

PLANET GAS LIMITED
and its controlled entities

A.B.N. 46 098 952 035

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
30 JUNE 2018**

**PLANET GAS LIMITED
AND ITS CONTROLLED ENTITIES**

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**PLANET GAS LIMITED
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DIRECTORS' REPORT

The Directors of Planet Gas Limited (the 'Company' or 'Planet Gas') 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 2018.

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, including the role of Chairman for a number of publicly listed companies.

Mr Seckold is currently Chairman of Collerina Cobalt Limited, a minerals exploration and development company operating in Australia and Indonesia and Santana Minerals Limited, a precious metals exploration company operating in Mexico. In the past three years, he was also director of Jervois Mining Limited and director of the unlisted public companies Mekong Minerals Limited and Nickel Mines Limited.

Peter J. Nightingale, Executive Director and CFO

Director since 4 December 2001.

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

As a director or company secretary, Mr Nightingale has, for more than 25 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.

Mr Nightingale is currently a director of Collerina Cobalt Limited and until December 2017 he was director of Argent Minerals Limited. He is also a director of unlisted public companies Nickel Mines Limited and Prospech Limited.

Robert Michael 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 coal bed methane production in Queensland.

Mr Bell was one of the founders of Queensland Gas Company which was bought by British Gas in 2009 and he was a director of Green Investment Ltd.

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DIRECTORS' REPORT

Anthony J. McClure, 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 30 years' technical, management and financial experience in the resource sector worldwide in project management and executive development roles. He has also worked in the financial services sector and stockbroking, primarily as a resource analyst covering both mineral and energy sectors.

Mr McClure is currently Managing Director of Silver Mines Limited and a director of unlisted public company Mekong Minerals Limited.

Anthony J. McDonald, Independent and Non-Executive Director

Director since 19 November 2003.

Mr McDonald graduated with a Bachelor of Laws from the Queensland University of Technology in 1981. He was admitted as a solicitor in 1982. He has been involved in the natural resources sector in Australia and internationally for many years and in the past 17 years has been actively involved in management in the resources sector.

Mr McDonald is currently Managing Director of Santana Minerals Limited, a precious metals explorer with a Chile and Mexico focus and non-executive director of ASX listed PPK Group Limited, a mining products and services provider, and a non-executive director of unlisted Mekong Minerals Limited.

**PLANET GAS LIMITED
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DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW

The activities of Planet Gas Limited and its controlled entities (the 'Group') during the half-year ended 30 June 2018 include the following:

- The Overriding Royalty Interest ('ORRI') in Kansas, Pennsylvania and New York State, United States of America.
- The Senex Energy Limited ('Senex') and Planet Gas Limited joint venture in the Cooper Basin is currently being assessed.

OVERRIDING ROYALTY INTEREST, USA

During the half-year, the Company's 3% Overriding Royalty Interest ('ORRI') over established oil and gas production assets in Kansas, Pennsylvania and New York State in the United States of America produced 90,346 barrels of oil and 796,297 cubic feet of natural gas.

	Half-Year Ended 30 June 2017	Half-Year Ended 30 June 2018
Planet Gas ORRI (US\$)	134,114	158,826

Production was in line with the same period last year, revenue increased by US\$24,712.

During the half-year, West Texas Intermediate Crude prices continue its recovery especially during the second quarter of the year reaching US\$74 per barrel. NYMEX natural gas prices were volatile during the half-year ranging from US\$2.55 per MMBtu to US\$3.63 per MMBtu. However, in the second quarter of the year NYMEX natural gas prices remain stable averaging approximately US\$2.80 per MMBtu.

COOPER BASIN, SOUTH AUSTRALIA

PRL 118 through PRL 128 (previously PEL 514) and PRL 221 through PRL 230 (previously PEL 638)

PRL 118 through PRL 128 and PRL 221 to 230 (previously PEL 638) cover a combined area of 1,917 km² in the Cooper Basin of north eastern South Australia, hosting an array of exploration targets for conventional and unconventional hydrocarbons.

PRL 221 to 230, previously, PEL 638, which covers an area of 904 km² in the Patchawarra Trough, was excised from PEL 514 to facilitate the administration of the joint venture between Senex Energy Limited ('Senex', ASX: SXY), Lattice Energy Limited a subsidiary of Beach Energy Limited ('Beach', ASX: BPT) and Planet Gas. Prior to the excising of PEL 638, Planet Gas held a 20% interest in PEL 514.

PRL 221 to 230 are divided into two joint ventures; the PRL 221 through PRL 230 Deeps¹ joint venture (the subject of the farm-in by Lattice) and the PRL 221 through PRL 230 Shallows¹ joint venture.

Planet Gas' interest in each of these areas is summarised as follows:

- PRL 118 through PRL 128 20% free carried.
- PRL 221 through PRL 230 Shallows 20% free carried.
- PRL 221 through PRL 230 Deeps 12.5% free carried reducing to 10% in the event that the Joint venture proceeds with Stage 2 of the farm-in program.

¹ A stratigraphic division separates the 'Deeps' and 'Shallows' with the Origin agreement relating to the Deeps of the Permian system.

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PRL 221 through PRL 230 Deeps (previously PEL 638 Deeps)

As previously announced, Planet Gas' 20% interest in PRL 221 through PRL 230 Deeps was reduced to a 12.5% free carried interest and would further reduce to a 10% interest based on work program expenditures by the joint venture in the event that joint venture proceeds with Stage 2 of the farm-in program.

The farm-in programs include the drilling of exploration and appraisal wells and, in the event of potentially producible hydrocarbons, fracture stimulation and flow testing. Stage 1 will evaluate the potential of the tight gas sands and provide proof of concept of the Permian system.

During the half year Lattice agreed to transfer its interests in the joint venture to Senex. As such, limited work was carried out during the half-year ended 30 June 2018. The joint venture is evaluating future options for work programs.

PRL 118 through PRL 128 (previously PEL 514) and PRL 221 through PRL 230 Shallows (previously PEL 638 Shallows)

Limited work was carried out during the half-year ended 30 June 2018 and no exploration drilling is currently scheduled.

Planet Gas' 20% interest continues to be free carried by Senex for oil exploration in PRL 118 through PRL 128 and PRL 221 through PRL 230 Shallows.

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DIRECTORS' REPORT

No Material Changes

Planet Gas confirms that it is not aware of any new information or data that would materially affect the information included in the quarterly activities report market announcements dated 23 January 2018, 27 April 2018 and 24 July 2018 and that all material assumptions and technical parameters in the market announcements continue to apply and have not materially changed.

Corporate Activities

During the half-year, the Group continued to focus on its oil and gas interests in PRL 118 through PRL 128 and PRL 221 through 230 (previously PEL 638) in the Cooper Basin of South. In addition to the exploration interests, the Company will keep its shareholders and the market informed regarding its royalty interest in the United States of America.

The Company continues to assess further opportunities in the general resources industries for future growth for the Group.

Subsequent Events

No matters or circumstances have arisen since the end of the half-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.

Signed at Sydney this 13th day of August 2018
in accordance with a resolution of the Board of Directors:



Norman A. Seckold
Chairman



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 of Planet Gas Limited for the half-year ended 30 June 2018 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

Stephen Board
Partner

Brisbane
13 August 2018

**PLANET GAS LIMITED
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**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

	Notes	30 June 2018 \$	30 June 2017 \$
CONTINUING OPERATIONS			
Revenue		207,252	179,594
Administration and consultants' expenses		(268,992)	(271,056)
Amortisation	7	(101,300)	(130,327)
Travel expenses		-	(819)
Other expenses		(48,500)	(57,951)
Operating loss before financing income		(211,540)	(280,559)
Financial income		28	1,177
Finance expense	8	(136,767)	(119,017)
Net financing expense		(136,739)	(117,840)
Loss before tax		(348,279)	(398,399)
Income tax expense		-	-
Loss for the period		(348,279)	(398,399)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences - foreign operations		(68,664)	89,089
Net change in the fair value of available for sale financial assets	5	(184)	(543)
Total items that may be reclassified subsequently to profit or loss		(68,848)	88,546
Other comprehensive loss for the period		(68,848)	88,546
Total comprehensive loss for the period		(417,127)	(309,853)
Basic and diluted loss per share (cents)		(0.06)	(0.07)

The above Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

**PLANET GAS LIMITED
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**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	Notes	30 June 2018 \$	31 December 2017 \$
Current assets			
Cash and cash equivalents		18,010	143,040
Trade and other receivables		37,381	36,248
Other assets		1,947	2,919
Total current assets		57,338	182,207
Non-current assets			
Investments	5	230	414
Exploration and evaluation expenditure	6	1,188,845	1,182,845
Intangible assets	7	2,372,914	2,352,236
Total non-current assets		3,561,989	3,535,495
Total assets		3,619,327	3,717,702
Current liabilities			
Trade and other payables		1,488,792	1,174,376
Loans and borrowings	8	3,759,962	3,755,626
Total current liabilities		5,248,754	4,930,002
Total liabilities		5,248,754	4,930,002
Net liabilities		(1,629,427)	(1,212,300)
Equity			
Issued capital	9	49,781,972	49,781,972
Fair value reserve		230	414
Foreign currency translation reserve		(2,650,174)	(2,581,510)
Accumulated losses		(48,761,455)	(48,413,176)
Total deficiency		(1,629,427)	(1,212,300)

The above Condensed Consolidated Interim Statement of Financial Position should be read
in conjunction with the accompanying notes

**PLANET GAS LIMITED
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**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

	Issued capital \$	Accumulated losses \$	Fair value reserve \$	Foreign currency translation reserve \$	Total equity \$
Balance at 1 January 2017	49,781,972	(47,659,668)	990	(2,687,459)	(564,165)
Total comprehensive income for the period					
Loss for the period	-	(398,399)	-	-	(398,399)
Other comprehensive income items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences	-	-	-	89,089	89,089
Net change in fair value of available-for-sale financial assets	-	-	(543)	-	(543)
Total other comprehensive loss	-	-	(543)	89,089	88,546
Total comprehensive loss	-	(398,399)	(543)	89,089	(309,853)
Transactions with owners recorded directly in equity					
Contribution by and distribution to owners	-	-	-	-	-
Balance at 30 June 2017	49,781,972	(48,058,067)	447	(2,598,370)	(874,018)
Balance at 1 January 2018	49,781,972	(48,413,176)	414	(2,581,510)	(1,212,300)
Total comprehensive income for the period					
Loss for the period	-	(348,279)	-	-	(348,279)
Other comprehensive income items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences	-	-	-	(68,664)	(68,664)
Net change in fair value of available-for-sale financial assets	-	-	(184)	-	(184)
Total other comprehensive loss	-	-	(184)	(68,664)	(68,848)
Total comprehensive loss	-	(348,279)	(184)	(68,664)	(417,127)
Transactions with owners recorded directly in equity					
Contribution by and distribution to owners	-	-	-	-	-
Balance at 30 June 2018	49,781,972	(48,761,455)	230	(2,650,174)	(1,629,427)

The above Condensed Consolidated Interim Statement of Changes in Equity should be read in conjunction with the accompanying notes

**PLANET GAS LIMITED
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**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

	30 June 2018	30 June 2017
	\$	\$
Cash flows from operating activities		
Cash receipts in the course of operations	228,119	179,015
Cash payments in the course of operations	<u>(26,179)</u>	<u>(115,105)</u>
Cash provided by operations	201,940	63,910
Interest received	28	1,177
Interest paid	<u>(131,431)</u>	<u>(120,436)</u>
Net cash provided by / (used in) operating activities	<u>70,537</u>	<u>(55,349)</u>
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	-	-
Payments for royalty acquisition	-	-
Receipt of royalty refund deposit withheld	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from draw down of facility	-	-
Repayment of borrowings	<u>(195,567)</u>	<u>(195,874)</u>
Net cash from financing activities	<u>(195,567)</u>	<u>(195,874)</u>
Net decrease in cash and cash equivalents	(125,030)	(251,223)
Cash and cash equivalents at the beginning of the financial period	<u>143,040</u>	<u>386,321</u>
Cash and cash equivalents at the end of the financial period	<u>18,010</u>	<u>135,098</u>

The above Condensed Consolidated Interim Statement of Cash Flows should be read
in conjunction with the accompanying notes

**PLANET GAS LIMITED
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

NOTE 1 - REPORTING ENTITY

Planet Gas Limited (the 'Company') is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the half-year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily engaged in the acquisition, exploration and development of oil and gas interests in Australia and the United States of America.

The consolidated annual financial statements of the Group as at and for the year ended 31 December 2017 are available upon request from the Company's registered office at Level 2, 66 Hunter Street, Sydney, NSW, 2000 or at www.planetgas.com.

NOTE 2 - BASIS OF PREPARATION

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

The condensed consolidated interim financial statements do 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 2016 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.

These condensed consolidated interim financial statements were approved by the Board of Directors on 13 August 2018.

Going Concern

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

During the half-year ended 30 June 2018 the Group incurred a loss of \$348,279 (year ended 31 December 2017 - \$753,508 loss) and has generated \$70,537 (year ended 31 December 2017 – used \$47,407) in cash inflows from operating activities. There were no cash outflows relating to exploration and evaluation activities (2016 - \$nil).

The Group has a net current asset deficiency of \$5,191,416 at 30 June 2018 (31 December 2017 - deficiency of \$4,747,795) which includes cash and cash equivalents of \$18,010 (31 December 2017 - \$143,040). The cash and cash equivalents balance includes US\$1,173 which is restricted in use.

As at 30 June 2018, the Group has \$1,488,792 of trade and other payables, of which \$1,331,893 is owing to directors and their related parties. The directors and related parties have agreed to defer the payment of all amounts owing to them until such time that the Group is in a position to repay amounts owing without impacting the financial viability of the Group.

During the half-year ended 30 June 2018 the Group repaid the overdue principal debt repayment of US\$150,000 and at 30 June 2018, the total amount owing on the conditional debt facility with Macquarie Bank Limited was US\$2,784,252 (including accrued interest of US\$34,252). Interest is payable quarterly on the outstanding balance of the loan and on 10 May 2018 the quarterly interest payment owing was repaid in full. The facility is to be repaid by 10 February 2020, with a principal repayment payable each year on the anniversary date of the initial drawdown. A principal repayment of US\$150,000 is next due for repayment on 10 February 2019.

The Group has not complied with the contractual terms of the loan facility which is secured by a charge over the intangible assets set out in Note 7 and the assets of Planet Gas Limited. The Directors are currently evaluating their options in relation to the non-compliance with the terms of the loan facility (refer Note 8). These options may include sale of certain assets to repay debt or renegotiation of the existing debt facility. As a result of the non-compliance the Group has classified the loan facility as a current liability at year end.

**PLANET GAS LIMITED
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

NOTE 2 - BASIS OF PREPARATION (Cont.)

Going Concern (Cont.)

The Directors have prepared cash flow projections for the coming 12 months that support the ability of the Group to continue as a going concern. These cash flow projections assume the following:

- the Group generates revenue from the USA override royalty interest to meet ongoing operational expenditure and contractual debt repayments;
- no additional payments are required in relation to the Macquarie Bank Limited facility beyond interest repayments and annual principal repayments; and
- no amounts will be paid to directors and their related entities in the forecast period and the Group will receive ongoing financial support of directors and their related entities to assist the Group to meet its operational expenditure.

In the event that cash inflows from the USA override royalty interest are not sufficient to meet ongoing operational expenditure and contractual debt repayments, the Group will need to raise additional funding from shareholders or other parties.

Accordingly, given the options available to address the Group's funding needs are uncertain until executed, there is a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern.

In the event that the Group does not resolve the debt covenant issues through the strategies outlined above, obtain additional funding and reduce cash outflows in line with available funding, it may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the consolidated financial statements.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year end 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

The Group has initially adopted AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments from 1 January 2018. The adoption of these standards did not have a material effect on the Group's financial statements.

NOTE 4 - ESTIMATES

The preparation of the condensed consolidated interim financial statements 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.

In preparing these condensed consolidated interim financial statements, 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 statements as at and for the year ended 31 December 2017.

Additional judgements and key sources of estimation uncertainty that have been applied to the condensed consolidated interim financial statements as at and for the half-year ended 30 June 2018 are described in the following notes:

- Note 2 - Going concern
- Note 6 - Exploration and evaluation expenditure
- Note 7 - Intangible assets

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

NOTE 5 - AVAILABLE FOR SALE FINANCIAL ASSETS

	30 June 2018	31 December 2017
	\$	\$
Equity investments - available for sale at fair value	230	414

At 30 June 2018, the Directors compared the carrying value of the investment to market value and recorded a reduction in fair value of \$184 in equity (30 June 2017 - \$543 reduction in equity). This was based on a closing price of \$0.021 at 30 June 2018 (31 December 2017 - \$0.047).

The equity investment is an ASX listed company, and is therefore designated as Level 1 in the fair value hierarchy (quoted unadjusted prices in active markets).

The carrying value of the equity investments is the same as the fair value.

NOTE 6 - EXPLORATION AND EVALUATION EXPENDITURE

PRL 118 to PRL 128	1,054,052	1,051,052
PRL 221 to PRL 230 (formerly 638)	134,793	131,793
Net book value	1,188,845	1,182,845

PRL 118 to PRL 128		
Carrying amount at beginning of the half-year	1,051,052	1,045,052
Additions	3,000	6,000
Net book value	1,054,052	1,051,052

PRL 221 to PRL 230 (formerly 638)		
Carrying amount at beginning of the half-year	131,793	125,793
Additions	3,000	6,000
Net book value	134,793	131,793

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

During the half-year ended 30 June 2018, the Group assessed its exploration and evaluation expenditure assets for impairment and recorded no impairment.

**PLANET GAS LIMITED
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

NOTE 7 - INTANGIBLE ASSETS

	30 June 2018	31 December 2017
	\$	\$
Overriding royalty interest (ORRI)		
Royalty - at cost	6,249,239	5,937,079
Refund acquisition retention	-	(5,829)
Accumulated amortisation	(697,187)	(561,644)
Accumulated impairment	(3,179,138)	(3,017,370)
Net book value	<u>2,372,914</u>	<u>2,352,236</u>

Reconciliations of the carrying amounts for each class of intangible assets are set out below:

Carrying amount at beginning of year	2,352,236	2,779,620
Amortisation	(101,300)	(215,551)
Net foreign currency differences on translation	121,978	(211,833)
Net book value	<u>2,372,914</u>	<u>2,352,236</u>

Based on the impairment review completed at 30 June 2018, no impairment was recorded (31 December 2017 impairment: Nil).

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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NOTE 8 - LOANS AND BORROWINGS

	30 June 2018	31 December 2017
	\$	\$
Current	<u>3,759,962</u>	<u>3,755,626</u>

The Company has drawdown US\$3.2 million from a 5 year conditional loan facility provided by Macquarie Bank Limited. At 30 June 2018 the outstanding principal is US\$2,750,000 and the outstanding interest is US\$34,252. The interest is payable quarterly and calculated each quarter using the LIBOR + 5.5% per annum and at 30 June 2018 the applicable interest rate was 7.87%. The loan is repayable in tranches over five years with 5 equal instalments of US\$150,000 payable annually on the anniversary date of the drawdown amount with a final instalment of US\$2,450,000 payable in February 2020.

The loan facility contains a debt covenant stating that at all times the net present value of Proved Developed Producing Reserves ('PDP') is greater than 1.1 of the total aggregate indebtedness of the Group. The Company has not complied with this financial covenant under the loan facility. As outlined in Note 2 the Directors are currently evaluating their options in relation to the non-compliance with financial covenants of the loan facility. As a result of the non-compliance with financial covenants the Group has classified the loan facility as current at 30 June 2018.

NOTE 9 - ISSUED CAPITAL

	30 June 2018		31 December 2017	
	Number	\$	Number	\$
Ordinary shares, fully paid at 1 July	537,622,535	49,781,972	537,622,535	49,781,972
Movement in ordinary shares	-	-	-	-
Balance at end of period	<u>537,622,535</u>	<u>49,781,972</u>	<u>537,622,535</u>	<u>49,781,972</u>

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

NOTE 10 - RELATED PARTY DISCLOSURE

During the half-year ended 30 June 2018, Norman A. Seckold and Peter J. Nightingale had a controlling interest in an entity, Mining Services Trust, which provided full administrative services, including rental accommodation, administrative staff, services and supplies, to the Group. Fees paid to Mining Services Trust during the half-year amounted to \$108,000 (2017 - \$108,000) excluding GST. The amounts outstanding as at 30 June 2018 including GST is \$574,103 (2016 - \$336,600).

At 30 June 2018, \$757,880 was payable to Company Directors for outstanding Director's fees and superannuation (2017 - \$484,880).

NOTE 11 - SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the half-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
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

NOTE 12 - OPERATING SEGMENTS

The Group's chief operating decision maker has considered the requirements of AASB 8, Operating Segments, and has concluded that, during the half-year ended 30 June 2018, the Group has two reportable segments, as described below.

- Exploration – exploration and evaluation activities of the Group
- Royalty – operations related to the overriding royalty interest

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

	Exploration	Royalty	Total Segments	Unallocated	Total
	\$	\$	\$	\$	\$
30 June 2018					
Revenue and other income					
Revenue from external customers	-	207,252	207,252	-	207,252
Interest income	-	-	-	28	28
Interest expense	-	(136,767)	(136,767)	-	(136,767)
Results					
Operating profit /(loss) before income tax	-	(36,028)	(36,028)	(312,251)	(348,279)
Assets					
Segment assets	1,189,056	2,416,307	3,605,363	13,964	3,619,327
Liabilities					
Segment liabilities	-	3,759,962	3,759,962	1,488,792	5,248,754
30 June 2017					
Revenue and other income					
Revenue from external customers	-	179,594	179,594	-	179,594
Interest income	-	-	-	1,177	1,177
Interest expense	-	(119,017)	(119,017)	-	(119,017)
Results					
Operating profit /(loss) before income tax	-	(69,783)	(69,783)	(328,616)	(398,399)
Assets					
Segment assets	1,181,389	2,580,283	3,761,672	60,538	3,822,210
Liabilities					
Segment liabilities	-	3,807,240	3,807,240	888,988	4,696,228

**PLANET GAS LIMITED
AND ITS CONTROLLED ENTITIES**

DIRECTORS' DECLARATION

In the opinion of the Directors of Planet Gas Limited (the Company):

- (1) the condensed consolidated interim financial statements and notes set out on pages 7 to 16, are 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 2018 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*; 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.

Signed at Sydney this 13th day of August 2018
in accordance with a resolution of the Board of Directors:



Norman A. Seckold
Chairman



Peter J. Nightingale
Director



Independent Auditor's Review Report

To the shareholders of Planet Gas Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Planet Gas Limited.

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:

- giving a true and fair view of the **Group's** financial position as at 30 June 2018 and of 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*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2018;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date;
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Group** comprises Planet Gas Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Material uncertainty related to going concern – emphasis of matter

We draw attention to Note 2, "Going Concern" in the Interim Financial Report. The conditions disclosed in Note 2, indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Interim Financial Report. Our conclusion is not modified in respect of this matter.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation 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 internal 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 for the review of the Interim Financial Report

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 2018 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.

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



KPMG



Stephen Board
Partner
Brisbane
13 August 2018

**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

Company Secretary:

Mr Marcelo Mora

Principal Place of Business and Registered Office:

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Homepage: www.planetgas.com

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