

2018 ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018



PLANET GAS LIMITED
and its controlled entities
ABN 46 098 952 035

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CHAIRMAN'S LETTER

Dear Fellow Shareholders,

Following the Company's Cooper Basin project joint venture partners terminating their exploration agreements together with less than acceptable performance of the Company's overriding oil and gas royalty interest in the United States of America, the Board of Planet Gas Limited ('the Company') has focused on restructuring the Company's activities.

This process was largely completed during the year.

The Company proposes to undertake a significant restructure and is shifting its focus from an oil and gas exploration.

During the year, the Company sold the entire interest (debt and equity) in its overriding royalty interest in oil and gas producing assets in Kansas, Pennsylvania and New York states in the USA to High Peak Royalties Limited.

Further, the Company sold its interest in the Cooper Basin project to Senex Energy Limited, retaining a 2% royalty interest on certain potential future cashflow from the Cooper Basin acreage.

Subject to shareholder approval, the Company proposes to acquire 100% of the equity interest in Big Sky Metals Pty Ltd ('BSM') to redirect the Company's focus to tin and tungsten exploration and development.

The BSM projects include the Tallebung and Doradilla tin and tungsten exploration tenements in central New South Wales. The Company considers the BSM projects to be attractive exploration and development assets. The price for this versatile metal is growing steadily and it is predicted that tin will have a growing role in the manufacturing of batteries.

In the next few weeks, you will receive a Notice of General Meeting to consider and if thought fit approve among other items the acquisition of BSM.

Looking ahead, 2019 promises to be a new beginning for your Company. Shareholder approval to acquire BSM will be followed by a capital raising to expedite exploration of the Tallebung and Doradilla tin and tungsten assets.

Your Board is committed to and confident in the Company's new strategy and is looking forward to building a stronger future for the Company and creating value for our shareholders.

Yours sincerely



Norman A. Seckold
Chairman

REVIEW OF OPERATIONS

Summary

During the year:

- The Company sold its participating interest in the Cooper Basin, South Australia to Senex Energy Limited retaining a 2% royalty interest on certain potential future cashflow from the Cooper Basin acreage.
- The Company sold the entire interest (debt and equity) in its wholly owned subsidiary, Planet Gas USA Inc. ('PGS USA') to High Peak Royalties Limited.
- The Company executed a Heads of Agreement with Big Sky Metals Pty Ltd ('BSM') to acquire 100% of BSM issued capital which hold a 100% interest in exploration tenements which include historical mines and workings prospective for tin and tungsten in New South Wales ('BSM Projects'). The intended acquisition of BSM is subject to a number of conditions precedent, including Company shareholder approval.

Corporate Activities

Cooper Basin, South Australia

The Company sold its 20% participating interest in the Cooper Basin North Shallows Joint Venture and a 12.5% participating interest in the Cooper Basin North Deeps Joint Venture to Senex Energy Limited as well as the remaining hydrocarbon interest in the Copper Basin for a consideration of \$400,000. The Company also retained a 2% overriding royalty interest on potential future cashflow from the acreages subject to certain conditions.

Overriding Royalty Interest, USA

The Company sold its wholly owned subsidiary Planet Gas USA Inc. ('PGS USA'), to High Peak Royalties Limited. PGS USA owned an overriding royalty interest on certain oil and gas producing assets in Kansas, Pennsylvania and New York states in the USA.

The consideration for the sale was \$1 and resulted in the Company being released from all indebtedness (primarily as guarantor of PGS USA) owed to Macquarie Bank Limited ('Macquarie') pursuant to a loan facility agreement with PGS USA of approximately US\$2.75 million.

Heads of Agreement to Acquire Big Sky Metals Pty Ltd

The Company signed a Binding Terms Sheet ('Agreement') to acquire 100% of Big Sky Metals Pty Ltd ('BSM') which holds a 100% interest in exploration tenements which include historical mines and workings prospective for tin and tungsten in New South Wales ('BSM Projects'). The Company considers the BSM Projects to be a suite of attractive exploration and development assets.

As a result of executing the Heads of Agreement to acquire BSM, ASX suspended the Company's securities from Official Quotation until the transaction is approved by shareholders and the Company re-complies with Chapters 1 and 2 of the ASX Listing Rules.

The Company is continuing to progress with the appropriate regulatory approvals to acquire BSM and, in the near future, the Company will send a notice of meeting seeking shareholder approval for the acquisition of BSM.

The BSM Projects

The BSM projects include the high quality Tallebung and Doradilla tin-tungsten exploration tenements assets in NSW. The assets were most recently advanced by YTC Resources (now Aurelia Metals ASX:AMI) prior to Aurelia's focus on the Hera Project.

Tallebung Project (NSW EL6699) – BSM 100%

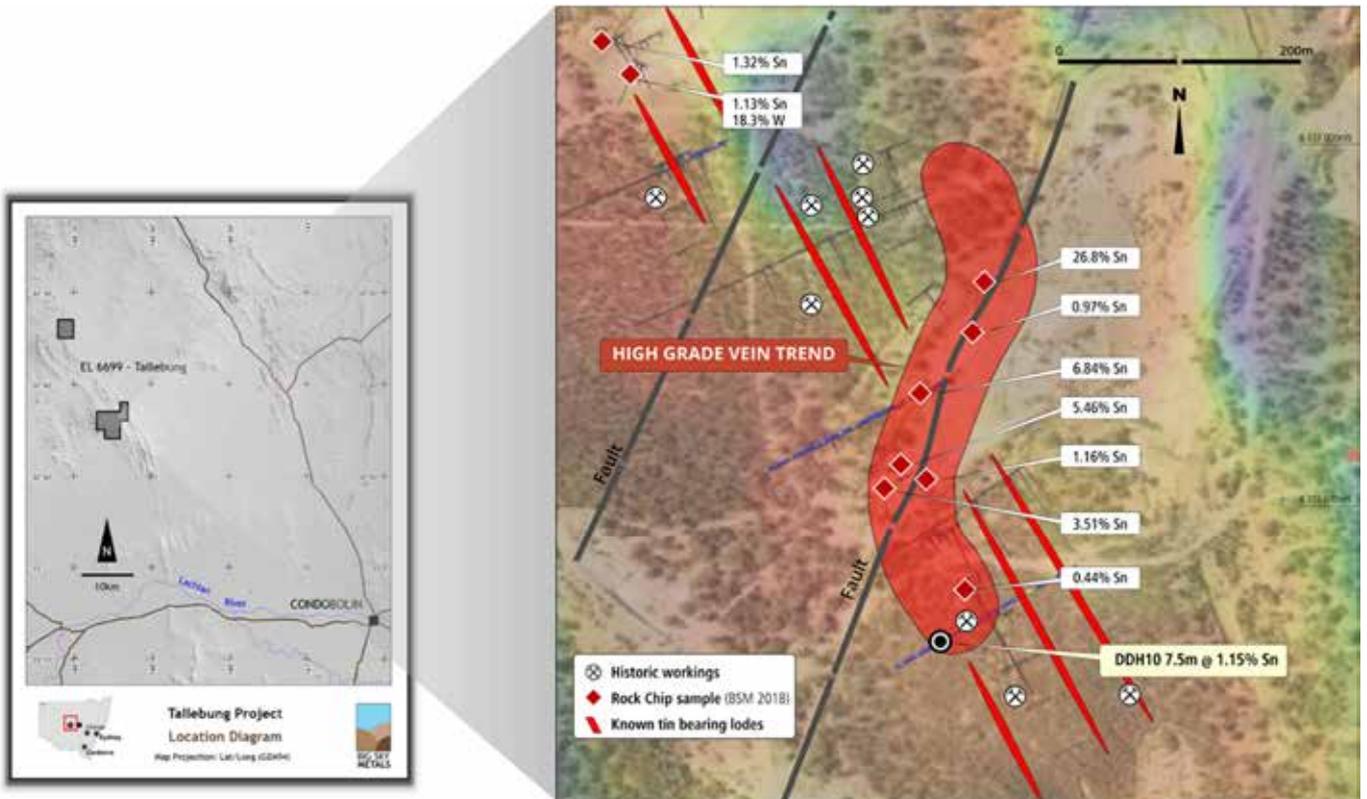
The Tallebung Project is located ~50km north-west of Condobolin in central NSW and is prospective for high-grade lode and porphyry style tin-tungsten mineralisation.

Tin-tungsten mineralisation is developed in outcrop over ~1km as sheeted/stockwork quartz-cassiterite-wolframite ± sulphide veins above a mineralising granite.

The Tallebung mining history includes numerous selective historic mining of high-grade quartz-lode tin-tungsten mineralisation as well as more recent (1963-1972), large-scale alluvial/colluvial mining.

Tallebung Tin Field represents an immediate shallow, high grade target above an excellent large scale, low grade, ‘tin porphyry’ exploration target.

The Tallebung Project prospectivity is highlighted by the recent discovery (BSM, 2018) of high-grade tin bearing quartz veins where rock chip samples (7) averaged 5.3% tin over a 250m strike.



Tallebung Project, with map inset highlighting high grade vein trend identified from recent BSM rock chip sampling.

Doradilla Project (NSW EL 6258) – BSM 100%

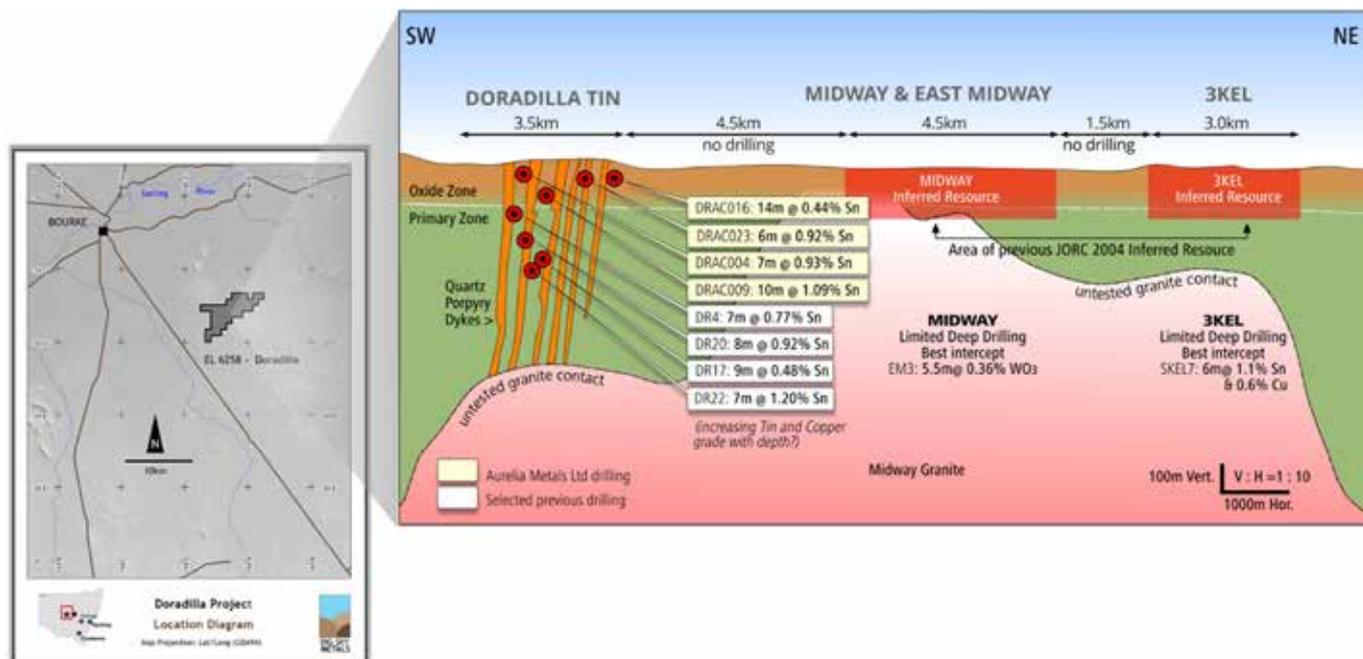
Located in north-western NSW, ~30km from Bourke, the Doradilla hosts extensive specialty metals (tin, tungsten, copper, bismuth, indium, nickel and cobalt) mineralisation associated with the recently dated Triassic aged Midway Granite.

Mineralisation is hosted within the large scale, Doradilla-Midway-3KEL (‘DMK’) skarn which extends for a known strike length of 14km.

The DMK skarn is metallurgically complex and includes a substantial large, oxide JORC 2004 resource (2008) at Midway-3KEL, with size limited only by drilling.

Existing drilling at the 3KEL deposit includes zones of high-grade tin ± copper, zinc and indium:

- 10m @ 4.4% Sn and 107ppm In; and
- 18m @ 3.0% Sn, 230ppm In, 0.85% Cu and 0.73% Zn



Doradilla Project, with map inset showing a long section along the DMK skarn with highlight drill results at Doradilla and location of the 2008 Resources.

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 market announcements dated 22 November 2018 or in the quarterly activities report announcements dated 23 October 2018 and 22 January 2019 and that all material assumptions and technical parameters in the market announcements continue to apply and have not materially changed.

Competent Person Statement

The information in this report that relates to Exploration Results is based on information compiled by Rimas Kairaitis, who is a Member of The Australasian Institute of Mining and Metallurgy. Rimas Kairaitis is a Director of Big Sky Metals Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Kairaitis consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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 practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2018 Corporate Governance Statement was approved by the Board on 4 March 2019 and reflects the corporate governance practices throughout the 2018 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/>.

DIRECTORS' REPORT

The Directors present the consolidated financial report of Planet Gas Limited ('Planet Gas' or 'the Company') and its controlled entities for the financial year ended 31 December 2018. 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 Alpha HPA Limited (formerly Collerina Cobalt Limited), a minerals exploration and development company operating in Australia and Indonesia, Santana Minerals Limited, a precious metals exploration company operating in Chile and Mexico, and Deputy Chairman and Executive Director of Nickel Mines Limited a nickel mining and development company operating in Indonesia. He is also a director of unlisted public company Mekong Minerals Limited.

In the past three years, Mr Seckold was also a director of Jervois Mining 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 listed companies Alpha HPA Limited (formerly Collerina Cobalt Limited) and Nickel Mines Limited. He is also a director of unlisted public company Prospech Limited.

In the past three years, Mr Nightingale was also a director of Argent 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 18 years has been actively involved in management in the resources sector.

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

Anthony John McClure, Non-Executive Director

Director since 27 August 2003.

Anthony McClure graduated with a Bachelor of Science (Geology) degree from Macquarie University in 1986. Mr McClure has over 30 years' technical, management and financial experience in the resource sector worldwide in project management and executive development roles. He has also worked in the financial services sector and stockbroking, primarily as a resource analyst covering both mineral and energy sectors.

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

Robert Michael Bell, Independent and Non-Executive Director

Director since 30 October 2007.

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

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

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	-

Principal Activities

During the year the Group was engaged in the exploration of oil and gas assets and the ownership of a royalty interest which was disposed of during the year. The Company will seek shareholders' approval to acquire Big Sky Metals Pty Ltd who hold exploration tenements which include historical mines and workings prospective for tin and tungsten in New South Wales.

Financial Results

The consolidated loss after income tax attributable to members of the Company for the year was \$1,766,548 (2017 - \$753,508 loss).

Review of Operations

The review of operations is set out on pages 2 to 4 of this Annual Report.

Dividends

The Directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2018. No dividends have been paid or declared during the financial year (2017 - \$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 2018 were as follows:

On 5 September 2018, Planet Gas Limited transferred its remaining hydrocarbon interests in the Cooper Basin, South Australia, to Senex Energy Limited. The consideration paid for the transfer of the hydrocarbon interest was \$400,000. The Group retained a 2% overriding royalty interest ('ORRI') on potential future cashflows from the acreage, subject to certain conditions.

During the half year, the Company completed the sale of the Company's entire interest (debt and equity) in its wholly owned subsidiary, Planet Gas USA Inc. The consideration for the sale was \$1 and resulted in the Company being released from all indebtedness owed to Macquarie Bank Limited pursuant to a loan facility agreement with PGS USA of approximately US\$2.75 million.

On 22 November 2018, the Company signed a Binding Terms Sheet with Big Sky Metals Pty Ltd (BSM) under which the Company will acquire 100% of the issued shares in BSM from the BSM shareholders for the purpose of acquiring a 100% interest in two tin-tungsten exploration tenements in NSW. As a result of the announcement, ASX suspended the Company's securities from Official Quotation until the Company obtained shareholders' approval for the acquisition of BSM and recompiles with Chapters 1 and 2 of the Listing Rules.

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

Subject to shareholders approval the Company will seek to complete the acquisition of BSM in accordance with executed Heads of Agreement and rename the Company to Sky Metals Limited and BSM will undertake a two year exploration program, with an initial focus on high-grade tin and tungsten.

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 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 2018 or in the prior year.

Details of remuneration for the year ended 31 December 2018 - 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:

	Year	Short-term employee benefit		Prior years	Share based payments	Post-employment benefit	Total
		Primary fees/salary ⁽¹⁾	Share options	Directors Fees Forgiven ⁽¹⁾	Share options	Super-annuation	
		\$	\$	\$	\$	\$	\$
Directors and Executives							
Executive Directors							
Norman A. Seckold (Chairman)	2018	18,750	-	(135,000)	-	-	(116,250)
	2017	90,000	-	-	-	-	90,000
Peter J. Nightingale (Director and CFO) ⁽²⁾	2018	15,625	-	(117,188)	-	-	(101,563)
	2017	75,000	-	-	-	-	75,000
Non-executive Directors							
Anthony J. McClure	2018	5,000	-	(84,562)	-	-	(79,562)
	2017	24,000	-	-	-	-	24,000
Robert M. Bell	2018	5,000	-	(36,000)	-	-	(31,000)
	2017	24,000	-	-	-	-	24,000
Anthony J. McDonald	2018	12,500	-	(90,000)	-	-	(77,500)
	2017	60,000	-	-	-	-	60,000
Total all specified Directors	2018	56,875	-	(462,750)	-	-	(405,875)
	2017	273,000	-	-	-	-	273,000

⁽¹⁾ The board agreed to cease charging Directors fees from 1 November 2018, and reduce the unpaid director fees from 2016 to 2018 to 25% of the balance outstanding.

⁽²⁾ Mr Peter Nightingale also agreed to reduce his unpaid director's fees for December 2015 to 25% of the balance outstanding.

Remuneration Report - Audited (Cont.)

There are no service contracts and no bonuses or other performance related compensation payments were paid during the current year or prior 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 2018 or 31 December 2017.

During the year, each Company director agreed to provide a debt forgiveness equivalent to 75% of their unpaid director's fees outstanding as at 31 October 2018, and from 1 November 2018 the directors will not earn or accrue fees until the acquisition of Big Sky Metals Pty Ltd.

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.

	2018	2017	2016	2015	2014
	\$	\$	\$	\$	\$
Net (loss)/profit attributable to equity holders of the parent	(1,766,548)	(753,508)	(1,149,536)	(3,903,850)	(714,536)
Dividends paid	-	-	-	-	-
Change in share price	(0.001)	-	0.002	(0.007)	(0.007)

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 2018	Purchased shares	Sales shares	Held at 31 December 2018
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

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 2018, Norman A. Seckold and Peter J. Nightingale had joint control of an entity, Mining Services Trust ('MIS'), 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 \$90,000 (2017 - \$216,000) exclusive of GST. After applying a 50% discount provided by MIS for fees outstanding from 2016 to 2018 the amount outstanding at 31 December 2018 was \$297,000 (2017 - \$414,000) exclusive of GST. The MIS fees forgiven for the period 30 June 2016 to 30 June 2017 amounted to \$207,000. These services are invoiced monthly in advance and payable within 30 days. The total outstanding amount at 31 December 2018 has been classified as a current liability however the related party has agreed to receive 8,167,500 Planet Gas ordinary shares in full and final satisfaction of the amount owing, subject to shareholders approval.

Remuneration Report - Audited (Cont.)

	2018	2017
	\$	\$
Total amounts owing at balance date		
Directors fees	212,220	621,380
Mining Services Trust	297,000	414,000
	<u>509,220</u>	<u>1,035,380</u>

End of remuneration report.

Non-audit Services

During the year ended 31 December 2018 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.

	2018	2017
	\$	\$
Statutory Audit		
Auditor of the Company		
- audit and review of financial reports	<u>94,000</u>	<u>99,250</u>

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

The lead auditor's independence declaration is set out on page 12 and forms part of the Directors' Report for the year ended 31 December 2018.

Signed at Sydney this 8th day of March 2019
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 of Planet Gas Limited for the financial year ended 31 December 2018 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

Brisbane
8 March 2019

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 \$	2017 \$
CONTINUING OPERATIONS			
Revenue		-	-
Total revenue		<u>-</u>	<u>-</u>
Other income	4	691,035	-
Consultants' and administration expenses		(193,812)	(556,535)
Other expenses	4	(922,457)	(99,951)
Operating loss before finance income		(425,234)	(656,486)
Finance income	4	1,414	1,358
Finance expense		-	-
Net finance expense/(income)		1,414	1,358
Loss before tax		(423,820)	(655,128)
Income tax expense	5	-	-
Profit/(loss) from continuing operations		(423,820)	(655,128)
DISCONTINUED OPERATION			
Loss from discontinued operations (net of tax)	25	(1,342,728)	(98,380)
Loss for the year		(1,766,548)	(753,508)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net change in fair value in financial assets	14	(184)	(576)
		(184)	(576)
Items that may be classified subsequently to profit or loss			
Foreign currency translation differences - foreign operations	14	(117,490)	105,949
Foreign currency translation difference re-classified to profit or loss - profit or loss on sale of subsidiary	14	2,699,000	-
		2,581,510	105,949
Total other comprehensive income/(loss)		2,581,326	105,373
Total comprehensive income/(loss) for the year		814,778	(648,135)
Earnings per share			
Basic and diluted loss per share (cents)	15	(0.33)	(0.14)
Earnings per share – continuing operations			
Basic and diluted loss per share (cents)	15	(0.08)	(0.12)

- See note 25 – discontinued operations

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	Notes	2018 \$	2017 \$
Current assets			
Cash and cash equivalents	16	248,794	143,040
Trade and other receivables	6	-	36,248
Other assets	7	-	2,919
Total current assets		<u>248,794</u>	<u>182,207</u>
Non-current assets			
Investments	8	231	414
Exploration and evaluation expenditure	9	-	1,182,845
Intangible assets	10	-	2,352,236
Total non-current assets		<u>231</u>	<u>3,535,495</u>
Total assets		<u>249,025</u>	<u>3,717,702</u>
Current liabilities			
Trade and other payables	11	646,547	1,174,376
Loans and borrowings	12	-	3,755,626
Total current liabilities		<u>646,547</u>	<u>4,930,002</u>
Total liabilities		<u>646,547</u>	<u>4,930,002</u>
Net net liabilities		<u>(397,522)</u>	<u>(1,212,300)</u>
Equity			
Issued capital	13	49,781,972	49,781,972
Fair value reserve	14	230	414
Foreign currency translation reserve	14	-	(2,581,510)
Accumulated losses		<u>(50,179,724)</u>	<u>(48,413,176)</u>
Total deficiency		<u>(397,522)</u>	<u>(1,212,300)</u>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Issued capital	Accumulated losses	Fair value reserve	Foreign currency translation reserve	Total equity
	\$	\$	\$	\$	\$
Balance at 1 January 2017	49,781,972	(47,659,668)	990	(2,687,459)	(564,165)
Total comprehensive income for the year					
Loss for the year	-	(753,508)	-	-	(753,508)
Total other comprehensive income/(loss)	-	-	(576)	105,949	105,373
Total comprehensive income/(loss) for the year	-	(753,508)	(576)	105,949	(648,135)
Transactions with owners recorded directly in equity					
Contribution by and distribution to owners	-	-	-	-	-
Balance at 31 December 2017	49,781,972	(48,413,176)	414	(2,581,510)	(1,212,300)
Balance at 1 January 2018	49,781,972	(48,413,176)	414	(2,581,510)	(1,212,300)
Total comprehensive income for the year					
Loss for the year	-	(1,766,548)	-	-	(1,766,548)
Total other comprehensive income/(loss)	-	-	(184)	2,581,510	2,581,326
Total comprehensive income/(loss) for the year	-	(1,766,548)	(184)	2,581,510	814,778
Transactions with owners recorded directly in equity					
Contribution by and distribution to owners	-	-	-	-	-
Balance at 31 December 2018	49,781,972	(50,179,724)	230	-	(397,522)

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Cash receipts in the course of operations		383,274	351,589
Cash payments in the course of operations		<u>(184,903)</u>	<u>(154,582)</u>
Cash generated from operations		198,371	197,007
Interest received		1,414	1,358
Interest paid		<u>(206,442)</u>	<u>(245,772)</u>
Net cash used in operating activities	16	<u>(6,657)</u>	<u>(47,407)</u>
Cash flows from investing activities			
Proceed from sale of tenement interest		400,000	-
Disposal of subsidiary, net of cash disposed of		<u>(92,022)</u>	<u>-</u>
Net cash used in investing activities		<u>307,978</u>	<u>-</u>
Cash flows from financing activities			
Proceeds from loans and borrowings		-	-
Repayment of borrowings		<u>(195,567)</u>	<u>(195,874)</u>
Net cash used in financing activities		<u>(195,567)</u>	<u>(195,874)</u>
Net decrease in cash and cash equivalents		105,754	(243,281)
Cash and cash equivalents at 1 January		<u>143,040</u>	<u>386,321</u>
Cash and cash equivalents at the end of the financial year	16	<u><u>248,794</u></u>	<u><u>143,040</u></u>

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 2018 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 8 March 2019.

(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 - financial assets classified as fair value through other comprehensive income.

(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 in note 2(e) going concern note

(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.

During the year ended 31 December 2018 the Group incurred a loss of \$1,766,548 (2017 - \$753,508 loss) and has used \$6,657 (2017 - \$47,407) in cash outflows from operating activities. There were no cash outflows relating to exploration and evaluation activities (2017 - nil).

The Group has a net current asset deficiency of \$397,753 at 31 December 2018 (2017 - deficiency of \$4,747,795) which includes cash and cash equivalents of \$248,794 (2017 - \$143,040). There is a deficiency in shareholders equity of \$397,522 at 31 December 2018 (2017 deficiency of \$1,212,300).

2. Basis of preparation (Cont.)

(e) Going concern (Cont.)

As at 31 December 2018, the Group has \$646,547 of trade and other payables, of which \$509,220 is owing to directors and their related parties. The Company will call a shareholders meeting to seek shareholders' approval for the acquisition of Big Sky Metals Pty Ltd (BSM) and to issue shares in the Company to certain creditors including directors and their related parties in full satisfaction of the amount owing. If shareholders approve the acquisition of BSM and the issue of shares to creditors the Company would have no directors and related party creditors outstanding. If shareholders do not approve the acquisition of BSM and issue of shares to creditors including directors, the directors and related parties have agreed to defer the payment of all amounts owing to them at the balance date and up to the date it is not approved until such time that the Group is in a position to repay amounts owing without impacting the financial viability of the Group.

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

- the Company to complete the acquisition of BSM and is able to raise \$4,500,000 pursuant to a prospectus;
- related parties and directors have agreed to receive shares in the Company in full and final satisfaction of the amounts owing by the Company; and
- no amounts will be paid to directors and their related entities until the acquisition of BSM is complete.

Accordingly, given the options available to address the Group's funding needs are uncertain until shareholders' at a shareholders meeting approve the acquisition of BSM, and the uncertainty inherent in the subsequent capital raising of \$4.5M, 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 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 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.

The Group has initially adopted AASB 15 Revenue from Contracts with Customers from 1 January 2018. The adoption of this standard did not have a material effect on the Group's financial statements.

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.

(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.

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

Recognition and initial measurement

The Group initially recognises trade receivables on the date that they are originated. All other financial assets 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.

Classification and subsequent measurement – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair value through other comprehensive income – equity investment; or
- Fair value through profit or loss.

3. Significant accounting policies (Cont.)

(e) Financial instruments (Cont.)

Non-derivative financial assets (Cont.)

Classification and subsequent measurement – Policy applicable from 1 January 2018 (Cont.)

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value through OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity instruments at fair value through other comprehensive income	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

Classification and subsequent measurement – Policy applicable before 1 January 2018

The Group classified its financial assets into one of the following.

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.)

Amortised cost

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

Financial liabilities are measured at amortised cost.

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 loans and borrowings and 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.

3. Significant accounting policies (Cont.)

(g) Cash and cash equivalents

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

(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

Policy applicable from 1 January 2018

Financial instruments

The Group recognises expected credit losses ('ECLs') on:

- Financial assets measured at amortised cost;

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Other debt securities and bank balances for which credit risk (i.e the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at fair value through other comprehensive income, the loss allowance is charged to profit or loss and is recognised in other comprehensive income.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Policy applicable before 1 January 2018

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.

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.

3. Significant accounting policies (Cont.)

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.

(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.

3. Significant accounting policies (Cont.)

(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 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.

(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.

3. Significant accounting policies (Cont.)

(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 or market 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. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

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.

(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 shares is determined by reference to their market 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.

3. Significant accounting policies (Cont.)

(s) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cashflows of which can be clearly distinguished from the rest of the Group and which:

- Represent a separate major line of business or geographic area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is presented as if the operation had been discontinued from the start of the comparative year.

	2018	2017
	\$	\$
4. Loss from operating activities		
Loss from operating activities before income tax includes the following items of income and expense:		
Other income		
• Directors – forgiveness of amounts owing	462,750	-
• Related parties - forgiveness of amounts owing	207,000	-
• other	21,285	-
	<u>691,035</u>	-
Impairment of exploration tenements	(788,845)	-
Legal fees	(29,492)	-
Auditors' remuneration		
- audit and review of financial reports	(94,000)	(99,250)
Financial income and expense		
Interest revenue	<u>1,414</u>	<u>1,358</u>

	2018	2017
	\$	\$
5. Income tax expense		
Current tax expense		
Current year	(292,829)	(43,304)
Adjustments for prior year	(17,379)	(76,875)
Tax (profit)/losses not recognised	<u>310,208</u>	<u>120,179</u>
	<u>-</u>	<u>-</u>
<i>Numerical reconciliation of income tax expense to prima facie tax payable:</i>		
Loss before tax	<u>(1,766,548)</u>	<u>(753,508)</u>
Prima facie income tax benefit at the Australian tax rate of 30% (2017 - 30%)	(529,964)	(226,053)
Adjustments to prima facie tax due to:		
- non-deductible expenses	(1,257)	45,660
- effect of DTAs on tax losses not brought to account	292,829	43,304
- effect of DTAs on temporary differences not brought to account	<u>238,392</u>	<u>137,089</u>
Tax expense	<u>-</u>	<u>-</u>
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Capital losses	-	-
Tax losses	8,380,023	15,338,335
Net deductible temporary differences	<u>77,201</u>	<u>3,387,141</u>
Potential tax benefit at 30% (2017 - 30%)	<u>8,457,225</u>	<u>18,725,476</u>
The deductible temporary differences and tax losses do not expire under current tax legislation, however, are subject to tests that must be satisfied before they can be utilised relating to continuity of ownership or same business. 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.		
6. Trade and other receivables		
Royalty accrued	<u>-</u>	<u>36,248</u>
	<u>-</u>	<u>36,248</u>
7. Other assets		
Current assets		
GST	-	2,919
Interest accrued	<u>-</u>	<u>-</u>
	<u>-</u>	<u>2,919</u>
8. Investments		
Investments - fair value through other comprehensive income	<u>231</u>	<u>414</u>

At 31 December 2018, the Directors compared the carrying value of the investment to market value and recorded a decrease in fair value within equity of \$184 (2017 - increase \$576). This was based on a closing price of \$0.021 at 31 December 2018.

	2018	2017
	\$	\$
9. Exploration and evaluation expenditure		
PRL 118 to PRL 128 (formerly PEL 514)	-	1,051,052
PRL 221 to PRL 230 (formerly PEL 638)	-	131,793
Net book value	-	<u>1,182,845</u>
PRL 118 to PRL 128 (formerly PEL 514)		
Carrying amount at beginning of year	1,051,052	1,045,052
Additions	3,000	6,000
Disposal	(399,000)	-
Impairment	(655,052)	-
Net book value	-	<u>1,051,052</u>
PRL 221 to PRL 230 (formerly PEL 638)		
Carrying amount at beginning of year	131,793	125,793
Additions	3,000	6,000
Disposal	(1,000)	-
Impairment	(133,793)	-
Net book value	-	<u>131,793</u>

During September 2018, the Company entered an agreement with Senex Energy Limited for the transfer of Planet Gas' remaining hydrocarbon interests in the Cooper Basin, South Australia. The consideration received by Planet Gas was \$400,000. The Group retained a 2% overriding royalty interest on potential future cashflows from these tenements, subject to certain conditions.

10. Intangible assets

Overriding royalty interest (ORRI)

Net book value	-	<u>2,352,236</u>
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Reconciliations of the carrying amounts for each class of intangible assets are set out below:

Carrying amount at beginning of year	2,352,236	2,779,620
Additions / (disposal)	(2,409,399)	-
Amortisation	(155,350)	(215,551)
Net foreign currency differences on translation	212,513	(211,833)
Net book value	-	<u>2,352,236</u>

On 15 October 2018, the Company sold its wholly owned subsidiary Planet Gas USA Inc., which held the ORRI to High Peak Royalties Limited. The consideration for the sale was \$1 and Planet Gas was released from all indebtedness owed to Macquarie Bank Limited see note 12

	2018	2017
	\$	\$
11. Trade and other payables		
Current liabilities		
Creditors and accruals (see notes 17 and 18)	<u>646,547</u>	<u>1,174,376</u>
12. Loans and borrowings		
Current		<u>- 3,755,626</u>

Consideration for the sale of Planet Gas USA Inc. was \$1, it also results in Planet Gas Limited being released from all indebtedness as guarantor of Planet Gas USA Inc., to Macquarie Bank Limited pursuant to the loan facility agreement dated 14 October 2014. The outstanding principal at the date of the sale to High Peak Royalties Limited was US\$2.75 million.

	2018		2017	
	No.	\$	No.	\$
13. Issued capital				
Fully paid ordinary shares				
Balance at 31 December	<u>537,622,535</u>	<u>49,781,972</u>	<u>537,622,535</u>	<u>49,781,972</u>

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

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.

	2018	2017
	\$	\$
14. Reserves		
Fair value reserve		
Opening balance	414	990
Net change in fair value of financial assets	<u>(184)</u>	<u>(576)</u>
Closing balance	<u>230</u>	<u>414</u>

Changes in fair value of investments are recognised in other comprehensive income and accumulated in a separate reserve within equity. Refer to Note 8 for further details on investments.

Foreign currency translation reserve		
Opening balance	(2,581,510)	(2,687,459)
Translation adjustment on foreign operations during the year	(117,490)	105,949
Translation adjustment transferred to profit and loss on sale of subsidiary	<u>2,699,000</u>	-
Closing balance	<u>-</u>	<u>(2,581,510)</u>

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.

	2018			2017		
	\$			\$		
15. Loss per share	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Basic and diluted loss per share:						
Net loss for the year attributable to equity holders of the parent	<u>(423,820)</u>	<u>(1,342,728)</u>	<u>(1,766,548)</u>	(655,128)	(98,380)	(753,508)

	2018	2017
	Nº	Nº
Weighted average number of ordinary shares (basic)		
Issued ordinary shares at the beginning of the year (basic)	<u>537,622,535</u>	537,622,535
Weighted average number of ordinary shares at the end of the year	<u>537,622,535</u>	<u>537,622,535</u>

Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares at the end of the year	<u>537,622,535</u>	537,622,535
Weighted average number of ordinary shares (diluted) at the end of the year	<u>537,622,535</u>	<u>537,622,535</u>

	2018	2017
	\$	\$
16. Reconciliation of cash flows from operating activities		
Reconciliation of net loss from operating activities after tax to net cash used in operating activities		
Loss from operating activities after tax	(1,766,548)	(753,508)
Non-cash items		
Amortisation of royalty	190,433	215,551
Impairment of exploration tenements	788,845	-
Reversal of impairment on intangible asset	(1,431,110)	-
Loss on sale of subsidiary	2,699,000	-
Forgiveness of amounts owing	(699,750)	-
Changes in assets and liabilities		
Trade and other receivables	(42,528)	3,098
Other assets	37,527	(4,672)
Trade and other payables	<u>217,474</u>	<u>492,124</u>
Net cash used in operating activities	<u>(6,657)</u>	<u>(47,407)</u>

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:

Cash at bank	<u>248,794</u>	143,040
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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 2018, 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 owing to Mining Services Trust ('MIS') during the year amounted to \$90,000 (2017 - \$216,000) exclusive of GST. At the end of the year the amount outstanding was \$297,000 exclusive of GST, after a 50% discount was given by MIS for fees unpaid from 2016 to 2018. The MIS fees forgiven for the period 30 June 2016 to 30 June 2017 amounted to \$207,000. These services are invoiced monthly in advance and payable within 30 days.

During the year, each Company director agreed to provide a debt forgiveness equivalent to 75% of their director's unpaid fees outstanding as at 31 October 2018, and from 1 November 2018 the directors will not earn or accrue fees until the acquisition of Big Sky Metals Pty Ltd.

	2018	2017
	\$	\$
Total amounts owing at balance date		
Directors fees	212,220	621,380
Mining Services Trust	297,000	414,000
	<u>509,220</u>	<u>1,035,380</u>

18. Key management personnel disclosures

Key management personnel compensation

Primary fees/salary	56,875	273,000
Discount provided for fees charged in prior periods*	(462,750)	-
	<u>(405,875)</u>	<u>273,000</u>

* The board agreed to cease charging Directors fees from 1 November 2018, and reduce the unpaid director fees from 2016 to 2018 to 25% of the balance outstanding. Mr Peter Nightingale also agreed to reduce his unpaid director's fees for December 2015 to 25% of the balance outstanding.

At 31 December 2018, \$212,220 of fees payable to key management personnel were outstanding exclusive of GST (2017 - \$621,380 exclusive of GST). The total outstanding at 31 December 2018 has been classified as a current liability.

There were no loans made to key management personnel or their related parties during the 2018 and 2017 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, 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.

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, expected fund raisings, trade payables and other obligations for the ongoing operation of the Group. At balance date, the Group has available funds of \$248,794.

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	646,547	(646,547)	(646,547)	-	-	-
Loans and borrowings	-	-	-	-	-	-
31 December 2018	646,547	(646,547)	(646,547)	-	-	-
Trade and other payables	1,174,376	(1,174,376)	(1,174,376)	-	-	-
Loans and borrowings	3,755,626	(3,885,604)	(3,885,604)	-	-	-
31 December 2017	4,930,002	(5,059,980)	(5,059,980)	-	-	-

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

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:

	2018	2017
	\$	\$
Cash and cash equivalents	248,794	143,040
Trade and other receivables	-	36,248
	<u>248,794</u>	<u>179,288</u>

Cash and cash equivalents

At 31 December 2018, the Group held cash and cash equivalents of \$248,794 (2017 - \$143,040), 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.

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.

	2018	2017
	\$	\$
Variable rate instruments		
Cash and cash equivalents	248,794	143,040
Loans and borrowings	-	(3,755,626)
	<u>248,794</u>	<u>(3,612,586)</u>

There are no fixed rate instruments during 2018 (2017 - \$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

A change of 100 basis points in interest rates at the current and prior reporting date would have increased / (decreased) equity and loss for the period by an immaterial amount.

Currency risk

At 31 December 2018, the Group does not hold bank accounts in denominations other than the functional currency.

Price risk

The Group is exposed to equity securities prices risk. This arises from investments held by the Group.

As at 31 December 2018, the Group's investments in financial assets consist of an investment in Pilot Energy Limited (refer Note 8). A 10% increase/(decrease) in the price of this investment would result in an immaterial increase/(decrease) in equity.

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

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.

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 2018				
Financial assets	231	-	-	231
31 December 2017				
Financial assets	414	-	-	414

All financial assets outline above 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.

20. Operating segments

The Group's chief operating decision maker has considered the requirements of AASB 8, Operating Segments. During the year the Group had two reportable segments, as described below.

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

At 31 December 2018, the Group had disposed of the royalty but intends to continue exploration.

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 Discontinued \$	Total Segments \$	Unallocated \$	Total \$
31 December 2018					
Revenue and other income					
Revenue from external customers	-	373,868	373,868	-	373,868
Interest income	3	-	3	1,411	1,414
Interest expense	-	(261,655)	(261,655)	-	(261,655)
Results					
Operating loss before income tax	(789,105)	(1,342,728)	(2,131,833)	365,285	(1,766,548)
Impairment reversal / (loss)	(788,845)	1,431,110	642,265	-	642,265
Assets					
Segment assets	-	-	-	249,025	249,025
Liabilities					
Segment liabilities	-	-	-	(646,547)	(646,547)

	Exploration \$	Royalty Discontinued \$	Total Segments \$	Unallocated \$	Total \$
31 December 2017					
Revenue and other income					
Revenue from external customers	-	364,188	364,188	-	364,188
Interest income	36	-	36	1,322	1,358
Interest cost	-	(246,972)	(246,972)	-	(246,972)
Results					
Operating loss before income tax	(248)	(98,380)	(98,628)	(654,880)	(753,508)
Impairment	-	-	-	-	-
Assets					
Segment assets	1,187,153	2,516,933	3,704,086	13,616	3,717,702
Liabilities					
Segment liabilities	-	3,755,626	3,755,626	1,174,376	4,930,002

20. Operating segments (Cont.)

	2018	2017
	\$	\$
Reconciliations of reportable segment revenues and profit or loss		
Revenue		
Total revenue for reportable segments	373,868	364,224
Discontinued operation	(373,868)	(364,224)
Consolidated revenue	<u>-</u>	<u>-</u>
Profit or loss		
Total loss for reportable segments	(2,131,833)	(98,628)
Unallocated amounts:		
- interest income	1,411	1,322
- other income	-	-
- net other corporate expenses	363,874	(656,202)
Consolidated loss before tax	<u>(1,766,548)</u>	<u>(753,508)</u>

Reconciliations of reportable segment assets and liabilities

Assets

Total assets for reportable segments	-	3,704,086
Unallocated corporate assets	249,025	13,616
Consolidated total assets	<u>249,025</u>	<u>3,717,702</u>

Liabilities

Total liabilities for reportable segments	-	3,755,626
Unallocated corporate liabilities	646,547	1,174,376
Consolidated total liabilities	<u>646,547</u>	<u>4,930,002</u>

Geographical information

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

	2018		2017	
	Revenue	Non-current assets	Revenues	Non-current assets
	\$	\$	\$	\$
Australia	-	231	-	1,183,259
United States	373,868	-	364,188	2,352,236
	<u>373,868</u>	<u>231</u>	<u>364,188</u>	<u>3,535,495</u>

Concentration of revenue

All revenue is relates to an overriding royalty interest on oil and gas properties.

21. 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	
		2018	2017
		%	%
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

22. 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.

23. Parent entity disclosures

As at 31 December 2018 the parent entity of the Group was Planet Gas Limited.

	Company	
	2018	2017
	\$	\$
Result of the parent entity		
Net profit/(loss)	368,195	(806,376)
Other comprehensive loss	(184)	(576)
Total comprehensive loss	368,011	(806,952)
Financial position of the parent entity at year end		
Current assets	248,794	13,202
Non-current assets	231	414
Total assets	249,025	13,616
Current liabilities	646,547	1,174,377
Non-current liabilities	-	3,271,361
Total liabilities	646,547	4,445,738
Net liabilities	(397,522)	(4,432,122)
Equity		
Share capital	49,781,972	49,781,972
Reserves	230	414
Accumulated losses	(49,384,680)	(54,214,508)
Total equity deficiency	(397,522)	(4,432,122)

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.

24. Disposal of Subsidiary

On 15 October 2018, the Group completed the sale of Planet Gas USA Inc. The Group received consideration totalling of \$1 and Planet Gas Limited was released from all indebtedness as guarantor of Planet Gas USA Inc., to Macquarie Bank Limited. The outstanding loan principal at the date of sale was US\$2.75 million (AU\$3.86 million). In exchange for 100% shareholding of Planet Gas USA Inc., See note 25

25. Discontinued operations

The Group discontinued its royalty segment in the United States of America. This occurred via management's commitment to a plan during the period to sell this segment following a strategic decision to focus on the search of new exploration tenements. The Company executed a sale and purchase agreement for the sale of the entire ownership interest in Planet Gas USA Inc., on 15 October 2018 and the sale was approved by shareholders on 6 December 2018.

The segment was not classified as held for sale or discontinued operation as at 31 December 2017 and the comparative Consolidated Statement of Profit or Loss and Other Comprehensive Income has been re-presented to show the discontinued operation separately from continuing operations.

	2018	2017
	\$	\$
Result of discontinued operations		
Revenue	373,868	364,188
Other Income	1	-
Reversal impairment of intangible	1,431,110	-
Expenses	<u>(448,707)</u>	<u>(462,568)</u>
Results from operating activities	1,356,272	(98,380)
Income tax expense	-	-
Results from operating activities, net of income tax	1,356,272	(98,380)
Loss on sale of discontinued operation (including transfer of foreign currency translation reserve to profit or loss)	<u>(2,699,000)</u>	<u>-</u>
Loss for the year	<u>(1,342,728)</u>	<u>(98,380)</u>
Basic and diluted loss per share (cents)	(0.25)	(0.02)
Cash flows from (used in) discontinued operation		
Net cash from operating activities	154,636	105,817
Net cash used in from investing activities	(92,022)	-
Net cash used in financing activities	<u>(195,567)</u>	<u>(195,874)</u>
Net cash flows for the year	<u>(132,953)</u>	<u>(90,057)</u>
Effect of disposal on the financial position of the Group		
Cash and cash equivalents	(92,022)	
Net intangible assets	(3,764,381)	
Loans and borrowings	<u>3,856,402</u>	
Net assets and liabilities	<u>(1)</u>	
Cash and cash equivalent disposed of	<u>(92,022)</u>	
Net cash outflow	<u>(92,022)</u>	

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 13 to 41, and the Remuneration Report as set out on pages 9 to 11 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 2018 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 2018.
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 8th day of March 2019 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 2018 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 2018
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- 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.



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 significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our 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, and our understanding of the Group's intentions;
 - Assessing the planned levels of operating and capital expenditures for consistency of relationships and trends to our understanding of the proposed 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;

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

Key Audit Matters are those matters that, in our professional judgement, 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.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the Key Audit Matter.



Disposal of the subsidiary Planet Gas USA Inc.	
Refer to Note 25 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>We considered the disposal of the Planet Gas USA Inc subsidiary to be a key audit matter given:</p> <ul style="list-style-type: none"> Relative magnitude – the disposal of the Planet Gas USA Inc subsidiary resulted in discontinued operation with a loss for the year of \$1.3m, and the significant effect of the derecognition of the associated assets and liabilities to the Group’s financial position; and The extent of audit effort we applied in testing the accuracy of the loss on sale and evaluating the accounting entries for and disclosure of the disposal of the subsidiary, including the date of loss of control. 	<p>Our procedures included:</p> <ul style="list-style-type: none"> Reading the contractual terms of the transaction documents to understand the key terms and conditions of the disposal; Evaluating the substance of the disposal, using the terms and conditions of the transaction documents, against criteria for discontinued operations in the accounting standards; Assessing the identification of assets and liabilities disposed of by comparing to transaction documents and underlying financial records at the point of disposal; Assessing the date of loss of control by considering the key terms and conditions in the transaction documents; Checking the mathematical accuracy of the loss on sale of the subsidiary, including identification and consideration of other costs and legal fees incurred by checking the underlying financial records; Assessing the accounting entries for the disposal of the subsidiary against the accounting standards; Assessing the adequacy of the disclosure against the requirements of AASB5 Non-Current Assets Held for Sale and Discontinued Operations, including the accuracy of continuing and discontinuing operations disclosures; and Checking the accuracy of the restatement of comparative information in relation to the discontinued operations.



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. 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.

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
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. 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 and Company 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 the 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_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Planet Gas Limited for the year ended 31 December 2018, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' 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 9 to 11 of the Directors' report for the year ended 31 December 2018.

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

A handwritten signature of the KPMG firm, written in a stylized, cursive font.

KPMG

A handwritten signature of Stephen Board, written in a cursive font.

Stephen Board
Partner

Brisbane
8 March 2019

ADDITIONAL STOCK EXCHANGE INFORMATION

Additional information as at 28 February 2019 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 2019, 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	72	6,451
1,001 - 5,000	98	331,388
5,001 - 10,000	119	974,559
10,001 - 100,000	530	22,763,835
100,001 and over	359	513,546,302
Total	1,178	537,622,535

As at 28 February 2019, 843 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

ADDITIONAL STOCK EXCHANGE INFORMATION

Twenty Largest Shareholders

As at 28 February 2019 the twenty largest quoted shareholders held 60.83% 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	Rigi Investments Pty Limited <The Cape A/C>	18,185,336	3.38
5	All-States Finance Pty Ltd	17,207,825	3.20
6	Mr Graham Leslie Smith	14,511,089	2.70
7	Rosignol Pty Ltd <Nightingale Family A/C>	7,995,673	1.49
8	Trio Investments Pty Limited	7,851,923	1.46
9	Mr William George Howe	6,213,608	1.16
10	Removale Pty Ltd	6,090,000	1.13
11	Citicorp Nominees Pty Limited	6,034,719	1.12
12	Dr Andrew Solomons	5,851,547	1.09
13	Berpaid Pty Ltd	5,375,000	1.00
14	Mrs Narelle Fay	5,181,529	0.96
15	Mr Soot Hin Goh	5,005,802	0.93
16	Allman Super Nominees Pty Ltd <D J W & J D Allman S/F A/C>	5,000,000	0.93
17	Pindari Custodian Pty Limited	5,000,000	0.93
18	Nueva Vida Pty Ltd <Point Break Super Fund A/C>	4,177,002	0.78
19	Mr Bruce Riederer	4,000,000	0.74
20	Rosignol Consultants Pty Ltd	3,781,250	0.70

Tenements Held

As at 28 February 2019 the Company does not any oil and gas exploration tenements.

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:

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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
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