PLANET GAS LIMITED
and its controlled entities

A.B.N. 46 098 952 035

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

PLANET GAS LIMITED

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PLANET GAS LIMITED

CHAIRMAN'S LETTER

Dear Fellow Shareholder,

The hydrocarbon industry has endured yet another year of unstable oil and gas prices, economic uncertainty and restricted capital access for junior resource companies. However, the market has commenced to show a slow but steady recovery trend in energy price.

The Company continued to hold the Overriding Royalty Interest ('ORRI') in Kansas, Pennsylvania and New York State, in the United States of America. Production during 2016 remained consistent compared to the prior year. Unstable oil and gas prices in the world market had a significant impact on the revenue. However, since November a steady upsurge in oil and gas prices advocates improvement in revenue from ORRI and in turn a more favourable outlook for 2017.

During the year, our joint venture partners Origin Energy Limited and Senex Energy Limited in the Cooper Basin of South Australia, made valuable progress by confirming the location of the Silver Star-1 vertical well. We are excited by the potential of the Silver Star-1 well which is planned to be spudded in March 2017. Planet Gas is free carried in the joint venture for the foreseeable future.

We are looking forward to the drilling of Silver Star-1 well and more favourable oil and gas prices for our ORRI as we continue to assess new opportunities for the Company's future.

Yours sincerely

Norman A. Seckold
Chairman

Summary

During 2016, Planet Gas Limited ('Planet Gas' or 'the Company') announced that Origin Energy Limited and Senex Energy Limited Joint Venture confirmed the location of Silver Star-1 gas well and drilling was expected to commence in the last quarter of calendar year 2016. Due to unforseen delays spudding of Silver Star-1 gas well is now scheduled for March 2017.

The Overriding Royalty Interest ('ORRI') in Kansas, Pennsylvania and New York State, United States of America production revenue was substantially affected during the first half of calendar year 2016. During the second half of calendar year 2016 energy prices have recovered and the Company is expecting further improvements in oil and gas prices during 2017.

Corporate Activities

Overriding Royalty Interest, USA

During 2016, the Company's 3% ORRI over established oil and gas production assets in Kansas, Pennsylvania and New York State in the United States of America produced approximately 179,933 barrels of oil (bbls) and 1,834,422 cubic feet of natural gas (Mcf) (see figure 1).

ORRI revenue received for the year ended 31 December 2016:

	Period to 31 December 2016
Planet Gas ORRI (US$)	210,689

After a very substantial downturn in energy prices in prior years, 2016 West Texas Intermediate Crude ('WTI') experienced some recovery after reaching a low price of US$26 per barrel at the beginning of the year recovering to US$53 per barrel by the end of December. Oil prices since December to the second week of March remained steady between US$50 and US$54 per barrel.

Over the same period New York Mercantile Exchange ('NYMEX') natural gas prices have fallen to as low as US$1.70 per MMBtu recovering to US$3.75 per MMBtu by the end of December 2016. During the first 2 months of 2017, gas prices have been volatile falling to US$2.56 per MMBtu.

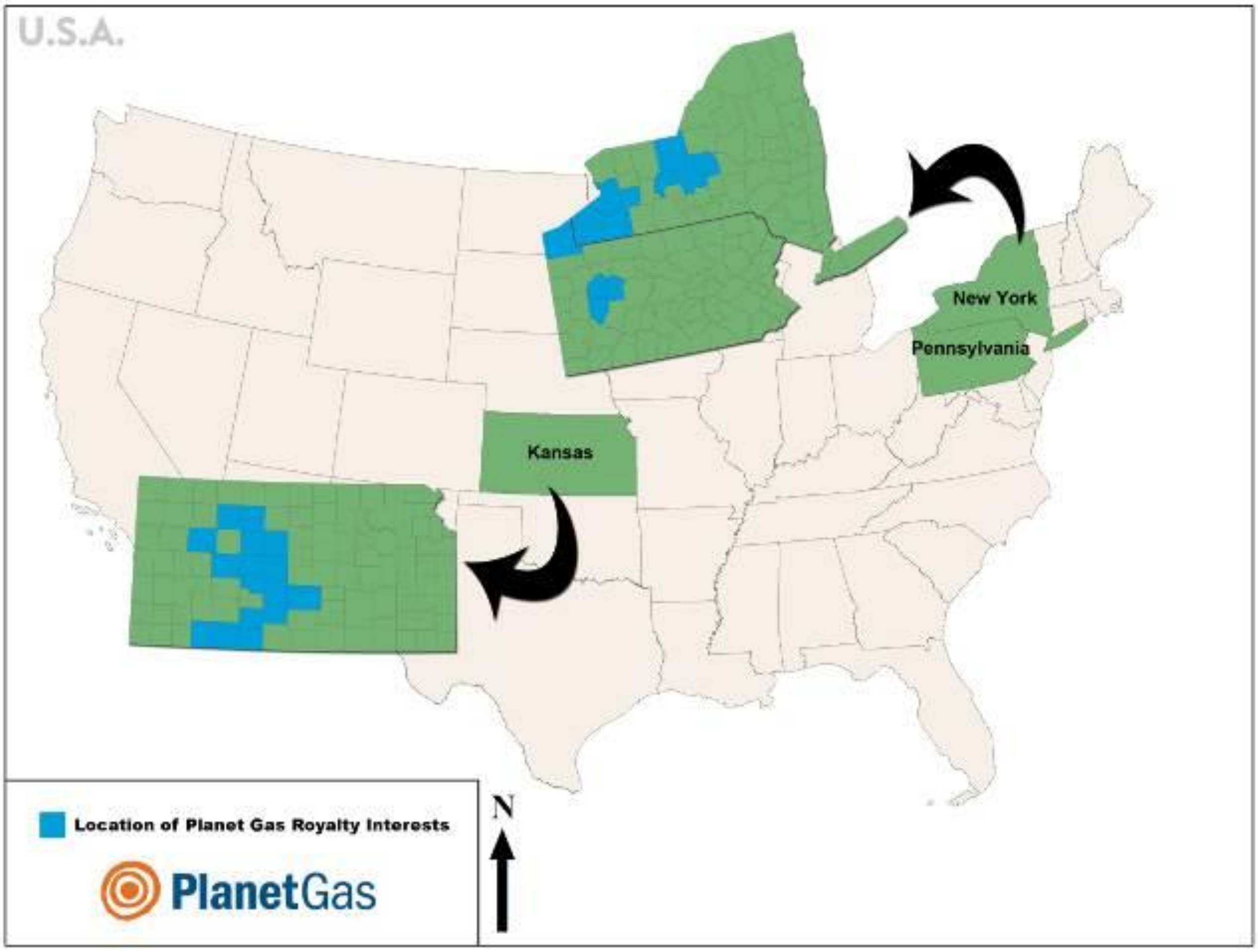

Figure 1. Location of Planet Gas' Royalty Interests in the United States of America

COOPER BASIN, SOUTH AUSTRALIA

PRL 118 through PRL 128 (previously PEL 514) 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 (see figure 2).

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', ASX: ORG), Senex Energy Limited ('Senex', ASX: SXY) 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 Deeps[1] joint venture (the subject of the farm-in by Origin) and the PEL 638 Shallows[1] 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.

PEL 638 Deeps

Planet Gas' 20% interest in PEL 638 was reduced to a 12.5% free carried interest and would 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, 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 vertical well has been identified from the Jonothan 3D seismic survey and is in close proximity to the existing Moondie-1 and Beanbush-1 discoveries. Silver Star-1 is a high impact exploration well and will target basin centred gas in the Permian sandstones, and is expected to be drilled to a depth of around 3,600 metres.

Depending on the properties of the reservoir successfully meeting certain criteria as defined by the joint venture, a lateral section of up to 1,500 metres will then be drilled. Multi-stage fracture stimulation and testing of the well is expected to follow.

The Silver Star-1 well is now planned to be spudded during March 2017 with the original drilling schedule being delayed due to rig availability and later due to unforseen weather conditions, with Easternwell 106 specifically chosen to accommodate the technical specifications of the well.

The gross drill cost estimate is approximately $15 million with Planet Gas' 12.5% interest free carried.

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

During the year, the Joint Venture undertook limited work and no exploration drilling is scheduled for calendar 2017. Planet Gas' 20% interest continues to be free carried by Senex for oil exploration in PRL 118 through PRL 128 and PEL 638 Shallows.

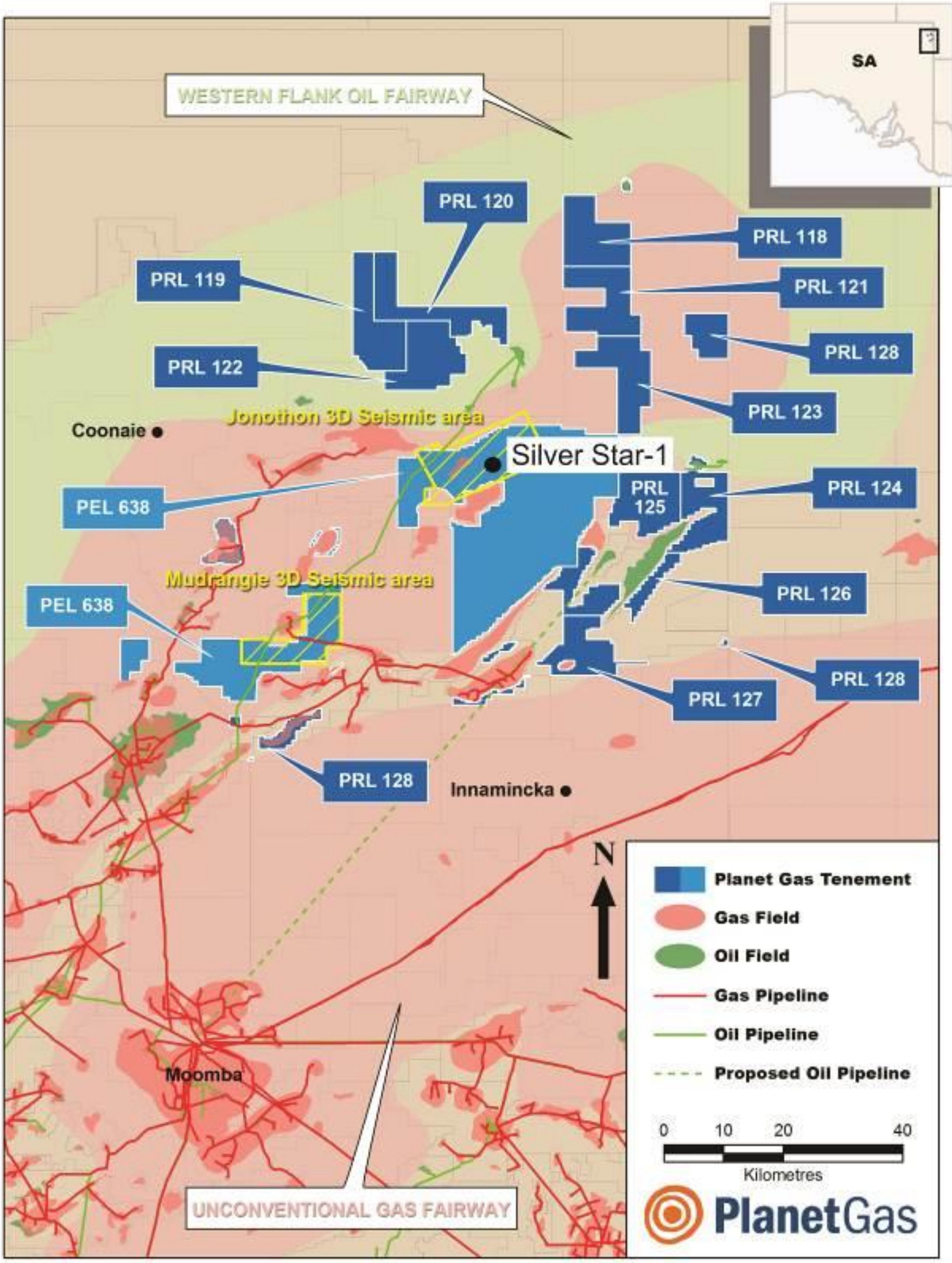

Figure 2: Location of PRL 118 through PRL 128 and PEL 638

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 28 April 2016, 27 July 2016, 25 October 2016 and 31 January 2017 and that all material assumptions and technical parameters in the market announcements continue to apply and have not materially changed.

CORPORATE GOVERNANCE STATEMENT

The Board is committed to maintaining the highest standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders. The Company has reviewed its corporate governance practises against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2016 Corporate Governance Statement was approved by the Board on 17 March 2017 and reflects the corporate governance practices throughout the 2016 financial year. A description of the Company’s current corporate governance practices is set out in the Company’s Corporate Governance Statement, which can be viewed at http://planetgas.com/index.cfm/investor-information/corporate-governance/.

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 2016. 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.

Mr Seckold is currently Chairman of 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 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.

Mr Nightingale is currently a director of Augur Resources Ltd, Argent Minerals Limited and unlisted public companies Nickel Mines Limited and Prospech Limited.

Anthony John McClure, Non-Executive Director

Director since 27 August 2003 and Managing Director from 31 May 2012 to 28 July 2016.

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 John 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.

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. He is currently a director in Green Investment Ltd.

Robert Charles Neale, Non-Executive Director

Director since 20 November 2009 – Resigned 29 February 2016.

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. In the last 3 years he has also been the Chairman of Westside Corporation Limited and director of 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
Peter J. Nightingale	4	4
Anthony J. McClure	4	4
Robert M. Bell	4	2
Anthony J. McDonald	4	4
Robert C. Neale	1	1

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	-
Peter J. Nightingale	12,128,487	-
Anthony J. McClure	5,154,181	-
Robert M. Bell	1,250,000	-
Anthony J. McDonald	7,851,923	-
Robert C. Neale*	-	-

*Robert Neale resigned on 29 February 2016.

Principal Activities

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

Financial Results

The consolidated loss after income tax attributable to members of the Company for the year was $1,149,536 (2015 - $3,903,850 loss).

Review of Operations

The review of operations is set out on pages 2 to 6 of this Annual Report.

Dividends

The Directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2016. No dividends have been paid or declared during the financial year (2015 - $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 2016 were as follows:

The Silver Star-1 vertical well located in the Cooper Basin of South Australia was identified from the Jonothon 3D seismic survey acquired during 2015. The Silver Star-1 is a high impact exploration well and will target basin centred gas in the Permian sandstones and is expected to be drilled to a depth of around 3,600 metres. The well will be drilled as part of the Joint Venture with Origin Energy Limited and Senex Energy Limited.

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

No 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 an important strategy for the Group taking into consideration its existing operations in the Cooper Basin in South Australia and the oil and gas royalty interests in the United States of America or by the addition of new ventures projects through mergers or acquisitions are part of the natural evolution of its business.

During the course of the 2017 financial year, the Group will continue 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 Directors expect to receive further results of the exploration programs which they will make public once the information is received, 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.

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.

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. 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 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.

All Directors, except for Robert Neale who was paid through the Company's payroll, are compensated for their services by way of arrangements with related parties.

There were no remuneration consultants used by the Company during the year ended 31 December 2016 or in the prior year.

Details of remuneration for the year ended 31 December 2016 - 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:

		Short-term employee benefit		Share based payments	Post Employment Benefit	
	Year	Primary fees/salary $	Share options $	Share options $	Super-annuation $	Total $
Specified Directors and Executives						
Executive Directors						
Norman A. Seckold (Chairman)	2016	90,000	-	-	-	90,000
	2015	90,000	-	-	-	90,000
Peter J. Nightingale (Director and CFO)	2016	75,000	-	-	-	75,000
	2015	75,000	-	-	-	75,000
Anthony J. McClure*	2016	167,500	-	-	-	167,500
	2015	270,000	-	-	-	270,000
Non-executive Directors						
Robert M. Bell	2016	24,000	-	-	-	24,000
	2015	24,000	-	-	-	24,000
Anthony J. McDonald	2016	60,000	-	-	-	60,000
	2015	60,000	-	-	-	60,000
Robert C. Neale**	2016	4,000	-	-	380	4,380
	2015	24,000	-	-	13,655	37,655
Total all specified Directors	2016	420,500	-	-	380	420,880
	2015	543,000	-	-	13,655	556,655

*Mr McClure resigned as Managing Director on 28 July 2016 and re-designated as Non-executive Director.
**Mr Robert Neale resigned on 29 February 2016.

Remuneration Report - Audited (Cont.)

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 or other equity instruments were granted to key management personnel as compensation during the years ended 31 December 2016 or 31 December 2015.

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.

	2016 $	2015 $	2014 $	2013 $	2012 $
Net (loss)/profit attributable to equity holders of the parent	(1,149,536)	(3,903,850)	(714,536)	4,029,945	(5,563,010)
Dividends paid	-	-	-	-	-
Change in share price	0.002	(0.007)	(0.007)	(0.013)	(0.010)

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

Analysis of movement in shares - Audited

The movement during the reporting period in the number of ordinary shares in the Company held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Key management personnel	Held at 1 January 2016	Purchased shares	Sales	Held at 31 December 2016
Norman A. Seckold	72,247,482	-	-	**72,247,482**
Peter J. Nightingale	12,128,487	-	-	**12,128,487**
Anthony J. McClure	5,154,181	-	-	**5,154,181**
Robert M. Bell	1,250,000	-	-	**1,250,000**
Anthony J. McDonald	7,851,923	-	-	**7,851,923**
Robert C. Neale	-	-	-	**-**

Key management personnel transactions - Audited

Other transactions with key management personnel - Audited

A number of key management personnel or their related parties hold positions in other entities that result in them having control or joint control over the financial or operating policies of those entities.

During the year ended 31 December 2016, Norman A. Seckold and Peter J. Nightingale had joint control of 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 year amounted to $216,000 (2015 - $216,000) excluding GST. At the end of the year the amount outstanding was $237,600 including GST (2015 - $nil). These services are invoiced monthly in advance and payable within 30 days.

Non-audit Services

During the year ended 31 December 2016 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.

	2016 $	2015 $
Statutory Audit		
Auditors of the Company		
- audit and review of financial reports	**93,050**	**63,500**

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

The lead auditor's independence declaration is set out on page 14 and forms part of the Directors' Report for the year ended 31 December 2016.

Signed at Sydney this 22nd day of March 2017
in accordance with a resolution of the Board of Directors:

Norman A. Seckold
Chairman

Peter J. Nightingale
Executive 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 audit for the financial year ended 31 December 2016 there have been:

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

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

KPMG

Stephen Board
Partner

22 March 2017

PLANET GAS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 $	2015 $
Revenue		**284,148**	335,715
Total revenue		**284,148**	335,715
Consultants' and administration expenses		**(644,988)**	(768,096)
Amortisation	10	**(194,227)**	(170,898)
Impairment intangible asset	10	**(241,299)**	(2,987,787)
Other expenses		**(100,809)**	(120,578)
Operating loss before finance income		**(897,175)**	(3,711,644)
Finance income	4	**6,860**	29,451
Finance expense	4	**(259,221)**	(221,657)
Net finance expense		**(252,361)**	(192,206)
Loss before tax		**(1,149,536)**	(3,903,850)
Income tax expense	5	**-**	-
Loss for the year		**(1,149,536)**	(3,903,850)
Other comprehensive income			
Items that may be classified subsequently to profit or loss			
Foreign currency translation differences - foreign operations	14	**(22,830)**	109,873
Net change in fair value of available-for-sale financial assets	14	**545**	(545)
Total other comprehensive income/(loss)		**(22,285)**	109,328
Total comprehensive loss for the year		**(1,171,821)**	(3,794,522)
Basic and diluted loss per share (cents)	15	**(0.21)**	(0.73)

The above consolidated statement of profit or loss and other comprehensive income
should be read in conjunction with accompanying notes.

PLANET GAS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	2016 $	2015 $
Current assets			
Cash and cash equivalents	16	**386,321**	761,789
Trade and other receivables	6	**33,300**	38,297
Other assets	7	**6,600**	9,203
Total current assets		**426,221**	809,289
Non-current assets			
Investments	8	**990**	445
Exploration and evaluation expenditure	9	**1,170,845**	1,087,095
Intangible assets	10	**2,779,620**	3,182,710
Total non-current assets		**3,951,455**	4,270,250
Total assets		**4,377,676**	5,079,539
Current liabilities			
Trade and other payables	11	**663,424**	50,034
Loans and borrowings	12	**4,278,417**	4,421,849
Total current liabilities		**4,941,841**	4,471,883
Total liabilities		**4,941,841**	4,471,883
Net assets/(net liabilities)		**(564,165)**	607,656
Equity			
Issued capital	13	**49,781,972**	49,781,972
Fair value reserve	14	**990**	445
Foreign currency translation reserve	14	**(2,687,459)**	(2,664,629)
Accumulated losses		**(47,659,668)**	(46,510,132)
Total equity/(deficiency)		**(564,165)**	607,656

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

PLANET GAS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

Attributable to equity holders of the Company

	Issued capital	Accumulated losses	Option premium reserve	Fair value reserve	Foreign currency translation reserve	Total equity
	$	$	$	$	$	$
Balance at 1 January 2015	49,781,972	(42,606,282)	-	990	(2,774,502)	4,402,178
Total comprehensive income for the year						
Loss for the year	-	(3,903,850)	-	-	-	(3,903,850)
Total other comprehensive income/(loss)	-	-	-	(545)	109,873	109,328
Total comprehensive income/(loss) for the year	-	(3,903,850)	-	(545)	109,873	(3,794,522)
Transactions with owners recorded directly in equity						
Contribution by and distribution to owners						
Transfer of expired options	-	-	-	-	-	-
Balance at 31 December 2015	**49,781,972**	**(46,510,132)**	**-**	**445**	**(2,664,629)**	**607,656**
Balance at 1 January 2016	49,781,972	(46,510,132)	-	445	(2,664,629)	607,656
Total comprehensive income for the year						
Loss for the year	-	(1,149,536)	-	-	-	(1,149,536)
Total other comprehensive income/(loss)	-	-	-	545	(22,830)	(22,285)
Total comprehensive income/(loss) for the year	-	(1,149,536)	-	545	(22,830)	(1,171,821)
Transactions with owners recorded directly in equity						
Contribution by and distribution to owners						
Transfer of expired options	-	-	-	-	-	-
Balance at 31 December 2016	**49,781,972**	**(47,659,668)**	**-**	**990**	**(2,687,459)**	**(564,165)**

The above consolidated statement of changes in equity
should be read in conjunction with the accompanying notes.

PLANET GAS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Cash receipts in the course of operations		**285,760**	308,514
Cash payments in the course of operations		**(167,988)**	(747,158)
Cash generated/(used) in operations		**117,772**	(438,644)
Interest received		**6,860**	29,451
Interest paid		**(256,323)**	(185,675)
Net cash used in operating activities	16	**(131,691)**	(594,868)
Cash flows from investing activities			
Payments for exploration and evaluation		**(39,375)**	(135,108)
Payment for royalty acquisition		**-**	(6,364,199)
Receipt of royalty refund deposit withheld		**5,829**	-
Net cash used in investing activities		**(33,546)**	(6,499,307)
Cash flows from financing activities			
Proceeds from loans and borrowings		**-**	4,384,763
Repayment of borrowings		**(210,231)**	-
Net cash (used in)/from financing activities		**(210,231)**	4,384,763
Net decrease in cash and cash equivalents		**(375,468)**	(2,709,412)
Cash and cash equivalents at 1 January		**761,789**	3,471,201
Cash and cash equivalents at the end of the financial year	16	**386,321**	761,789

The above consolidated statement of cash flows
should be read in conjunction with the accompanying notes.

1. Reporting entity

Planet Gas Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 2, 66 Hunter Street, Sydney, NSW, 2000. The consolidated financial statements of the Company for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for-profit entity, primarily engaged in the acquisition, exploration and development of oil and gas assets in Australia and the USA.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards ('IFRSs') and interpretations adopted by the International Accounting Standards Board ('IASB').

The consolidated financial statements were authorised for issue by the Directors on 22 March 2017.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items in the Statement of Financial Position:

- Investments - available-for-sale financial assets are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in the following notes:

- Note 2 - Going concern;
- Note 9 - Exploration and evaluation expenditure; and
- Note 10 - Intangible assets.

(e) Going concern

The consolidated financial statements have 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 $1,149,536 for the year ended 31 December 2016 (2015: $3,903,850) and has accumulated losses of $47,659,668 as at 31 December 2016. The Group has a net asset deficiency of $564,165 at 31 December 2016 (2015: net assets of $607,656) which includes cash and cash equivalents of $386,321 (2015: $761,789). During the year ended 31 December 2016 the Group used $171,066 (2015 - $729,976) in cash outflows from operating activities, including payments for exploration and evaluation of $39,375 (2015 - $135,108). In addition, $210,231 of cash was used in principle debt repayments.

2. Basis of preparation (Cont.)

(e) Going concern (Cont.)

The deficiency in net assets of $564,165 is partly due to the impairment of the Group's intangible asset relating to a USA override royalty, as a result of decreases in oil and gas prices (refer Note 10).

As at 31 December 2016, the Group has $663,424 of trade and other payables, of which $585,980 is owing to directors and their related parties. The directors and related parties have agreed to defer the payment of all amounts owing to them until such time that the Group is in a position to repay amounts owing without impacting the financial viability of the Group.

At 31 December 2016, the total amount owing on the conditional debt facility with Macquarie Bank Limited is US$3,079,220 (including interest), with US$150,000 principal repayments payable annually on the anniversary date of the drawdown amount on February 2017 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 April 2017. The Directors are currently evaluating their options in relation to the non-compliance with the financial covenants of the loan facility prior to the expiry of the waiver on 15 April 2017 (refer Note 12). These options may include sale of certain assets to repay debt, renegotiation of the existing debt facility or extension of financial covenant waiver beyond 15 April 2017. As a result of the expected non-compliance with financial covenants the Group has reclassified the loan facility to current liabilities at year end.

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 USA override royalty interest to meet the ongoing operational expenditure and contractual debt repayments. In addition, the cash flow projections assume no additional payments are required in relation to the Macquarie Bank Limited facility beyond interest repayments and annual principal repayments, and that no amounts will be paid to directors and their related entities in the forecast period.

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

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

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

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by all entities in the Group.

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entities and the revenue can be reliably measured.

Royalty income

Revenue from royalties is recognised in profit or loss when the Group becomes entitled to receive payment from the operator of the underlying assets subject to the royalty interest.

3. Significant accounting policies (Cont.)

(b) Exploration and evaluation expenditure

Exploration and evaluation expenditure, including the costs of acquiring licences, are capitalised as intangible exploration and evaluation assets on an area of interest basis, less any impairment losses. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in profit or loss.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to developing mine properties.

(c) Intangible assets

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the units of production method over their estimated useful lives, and is recognised in profit or loss.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

During the 2016 financial year, the Group changed the amortisation method used from the straight line method used in the prior year to the units of production method. The effect of this change on the current year was to increase amortisation expense by $97,151. It is impractical to estimate the impact on future periods.

3. Significant accounting policies (Cont.)

(d) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Depreciation

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

Office equipment and software is depreciated at rates between 30% and 60% per annum. Plant and equipment is depreciated at a rate of 33.3% per annum.

(e) Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which take into account any dividend income, are recognised in profit or loss.

3. Significant accounting policies (Cont.)

(e) Financial instruments (Cont.)

Non-derivative financial assets (Cont.)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. They are included in current assets, except for those with maturities greater than 12 months after the reporting period, which are classified as non-current assets. Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss is reclassified to profit or loss.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Other financial liabilities comprise trade and other payables.

(f) Share capital

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

3. Significant accounting policies (Cont.)

(h) Income tax

Income tax comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

Current tax

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

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; or
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Planet Gas Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

(i) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the Consolidated Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

3. Significant accounting policies (Cont.)

(j) Impairment

Non-derivative financial assets

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

For an investment in an equity security classified as available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group consider a decline of 20 per cent to be significant and a period of 9 months to be prolonged.

Financial assets measured at amortised cost

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised within profit or loss. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss recognised previously in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. The recoverable amount of an asset or CGU is the greater of their fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Impairment losses are recognised in profit or loss.

Reversals of impairment

An impairment loss in respect of a financial asset carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of non-financial assets, an impairment loss is reversed if there has been a conclusive change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Significant accounting policies (Cont.)

(k) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(l) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign currency differences are generally recognised in the profit or loss. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(m) Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in the foreign currency translation reserve (‘FCTR’), a separate component of equity.

Foreign exchange gains and losses arising from a monetary item receivable or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in the FCTR.

When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the FCTR.

3. Significant accounting policies (Cont.)

(n) Segment reporting

Determination and presentation of operating segments

The Group determines and presents operating segments based on the information that is provided internally to the Executives Directors, who are the Group's operating decision makers.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's Executive Directors 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 Executive Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(o) Employee benefits

Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Site restoration

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.

(q) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis.

3. Significant accounting policies (Cont.)

(r) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Investments in equity securities

The fair value of listed available-for-sale financial assets is determined by reference to their closing price at the reporting date.

Share-based payment transactions

The fair value of the employee share options is measured using the Black-Scholes formula, taking into account the terms and conditions upon which the options were granted. Measurement inputs include share price on grant date, exercise price of the instrument, expected volatility (based on historic share performance), risk-free interest rate (based on government bonds), and a dividend yield.

(s) New standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early and is yet to assess the impact of these new standards.

AASB 9 Financial Instruments

AASB 9 replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financials instruments from AASB 139.

AASB 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

AASB 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

AASB 16 Leases

AASB 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

AASB16 is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply AASB 15 Revenue from Contracts with Customers at or before the date of initial application of AASB 16.

4. Profit/(loss) from operating activities

Profit/(loss) from operating activities before income tax includes the following items of income and expense:

	2016 $	2015 $
Depreciation of non-current assets		
- plant and equipment	**-**	-
Intangible assets		
- royalty amortisation	**(194,227)**	(170,898)
- royalty impairment	**(241,299)**	(2,987,787)
Other expenses		
- establishment fee	**-**	(42,542)
Auditors' remuneration		
- audit and review of financial reports	**(93,050)**	(63,500)
Financial income and expense		
Recognised in profit or loss		
Interest revenue	**6,860**	29,451
Interest expense	**(259,221)**	(221,657)
Net finance expense	**(252,361)**	(192,206)
Recognised in other comprehensive income		
Net change in fair value of available-for-sale financial assets	**545**	(545)

	2016 $	2015 $
5. Income tax expense		
Current tax expense		
Current year	**(194,722)**	251,948
Adjustments for prior year	**(791,047)**	590,093
Tax (profit)/losses not recognised	**985,769**	(842,041)
	-	-

Numerical reconciliation of income tax expense to prima facie tax payable:

	2016	2015
Loss before tax	**(1,149,536)**	(3,903,850)
Prima facie income tax benefit at the Australian tax rate of 30% (2015 - 30%)	**(344,861)**	(1,171,155)
Adjustments to prima facie tax due to:		
- non-deductible expenses	**44,830**	559,396
- effect of DTAs on tax (gains)/losses not brought to account	**194,722**	(237,789)
- effect of DTAs on temporary differences not brought to account	**105,309**	849,548
Tax expense	**-**	-

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2016	2015
Capital losses	**-**	-
Tax losses	**15,590,311**	14,641,990
Net deductible temporary differences	**3,301,008**	3,145,685
Potential tax benefit at 30%	**18,891,319**	17,787,675

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the tax benefits.

	2016	2015
6. Trade and other receivables		
GST	**6,016**	9,697
Royalty accrued	**27,284**	28,036
Other	**-**	564
	33,300	38,297
7. Other assets		
Current assets		
Prepayments	**6,600**	9,203
8. Investments		
Investments - available-for-sale at fair value	**990**	445

At 31 December 2016 the Directors compared the carrying value of the investment to market value and recorded an increase in fair value within equity of $545 (2015 reduction - $545). This was based on a closing price of $0.002 at 31 December 2016.

	2016	2015
	$	$
9. Exploration and evaluation expenditure		
PRL 118 to PRL 128 (formerly PEL 514)	**1,045,052**	1,003,177
PEL 638	**125,793**	83,918
Net book value	**1,170,845**	1,087,095

PRL 118 to PRL 128 (formerly PEL 514)		
Carrying amount at beginning of year	**1,003,177**	935,569
Additions	**41,875**	67,608
Net book value	**1,045,052**	1,003,177

PRL 638		
Carrying amount at beginning of year	**83,918**	16,418
Additions	**41,875**	67,500
Net book value	**125,793**	83,918

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 year ended 31 December 2016, the Group assessed its exploration and evaluation expenditure assets for impairment and recorded no impairment.

10. Intangible assets

Overriding royalty interest (ORRI)

Royalty - at cost	**6,068,273**	6,068,273
Receipt of acquisition retention	**(5,829)**	-
Accumulated amortisation	**(365,125)**	(170,898)
Accumulated impairment	**(3,229,086)**	(2,987,787)
Net foreign currency differences on translation	**311,387**	273,122
Net book value	**2,779,620**	3,182,710

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

Carrying amount at beginning of year	**3,182,710**	6,068,273
Additions	**-**	-
Receipt acquisition retention	**(5,829)**	-
Amortisation	**(194,227)**	(170,898)
Impairment	**(241,299)**	(2,987,787)
Net foreign currency differences on translation	**38,265**	273,122
Net book value	**2,779,620**	3,182,710

The recoverable amount of the ORRI asset was assessed at 31 December 2016 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 for oil and gas
- Discount rate of 8%

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

10. Intangible assets (Cont.)

Net production volumes of oil and gas are based on the producer's forecast future production levels and is obtained from their internally maintained budgets, life of mine models and project evaluations performed by the producer in its ordinary course of business.

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 31 December 2016, the carrying amount of the ORRI exceeded the recoverable amount and the asset was impaired by $241,299 (2015:$2,987,787).

	2015	**2015**
	$	**$**
11. Trade and other payables		
Current liabilities		
Creditors and accruals	**663,424**	50,034
(see notes 17 and 18)		

	2015	**2014**
	$	**$**
12. Loans and borrowings		
Current	**4,278,417**	4,421,849

The Company has drawdown US$3.2 million from a 5 year conditional loan facility provided by Macquarie Bank Limited. The interest is payable quarterly and calculated each quarter using the LIBOR + 5.5% per annum and at 31 December 2016 the applicable interest rate was 6.39% (2015:5.85%). The loan is repayable in tranches over five years with 5 equals instalments of US$150,000 payable annually in February 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. During the period and subsequent to year end the Company has not complied with this financial covenant under the loan facility. At year end the Group had obtained a waiver from Macquarie Bank Limited until 15 April 2017. As outlined in Note 2(e) 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 year end.

	2016		2015	
	No.	**$**	**No.**	**$**
13. Issued capital				
Fully paid ordinary shares				
Balance at 31 December	**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.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

	2016	2015
	$	**$**
14. Reserves		
Fair value reserve		
Opening balance	**445**	990
Net change in fair value of available-for-sale financial assets	**545**	(545)
Closing balance	**990**	445

Changes in fair value of investments, such as equities classified as available-for-sale financial assets, are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired. Refer to Note 8 for further details on investments.

Foreign currency translation reserve		
Opening balance	**(2,664,629)**	(2,774,502)
Translation adjustment on foreign operations during the year	**(22,830)**	109,873
Closing balance	**(2,687,459)**	(2,664,629)

The foreign currency translation reserve records the foreign currency differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

15. Loss per share

Basic and diluted loss per share has been calculated using:		
Net loss for the year attributable to equity holders of the parent	**(1,149,536)**	(3,903,850)
Weighted average number of ordinary shares (basic)		
Issued ordinary shares at the beginning of the year (basic)	**537,622,535**	537,622,535
Weighted average number of ordinary shares at the end of the year	**537,622,535**	537,622,535
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares at the end of the year	**537,622,535**	537,622,535
Weighted average number of ordinary shares (diluted) at the end of the year	**537,622,535**	537,622,535

16. Reconciliation of cash flows from operating activities

	2016 $	2015 $
Reconciliation of net loss from operating activities after tax to net cash used in operating activities		
Loss from operating activities after tax	**(1,149,536)**	(3,903,850)
Non-cash items		
Depreciation of plant and equipment	**-**	-
Amortisation of royalty	**194,227**	170,898
Impairment	**241,299**	2,987,787
Changes in assets and liabilities		
Trade and other receivables	**3,681**	(29,206)
Other assets	**3,712**	5,367
Trade and other payables	**574,926**	174,136
Net cash used in operating activities	**(131,691)**	(594,868)

Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and cash on deposit net of bank overdrafts and excluding security deposits. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2016 $	2015 $
Cash	**386,321**	761,789

17. Related party disclosures

Parent and ultimate controlling party

Planet Gas Limited is both the parent and ultimate controlling party of the Group.

Key management personnel and Directors' transactions

During the year ended 31 December 2016, Norman A. Seckold and Peter J. Nightingale had joint control of 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 year amounted to $216,000 (2015 - $216,000) excluding GST. At the end of the year the amount outstanding was $237,600 including GST (2015 - $nil). These services are invoiced monthly in advance and payable within 30 days.

	2016	2015
	$	$
18. Key management personnel disclosures		
Key management personnel compensation		
Primary fees/salary	**420,500**	543,000
Superannuation	**380**	13,655
	420,880	556,655

At 31 December 2016 $348,380 of fees were outstanding including superannuation (2015 - $6,250). There were no loans made to key management personnel or their related parties during the 2016 and 2015 financial years.

The Board reviews remuneration arrangements annually based on services provided. Apart from the details disclosed in this note and Note 17, no Director has entered into a contract with the Company during the year and there were no contracts involving Directors' interests subsisting at year end.

19. Financial risk management and financial instruments disclosures

The Group's financial instruments comprise deposits with banks, receivables, investments in available-for-sale financial assets, trade and other payables, loans and borrowings and from time to time short term loans from related parties. The Group does not trade in derivatives or in foreign currency.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risks. This note presents information about the Group's exposure to each of these risks, its objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies are reviewed regularly to reflect changes in market conditions and the Group's activities. The primary responsibility to monitor the financial risks lies with the Executive Directors and the CFO under the authority of the Board.

19. Financial risk management and financial instruments disclosures (Cont.)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligation as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors rolling forecasts of liquidity on the basis of commitments on finance facilities, expected fund raisings, trade payables and other obligations for the ongoing operation of the Group. At balance date, the Group has available funds of $386,321 for its immediate use.

Contractual maturities of financial liabilities are:

Financial liabilities	**Carrying amount**	**Contractual cash flows**	**Less than 6 months**	**6 to 12 months**	**1 to 5 years**	**More than 5 years**
	$	**$**	**$**	**$**	**$**	**$**
Trade and other payables	663,424	(663,424)	(663,424)	-		-
Loans and borrowings *	4,278,417	(4,347,220)	(4,347,220)	-	-	-
31 December 2016	**4,941,841**	**(5,010,644)**	**(5,010,644)**	**-**	**-**	**-**
Trade and other payables	50,034	(50,034)	(50,034)	-		-
Loans and borrowings *	4,421,849	(4,622,059)	(336,398)	(4,285,662)	-	-
31 December 2015	4,471,883	(4,672,093)	(386,432)	(4,285,662)	-	-

* As outlined in Note 12 and Note 2(e) the Group is not in compliance with certain loan covenants during the year and subsequent to year end. The Directors have obtained a waiver from the financier in relation to these covenants for a period to 15 April 2017.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The carrying amount of the Group's financial assets represents the maximum credit risk exposure as follows:

	2016	**2015**
	$	**$**
Cash and cash equivalents	**386,321**	761,789
Trade and other receivables	**33,300**	38,297
	419,621	800,086

Cash and cash equivalents

At 31 December 2016, the Group held cash and cash equivalents of $386,321 (2015 - $761,789), which represent its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- based on rating agency Standard & Poor's.

19. Financial risk management and financial instruments disclosures (Cont.)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Group's income statement is affected by changes in interest rates due to the impact of such changes on interest income and expenses.

	2016	**2015**
	$	**$**
Variable rate instruments		
Cash and cash equivalents	**386,321**	761,789
Loans and borrowing	**(4,278,417)**	(4,421,849)
	(3,892,096)	(3,660,060)

There are no fixed rate instruments during 2016 (2015 - $nil).

The Group does not have interest rate swap contracts. The Group has an interest bearing account from which it draws cash when required to pay liabilities as they fall due. The Group analyses its interest rate exposure when considering renewals of existing positions including alternative financing arrangements.

Sensitivity analysis
The following sensitivity analysis is based on the interest rate risk exposures at balance date.

At 31 December 2016, the Company maintains a loan facility of US$15 million and has drawdown balance of US$3.05 million (2015: US$3.2 millions) from a five year debt facility. If the interest rates had moved, as illustrated in the table below, with all other variables held constant, the impact on profit or loss and equity would have been as follows:

	Post-tax profit/(loss)	**Total equity**
	Higher/(Lower)	**Higher/(Lower)**
	2016	**2016**
	$	**$**
+ 1.0% higher interest rate	(42,119)	(42,119)
- 0.5% lower interest rate	20,892	20,892

A change in the interest rate by the same amounts specified in the table above would have increased/(decreased) equity for the period by an equal and offsetting amount.

19. Financial risk management and financial instruments disclosures (Cont.)

Market risk (Cont.)

Currency risk

The Company has a subsidiary with a functional currency of United States dollars with an outstanding borrowing totalling US$3,079,220 (2015: US$3,227,066). Changes in the United States dollar to the Australian dollar do not result in any impact on the profit or loss for the consolidated Group in relation to this borrowing.

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2016	2015	**2016**	2015
AUD/USD	**0.7197**	0.7522	**0.7432**	0.7298

Price risk

The Group is exposed to equity securities prices risk. This arises from investments held by the Group and classified in the balance sheet as available-for-sale assets.

As at 31 December 2016, the Group's investments in available-for-sale assets consists of an investment in Pilot Energy Limited, former Rampart Energy Limited (refer Note 8). A 10% increase/(decrease) in the price of this investment would result in an immaterial increase/(decrease) in equity.

Capital management

Management aims to control the capital of the Group in order to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's capital includes ordinary share capital supported by financial assets. There are no externally imposed capital requirements on the Group.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of cash levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

19. Financial risk management and financial instruments disclosures (Cont.)

Estimation of fair values

The carrying amounts of financial assets and financial liabilities included in the balance sheet approximate fair values.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 - fair value measurements are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - fair value measurements are those instruments valued based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - fair value measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	$	$	$	$
31 December 2016				
Available-for-sale financial assets	**445**	**-**	**-**	**445**
31 December 2015				
Available-for-sale financial assets	990	-	-	990

All available-for-sale financial assets relate to investments held in listed equity securities (designated as Level 1 financial assets). The fair value is based on quoted market prices at the end of the reporting period. The quoted market price used is the current bid price at the reporting date.

There have been no transfers between the levels of valuation method for each classification of financial asset held during the years ended 31 December 2016 and 31 December 2015.

20. Operating segments

The Group's chief operating decision maker has considered the requirements of AASB 8, Operating Segments. As a result of the acquisition of the overriding royalty interest over existing oil and gas production assets the Group has changed its internal organisation and the composition of reportable segments. 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
	$	$	$	$	$
31 December 2016					
Revenue and other income					
Revenue from external customers	-	284,148	284,148	-	284,148
Interest income	49	-	49	6,811	6,860
Interest expense	-	(259,221)	(259,221)	-	(259,221)
Results					
Operating loss before income tax	16	(410,666)	(410,650)	(738,886)	(1,149,536)
Income tax benefit	-	-	-	-	-
Impairment	-	(241,299)	(241,299)	-	(241,299)
Assets					
Segment assets	1,175,401	2,880,659	4,056,060	321,616	4,377,676
Liabilities					
Segment liabilities	-	4,278,417	4,278,417	663,424	4,941,841

	Exploration	Royalty	Total Segments	Unallocated	Total
	$	$	$	$	$
31 December 2015					
Revenue and other income					
Revenue from external customers	-	335,715	335,715	-	335,715
Interest income	-	-	-	29,451	29,451
Interest cost	-	(221,657)	(221,657)	-	(221,657)
Results					
Operating loss before income tax	(452)	(3,087,301)	(3,087,753)	(816,097)	(3,903,850)
Income tax benefit	-	-	-	-	-
Impairment	-	(2,987,787)	(2,987,787)	-	(2,987,787)
Assets					
Segment assets	1,091,635	3,309,970	4,401,605	677,934	5,079,539
Liabilities					
Segment liabilities	-	4,421,849	4,421,849	50,034	4,471,883

20. Operating segments (Cont.)

	2016	2015
Reconciliations of reportable segment revenues and profit or loss	**$**	$
Revenue		
Total revenue for reportable segments	**284,148**	335,715
Consolidated revenue	**284,148**	335,715
Profit or loss		
Total loss for reportable segments	**(410,650)**	(3,087,753)
Unallocated amounts:		
- interest income	**6,811**	29,451
- other income	**-**	-
- net other corporate expenses	**(745,697)**	(845,548)
Consolidated loss before tax	**(1,149,536)**	(3,903,850)
Reconciliations of reportable segment assets and liabilities		
Assets		
Total assets for reportable segments	**4,056,060**	4,401,605
Unallocated corporate assets	**321,616**	677,934
Consolidated total assets	**4,377,676**	5,079,539
Liabilities		
Total liabilities for reportable segments	**4,278,417**	4,421,849
Unallocated corporate liabilities	**663,424**	50,034
Consolidated total liabilities	**4,941,841**	4,471,883

Geographical information

In presenting information on the basis of geography, segment revenue and segment assets are based on the geographical location of the operations.

	2016		2015	
	Revenue	**Non-current assets**	Revenues	Non-current assets
	$	**$**	$	$
Australia	**-**	**1,171,835**	-	1,087,540
United States	**284,148**	**2,779,620**	335,715	3,182,710
	284,148	**3,951,455**	335,715	4,270,250

Concentration of revenue

All revenue is received from a single counter party.

21. Subsequent events

No 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.

22. Controlled entities

Parent entity

Planet Gas Limited is an Australian incorporated company listed on the Australian Stock Exchange.

Controlled entity	Country of incorporation	Ownership interest	
		2016	2015
		%	%
Gradient Energy Pty Limited	Australia	**100**	100
Planet Cooper Basin Pty Limited	Australia	**100**	100
Planet Gas & CBM Pty Limited	Australia	**100**	100
Planet Unconventional Energy Pty Limited	Australia	**100**	100
Planet Gas USA, Inc	USA	**100**	100

23. Parent entity disclosures

As at 31 December 2016 the parent entity of the Group was Planet Gas Limited.

	Company	
	2016	**2015**
	$	**$**
Result of the parent entity		
Net loss	**(738,886)**	(2,677,055)
Other comprehensive loss	**545**	(545)
Total comprehensive loss	**(738,341)**	(2,677,600)
Financial position of the parent entity at year end		
Current assets	**320,626**	677,490
Non-current assets	**990**	445
Total assets	**321,616**	677,935
Current liabilities	**663,424**	3,417,145
Total liabilities	**3,946,786**	3,417,145
Net liabilities	**(3,625,170)**	(2,739,210)
Equity		
Share capital	**49,781,972**	49,781,972
Reserves	**990**	445
Accumulated losses	**(53,408,132)**	(52,521,627)
Total equity deficiency	**(3,625,170)**	(2,739,210)

The Directors are of the opinion that no contingencies existed at, or subsequent to, year end.

The Company had no capital commitments at the balance date.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Planet Gas Limited:

   (a) the consolidated financial statements and notes thereto, set out on pages 15 to 43, and the Remuneration Report as set out on pages 11 to 12 of the Directors' Report are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the financial position of the Group as at 31 December 2016 and of its performance, for the year ended on that date;

      (ii) complying with Australian Accounting Standards 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.

2. The Directors have been given the declarations required under section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 31 December 2016.

3. The Directors draw attention to note 2(a) of the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed at Sydney this 22nd day of March 2017 in accordance with a resolution of the Board of Directors:

Norman A. Seckold
Chairman

Peter J. Nightingale
Executive Director

Independent Auditor's Report

To the shareholders of Planet Gas Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Planet Gas Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2016 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated Statement of Financial Position as at 31 December 2016;
- Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KPMG

Material Uncertainty related to Going Concern

We draw attention to Note 2(e), "Going Concern" in the financial report. The conditions disclosed in Note 2(e), indicate a material uncertainty exists that may cast 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 opinion is not modified in respect of this matter.

In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern. This included:

- Analysing the cash flow projections by:
    - Evaluating the underlying data used to generate the projections for consistency with other information tested by us, our understanding of the Group's intentions, and past practices;
    - Assessing the planned levels of operating and capital expenditures for consistency of relationships and trends to the Group's historical results, results since year end, and our understanding of the business, industry and economic conditions of the Group;
- Assessing significant non-routine forecast cash inflows and outflows for feasibility, quantum and timing. We used our knowledge of the client, its industry and financial position to assess the level of associated uncertainty;
- Reading correspondence with existing financiers to understand the financing options available to the Group, and assess the level of associated uncertainty resulting from breaches of financial loan covenants;

Evaluating the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements. We specifically focused on the principal matters giving rise to the material uncertainty.

Key Audit Matters

In addition to the matter described in the *Material Uncertainty related to Going Concern* section, we have determined the matters described below to be the ***Key Audit Matters*** to be communicated in our report:

- Recoverable amount of intangible assets
- Exploration and evaluation expenditure

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

<table>
<tr><th colspan="2">Recoverable amount of intangible assets ($2.78m)</th></tr>
<tr><td colspan="2">Refer to Note 10 to the Financial Report</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The recoverable amount of intangible assets is a key audit matter due to:
- the significance of the balance (being 63% of total assets); and
- the level of judgment applied by us in evaluating management's assessment of impairment.

The intangible assets relate to the Overriding Royalty Interest (ORRI) held by the Group over certain producing oil and gas assets in the United States, whereby the Group is entitled to 3% of oil and gas sales revenue generated by the operation of those assets. The relevant assets are owned and operated by parties unrelated to the Group. The ORRI was acquired for US$4.45m in February 2015. During the year ended 31 December 2015, the carrying value of the ORRI was subject to an impairment charge of US$2.2m.

The oil and gas sector has experienced volatile commodity prices, which increased forecasting risk and created complexity in our audit.

Management assessed the recoverable amount of the Group's ORRI through a value in use model in which significant judgments are applied in determining key assumptions. These assumptions include the Group's assessment of future production volumes and future commodity prices expected to be achieved by the operator of the relevant oil and gas assets, as well as the discount rate. The judgments made in determining the underlying assumptions used in the model have a significant impact on the recoverable amount of the ORRI, and accordingly the amount of impairment charge, or reversal of impairment, to be recorded in the current financial year.</td><td>In assessing this key audit matter, we involved senior audit team members, including valuation specialists, who understand the oil and gas industry.

Our audit procedures included, amongst others:
• We evaluated management's methodology for determining the recoverable amount of the Group's ORRI by comparing the model with generally accepted valuation methodology and accounting standard requirements;
• We checked the mathematical accuracy of the model and recalculated the cash inflows as 3% of sales revenue forecast to be generated by the operator of the oil and gas assets;
• We performed sensitivity analysis on key assumptions such as discount rates, future production volumes and future commodity prices to identify the key assumptions relative to the risk of impairment and focus our audit effort thereon;
• We challenged the key assumptions used in management's value in use model by:
- Assessing future production volumes using reserve reports prepared by external reservoir engineers commissioned by the operator of the oil and gas assets; and
- Corroborating future commodity prices, and inputs used in assessing discount rates to external market data, such as forward estimates of oil and gas prices, risk free rates of return, and cost of debt.</td></tr>
</table>

KPMG

Exploration and Evaluation Expenditure ($1.17m)	
Refer to Note 9 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Exploration and Evaluation expenditure is a key audit matter due to: • the significance of the balance (being 27% of total assets); • the level of judgement required by us in evaluating management's application of the requirements of AASB 6 Exploration for and Evaluation of Mineral Resources. AASB 6 is an industry specific accounting standard requiring the application of significant judgments, estimates and industry knowledge. This includes specific requirements for expenditure to be capitalised as an asset, and subsequent requirements which must be complied with for capitalised expenditure to continue to be carried as an asset; and • The assessment of impairment of exploration and evaluation expenditure can be inherently difficult, particularly in uncertain or depressed market conditions such as those currently being experienced in Australian oil and gas exploration. Areas of significant judgment for us and management included: • the assessment of areas of interest, particularly where the Group is exploring multiple potential reservoirs in contiguous tenements; • whether right to tenure of an area of interest is current, particularly where there are complex agreements in place with other parties;	In assessing this key audit matter, we involved senior audit team members who understand the Group's business, industry and the economic environment it operates in. Our audit procedures included, amongst others: • We assessed management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the Group holds an interest and the exploration programmes planned for those tenements through evaluating documentation such as tenement related technical data, joint venture agreements and planned work programmes; • For each area of interest, we assessed the Group's current rights to tenure by corroborating to government registries and evaluating agreements in place with other parties; • We tested the Group's additions to capitalised expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Group's accounting policy and the requirements of AASB 6; • We considered the activities in each area of interest to date, and assessed the Group's planned future activities for each area of interest by evaluating work programmes and budgets for each area of interest;

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• whether expenditure meets the capitalisation carry forward conditions of AASB 6; and • whether there are indicators of impairment, in particular: licenses for the right to explore expiring in the near future or are not expected to be renewed; substantive expenditure for further exploration in the specific area is neither budgeted or planned; decision or intent by the Group to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recovered in full from successful development or sale.	• We assessed each area of interest for one or more of the following circumstances that may indicate impairment of the capitalised expenditure. We did this through testing the status of the Group's tenure and documented planned future activities, reading board minutes, considering the results of exploration programmes completed to date, and discussion with management: - the licenses for the right to explore expiring in the near future or are not expected to be renewed; - substantive expenditure for further exploration in the specific area is neither budgeted or planned; - decision or intent by the Group to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and - data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recorded in full from successful development or sale.

Other Information

Other Information is financial and non-financial information in Planet Gas Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the Chairman' Letter, Review of Operations, Statement of Corporate Governance, Directors Report, Additional Stock Exchange Information and Corporate Directory. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

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Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf.This description forms part of our Auditor's Report.

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Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Planet Gas Limited for the year ended 31 December 2016, complies with *Section 300A* of the *Corporations Act 2001*.

Director's responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included on pages 11 and 12 of the Director's Report for the year ended 31 December 2016.

Our responsibility is to express an opinion on the Remuneration Report, based on our Audit conducted in accordance with *Australian Auditing Standards*.

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Stephen Board
Partner
Brisbane
22 March 2017

PLANET GAS LIMITED

ADDITIONAL STOCK EXCHANGE INFORMATION

Additional information as at 28 February 2017 required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report.

Home Exchange

The Company is listed on the Australian Stock Exchange. The Home Exchange is Sydney.

Class of Shares and Voting Rights

The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, attorney or representative, shall have one vote on a show of hands and one vote for each share held on a poll.

A member holding partly paid shares is entitled to a fraction of a vote equivalent to the proportion which the amount paid up bears to the issue price for the share.

Distribution of Shareholders

As at 28 February 2017, the total distribution of fully paid shareholders, being the only class of equity, was as follows:

Range	Total Holders	Number of shares
1 - 1,000	70	6,324
1,001 - 5,000	100	338,000
5,001 - 10,000	129	1,069,319
10,001 - 100,000	575	24,777,983
100,001 and over	385	511,430,909
Total	1,259	537,622,535

As at 28 February 2017, 898 shareholders held less than marketable parcels of 125,000 shares.

On Market Buy Back

There is no on market buy-back.

Substantial Holders

Holdings of substantial shareholders are set out below.

Ordinary Shares	Quantity
Hueridge Pty Ltd	107,315,500
Archimedes Securities Pty Ltd <Golden Valley S/F A/C>	72,247,480

Twenty Largest Shareholders

As at 28 February 2017 the twenty largest quoted shareholders held 57.57 of the fully paid ordinary shares as follows:

	Name	Quantity	%
1	Hueridge Pty Ltd	107,315,500	19.96
2	Archimedes Securities Pty Ltd <Golden Valley S/F A/C>	72,247,480	13.44
3	Lyric-Pasan Pty Ltd <Holt Superannuation fund A/C>	20,000,000	3.72
4	Mr Graham Leslie Smith	14,511,089	2.70
5	Rigi Investments Pty Limited <The Cape A/C>	14,068,429	2.62
6	Rosignol Pty Ltd <Nightingale Family A/C>	7,995,673	1.49
7	Trio Investments Pty Limited	7,851,923	1.46
8	All-States Finance Pty Ltd	7,207,825	1.34
9	Citicorp Nominees Pty Limited	6,711,673	1.25
10	Andrew Skinner	6,550,000	1.22
11	Removale Pty Ltd	6,090,000	1.13
12	Berpaid Pty Ltd	5,375,000	1.00
13	Mr Dallas John William Allman & Mrs Judith Dawn Allman <DJW & JD Allman S/F A/C>	5,000,000	0.93
14	Soot Hin Goh	4,750,000	0.88
15	Serlett Pty Ltd <Diligent Inv Superfund A/C>	4,300,000	0.80
16	Frank Favorito & Ms Hongbing Wu	4,167,095	0.78
17	Bruce Riederer	4,000,000	0.74
18	Dr Andrew Solomons	3,851,547	0.72
19	Rosignol Consultants Pty Ltd	3,781,250	0.70
20	Mr Anthony J McClure	3,750,000	0.70

Tenements Held

As at 28 February 2017 the Company held the following tenements:

Project	Location	Ownership	Type of Tenement
PRLs 118 to 128	Cooper Basin South Australia	20.0%	Exploration
PEL 638 Shallows	Cooper Basin South Australia	20.0%	Exploration
PEL 638 Deeps	Cooper Basin South Australia	12.5%	Exploration

PLANET GAS LIMITED

CORPORATE DIRECTORY

Directors:

Mr Norman A. Seckold (Chairman)
Mr Peter J. Nightingale
Mr Anthony J. McClure
Mr Robert M. Bell
Mr Anthony J. McDonald

Company Secretary:

Mr Marcelo Mora

Principal Place of Business and Registered Office:

Level 2, 66 Hunter Street
SYDNEY NSW 2000

Phone:	+61 2 9300 3322
Facsimile:	+61 2 9221 6333

Auditors:

KPMG
Level 16, Riparian Plaza
71 Eagle Street
BRISBANE QLD 4000

Solicitors:

Minter Ellison
88 Phillip Street
SYDNEY NSW 2000

Share Registrars:

Computershare Investor Services Pty Limited
Level 4
60 Carrington Street
Sydney NSW 2000

Phone:	1300 787 272
Overseas Callers	+61 3 9415 4000
Facsimile:	+61 3 9473 2500