

PLANET GAS LIMITED
and its controlled entities

A.B.N. 46 098 952 035

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
30 JUNE 2011**

**PLANET GAS LIMITED
AND ITS CONTROLLED ENTITIES**

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PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

The Directors present their report together with the condensed consolidated interim financial report and the auditor's review report thereon for the half year ended 30 June 2011.

Directors

The names and particulars of the Directors of the Company at any time during or since the end of the half year are:

Norman A. 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 copper deposit in Nevada, USA, Perseverance Corporation Limited, which discovered and developed the Nagambie gold mine in Victoria, Valdora Minerals N.L., which developed the Rustler's Roost gold mine in the Northern Territory and the Ballarat East Gold Mine in Victoria, Viking Gold Corporation, which discovered a high grade gold deposit in northern Sweden and Mogul Mining N.L., which drilled out the Magistral and Ocampo gold deposits in Mexico and Bolnisi Gold N.L. which discovered and developed the Palmarejo and Guadalupe gold and silver mines in Mexico.

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, Cockatoo Coal Limited, an Australian coal mining, exploration and project development company and unlisted public companies Equus Resources Limited and Nickel Mines Limited.

Peter J. Nightingale, Executive Director, Company Secretary and CFO

Director since 4 December 2001.

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

As a director or company secretary Mr Nightingale has, for 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. and Bolnisi Gold N.L.. Mr Nightingale is currently Chairman of ASX listed Callabonna Uranium Limited and a director of Augur Resources Ltd, Cockatoo Coal Limited and Sumatra Copper & Gold plc and unlisted public companies Equus Resources Limited and Nickel Mines Limited.

PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

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 and is currently a director of Cerro Resources N.L..

Anthony J. McClure, Independent and Non-Executive Director

Director since 27 August 2003.

Anthony McClure graduated with a Bachelor of Science (Geology) degree from Macquarie University in 1986. Mr McClure has over 20 years technical, management and financial experience in the resource sector within Australia and the Americas 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. His directorship over the last three years includes Managing Director of European Gas Limited until October 2009.

Anthony J. McDonald, Independent and Non-Executive Director

Director since 19 November 2003.

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

Mr McDonald has been a director, company secretary and/or legal advisor to a number of listed and unlisted public companies in the resources sector. In October 2010 he was appointed as managing director of Cerro Resources N.L. He is also a non-executive director of Industrea Limited, a mining products and services company listed on ASX. He brings a diversity of resources sector experience to the Board. His directorship over the last three years includes Cerro Resources N.L., Industrea Limited and Deep Yellow Limited.

Robert C. Neale, Independent and 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.

PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Operating and Financial Review

The activities of Planet Gas Limited (the 'Company' or 'Planet Gas') during the half year ended 30 June 2011 include the following highlights:

- Entered operational phase of NSW coal bed methane ('CBM') projects.
- Seismic surveys conducted in PEL 468 (Bylong) and PEL 470 (Mooki).
- Meads Crossing-1 corehole spudded and drilled to a total depth of 589 metres, intercepting 27.3 net metres of coal.
- Finalised rationalisation of the Company's geothermal assets, focusing on the Innot project as the most prospective.
- Completed abandonment and divestment of USA assets.

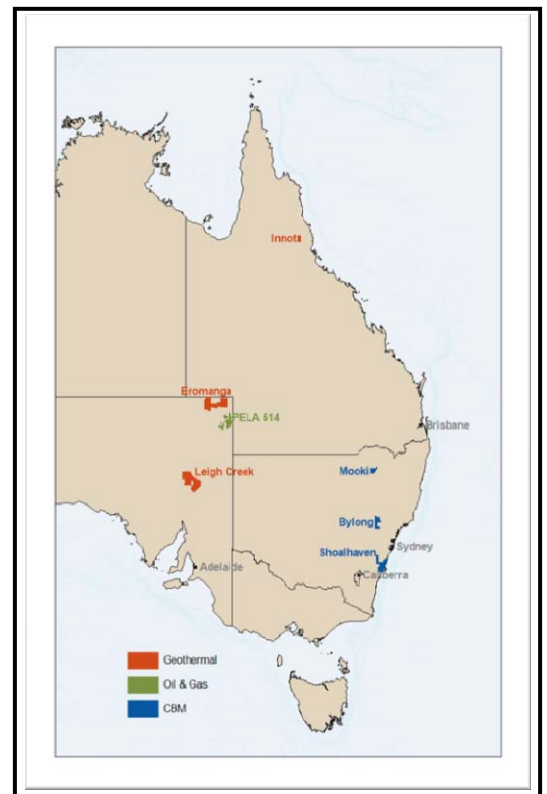
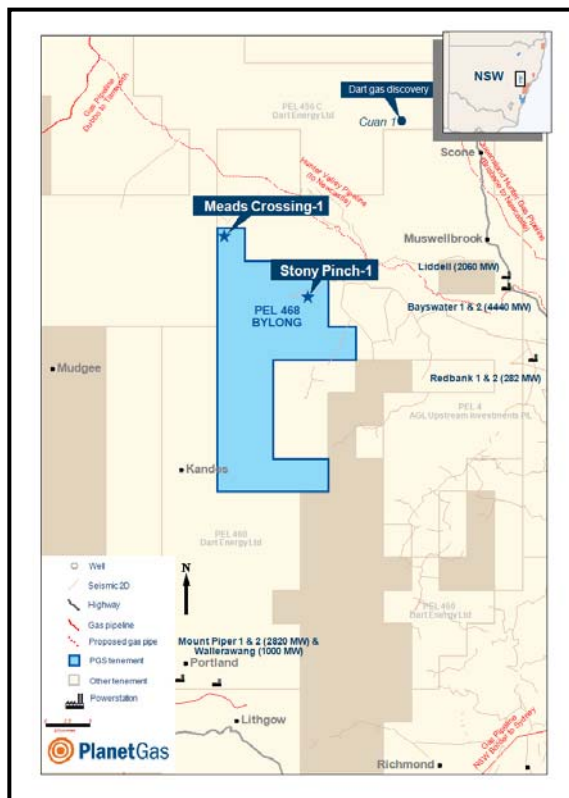
Projects

The Company holds the rights to the following projects:

- Sydney and Gunnedah Basins – farm-in right to 50% and operatorship of CBM projects, New South Wales.
- Cooper/Eromanga Basin – oil and gas project, South Australia.
- Gradient Energy – the company has retained and high-graded its Innot project in Queensland, having relinquished its Sydney Basin tenements, and submitted applications to relinquish its South Australian tenements.

Bylong (PEL 468)

Bylong (PEL 468) covers some 1,736 km² and is located on the boundary of the Gunnedah Basin and Sydney (Hunter Coalfield) Basins. It is 300 kilometres northwest of Sydney and approximately equidistant from the regional centres of Dubbo, Tamworth and Newcastle.



During the half year, exploration commenced at PEL 468 with the acquisition of a low impact 30 kilometre seismic survey.

Environmental studies were completed for the two exploration coreholes to be drilled in PEL 468 (Meads Crossing-1 and Stony Pinch-1).

The corehole program is designed to target CBM resources in the Illawarra Coal Measures with the wells to confirm the presence, thickness and quality of the coals and undertake an analysis of gas volumes. The coreholes will also test the permeability of the coals and data collected will be analysed and used to derive a CBM Contingent Resource estimate.

Subsequent to the end of the half year, Meads Crossing-1 was drilled to total depth of 589 metres and intercepted 27.3 metres of coal. A drill stem test was also undertaken and gas desorption testing results are expected in the near future.

PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT



Meads Crossing-1 corehole operations

Subject to environmental approvals, the Stony Pinch-1 corehole, located in the eastern section of PEL 468, will be drilled in the second half of 2011.

Mooki (PEL 470)

Mooki (PEL 470) covers some 670 km² and is located between the regional centres of Moree and Narrabri, less than 100 kilometres from the Wilga Park Gas Fired Power Station.

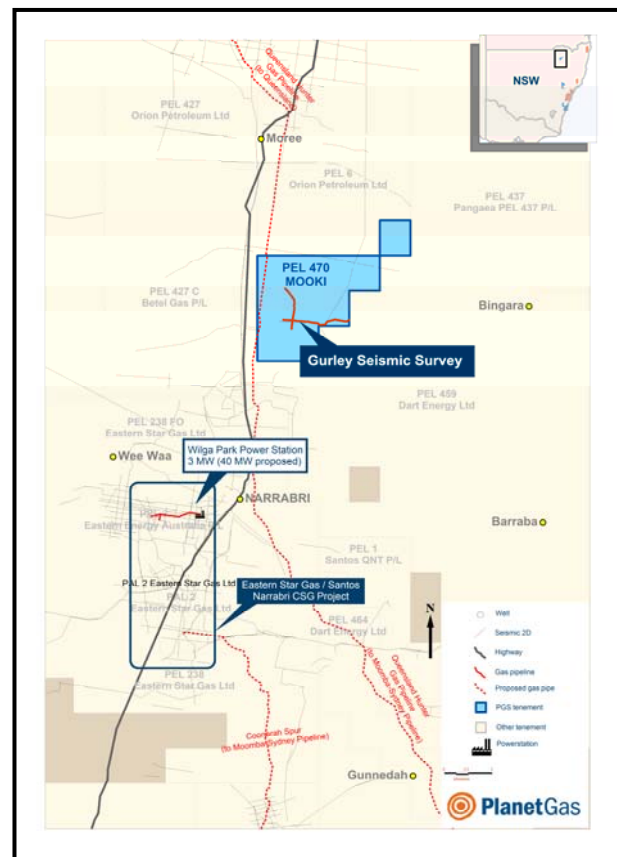
The proposed Queensland to Hunter gas pipeline development from the Roma Gas Fields to Newcastle runs through the area, providing numerous potential options for future gas offtake.

The eastern boundary of the prospect is adjacent to the Hunter-Mooki Fault, a regional structure active throughout deposition of the coal measures and a depo-centre for thick accumulations of coal bearing sediments.

Drilling in the area has intersected net coal thicknesses of between 15 to 43 metres from the early-mid Permian Black Jack/Maules Creek Formations, and CBM gas contents of up to 10 m³/tonne, which are highly prospective for CBM gas resources.

During the half year, exploration commenced at PEL 470 with the completion of a low impact 30 kilometre seismic survey.

The Company plans to drill one corehole targeting the Maules Creek formation. Discussions with landholders in geologically optimal locations are ongoing.



PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Shoalhaven (PEL 469)

Shoalhaven (PEL 469) covers 3,173 km² and is located in the Southern Coalfield of the Sydney Basin. The PEL is located 80 kilometres south of Sydney and adjacent to PEL 2 (AGL Camden gas project). The Moomba to Sydney regional pipeline linking Sydney, Canberra and Victoria to Moomba gas field passes through PEL 469.

During the half year, exploration did not commence at PEL 469 due to the regional council's restriction on access to the road easement for seismic surveys. The Company is pursuing all options to resolve this impediment to exploration.

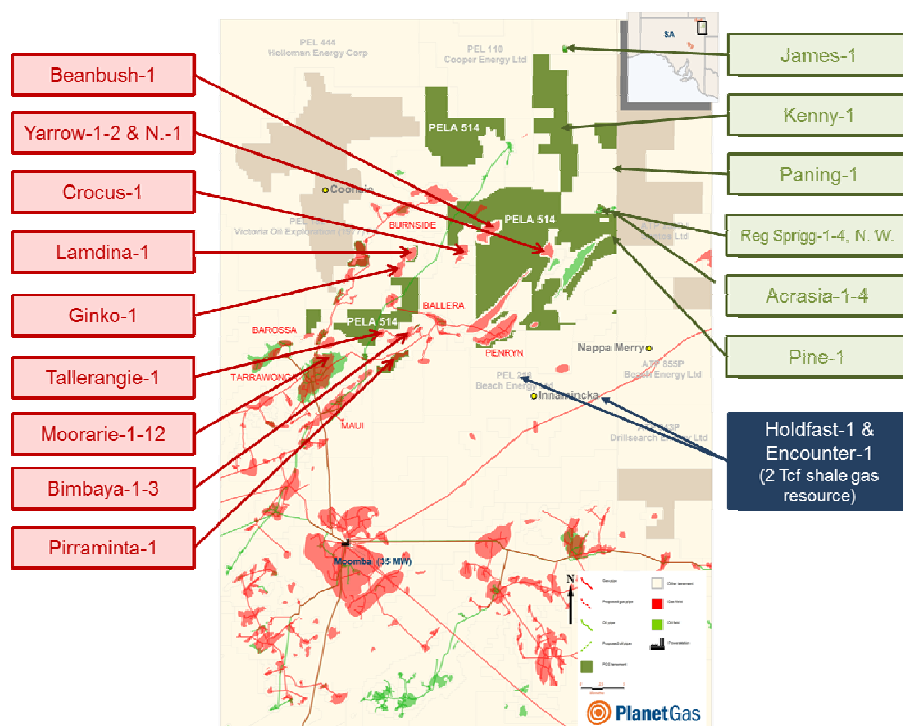
Cooper Basin (PELA 514)

Located in the northern part of the Cooper/Eromanga basins and strategically close to existing producing oil and gas fields and existing under-utilised infrastructure, PELA 514 is prospective for conventional oil and gas, and is underlain by significant thicknesses of good quality coal, and hydrocarbon rich shales. Nearby discoveries include Reg Sprigg-3, Acrasia, Flax and Arrow. The Moondie gas field and James oil discovery lie within the licence area.

The northern part of the licence is underexplored and surrounds a trend of Jurassic and Triassic oil discoveries. The southern part of the licence area 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 Araburby Trough to the east and partially from the Poolowanna Trough to the west.

During the half year, the Company completed geophysical analysis and ranking of the conventional oil and gas, shale gas and CBM prospects, while Native Title negotiations were continuing.

Subsequent to the end of the half year, Beach Energy Limited announced a 2 Tcf resource surrounding their Holdfast-1 and Encounter-1 shale gas wells. Holdfast 1 is less than 20 kilometres south of PELA 514. The hydrocarbon rich REM shales also underlie PELA 514.



PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

USA operations

During the half year, the Company completed the abandonment and divestment of its USA assets. The interest of Oriva Federal leasehold was sold with the Company retaining an overriding royalty interest of 4.5%. Oriva Throne and East Esponda were wholly assigned to the project operators, Emerald Operating Company and Anadarko Petroleum Corporation respectively.

Rehabilitation work was completed on the Company's Esponda West project.

Geothermal

Due to changed market sentiments towards geothermal energy and based on an assessment of the prospectivity of the tenements, the Company relinquished its geothermal exploration licences in New South Wales, during the half year.

The Company is currently focusing attention on the Innot geothermal project in north Queensland. The Innot geothermal licence, covering 596 km², is located 10 kilometres from the 275 kVa powerlines of the main east coast grid, and 100 kilometres south west of Cairns. The Innot project is distinct from most other geothermal projects in Australia, with a known geothermal spring system expressed at the surface with a temperature of 73.7°C. The main target at Innot is a hot fractured aquifer system where the reservoir is a naturally permeable, high flow rate, structural zone.

Subsequent events

Subsequent to the end of the half year, the Company signed Heads of Agreement with Senex Energy Limited ("Senex"). Under the agreement, Senex will farm-in to PELA 514 in two separate areas and will assume operatorship of the permit. Senex will earn a 50% interest in the Northern area of PELA 514 and a 70% interest in the Southern area of PELA 514.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Issue of options

On 28 January 2011, the Company issued 1,000,000 options to Mr Thomas G. Evans pursuant to the Planet Gas Executive Option Plan as follows:

- the exercise price is 13.2 cents;
- the options have an expiry date 20 August 2014;
- half of the options vest immediately and the other half vest on 6 September 2011 unless they are terminated earlier in accordance with the terms of the plan;
- the fair value of the options is \$34,000.

Responsibility Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Ian Halstead, geologist, who is a Member of the American Association of Petroleum Geologists. Ian Halstead is a full-time employee of the Company who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ian Halstead has consented to the inclusion in this report of the matters based on his information in the form and context in which they appear.

**PLANET GAS LIMITED
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DIRECTORS' REPORT


Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 8 and forms part of the Directors' Report for the half year ended 30 June 2011.

Signed at Sydney this 5th day of September 2011
in accordance with a resolution of the Board of Directors:

A stylized, cursive signature of Norman A. Seckold, featuring a large, looping initial 'N'.

Norman A. Seckold
Director

A stylized, cursive signature of Peter J. Nightingale, featuring a large, looping initial 'P'.

Peter J. Nightingale
Director



**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 review for the half year ended 30 June 2011, there have been:

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

KPMG

KPMG

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

Adam Twemlow
Partner

5 September 2011

**PLANET GAS LIMITED
AND ITS CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2011**

	Notes	30 June 2011 \$	30 June 2010 \$
Revenue from sale of coal bed methane		893	1,633
Other income		20,000	-
Production and transport costs		-	(18,021)
Administration and consultants' expenses		(619,160)	(443,273)
Depreciation expense		(13,986)	(2,273)
Pre-licence costs - exploration expenditure		(463,365)	(662,597)
Share based payments expense	16	(51,962)	-
Gain on disposal of asset		42,879	-
Impairment loss	7	(3,858,825)	(358,181)
Impairment loss - investments	8	(950,400)	(1,647,200)
Travel expense		(67,381)	(41,087)
Other expenses		(49,591)	(77,200)
Financial income		102,441	456,098
Financial expenses		-	(204,615)
Net financing income		102,441	251,483
Loss before tax		(5,908,457)	(2,996,716)
Income tax expense		-	-
Loss for the period		(5,908,457)	(2,996,716)
Other comprehensive income:			
Net change in the fair value of available for sale financial assets		(484,401)	(1,647,200)
Net change in the fair value of available for sale financial assets transferred to profit and loss		950,400	1,647,200
Foreign exchange translation differences		(28,333)	18,997
Total comprehensive loss for the period		(5,470,791)	(2,977,719)
Basic loss per share	5	(0.12) cents	(0.70) cents
Diluted loss per share	5	(0.12) cents	(0.70) cents

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

**PLANET GAS LIMITED
AND ITS CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011**

	Notes	30 June 2011 \$	31 December 2010 \$
Current assets			
Cash and cash equivalents		3,300,362	5,978,322
Trade and other receivables	6	4,802	78,060
Total current assets		<u>3,305,164</u>	<u>6,056,382</u>
Non current assets			
Investments	8	1,471,796	1,956,195
Property, plant and equipment	9	64,304	78,399
Exploration and evaluation expenditure	10	2,613,954	4,777,478
Other	11	571,870	594,981
Total non current assets		<u>4,721,924</u>	<u>7,407,053</u>
Total assets		<u>8,027,088</u>	<u>13,463,435</u>
Current liabilities			
Trade and other payables		582,841	433,887
Provisions	12	108,587	275,059
Total current liabilities		<u>691,428</u>	<u>708,946</u>
Total liabilities		<u>691,428</u>	<u>708,946</u>
Net assets		<u>7,335,660</u>	<u>12,754,489</u>
Equity			
Issued capital	13	48,665,284	48,665,284
Reserves		5,039,273	4,521,312
Accumulated losses		(43,580,632)	(37,672,175)
Foreign currency translation reserve		(2,788,265)	(2,759,932)
Total equity		<u>7,335,660</u>	<u>12,754,489</u>

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

**PLANET GAS LIMITED
AND ITS CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2011**

Attributable to equity holders of the Company	Issued capital \$	Option premium reserve \$	Fair value reserve \$	Accumulated losses \$	Foreign currency translation reserve \$	Total equity \$
Balance at 1 January 2010	48,665,284	3,821,704	-	(32,355,304)	(2,713,014)	17,418,670
Total comprehensive income for the period						
Loss for the period	-	-	-	(2,996,716)	-	(2,996,716)
Other comprehensive income						
Foreign exchange translation differences	-	-	-	-	18,997	18,997
Transactions with owners, recorded directly in equity						
Contribution by and distribution to owners						
Share based payments	-	462,400	-	-	-	462,400
Balance at 30 June 2010	<u>48,665,284</u>	<u>4,284,104</u>	<u>-</u>	<u>(35,352,020)</u>	<u>(2,694,017)</u>	<u>14,903,351</u>
Balance at 1 January 2011	48,665,284	4,521,312	-	(37,672,175)	(2,759,932)	12,754,489
Total comprehensive income for the period						
Loss for the period	-	-	-	(5,908,457)	-	(5,908,457)
Other comprehensive income						
Foreign exchange translation differences	-	-	-	-	(28,333)	(28,333)
Investment revaluation	-	-	465,999	-	-	465,999
Transactions with owners, recorded directly in equity						
Contribution by and distribution to owners						
Share based payments	-	51,962	-	-	-	51,962
Balance at 30 June 2011	<u>48,665,284</u>	<u>4,573,274</u>	<u>465,999</u>	<u>(43,580,632)</u>	<u>(2,788,265)</u>	<u>7,335,660</u>

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

**PLANET GAS LIMITED
AND ITS CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2011**

	30 June 2011 \$	30 June 2010 \$
Cash flows from operating activities		
Cash receipts in the course of operations	893	1,766
Cash payments in the course of operations	(517,285)	(339,592)
Payments for production	<u>-</u>	<u>(18,021)</u>
Cash used in operations	(516,392)	(355,847)
Interest received	<u>102,441</u>	<u>211,062</u>
Net cash used in operating activities	<u>(413,951)</u>	<u>(144,785)</u>
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(2,104,062)	(1,252,320)
Payments for development expenditure	(159,790)	(388,901)
Payments for fixed assets	-	(11,469)
Payments for other assets - deposit	<u>-</u>	<u>(59,237)</u>
Net cash used in investing activities	<u>(2,263,852)</u>	<u>(1,711,927)</u>
Net decrease in cash and cash equivalents	(2,677,803)	(1,856,712)
Cash and cash equivalents at the beginning of the financial period	5,978,322	10,149,455
Effect of exchange rate fluctuations on cash held	<u>(157)</u>	<u>791</u>
Cash and cash equivalents at the end of the financial period	<u><u>3,300,362</u></u>	<u><u>8,293,534</u></u>

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

**PLANET GAS LIMITED
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011**

NOTE 1 - REPORTING ENTITY

Planet Gas Limited (the 'Company') is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the half year ended 30 June 2011 comprises the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates.

The consolidated annual financial report of the Group as at and for the year ended 31 December 2010 is available upon request from the Company's registered office at Level 2, 66 Hunter Street, Sydney, NSW, 2000 or at www.planetgas.com.

Going Concern

The condensed consolidated interim 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 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 expenditures significantly.

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 interim financial report.

NOTE 2 - STATEMENT OF COMPLIANCE

The half year condensed consolidated interim financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 134 *Interim Financial Reporting*.

The half year report does not include full disclosures of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2010 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

This consolidated interim financial report was approved by the Board of Directors on 5 September 2011.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 31 December 2010.

**PLANET GAS LIMITED
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011**

NOTE 4 - ESTIMATES

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

Except as described below, in preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 December 2010.

During the half year ended 30 June 2011 management reassessed its estimates in respect of:

- Note 7 – Impairment loss
- Note 8 – Impairment loss – available for sale financial assets
- Note 10 – Exploration and evaluation expenditure

NOTE 5 - LOSS PER SHARE

Basic loss per share has been calculated using:

	30 June 2011 \$	30 June 2010 \$
Loss for the period	<u>5,908,457</u>	<u>2,996,716</u>
	30 June 2011 Number	30 June 2010 Number
Weighted average number of ordinary shares	<u>493,853,305</u>	<u>429,093,192</u>

There are no dilutive potential ordinary shares.

	30 June 2011 \$	30 June 2010 \$
NOTE 6 - TRADE AND OTHER RECEIVABLES		
Other debtors	4,802	4,403
GST receivable	-	73,657
	<u>4,802</u>	<u>78,060</u>

NOTE 7 - IMPAIRMENT LOSS

At 30 June 2011, the Directors assessed the recoverability of development and production assets in the USA. Due to inherent uncertainty over the ultimate recovery of development and production assets in respect to the Esponda projects, Oriva Federal project and Oriva Throne project, the Group as in prior periods has impaired all development and production assets, until such time as there is conclusive evidence the impairment has reversed.

During the half year, the Directors have written off \$159,790 (30 June 2010 - \$358,181) of additional expenditure on these projects.

At 30 June 2011, the Directors assessed the recoverability of exploration and evaluation assets in Gradient Energy Pty Ltd. The Group relinquished the Clarence Moreton, Gloucester, Sydney Basin, Eromanga and Leigh Creek geothermal projects and has fully written off these assets with a value of \$3,699,035.

**PLANET GAS LIMITED
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011**

	30 June 2011 \$	31 December 2010 \$
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NOTE 8 - AVAILABLE FOR SALE FINANCIAL ASSETS

Investments - available for sale at fair value	1,471,796	1,956,195
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The Group holds 12,500,000 shares in Greenpower Energy Limited. At 30 June 2011 the Directors compared the carrying value of the investment to market value and recorded a gain in equity of \$137,500 (30 June 2010 loss - \$437,500). This was based on a closing share price of 5.0 cents for Greenpower Energy Limited shares at 30 June 2011 (31 December 2010 - 3.9 cents).

The shareholders of Callabonna Uranium Limited passed a resolution at their annual general meeting in November 2010 for a 20 to 1 share consolidation. Prior to the consolidation, Planet Gas held 172,800,000 shares in Callabonna Uranium Limited and after the consolidation the number of shares held in Callabonna Uranium Limited was 8,640,000.

At 30 June 2011 the Directors compared the carrying value of the investment in Callabonna Uranium Limited to market value and recorded an impairment loss of \$950,400 (30 June 2010 - \$1,209,700). This was based on a closing share price of 6.0 cents for Callabonna Uranium Limited at 30 June 2011 (31 December 2010 - 17 cents).

The Group holds 8,212,500 shares in Earth Heat Resources Ltd. At 30 June 2011 the Directors compared the carrying value of the investment to market value and recorded a gain in equity of \$328,499. This was based on a closing share price of 4.0 cents for Earth Heat Resources Ltd shares at 30 June 2011.

	30 June 2011 \$	31 December 2010 \$
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NOTE 9 - PROPERTY PLANT AND EQUIPMENT

Plant and equipment - at costs	140,640	140,640
Less accumulated depreciation	(75,792)	(62,241)
Net foreign currency differences on translation	(544)	-
	64,304	78,399

NOTE 10 - EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation expenditure relates to the following projects:

Geothermal	745,625	4,318,769
Oil and gas	354,043	134,473
Coal bed methane	1,514,286	324,236
	2,613,954	4,777,478

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

Impairment loss – refer to note 7.

**PLANET GAS LIMITED
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011**

	30 June 2011 \$	31 December 2010 \$
NOTE 11 - OTHER ASSETS		
Other non current assets		
Security deposits	<u>571,870</u>	<u>594,981</u>
NOTE 12 - CURRENT PROVISIONS		
Rehabilitation costs	61,321	275,059
Annual leave	<u>47,266</u>	<u>-</u>
	<u>108,587</u>	<u>275,059</u>
NOTE 13 - ISSUED CAPITAL		
Fully paid ordinary shares		
493,853,305 (31 December 2010 – 493,853,305) fully paid ordinary shares	<u>48,665,284</u>	<u>48,665,284</u>

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

No shares were issued during the half year ended 30 June 2011.

NOTE 14 - FINANCIAL REPORTING BY SEGMENTS

The Group undertakes exploration and evaluation activities and operates predominantly within Australia. A minor amount of exploration and evaluation is undertaken in the United States of America but this is not viewed separately from Australian exploration and evaluation by the Group's chief operating decision maker.

NOTE 15 - CONTROLLED ENTITIES

Parent Entity

Planet Gas Limited, a listed public company, incorporated in Australia.

Wholly-Owned Controlled Entities

Planet Gas USA, Inc, incorporated in the United States of America.

Planet Gas Properties LLC, incorporated in the United States of America.

Planet Gas Resources LLC, incorporated in the United States of America.

Gradient Energy Ltd, incorporated in Australia.

Planet Cooper Basin Pty Ltd, incorporated in Australia.

Planet Gas and CBM Pty Ltd, incorporated in Australia in August 2010.

Planet Unconventional Energy Pty Ltd, incorporated in Australia in September 2010.

**PLANET GAS LIMITED
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011**

NOTE 16 - SHARE BASED PAYMENTS

During the half year ended 30 June 2011, the Company issued 1,000,000 options with a fair value of \$34,000 as part of the executive share option plan of the Company to Mr Thomas Evans. As at 30 June 2011, \$27,648 has been recognised in the option premium reserve for the options that have vested as well as the benefit earned on the remaining options yet to vest.

The terms and conditions of the grants made during the half year ended 30 June 2011 were as follows:

Grant date	Expiry date	Vesting date	Exercise price Cents	Fair value of options granted \$	Number Granted during the period	Number Exercised during the period	Number Expired during the period	Balance at the end of the period
28 January 2011	20 August 2014	28 January 2011	13.2	17,000	500,000	-	-	500,000
28 January 2011	20 August 2014	6 September 2011	13.2	17,000	500,000	-	-	500,000
				34,000	1,000,000	-	-	1,000,000

Fair value of options

The fair value of options granted is measured using an option valuation methodology, 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 the options at grant date was determined based on the Black-Scholes formula. The model inputs for those options issued during the period, were the Company's share price of \$0.06 at the grant date, a volatility factor of 104% based on historic share price performance and a risk free interest rate of 5.11% based on the 10 year government bond rate and a dividend yield of 0%.

NOTE 17 - SUBSEQUENT EVENTS

Subsequent to the end of the half year, the Company signed Heads of Agreement with Senex Energy Limited ('Senex'). Under the agreement, Senex will farm-in to PELA 514 in two separate areas and will assume operatorship of the permit. Senex will earn a 50% interest in the northern area of PELA 514 and a 70% interest in the southern area of PELA 514.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

**PLANET GAS LIMITED
AND ITS CONTROLLED ENTITIES**

DIRECTORS' DECLARATION

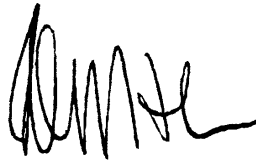
In the opinion of the Directors of Planet Gas Limited:

- (a) the financial statements and notes set out on pages 9 to 17, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed at Sydney this 5th day of September 2011
in accordance with a resolution of the Board of Directors:



Norman A. Seckold
Director



Peter J. Nightingale
Director



Independent auditor's review report to the members of Planet Gas Limited

We have reviewed the accompanying interim financial report of Planet Gas Limited, which comprises the condensed consolidated interim statement of financial position as at 30 June 2011, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the half year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 17, and the Directors' Declaration.

Directors' responsibility for the interim financial report

The Directors of the Company are responsible for the preparation and fair presentation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such control as the Directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 30 June 2011 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001. As auditor of Planet Gas Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporation Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Planet Gas Limited is not in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

KPMG

KPMG

Adam Twemlow
Partner

5 September 2011

**PLANET GAS LIMITED
AND ITS CONTROLLED ENTITIES**

CORPORATE DIRECTORY

Directors:

Mr Norman A. Seckold (Chairman)
Mr Peter J. Nightingale
Mr Robert M. Bell
Mr Anthony J. McClure
Mr Anthony J. McDonald
Mr Robert C. Neale

Company Secretary:

Mr Peter J. Nightingale

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Homepage: www.planetgas.com

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BRISBANE QLD 4000

Share Registrar:

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West End Queensland 4101
Phone: 61-7 3237 2100
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Solicitors:

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88 Phillip Street
SYDNEY NSW 2000