PLANET GAS LIMITED
and its controlled entities

A.B.N. 46 098 952 035

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2009

PLANET GAS LIMITED
AND ITS CONTROLLED ENTITIES

CONTENTS

The directors present their report together with the consolidated interim financial report and the auditor's review report thereon for the half year ended 30 June 2009.

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 over 28 years in the full time management of natural resource companies, both in Australia and overseas.

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

Mr Seckold is currently Chairman of Australian public listed mining companies Kings Minerals NL and Cockatoo Coal Limited and also Canadian public listed company San Anton Resources Inc.

Sharif A. Oussa, Managing Director and CEO

Director since 5 May 2009.

Mr Oussa is a geologist and former resources and finance analyst with more than 16 years experience in the mining and resources sector.

Formerly Head of Mining and Resources at D&D Tolhurst Limited, he focused significantly on financing and advising coal bed methane (CBM) companies. Mr Oussa later established himself as a leading CBM company founder and executive, playing key roles in the establishment of some of Australia's best known CBM companies, including Sydney Gas Company, Eastern Star Gas Limited and Queensland Gas Company.

He is also an original founder and former CEO and Managing Director of Blue Energy Limited, an original founder of Planet Gas Limited, Great Artesian Oil and Gas Limited, a conventional oil and gas company and a founder and former director of Hot Rock Limited, a company with geothermal development assets in Australia.

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

Director since 4 December 2001.

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

As a director or company secretary Mr Nightingale has, for the past 22 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 NL, Palmarejo Silver and Gold Corporation, Pangea Resources Limited, Timberline Minerals Inc., Perseverance Corporation Limited, Valdora Minerals N.L. and ETT Limited. Mr Nightingale is currently a director or company secretary of Biotron Limited and Cockatoo Coal Limited.

Robert M. Bell, Independent and Non-Executive Director

Director since 30 October 2007.

Bob Bell graduated from Birmingham University in 1960 and moved to Australia in 1964, working as a geologist on the Roma gas fields. After a time with the Queensland Government Mines Department in the late 1970s he established his own consultancy business, specialising in oil and gas exploration in Australia and overseas. He was one of the first geologists in Australia to recognise the enormous potential of CBM in Queensland.

He has a continuing interest in the Peat CBM field and was a founder of, and a major investor in, Queensland Gas Company.

Anthony J. McClure, Independent and Non-Executive Director

Director since 27 August 2003.

Anthony McClure graduated with a Bachelor of Science (Geology) degree from Macquarie University in 1986. Mr McClure has over 20 years 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 a director of European Gas Limited.

Anthony J. McDonald, Independent and Non-Executive Director

Director since 19 November 2003.

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

Mr McDonald has been a director, secretary and/or legal advisor to a number of listed and unlisted public companies in the resources sector.

Mr McDonald is currently a director of Deep Yellow Limited and Industrea Limited.

Operating and Financial Review

The activities of Planet Gas Limited (the 'Company' or 'Planet Gas') during the half year ended 30 June 2009 include the following highlights:

- Appointment of Sharif Oussa as new Managing Director.
- Recapitalisation of the Company commenced.
- Agreement to acquire 100% of Gradient Energy Limited for cash and scrip purchase.
- New domestic energy strategy.
- Assessment of USA Powder River Basin assets continuing.
- Callabonna Uranium Limited to merge with MKY Resources Limited.

Appointment of New Managing Director and CEO

During the half year, Mr Sharif Oussa was appointed as Managing Director and Chief Executive Officer of the Company.

In addition to his normal executive duties, Mr Oussa will take a "hands-on approach" to:

- facilitate re-financing of the Company and its subsidiaries;
- re-establish investor understanding of the Company and its prospects; and
- drive the search for new energy sector opportunities designed to advance shareholder value in the near future.

Mr Oussa, a geologist and former resources and finance analyst with more than 16 years experience in the mining and resources sector, is one of the founders of the Company. He has played key roles in the establishment of some of Australia's best known CBM companies, including Sydney Gas Company, Eastern Star Gas Limited and Queensland Gas Company.

Recapitalisation of the Company

During the half year, the Company successfully placed 30,357,720 shares at $0.05 to resources investment participants.

The equity placement successfully raised $1,517,886 working capital for the Company.

In addition to the placement, the Company has announced a non-renounceable rights issue, where the directors reserve the right to issue any shortfall at their discretion, of fully paid ordinary shares on a pro-rata basis of 1 new share for every 4 existing shares held on the record date at an issue price of $0.05 per new share ('Rights Issue'). A prospectus, which will, amongst other statutory disclosures, detail the timetable for the completion of the Rights Issue is in the process of being prepared and will be released as soon as it is available.

Subsequent to the end of the half year, the Company has completed a placement of 44,718,390 new fully paid ordinary shares at an issue price of $0.05 per new share to retire outstanding liabilities totalling approximately $2.2 million.

Acquisition of 100% of Gradient Energy Limited

During the half year, the directors announced that the Company had entered into a formal agreement to acquire 100% of Gradient Energy Limited ('Gradient'), a Queensland based, public, unlisted geothermal exploration company.

The acquisition is part of an ongoing business strategy to acquire a quality portfolio of Australian domestic energy assets while undertaking a review of the Company's USA assets, in light of significant USA industry developments.

The Acquisition Agreement

The agreement to acquire 100% of Gradient, by means of a scrip and cash offer, is summarised as follows:

- 39.0 million shares issued to Gradient shareholders which will be subject to a 12 month voluntary escrow (or such longer period as required by the ASX); and
- $1.35 million cash payment, being a $50,000 deposit to Gradient and $1.3 million payable to the vendors 6 months after the completion of certain conditions precedent.

Conditions precedent for completion of the acquisition were satisfied on 20 August 2009 and completion of the acquisition is now only subject to administrative processes.

Gradient Energy Limited

Gradient is a public, unlisted Australian geothermal exploration and development company, with projects covering 18,300 km² as follows:

NSW – Clarence Moreton and Gloucester

In NSW, Gradient has identified two separate geological basins it believes are prospective for geothermal energy resources. Both projects are near the east coast and close to significant population centres.

As the most populated state in Australia, NSW relies heavily on coal for electricity generation, particularly from the Hunter Region. The development of renewable and sustainable energy resources is imperative with the changing scene for carbon, and climate change, and the Company will be focussing its largest financial efforts on Gradient's NSW tenement holdings.

Clarence Moreton - EL 7146: Granted in May 2008, this is the largest geothermal licence granted in NSW to date, covering 1,942 km² of the Clarence Moreton Basin. The main east coast electricity transmission network passes through the tenement, which lies approximately 130 kilometres south of Brisbane, and is close to the Gold Coast and the regional cities of Lismore, Grafton and Coffs Harbour.

The Company will explore for shallow Hot Geothermal Aquifer and Hot Fractured Rock type geothermal resources in EL 7146.

Gloucester - EL 7350: Covering the entire Gloucester Basin, adjacent to the Hunter Valley, the exploration license is 66 kilometres from Newcastle, and close to electricity infrastructure.

The Company will be seeking both Hot Aquifer and Hot Fractured Rock resources, and the main focus will be co-generation of electricity through binary power systems, employing gas and geothermal energy to turn turbines.

South Australia – Cooper/Eromanga Basin and the Torrens Hinge zone

Gradient's licences in South Australia cover almost 6,101 km² of highly prospective ground in Australia's most advanced geothermal exploration province - the Cooper/Eromanga Basin. The Eromanga project is located north of Geodynamics flagship Habanero project, and near to Pacific Hydro's HGA project.

Gradients licences in the Cooper/Eromanga Basin are considered highly prospective for both Hot Geothermal Aquifer and Hot Fractured Rock resources. The licences cover two large gravity features, interpreted to be hot buried granites, capped by a thick sequence of sediments thought to host regionally extensive hot aquifer horizons.

The Leigh Creek application covers 6,600 km² centred over the Leigh Creek Coal mine and at the head of the electricity grid that feeds into Adelaide. The project is located within a key geothermal heat flow province, with Torrens Energy's Parachilna project on the southern border and in a similar geological setting as Petratherm's Paralana project located 75 kilometres to the east.

Queensland – Innot Hot Springs

The Innot Hot Springs project is located 10 kilometres from the east coast electricity transmission network, midway between Townsville and Cairns.

The Hot Springs temperatures at surface are up to 74°C, with indicated aquifer temperatures of 144°C to 165°C by fluid chemistry. These temperatures are amongst the hottest indicated aquifer temperatures in Australia, outside of the Cooper Basin, and are within the window for viable electricity generation using conventional binary geothermal power plant technology. The exploration and appraisal target at Innot Hot Springs is a pre-existing and structurally developed Hot Fractured Aquifer system.

Initial exploration by the Company will focus on shallower Hot Sedimentary Aquifer ('HAS') and Hot Fractured Aquifer ('HFA') targets with immediate access to existing electricity infrastructure and good proximity to the large electricity markets of Sydney, Newcastle, Brisbane and Townsville.

These targets are of the style that already supports electricity generation at Landau & Unterhatching in Germany, and have the potential to support commercial scale power generation in Australia. They can also be explored for more rapidly and cost-effectively, and developed using conventional and existing technologies.

The portfolio also has several Hot Fractured Rock ('HFR') targets of the style being explored by Geodynamics in the Cooper Basin of South Australia.

In addition to this acquisition, the directors plan to continue to actively pursue additional energy project opportunities in the coal bed methane, coal mine methane and geothermal sectors. During the half year, a number of acquisition opportunities in the energy sector were assessed.

UNITED STATES OPERATIONS, POWDER RIVER BASIN, WYOMING, USA

The Company is engaged in the acquisition, exploration, development, production and operation of oil, gas and properties. The Company has interests in the following tenements in the Powder River Basin, Wyoming in the USA.

Block/Project	Area Net Hectares
East Esponda	469
West Esponda	11,586
Oriva Throne	146
Oriva Federal	359

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 1,100 million cubic feet per day from over 16,000 producing wells.

During the half year, Managing Director, Mr Sharif Oussa, Non-Executive Director Mr Bob Bell, and General Manager Dr Richard Haren, undertook a fact finding mission to assess the USA assets held by the Company in the Powder River Basin.

The Company is currently continuing assessment of the technical merits of its Powder River Basin portfolio, including modelling the dewatering and projected economics of its pilot at West Esponda. In addition, the economics of production at East Esponda and Oriva are being assessed taking into account low gas prices in the USA and the ongoing cost of the USA operations. The operating and financial results to date have been disappointing.

The directors expect to be able to make some strategic decisions regarding the Company's USA operations in the near future.

Due to inherent uncertainty over the ultimate recovery of the Company's USA assets, all assets in respect of the Esponda and Oriva projects have been impaired until such time as there is conclusive evidence the impairment has reversed.

Oriva Throne

CBM production for the half year at Oriva Throne was as follows:

Coal Seam	CBM Production (Mcf)	Net Revenue Interest (Mcf)
Anderson	25,197	15,307
Felix	1,643	998
Wall	782	475
Total	**27,622**	**16,780**

During the half year, CBM production was sold for an average of US$2.69 per Mcf for total net revenues of US$45,091. In June 2009 the operator of the project shut in the wells due to the low gas prices being received. The situation is being monitored with the current expectation being that the wells may be restarted in September.

OTHER

Callabonna Uranium Limited

Subsequent to the end of the half year, the shareholders of Callabonna Uranium Limited ('Callabonna'), including Planet Gas (which currently holds 36.2% of Callabonna) have entered into an agreement with ASX listed uranium exploration company MKY Resources Limited (ASX code: MKY) to sell 100% of the issued capital of Callabonna to MKY.

The transaction, which is subject to a number of conditions precedent, including MKY shareholder approval, will create a new focused uranium exploration company with a very attractive portfolio of uranium properties in South Australia, the Northern Territory and Queensland.

Additionally the deal also brings a cornerstone investor, SK Energy International Pte Ltd (a subsidiary of SK Holdings one of Korea’s largest companies) ('SK Energy'), who have committed to provide an additional $2.0 million capital to MKY.

The acquisition brings together a strong Board and a management team with extensive operational and technical management experience and a track record of exploration success, project financing and shareholder value creation.

The expanded company will likely be renamed and the revised board will have current Callabonna Chairman and Planet Gas director Peter Nightingale as its Chairman.

Under the terms of the agreement, MKY will issue 477 million MKY shares in exchange for the 39.5 million current issued shares in Callabonna. Planet Gas will receive 172.8 million MKY shares, representing approximately 15% of MKY's issued capital after completion of the transaction and SK Energy investment in MKY.

Subsequent events

At the Company's General Meeting on 20 August 2009 shareholders resolved to approve the following ordinary resolutions:

- ratification of the issue of 30,357,720 fully paid ordinary shares in the Company on 4 June 2009 at $0.05 per share.
- the issue of 39,000,000 fully paid ordinary shares in the Company and payment of $1,350,000 for the acquisition of Gradient Energy.
- the issue of 44,718,390 fully paid ordinary shares in the Company at $0.05 per share to retire outstanding liabilities of $2,235,920.
- the adoption of the Planet Gas Executive Option Plan as described below.
- the grant of 60,000,000 options to directors, each to convert to one fully paid ordinary share on exercise at any time to 20 August 2014 by the payment of 13.2 cents.

The Planet Gas Executive Option Plan ('Plan') has been established to exclude issues of securities to eligible employees under the Plan from the limit in ASX Listing Rule 7.1 on issuing securities. The options which may be granted under the Plan will form part of eligible directors' and employees' remuneration packages and are intended to provide an incentive to those eligible directors and employees and to recognise their contribution to the Company's success. The directors consider that the incentive represented by these options is a cost effective and efficient incentive offered by the Company when compared with alternative forms of incentive such as cash bonuses or increased remuneration.

Responsibility Statement

The information in this report that relates to exploration results is based on information compiled by Dr. Richard Haren who is a Member of The Australasian Institute of Mining and Metallurgy and who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr. Richard Haren is self employed and has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 8 and forms part of the Directors' Report for the half year ended 30 June 2009.

Signed at Sydney this 26th day of August 2009
in accordance with a resolution of the Board of Directors:

Norman A. Seckold
Director

Peter J. Nightingale
Director

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of Planet Gas Limited:

I declare that, to the best of my knowledge and belief, in relation to the review for the six month period ended 30 June 2009, there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

SJBoard

S.J. Board
Partner

26 August 2009

PLANET GAS LIMITED
AND ITS CONTROLLED ENTITIES

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2009

		Consolidated	
	Notes	**Six Months Ended 30 June 2009 $**	**Six Months Ended 30 June 2008 $**
Revenue from sale of coal bed methane		86,188	251,854
Revenue from the sale of oil and gas		2,502	4,929
Production and transport costs		(202,768)	(239,464)
Administration and consultants' expenses		(358,772)	(272,759)
Depreciation expense		(1,450)	(1,935)
Amortisation expense		(87,605)	(92,771)
Travel expense		(23,583)	(38,945)
Impairment loss	7	(250,000)	(625,000)
Write-off of exploration and evaluation expenditure	6	-	(2,219,453)
Write-off of development and production expenditure	6	(4,116,752)	-
Share of profit/(loss) of associate		(118,894)	47,700
Other expenses		(364)	(39,899)
Results from operating activities		(5,071,498)	(3,225,743)
Financial income		4,546	1,225
Financial expenses		(40)	(55,586)
Net financing income/(expenses)		4,506	(54,361)
Loss for the period		(5,066,992)	(3,280,104)
Other comprehensive income:			
Foreign exchange translation differences		(131,176)	(1,469,531)
Total comprehensive loss for the period		(5,198,168)	(4,749,635)
Basic loss per share	5	(2.49) cents	(1.62) cents
Diluted loss per share	5	(2.49) cents	(1.62) cents

PLANET GAS LIMITED
AND ITS CONTROLLED ENTITIES

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2009

Attributable to equity holders of the Company	**Share capital $**	**Option premium reserve $**	**Retained losses $**	**Foreign currency translation reserve $**	**Total equity $**
Balance at 1 January 2008	28,539,389	46,058	(5,051,394)	(3,410,813)	20,123,240
Total comprehensive income for the period					
Profit or loss	-	-	(3,280,104)	-	(3,280,104)
Other comprehensive income					
Foreign exchange translation differences	-	-	-	(1,469,531)	(1,469,531)
Balance at 30 June 2008	28,539,389	46,058	(8,331,498)	(4,880,344)	15,373,605
Balance at 1 January 2009	28,539,389	-	(22,073,111)	(2,188,902)	4,277,376
Total comprehensive income for the period					
Profit or loss	-	-	(5,066,992)	-	(5,066,992)
Other comprehensive income					
Foreign exchange translation differences	-	-	-	(131,176)	(131,176)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	1,517,886	-	-	-	1,517,886
Cost of issue	(17,500)	-	-	-	(17,500)
Balance at 30 June 2009	30,039,775	-	(27,140,103)	(2,320,079)	579,593

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PLANET GAS LIMITED
AND ITS CONTROLLED ENTITIES

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2009

		Consolidated	
	Notes	**30 June 2009 $**	**31 December 2008 $**
Current assets			
Cash and cash equivalents		1,118,149	31,971
Trade and other receivables		47,816	73,879
Total current assets		1,165,965	105,850
Non-current assets			
Property, plant and equipment		6,752	4,087,585
Investments	7	1,250,000	1,500,000
Investments in equity accounted investees	8	969,316	1,107,656
Other	9	314,188	293,507
Total non-current assets		2,540,256	6,988,748
Total assets		3,706,221	7,094,598
Current liabilities			
Trade and other payables		1,411,912	1,439,329
Borrowings	10	1,598,461	1,248,737
Total current liabilities		3,010,373	2,688,066
Non-current liabilities			
Provisions		116,255	129,156
Total non-current liabilities		116,255	129,156
Total liabilities		3,126,628	2,817,222
Net assets		579,593	4,277,379
Equity			
Issued capital	11	30,039,775	28,539,389
Accumulated losses		(27,140,103)	(22,073,111)
Foreign currency translation reserve		(2,320,079)	(2,188,902)
Total equity		579,593	4,277,376

PLANET GAS LIMITED
AND ITS CONTROLLED ENTITIES

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2009

	Consolidated	
	Six Months Ended 30 June 2009 $	**Six Months Ended 30 June 2008 $**
Cash flows from operating activities		
Cash receipts from customers	117,517	174,029
Cash paid to suppliers	(169,834)	(42,278)
Payments for production	(329,028)	(316,555)
Cash applied to operations	(381,345)	(184,804)
Interest received	4,546	1,226
Net cash from operating activities	(376,799)	(183,578)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	-	(37,198)
Cash on disposal of subsidiary	-	(281)
Payments for development expenditure	(356,450)	(349,443)
Receipts from/(payments for) equity investments	19,447	(9,350)
Payments for other assets - deposit	(50,000)	-
Net cash from investing activities	(387,003)	(396,272)
Cash flows from financing activities		
Proceeds from issue of shares	1,517,886	-
Costs of share issue	(17,500)	-
Interest paid	(40)	(267)
Proceeds from borrowings	350,000	510,000
Net cash from financing activities	1,850,346	509,733
Net increase/(decrease) in cash and cash equivalents	1,086,544	(70,117)
Cash and cash equivalents at the beginning of the financial period	31,971	84,485
Effect of exchange rate fluctuations on cash held	(366)	(1,761)
Cash and cash equivalents at the end of the financial period	1,118,149	12,607

NOTE 1 - REPORTING ENTITY

Planet Gas Limited (the 'Company') is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the half year ended 30 June 2009 comprises the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates.

The consolidated annual financial report of the Group as at and for the year ended 31 December 2008 is available upon request from the Company's registered office at Level 2, 66 Hunter Street, Sydney, NSW, 2000 or at www.planetgas.com.

(a) Going Concern

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

The Company and Group have incurred significant losses in the half year to 30 June 2009 and in prior periods. At 30 June 2009 the Group has $1,118,149 in cash, $3,126,628 in liabilities and accumulated losses of $27,140,103. As detailed in Note 10 the Group has previously received loan funding from a director. The ongoing availability of this funding source is uncertain. These conditions give rise to a material uncertainty that may cast significant doubt upon the Company's and the Group's ability to continue as a going concern.

The ongoing operation of the Company and the Group is dependent upon the Company raising additional funding from shareholders and/or other parties sufficient to allow the Company and the Group to continue to pay all debts when they become due and payable and to continue to operate without the need to wind up operations.

In the event that the Company and the Group do not obtain additional funding and/or achieve cash flow positive trading operations, they will be unable to continue their operations as a going concern and therefore the Company and the Group may not be able to realise their assets and extinguish their liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

It should be noted that, as set out in Note 14 shareholders on 20 August 2009 voted to approve a range of ordinary resolutions including the issue of 44,718,390 fully paid ordinary shares in the Company to retire outstanding liabilities of $2,235,920.

NOTE 2 - STATEMENT OF COMPLIANCE

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 31 December 2008.

This consolidated interim financial report was approved by the Board of Directors on 26 August 2009.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 31 December 2008.

Determination and presentation of operating segments

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of AASB 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

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

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Presentation of financial statements

The Group applies revised AASB 101 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these condensed interim financial statements as of and for the six months period ended on 30 June 2009.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

Accounting for borrowing costs

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously the Group immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the prospective adoption of AASB 123 *Borrowing Costs* (2007) in accordance with the transitional provisions of such standard; comparative figures have not been restated. The change in accounting policy had no material impact on assets, profit or earnings per share in the interim period ended 30 June 2009.

NOTE 4 - ESTIMATES

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

Except as described below, in preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 December 2008.

During the six months ended 30 June 2009 management reassessed its estimates in respect of:

- the recoverable amount of production and development assets.

	Consolidated	
	30 June 2009 $	**30 June 2008 $**
NOTE 5 - LOSS PER SHARE		
Basic loss per share has been calculated using:		
Net loss for the half year	5,066,992	3,280,104
Weighted average number of ordinary shares	203,539,815	202,384,903

There are no dilutive potential ordinary shares.

NOTE 6 - WRITE OFF – DEVELOPMENT EXPENDITURE

Due to inherent uncertainty over the ultimate recovery of development assets at the Esponda project, the Group has in prior periods impaired all development assets in respect of the Esponda project, until such time as there is conclusive evidence the impairment has reversed. During the half year the directors have written off $227,410 (30 June 2008 - $0) of additional expenditure on the Esponda project.

Due to inherent uncertainty over the ultimate recovery of development assets at the Oriva projects, the Group has in the current period impaired all development and production assets in respect of the Oriva Federal and Oriva Throne project, until such time as there is conclusive evidence the impairment has reversed. During the half year the directors have written-off all capitalised expenditure on the Oriva Federal project, an amount of $1,522,242 (30 June 2008 - $0) and the Oriva Throne project, an amount of $2,367,100 (30 June 2008 - $0).

	Consolidated	
	30 June 2009 $	**31 December 2008 $**
NOTE 7 - INVESTMENT		
Investment in Greenpower Energy Limited	1,250,000	1,500,000

As consideration for the Company's Australian CBM operations the Company received 12,500,000 shares in the initial public offering of Greenpower Energy Limited in March 2008. At 30 June 2009 the director's compared the carrying value of the investment to market value and impaired the investment by $250,000 (30 June 2008 - $625,000) the investment given the substantial fall in the value of the shares. This was based on a closing value of 10 cents in Greenpower shares at 30 June 2009 (2008 - The closing value of Greenpower shares was 15 cents at 30 June 2008).

NOTE 8 - INVESTMENTS IN EQUITY ACCOUNTED INVESTEES		
Callabonna Uranium Limited	969,315	1,107,656

The Company holds 14,400,000 Callabonna shares. Callabonna's principal business along with its subsidiaries is the exploration and exploitation of exploration licences with uranium potential that Callabonna has been granted. Following the completion of the half year Callabonna shareholders have voted to sell 100% of the issued capital of Callabonna to MKY Resources Limited ('MKY') in return for shares in MKY, pending MKY shareholder approval. In the event that the MKY transaction does not occur, indicators of impairment may arise in relation to the Company's investment in Callabonna.

	Consolidated	
	30 June 2009 $	**31 December 2008 $**
NOTE 9 - OTHER NON-CURRENT ASSETS		
Deposit paid	50,000	-
Security deposits	264,188	293,507
	314,188	293,507
NOTE 10 - BORROWINGS		
Loan from director	1,448,461	1,248,737
Other	150,000	-
	1,598,461	1,248,737

During the half year Norman A. Seckold, a director, advanced a further $200,000 to the Company to fund ongoing working capital requirements, taking the balance of the loan to $1,448,461. The loan is interest free. On 20 August 2009 shareholders resolved to repay the loan via the issue of 28,969,210 shares in the Company.

The equity placement conducted by the Company during the half year was over-subscribed by $150,000. Those parties not able to participate in the equity placement have agreed to have the funds advanced remain with the Company and be put towards any shortfall in the upcoming rights issue described in the Director's Report. If there is no shortfall the monies will be refunded.

	Consolidated	
	30 June 2009 $	**31 December 2008 $**
NOTE 11 - ISSUED CAPITAL		
Fully paid ordinary shares		
232,742,623 (31 December 2008 – 202,384,903) fully paid ordinary shares	30,039,775	28,539,389

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

During the half year ended 30 June 2009 the Company issued 30,357,720 fully paid ordinary shares issued at $0.05 for cash totalling $1,517,886. There were no amounts unpaid on the shares. Share issue costs totalled $17,500.

NOTE 12 - FINANCIAL REPORTING BY SEGMENTS

The Company has adopted AASB 8 Operating Segments with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (AASB 114 Segment Reporting) required an entity to identify two sets of segments (business or geographical), using a risks and rewards approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the process of identifying the Group's reportable segments has changed.

The Group has one reportable segment, as described below, which is the Group's strategic business unit.

- *Oil and gas*. Includes both coal bed methane and conventional oil and gas.

Operating Segments	**Oil and Gas**	**Unallocated**	**Consolidated Total**
	$	**$**	**$**
30 June 2009			
Segment revenue			
Sales revenue - external	88,691	-	88,691
Segment revenue	88,691	-	88,691
Interest revenue			4,546
Total revenue			93,237
Segment expenses	(4,657,124)	(384,210)	(5,041,334)
Result			
Segment result	(4,568,433)	(384,210)	(4,952,643)
Interest revenue			4,546
Share of loss of associate			(118,894)
Net loss			(5,066,991)
Assets			
Segment assets	25,847	3,680,374	3,706,221
Liabilities			
Segment liabilities	663,843	2,462,785	3,126,628

Operating Segments	**Oil and Gas**	**Unallocated**	**Consolidated Total**
	$	**$**	**$**
30 June 2008			
Segment revenue			
Sales revenue - external	256,783	-	256,783
Segment revenue	256,783	-	256,783
Interest revenue			1,225
Total revenue			258,008
Segment expenses	(3,176,689)	(409,124)	(3,585,813)
Result			
Segment result	(2,919,905)	(409,124)	(3,329,029)
Interest revenue			1,225
Share of profit of associate			47,700
Net loss			(3,280,104)
Assets			
Segment assets	15,483,821	3,140,255	18,624,076
Liabilities			
Segment liabilities	2,190,320	1,141,151	3,250,471

NOTE 13 - CONTROLLED ENTITIES

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

Wholly-Owned Controlled Entities
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 14 - SUBSEQUENT EVENTS

At the Company's General Meeting on 20 August 2009 shareholders resolved to approve the following ordinary resolutions:

- ratification of the issue of 30,357,720 fully paid ordinary shares in the Company on 4 June 2009 at $0.05 per share.
- the issue of 39,000,000 fully paid ordinary shares in the Company and payment of $1,350,000 for the acquisition of Gradient Energy.
- the issue of 44,718,390 fully paid ordinary shares in the Company at $0.05 per share to retire outstanding liabilities of $2,235,920.
- the adoption of the Planet Gas Executive Option Plan as described below.
- the grant of 60,000,000 options to directors, each to convert to one fully paid ordinary share on exercise at any time to 20 August 2014 by the payment of 13.2 cents.

The Planet Gas Executive Option Plan ('Plan') has been established to exclude issues of securities to eligible employees under the Plan from the limit in ASX Listing Rule 7.1 on issuing securities. The options which may be granted under the Plan will form part of eligible directors' and employees' remuneration packages and are intended to provide an incentive to those eligible directors and employees and to recognise their contribution to the Company's success. The directors consider that the incentive represented by these options is a cost effective and efficient incentive offered by the Company when compared with alternative forms of incentive such as cash bonuses or increased remuneration.

DIRECTORS' DECLARATION

In the opinion of the directors of Planet Gas Limited:

(a) the financial statements and notes set out on pages 9 to 19, are in accordance with the Corporations Act 2001, including:

 (i) giving a true and fair view of the Group's financial position as at 30 June 2009 and of its performance for the six month period ended on that date; and

 (ii) complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed at Sydney this 26th day of August 2009
in accordance with a resolution of the Board of Directors:

Norman A. Seckold
Director

Peter J. Nightingale
Director

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

We have reviewed the accompanying interim financial report of Planet Gas Limited, which comprises the consolidated interim statement of financial position as at 30 June 2009, statement of comprehensive income, statement of changes in equity and cash flow statement for the half year ended on that date, a description of significant accounting policies and other selected explanatory notes 1 to 14, and the directors' declaration of the Group comprising the Company and the entities it controlled at the half years end or from time to time during the half year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim 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 2009 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001. As auditor of Planet Gas Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

a) giving a true and fair view of the Group's financial position as at 30 June 2009 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.

Independent auditor's review report to the members of Planet Gas Limited (con't)

Material uncertainty regarding continuation as a going concern

Without qualification of the above conclusion, we draw attention to Note 1 (a) 'Going Concern' to the financial report which indicates that the ability of the Company and the Group to continue as a going concern is dependent upon raising additional funding from shareholders and/or other parties. This condition, along with other matters as set forth in Note 1 (a) indicate the existence of a material uncertainty which may cast significant doubt about the Company's and the Group's ability to continue as a going concern and therefore, whether they will realise their assets and liabilities in the normal course of business and at the amounts stated in the financial report.

KPMG

KPMG

S.J. Board
Partner

26 August 2009

CORPORATE DIRECTORY

Directors:

Mr Norman A. Seckold (Chairman)
Mr Sharif Oussa (Managing Director and CEO)
Mr Peter J. Nightingale (CFO)
Mr Robert M. Bell
Mr Anthony J. McClure
Mr Anthony J. McDonald

Company Secretary:

Mr Peter J. Nightingale

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