following changes that are likely to be relevant to the Group's operations:
 - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations
 - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss
 - Transaction costs, other than share and debt issue costs, will be expensed as incurred
 - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss
 - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.
 - Revised AASB 3, which becomes mandatory for the Group's 31 December 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statement.
- Amended AASB 127 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for the Group's 31 December 2009 financial statements, are not expected to have a significant impact on the consolidated financial statements.
- Revised AASB 101 *Presentation of Financial Statements* (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Group's 31 December 2009 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2009 consolidated financial statements.



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 31 December 2009 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. Therefore there will be no impact on prior periods in the Group's 31 December 2009 financial statements.
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process* and 2008-6 *Further Amendments to Australian Accounting Standards arising from The Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 31 December 2009 financial statements, are not expected to have any impact on the financial statements.
- AASB 2008-7 *Amendments to Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* changes the recognition and measurement of dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the Group's 31 December 2009 financial statements. The Group has not yet determined the potential effect of the amendments.

Revenue recognition

Interest revenue

Interest revenue is recognised on an accrual basis, using the effective interest rate.

Sale of coalbed methane and oil and gas

Revenue from the sale of coalbed methane and oil and gas is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

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 balance sheet.

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.

Exploration expenditure

Exploration and evaluation expenditure, including the costs of acquiring licences, are capitalised as intangible exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to developing mine properties.

Property, plant and equipment

Developing mine properties

Developing mine properties represents the accumulation of all exploration and evaluation expenditure and development expenditure incurred by or on behalf of the entity in relation to its area of interest.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

Producing mine properties

Producing mine properties represents the accumulation of all exploration and evaluation expenditure and development expenditure incurred by or on behalf of the entity in relation to an area of interest that has commenced production.

When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the cost of that mine property only when substantial future economic benefits are established, otherwise such expenditure is expensed.

Producing mine properties are amortised on a units of production basis over the life of the mine properties' reserves.

Depreciation

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.

Plant and equipment is depreciated at a rate of 33.3% per annum.

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.

Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Rehabilitation costs

In accordance with applicable legal requirements, a provision for the estimated cost of rehabilitation has been made for all areas disturbed during operations based on the current estimates of costs to rehabilitate such areas, discounted to their present value. Significant uncertainty exists as to the amount of rehabilitation obligation which will be incurred due to the impact of changes in environmental legislation.

The provision is recognised as a liability with the corresponding asset included in exploration and evaluation expenditure.

The amount of the provision relating to rehabilitation is recognised at the commencement of the development project where a legal or constructive obligation exists at that time. At each reporting date, the rehabilitation liability is remeasured and changes in the liability are added to or deducted from the related asset.



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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 balance sheet classification of the related debt or equity instruments. Costs associated with the issue of equity are offset against equity.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the financial report from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements, less impairment losses.

Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement.

Jointly controlled operations

The interest of the Group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

Associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity with adjustments made to the 'Investment in associates' and 'Share of associates net profits' accounts.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised as the contributed assets are consumed or sold by the associates and jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the Group's interest in such entities is disposed.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of the Group's investments in receivables carried at amortised cost are calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a conclusive change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of foreign entities are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in foreign currency translation reserve (FCTR), a separate component of equity.

Foreign exchange gains and losses arising from a monetary item receivable or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in the FCTR.

Any references to functional currency, unless otherwise stated, are to the functional currency of the Company, Australian dollars.



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Trade and other receivables/payables

Trade receivables/payables are carried at amortised cost. For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

Income tax

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Intercompany loans

Loans made to controlled entities which are interest free, unsecured, of no fixed term, and repayable only out of potential future profits are classified as investments.

Investments in controlled entities

The recoverability of investments in controlled entities is assessed using a discounted cash flow model of the underlying properties held by the relevant entity.

Due to inherent uncertainty over the ultimate recovery of exploration assets, the Company has impaired intercompany investments in exploration and evaluation expenditure, until such time that there is conclusive evidence that the impairment loss may no longer exist, at which time the loss is partially or fully reversed.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

Compound financial instruments

Compound financial instruments issued by the Group comprise a convertible loan facility that can be converted to share capital at the option of either the Group or the holder.

The liability is recognised at the face value of a convertible note that does not have an equity conversion option as the option available to the noteholder is not considered material. Up front costs associated with the liability are capitalised and amortised over the period of the liability.

Borrowings

Borrowing costs are expensed as incurred.

Interest costs associated with the Company's convertible loan facility were deducted up front from the actual amount received by the Company. The borrowings are stated at the amortised cost with the interest being recognised in the income statement over the period of the borrowings on an effective interest basis.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
4. LOSS FROM OPERATING ACTIVITIES				
Loss from ordinary activities includes the following items of revenue and expense:				
Financial income and expense				
Interest revenue	2,480	42,925	2,461	41,604
Interest expense	(1,885)	(55,692)	(725)	(52,658)
Unwind of discount on development expenditure liability	(190,315)	(126,361)	-	-
Expenses				
Amortisation of producing mine properties	187,722	428,800	-	-
Auditors' remuneration				
- Audit and review of financial reports	49,670	47,158	49,670	47,158
Depreciation of plant and equipment				
- Office equipment	1,592	2,513	1,592	2,513
- Plant and equipment	2,428	3,688	492	738



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

5. INCOME TAX EXPENSE

Current tax expense

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current year	782,755	(546,114)	216,442	(304,982)
Adjustments for prior year	-	(4,498)	-	(4,498)
Losses not recognised	(782,755)	550,612	(216,422)	309,480
	-	-	-	-

Numerical reconciliation of income tax expense to prima facie tax payable

Loss before tax	(17,067,776)	(1,867,776)	(12,666,824)	(2,860,463)
Prima facie income tax benefit at the Australian tax rate of 30% (2007 – 30%)	(5,120,333)	(560,333)	(3,800,047)	(858,139)
Increase/(decrease) in income tax expense due to:				
- capital gain on disposals	375,726	-	375,726	-
- non-deductible expenses	(11,625)	3,488	(736,283)	44,747
- tax losses utilised	(923,214)	-	(216,442)	-
- net loss of tax group	-	-	(369)	(693)
- effect of net deferred tax assets not brought to account	5,679,446	556,845	4,377,415	814,085
Income tax expense	-	-	-	-

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

Tax losses	3,379,814	4,162,569	1,224,677	1,441,119
Net deductible temporary differences	2,668,884	(2,930,242)	6,138,974	1,761,559
Potential tax benefit at 30%	6,048,698	1,232,327	7,363,651	3,202,678

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
6. RECEIVABLES				
Other debtors	63,704	78,184	-	1
GST receivable	10,175	21,711	10,175	21,710
	73,879	99,895	10,175	21,711

7. INVESTMENTS

Investment in Greenpower Energy Limited – available for sale at fair value	1,500,000	-	1,500,000	-
Investment in Callabonna Uranium Limited – associate at cost (refer Note 8)	-	-	1,107,656	-
Investment in controlled entities – at cost	-	-	23,542,228	25,311,413
Less cumulative impairment losses	-	-	(19,463,437)	(8,406,215)
	-	-	4,078,791	16,905,198
	1,500,000	-	6,686,447	16,905,198

Due to inherent uncertainty over the ultimate recovery of development assets at the Esponda project, the Company has impaired all intercompany investments in respect of the Esponda project, until such time as there is conclusive evidence the impairment has reversed. The Company has also impaired the carrying value of the investment in the controlled entity which holds the Oriva project by \$442,068 as a result of the Group's reduced revenue interest in the project. A total impairment loss of \$11,057,222 (2007 – \$1,913,896) was recorded (refer Note 9). The Company has in prior years impaired all intercompany investments in relation to exploration and evaluation expenditure at the Skull Creek project due to the inherent uncertainty over the ultimate recovery of this expenditure.

As consideration for the Company's Australian CBM operations the Company received 12,500,000 shares in the initial public offering of Greenpower Energy Limited. At 31 December 2008 the director's compared the carrying value of the investment to market value of the investment and impaired the investment given the substantial fall in the value of the shares, and recorded an impairment loss of \$1,000,000. This was based on a closing value of 12 cents for Greenpower shares at 31 December 2008.

8. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

Callabonna Uranium Limited	1,107,656	-	-	-
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During the year the Group was issued a 38% interest in Callabonna following the issue of 19,200,000 Callabonna shares to the Company on 27 June 2008. Callabonna's principal business along with its subsidiaries will be the exploration and exploitation of exploration licences with uranium potential that Callabonna has been granted.

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:

Ownership of Callabonna Uranium Limited	38%		
Current assets	310,477	Revenues	26,800
Non-current assets	3,201,708	Expenses	(104,100)
Total assets	3,512,155	Loss	(77,300)
Current liabilities	(122,478)		
Non-current liabilities	(524,767)		
Total liabilities	(647,245)		

In the event of ASX listing of Callabonna not occurring, the Company and Touchstone have agreed to form a joint venture in which the Company can earn up to 70% interests in the projects by making a minimum expenditure of \$8 million of the projects over four years.



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
9. PROPERTY, PLANT AND EQUIPMENT				
Office equipment – at cost	43,551	43,551	43,551	43,551
Accumulated depreciation	(40,532)	(38,940)	(40,532)	(38,940)
Net book value	3,019	4,611	3,019	4,611
Plant and equipment – at cost	20,580	17,059	3,985	3,985
Accumulated depreciation	(14,806)	(9,926)	(2,999)	(2,507)
Net book value	5,774	7,133	986	1,478
Developing mine properties – at cost	15,398,613	14,183,000	-	-
Impairments	(14,222,885)	-	-	-
Net book value	1,175,728	14,183,000	-	-
Producing mine properties – at cost	4,101,504	3,227,430	-	-
Accumulated amortisation	(1,198,440)	(761,554)	-	-
Net book value	2,903,064	2,465,876	-	-
Total property, plant and equipment	4,087,585	16,660,620	4,005	6,089

Expenditure in respect of exploration and evaluation expenditure that was transferred to developing mine properties in previous years was subject to impairment testing to ensure the carrying value was not in excess of the present value of estimated future cash flows (value in use). During the 2008 financial year it was determined that, given the ongoing nature of the dewatering process at the Esponda project and uncertainty regarding the financing necessary to progress the Esponda project from development into production, the carrying value of the project be fully impaired. An impairment loss of \$12,176,455 was recorded after reversing the liability set out in Note 13 relating to the East Esponda development which is only repayable out of future revenues from that project. Impairment testing was also conducted on the Oriva project and it was determined that the carrying value of project was below the present value of estimated future cash flows from the project due to the Group's lower revenue interest in the project. An impairment loss of \$442,068 was recorded. Key assumptions when conducting the impairment testing were recoverable reserves which are based on third party estimates, a discount rate of 15% and a gas price of US\$4.22/Mcf, the sale price received from production at the project in December 2008.

Impairment testing was conducted in 2008 in relation to producing assets following the delay in completing the dewatering program and it was determined that the carrying value of producing mine assets was not in excess of the present value of estimated future cash flows (value in use). Key assumptions when conducting the impairment testing were recoverable reserves which are based on third party estimates, a discount rate of 15% and a gas price of US\$4.22/Mcf, the sale price received from production at the Oriva project in December 2008. No impairment loss was recorded.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

9. PROPERTY, PLANT AND EQUIPMENT (CONT.)

Reconciliations of the carrying amounts for each class of plant and equipment are set out below:

Office equipment

	Consolidated 2008 \$	2007 \$	Company 2008 \$	2007 \$
Carrying amount at beginning of year	4,611	7,124	4,611	7,124
Depreciation	(1,592)	(2,513)	(1,592)	(2,513)
Net book value	3,019	4,611	3,019	4,611

Plant and equipment

Carrying amount at beginning of year	7,133	11,632	1,478	2,216
Depreciation	(2,428)	(3,688)	(492)	(738)
Net foreign currency differences on translation	1,069	(811)	-	-
Net book value	5,774	7,133	986	1,478

Developing mine properties

Carrying amount at beginning of year	14,183,000	12,726,604	-	-
Additions	883,493	2,505,014	-	-
Provision for rehabilitation	9,173	49,201	-	-
Impairments	(14,222,885)	-	-	-
Net foreign currency adjustment on translation	322,947	(1,097,819)	-	-
Net book value	1,175,728	14,183,000	-	-

Producing mine properties

Carrying amount at beginning of year	2,465,876	3,123,236	-	-
Additions	-	25,340	-	-
Provision for rehabilitation	2,536	39,023	-	-
Net foreign currency adjustment on translation	622,374	(292,923)	-	-
Amortisation	(187,722)	(428,800)	-	-
Net book value	2,903,064	2,465,876	-	-



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
10. EXPLORATION AND EVALUATION EXPENDITURE				
Areas of interest – exploration/evaluation phase				
Skull Creek – Cherokee Basin, Ks, USA	-	2,332,747	-	-
Beetaloo – NT (EL 25956, 25957 & 25958)	-	20,509	-	-
	-	2,353,256	-	-
Reconciliations of exploration and evaluation areas of interest:				
Exploration and evaluation				
Carrying amount at beginning of year	2,353,256	5,067,856	-	84,872
Additions	28,364	92,814	-	7,569
Net foreign currency adjustment on translation	31,623	(380,805)	-	-
Transfer to assets classified as held for sale	-	(2,426,609)	-	(92,441)
Impairments	(2,413,243)	-	-	-
Net book value	-	2,353,256	-	-

During the year the directors have written-off the carrying value of exploration and evaluation expenditure totalling \$2,413,243 associated with the Company's Skull Creek project following the decision of the Company and its joint venture partner not to renew the leases underlying the project. The Company assessed that the expenditure of further money was not justified on a risk reward basis.

11. ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale – exploration and evaluation	-	2,506,609	-	112,441
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During 2007 the Company entered into an agreement with Greenpower Energy Limited ('Greenpower') to sell the Company's Australian CBM projects to Greenpower for 12.5 million fully paid ordinary shares at an issue price of \$0.20 each, upon successful completion of ASX listing. Greenpower successfully completed its ASX listing in March 2008.

12. OTHER NON-CURRENT ASSETS

Security deposits	293,507	157,974	-	-
Deferred expenditure – Callabonna Uranium Limited	-	1,029,997	-	1,029,997
	293,507	1,187,971	-	1,029,997

Non-interest bearing security deposits have been fair valued over the period which the deposit is expected to remain outstanding. A discount rate of 10% has been used.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
13. TRADE AND OTHER PAYABLES				
Current				
Creditors and accruals	1,439,330	870,565	1,093,982	646,703
Non-current				
Share of East Esponda development expenditure	-	1,560,807	-	-

The amount payable in relation to East Esponda Development expenditure represents the Company's share (40%) of development expenditure which was incurred by Kennedy Oil at the East Esponda project. There are no other assets, liabilities or expenses of the joint venture operation.

In June 2003, the Group entered into a farmout agreement with Kennedy Oil of Wyoming, USA whereby Kennedy Oil committed to sole fund twelve wells within part of the Group's East Esponda Project in the Powder River Basin in return for a 50% - 60% working interest depending on the location. The Group is obligated to reimburse 125% of the costs incurred on its behalf from production. Prior to capital payback, the Group will receive a 1.5% gross royalty. Kennedy Oil has completed its drilling program with 12 wells as future production wells. The Group holds a 40% free carried interest in these wells.

In March 2006 Western Gas acquired Kennedy Oil's interest in East Esponda. The Group's obligation in regards to East Esponda development expenditure is unchanged but is now owing to Western Gas.

As the Group has fully impaired the carrying value of the East Esponda project at 31 December 2008 the Group has also reversed the share of development expenditure repayable to Western Gas of \$1,604,362 as the development expenditure is only repayable from production revenues (refer Note 9) and such revenues are now highly doubtful of being earned in the foreseeable future.

14. PROVISIONS

A provision has been made in respect of the Group's obligation to rectify any environmental footprint left following the shut down of any of its wells. The provision has been calculated using a discount rate of 10%. The Group has assumed that the sites will be restored with technology and materials that are currently available.

Rehabilitation provision				
Carrying amount at beginning of year	88,224	-	-	-
Additions	5,976	83,025	-	-
Net foreign currency adjustment on translation	32,110	-	-	-
Unwind of fair value discount	2,846	5,199	-	-
Net book value	129,156	88,224	-	-



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

15. BORROWINGS

Current

Other – director loan

Consolidated		Company	
2008	2007	2008	2007
\$	\$	\$	\$
1,248,737	250,000	1,075,000	250,000

As part of an A\$8,000,000 Equity Line of Credit Facility established in November 2006, the Company secured a Convertible Loan Facility with USA based Investment Fund, Cornell Capital Partners, LP ("Cornell"). At 31 December 2006 the facility was drawn to A\$1,900,418 and this amount was subsequently repaid during the year ended 2007 in full by the issue of 6,664,817 shares. As part of the Equity Line of Credit Facility the Company may draw down up to A\$250,000 in any 10 day trading period, in return for issuing to Cornell the equivalent value of the Company's shares, based on the lowest daily volume weighted average price during the 10 days after a draw down. The remaining balance of the facility at 31 December 2008 was \$5.75 million. The facility expires in November 2011.

During the year ended 31 December 2008 Norman Seckold, a director, advanced \$173,737 (2007 – \$250,000) to a controlled entity to fund ongoing working capital requirements. The amount advanced to the Company was \$825,000 (2007 – \$250,000). The loan is interest free and with no set date for repayment.

16. ISSUED CAPITAL

202,384,903 (2007 – 202,384,903) fully paid ordinary shares

28,539,389	28,539,389	28,539,389	28,539,389
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Fully paid ordinary shares

Balance at beginning of financial year

Issue of shares

Less costs of issue

Balance at end of financial year

2008		2007	
No.	\$	No.	\$
202,384,903	28,539,389	182,720,086	22,988,889
-	-	19,664,817	5,690,000
-	-	-	(139,500)
202,384,903	28,539,389	202,384,903	28,539,389

No shares were issued during the year ended 31 December 2008.

Fully paid ordinary shares carry one vote per share and carry the right to dividends. During the year ended 31 December 2007:

- The Company issued 9,000,000 ordinary shares for cash totalling \$2,790,000. There were no amounts unpaid on shares issued. Transaction costs of \$139,500 were recognised as a reduction of the proceeds of issue of these shares.
- The Company issued 6,664,817 ordinary shares in ten tranches at an average fair value of \$0.30 per share to Cornell for cash equivalent \$2.0 million as repayment of the convertible loan facility taken as part of the \$8.0 million equity line of credit facility established with Cornell during 2006.
- The convertible note costs were fully paid at 31 December 2007.
- The Company issued 4,000,000 ordinary shares at a fair value of 22.5 cents per share to nominees of Touchstone Management Pty Ltd as part consideration for Touchstone's exploration licences that go to form part of the suite of properties for the Callabonna Uranium Limited IPO.

There were no amounts unpaid on shares issued.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the shareholders meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

17. RESERVES

Option premium reserve

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Opening balance	46,058	46,058	46,058	46,058
Transfer to accumulated losses on lapse of options	(46,058)	-	(46,058)	-
Closing balance	-	46,058	-	46,058

The issue of Company options results in a credit to the option premium reserve to the fair value of consideration received by the Company for issued options. During the years ended 31 December 2007 and 2008, no options were granted. On 11 December 2008 1,000,000 options, exercisable at 45 cents each to acquire one fully paid ordinary share expired.

Foreign currency translation reserve

Opening balance	(3,410,813)	(1,620,248)	-	-
Translation adjustment on a controlled foreign entity's financial statements during the year	1,221,911	(1,790,565)	-	-
Closing balance	(2,188,902)	(3,410,813)	-	-

The foreign currency translation reserve records the foreign currency differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

18. LOSS PER SHARE

The calculation of basic loss per share at 31 December 2008 was based on the loss attributable to ordinary shareholders of \$17,067,776 (2007 – \$1,867,776) and a weighted average number of ordinary shares outstanding during the financial year ended 31 December 2008 of 202,384,903 (2007 – 193,530,542), calculated as follows:

Net loss for the year	17,067,776	1,867,776
	Number	Number
Weighted average number of ordinary shares		
Issued ordinary shares at beginning of year	202,384,903	182,720,086
Effect of shares issued	-	5,942,466
Effect of shares issued under convertible note agreement	-	4,867,990
Weighted average number of ordinary shares at year end	202,384,903	193,530,542

19. ACCUMULATED LOSSES

Accumulated losses at the beginning of the year	5,051,394	3,183,618	11,368,654	8,508,191
Transfer from reserve	(46,058)	-	(46,058)	-
Net loss attributable to members of the parent entity	17,067,776	1,867,776	12,666,824	2,860,463
Accumulated losses at the end of the year	22,073,111	5,051,394	23,989,420	11,368,654



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
20. STATEMENTS OF CASH FLOWS				
Reconciliation of net loss from operating activities after tax to net cash used in operating activities				
Loss from operating activities after tax	(17,067,776)	(1,867,776)	(12,666,824)	(2,860,463)
Items classified as investing/financing activities				
Borrowing costs	1,885	55,693	725	52,658
Non-cash items				
Depreciation of plant and equipment	4,020	6,201	2,084	3,251
Amortisation of areas in production	187,722	428,800	-	-
Foreign exchange loss on cash	5,445	55,853	5,445	55,853
Impairment loss	16,031,767	-	12,057,222	1,913,896
Borrowing costs – non-cash	190,315	126,361	-	-
Loss on disposal of subsidiary	8,018	-	34,404	-
Profit of associate equity accounted	(47,700)	-	-	-
Changes in assets and liabilities				
Decrease in receivables	26,016	53,645	11,537	10,705
Decrease in other assets	-	141,485	-	141,485
Increase in accounts payable	444,275	165,239	426,158	134,336
Net cash used in operating activities	(216,013)	(834,499)	(129,250)	(548,279)
Reconciliation of cash				
For the purposes of the Statement 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 Balance Sheet as follows:				
Cash	31,971	84,485	18,325	38,060

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

21. KEY MANAGEMENT PERSONNEL DISCLOSURES

Information regarding individual key management personnel's compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 are provided in the Remuneration Report Section of the Director's Report on pages 15 to 16.

As a result of the difficult economic environment the directors voted to suspend all payments of director's fees for the year. At 31 December 2008 \$390,084 (2007 – \$118,584) of directors fees was outstanding.

During the year ended 31 December 2008, Norman A. Seckold and Peter J. Nightingale had an interest in an entity, Mining Services Trust, which provided full administrative services, including rental accommodation, administrative staff, services and supplies, to the Group. Fees paid to Mining Services Trust during the year, which were in the ordinary course of business and on normal terms and conditions, amounted to \$136,978 (2007 – \$141,381). At 31 December 2008 \$183,550 was outstanding (2007 – \$33,000).

The board reviews remuneration arrangements annually based on services provided.

During the year ended 31 December 2008 Norman Seckold advanced \$173,737 (2007 – \$0) to a controlled entity to fund ongoing working capital requirements. The loan is interest free and with no set date for repayment.

During the year ended 31 December 2008 Norman Seckold advanced \$825,000 (2007 – \$250,000) to the Company to fund ongoing working capital requirements. The loan is interest free and with no set date for repayment.

On 8 January 2008 Bruce F. Riederer resigned as a director of the Company.

22. 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 Robert M. Bell. Details of directors' remuneration are set out in the Directors' Report on page 15.

Details of relevant interests of directors and executive of the Company and their related entities in shares of Planet Gas Limited are as follows:

Key management personnel	Held at 31 December 2007	Purchased shares	Sales	Held at 31 December 2008
Directors				
Norman A. Seckold	23,250,003	-	-	23,250,003
Peter J. Nightingale	3,625,001	-	-	3,625,001
Bruce F. Riederer*	4,000,000	-	-	-
Anthony J. McClure	3,000,000	-	-	3,000,000
Anthony J. McDonald	3,000,000	-	-	3,000,000
Robert M. Bell	-	200,000	-	200,000
Executives				
Dr. Richard Haren	150,000 [^]	-	-	150,000

* Ceased to be a director during the period

[^] Number held at the date of appointment as General Manager.



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

22. RELATED PARTY DISCLOSURES (CONT.)

Director	Held at 31 December 2006	Purchased shares	Sales	Held at 31 December 2007
Norman A. Seckold	23,250,003	-	-	23,250,003
Peter J. Nightingale	3,625,001	-	-	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
Robert M. Bell	-	-	-	-
Norman J. Zillman	4,000,000*	-	-	-

* Ceased to be a director during the period.

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.

Controlled entities

At 31 December 2008 the Company had amounts receivable from Pauper's Dream Company totalling \$20,824,248 (2007 – \$20,167,933), Planet Gas Resources LLC totalling \$2,716,511 (2007 – \$2,700,511) and Planet Gas Properties totalling \$1,466 (2007 – \$953). These amounts are classified as investments as they are interest free, unsecured, there is no fixed term of repayment, and they are repayable out of profits (refer Note 7).

23. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURE

The activities of the Group expose it to the following financial risks:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, the management of capital and financial instruments.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities.

Credit risk

Exposure to credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the Group's receivables from customers. For the Company it arises from receivables due from subsidiaries. The Group mitigates credit risk on cash balances by dealing with regulated banks in western countries.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

23. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURE (CONT.)

Trade and other receivables

The Group's exposure to credit risk for trade receivables is mitigated by the fact that any revenues arising from production at its producing assets at Oriva Throne are paid by Sabine Pipeline Company, an affiliated company of Chevron Corporation to the Group's joint operating partners Emerald Operating Company and Rocky Mountain Exploration. Sabine Pipeline Company is the pipeline operator into which production from Oriva Throne is pumped. Additionally revenues from the Oriva Federal Conventional Oil and Gas project are also first collected by Carpenter and Sons and North Finn, the Group's partner in a farmout agreement, prior to being collected by the Group.

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date as a result of other receivables was \$63,704 (2007 – \$78,184).

The Company impairs all intercompany investments in respect of exploration and evaluation expenditure, until such time as there is conclusive evidence the impairment has been reversed. Following the directors decision during the year ended 31 December 2008 to fully impair capitalised development expenditure on the Esponda project, expenditure by the Company in relation to the Esponda project has also been fully impaired.

Impairment losses

None of the Company's receivables are past due (2007 – \$0). No impairment has been taken up against other receivables.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligation as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities:

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Six months or less	2,688,066	1,120,565	2,168,982	896,703
One to three years	-	1,560,807	-	-

Ultimate responsibility for liquidity management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate banking and borrowing facilities and through the monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of the settlement of financial assets and liabilities.

The Group maintains the following line of credit:

- \$8 million equity line of credit facility of which \$5.75 million is currently available. The Company may draw down up to \$250,000 in any 10 day trading period, in return for issuing the equivalent value of the Company's shares, based on the lowest daily volume weighted average price during the 10 days after a draw down. The ongoing availability of the undrawn balance is uncertain (refer Note 2(e)).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than Australian dollars, the functional currency of the Company.



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

23. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURE (CONT.)

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the United States dollar at 31 December would have decreased the net assets of the Group by \$399,686. A 10 percent weakening of the Australian dollar against the United States dollar at 31 December would have increased the net assets of the Group by \$439,654.

The Group has not entered into derivative financial instruments to hedge purchases and sales denominated in foreign currencies. The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	31 December 2008		31 December 2007	
	AUD	USD	AUD	USD
	\$	\$	\$	\$
Other receivables	-	63,704	-	78,185
Trade payables	(1,093,982)	(345,348)	(646,703)	(223,862)
Borrowings	(1,075,000)	(173,737)	(250,000)	-
Other payables	-	-	-	(1,560,807)
Gross balance sheet exposure	(2,168,982)	(455,381)	(896,703)	(1,706,484)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2008	2007	2008	2007
AUD/USD	0.8529	0.8390	0.6907	0.8767

Interest rate risk

With the exception of cash, all the Company's and Group's financial assets and liabilities are non-interest bearing. The cash balance earns interest at an average of 3.97% (2007 – 6.67%).

Other market price risk

Equity price risk arises from available-for-sale equity securities. As at 31 December 2008, the Group's only investment held was in Greenpower Energy Limited (refer Note 7). A 10% increase/decrease in this investment will result in a \$150,000 increase/decrease in profit.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Net fair values of financial assets and liabilities

The carrying amounts of financial assets and liabilities approximate their net fair values, given the short time frames to maturity and or variable interest rates.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

24. JOINT VENTURE OPERATIONS

	Area	Output Interest	
		2008	2007
		%	%
East Esponda – Sections 9, 10, 11 and 15 (Western Gas)	USA	40	40
East Esponda – Section 2 (Western Gas)	USA	20	20
Oriva Federal	USA	4.5*	100
Oriva Throne	USA	61	61
Davidson Prospecting (PEL 428)	Australia	-	20

* The Group's interest in Oriva Federal reverts to a 23.625% revenue interest after all drilling, completion and producing costs of the operating partner have been repaid.

The Group's interest in assets employed in the above joint venture operations includes capitalised exploration, evaluation and development expenditure totalling \$4,078,791 (2007 – \$5,518,584), and current accounts receivable totalling \$63,705 (2007 – \$78,185). All joint venture operations are engaged in the evaluation, exploration, development and production of coal bed methane or oil and gas properties.

25. SEGMENT REPORTING

Segment information is presented in respect of the Group's geographical segments. This is based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Geographical segments

The Group operates wholly within the mining industry in Australia and the USA.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Division of the Group'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 coalbed methane.



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

25. SEGMENT REPORTING (CONT.)

Geographical Segments	Australia	United States	Consolidated Total
	\$	\$	\$
31 December 2008			
Revenue			
External segment revenue	-	401,539	401,539
Unallocated revenue			2,480
Total revenue			<u>404,020</u>
Result			
Segment result	(8,018)	(452,795)	(460,813)
Impairment loss	(1,000,000)	(15,031,766)	(16,031,766)
Unallocated corporate revenues and expenses			(575,197)
Net loss			<u>(17,067,776)</u>
Assets			
Segment assets	1,528,499	4,454,438	5,982,937
Investment in equity accounted associate	1,107,656	-	1,107,656
Unallocated corporate assets			4,005
			<u>7,094,598</u>
Including non-current assets acquired during the year			
Mine development	-	100,291	100,291
Segment liabilities	<u>1,890,299</u>	<u>926,924</u>	<u>2,817,222</u>
31 December 2007			
Revenue			
External segment revenue	-	261,069	261,069
Unallocated revenue			42,925
Total revenue			<u>303,993</u>
Result			
Segment result	-	(918,899)	(918,899)
Unallocated corporate revenues and expenses			(948,877)
Net loss			<u>(1,867,776)</u>
Assets			
Segment assets	3,617,835	19,268,912	22,886,747
Unallocated corporate assets			6,089
			<u>22,892,836</u>
Including non-current assets acquired during the year:			
Exploration and evaluation	92,814	-	92,814
Mining projects	-	25,340	25,340
Mine development	-	2,505,014	2,505,014
	<u>92,814</u>	<u>2,530,354</u>	<u>2,623,168</u>
Segment liabilities	<u>443,035</u>	<u>2,326,561</u>	<u>2,769,596</u>



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

26. 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	
		2008	2007
		%	%
Beetaloo Uranium Pty Limited	Australia	-	100
Davidson Prospecting Pty Limited	Australia	-	100
Greenpower Energy Pty Limited	Australia	-	100
Pauper's Dream Company	USA	100	100
Planet Gas Properties LLC	USA	100	100
Planet Gas Resources LLC	USA	100	100
Sawells Pty Limited	Australia	-	100

The functional currency for Pauper's Dream Company, Planet Gas Properties LLC and Planet Gas Resources LLC is United States Dollars.





DIRECTORS' DECLARATION

In the opinion of the directors of Planet Gas Limited:

- (a) the financial statements and notes thereto, set out on pages 19 to 46, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and Group as at 31 December 2008 and of their performance, for the year ended on that date; and
 - (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (d) the directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 31 December 2008 pursuant to Section 295A of the Corporations Act 2001.

Signed at Sydney this 27th day of February 2009 in accordance with a resolution of the Board of Directors:



Norman A. Seckold
Director



Peter J. Nightingale
Director

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PLANET GAS LIMITED



Report on the financial report

We have audited the accompanying financial report of Planet Gas Limited (the "Company"), which comprises the balance sheets as at 31 December 2008, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 26 and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- (a) the financial report of Planet Gas Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2008 and of their performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.





INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PLANET GAS LIMITED (CONT.)

Material uncertainty regarding continuation as a going concern

Without qualification of the above opinion, we draw attention to Note 2(e) 'Going Concern' to the financial report which indicates that the ability of the Company and the Group to continue as a going concern is dependent upon raising additional funding from shareholders and/or other parties. This condition, along with other matters as set forth in Note 2(e) indicate the existence of a material uncertainty which may cast significant doubt about the Company's and the Group's ability to continue as a going concern and therefore, whether they will realise their assets and liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in pages 15 to 16 of the Directors' Report for the year ended 31 December 2008. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of Planet Gas Limited for the year ended 31 December 2008 complies with Section 300A of the *Corporations Act 2001*.



KPMG
27 February 2009



S.J. Board
Partner

ADDITIONAL STOCK EXCHANGE INFORMATION

Additional information as at 31 January 2009 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 2009 the Register of Substantial Shareholders showed the following:

Altinova Nominees Pty Ltd	23,250,001 fully paid ordinary shares
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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 2009 the twenty largest quoted shareholders held 44.09% of the fully paid ordinary shares as follows:

Name	Number	%	Name	Number	%
1 Permgold Pty Limited	14,125,001	6.98	11 Trio Investments Pty Ltd	3,000,000	1.48
2 Citicorp Nominees Pty Limited	9,866,024	4.87	12 Umbiram Pty Ltd	3,000,000	1.48
3 Altinova Nominees Pty Ltd	9,750,001	4.82	13 Act 2 Pty Ltd	2,600,000	1.28
4 Rigi Investments Pty Ltd	9,277,441	4.58	14 Ringwood Agricultural Company Pty Ltd	2,450,000	1.21
5 ANZ Nominees Ltd Cash Income A/C	4,221,397	2.09	15 Mr Jan Bernard Lochtenberg	2,263,815	1.12
6 Mr Bruce Riederer	4,000,000	1.98	16 Mrs Narelle Fay	2,254,029	1.11
7 Removale Pty Ltd	3,900,000	1.93	17 Bertney Pty Ltd	2,207,000	1.09
8 Berpaid Pty Ltd	3,700,000	1.83	18 All States Secretarial Pty Ltd	2,000,000	0.99
9 Rosignol Pty Ltd	3,625,000	1.79	19 Bond Street Custodians Limited	2,000,000	0.99
10 Anthony J McClure	3,000,000	1.48	20 Predictive Mineral Discovery Pty Ltd	2,000,000	0.99



ADDITIONAL STOCK EXCHANGE INFORMATION (CONT.)

Distribution of Shareholders

As at 31 January 2009, the total distribution of fully paid shareholders, being the only class of equity, was as follows:

Range	Total Holders	Units	% Issued Capital
1 – 1,000	45	3,682	0.00%
1,001 – 5,000	131	417,534	0.21%
5,001 – 10,000	159	1,380,453	0.68%
10,001 – 100,000	593	25,178,134	12.44%
100,001 and over	229	175,405,100	86.67%
Total	1,157	202,384,903	100.00%

As at 31 January 2009, 424 shareholders held less than marketable parcels of 17,242 shares.

On Market Buy Back

There is no on market buy-back.



CORPORATE DIRECTORY

DIRECTORS

Mr. Norman A. Seckold (Chairman)

Mr. Peter J. Nightingale

Mr. Robert M. Bell

Mr. Anthony J. McClure

Mr. Anthony J. McDonald

COMPANY SECRETARY

Mr. Peter J. Nightingale

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PLANETGASLIMITED

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