

PLANET GAS LIMITED
and its controlled entities

A.B.N. 46 098 952 035

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
30 JUNE 2017**

**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 2017.

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 (formerly Augur Resources Ltd), 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 Chairman of Equus Mining Limited, 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 (formerly Augur Resources Ltd), Argent Minerals Limited and 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 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 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 14 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 Mexico focus and 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 2017 include the following:

- The Overriding Royalty Interest ('ORRI') in Kansas, Pennsylvania and New York State, United States of America production revenue remained volatile during the first six months of 2017.
- Silver Star-1 vertical well spudded in March 2017 reaching a total depth of 3,770 metres with several gas shows encountered in the primary and secondary targets.
- While running production casing into Silver Star-1 horizontal well unstable coals collapsed and damaged the casing. The joint venture is currently evaluating the forward work program for Silver Star-1.

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 94,366 barrels of oil and 809,613 cubic feet of natural gas.

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

Revenue increased by US\$44,586 when compared with the same period last year.

During the half-year, West Texas Intermediate Crude prices exhibited some recovery in the first quarter of the year reaching US\$53 per barrel. Towards the end of the half-year prices decreased as low as US\$42 per barrel. NYMEX natural gas prices during the half-year averaged approximately US\$3.10 per MMBtu.

COOPER BASIN, SOUTH AUSTRALIA

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

PRL 118 through PRL 128 and 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.

Previously, PEL 638, which covers an area of 904 km² in the Patchawarra Trough, was excised from PEL 514 to facilitate the administration of a new joint venture between Origin Energy Limited ('Origin'), Senex Energy Limited ('Senex') and Planet Gas. Prior to the excising of PEL 638, Planet Gas held a 20% interest in PEL 514.

PEL 638 is divided into two joint ventures; the PEL 638 Deeps¹ joint venture (the subject of the farm-in by Origin) and the PEL 638 Shallows¹ joint venture.

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

- PRL 118 through PRL 128 20% free carried.
- PEL 638 Shallows 20% free carried.
- PEL 638 Deeps 12.5% free carried reducing to 10% in the event that Origin 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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DIRECTORS' REPORT

PEL 638 Deeps

As previously announced, Planet Gas' 20% interest in PEL 638 was reduced to a 12.5% free carried interest and will further reduce to a 10% interest based on work program expenditures by Origin and Senex in the event that Origin proceeds with Stage 2 of the farm-in program.

The Deeps work program is split into Stage 1 and Stage 2 with total expenditure of up to \$80 million, being \$40 million in each Stage.

In addition to Stage 1 and Stage 2, the joint venture parties may elect to fund additional work programs, subject to PEL 638 Deeps operating committee approval, totalling up to \$67 million. This could involve additional exploration and appraisal work during either or both Stages.

Senex is the operator of the farm-in programs with Origin having the right to become operator following the completion of Stage 2.

The farm-in programs include the drilling of exploration and appraisal wells, 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. Stage 2 would evaluate the commerciality of the gas resource by undertaking extended flow testing through a separate pilot program.

The Silver Star-1 gas exploration well was spudded on 17 March 2017 with the Easternwell 106 rig specifically chosen to accommodate the technical specifications of the well.

On 23 April 2017, the well had reached the planned total depth of 3,770 metres with several gas shows encountered in primary and secondary targets.

The properties of the reservoir successfully met certain criteria and a horizontal section of 1,180 metres was drilled through the Patchawarra Formation.

While running production casing into the well, unstable coals through the horizontal section collapsed and damaged the casing. The well is currently suspended while replacement casing is procured and a forward plan is finalised. As a horizontal well through the Patchawarra with no precedent in the Cooper Basin, the outcomes are considered within the spectrum of possibilities for a pioneering deep gas exploration project. The joint venture is considering the forward plan for the well.

The joint venture remains committed to evaluating material gas resources in this basin centre play.

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

During the half-year, limited work was completed by the joint venture on PRL118 through to PRL 128. Planet Gas' 20% interest continues to be free carried by Senex for oil exploration in PRL 118 through PRL 128 and PEL 638 Shallows.

**PLANET GAS LIMITED
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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 31 January 2017, 24 April 2017 and 26 July 2017 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 PEL 638 in the Cooper Basin of South Australia and in particular the drilling of Silver Star-1. The joint venture is currently evaluating the forward program for Silver Star-1. Once the Directors receive the plan they will make the information public in accordance with ASX listing rules. 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.

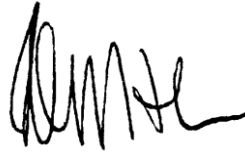
Subsequent Events

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 14th day of August 2017
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 for the half-year ended 30 June 2017 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
14 August 2017

**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 2017**

	Notes	30 June 2017 \$	30 June 2016 \$
CONTINUING OPERATIONS			
Revenue		179,594	121,743
Administration and consultants' expenses		(271,056)	(351,392)
Amortisation	7	(130,327)	(50,928)
Impairment intangible assets	7	-	(233,076)
Travel expenses		(819)	(6,685)
Other expenses		(57,951)	(44,029)
Operating loss before financing income		(280,559)	(564,367)
Financial income		1,177	4,451
Finance expense		(119,017)	(128,740)
Net financing expense		(117,840)	(124,289)
Loss before tax		(398,399)	(688,656)
Income tax expense		-	-
Loss for the period		(398,399)	(688,656)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences - foreign operations		89,089	16,967
Net change in the fair value of available for sale financial assets	5	(543)	545
Total items that may be reclassified subsequently to profit or loss		88,546	17,512
Other comprehensive loss for the period		88,546	17,512
Total comprehensive loss for the period		(309,853)	(671,144)
Basic and diluted loss per share (cents)		(0.07)	(0.13)

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 2017**

	Notes	30 June 2017 \$	31 December 2016 \$
Current assets			
Cash and cash equivalents		135,098	386,321
Trade and other receivables		30,545	33,300
Other assets		6,060	6,600
Total current assets		171,703	426,221
Non-current assets			
Investments	5	447	990
Exploration and evaluation expenditure	6	1,176,845	1,170,845
Intangible assets	7	2,473,215	2,779,620
Total non-current assets		3,650,507	3,951,455
Total assets		3,822,210	4,377,676
Current liabilities			
Trade and other payables		888,988	663,424
Loans and borrowings	8	3,807,240	4,278,417
Total current liabilities		4,696,228	4,941,841
Total liabilities		4,696,228	4,941,841
Net liabilities		(874,018)	(564,165)
Equity			
Issued capital	9	49,781,972	49,781,972
Fair value reserve		447	990
Foreign currency translation reserve		(2,598,370)	(2,687,459)
Accumulated losses		(48,058,067)	(47,659,668)
Total deficiency		(874,018)	(564,165)

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 2017**

	Issued capital \$	Accumulated losses \$	Fair value reserve \$	Foreign currency translation reserve \$	Total equity \$
Balance at 1 January 2016	49,781,972	(46,510,132)	445	(2,664,629)	607,656
Total comprehensive income for the period					
Loss for the period	-	(688,656)	-	-	(688,656)
Other comprehensive income items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences	-	-	-	16,967	16,967
Net change in fair value of available-for-sale financial assets	-	-	545	-	545
Total other comprehensive loss	-	-	545	16,967	17,512
Total comprehensive loss	-	(688,656)	545	16,967	(671,144)
Transactions with owners recorded directly in equity					
Contribution by and distribution to owners	-	-	-	-	-
Balance at 30 June 2016	49,781,972	(47,198,788)	990	(2,647,662)	(63,488)
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)

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 2017**

	30 June 2017	30 June 2016
	\$	\$
Cash flows from operating activities		
Cash receipts in the course of operations	179,015	123,267
Cash payments in the course of operations	<u>(115,105)</u>	<u>(120,432)</u>
Cash provided by operations	63,910	2,835
Interest received	1,177	4,451
Interest paid	<u>(120,436)</u>	<u>(128,823)</u>
Net cash used in operating activities	<u>(55,349)</u>	<u>(121,537)</u>
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	-	(33,750)
Payments for royalty acquisition	-	-
Receipt of royalty refund deposit withheld	<u>-</u>	<u>5,829</u>
Net cash used in investing activities	<u>-</u>	<u>(27,921)</u>
Cash flows from financing activities		
Proceeds from draw down of facility	-	-
Repayment of borrowings	<u>(195,874)</u>	<u>(210,231)</u>
Net cash from financing activities	<u>(195,874)</u>	<u>(210,231)</u>
Net decrease in cash and cash equivalents	(251,223)	(359,689)
Cash and cash equivalents at the beginning of the financial period	<u>386,321</u>	<u>761,789</u>
Cash and cash equivalents at the end of the financial period	<u>135,098</u>	<u>402,100</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 2017**

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 2017 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 2016 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 14 August 2017.

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.

The Group incurred a loss of \$398,399 for the half-year ended 30 June 2017. The Group has negative net assets of \$874,018 at 30 June 2017 which includes cash and cash equivalents of \$135,098. During the half-year ended 30 June 2017 the Group used \$55,349 in cash outflows from operating activities, and there were no payments for exploration and evaluation. Trade and other payables of \$888,988 include \$821,480 owing to directors and related entities. These parties have agreed to defer payment of the amounts until the Group is in a financial position to make payment without adverse effect.

At 30 June 2017, the total amount owing on the conditional debt facility with Macquarie Bank Limited is US\$2,928,148 (including accrued interest), with US\$150,000 principal repayments payable annually on the anniversary date of the drawdown amount on February 2018 to February 2020 with a final instalment of US\$2,450,000 payable in February 2020. Interest is payable quarterly on the outstanding balance of the loan.

The Group has not complied with certain financial covenants under the loan facility and has obtained waivers from Macquarie Bank Limited for the period to 15 June 2017. The Directors are currently evaluating their options in relation to the non-compliance with the financial covenants of the loan facility. These options may include sale of certain assets to repay debt, renegotiation of the existing debt facility or extension of financial covenant waiver beyond. As a result of the non-compliance with financial covenants at 30 June 2017 the Group has classified the loan facility as a current liability at 30 June 2017.

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 Group generates revenue from the US royalty interest and obtains sufficient additional funding from shareholders or other parties to meet the ongoing operational expenditure and contractual debt repayments. In addition, the cashflow projections assume no additional payments are required in relation to the Macquarie Bank Limited facility beyond interest repayments and annual principal repayments. To the extent that adequate funding is not obtained, the Group would need to reduce cash outflows to the level of cash funds available.

**PLANET GAS LIMITED
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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NOTE 2 - BASIS OF PREPARATION (Cont.)

Going Concern (Cont.)

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

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2016.

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 2016.

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 2017 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 2017**

NOTE 5 - AVAILABLE FOR SALE FINANCIAL ASSETS

	30 June 2017	31 December 2016
	\$	\$
Equity investments - available for sale at fair value	447	990

At 30 June 2017, the Directors compared the carrying value of the investment to market value and recorded a reduction in fair value of \$543 in equity (30 June 2016 - \$545 increase in equity). This was based on a closing price of \$0.001 at 30 June 2017 (31 December 2016 - \$0.002).

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 (formerly PEL 514)	1,048,052	1,045,052
PEL 638	128,793	125,793
Net book value	<u>1,176,845</u>	<u>1,170,845</u>

PRL 118 to PRL 128 (formerly PEL 514)		
Carrying amount at beginning of the half-year	1,045,052	1,003,177
Additions	3,000	41,875
Net book value	<u>1,048,052</u>	<u>1,045,052</u>

PEL 638		
Carrying amount at beginning of the half-year	125,793	83,918
Additions	3,000	41,875
Net book value	<u>128,793</u>	<u>125,793</u>

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 2017, the Group assessed its exploration and evaluation expenditure assets for impairment and recorded no impairment.

NOTE 7 - INTANGIBLE ASSETS

Overriding royalty interest (ORRI)

Royalty - at cost	6,062,444	6,068,273
Refund acquisition retention	-	(5,829)
Accumulated amortisation	(482,720)	(365,125)
Accumulated impairment	(3,060,918)	(3,229,086)
Net foreign currency differences on translation	(45,591)	311,387
Net book value	<u>2,473,215</u>	<u>2,779,620</u>

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017**

NOTE 7 - INTANGIBLE ASSETS (Cont.)

	30 June 2017	31 December 2016
	\$	\$
Reconciliations of the carrying amounts for each class of intangible assets are set out below:		
Carrying amount at beginning of year	2,779,620	3,182,710
Receipt acquisition retention	-	(5,829)
Amortisation	(130,327)	(194,227)
Impairment	-	(241,299)
Net foreign currency differences on translation	(176,078)	38,265
Net book value	<u>2,473,215</u>	<u>2,779,620</u>

The recoverable amount of the ORRI asset was assessed at 30 June 2017 based on its value in use, estimated using discounted cash flows to be generated through the royalty interest. The key assumptions to which the model is most sensitive include:

- Net production volumes of oil and gas
- Forecast commodity prices
- Discount rate of 8%

In determining the value assigned to each key assumption, management has used external sources of information where possible.

Net production volumes of oil and gas are based on the producer's historical production levels and life of wells models.

The Group's cash flow forecast is based on estimates of future commodity prices from externally available sources.

The Group has applied a discount rate of 8% to the forecast future attributable post-tax cash flows. This discount rate represents an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset.

The recoverable amount has been determined based on the future reserves to be extracted over a life of 30 years. This is calculated based on the producers estimated extraction plan.

Based on the impairment review completed at 30 June 2017, no impairment was recorded (30 December 2016 impairment: \$241,299).

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017**

NOTE 8 - LOANS AND BORROWINGS

	30 June 2017	31 December 2016
	\$	\$
Current	3,807,240	4,278,417

The Company has drawdown US\$3.2 million from a 5 year conditional loan facility provided by Macquarie Bank Limited. At 30 June 2017 the outstanding principal is US\$2,900,000 and the outstanding interest is USD\$28,148. The interest is payable quarterly and calculated each quarter using the LIBOR + 5.5% per annum and at 30 June 2017 the applicable interest rate was 6.59%. 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. During the period the Group had obtained a waiver from Macquarie Bank Limited until 15 June 2017. 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 reclassified the loan facility to current at 30 June 2017.

NOTE 9 - ISSUED CAPITAL

	30 June 2017		31 December 2016	
	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	537,622,535	49,781,972	537,622,535	49,781,972

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 2017, 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 (2016 - \$108,000) excluding GST. The amounts outstanding as at 30 June 2017 including GST is \$336,600 (2016 - \$108,000).

At 30 June 2017, \$484,880 was payable to Company Directors for outstanding Director's fees and superannuation (2016 - \$202,630).

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
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017**

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 2017, 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 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)
Income tax benefit	-	-	-	-	-
Impairment	-	-	-	-	-
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
30 June 2016					
Revenue and other income					
Revenue from external customers	-	121,743	121,743	-	121,743
Interest income	-	-	-	4,451	4,451
Interest cost	-	(128,740)	(128,740)	-	(128,740)
Results					
Operating loss before income tax	216	(291,069)	(290,853)	(397,803)	(688,656)
Income tax benefit	-	-	-	-	-
Impairment	-	(233,076)	(233,076)	-	(233,076)
Assets					
Segment assets	1,159,380	2,891,290	4,050,670	372,967	4,423,637
Liabilities					
Segment liabilities	-	4,129,654	4,129,654	357,471	4,487,125

**PLANET GAS LIMITED
AND ITS CONTROLLED ENTITIES**

DIRECTORS' DECLARATION

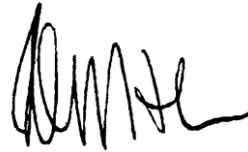
In the opinion of the Directors of Planet Gas Limited (the Company):

- (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 2017 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 14th day of August 2017
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

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 2017 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:

- Condensed consolidated interim statement of financial position as at 30 June 2017
- Condensed consolidated interim statement of profit or loss and other comprehensive income, Condensed consolidated interim statement of changes in equity and Condensed consolidated interim statement of cash flows for the Half-year ended on that date
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information
- 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 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 2017 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
14 August 2017

**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

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