

# DIRECTORS' REPORT

The Directors present the consolidated financial report of Planet Gas Limited ('Planet Gas' or 'the Company') and its controlled entities for the financial year ended 31 December 2013. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' report as follows:

## Directors

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

### Norman Alfred Seckold

#### Executive Chairman

Director since 4 December 2001.

Norman Seckold graduated with a Bachelor of Economics degree from the University of Sydney in 1970. He has spent more than 30 years in the full time management of natural resource companies, both in Australia and overseas, including the role of Chairman for a number of publicly listed companies including:

- Moruya Gold Mines (1983) N.L., which acquired the Golden Reward heap leach gold deposit in South Dakota, USA.
- Pangea Resources Limited, which acquired and developed the Pauper's Dream gold mine in Montana, USA.
- Timberline Minerals, Inc. which acquired and completed a feasibility study for the development of the MacArthur copper deposit in Nevada, USA.
- Perseverance Corporation Limited, which discovered and developed the Nagambie gold mine in Victoria.
- Valdora Minerals N.L., which developed the Rustler's Roost gold mine in the Northern Territory and the Ballarat East Gold Mine in Victoria.
- Viking Gold Corporation, which discovered a high grade gold deposit in northern Sweden and Mogul Mining N.L., which drilled out the Magistral and Ocampo gold deposits in Mexico.
- Bolnisi Gold N.L. which discovered and is currently operating the Palmarejo and Guadalupe gold and silver deposits in Mexico.
- Cockatoo Coal Limited, an Australian coal mining, exploration and project development company.
- Cerro Resources N.L., a precious metals exploration company with a development project in Mexico.

Mr Seckold is currently Chairman of the following listed companies:

- Augur Resources Ltd, a minerals exploration and development company operating in Australia and Indonesia.
- Santana Minerals Limited, a precious metals exploration company operating in Mexico.
- Equus Mining Limited, a mineral and development company operating in Chile.

He is also a director of the unlisted public companies Mekong Minerals Limited and Nickel Mines Limited.

### Anthony John McClure

#### Managing Director

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

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

### Peter James Nightingale

#### Executive Director and CFO

Director since 4 December 2001.

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

As a director or company secretary Mr Nightingale has, for more than 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 including Bolnisi Gold N.L., Callabonna Uranium Limited, Cockatoo Coal Limited, Mogul Mining N.L., Pangea Resources Limited, Perseverance Corporation Limited, Sumatra Cooper & Gold plc, Timberline Minerals Inc. and Valdora Minerals N.L..

Mr Nightingale is currently a director of Augur Resources Ltd and unlisted public company Nickel Mines Limited.

# DIRECTORS' REPORT

## 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 CBM in Queensland.

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

## Anthony John McDonald

### Independent and Non-Executive Director

Director since 19 November 2003.

Tony McDonald 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 12 years has been actively involved in management in the resources sector. He is currently Managing Director of Santana Minerals Limited, a precious metals explorer with a Mexico focus and Non-executive Director of unlisted Mekong Minerals Limited. In the last 3 years he has also been a director of Industrea Limited and was Managing Director of Cerro Resources NL.

## Robert Charles Neale

### Non-Executive Director

Director since 20 November 2009.

Mr Neale is the immediate past Managing Director of New Hope Corporation Limited. He joined New Hope Corporation Limited in 1996 as General Manager, appointed as Executive Officer in 2005 and to the Board of Directors in November 2008 until his retirement in January 2014. Mr Neale has more than 45 years' experience in the mining and exploration industries covering coal, base metals, gold, synthetic fuels, bulk materials shipping, and power generation. Mr Neale is currently Chairman of Westside Corporation Limited and Dart Energy Limited.

## Directors' and Executives' Remuneration

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

## Directors' Meetings

The number of Directors' meetings and number of meetings attended by each of the Directors (while they were a Director) of the Company during the year are:

Director	Board Meetings	
	Held	Attended
Norman A. Seckold	4	4
Anthony J. McClure	4	4
Peter J. Nightingale	4	4
Robert M. Bell	4	4
Anthony J. McDonald	4	4
Robert C. Neale	4	3

## Directors' Interests

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

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

# DIRECTORS' REPORT

## Option Holdings

### Options granted to Directors

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

Specified Directors	Held at 1 January 2013	Granted as remuneration	Expired	Held at 31 December 2013	Vested during the year	Vested and exercisable at date of report
Norman A. Seckold	-	-	-	-	-	-
Anthony J. McClure	2,000,000	-	-	2,000,000	-	2,000,000
Peter J. Nightingale	8,000,000	-	-	8,000,000	-	8,000,000
Robert M. Bell	2,000,000	-	-	2,000,000	-	2,000,000
Anthony J. McDonald	8,000,000	-	-	8,000,000	-	8,000,000
Robert C. Neale	-	-	-	-	-	-

No options over unissued ordinary shares have been granted to Directors or executives of the Group subsequent to year end.

### Unissued shares of the Company under option

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

Number of options	Exercise price	Expiry date
70,500,000	\$0.132	20 August 2014

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

All options expire on the earlier of their expiry date or termination of the employee's employment. The persons entitled to exercise the options do not have, by virtue of the options, the right to participate in a share issue of any other body corporate.

### Shares issued on exercise of options

The Group has not issued any ordinary shares of the Company as a result of the exercise of options during or since the end of the financial year.

## Principal Activities

The Group is engaged in the acquisition and exploration of oil and gas projects.

## Financial Results

The consolidated profit after income tax attributable to members of the Company for the year was \$4,029,945 (2012 - \$5,563,010 loss).

The Group net profit for the year ended 31 December 2013 was largely generated by the second agreement entered with Senex that was completed during July 2013 whereby the Company sold a 10% interest in PEL 514 North and a 30% interest in PEL 514 South in the Cooper Basin, South Australia. As a result of this agreement, the Company received an initial cash consideration of \$5.0 million.

# DIRECTORS' REPORT

## Review of Operations

The review of operations is set out on pages 2 to 9 of this Annual Report.

## Dividends

The Directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2013. No dividends have been paid or declared during the financial year (2012 - \$nil).

## Changes in State of Affairs

In the opinion of the Directors, significant changes in the state of affairs of the Group that occurred during the year ended 31 December 2013 were as follows:

- Planet Gas entered a second farm-in agreement with Senex for future expanded exploration activities in PEL 514 in South Australia.
- During July 2013, all regulatory and government approvals were successfully achieved and therefore all conditions precedent to the second agreement signed with Senex were satisfied and the Company received the initial \$5.0 million cash consideration.
- During the year, the Company announced the withdrawal from the coal seam gas activities in the Sydney and Gunnedah Basins of New South Wales. By mutual agreement, the Company and Leichhardt Resources Pty Limited agreed to exit from each farm-in agreement and the Company will retain no residual interest or liability.

## Environmental Regulations

The Company's operations are subject to significant environmental regulations under both Australian Commonwealth and State legislation in relation to its activities.

The Board of Directors regularly monitors compliance with environmental regulations. The Directors are not aware of any breaches of these regulations up to the date of this report.

## Subsequent Events

Subsequent to the end of the year a gas farm-out agreement was reached between Senex and Origin concerning PEL 514. The farm-out agreement comprises 904 km<sup>2</sup>, or approximately 47% of the area of PEL 514. A stratigraphic division separates the 'Deeps' and 'Shallows' with the Origin agreement relating only to the Deeps.

The Deeps work program is split into Stages 1 and Stage 2 with total expenditure of up to \$80 million. The joint venture parties may also elect to fund additional work programs of up to \$67 million.

This gas farm-out agreement between Senex and Origin does not affect Planet Gas' 20% interest in PEL 514 or the existing agreement between Planet Gas and Senex.

No other matters or circumstances have arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

## Likely Developments

Planet Gas considers growth as a vital strategy for the Group taking into consideration its existing operations in the Cooper Basin in South Australia or by the addition of new projects through mergers or acquisitions.

During the course of the 2014 financial year, the Group will focus on its oil and gas interest on PEL 514 on the Cooper Basin. The Directors expect to receive further results of the exploration program at PEL 514 which they will make public once the information is received, in accordance with ASX listing rules.

Further information as to likely developments in the operations of the Group and the expected results of those operations in subsequent years has not been included in this report because disclosure of this information would be likely to result in unreasonable prejudice to the Group.

## Indemnification of Officers and Auditors

During or since the financial year, the Company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Company against a liability incurred as such by an officer or auditor. In addition, the Company has not paid or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

# DIRECTORS' REPORT

## Remuneration Report - Audited

### Principles of Compensation - Audited

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the Directors of the Company and the Company Secretary. No other employees have been deemed to be key management personnel.

The remuneration policy of Directors and senior executives is to ensure the remuneration package properly reflects the persons' duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board is responsible for reviewing its own performance. The evaluation process is designed to assess the Group's business performance, whether long term strategic objectives are being achieved, and the achievement of individual performance objectives.

Remuneration generally comprises of salary and superannuation. Longer term incentives are able to be provided through the Company's share option program which acts to align the Director's and senior executive's actions with the interests of the shareholders. The remuneration disclosed below represents the cost to the Group for services provided under these arrangements.

No Directors or senior executives received performance related remuneration. Options issued in prior periods as remuneration were subject to minimum service periods being met. All outstanding options have fully vested at 31 December 2013.

All Directors, except for Robert Neale, who is paid through the Company's payroll, are compensated for their services by way of arrangements with related parties. The previous CEO was employed directly by the Group. The salary component of the previous CEO's remuneration was made up of fixed and equity based remuneration in accordance with his employee service agreement and a termination payment.

There were no remuneration consultants used by the Company during the year ended 31 December 2013, or in the prior year.

# DIRECTORS' REPORT

## Remuneration Report - Audited (Cont.)

### Details of remuneration for the year ended 31 December 2013 - Audited

Details of the nature and amount of each major element of the remuneration of each Director of the Company and other key management personnel of the Group are:

Specified Directors and Executives	Year	Primary Fees/ Salary \$	Termination payments \$	Superannuation \$	Bonuses \$	Fair value of Options \$	Total \$	Proportion of remuneration related %	Value of options as a proportion of remuneration %
<b>Executive Directors</b>									
Norman A. Seckold (Chairman)	2013	90,000	-	-	-	-	90,000	-	-
	2012	90,000	-	-	-	-	90,000	-	-
Anthony J. McClure	2013	270,000	-	-	-	-	270,000	-	-
	2012	270,000	-	-	-	-	270,000	-	-
Peter J. Nightingale (Director and CFO)	2013	75,000	-	-	-	-	75,000	-	-
	2012	75,000	-	-	-	-	75,000	-	-
<b>Non-executive Directors</b>									
Robert M. Bell	2013	24,000	-	-	-	-	24,000	-	-
	2012	24,000	-	-	-	-	24,000	-	-
Anthony J. McDonald	2013	60,000	-	-	-	-	60,000	-	-
	2012	60,000	-	-	-	-	60,000	-	-
Robert C. Neale	2013	22,646	-	-	-	-	22,646	-	-
	2012	24,000	-	-	-	-	24,000	-	-
Total all specified Directors	2013	541,646	-	-	-	-	541,646	-	-
	2012	543,000	-	-	-	-	543,000	-	-
<b>Executives</b>									
Ian Halstead*	2013	-	-	-	-	-	-	-	-
	2012	145,333	87,500	6,333	-	-	239,166	-	-
Total, all specified executives	2013	-	-	-	-	-	-	-	-
	2012	145,333	87,500	6,333	-	-	239,166	-	-

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

There are no service contracts and no bonuses or other performance related compensation payments were paid during the current year to Directors or executives. The Group employed no other key management personnel.

No shares were granted to key management personnel as compensation during the years ended 31 December 2013 or 31 December 2012.

# DIRECTORS' REPORT

## Remuneration Report - Audited (Cont.)

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

Details of vesting profiles of the options granted as remuneration to each key management person and executive of the Group are detailed below. All options refer to ordinary shares of the Company, which are exercisable on a one-for-one basis.

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

No options vested or were forfeited in the year.

### Analysis of movements in options - Audited

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

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

There were no options over ordinary shares of the Company granted, exercised, forfeited or lapsed unexercised during the year ended 31 December 2013.

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

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

No terms of equity-settled share based payment transactions (including options granted as compensation to a key management person) have been altered or modified by the issuing entity during the 2013 and 2012 financial years.

# DIRECTORS' REPORT

## Remuneration Report - Audited (Cont.)

### Consequences of performance on shareholders' wealth - Audited

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

	2013	2012	2011	2010	2009
	\$	\$	\$	\$	\$
Net profit/(loss) attributable to equity holders of the parent	4,029,945	(5,563,010)	(7,324,678)	(5,316,871)	(10,282,193)
Dividends paid	-	-	-	-	-
Change in share price	0.01	(0.01)	(0.01)	(0.07)	(0.11)
Return on capital employed*	78.48%	(503.12%)	(108.27%)	(41.69%)	(58.66%)

\* Return on capital employed is calculated by dividing the profit or loss for the year by total assets less current liabilities.

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

### Non-audit Services

During the year ended 31 December 2013 KPMG, the Group's auditor, did not perform other services in addition to the audit and review of the financial statements.

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

	2013	2012
	\$	\$
<b>Statutory Audit</b>		
Auditors of the Company		
- audit and review of financial reports	53,150	52,650
<b>Services other than Statutory Audit</b>		
Other services		
- project review and strategy	-	8,950



# DIRECTORS' REPORT

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

The lead auditor's independence declaration is set out on page 24 and forms part of the Directors' Report for the year ended 31 December 2013.

Signed at Sydney this 27<sup>th</sup> day of March 2014 in accordance with a resolution of the Board of Directors:



**Norman A. Seckold**  
Chairman



**Anthony J. McClure**  
Managing Director