

13 September 2005

The Manager - Companies  
Australian Stock Exchange Limited  
20 Bridge Street  
SYDNEY NSW 2000

(30 pages by email)

Dear Madam,

**RE: HALF YEAR REPORT**

In accordance with Listing Rule 4.2BA, I attach the Company's Appendix 4D and Half Year Financial report for the half year ended 30 June 2005.

The information contained in the attached Appendix 4D should be read in conjunction with the Company's most recent annual financial report.

Yours sincerely



Peter J. Nightingale  
Director

pjn3147

# Appendix 4D

## Half Year Report

Name of entity

**PLANET GAS LIMITED**

ABN or equivalent company  
reference

**46 098 952 035**

Financial year ended ('current period')

**30 JUNE 2005**

### Results for announcement to the market

Revenues from ordinary activities	up 107%	to	\$221,504
Loss from ordinary activities after tax attributable to members	up	to	\$312,866
Net loss for the period attributable to members	up	to	\$312,866
<b>Dividends (distributions)</b>	Amount per security	Franked amount per security	
Final dividend	Nil	Nil	
Interim dividend	Nil	Nil	
Previous corresponding period			
Final dividend	Nil	Nil	
Interim dividend	Nil	Nil	
Record date for determining entitlements to the dividend.	N/A		
Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:			
Refer attached Half Year Financial Report.			
<b>NTA backing</b>	Current period	Previous corresponding period	
Net tangible asset backing per ordinary security	10.0 cents	10.8 cents	

This document should be read in conjunction with the attached Half Year Financial Report.

**PLANET GAS LIMITED**  
and its controlled entities

A.C.N. 098 952 035

**HALF YEAR  
FINANCIAL REPORT  
30 JUNE 2005**

# PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

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# PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

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The directors present the consolidated financial report of Planet Gas Limited ('the Company') and its controlled entities for the half year ended 30 June 2005. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### Directors

The names of the directors of the Company in office during or since the end of the half 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 25 years in the full time management of natural resource companies, both in Australia and overseas.

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

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

#### **Peter James Nightingale, Executive Director, Secretary and CFO**

Director since 4 December 2001.

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

Mr Nightingale has, for the past 18 years, been a director or company secretary of a number of private and public listed companies in Australia, the USA and Europe including Pangea Resources Limited, Timberline Minerals Inc., Perseverance Corporation Limited, Valdora Minerals N.L., Bolnisi Gold NL, Biotron Limited, ETT Limited and IMD Group Limited. Mr. Nightingale has been responsible for the financial control, administration, secretarial and in-house legal functions of these companies.

He is currently a director of Bolnisi Gold NL.

#### **Bruce Fullerton Riederer, Executive Director of Exploration and Development**

Director since 10 September 2003.

Bruce Riederer graduated with a Bachelor of Geoscience (Geology) degree from the University of Arizona in 1974. Mr Riederer is a professional geologist and has over 30 years' experience in the mining and resources industry.

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

## **PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES**

### **Anthony John McClure, Independent and Non-Executive Director**

Director since 27 August 2003.

Anthony McClure graduated with a Bachelor of Science (Geology) degree from Macquarie University in 1986. Mr McClure has over 20 years of technical, management and financial experience in the resource sector within Australia, and internationally in project management and executive development roles. He has worked in the financial services sector and stockbroking, primarily as a resource analyst.

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

### **Anthony John McDonald, Independent and Non-Executive Director**

Director since 19 November 2003.

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

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

### **Norman Joseph Zillman, Independent and Non-Executive Director**

Director since 20 August 2002.

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

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

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**Review of Operations**

The consolidated entity has completed a number of significant achievements during the half year ended 30 June 2005 including the following highlights:

- CBM production of 79,328 Mcf (48,192 Mcf NRI).
- Average CBM sale price received was US\$5.69 per Mcf.
- Independent GIP resource estimate of 19.5 Bcf (15.2 Bcf net) at Oriva.
- Independent reserve estimate of 15.3 Bcf (12.0 Bcf net) at Oriva.
- Three Wall seam production wells drilled at Oriva Throne.
- BLM Plan of Development application prepared for Oriva Federal.
- Successful completion of stratigraphic drilling program at West Esponda.
- Strategic acquisitions at West Esponda.
- Commencement of staking and permitting for an increased number of production wells at West Esponda.
- Ownership of Skull Creek increased to a 50% working interest.
- Completion of an initial stratigraphic drilling at Gippsland with positive results.

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

<b>Block/Project</b>	<b>Location</b>	<b>Area Net Hectares</b>
<b>USA</b>		
East Esponda	Powder River Basin, Wyoming	469
West Esponda	Powder River Basin, Wyoming	5,509
Whiskey Draw	Powder River Basin, Wyoming	259
Oriva Federal	Powder River Basin, Wyoming	359
Oriva-Throne	Powder River Basin, Wyoming	146
Skull Creek	Cherokee Basin, Kansas	11,573
<b>Australia</b>		
EL 4500	Gippsland Basin, Victoria	241,600
EL 4807	Gippsland Basin, Victoria	2,600
ELA 4368	Otway Basin, Victoria	48,379
ELA 4369	Otway Basin, Victoria	24,190
EL 4811	Otway Basin, Victoria	95,700
PELA 145	Willochra Basin, South Australia	619,432
PELA 146	Eromanga Basin, South Australia	267,786
PEL 428	Gunnedah Basin, New South Wales	150,842

## PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

### POWDER RIVER BASIN, WYOMING, USA

The Powder River Basin encompasses approximately 67,000 square kilometres in the northern Rocky Mountains of the USA straddling the northeast of Wyoming and the southeast of Montana. The Powder River Basin is estimated to contain more than one trillion short tons (0.9 trillion tonnes) of coal with potential CBM resources of over 25 trillion cubic feet. CBM production in the Powder River Basin has increased at a rapid rate since 1995 with production today of around 900 million cubic feet per day from over 10,000 producing wells.

### ORIVA PROJECT

The Oriva Project comprises two project areas, Oriva Throne which is in production and Oriva Federal which is in the permitting phase. The Oriva Project is located approximately 21 kilometres west of Gillette, Wyoming, and totals 505 net hectares (1,248 acres) in Sections 8, 9 and 10, Township 50 North, Range 74 West, Campbell County.

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

State mandated 32 hectare (80 acre) well spacing allows for a total of 16 CBM pads (5 at Oriva Throne and 11 at Oriva Federal), with multiple wells being permitted at each pad site, to be drilled at the Oriva Project. During the half year, 3 additional wells were completed at Oriva Throne in the Wall seam at approximately 460 metres (~1,500 feet) and drilled as 16 hectare (40 acre) 'exception locations' to the usual State mandated 32 hectare (80 acre) well spacing.

The 5 State mandated Oriva Throne CBM pad sites have been developed with 3 wells on each site, for a total of 15 wells, currently producing CBM from the Felix, Smith, Anderson and Wall Coal seams. The 3 'exception locations' have been developed with one well at each site producing from the Wall seam. The Company's interest is a 75.975% Working Interest (60.78% Net Revenue Interest). The Oriva Throne leasehold interest is subject to a 20% land/mineral owner royalty.

Oriva Federal is currently being permitted for the development of 33 CBM wells (11 pad sites with 3 wells on each site) with production from the same coal seams as on the adjoining Oriva Throne area. The Company's interest is a 100% Working Interest (85.5% Net Revenue Interest) and subject to a 12.5% Federal royalty and a 2% overriding royalty.

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

### Gas-In-Place Resources

During the half year, an independent study concluded that the consolidated entity's Oriva Project contains Gas in Place ('GIP') resources of 19.5 billion cubic feet ('Bcf') (gross) and 15.2 Bcf (net).

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

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

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



## PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

The resource estimate was completed by Dr. Jimmy E. Goolsby of Goolsby, Finley & Associates ('GFA') of Casper Wyoming who are considered to be pre-eminent authorities on the CBM geology of the Powder River Basin, providing consulting services to the State's leading CBM producers and developers. Additionally, the State of Wyoming retained GFA to conduct a study of the CBM reserve potential of the Powder River Basin.

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

Although beyond the scope of the GIP resource estimate, GFA estimates the deeper (+600 metre) multiple Moyer coal seams may contain an additional potential resource of approximately 6.0 Bcf within the Oriva Project, if the combined Moyer coals remain similar to what is observed on the project's type log. Further, based on limited past production, GFA considers that the area surrounding the Oriva Project may contain shallow (<800 metre) Fort Union Formation sands containing trapped natural gas derived from the adjacent CBM coals. These sands have the potential to further increase the GIP resource.

### Reserves

During the half year, an independent reserve estimate was completed for the consolidated entity's Oriva Project reporting:

- Total CBM reserves of 15.3 Bcf (gross) - 12.0 Bcf (net).

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

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

CBM International Engineering LLC ('CBMIE'), of Cody Wyoming, prepared the Reserve and Economic Report demonstrating the following reserves by coal seam:

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

### Notes:

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

**PLANET GAS LIMITED  
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Reserve Category - The reserve portfolio was defined under standard industry guidelines, moreover:

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

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

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

Gross (GIP) Volume - Volumetric calculation based on total gas in place prepared by GFA.

Cumulative Gas Produced - Total gross gas produced to the date of the report.

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

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

MMCF - million cubic feet.

**Oriva Throne Production**

Oriva Throne is operated by Emerald Operating Company and Rocky Mountain Exploration of Denver, Colorado ('EOC-RMEI') which holds the remaining 24.025% Working Interest (19.22% Net Revenue Interest) in Oriva Throne.

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

Because of the excellent permeability in the coal seams in the Powder River Basin, the Oriva Throne production wells were shut in during the drilling of the 3 'exception location' wells (refer below) to prevent fouling of the existing production wells. During this shut in period there is no production from the wells. All wells are now back on-line.

CBM production for the half year was as follows:

Coal Seam	CBM Production (Mcf)	Net Revenue Interest (Mcf)
Anderson	64,118	38,952
Felix	13,395	8,138
Wall	1,815	1,102
<b>Total</b>	<b>79,328</b>	<b>48,192</b>

**Oriva Throne Drilling**

Results from the Oriva Throne 'exception location' drilling, which were positive and confirmatory of the project, are as follows:

Well	Total Depth (metres)	Coal Intercept From - To (metres)	Total Coal Intercept (metres)
Throne Wall 33-8	479	460 - 477	17
Throne Wall 31-8	482	465 - 481	16
Throne Wall 22-8	462	443 - 461	18

## **PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES**

Although prior pump change-outs in the existing Wall wells successfully increased water production and decreased water levels, the completion of these new wells is expected to more rapidly accelerate dewatering times to gas production in this newly developing CBM horizon in this portion of the Powder River Basin.

All pipeline and electrical infrastructure to the three wells has been completed, the wells have been water enhanced and have already been brought on-line utilising the existing infrastructure.

It is planned that five additional wells will be completed to produce from the remaining Smith, Lower Anderson and Canyon seams. These wells are planned to be completed conventionally with commingled production.

The consolidated entity is reviewing opportunities to acquire additional producing acreage in the proximity of the Oriva Project.

### **Oriva Federal POD**

Documentation to support the consolidated entity's Plan of Development ('POD') application is undergoing final internal review prior to its submission to the Federal Bureau of Land Management's Buffalo Field Office ('BLM-BFO'). The Oriva Federal project will develop eleven pad sites on the State mandated 32 hectare well spacing with three CBM production wells on each pad.

To meet the specific requirements of the POD, the consolidated entity has completed Archaeological and Wildlife studies and developed a Water Management Plan to contain the water generated from its well dewatering program.

The requisite Spring wildlife survey identified two new Sage Grouse leks (breeding areas) not previously colonised within the boundaries of the tenure. These new sites have necessitated some mitigation measures to avoid and/or minimise disturbance to these ground nesting birds. The BLM-BFO may place certain restrictions on the consolidated entity's ground disturbing activities during the Spring breeding time.

Although the consolidated entity's Water Management Plan will provide for standard CBM style reservoirs either along or in ephemeral channels, the project has been designed to fully contain its water output of nearly 25,000 barrels of water per day in constructed earthen pits, called Off-Channel Containment Pits. Without application for a beneficial water use, these pits are not regulated by the Wyoming Department of Environmental Quality ('WDEQ') as at East Esponda but regulated through the Wyoming Oil and Gas Conservation Commission ('WOGCC'). The consolidated entity's plan to fully contain its water production should be reviewed favourably during the Federal permitting process.

### **ESPONDA PROJECT**

#### **East Esponda**

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

Drilling programs have been completed by the consolidated entity's two joint venture partners with Kennedy Oil completing twelve wells in its Big Cat field and Western Gas completing eight wells. All wells have been completed as future production wells.

Western Gas has informed the consolidated entity that the necessary permits to commence production activities cleared the public comment process and Western Gas is now waiting for a water discharge permit and pipeline and water treatment facility construction permit to be granted by the WDEQ. Upon receipt of these permits, Western Gas will commence construction of approximately 15 miles of water discharge pipeline and a water treatment facility followed by the commencement of production.

The remaining East Esponda tenements developed by Kennedy Oil at its Big Cat CBM field continue in a dewatering phase with two areas reporting initial gas flows totalling 130 Mcf per day.

## **PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES**

### **West Esponda**

The West Esponda Project lies near the Powder River Basin's asymmetric structural axis, and situated between the depositional centres of the stratigraphically higher Buffalo-Lake De Smet Coalfield to the west (Eocene Wasatch Formation) and the Gillette Coalfield (Paleocene Fort Union Formation) to the east. Thus, the more shallow Eocene-aged coals are being eroded to the east and south across the region and depositonally splitting with less ash content than its thickest member near Buffalo; and the Big George Coal, a part of the Gillette Coalfield, present at East Esponda is splitting towards the west. Total coal isopach mapping of this sparsely drilled area of the deep Powder River Basin estimates between 20 - 45 metres of coal is present.

This estimate is supported by results from the consolidated entity's eight well stratigraphic drilling program which was completed at West Esponda during the half year which intersected gassy coal with cumulative intersections of up to 50.0 metres and an average of 35.4 metres, thereby indicating that the Big George coal horizon can be extended 16 kilometres to the northwest with a total thickness correlative to that present in the western portions of the consolidated entity's East Esponda Project.

The coal resources identified during the stratigraphic drilling program in the northern portion of the West Esponda Project area will be initially developed through a ten well pilot project ('Pilot') which is the first phase of the planned 80 well development program.

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

Although several additional shallow coals will remain 'behind pipe' the primary emphasis will be on the testing of two deeper seams between 1,850 and 2,050 feet. The two seams selected for development, correlative to the Big George, contain the majority of the Pilot area's gas in place resources.

The estimated cost to drill and complete the ten wells is US\$2.0 million with a projected monthly operating cost of US\$33,000. The development schedule projects initial dewatering beginning in the fourth quarter of 2005.

The consolidated entity is currently selecting its primary contractor for the Pilot from a limited number of currently available, and qualified, drilling companies. This limited availability of drilling contractors has been exacerbated with the significantly increased natural gas pricing for in North America (up over 15% between January and June) causing another Powder River Basin 'boom' in equipment utilisation.

### **Acquisitions**

During the half year, the consolidated entity continued its tenure consolidation in the northern area of the West Esponda Project and acquired a 100% Working Interest (83.33% Net Revenue Interest) in two fee leases which total 322 net hectares (795 acres) and seven freehold tenements totalling 363 net hectares (898 acres) in Townships 49N and 50N, Ranges 80W and 81W.

These acquisitions, which cost US\$119,396, are contiguous with the consolidated entity's existing West Esponda tenements and are a further step by the consolidated entity to infill the West Esponda tenement positions into a consolidated contiguous holding which will improve the logistics of the West Esponda development program and production. With these acquisitions, the first phase of the West Esponda development program has been increased to 80 wells.

Further strategic acquisitions are currently being negotiated.

### **CHEROKEE BASIN KANSAS, USA**

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

## **PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES**

### **SKULL CREEK PROJECT**

The Skull Creek Project is located in the western portion of the Cherokee Basin of southeast Kansas. The tenement occupies 11,573 net hectares (28,598 acres) in Cowley, Elk and Chautauqua Counties near existing infrastructure and within a receptive State regulatory regime.

The leases are not restricted to CBM, but convey all oil and gas rights to the consolidated entity. Conventional oil and gas targets may also exist in the Skull Creek Project and will be evaluated during all drilling operations. Underlying the region are Mississippian and Ordovician aged carbonates that yield conventional hydrocarbons. Also, the Ordovician sediments serve as a water disposal zone for co-produced coalbed methane water. Additional conventional hydrocarbon occurrences in the overlying strata of the Kansas City-Lancing Group are potential targets.

During the half year, the consolidated entity increased its interest in the Skull Creek Project to a 50% working interest by successfully completing six test wells during a six month evaluation period and making an additional payment of US\$250,000. The consolidated entity can further increase its working interest to 75% by completion of a five well pod within six months of making the US\$250,000 payment. The consolidated entity is able to earn a 100% working interest in the un-drilled leasehold area by making a further final payment of US\$750,000 or by incurring certain additional project drilling and well completion expenditures.

A stratigraphic drilling program initiated in late 2004 was completed in the half year with a core hole, FR 11-31, which was steel cased and cemented in place. This well and its offset, FR 12-31, are located within 800 metres of an existing pipeline.

The FR11-31 well is scheduled to be perforated and tested pending drill rig availability, and the on-site delivery of the tubing, rods and pump, tank battery, separator and other ancillary surface equipment. A testing period of several months is anticipated before a final decision to drill and complete additional production wells can be made.

### **AUSTRALIAN OPERATIONS**

The consolidated entity holds rights to prospective CBM projects in the Gippsland and Otway Basins of Victoria, the Eromanga and Willochra Basins of South Australia and the Gunnedah Basin of New South Wales. The consolidated entity continues its data collation program leading to the development of initial exploration programs, the most advanced being in the Gippsland Basin. In addition, the consolidated entity continues its appraisal program of potential CBM prospects in Australia.

#### **Gippsland Basin**

The Gippsland Basin Project is located to the southeast of metropolitan Melbourne between Dandenong, Wonthaggi, Leongatha and Moe.

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

During the half year, three tenements, ELs 4859, 4861 and 4862, totalling approximately 130 km<sup>2</sup> have been granted in the greater Gippsland Basin Victoria and two other applications, ELAs 4860 and 4877 which total approximately 660 km<sup>2</sup> are pending. These tenements add to the consolidated entity's existing tenements (ELs 4500 and 4807) which total approximately 2442 km<sup>2</sup>.

The consolidated entity plans to drill up to eighteen stratigraphic holes totalling up to 14,000 metres on portions of its Gippsland tenement to depths of 900 metres to evaluate the prospective CBM potential of the Cretaceous Strzelecki Group. With the exception of the Cape Paterson region, the historic black coal mining centres in and around the communities of Korumburra, Outtrim-Jumbunna, Wonthaggi and Kilcunda-Woolami as well as the Koo-Wee-Rup coalfield will receive stratigraphic bore evaluations in the consolidated entity's initial evaluation.

During the half year, seven stratigraphic drill holes were completed. Due to rig capacity, total depth reached by the first five holes was limited to an average of 360 metres. In each hole a number of clean and ashly coals were encountered and confirmed in subsequent logging.

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Sourcing a new rig with greater capacity enabled drilling to penetrate beyond the previous depth limit. Hole GS13 showed good correlation with the upper zones of the first five holes, (particularly with hole GS12, which is located approximately 5 kilometres to the southwest) but the coals were gassier in GS13. Hole GS13 intercepted a cumulative 7.5 metres of gassy bright and ashy coals. More than half of the intercepts were in coals not previously encountered as they were below the limits of the smaller rig.

The prospectivity of the deeper stratigraphic section, as encountered in this hole, is highlighted by the fact that the cumulative average for the previous five (shallow) holes was 1.95 metres. It is important to note that the base of the prospective Strzelecki Group's coals was not reached in GS13, again due to rig limitations.

The GS15 offset well to the very prospective areas located by the stratigraphic drilling program in bores GS12 and GS13 was abandoned due to ground conditions and water inflow. All further drilling was temporarily suspended until a more suitable drilling rig can be secured and the wet weather subsides.

A desorption core hole is planned to be drilled near the location of GS15 prior to the continuation of drilling the outstanding stratigraphic bores.

### Gunnedah Basin

During the half year, Eastern Star Gas Limited ('Eastern Star') entered into an agreement with Comet Ridge Limited ('Comet'), the consolidated entity's joint venture partner in the Gunnedah Basin Petroleum Exploration Licence (PEL 428), whereby Eastern Star will earn a 60% interest in PEL 428 by funding 100% of Comet's years 1 and 2 work commitments which consist of seismic acquisition and the drilling of one well.

PEL 428 covers an area of 6,021 km<sup>2</sup> in northern New South Wales and lies immediately north and west of Eastern Star's PEL 238 permit which contains the Coonarah Gas Field, the Wilga Park Power Station and the Bohena coal seam gas pilot.

Interests in PEL 428 after Eastern Star has fulfilled its earning obligation will be:

Planet Gas Limited (through its wholly owned subsidiary Davidson Prospecting Pty Limited)	20%
Eastern Star Gas Limited	60%
Comet Ridge Limited	20%

### OTHER

The information in this report that relates to the CBM resources and reserves is based on information compiled by Dr. Jimmy E Goolsby, Wyoming Registered Professional Geologist No. 56, of Goolsby, Finley & Associates, Casper Wyoming and John W. Sinclair, Wyoming Registered Professional Engineer (Petroleum) No. 9233 of CBM International Engineering LLC, Cody Wyoming and supervised by Dr. Richard Haren who meets the requirements of ASX Listing Rule 5.11 and who has consented to the inclusion in this report of the matters based on the information in the form and context in which it appears.

Signed at Sydney this 13th day of September 2005  
in accordance with a resolution of the Board of Directors:



Norman A. Seckold  
Director



Peter J. Nightingale  
Director

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**



**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 2005, there have been:

- (i) no contravention 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.

A handwritten signature in black ink that reads 'KPMG' in a cursive, stylized font.

**KPMG**

A handwritten signature in black ink that reads 'S.J. Board' in a cursive, stylized font.

**S.J. Board  
Partner**

13 September 2005

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT  
FOR THE HALF YEAR ENDED 30 JUNE 2005**

		Consolidated	
	Note	Six Months Ended 30 June 2005 \$	Six Months Ended 30 June 2004 \$
Revenue from sale of coal bed methane		294,965	-
Other revenue from ordinary activities		163,849	221,504
<b>Total revenue</b>		<b>458,814</b>	<b>221,504</b>
Mining and treatment costs		(413,785)	-
Administration and consultants' expenses		(207,366)	(120,361)
Audit Fees		(27,000)	(7,500)
Depreciation		(2,802)	(2,437)
Travel		(71,244)	(22,860)
Other expenses from ordinary activities		(49,483)	(16,170)
<b>Profit/(loss) from ordinary activities before income tax</b>	4	<b>(312,866)</b>	<b>52,176</b>
Income tax expense relating to ordinary activities		-	-
<b>Net profit/(loss) for the period</b>		<b>(312,866)</b>	<b>52,176</b>
Basic profit/(loss) per share	2	<u>(0.185) cents</u>	<u>0.044 cents</u>
Diluted profit/(loss) per share	2	<u>(0.185) cents</u>	<u>0.044 cents</u>



**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET  
AS AT 30 JUNE 2005**

		Consolidated	
	Note	30 June 2005 \$	31 December 2004 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		4,918,197	8,128,692
Trade and other receivables		279,644	140,326
Advances		220,424	-
<b>TOTAL CURRENT ASSETS</b>		<u>5,418,265</u>	<u>8,269,018</u>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		15,371	14,189
Exploration and evaluation expenditure		13,942,670	10,568,312
Security deposits		128,426	126,141
<b>TOTAL NON-CURRENT ASSETS</b>		<u>14,086,467</u>	<u>10,708,642</u>
<b>TOTAL ASSETS</b>		<u>19,504,732</u>	<u>18,977,660</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		927,571	773,258
<b>TOTAL CURRENT LIABILITIES</b>		<u>927,571</u>	<u>773,258</u>
<b>NON-CURRENT LIABILITIES</b>			
Other		1,647,102	1,173,375
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>1,647,102</u>	<u>1,173,375</u>
<b>TOTAL LIABILITIES</b>		<u>2,574,673</u>	<u>1,946,633</u>
<b>NET ASSETS</b>		<u>16,930,059</u>	<u>17,031,027</u>
<b>EQUITY</b>			
Issued capital	3	18,765,014	18,765,014
Accumulated losses	4	(961,433)	(648,567)
Foreign currency translation reserve		(873,522)	(1,085,420)
<b>TOTAL EQUITY</b>		<u>16,930,059</u>	<u>17,031,027</u>

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 30 JUNE 2005**

	Consolidated	
Note	Six Months Ended 30 June 2005 \$	Six Months Ended 30 June 2004 \$
<b>Cash flows from operating activities</b>		
Cash receipts from customers	264,023	-
Cash paid to suppliers	(516,163)	(805,560)
Cash generated from operations	(252,140)	(805,560)
Interest received	167,138	221,504
Payments for production	(278,242)	-
<b>Net cash used in operating activities</b>	<b>(363,244)</b>	<b>(584,056)</b>
<b>Cash flows from investing activities</b>		
Payments for exploration and evaluation expenditure	(2,162,814)	(1,320,571)
Payments for acquisitions of exploration areas	(469,602)	-
Payments for development	(217,531)	-
Payments for plant and equipment	-	(3,136)
<b>Net cash used in investing activities</b>	<b>(2,849,947)</b>	<b>(1,323,707)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	15,000,000
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>15,000,000</b>
Net increase/(decrease) in cash and cash equivalents	(3,213,191)	13,092,237
Cash and cash equivalents at 1 January	8,128,692	816,322
Effect of exchange rate fluctuations on cash held	2,696	-
<b>Cash at the end of the financial period</b>	<b>4,918,197</b>	<b>13,908,559</b>

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF RECOGNISED  
INCOME AND EXPENSE  
FOR THE HALF YEAR ENDED 30 JUNE 2005**

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	Consolidated	
	Six Months Ended 30 June 2005 \$	Six Months Ended 30 June 2004 \$
Foreign exchange translation differences	211,898	(552,030)
<b>Net income recognised directly in equity</b>	211,898	(552,030)
<b>Profit/(loss) for the period</b>	<u>(312,866)</u>	<u>52,176</u>
<b>Total recognised income and expense for the period</b>	<u>(100,968)</u>	<u>(499,854)</u>

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2005**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

Planet Gas Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report of the Company for the half year ended 30 June 2005 comprise the Company and its subsidiaries (together referred to as the 'consolidated entity') and the consolidated entities interest in associates and jointly controlled entities.

The financial report was authorised for issue by the directors on 13 September 2005.

**Statement of compliance**

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001.

International Financial Reporting Standards ('IFRSs') form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ('AIFRS'). The financial reports of the consolidated entity comply with IFRSs and interpretations adopted by the International Accounting Standards Board.

This is the consolidated entities first financial report prepared in accordance with AIFRS and AASB 1 First Time Adoption of AIFRS has been applied. The condensed consolidated interim financial report does not include all of the information required for a full annual financial report.

The interim financial report is to be read in conjunction with the most recent annual financial report, however, the basis of their preparation is different to that of the most recent annual financial report due to the first time adoption of AIFRSs. This report must also be read in conjunction with any public announcements made by Planet Gas Limited during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

An explanation of how the transition to AIFRS has affected the reported financial position and financial performance of the consolidated entity is provided in note 8.

**Basis of preparation**

The financial report is presented in Australian dollars.

The preparation of an interim financial report in conformity with AASB 134 Interim Financial Reporting requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

This condensed consolidated interim financial report has been prepared on the basis of AIFRSs in issue that are effective or available for early adoption at the consolidated entities first AIFRS annual reporting date, 31 December 2005. Based on these AIFRSs, the Board of Directors have made assumptions about the accounting policies expected to be adopted (accounting policies) when the first AIFRS annual financial report is prepared for the year ending 31 December 2005.

The Australian Accounting Standards and UIG Interpretations that will be effective or available for voluntary early adoption in the annual financial statements for the year ending 31 December 2005 are still subject to change therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the first AIFRS financial statements are prepared at 31 December 2005.

## **PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES**

The preparation of the condensed consolidated interim financial report in accordance with AASB 134 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening AIFRS balance sheet at 1 January 2004 for the purposes of the transition to Australian Accounting Standards. AIFRSs, as required by AASB 1. The impact of the transition from previous GAAP to AIFRSs is set out in note 8.

The accounting policies have been consistently applied throughout this financial report.

### **Revenue recognition**

#### ***Interest revenue***

Interest revenue is recognised on an accrual basis.

#### ***Sale of goods***

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

### **Goods and services tax**

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

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

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

### **Exploration expenditure**

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

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

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

### **Plant and equipment**

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

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

# PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

## **Accounts payable**

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

## **Acquisition of assets**

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

## **Financial instruments issued by the Company**

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

## **Basis of consolidation**

### **(i) 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 condensed consolidated interim financial report from the date that control commences until the date that control ceases.

### **(ii) Associates**

Associates are those entities for which the consolidated entity has significant influence, but not control, over the financial and operating policies. The condensed consolidated interim financial statements include the consolidated entity's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the consolidated entity's share of losses exceeds its interest in an associate, the consolidated entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate.

### **(iii) Joint ventures**

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

## **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 condensed consolidated interim financial statements.

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

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

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

## **Recoverable amount of non-current assets**

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

# PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

## Foreign currency transactions

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

## Financial statements of foreign operations

Following the adoption of AIFRS the functional currency of the Company's wholly owned entities incorporated in the United States has changed from Australian dollars to United States dollars.

The assets and liabilities of these entities are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in foreign currency translation reserve, a separate component of equity. At the transition date to AIFRS on 1 January 2004, no foreign entities were in existence, hence no translation difference existed at transition.

Any references to functional currency, unless otherwise stated, are to the functional currency of the Company and consolidated entity, Australian dollars. The effects of the translation differences can be seen in note 8.

## Income tax

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

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

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

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

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

Consolidated	
30 June 2005	30 June 2004
\$	\$

**NOTE 2 - PROFIT/(LOSS) PER SHARE**

Basic earnings/(loss) per share has been calculated using:

Net profit/(loss) for the half year	(312,866)	52,176
Weighted average number of ordinary shares	168,800,005	119,669,172

There are no 'potential' dilutive ordinary shares.

**NOTE 3 - ISSUED CAPITAL**

**Fully paid ordinary shares**

168,800,005 (31 December 2004 – 168,800,005) fully paid ordinary shares

	18,765,014	18,765,014
--	------------	------------

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

Consolidated	
Six Months Ended 30 June 2005	Six Months Ended 30 June 2004
\$	\$

**NOTE 4 - ACCUMULATED LOSSES**

Retained losses at the beginning of the half year	(648,567)	(630,863)
Net profit/(loss) attributable to members of the parent entity	(312,866)	52,176
	(961,433)	(578,687)

**NOTE 5 - COMMITMENTS & CONTINGENCIES**

**Kennedy Oil**

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

**Lynch Mining Pty Limited**

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

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



**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**NOTE 5 - COMMITMENTS & CONTINGENCIES (Con't)**

**Western Gas Resources Inc**

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

**NOTE 6 - FINANCIAL REPORTING BY SEGMENTS**

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

<b>Geographical Segments</b>	<b>Australia</b>	<b>United States</b>	<b>Consolidated Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>30 June 2005</b>			
<b>Revenue</b>			
External segment revenue	-	294,965	294,965
Unallocated revenue			163,849
			<hr/>
<b>Total revenue</b>			<b>458,814</b>
			<hr/>
<b>Result</b>			
Segment result	-	(39,614)	(39,614)
Tax expense			-
Unallocated corporate expenses			(273,252)
			<hr/>
<b>Net loss</b>			<b>(312,866)</b>
			<hr/>
<b>30 June 2004</b>			
<b>Revenue</b>			
External segment revenue	-	-	-
Unallocated revenue			221,504
			<hr/>
<b>Total revenue</b>			<b>221,504</b>
			<hr/>
<b>Result</b>			
Segment result	-	-	-
Tax expense			-
Unallocated corporate revenue and expenses			52,176
			<hr/>
<b>Net profit</b>			<b>52,176</b>
			<hr/>

Division of the consolidated entities results and assets into geographical segments has been ascertained by direct identification of assets and revenue cost centres. There are no intersegment revenue transactions and the major product is coal bed methane.

# PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

## NOTE 7 - CONTROLLED ENTITIES

### *Parent Entity*

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

### *Wholly-Owned Controlled Entities*

Davidson Prospecting Pty Limited, incorporated in Australia.

Greenpower Energy Pty Limited, incorporated in Australia.

Sawells Pty Limited, incorporated in Australia.

Pauper's Dream Company, 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.

## NOTE 8 - EXPLANATION OF THE TRANSITION TO AIFRS

As stated in note 1 these are the consolidated entity's first condensed consolidated interim financial statements for part of the period covered by the first AIFRS annual consolidated financial statements prepared in accordance with Australian Accounting Standards – AIFRSs.

The accounting policies in note 1 have been applied in preparing the condensed consolidated interim financial statements for the six months ended 30 June 2005, the comparative information for the six months ended 30 June 2004, the financial statements for the year ended 31 December 2004 and the preparation of an opening AIFRS balance sheet at 1 January 2004 (the consolidated entity's date of transition).

In preparing its opening AIFRS balance sheet, comparative information for the six months ended 30 June 2004 and financial statements for the year ended 31 December 2004, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP).

An explanation of how the transition from previous GAAP to AIFRSs has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables.

Following the adoption of AIFRS the functional currency of the Company's wholly owned entities incorporated in the United States has changed from Australian dollars to United States dollars.

The assets and liabilities of these entities are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in foreign currency translation reserve, a separate component of equity. At the transition date to AIFRS on 1 January 2004, no foreign entities were in existence, hence no translation difference existed at transition.

The transition to AIFRS has resulted in no other material impact to the consolidated entity's financial statements.

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**NOTE 8 - EXPLANATION OF THE TRANSITION TO AIFRS (Cont'd)**

	1 January 2004			30 June 2004			31 December 2004		
	AGAAP	Transition	AIFRS	AGAAP	Transition	AIFRS	AGAAP	Transition	AIFRS
	\$	Impact	\$	\$	Impact	\$	\$	Impact	\$
<b>CURRENT ASSETS</b>									
Cash and cash equivalents	816,322	-	816,322	13,908,559	-	13,908,559	8,128,692	-	8,128,692
Trade and other receivables	21,254	-	21,254	36,283	-	36,283	140,370	(44)	140,326
<b>TOTAL CURRENT ASSETS</b>	<b>837,576</b>	<b>-</b>	<b>837,576</b>	<b>13,944,842</b>	<b>-</b>	<b>13,944,842</b>	<b>8,269,062</b>	<b>(44)</b>	<b>8,269,018</b>
<b>NON-CURRENT ASSETS</b>									
Plant and equipment	6,915	-	6,915	7,614	-	7,614	14,188	-	14,188
Exploration and evaluation expenditure	2,491,482	-	2,491,482	4,203,766	(552,391)	3,651,375	11,641,542	(1,073,230)	10,568,312
Other	20,000	-	20,000	128,288	361	128,648	138,288	(12,146)	126,142
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,518,397</b>	<b>-</b>	<b>2,518,397</b>	<b>4,339,668</b>	<b>(552,030)</b>	<b>3,787,637</b>	<b>11,794,018</b>	<b>(1,085,376)</b>	<b>10,708,642</b>
<b>TOTAL ASSETS</b>	<b>3,355,973</b>	<b>-</b>	<b>3,355,973</b>	<b>18,284,510</b>	<b>(552,030)</b>	<b>17,732,479</b>	<b>20,063,080</b>	<b>(1,085,420)</b>	<b>18,977,660</b>
<b>CURRENT LIABILITIES</b>									
Trade and other payables	164,782	-	164,782	98,183	-	98,183	773,258	-	773,258
Other	2,500,000	-	2,500,000	-	-	-	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,664,782</b>	<b>-</b>	<b>2,664,782</b>	<b>98,183</b>	<b>-</b>	<b>98,183</b>	<b>773,258</b>	<b>-</b>	<b>773,258</b>
<b>NON-CURRENT LIABILITIES</b>									
Loans	-	-	-	-	-	-	1,173,375	-	1,173,375
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,173,375</b>	<b>-</b>	<b>1,173,375</b>
<b>TOTAL LIABILITIES</b>	<b>2,664,782</b>	<b>-</b>	<b>2,664,782</b>	<b>98,183</b>	<b>-</b>	<b>98,183</b>	<b>1,946,633</b>	<b>-</b>	<b>1,946,633</b>
<b>NET ASSETS</b>	<b>691,191</b>	<b>-</b>	<b>691,191</b>	<b>18,186,327</b>	<b>(552,030)</b>	<b>17,634,296</b>	<b>18,116,447</b>	<b>(1,085,420)</b>	<b>17,031,027</b>
<b>EQUITY</b>									
Issued capital	1,322,054	-	1,322,054	18,765,014	-	18,765,014	18,765,014	-	18,765,014
Foreign currency translation reserve	-	-	-	-	(552,030)	(552,030)	-	(1,085,420)	(1,085,420)
Accumulated losses	(630,863)	-	(630,863)	(578,687)	-	(578,687)	(648,567)	-	(648,567)
<b>TOTAL EQUITY</b>	<b>691,191</b>	<b>-</b>	<b>691,191</b>	<b>18,186,327</b>	<b>(552,030)</b>	<b>17,634,297</b>	<b>18,116,447</b>	<b>(1,085,420)</b>	<b>17,031,027</b>

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' DECLARATION**

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In the opinion of the Directors of Planet Gas Limited:

1. the financial statements and notes set out on pages 12 to 23, are in accordance with the Corporations Act 2001 including:
  - a) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2005 and of its performance, as represented by the results of its operations and cash flows 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; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 13th day of September 2005  
Signed in accordance with a resolution of the directors:



Norman A. Seckold  
Director



Peter J. Nightingale  
Director



## Independent review report to the members of Planet Gas Limited

### Scope

#### *The financial report and director's responsibility*

The financial report comprises the condensed consolidated interim statements of income, balance sheet, changes in recognised income and expense, cash flows, accompanying notes 1 to 8 to the financial statements, and the director's declaration set out on pages 12 to 24 for the Planet Gas Limited consolidated entity ("the consolidated entity"), for the half year ended 30 June 2005. The consolidated entity comprises Planet Gas Limited ("the company") and the entities it controlled during that half year.

The directors of the consolidated entity are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for preparing the relevant reconciling information regarding adjustments required under the Australian Accounting Standard AASB 1 *First-Time Adoption of Australian equivalents to International Financial Reporting Standards*.

#### *Review approach*

We conducted an independent review in order for the consolidated entity to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of consolidated entity personnel; and
- analytical procedures applied to the financial data.

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

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

### Statement

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

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2005 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;
- (b) other mandatory financial reporting requirements in Australia.

KPMG

13 September 2005

S.J. Board  
Partner

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**CORPORATE DIRECTORY**

**Directors:**

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

**Company Secretary:**

Mr Peter J. Nightingale

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

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SYDNEY NSW 2000  
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Fax: 61-2 9247 7273  
Email: [info@planetgas.com](mailto:info@planetgas.com)  
Homepage: [www.planetgas.com](http://www.planetgas.com)

**Auditors:**

KPMG  
Level 30, Central Plaza One  
345 Queen Street  
BRISBANE QLD 4000

**Share Registrar:**

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

**Solicitors:**

Minter Ellison  
88 Phillip Street  
SYDNEY NSW 2000