

Planet Gas Limited and its Controlled Entities  
ABN 46 098 952 035



# Planet Gas Limited

## 2012 ANNUAL REPORT





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# CHAIRMAN'S LETTER



Dear Fellow Shareholder,

I am pleased to report that 2012 saw the commencement of activities within PEL 514 in the Cooper Basin of South Australia. With our joint venture partner Senex Energy Limited ('Senex'), 3D seismic work completed during the year will now form the base for the planning of drilling operations. At least two wells will be completed within the PEL in 2013.

Although conventional hydrocarbon developments in the Cooper Basin have matured over the past decade or so, 2012 has been a particularly noteworthy year with substantial discoveries in unconventional hydrocarbons in the Basin. The recent entry of United States major Chevron and expanded programs by Santos Limited and others will prove to be an exciting stimulus for the region.

The Company is well positioned in the Basin with PEL 514 containing a range of unconventional targets including tight gas, shale gas and coal seam gas ('CSG') as well as conventional oil and gas and we look forward to reporting progress throughout 2013.

In New South Wales, we have undertaken limited work during 2012. After some 16 months of the State legislative enquiry into CSG extraction, the Government finally announced its Strategic Regional Land Use Policy and a suite of other policies and regulations governing the CSG industry. Subsequent to year end, additional proposed regulations were announced that appear to have limited technical basis and are contradictory to the previously presented regulations. This has further compounded uncertainty for the industry and for the foreseeable future, we consider that New South Wales will continue as a high risk jurisdiction.

This is particularly unfortunate given over the coming years the State is facing gas supply tightening and increasing energy prices whereby CSG, in most cases, can be extracted in an environmentally sensible manner for the benefit of all stakeholders.

During 2012, we have undertaken further rationalisation of the Company, in particular with a reduction in management given the Cooper Basin programs are funded and operated by Senex and that limited work was undertaken in New South Wales.

We look forward to 2013 with the more substantial works including the commencement of drilling in the Cooper Basin.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Norman A. Seckold', enclosed within a large, stylized oval loop.

**Norman A. Seckold**  
Chairman

# REVIEW OF OPERATIONS

## SUMMARY

The 2012 year was one of transition for Planet Gas Limited ('Planet Gas' or 'the Company'). Work programs were commenced in Cooper Basin in South Australia which will now lead to an interesting 2013 with the commencement of drilling and other activities.

Although the Company's main asset in the Cooper Basin progressed steadily, political uncertainty in relation to coal seam gas ('CSG') in New South Wales continued to dominate and will continue to do so in the foreseeable future.

### During 2012 Planet Gas

- ⊙ Had PEL 514 Cooper Basin licence issued by South Australian Government.
- ⊙ Entered a farm-out and joint venture partnership with Senex Energy Limited with regards to PEL 514.
- ⊙ Completed 3D seismic acquisition covering 159 km<sup>2</sup> of PEL 514.
- ⊙ Had PELs 468, 469 and 470 in the Sydney and Gunnedah Basins offered for renewal by the New South Wales Government.
- ⊙ Impaired the carrying value of the Sydney and Gunnedah Basin CSG projects due to the regulatory uncertainty for the CSG industry in New South Wales for the foreseeable future.
- ⊙ Impaired the carrying value of the Innot Spring Geothermal project.



# REVIEW OF OPERATIONS

## CORPORATE ACTIVITIES

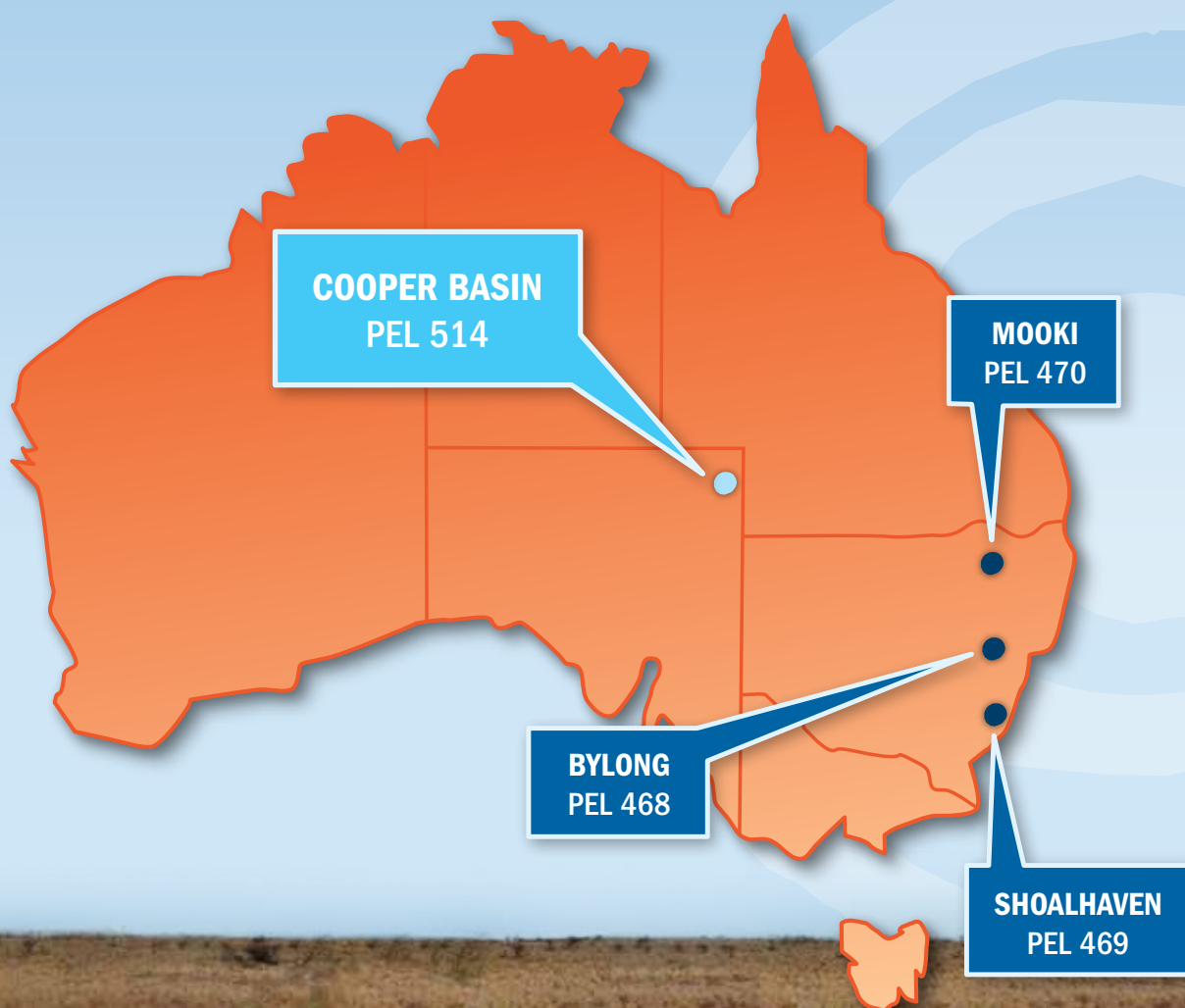
- ☉ New fully paid ordinary shares issued for total proceeds of \$220,000.

## PROJECTS

### Australia

The Company holds rights to the following projects:

- ☉ Cooper Basin conventional and unconventional projects, South Australia.
- ☉ Sydney and Gunnedah Basin CSG projects, New South Wales.





# REVIEW OF OPERATIONS

## Cooper Basin Conventional and Unconventional Projects, South Australia PEL 514

PEL 514 covers 1,972 square kilometres and is located in the Cooper Basin of north eastern South Australia.

After the completion of native title processes the PEL was formally executed with Primary Industries South Australia ('PIRSA'). The PEL has a five year term which commenced on 9 November 2011.

During 2012, the Cooper Basin has seen a substantial resurgence with recent developments in unconventional hydrocarbon exploration. In what was a Basin in its twilight, the considerable potential is coming to fruition which should see underutilised infrastructure continuing to deliver oil and gas to eastern Australia.

PEL 514 contains an array of targets for conventional and unconventional hydrocarbon exploration.

Conventional oil and gas prospectivity lies within the Jurassic and Cretaceous Namur and Hutton sandstones, Murta Formation, and also the Triassic sands, Permian gas in the Toolachee and Patchawarra Formations and liquids-rich gas in the Tirrawarra Formation. The Birkhead channel sands which produce oil at the nearby Snatcher and Growler fields are considered targets.

Good quality coals, hydrocarbon rich shales and tight gas are also present across the area as evidenced by wells drilled within, and proximal to, the licence. There is an abundance of coal mapped across the licence providing CSG potential in the coals of the Cretaceous Winton, Permian Toolachee and Patchawarra horizons. There is also shale gas potential in the Daralingie shale and the Murteree member of the REM shales.

The northern part of PEL 514 is underexplored and surrounds a trend of Jurassic and Triassic oil discoveries. The southern part of the block lies within the Permian Gas province. To the east there have also been several Permian oil and gas discoveries. Hydrocarbons in the northern area are sourced from the Patchawarra Trough and the Araburru Trough to the east and partially from the Poolowanna Trough to the west.

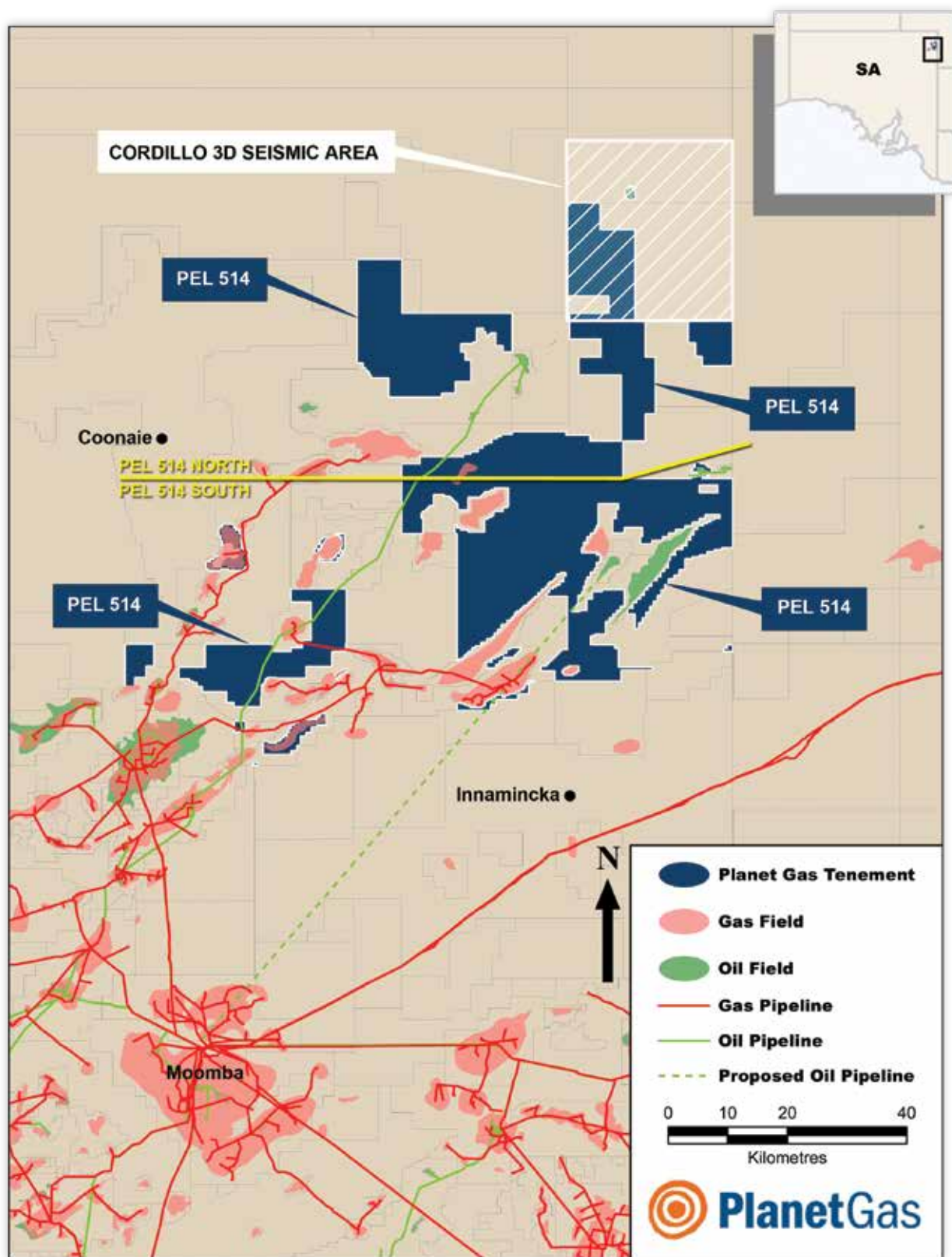
In December 2011, Planet Gas concluded a farm-in and Joint Operating Agreement with Senex Energy Limited ('Senex'). As part of the farm-out by Planet Gas, Senex has been appointed as operator and PEL 514 has been notionally divided into north and south areas. Senex can earn a 50% interest in PEL 514 north and a 70% interest in PEL 514 south by fully funding exploration works with a notional value of \$10.5 million. Senex has completed its first year obligations and will fully fund two exploration wells during 2013.

During 2012, a total of 159 square kilometres of 3D seismic data covering the northern part of PEL 514 was completed, forming part of the 'Cordillo' 3D seismic survey undertaken by Senex. Processing and interpretation is scheduled for completion in early 2013. This northern part of PEL 514 is considered to contain stratigraphic and structural traps within the Birkhead Formation capable of hosting oil plays similar to those at the proven Growler and Snatcher oil fields to the southwest.

### PEL 514 3D seismic survey



# REVIEW OF OPERATIONS



PEL 514 project location



# REVIEW OF OPERATIONS

## Sydney and Gunnedah Basins CSG Projects

Under a farm-in agreement of August 2010 with Leichhardt Resources Pty Limited, Planet Gas has the right to earn 50% equity in three PELs located in New South Wales. Planet Gas is the operator of the farm-in which covers 5,579 square kilometres at Bylong (PEL 468) and Shoalhaven (PEL 469) in the Sydney Basin and at Mooki (PEL 470) in the Gunnedah Basin.

In the Sydney Basin licences contain CSG hosted by the geological sequences of the Illawarra Coal Measures and the Shoalhaven Groups. The Gunnedah Basin licence contains CSG of the Maules Creek coals.

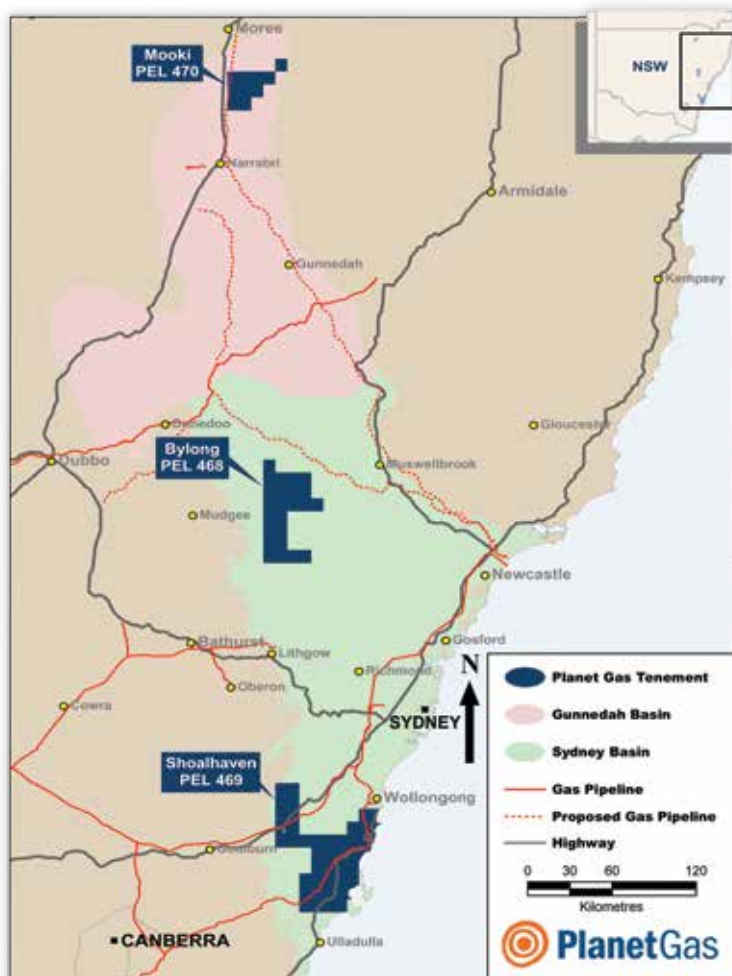
During 2011, the Company acquired seismic data over PELs 468 and 470 and drilled one exploration corehole on PEL 468.

During 2012, the New South Wales CSG industry was severely constrained by the State legislative inquiry into the industry. In September 2012, the Government announced a series of new regulations including the Strategic Regional Land Use Policy, Aquifer Interference Policy and new

Codes of Practice for the CSG industry and other initiatives. However, subsequent to the year end the Government announced the proposal of further regulations over and above the September 2012 initiatives. The definition and subsequent effects of these new proposals remains uncertain.

Although the political uncertainty continued during the year, in the second half of 2012, the Government offered for renewal PELs 468, 469 and 470. Subsequent to year end the licences were finally renewed.

However, for the foreseeable future substantial uncertainty for the exploration and development of the CSG industry in New South Wales will continue. Planet Gas is considering its ongoing participation in the CSG industry New South Wales and has fully impaired its exploration and evaluation expenditure in relation to these projects during the year ended 31 December 2012.





# STATEMENT OF CORPORATE GOVERNANCE

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, which comply with the Australian Stock Exchange ('ASX') Corporate Governance Council recommendations, unless otherwise stated.

## CORPORATE GOVERNANCE STATEMENT

The Board is committed to maintaining the highest standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Group's activities and ensure transparency, fair dealing and protection of the interests of stakeholders.

The Board of Directors supports the Principles of Good Corporate Governance and Best Practice Recommendations developed by the ASX Corporate Governance Council ('Council'). Whilst the Group's practices are largely consistent with the Council's guidelines, the Board considers that the implementation of some recommendations are not appropriate having regard to the nature and scale of the Group's activities and size of the Board. The Board uses its best endeavours to ensure exceptions to the Council's guidelines do not have a negative impact on the Group and the best interests of shareholders as a whole. When the Group is not able to implement one of the Council's recommendations the Group applies the 'if not, why not' explanation approach by applying practices in accordance with the spirit of the relevant principle.

The following discussion outlines the ASX Corporate Governance Council's eight principles and associated recommendations and the extent to which the Group complies with those recommendations.

Details of all of the Council's recommendations can be found on the ASX website at <http://www.asx.com.au>

### Principle 1 - Lay Solid Foundations for Management and Oversight

#### Board of Directors

The Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Group. The Board is also responsible for the overall corporate governance and management oversight of the Group and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of the Group as a whole.

The Board also ensures that the Group complies with all of its contractual, statutory and any other legal or regulatory obligations. The Board has the final responsibility for the successful operations of the Group.

Where the Board considers that particular expertise or information is required, which is not available from within their members, appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

Without intending to limit the general role of the Board, the principal functions and responsibilities of the Board include the following:

- formulation and approval of the strategic direction, objectives and goals of the Group;
- the prudential control of the Group's finances and operations and monitoring the financial performance of the Group;

- the resourcing, review and monitoring of executive management;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the timeliness, accuracy and effectiveness of communications and reporting to shareholders and the market; and
- the establishment and maintenance of appropriate ethical standards.

The Group has followed Recommendation 1.1 by establishing the functions reserved to the Board and those delegated to senior executives as disclosed above.

The Group has followed Recommendation 1.2 by evaluating the performance of senior executives. The Board reviews the performance of the Group's senior executives on a face to face basis with the performance evaluation of the Managing Director being conducted by the Chairman of the Board.

The Group has taken the appropriate measure to provide each Director and senior executive with a copy of the Group's policies which spells out the rights, duties and responsibilities that they should follow.

The Group has followed Recommendation 1.3 by conducting the evaluations of senior executives in accordance with the process described above.

### Principle 2 - Structure the Board to Add Value

#### Board of Directors - Composition, Structure and Process

The Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given the Group's current size, scale and nature of its activities.

#### Independent Directors

As only two of the Company's six Directors are classified as Independent Directors, the Group does not follow Recommendation 2.1. However, it is the Board's opinion that all Directors bring to the Board their independent judgement, irrespective of whether they are independent or not.

#### Regular assessment of independence

An independent Director, in the view of the Group, is a non-executive Director who:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Group, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional advisor or a material consultant to the Group, or an employee materially associated with a service provider;

# STATEMENT OF CORPORATE GOVERNANCE

- is not a material supplier or customer of the Group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Group other than as a Director of the Group;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Group; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Group.

The composition of the Board is reviewed periodically with regards to the optimum number and skills of Directors required for the Board to properly perform its responsibilities and functions.

## Chairperson and Managing Director

Norman A. Seckold, a non-independent Director, holds the office of Chair. The Group does not follow Recommendation 2.2 because the small size of the Group does not warrant the appointment of more Directors. However, the Board considers that Norman A. Seckold best serves the office of Chair due to his extensive experience in the industry.

The Chairman leads the Board and has responsibility for ensuring the Board receives accurate, timely and clear information to enable the Directors to perform their duties as a Board.

The Managing Director is responsible and accountable to the Board for the Group's management. Anthony J. McClure has been appointed as the Managing Director of the Group and performs the role of Chief Executive Officer. Therefore, the Group follows Recommendation 2.3.

## Board nominations

Having regard to the current membership of the Board and the size, organisational complexity and scope of operation of the Group, a Nomination Committee has not been established and therefore Recommendation 2.4 has not been followed.

## Performance review and evaluation

The Group has followed Recommendations 2.5 and 2.6 by disclosing the process for evaluating the performance of the Board, and disclosure requirements under Principle 2 below.

It is the policy of the Board to ensure that the Directors and executives of the Group are equipped with the knowledge and information they need to discharge their responsibilities effectively, and that individual and collective performance is regularly and fairly reviewed. Although the Group is not of a size to warrant the development of formal processes for evaluating the performance of its Board, individual Directors and executives, there is on-going monitoring by the Chairman and the Board. The Chairman also speaks to Directors individually regarding their role as a Director.

## Induction and education

The Group has the policy to provide each new Director or officer with a copy of the following documents:

- Code of Conduct;
- Continuous Disclosure Policy;
- Share Trading Policy; and
- Shareholders Communication Policy.

## Access to information

Each Director has access to Board papers and all relevant documentation.

## Skills, knowledge and experience

Directors are appointed based on the specific corporate and governance skills and experience required by the Group. The Board consists of a relevant blend of personal experience in accounting and finance, law, financial and investment markets, financial management and public Group administration, and, director-level business or corporate experience required by the Group.

## Professional advice

Board members, with the approval of the Chairman, may seek from time to time external professional advice.

## Term of appointment as a Director

The Constitution of the Company provides that a Director, other than the Managing Director, may not retain office for more than three calendar years or beyond the third Annual General Meeting following his or her election, whichever is longer, without submitting himself or herself for re-election. One third of the Directors (excluding the Managing Director) must retire each year and are eligible for re-election. The Directors who retire by rotation at each Annual General Meeting are those with the longest length of time in office since their appointment or last election.

## 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.

For details on the amount of remuneration and any amount of equity based executive remuneration payment for each Director, refer to the Key Management Personnel note to the financial statements and the Remuneration Report in the Directors' Report.

## Internal controls

The Board 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.

# STATEMENT OF CORPORATE GOVERNANCE

## Principle 3 - Promote Ethical and Responsible Decision Making

### Code of Conduct and Ethical Standards

All Directors, executives and employees act with the utmost integrity and objectivity in carrying out their duties and responsibilities, endeavouring at all times to enhance the reputation and performance of the Group. Every employee has direct access to a Director to whom they may refer any ethical issues that may arise from their employment. The Group has followed Recommendation 3.1 and has adopted a formal Code of Conduct.

### Access to Group information and confidentiality

All Directors have the right of access to all relevant Group books and to the Group's executive management. In accordance with legal requirements and agreed ethical standards, Directors and executives of the Group have agreed to keep confidential information received in the course of exercising their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

### Share dealings and disclosures

The Group has adopted a policy relating to the trading of Company securities. The Board restricts Directors, executives and employees from acting on material information until it has been released to the market. Executives, employees and Directors should consult with the Chairman prior to dealing in securities in the Company or other companies with which the Company has a relationship.

Share trading by Directors, executives or employees is not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act prohibits the purchase or sale of securities whilst a person is in possession of inside information.

The trading windows for restricted persons are 60 days after the release of the half year results, the full year results or the holding of the Annual General Meeting. Restricted persons are prohibited from trading in the Company's securities outside these trading windows unless in special circumstances and with the approval of the Chairman.

### Conflicts of interest

To ensure that Directors are at all times acting in the best interests of the Group, Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Group; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot, or is unwilling to remove a conflict of interest then the Director must, as required by the Corporations Act, absent himself from the room when Board discussion and/or voting occurs on matters about which the conflict relates.

## Related party transactions

Related party transactions include any financial transaction between a Director and the Group as defined in the Corporations Act or the ASX Listing Rules. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction. The Group also discloses related party transactions in its financial statements as required under relevant Accounting Standards.

## Board diversity

Given the small size of the Group, the Group has not set a policy concerning diversity and therefore Recommendations 3.2, 3.3, 3.4 and 3.5 have not been followed. However, the Company's Board does take into account the gender, age, ethnicity and cultural background of potential Board members.

## Principle 4 - Safeguard Integrity in Financial Reporting

### Audit Committee

Having regard to the current membership of the Board and the size, organisational complexity and scope of operations of the Group, an Audit Committee has not been established and therefore Recommendations 4.1, 4.2, 4.3 and 4.4 have not been followed.

The objective of an Audit Committee is to make recommendations to the Board regarding various matters including the adequacy of the external audit, risk management and compliance procedures, to evaluate from time to time the effectiveness of the financial statements prepared for the Board and to ensure that independent judgement is always exercised. These functions of an Audit Committee are performed by the full Board.

## Principle 5 - Make Timely and Balanced Disclosure

The Group has followed Recommendations 5.1 and 5.2 and has adopted a formal Continuous Disclosure Policy.

### Continuous Disclosure to the ASX

The Board has designated the Managing Director and CFO as being responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX. Accordingly the Company will notify the ASX promptly of information:

- concerning the Company, that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Announcements are made in a timely manner, are factual and do not omit material information in order to avoid the emergence of a false market in the Company's securities.

## Principle 6 - Respect the Rights of Shareholders

The Company has followed Recommendations 6.1 and 6.2 and has designed a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings as disclosed below.

# STATEMENT OF CORPORATE GOVERNANCE

## Communication to the market and shareholders

The Board recognises its duty to ensure that its shareholders are informed of all major developments affecting the Company's state of affairs. The Board considers that information will be communicated to shareholders and the market through:

- the Annual Report which is distributed to shareholders (usually with the Notice of Annual General Meeting);
- the Annual General Meeting and other general meetings called to obtain shareholder approvals as appropriate;
- the half-yearly financial statements;
- quarterly cash flow reports; and
- other announcements released to the ASX as required under the continuous disclosure requirements of the ASX Listing Rules and other information that may be mailed to shareholders or made available through the Company's website.

The Company actively promotes communication with shareholders through a variety of measures, including the use of the Company's website and email. The Company's reports and ASX announcements are made available on the Company's website, [www.planetgas.com](http://www.planetgas.com), and on the ASX website, [www.asx.com.au](http://www.asx.com.au), under ASX code 'PGS'.

## Principle 7 - Recognise and Manage Risk

The Group has followed Recommendation 7.1 and has designed policies for the oversight and management of material business risks as disclosed below.

The Board is responsible for the identification, monitoring and management of significant business risks and the implementation of appropriate levels of internal control, recognising however that no cost effective internal control system will preclude all errors and irregularities. The Board regularly reviews and monitors areas of significant business risk.

Having regard to the current membership of the Board and the size, organisational complexity and scope of operations of the Group, Recommendation 7.2 is not relevant because the Board has the oversight function of risk management and internal control systems. Therefore, the risk management functions and oversight of material business risks are performed directly by the Board and not by management.

### Internal control and risk management

The Board reviews systems of external and internal controls and areas of significant operational, financial and property risk and ensures arrangements are in place to contain such risks to acceptable levels.

Appropriate insurance policies are kept current to cover all potential risks and maintaining Directors' and Officers' professional indemnity insurance.

### Internal audit function

The internal audit function is carried out by the Board. The Group does not have an internal audit department nor has an internal auditor. The size of the Group does not warrant the need or the cost of appointing an internal auditor.

## CEO and CFO declarations

The Group has followed Recommendation 7.3. The Board has determined that the Managing Director and the CFO are the appropriate persons to make the CEO and CFO declarations as required under section 295A of the Corporations Act. The Board is also satisfied that the internal control system is operating effectively in all material respects.

The Group has followed Recommendation 7.4 by disclosing the information above.

## Principle 8 - Remunerate Fairly and Responsibly

Having regard to the current membership of the Board and the size, organisational complexity and scope of operations of the Group, a Remuneration Committee has not been established and therefore Recommendations 8.1, 8.2, 8.3 and 8.4 have not been followed.

However, the functions and responsibilities listed below were carried out by the Board.

### Remuneration responsibilities

The role and responsibility of the Board is to review and make recommendations in respect of:

- executive remuneration policy;
- executive Director and senior management remuneration;
- executive incentive plan;
- non-executive Directors' remuneration;
- performance measurement policies and procedures;
- termination policies and procedures;
- equity based plans; and
- required remuneration and remuneration benefits public disclosure.

### Remuneration policy

The Directors' remuneration is adopted by shareholders at the Annual General Meeting. The salary and emoluments paid to officers are approved by the Board. Consultants are engaged as required pursuant to service agreements. The Group ensures that fees, salaries and emoluments are in line with general standards for publicly listed companies of the size and type of the Group. All salaries of Directors and officers are disclosed in the Annual Report of the Group.

In line with Recommendation 8.2, the Group has a policy to remunerate its Directors and officers based on fixed and incentive component salary packages to reflect the short and long term objectives of the Group.

The salary component of the Managing Director's remuneration is made up of:

- fixed remuneration; and
- equity based remuneration when invited to participate by the Board in the executive share option plan of the Company.

The salary component of non-executive and executive Directors is made up of:

- fixed remuneration; and
- equity based remuneration when invited to participate by the Board in the executive share option plan of the Company.



# 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 2012. 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 end of the financial year are:

### Norman Alfred Seckold

#### Executive Chairman

Director since 4 December 2001.

Norman Seckold graduated with a Bachelor of Economics degree from the University of Sydney in 1970. He has spent more than 30 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 Cooper 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 operating the Palmarejo and Guadalupe gold and silver deposits in Mexico and was previously Chairman of Cockatoo Coal Limited, an Australian coal mining, exploration and project development company.

Mr Seckold is currently Chairman of Augur Resources Ltd, a minerals exploration and development company operating in Australia and Indonesia, Cerro Resources N.L., a precious metals exploration company currently developing a project in Mexico, Equus Mining Limited, a mineral and development company operating in Chile and unlisted public companies, Mekong Minerals Ltd and Nickel Mines Limited.

### Anthony John McClure

#### Managing Director

Managing Director from 31 May 2012 and Director since 27 August 2003.

Anthony McClure graduated with a Bachelor of Science (Geology) degree from Macquarie University in 1986. Mr McClure has over 25 years' technical, management and financial experience in the resource sector worldwide in project management and executive development roles. He has also worked in the financial services sector and stockbroking, primarily as a resource analyst covering both mineral and energy sectors. Mr McClure is a current director of unlisted public companies Nickel Mines Limited and Mekong Minerals Limited.

### Peter James Nightingale

#### Executive Director 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 more than 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., Mogul Mining N.L., Bolnisi Gold N.L., Callabonna Uranium Limited and Sumatra Cooper & Gold plc. Mr Nightingale is currently a director of Augur Resources Ltd, Cockatoo Coal Limited and an unlisted public company, Nickel Mines Limited.

### Robert Charles Neale

#### Non-Executive Director

Director since 20 November 2009.

Mr Neale is the Managing Director of New Hope Corporation Limited and has more than 40 years' experience in the mining and exploration industries covering coal, base metals, gold, synthetic fuels, bulk materials shipping, and power generation. He joined New Hope Corporation Limited in 1996 as General Manager, has been Chief Executive Officer since 2005 and was appointed to the Board of Directors in November 2008.

# DIRECTORS' REPORT

## 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 was one of the founders of Queensland Gas Company which was bought by British Gas in 2009. His directorship over the last three years includes Cerro Resources N.L. and Green Invest Limited.

## Anthony John McDonald

### Independent and Non-Executive Director

Director since 19 November 2003.

Tony McDonald holds a Bachelor of Laws degree from the Queensland University of Technology. He has over 12 years of active involvement in management in the natural resources sector in Australia and internationally. He has been a director, company secretary and/or legal advisor to a number of listed and unlisted public companies. He is currently Managing Director of Cerro Resources N.L., a dual ASX and TSX.V listed precious metals exploration company with projects in Mexico and a non-executive director of unlisted public company Mekong Minerals Limited. His directorships in the last three years also include ASX listed Deep Yellow Limited and former ASX listed Industree Limited.

## Directors' and Executives' Remuneration

For details on the amount of remuneration for each Director, refer to the Remuneration Report below.

## 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
Anthony J. McClure	5	5
Peter J. Nightingale	5	4
Robert M. Bell	5	4
Anthony J. McDonald	5	5
Robert C. Neale	5	5

## Directors' Interests

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

Director	Fully Paid	
	Ordinary Shares	Options
Norman A. Seckold	72,247,482	-
Anthony J. McClure	5,154,181	2,000,000
Peter J. Nightingale	12,128,487	8,000,000
Robert M. Bell	1,250,000	2,000,000
Anthony J. McDonald	7,851,923	8,000,000
Robert C. Neale	-	-

# DIRECTORS' REPORT

## Option Holdings

### Options granted to Directors

At the date of this report, the beneficial interests of each Director of the Company in options over the unissued share capital of the Company are:

Specified Directors	Held at 1 January 2012	Granted as remuneration	Expired	Held at 31 December 2012	Vested during the year	Vested and exercisable at date of report
Norman A. Seckold	-	-	-	-	-	-
Anthony J. McClure	2,000,000	-	-	2,000,000	-	2,000,000
Peter J. Nightingale	8,000,000	-	-	8,000,000	-	8,000,000
Robert M. Bell	2,000,000	-	-	2,000,000	-	2,000,000
Anthony J. McDonald	8,000,000	-	-	8,000,000	-	8,000,000
Robert C. Neale	-	-	-	-	-	-

No options have been granted to Directors subsequent to year end.

### Unissued shares under option

At the date of this report, unissued ordinary shares of the Company under option are:

Number of options	Exercise price	Expiry date
72,500,000	\$0.132	20 August 2014

Details of options issued by the Company are set out in the reserves note to the financial report. The names of persons who currently hold options are entered in the register of options kept by the Company pursuant to the *Corporations Act 2001*. This register may be inspected free of charge.

The persons entitled to exercise the options do not have, by virtue of the options, the right to participate in a share issue of any other body corporate.

## Principal Activities

The Company is engaged in the acquisition and exploration of oil, gas, geothermal energy and coal bed methane projects.

## Financial Results

The consolidated loss after income tax attributable to members of the Company for the year was \$5,563,010 (2011 - \$7,324,678 loss).

## Review of Operations

The review of operations is set out on pages 2 to 6 of this Annual Report.

## Dividends

The Directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2012. No dividends have been paid or declared during the financial year (2011 - \$nil).

# DIRECTORS' REPORT

## 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 2012 were as follows:

- Planet Gas sold its investment in Callabonna Uranium Limited for \$388,800.
- The issue of 8,461,538 ordinary shares raising \$220,000.
- Anthony McClure was appointed as Managing Director of the Group effective from 31 May 2012.
- Marcelo Mora was appointed as Company Secretary on 27 September 2012.
- The Group fully impaired by \$3,891,271 its exploration and evaluation expenditure in relation to the Sydney and Gunnedah Basins CSG projects and the Innot Springs project.

## 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.

## 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 by 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 current Directors are not employed directly by the Group. Their services are provided by way of arrangements with related parties. The previous CEO was employed directly by the Group. The salary component of the previous CEO's remuneration was made up of fixed remuneration, performance based remuneration and equity based remuneration in accordance with his employee service agreement and termination payment. The remuneration disclosed below represents the cost to the Group for the services provided under these fee arrangements. There were no remuneration consultants used by the Company during the year ended 31 December 2012, or in the prior year.



# DIRECTORS' REPORT

## Remuneration Report - Audited (Cont.)

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	Primary Fees/Salary \$	Termination payments \$	Superannuation \$	Bonuses \$	Fair value of Options \$	Total \$	Proportion of remuneration as a performance related remuneration %	Value of options as a proportion of remuneration %
<b>Executive Directors</b>									
Norman A. Seckold (Chairman)	2012	90,000	-	-	-	-	90,000	-	-
	2011	90,000	-	-	-	-	90,000	-	-
Anthony J. McClure <sup>^^</sup>	2012	270,000	-	-	-	-	270,000	-	-
	2011	25,000	-	-	-	-	25,000	-	-
Peter J. Nightingale (Director and CFO) <sup>^</sup>	2012	75,000	-	-	-	-	75,000	-	-
	2011	75,000	-	-	-	-	75,000	-	-
<b>Non-executive Directors</b>									
Robert M. Bell	2012	24,000	-	-	-	-	24,000	-	-
	2011	24,000	-	-	-	-	24,000	-	-
Anthony J. McDonald	2012	60,000	-	-	-	-	60,000	-	-
	2011	60,000	-	-	-	-	60,000	-	-
Robert C. Neale	2012	24,000	-	-	-	-	24,000	-	-
	2011	24,000	-	-	-	-	24,000	-	-
Total all specified Directors	2012	543,000	-	-	-	-	543,000	-	-
	2011	298,000	-	-	-	-	298,000	-	-
<b>Executives</b>									
Ian Halstead*	2012	145,333	87,500	6,333	-	-	239,666	-	-
	2011	350,000	-	24,616	58,333	49,554	482,503	12%	10%
Total, all specified executives	2012	145,833	87,500	6,333	-	-	239,666	-	-
	2011	350,000	-	24,616	58,333	49,554	482,503	12%	10%

\* Ian Halstead ceased to be CEO on 31 May 2012.

<sup>^</sup> Peter J. Nightingale ceased to be Company Secretary on 27 September 2012.

<sup>^^</sup> Anthony McClure Managing Director since 31 May 2012.

There are no service contracts and no bonuses or other performance related compensation payments were paid during the current year to Directors or Executives. The previous Chief Executive Officer was under a service agreement which was for a period of three years commencing on 1 July 2010, however this agreement was terminated during the year ended 31 December 2012. Under the terms of the agreement, a three month notice period applies in the event of termination, or otherwise an amount equal to the fee payable for so much of the notice period as the executive is not retained. It was agreed that Mr Halstead would not serve his three month notice period, and a termination payment of \$87,500 was paid to Mr Halstead by the Company.

No shares were granted to key management personnel during the year ended 31 December 2012 or 31 December 2011 as compensation.

# DIRECTORS' REPORT

## Remuneration Report - Audited (Cont.)

### Analysis of options and rights over equity instruments granted as compensation - Audited

Details of vesting profiles of the options granted as remuneration to each key management person and executive of the Group are detailed below.

Director/Executive	Options Granted		Financial year in which grant vested
	Number	Date	
Anthony J. McClure	2,000,000	20 August 2009	31 December 2009
Peter J. Nightingale	8,000,000	20 August 2009	31 December 2009
Robert M. Bell	2,000,000	20 August 2009	31 December 2009
Anthony J. McDonald	8,000,000	20 August 2009	31 December 2009

### Analysis of movements in options - Audited

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person and executive is detailed below.

Director/Executive	Granted in the year	Valuation of options exercised in the year	Lapsed in the year
Anthony J. McClure	-	-	-
Peter J. Nightingale	-	-	-
Robert M. Bell	-	-	-
Anthony J. McDonald	-	-	-

During the year ended 31 December 2012, 4,000,000 fully vested options previously granted to Ian Halstead lapsed as they were not exercised within two months of his termination as the Chief Executive Officer.

There were no options granted, exercised, forfeited or lapsed unexercised during the year ended 31 December 2011.

In the event that the employment or office of the option holder is terminated, any options which have not reached their vesting date will lapse and any options which have reached their vesting date may be exercised within two months from the date of termination of employment. Vesting conditions relate solely to service periods.

### 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 four financial years.

	2012 \$	2011 \$	2010 \$	2009 \$	2008 \$
Net loss attributable to equity holders of the parent	5,563,010	7,324,678	5,316,871	10,282,193	17,067,776
Dividends paid	-	-	-	-	-
Change in share price	(0.01)	(0.01)	(0.07)	(0.11)	(0.117)

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

# DIRECTORS' REPORT

## Non-audit Services

During the year, KPMG, the Group's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out below.

	2012 \$	2011 \$
<b>Statutory Audit</b>		
Auditors of the Company		
- audit and review of financial reports	52,650	56,250
<b>Services other than Statutory Audit</b>		
Other services		
- project review and strategy	8,950	4,318

## 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 2012.

Signed at Sydney this 28<sup>th</sup> day of March 2013 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 2012, 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.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Adam Twemlow', with a long horizontal stroke extending to the right.

**Adam Twemlow**  
**Partner**

**28 March 2013**



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 \$	2011 \$
<b>Revenue from the sale of coal bed methane</b>		2,625	3,596
		2,625	3,596
Finance income	4	151,355	186,027
Finance expense	4	-	(1,170,753)
<b>Net finance income</b>		151,355	(984,726)
Other income	4	89,498	39,363
Consultants' and administration expenses		(1,252,780)	(1,272,234)
Share based remuneration		-	(116,860)
Depreciation expense		(19,380)	(27,114)
Pre-licence costs - exploration expenditure		(567,636)	(1,059,084)
Impairment loss - write-off of exploration and evaluation	9	(3,891,271)	(3,686,917)
Impairment loss - write-off of development expenditure		-	(159,930)
Other expenses		(75,421)	(60,772)
<b>Loss before income tax expense</b>		(5,563,010)	(7,324,678)
Income tax expense	5	-	-
<b>Loss for the year</b>		(5,563,010)	(7,324,678)
<b>Other comprehensive income</b>			
Foreign currency translation differences - foreign operations	14	(19,025)	(8,466)
Net change in fair value of available-for-sale financial assets	7	(192,295)	(854,754)
Net change in fair value of available-for-sale financial assets transferred to profit or loss		(103,356)	1,183,253
<b>Total other comprehensive (loss)/income</b>		(314,676)	320,033
<b>Total comprehensive loss for the year</b>		(5,877,686)	(7,004,645)
<b>Basic loss per share</b>	15	1.04 cents	1.48 cents
<b>Diluted loss per share</b>	15	1.04 cents	1.48 cents

The above consolidated statement of comprehensive income should be read in conjunction with accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2012

	Notes	2012 \$	2011 \$
<b>Current assets</b>			
Cash and cash equivalents		441,484	1,663,186
Trade and other receivables	6	13,619	3,112
Other assets	10	42,550	44,998
<b>Total current assets</b>		497,653	1,711,296
<b>Non-current assets</b>			
Investments	7	32,848	613,943
Property, plant and equipment	8	35,048	53,082
Exploration and evaluation expenditure	9	676,314	4,359,852
Other assets	10	50,000	283,768
<b>Total non-current assets</b>		794,210	5,310,645
<b>Total assets</b>		1,291,863	7,021,941
<b>Current liabilities</b>			
Trade and other payables	11	186,157	221,225
Provisions	12	-	35,313
<b>Total current liabilities</b>		186,157	256,538
<b>Total liabilities</b>		186,157	256,538
<b>Net assets</b>		1,105,706	6,765,403
<b>Equity</b>			
Issued capital	13	49,781,972	49,563,983
Option premium reserve	14	4,456,501	4,638,172
Fair value reserve	14	32,848	328,499
Foreign currency translation reserve	14	(2,787,423)	(2,768,398)
Accumulated losses		(50,378,192)	(44,996,853)
<b>Total equity</b>		1,105,706	6,765,403

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2012

	Attributable to equity holders of the Company					Total equity \$
	Issued capital \$	Option premium reserve \$	Fair value reserve \$	Accumulated losses \$	Foreign currency translation reserve \$	
Balance at 1 January 2011	48,665,284	4,521,312	-	(37,672,175)	(2,759,932)	12,754,489
<b>Total comprehensive income for the year</b>						
Loss for the year	-	-	-	(7,324,678)	-	(7,324,678)
Total other comprehensive income	-	-	328,499	-	(8,466)	320,033
Total comprehensive loss for the year	-	-	328,499	(7,324,678)	(8,466)	(7,004,645)
Transactions with owners recorded directly in equity						
<b>Contribution by and distribution to owners</b>						
Ordinary shares issued	918,000	-	-	-	-	918,000
Transaction costs on issue of shares	(19,301)	-	-	-	-	(19,301)
Employee share options	-	116,860	-	-	-	116,860
<b>Balance at 31 December 2011</b>	<b>49,563,983</b>	<b>4,638,172</b>	<b>328,499</b>	<b>(44,996,853)</b>	<b>(2,768,398)</b>	<b>6,765,403</b>
Balance at 1 January 2012	49,563,983	4,638,172	328,499	(44,996,853)	(2,768,398)	6,765,403
<b>Total comprehensive income for the year</b>						
Loss for the year	-	-	-	(5,563,010)	-	(5,563,010)
Total other comprehensive income	-	-	(295,651)	-	(19,025)	(314,676)
Total comprehensive loss for the year	-	-	(295,651)	(5,563,010)	(19,025)	(5,877,686)
Transactions with owners recorded directly in equity						
<b>Contribution by and distribution to owners</b>						
Ordinary shares issued	220,000	-	-	-	-	220,000
Transaction costs on issue of shares	(2,011)	-	-	-	-	(2,011)
Transfer of expired options	-	(181,671)	-	181,671	-	-
<b>Balance at 31 December 2012</b>	<b>49,781,972</b>	<b>4,456,501</b>	<b>32,848</b>	<b>(50,378,192)</b>	<b>(2,787,423)</b>	<b>1,105,706</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 \$	2011 \$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		2,625	3,596
Cash payments in the course of operations		(1,394,186)	(2,486,747)
Cash used in operations		(1,391,561)	(2,483,151)
Interest received		50,926	140,185
Other income		89,498	39,363
<b>Net cash used in operating activities</b>	17	(1,251,137)	(2,303,603)
<b>Cash flows from investing activities</b>			
Payments for development		-	(159,930)
Payments for exploration and evaluation		(790,369)	(3,578,936)
Payments for property, plant and equipment		(1,397)	(1,817)
Receipt from the sale of investment		388,800	500,000
Receipts from security deposits		233,768	311,213
<b>Net cash used in investing activities</b>		(169,198)	(2,929,470)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		220,000	918,000
Transaction costs on share issue		(21,310)	-
<b>Net cash provided by financing activities</b>		198,690	918,000
<b>Net decrease in cash held</b>		(1,221,645)	(4,315,073)
<b>Cash and cash equivalents at 1 January</b>		1,663,186	5,978,322
<b>Effect of exchange rate adjustments on cash held</b>		(57)	(63)
<b>Cash and cash equivalents at the end of the financial year</b>	17	441,484	1,663,186

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012

### 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 statements of the Company for the year ended 31 December 2012 comprises the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily engaged in the acquisition, exploration and development of oil, gas and coal bed methane ('CBM') properties in Australia.

### 2. BASIS OF PREPARATION

#### (a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards ('IFRSs') and interpretations adopted by the International Accounting Standards Board ('IASB').

The consolidated financial statements were authorised for issue by the Directors on 28 March 2013.

#### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the Statement of Financial Position:

- Investments - available-for-sale financial assets are measured at fair value.

#### (c) Functional and presentation currency

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

#### (d) Going concern

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

The Group has incurred a loss of \$5,563,010 for the year ended 31 December 2012 and has accumulated losses of \$50,378,192 as at 31 December 2012. The Group has cash of \$441,484 at 31 December 2012 and used \$2,041,506 of cash in operations, including payments for exploration and evaluation, for the year ended 31 December 2012. The Group has raised equity of \$198,690 net of costs during the year however additional funding will be required to meet the Group's expenditure commitments.

These conditions give rise to a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern. The ongoing operation of the Group is dependent upon:

- the Group raising additional funding from shareholders or other parties; and/or
- the Group reducing expenditure in-line with available funding.

The Directors have prepared cash flow projections that support the ability of the Group to continue as a going concern. These cash flow projections assume the Group obtains sufficient additional funding from shareholders or other parties. If such funding is not achieved, the Group plans to reduce expenditure significantly, which may result in an impairment loss on the book value of exploration and evaluation expenditure recorded at reporting date.

In the event that the Group does not obtain additional funding and/or reduce expenditure in-line with available funding, it may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the consolidated financial statements.

#### (e) Use of estimates and judgements

The preparation of the consolidated 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 consolidated financial statements are described in the following notes:

- Note 2(d) - Going concern;
- Note 5 - Unrecognised deferred tax assets; and
- Note 9 - Exploration and evaluation expenditure.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012

### 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.

#### (a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entities and the revenue can be reliably measured.

#### *Finance income and finance costs*

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

#### *Sale of oil, gas and coal bed methane*

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

#### (b) Exploration and evaluation 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, less any impairment losses. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in profit or loss.

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.

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.

#### (c) 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, less any impairment losses.

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, less any impairment losses.

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

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

##### *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

#### (d) Financial instruments issued by the Company

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

#### Investments

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

#### (e) 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 consolidated financial statements 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.

##### 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 consolidated 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.

##### 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.

#### (f) 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.

#### (g) Impairment

##### Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

#### **Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than deferred tax 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. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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

The recoverable amount of non-financial 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 financial asset 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.

In respect of non-financial 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.

#### **(h) 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 reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the

amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

#### **(i) Financial statements of foreign operations**

The assets and liabilities of foreign operations are translated to Australian dollars at foreign exchange rates ruling at the reporting 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 the 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.

When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the FCTR.

#### **(j) Income tax**

Income tax in the statement of comprehensive income for the periods presented comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or in other comprehensive income.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

Deferred tax is provided using the statement of financial position 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 reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

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.

#### (k) Cash and cash equivalents

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

#### (l) Segment reporting

##### **Determination and presentation of operating segments**

The Group determines and presents operating segments based on the information that is provided internally to the Managing Director, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

#### (m) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

##### **Investments in equity and debt securities**

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

##### **Share-based payment transactions**

The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), expected dividends, and the risk-free interest rate (based on government bonds).

The grant-date fair value of share-based payment awards is recognised as an expense, with a corresponding increase in equity, over the period that the recipient unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

#### (n) Government grants

Government grants that relate to capitalised exploration and evaluation expenditure is deducted from the carrying amount of the asset when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. When the assets are reclassified from exploration and evaluation expenditure to mining property and development assets the grant is recognised in profit or loss over the life of the asset as a reduced amortisation expense.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income.

#### (o) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

#### **(1) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)**

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

#### **(2) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities (2011)**

AASB 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees.

Under AASB 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

The Group's interest in a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Group's interest in those assets and liabilities.

The Group's interest in a joint venture, which is an arrangement in which the parties have rights to the net assets, will be equity accounted.

The Group may need to reclassify its joint arrangements, which may lead to changes in current accounting for these interests.

AASB 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. AASB 12 requires the disclosure of information about the nature, risks and financial effects of these interests.

These standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

#### **(3) AASB 13 Fair Value Measurement (2011)**

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The Group is currently reviewing its methodologies in determining fair values. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

2012 \$	2011 \$
89,498	-
-	39,363
52,650	56,250
8,950	4,318
47,999	143,111
103,356	42,916
-	(1,170,753)
(656,710)	(1,632,145)
(778,955)	(208,314)
1,435,665	1,840,459
-	-
(5,563,010)	(7,324,678)
(1,668,903)	(2,197,403)
114,421	-
(56,861)	(6,206)
656,710	1,632,145
945,633	571,464
-	-
781,964	-
11,513,139	11,531,878
2,808,736	694,651
15,103,839	12,226,529

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012

### 6. RECEIVABLES

GST receivable

2012 \$	2011 \$
13,619	3,112
32,848	613,943

### 7. INVESTMENTS

Investments - available-for-sale at fair value

The Company holds 8,212,500 shares in Earth Heat Resources Ltd. At 31 December 2012 the Directors compared the carrying value of the investment to market value and recorded an unrealised impairment loss of \$295,651 (2011 - gain of \$328,499). This was based on a closing bid price of 0.3 cents at 31 December 2012.

The Company held 8,640,000 shares in Callabonna Uranium Limited at the time of disposal on 14 March 2012. The Directors compared the carrying value of the investment with the sale price and recorded a profit on sale of \$103,356 which was transferred to the profit or loss from equity (2011 - \$1,183,253 unrealised impairment loss based on a closing bid price of 3.3 cents at 31 December 2011).

The Company held 12,500,000 shares in Greenpower Energy Limited at the time of disposal on 10 October 2011. The Directors compared the carrying value of the investment with the sale price and recorded a profit on sale of \$12,500 for the year ended 31 December 2011.

### 8. PROPERTY, PLANT AND EQUIPMENT

Office equipment - at cost

Accumulated depreciation

Net book value

Software - at cost

Accumulated depreciation

Net book value

Plant and equipment - at cost

Accumulated depreciation

Net book value

Developing mine properties - at cost

Impairments

Net book value

Producing mine properties - at cost

Impairments

Accumulated amortisation

Net book value

Total property, plant and equipment

75,228	73,870
(63,053)	(55,772)
12,175	18,098
53,324	53,324
(30,451)	(19,598)
22,873	33,726
15,037	15,263
(15,037)	(14,005)
-	1,258
-	14,219,218
-	(14,219,218)
-	-
-	2,878,277
-	(2,002,322)
-	(875,955)
-	-
35,048	53,082

At 31 December 2011, impairment testing was conducted on the developing mine properties (the Esponda project). The Directors determined to dispose of all oil and gas tenements in the USA and, due to the closure of activities, the full carrying value of the project was impaired, resulting in an impairment loss of \$159,930 during the year ended 31 December 2011.

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

## Carrying amount at beginning of year

## Additions

## Reallocation of assets

## Depreciation

Net foreign currency differences on translation

Net book value

## Software

Carrying amount at beginning of year

## Reallocation of assets

## Depreciation

Net book value

## Carrying amount at beginning of year

## Depreciation

Net foreign currency differences on translation

Net book value

## Carrying amount at beginning of year

## Additions

### Provision for rehabilitation

Impairment

Net foreign currency differences on translation

Net book value

	2012 \$	2011 \$
	18,098	25,101
	1,396	1,817
	(566)	704
	(6,139)	(9,512)
	(614)	(12)
	12,175	18,098
	33,726	51,412
	566	(704)
	(11,419)	(16,982)
	22,873	33,726
	1,258	1,886
	(1,822)	(620)
	564	(8)
	-	1,258
	-	-
	-	55,265
	-	107,101
	-	(159,930)
	-	(2,436)
	-	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012

### 9. EXPLORATION AND EVALUATION EXPENDITURE

Carrying amount at beginning of year
Additions
Impairments
Net book value

2012 \$	2011 \$
4,359,852	4,777,478
207,733	3,269,291
(3,891,271)	(3,686,917)
676,314	4,359,852

The ultimate recoupment of exploration and evaluation expenditure is dependent on the successful development and commercial exploitation, or alternatively sale of the respective areas of interest.

During the year ended 31 December 2012, the Group relinquished its geothermal licence in Innot Springs. In addition, the Group has fully impaired the carrying value of its coal bed methane projects in the Sydney and Gunnedah Basins. The total impairment for the year ended 31 December 2012 is \$3,891,271.

During the year ended 31 December 2011, the Group relinquished its geothermal licences in the Clarence-Moreton and Sydney Basins, at Leigh Creek and Eromanga in South Australia, and allowed its Gloucester geothermal licence to expire. The Group fully impaired the remaining carrying value of these assets by an amount of \$3,686,917 during the year ended 31 December 2011.

### 10. OTHER ASSETS

#### Current assets

Prepayments
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42,550	44,998
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#### Non-current assets

Security deposits
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50,000	283,768
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### 11. TRADE AND OTHER PAYABLES

#### Current liabilities

Creditors and accruals
Accrued directors fees

110,157	169,225
76,000	52,000
186,157	221,225

### 12. PROVISIONS

#### Current liabilities

Employees annual leave
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-	35,313
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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012

### 13. ISSUED CAPITAL

537,622,535 (2011 - 529,160,997) fully paid ordinary shares

2012 \$	2011 \$
49,781,972	49,563,983

#### Fully paid ordinary shares

	2012		2011	
	No.	\$	No.	\$
Balance at beginning of financial year	529,160,997	49,563,983	493,853,305	48,665,284
Fully paid ordinary shares issued 13 January 2012 at \$0.026 per share	8,461,538	220,000	-	-
Fully paid ordinary shares issued 16 December 2011 at \$0.026 per share	-	-	35,307,692	918,000
Less costs of issue	-	(2,011)	-	(19,301)
Balance at end of financial year	537,622,535	49,781,972	529,160,997	49,563,983

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

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.

The following options were on issue at 31 December 2012, each exercisable to acquire one ordinary share:

Grant date	Expiry date	Exercise price \$	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Cancelled during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
20 August 2009	20 August 2014	0.132	60,000,000	-	-	-	60,000,000	60,000,000
28 May 2010	20 August 2014	0.132	8,000,000	-	-	-	8,000,000	8,000,000
17 August 2010	20 August 2014	0.132	8,500,000	-	-	4,000,000	4,500,000	4,500,000
28 January 2011	20 August 2014	0.132	1,000,000	-	-	1,000,000	-	-
			77,500,000	-	-	5,000,000	72,500,000	72,500,000

The following options were on issue at 31 December 2011, each exercisable to acquire one ordinary share:

Grant date	Expiry date	Exercise price \$	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Cancelled during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
20 August 2009	20 August 2014	0.132	60,000,000	-	-	-	60,000,000	60,000,000
28 May 2010	20 August 2014	0.132	8,000,000	-	-	-	8,000,000	8,000,000
17 August 2010	20 August 2014	0.132	8,500,000	-	-	-	8,500,000	8,500,000
28 January 2011	20 August 2014	0.132	-	1,000,000	-	-	1,000,000	1,000,000
			76,500,000	1,000,000	-	-	77,500,000	77,500,000

#### Option premium reserve

The option premium reserve is used to recognise the grant date fair value of options issued but not exercised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012

### 14. RESERVES

#### Option premium reserve

	2012 \$	2011 \$
Opening balance	4,638,172	4,521,312
Share based payments	-	116,860
Expiry/cancellation of options	(181,671)	-
Closing balance	4,456,501	4,638,172

Refer Note 22 for further details on share based payments.

#### Fair value reserve

Opening balance	328,499	-
Net change in fair value of available-for-sale financial assets	(192,295)	(854,754)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	(103,356)	1,183,253
Closing balance	32,848	328,499

Refer Note 7 for further details on investments.

#### Foreign currency translation reserve

Opening balance	(2,768,398)	(2,759,932)
Translation adjustment on foreign operations during the year	(19,025)	(8,466)
Closing balance	(2,787,423)	(2,768,398)

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.

### 15. LOSS PER SHARE

#### Basic and diluted loss per share has been calculated using:

Net loss for the year attributable to equity holders of the parent	(5,563,010)	(7,324,678)
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#### Weighted average number of ordinary shares

Issued ordinary shares at beginning of year	529,160,997	493,853,305
Effect of shares issued	8,160,992	1,451,001
Weighted average ordinary shares at the end of the year	537,321,989	495,304,306

#### Weighted average number of ordinary shares (diluted)

Weighted average ordinary shares at the end of the year	537,321,989	495,304,306
Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted) at year end	537,321,989	495,304,306

As the Group is loss making, none of the potentially dilutive securities are currently dilutive.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012

### 16. RELATED PARTY DISCLOSURES

During the year ended 31 December 2012, 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 amounted to \$332,465 (2011 - \$241,227). There were no amounts outstanding as at year end (2011 - \$nil).

During the year ended 31 December 2012, the Group accrued Director's fees payable to Robert C. Neale of \$24,000 (2011 - \$24,000). The total amount outstanding at year end is \$76,000 (2011 - \$52,000).

### 17. 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

	2012 \$	2011 \$
Loss from operating activities after tax	(5,563,010)	(7,324,678)
<b>Non-cash items</b>		
Net gain on disposal of available-for-sale financial assets transferred from equity	(103,356)	-
Depreciation of plant and equipment	19,380	27,114
Share based payments	-	116,860
Impairment of exploration, evaluation and development expenditure	3,891,271	3,846,846
Impairment of available-for-sale financial assets	-	1,170,753
Foreign exchange loss on cash	59	60
<b>Changes in assets and liabilities</b>		
Trade and other receivables	(10,507)	74,948
Other assets	-	266,215
Trade and other payables	(17,297)	(206,662)
Provisions	(35,313)	(275,059)
<b>Net cash used in operating activities</b>	<b>(1,251,137)</b>	<b>(2,303,603)</b>
<b>Reconciliation of cash</b>		
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 statement of financial position as follows:		
<b>Cash</b>	<b>441,484</b>	<b>1,663,186</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012

### 18. 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.

The Board reviews remuneration arrangements annually based on services provided.

#### Movement in shares

Key management personnel	Held at 31 December 2010	Purchased shares	Sales	Held at 31 December 2011
Norman A. Seckold	71,514,309	733,173	-	72,247,482
Anthony J. McClure	5,154,181	-	-	5,154,181
Peter J. Nightingale	11,551,564	576,923	-	12,128,487
Robert M. Bell	1,250,000	-	-	1,250,000
Anthony J. McDonald	7,275,000	576,923	-	7,851,923
Robert C. Neale	-	-	-	-
Ian G. Halstead*	-	721,175	-	721,175

\*Ceased to be Chief Executive Officer on 31 May 2012.

Key management personnel	Held at 31 December 2011	Purchased shares	Sales	Held at 31 December 2012
Norman A. Seckold	72,247,482	-	-	72,247,482
Anthony J. McClure	5,154,181	-	-	5,154,181
Peter J. Nightingale	12,128,487	-	-	12,128,487
Robert M. Bell	1,250,000	-	-	1,250,000
Anthony J. McDonald	7,851,923	-	-	7,851,923
Robert C. Neale	-	-	-	-
Ian G. Halstead*	721,175	-	-	721,175

\*Ceased to be Chief Executive Officer on 31 May 2012.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012

### 18. KEY MANAGEMENT PERSONNEL DISCLOSURES (Cont.)

#### Movement in options

Key management personnel	Held at 31 December 2010	Granted as remuneration	Expired	Exercised	Held at 31 December 2011
Norman A. Seckold	-	-	-	-	-
Anthony J. McClure	2,000,000	-	-	-	2,000,000
Peter J. Nightingale	8,000,000	-	-	-	8,000,000
Robert M. Bell	2,000,000	-	-	-	2,000,000
Anthony J. McDonald	8,000,000	-	-	-	8,000,000
Robert C. Neale	-	-	-	-	-
Ian G. Halstead*	-	4,000,000	-	-	4,000,000

\* Ceased to be Chief Executive Officer on 31 May 2012.

Key management personnel	Held at 31 December 2011	Granted as remuneration	Expired	Exercised	Held at 31 December 2012
Norman A. Seckold	-	-	-	-	-
Anthony J. McClure	2,000,000	-	-	-	2,000,000
Peter J. Nightingale	8,000,000	-	-	-	8,000,000
Robert M. Bell	2,000,000	-	-	-	2,000,000
Anthony J. McDonald	8,000,000	-	-	-	8,000,000
Robert C. Neale	-	-	-	-	-
Ian G. Halstead*	4,000,000	-	4,000,000	-	-

\* Ceased to be Chief Executive Officer on 31 May 2012.

#### Key management personnel compensation

	2012 \$	2011 \$
Primary fees/salary	443,833	648,000
Termination payment	87,500	-
Consulting fees	245,000	-
Bonus	-	58,333
Superannuation	6,333	24,616
Share based remuneration	-	49,554
	<u>782,666</u>	<u>780,503</u>

Apart from the details disclosed in this note and Note 16, 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012

### 19. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES

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

- Liquidity risk.
- Credit risk.
- Market risk.

This note presents information about the Group's exposure to each of the above risks, its 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 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 Group's activities.

#### 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:

Financial liabilities	Carrying amount \$	Contractual cash flows \$	Less than 6 months \$	6 to 12 months \$	1 to 5 years \$	More than 5 years \$
<b>31 December 2012</b>						
Trade and other payables	186,157	(186,157)	(186,157)	-	-	-
<b>31 December 2011</b>						
Trade and other payables	221,225	(221,225)	(221,225)	-	-	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

#### Credit risk

The carrying amount of the Group's financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was:

	2012 \$	2011 \$
Cash and cash equivalents	441,484	1,663,186
Financial assets designated as available-for-sale	32,848	613,943
Other financial assets	63,619	286,880
	487,951	2,564,009

Other financial assets for both the year ended 31 December 2012 and 31 December 2011 mainly represent environmental bonds deposits paid.

All financial assets and liabilities are current, with the exception of some deposits and environmental bonds and are not past due or impaired and the Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012

### 19. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (Cont.)

#### Market risk

##### Interest Rate Risk

The Group's income statement is affected by changes in interest rates due to the impact of such changes on interest income and expenses from cash and cash equivalents.

With the exception of cash and cash equivalents and certain security deposits, all the Group's financial assets and liabilities are non-interest bearing. At the reporting date, the Group's cash and cash equivalents and certain security deposits exposed to variable interest rate risk that are not designated as cash flow hedges were:

	2012 \$	2011 \$
<b>Financial assets</b>		
Cash and cash equivalents	441,484	1,663,186
Security deposits	50,000	185,478
	<u>491,484</u>	<u>1,848,664</u>

The Group did not have any interest bearing financial liabilities in the current or prior year.

The Group does not have interest rate swap contracts. The Group has two high interest yield accounts from where it draws cash when required to pay liabilities as they fall due. The Group normally invests its funds in at least two accounts to maximise the available interest rates. The Group always analyses its interest rate exposure when considering renewals of existing positions including alternative financing.

##### Sensitivity analysis

A change of 100 basis points in interest rates at the current and prior reporting date would have increased/(decreased) equity and loss for the period by an immaterial amount.

##### Currency risk

The Group is only exposed to currency risk on deposits paid that are denominated in United States currency. The Group's gross financial position exposure to foreign currency risk at balance date was US\$8,248 (2011 - US\$336,027).

The Group's exposure to foreign currency risk at reporting date was as follows, based on notional amounts:

	2012 \$	2011 \$
Cash and cash equivalents	7,953	330,280
Property, plant and equipment	-	1,873
Other non-current assets	-	98,290
Gross financial position exposure	<u>7,953</u>	<u>430,443</u>

##### Sensitivity analysis

A 10% strengthening of the Australian dollar against the United States dollar at 31 December 2012 would have decreased net assets of the Group by \$795 (2011 - \$43,044). A 10% weakening of the Australian dollar against the United States dollar at 31 December 2012 would have had the equal but opposite effect to the Group's net assets, on the basis that all other variables remain constant. The analysis is performed on the same basis for the comparative period.

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2012	2011	2012	2011
AUD/USD	1.0355	1.0329	1.0384	1.0174

##### Other market price risk

Equity price risk arises from available-for-sale equity securities. As at 31 December 2012, the Group investments in available-for-sale assets consists of investment in Earth Heat Resources Ltd (refer Note 7). A 10% increase/decrease in these investments would result in a \$3,284 (2011 - \$61,394) increase/decrease in equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012

### 19. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (Cont.)

#### 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. Capital consists of the share capital of the Company (refer to Note 13).

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

#### Estimation of Fair Values

The carrying amounts of financial assets and financial liabilities included in the balance sheet approximate fair values.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 - fair value measurements are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - fair value measurements are those instruments valued based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - fair value measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>31 December 2012</b>				
Available-for-sale financial assets	32,848	-	-	32,848
<b>31 December 2011</b>				
Available-for-sale financial assets	613,943	-	-	613,943

All available-for-sale financial assets relate to investments held in listed equity securities (designated as Level 1 financial assets).

There have been no transfers between the levels of valuation method for each classification of financial asset held during the years ended 31 December 2012 and 31 December 2011.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012

### 20. CONTROLLED ENTITIES

#### Parent entity

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

Wholly owned controlled entities	Country of incorporation	Ownership Interest	
		2012 %	2011 %
Gradient Energy Pty Limited	Australia	100	100
Planet Cooper Basin Pty Limited	Australia	100	100
Planet Gas & CBM Pty Limited	Australia	100	100
Planet Unconventional Energy Pty Limited	Australia	100	100
Planet Gas USA, Inc	USA	100	100
Planet Gas Properties LLC	USA	100	100
Planet Gas Resources LLC	USA	100	100

The functional currency for Planet Gas USA, Inc, Planet Gas Properties LLC and Planet Gas Resources LLC is United States dollars. The functional currency for Gradient Energy Pty Limited, Planet Cooper Basin Pty Limited, Planet Gas & CBM Pty Limited and Planet Unconventional Energy Pty Limited is Australian dollars.

### 21. OPERATING SEGMENTS

The Group's chief operating decision maker previously evaluated the Group's operating activities under two reportable segments:

- Production and development - oil and gas production and sale solely in the USA.
- Exploration and evaluation activities solely within Australia.

All production and development activity has now ceased and therefore the Group now solely undertakes exploration and evaluation activities predominantly within Australia.

### 22. SHARE BASED PAYMENTS

The Company has a share option program that entitles key management personnel, senior employees and consultants to purchase shares in the entity.

#### Options outstanding at 31 December 2012

Grant date	Number of options	Exercise price	Price volatility	Fair value	Risk free rate	Vesting date
20 August 2009	60,000,000	\$0.132	79.94%	\$0.064	5.28%	20 August 2009
28 May 2010	8,000,000	\$0.132	79.94%	\$0.057	5.28%	6 September 2011
17 August 2010	4,500,000	\$0.132	55.68%	\$0.038	5.29%	6 September 2011

#### Movement of options during the year ended 31 December 2012

Outstanding at the beginning of the year	Granted during the year	Cancelled during the year	Exercised during the year	Expired during the year	Outstanding at the end of the year	Exercisable at the end of the year
60,000,000	-	-	-	-	60,000,000	60,000,000
8,000,000	-	-	-	-	8,000,000	8,000,000
8,500,000	-	4,000,000	-	-	4,500,000	4,500,000
1,000,000	-	1,000,000	-	-	-	-
77,500,000	-	5,000,000	-	-	72,500,000	72,500,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012

### 22.SHARE BASED PAYMENTS (Cont.)

#### Options outstanding at 31 December 2011

Grant date	Number of options	Exercise price	Price volatility	Fair value	Risk free rate	Vesting date
20 August 2009	60,000,000	\$0.132	79.94%	\$0.064	5.28%	20 August 2009
28 May 2010	8,000,000	\$0.132	79.94%	\$0.057	5.28%	6 September 2011
17 August 2010	8,500,000	\$0.132	55.68%	\$0.038	5.29%	6 September 2011
3 March 2011	1,000,000	\$0.132	104.00%	\$0.034	5.11%	6 September 2011

#### Movement of options during the year ended 31 December 2011

Outstanding at the beginning of the year	Granted during the year	Cancelled during the year	Exercised during the year	Expired during the year	Outstanding at the end of the year	Exercisable at the end of the year
60,000,000	-	-	-	-	60,000,000	60,000,000
8,000,000	-	-	-	-	8,000,000	8,000,000
8,500,000	-	-	-	-	8,500,000	8,500,000
-	1,000,000	-	-	-	1,000,000	1,000,000
76,500,000	1,000,000	-	-	-	77,500,000	77,500,000

#### Weighted average price of options

Year	Outstanding at the beginning of the year	Granted during the year	Forfeited during the year	Exercised during the year	Expired during the year	Outstanding at the end of the year	Exercisable at the end of the year
2012	\$0.132	-	-	-	\$0.132	\$0.132	0.132
2011	\$0.132	-	-	-	-	\$0.132	0.132

The Option Premium Reserve is used to record the options issued to directors, executives of the Company as well as third parties. Options are valued using the Black-Scholes option pricing model:

- Weighted average life of the options - 1.64 years.
- Underlying share price at 31 December 2012 - 2.5 cents
- During the year 4,000,000 options granted to Ian Halstead and 1,000,000 options granted to an employee expired.

#### Fair value of options

The fair value of options granted is measured at grant date and recognised as an expense over the period during which the key management and senior employees become unconditionally entitled to the options. The fair value of the options granted is measured using Black-Scholes formulas, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of options that vest.

The fair value of 60,000,000 options granted on 20 August 2009 was \$3,821,704. The Black-Scholes formula model inputs were the Company's share price of \$0.102 at the grant date, a volatility factor of 79.94% based on historic share price performance and a risk free interest rate of 5.28% based on the 10 year government bond rate.

The fair value of 8,000,000 options granted on 28 May 2010 \$462,400. The Black-Scholes formula model inputs were the Company's share price of \$0.10 at the grant date, a volatility factor of 79.94% based on historic share price performance and a risk free interest rate of 5.28% based on the 10 year government bond rate.

The fair value of 8,500,000 options granted on 17 August 2010 was \$325,638. The Black-Scholes formula model inputs were the Company's share price of \$0.09 at the grant date, a volatility factor of 55.68% based on historic share price performance and a risk free interest rate of 5.29% based on the 10 year government bond rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012

### 23. PARENT ENTITY DISCLOSURES

As at 31 December 2012 the parent entity of the Group was Planet Gas Limited.

	Company	
	2012	2011
	\$	\$
<b>Result of the parent entity</b>		
Net loss	(1,658,523)	(7,088,014)
Other comprehensive Income	295,651	328,499
<b>Total comprehensive loss</b>	<b>(1,362,872)</b>	<b>(6,759,515)</b>
<b>Financial position of the parent entity at year end</b>		
Current assets	484,337	1,264,787
Non-current assets	67,896	665,258
<b>Total assets</b>	<b>552,233</b>	<b>1,930,045</b>
Current liabilities	185,072	256,538
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>185,072</b>	<b>256,538</b>
<b>Net assets</b>	<b>367,161</b>	<b>1,673,507</b>
<b>Equity</b>		
Share capital	49,781,973	49,563,983
Reserves	4,489,349	4,966,671
Accumulated losses	(54,638,483)	(52,857,147)
<b>Total equity</b>	<b>367,161</b>	<b>1,673,507</b>

The Directors are of the opinion that no contingencies existed at, or subsequent to year end.

### 24. 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' DECLARATION

In the opinion of the Directors of Planet Gas Limited:

- (a) the consolidated financial statements and notes thereto, set out on pages 19 to 43, and the Remuneration Report as set out on pages 14 to 16 of the Directors' Report are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of the Group as at 31 December 2012 and of its performance, for the year ended on that date;
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.
- (c) In the Directors' opinion 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 required under section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2012.

Signed at Sydney this 28<sup>th</sup> day of March 2013 in accordance with a resolution of the Board of Directors:



**Norman A. Seckold**  
Director



**Peter J. Nightingale**  
Director



# INDEPENDENT AUDITOR'S 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 consolidated statement of financial position as at 31 December 2012, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In Note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply 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, a true and fair view which is consistent with our understanding of the Group's financial position and of its 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*.

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF PLANET GAS LIMITED

### **Auditor's opinion**

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

### **Material uncertainty regarding continuation as a going concern**

Without qualifying our opinion, we draw attention to Note 2(d), "Going Concern" in the financial report. The conditions disclosed in Note 2(d), including the need to raise additional funding from shareholders or other parties and/or reducing expenditure in-line with available funding, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and extinguish its 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 14 to 16 of the Directors' Report for the year ended 31 December 2012. 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 2012 complies with Section 300A of the *Corporations Act 2001*.



**KPMG**  
**28 March 2013**



**Adam Twemlow**  
**Partner**

# ADDITIONAL STOCK EXCHANGE INFORMATION

Additional information as at 28 February 2013 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, an audit committee of the Board of Directors is not considered warranted due to the composition of the Board and the size, organisational complexity and scope of operations of the Group.

## 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.

## Distribution of Shareholders

As at 28 February 2013, the total distribution of fully paid shareholders, being the only class of equity, was as follows:

Range	Fully Paid Ordinary Shares	20 August 2014 \$0.132 Options
1 - 1,000	61	-
1,001 - 5,000	119	-
5,001 - 10,000	155	-
10,001 - 100,000	686	3
100,001 and over	447	14
Total	1,468	17

As at 28 February 2013, 629 shareholders held less than marketable parcels of 29,412 shares.

## On Market Buy Back

There is no on market buy-back.

# ADDITIONAL STOCK EXCHANGE INFORMATION

## Twenty Largest Shareholders

As at 28 February 2013 the twenty largest quoted shareholders held 53.86% of the fully paid ordinary shares as follows:

	Name	Number	%
1	Hueridge Pty Ltd	107,315,500	19.96
2	Permgold Pty Ltd <The Seckold Family S/F A/C>	56,557,187	10.52
3	Frere & Associates Pty Limited <Derick Frere Super Fund A/C>	18,604,613	3.46
4	Permgold Pty Limited	15,690,293	2.92
5	Mr Francesco Paul Violi & Mrs Lorraine Violi <Violi Super Fund A/C>	9,000,000	1.67
6	Rigi Investments Pty Limited	8,345,890	1.55
7	Rosignol Pty Ltd <Nightingale Family A/C>	7,995,673	1.49
8	Trio Investments Pty Limited	7,851,923	1.46
9	Lyric-Pasan Pty Ltd <Holt Superannuation fund A/C>	7,000,000	1.30
10	Benjamin Shaw	6,246,923	1.16
11	Mr Anthony Valeri	5,456,418	1.01
12	Berpaid Pty Ltd	5,375,000	1.00
13	Removale Pty Ltd	5,250,000	0.98
14	Mr Dallas John William Allman & Mrs Judith Dawn Allman <DJW & JD Allman S/F A/C>	5,000,000	0.93
15	Graywood Towers Pty Ltd	4,179,950	0.78
16	Bruce Riederer	4,000,000	0.74
17	Rosignol Consultants Pty Ltd	3,781,250	0.70
18	Mr Anthony J McClure	3,750,000	0.70
19	Umbiram Pty Ltd <Michael Hoy Superfund A/C>	3,750,000	0.70
20	Sasha Jacob	3,600,000	0.67

## Options

Number of holders	Number of options	Grant date	Vesting date	Exercise price	Expiry date
5	60,000,000	20 August 2009	20 August 2009	\$0.132	20 August 2014
9	8,000,000	20 May 2010	6 September 2011	\$0.132	20 August 2014
3	4,500,000	17 August 2010	6 September 2011	\$0.132	20 August 2014

# CORPORATE DIRECTORY



## DIRECTORS

Mr Norman A. Seckold (Chairman)

Mr Anthony J. McClure (Managing Director)

Mr Peter J. Nightingale

Mr Robert M. Bell

Mr Anthony J. McDonald

Mr Robert C. Neale

## COMPANY SECRETARY

Mr Marcelo Mora

## PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

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## AUDITORS

### KPMG

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BRISBANE QLD 4000

## SOLICITORS

### Minter Ellison

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SYDNEY NSW 2000

## SHARE REGISTRARS

### Computershare Investor Services Pty Limited

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