# PLANET GAS LIMITED
**and its controlled entities**

**A.B.N. 46 098 952 035**

# ANNUAL REPORT

# FOR THE FINANCIAL YEAR ENDED
# 31 DECEMBER 2015

# PLANET GAS LIMITED

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# PLANET GAS LIMITED

## CHAIRMAN'S LETTER

Dear Fellow Shareholder,

The 2015 year was a most difficult year for the hydrocarbon industry with the considerable downturn in the energy markets and in particular oil prices.

This downturn has had a material impact across the equity markets substantially affecting oil and gas companies and related industries including Planet Gas.

Although the difficult market conditions, we did continue to make progress during the year.

Early in the year, the Company finalised the previously announced entry into the hydrocarbon royalty business in the United States of America. The royalties cover producing oil and gas wells located in Kansas, Pennsylvania and New York State. Although production levels have been maintained since acquisition, revenue levels have reduced primarily due to the oil price downturn.

In Australia, our joint ventures in the Cooper Basin of South Australia with Origin Energy Limited and Senex Energy Limited continued including the completion of new 3D seismic programs for the targeting of next generation exploration wells. Planning and timing of exploration drilling in 2016 will be dependent on a number of technical factors but also including the outlook for the energy markets.

The 2016 year will see the Company further adapt to the energy market downturn and a lower revenue environment with further reductions in corporate and operational expenditure. However, the Company's strategy of acquiring minimal risk opportunities to expand the current portfolio will continue.

Yours sincerely

**Norman A. Seckold**
**Chairman**

## Summary

During 2015, Planet Gas Limited ('Planet Gas' or 'the Company') finalised agreements with Macquarie Bank Limited for the purchase of oil and gas royalties in the United States of America which will provide initial cash flows for the Company. The purchase has been partly funded by a debt facility which was established in October 2014. The transaction was completed in February 2015.

In the Cooper Basin of South Australia, the Company saw the continuation of oil and gas exploration activities with Origin Energy Limited ('Origin') and Senex Energy Limited ('Senex').

During 2015:

- The Company completed the acquisition of certain royalties covering producing oil and gas wells located in Kansas, Pennsylvania and New York State, United States of America.
- Initial cash flows to the Company commenced in February 2015.
- Origin and Senex joint ventures in the Cooper Basin of South Australia continued with 249 $km^2$ of 3D seismic surveys completed and processed in the Jonothon and Mudrangie programs.

## Corporate Activities

### Oil and Gas Overriding Royalty Acquisition and Funding Facility

During 2015, Planet Gas completed an agreement with Macquarie Americas Corporation (a Macquarie Bank Limited subsidiary) for the purchase of a 3.0% Overriding Royalty Interest ('ORRI') over established oil and gas production assets in Kansas, Pennsylvania and New York State. See Figure 1.

Purchase consideration was US$4.45 million, with US$1.25 million funded from the Company's existing cash reserves and US$3.2 million by a drawdown from a 5 year US$15 million debt facility provided by Macquarie Bank Limited which will be repaid US$150,000 per annum plus a final payment of US$2.45 million.

ORRI Revenue received for the year ended 31 December 2015:

| | Period to 31 December 2015 |
|---|---|
| Planet Gas ORRI (US$) | 252,037 |

After a very substantial downturn in energy prices in the second half 2014, volatility continued throughout 2015. West Texas Intermediate Crude ('WTI') prices dropped from approximately US$50.00 per barrel to approximately US$35.00 per barrel prior to the end of 2015. Over the same period New York Mercantile Exchange ('NYMEX') natural gas prices have fallen from approximately US$3.00 per MMBtu to below US$1.70 per MMBtu.

Volatile oil and gas prices will continue to have a material impact on the Company's royalty revenue receipts.

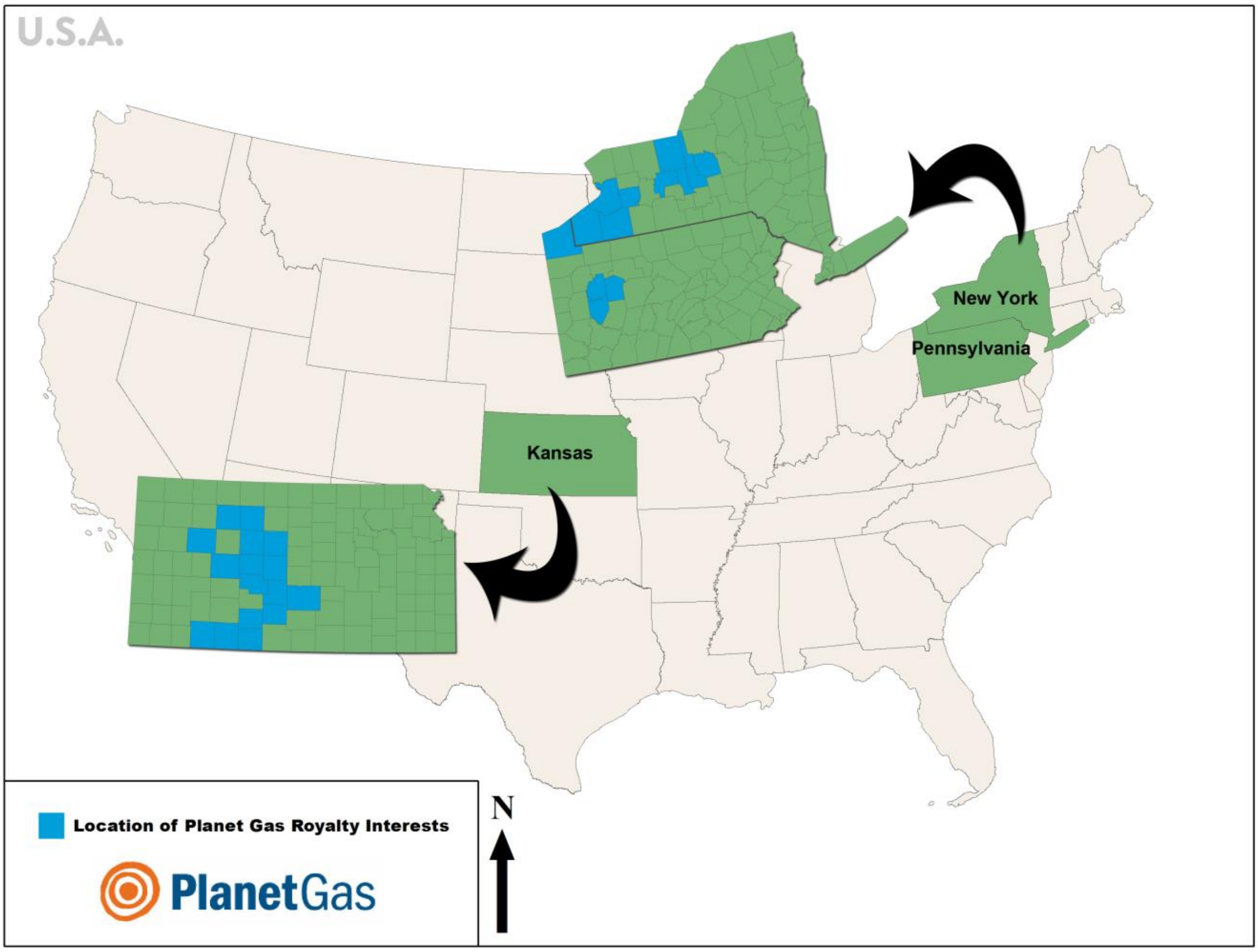


**Figure 1. Location of Planet Gas' Royalty Interests in the United States of America**

## Cooper Basin, South Australia

PRL 118 through PRL 128 and PEL 638 cover a combined area of 1,917 km² in the Cooper Basin of north eastern South Australia, hosting an array of exploration targets for conventional and unconventional hydrocarbons. See Figure 2.

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

PEL 638 is divided into two joint ventures; the PEL 638 Deeps[1] joint venture (the subject of the farm-in by Origin) and the PEL 638 Shallows[1] joint venture.

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

- PRL 118 through PRL 128 — 20% free carried.
- PEL 638 Shallows — 20% free carried.
- PEL 638 Deeps — 12.5% free carried reducing to 10% in the event that Origin proceeds with Stage 2 of the farm-in program.

[1] A stratigraphic division separates the 'Deeps' and 'Shallows' with the Origin agreement relating to the Deeps of the Permian system.

## Origin Energy and Senex Energy PEL 638 Gas Farm-Out

In 2014, Origin and Senex entered into a gas farm-out agreement over part of Planet Gas' acreage position in the Cooper Basin of South Australia. A further agreement between Origin, Senex and Planet Gas was reached for the Company's interest to be free carried for its share of up to $80 million expenditure. The primary objective for the Origin/Senex/Planet Gas joint venture is tight gas sands.

The PEL 638 Deeps work program is split into Stage 1 and Stage 2 with $40 million expenditure in each stage. Stage 1 will evaluate the potential of the tight gas sands, provide exposure to gas in shales and deep coal seams and provide proof of concept of the Permian system. Stage 2 would evaluate the commercial viability of the gas resource by undertaking extended flow testing through a separate pilot program.

Planet Gas' 12.5% interest in PEL 638 Deeps is free carried for its share of expenditure across the two Stages. In the event that Origin proceeds with Stage 2 of the farm-in program Planet Gas' interest will be reduced to 10%.

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

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

The farm-in programs include the drilling of exploration and appraisal wells, fracture stimulation and flow testing. Stage 1 will evaluate the potential of the tight gas sands, provide exposure to gas in shales and deep coal seams, and provide proof of concept of the Permian system. Stage 2 would evaluate the commerciality of the gas resource by undertaking extended flow testing through a separate pilot program.

During 2015, the Jonothon and Mudrangie 3D seismic acquisition programs for 150 km² and 99 km² respectively were completed. Processing and interpretation were advanced in during the second half of the year.

The results from these 3D seismic surveys will be used to identify potential basin centred gas sweet spots down dip from proven hydrocarbon accumulations for well location targeting.

Under the joint venture, two wells are required to be drilled by 8 November 2016 as per permit commitment obligations.

Towards the end of the year, Origin announced that it is planning to sell certain non-operated assets, including its interest in the Cooper Basin and is commencing a review process.

## PRL 118 through PRL 128 and PEL 638 Shallows

Planet Gas' 20% interest is free carried by Senex for oil exploration in PRL 118 through PRL 128 and PEL 638 Shallows.

After a disappointing drilling program ending in 2014, co-operation agreements with surrounding third parties and AFE's were completed during the year regarding Amplitude Versus Offset ('AVO') and inversion process analysis over the Dundinna 3D seismic survey area. Using shear sonic data gained from the northern drilling program, the aim of these processes is to identify stratigraphic traps with favourable reservoir qualities in the Birkhead Formation which may have large reserves potential. No exploration drilling is scheduled for 2016.

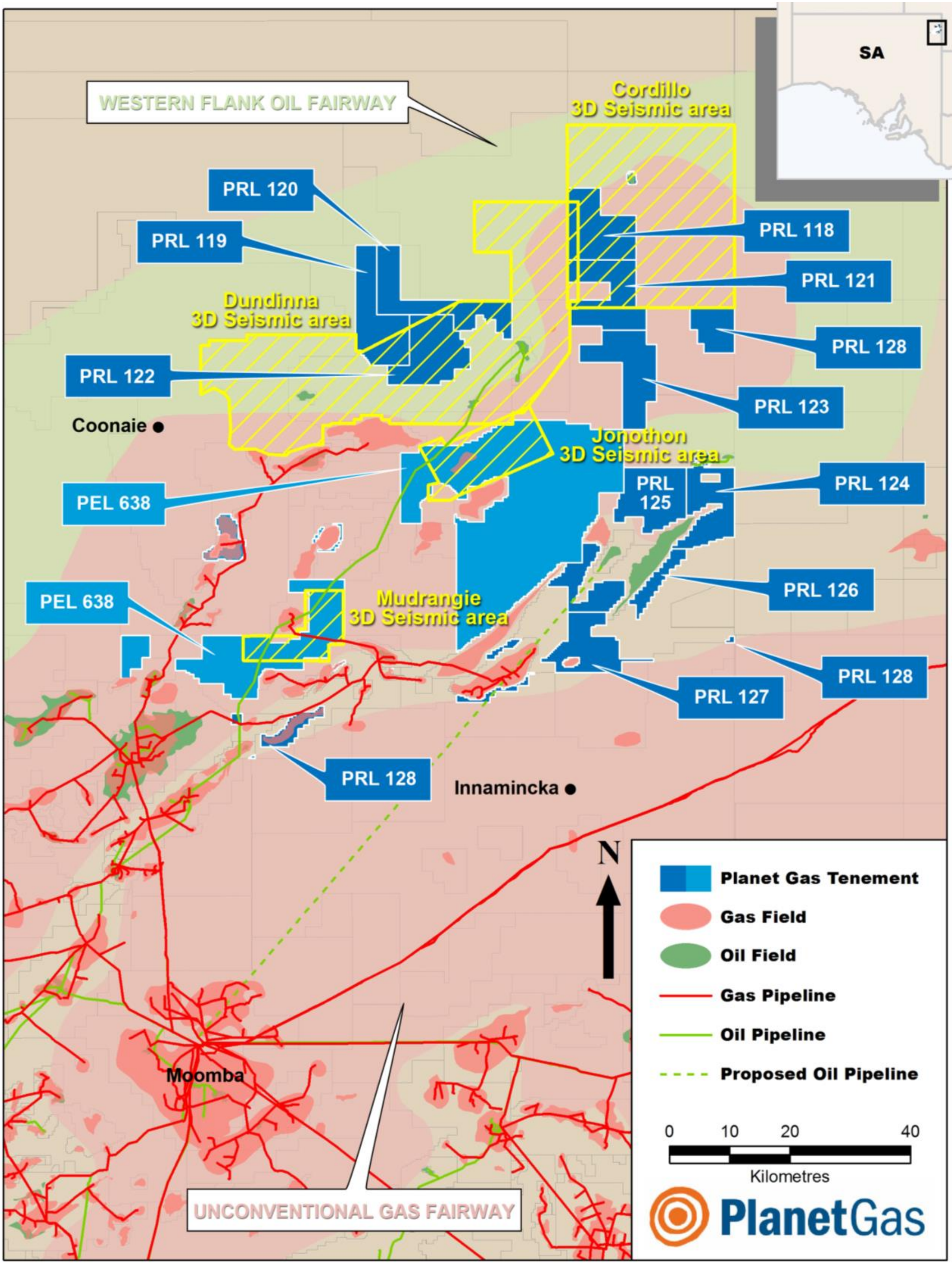


**Figure 2. Location of Planet Gas' Interests in the Cooper Basin, South Australia**

**No Material Changes**

Planet Gas confirms that it is not aware of any new information or data that would materially affect the information included in the quarterly activities report market announcements dated 29 April 2015, 30 July 2015, 28 October 2015 and 29 January 2016 and that all material assumptions and technical parameters in the market announcements continue to apply and have not materially changed.

## CORPORATE GOVERNANCE STATEMENT

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

The 2015 Corporate Governance Statement was approved by the Board on 22 March 2016 and reflects the corporate governance practices throughout the 2015 financial year. A description of the Company's current corporate governance practices is set out in the Company's Corporate Governance Statement, which can be viewed at http://planetgas.com/index.cfm/investor-information/corporate-governance/.

The Directors present the consolidated financial report of Planet Gas Limited (‘Planet Gas’ or ‘the Company’) and its controlled entities for the financial year ended 31 December 2015. In order to comply with the provisions of the Corporations Act 2001, the Directors’ report as follows:

**Directors**

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

**Norman Alfred Seckold, Executive Chairman**

Director since 4 December 2001.

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

Mr Seckold is currently Chairman of Augur Resources Ltd, a minerals exploration and development company operating in Australia and Indonesia and Santana Minerals Limited, a precious metals exploration company operating in Mexico. In the past three years he was also Chairman of Equus Mining Limited and Cerro Resources NL. He is also a director of the unlisted public companies Mekong Minerals Limited and Nickel Mines Limited.

**Anthony John McClure, Managing Director**

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

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

**Peter James Nightingale, Executive Director and CFO**

Director since 4 December 2001.

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

As a director or company secretary, Mr Nightingale has, for more than 25 years, been responsible for the financial control, administration, secretarial and in-house legal functions of a number of private and public listed companies in Australia, the USA and Europe.

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

**Anthony John McDonald, Independent and Non-Executive Director**

Director since 19 November 2003.

Tony McDonald graduated with a Bachelor of Laws from the Queensland University of Technology in 1981. He was admitted as a solicitor in 1982. He has been involved in the natural resources sector in Australia and internationally for many years and in the past 14 years has been actively involved in management in the resources sector. He is currently Managing Director of Santana Minerals Limited, a precious metals explorer with a Mexico focus, non-executive director of HUB24 Ltd a financial services company offering a range of investments options and non-executive director of unlisted Mekong Minerals Limited. Previously he was also director of Industrea Limited and the Managing Director of Cerro Resources NL.

**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.

He was one of the founders of Queensland Gas Company which was bought by British Gas in 2009. He is currently a director in Green Investment Ltd and previously he was a director of Cerro Resources NL.

**Robert Charles Neale, Non-Executive Director**

Director since 20 November 2009 – Resigned 29 February 2016.

Mr Neale is the immediate past Managing Director of New Hope Corporation Limited. He joined New Hope Corporation Limited in 1996 as General Manager, appointed as Executive Officer in 2005 and to the Board of Directors in November 2008 until his retirement in January 2014. Mr Neale has more than 45 years' experience in the mining and exploration industries covering coal, base metals, gold, synthetic fuels, bulk materials shipping, and power generation. In the last 3 years he has also been the Chairman of Westside Corporation Limited and director of Dart Energy Limited.

### Directors' and Executives' Remuneration

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

### Directors' Meetings

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

| Director | Board Meetings | |
|---|---|---|
| | Held | Attended |
| Norman A. Seckold | 5 | 5 |
| Anthony J. McClure | 5 | 5 |
| Peter J. Nightingale | 5 | 5 |
| Robert M. Bell | 5 | 4 |
| Anthony J. McDonald | 5 | 5 |
| Robert C. Neale | 5 | 5 |

### Directors' Interests

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

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

### Principal Activities

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

### Financial Results

The consolidated loss after income tax attributable to members of the Company for the year was $3,903,850 (2014 - $714,536 loss).

### Review of Operations

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

### Dividends

The Directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2015. No dividends have been paid or declared during the financial year (2014 - $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 2015 were as follows:

- On 10 February 2015 Planet Gas completed an agreement with Macquarie Americas Corporation (a Macquarie Bank Limited subsidiary) for the purchase of a 3.0% Overriding Royalty Interest ('ORRI') over established oil and gas production assets in Kansas, Pennsylvania and New York State.

  Purchase consideration was US$4.45 million, with US$1.25 million funded from the Company's existing cash reserves and US$3.2 million by a drawdown from a 5 year US$15 million debt facility provided by Macquarie Bank Limited which will be repaid US$150,000 per annum plus a final payment of US$2.45 million.

- The Jonothon and Mudrangie 3D seismic acquisition programs totalling 249 $km^2$ in the Cooper Basin of South Australia were completed and processing commenced. The results from these 3D seismic surveys will be used to identify drilling targets as part of the Origin Energy Limited and Senex Energy Limited Joint Venture.

### 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

On 22 March 2016 Macquarie Bank Limited provided a further extension to the existing financial covenant waiver for the period to 30 November 2016 in relation to the debt facility. No other matters or circumstances have arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

### Likely Developments

Planet Gas considers growth as an important strategy for the Group taking into consideration its existing operations in the Cooper Basin in South Australia and the oil and gas royalty interests in the United States of America or by the addition of new ventures projects through mergers or acquisitions are part of the natural evolution of its business.

During the course of the 2016 financial year, the Group will continue to focus on its oil and gas interests in PRL 118 through PRL 128 and PEL 638 in the Cooper Basin of South Australia. The Directors expect to receive further results of the exploration programs which they will make public once the information is received, in accordance with ASX listing rules. In addition to the exploration interests, the Company will keep its shareholders and the market informed regarding its royalty interest in the United States of America.

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

### Indemnification of Officers and Auditors

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

**Remuneration Report - Audited**

***Principles of Compensation - Audited***

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

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

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

No Directors or senior executives received performance related remuneration.

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

There were no remuneration consultants used by the Company during the year ended 31 December 2015, or in the prior year.

***Details of remuneration for the year ended 31 December 2015 - Audited***

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

| | | Short-term employee benefit | | Share based payments | Post Employment Benefit | |
|---|---|---|---|---|---|---|
| | Year | Primary fees/salary $ | Share options $ | Share options $ | Super-annuation $ | Total $ |
| **Specified Directors and Executives** | | | | | | |
| ***Executive Directors*** | | | | | | |
| Norman A. Seckold (Chairman) | 2015 | 90,000 | - | - | - | 90,000 |
| | 2014 | 90,000 | - | - | - | 90,000 |
| Anthony J. McClure (Managing Director) | 2015 | 270,000 | - | - | - | 270,000 |
| | 2014 | 270,000 | - | - | - | 270,000 |
| Peter J. Nightingale (Director and CFO) | 2015 | 75,000 | - | - | - | 75,000 |
| | 2014 | 75,000 | - | - | - | 75,000 |
| ***Non-executive Directors*** | | | | | | |
| Robert M. Bell | 2015 | 24,000 | - | - | - | 24,000 |
| | 2014 | 24,000 | - | - | - | 24,000 |
| Anthony J. McDonald | 2015 | 60,000 | - | - | - | 60,000 |
| | 2014 | 60,000 | - | - | - | 60,000 |
| Robert C. Neale | 2015 | 24,000 | - | - | 13,655 | 37,655 |
| | 2014 | 24,000 | - | - | - | 24,000 |
| Total all specified Directors | 2015 | 543,000 | - | - | 13,655 | 556,655 |
| | 2014 | 543,000 | - | - | - | 543,000 |

**Remuneration Report - Audited (Cont.)**

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

No shares were granted to key management personnel as compensation during the years ended 31 December 2015 or 31 December 2014.

***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.

| | 2015<br>$ | 2014<br>$ | 2013<br>$ | 2012<br>$ | 2011<br>$ |
|---|---|---|---|---|---|
| Net (loss)/profit attributable to equity holders of the parent | (3,903,850) | (714,536) | 4,029,945 | (5,563,010) | (7,324,678) |
| Dividends paid | - | - | - | - | - |
| Change in share price | (0.01) | (0.01) | 0.01 | (0.01) | (0.01) |

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 2015 | Purchased shares | Sales | Held at 31 December 2015 |
|---|---|---|---|---|
| Norman A. Seckold | 72,247,482 | - | - | **72,247,482** |
| Anthony J. McClure | 5,154,181 | - | - | **5,154,181** |
| Peter J. Nightingale | 12,128,487 | - | - | **12,128,487** |
| Robert M. Bell | 1,250,000 | - | - | **1,250,000** |
| Anthony J. McDonald | 7,851,923 | - | - | **7,851,923** |
| Robert C. Neale | - | - | - | **-** |

***Key management personnel transactions - Audited***

**Other transactions with key management personnel - Audited**

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

During the year ended 31 December 2015, Norman A. Seckold and Peter J. Nightingale had joint control of an entity, Mining Services Trust, which provided full administrative services, including rental accommodation, administrative staff, services and supplies to the Group. Fees paid to Mining Services Trust during the year amounted to $216,000 (2014 - $234,000). At the end of the year the amount outstanding was $nil (2014 - $nil). These services are invoiced monthly in advance and payable within 30 days.

**Non-audit Services**

During the year ended 31 December 2015 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.

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| **Statutory Audit** | | |
| Auditors of the Company | | |
| - audit and review of financial reports | **63,500** | **57,550** |

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

The lead auditor's independence declaration is set out on page 14 and forms part of the Directors' Report for the year ended 31 December 2015.

Signed at Sydney this 24th day of March 2016
in accordance with a resolution of the Board of Directors:

**Norman A. Seckold**
**Chairman**

**Anthony J. McClure**
**Managing Director**

KPMG

**Lead Auditor's Independence Declaration**
**under Section 307C of the *Corporations Act 2001* to the Directors of Planet Gas Limited**

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 31 December 2015, 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

**KPMG**

**Adam Twemlow**
**Partner**

**24 March 2016**

# PLANET GAS LIMITED

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2015

| | Notes | 2015<br>$ | 2014<br>$ |
|---|---|---|---|
| Revenue | | **335,715** | 4,098 |
| **Total revenue** | | **335,715** | 4,098 |
| | | | |
| Consultants' and administration expenses | | **(768,096)** | (784,338) |
| Depreciation expense | | **-** | (698) |
| Amortisation | | **(170,898)** | - |
| Impairment intangible asset | 10 | **(2,987,787)** | - |
| Other expenses | | **(120,578)** | (32,848) |
| **Operating loss before finance income** | | **(3,711,644)** | (813,786) |
| | | | |
| Finance income | 4 | **29,451** | 99,250 |
| Finance expense | 4 | **(221,657)** | - |
| **Net finance (expense)/income** | | **(192,206)** | 99,250 |
| **Loss before tax** | | **(3,903,850)** | (714,536) |
| Income tax expense | 5 | **-** | - |
| **Loss for the year** | | **(3,903,850)** | (714,536) |
| | | | |
| **Other comprehensive income** | | | |
| **Items that may be classified subsequently to profit or loss** | | | |
| Foreign currency translation differences - foreign operations | 14 | **109,873** | 11,530 |
| Net change in fair value of available-for-sale financial assets | 14 | **(545)** | (29,565) |
| **Total other comprehensive income/(loss)** | | **109,328** | (18,035) |
| **Total comprehensive loss for the year** | | **(3,794,522)** | (732,571) |
| | | | |
| **Basic and diluted loss per share (cents)** | 15 | **(0.73)** | (0.13) |

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

# PLANET GAS LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 16 | **761,789** | 3,471,201 |
| Trade and other receivables | 6 | **38,297** | 8,260 |
| Other assets | 7 | **9,203** | 14,570 |
| **Total current assets** | | **809,289** | 3,494,031 |
| **Non-current assets** | | | |
| Investments | 8 | **445** | 990 |
| Exploration and evaluation expenditure | 9 | **1,087,095** | 951,987 |
| Intangible assets | 10 | **3,182,710** | - |
| **Total non-current assets** | | **4,270,250** | 952,977 |
| **Total assets** | | **5,079,539** | 4,447,008 |
| **Current liabilities** | | | |
| Trade and other payables | 11 | **50,034** | 44,830 |
| Loans and borrowings | 12 | **4,421,849** | - |
| **Total current liabilities** | | **4,471,883** | 44,830 |
| **Total liabilities** | | **4,471,883** | 44,830 |
| **Net assets** | | **607,656** | 4,402,178 |
| **Equity** | | | |
| Issued capital | 13 | **49,781,972** | 49,781,972 |
| Fair value reserve | 14 | **445** | 990 |
| Foreign currency translation reserve | 14 | **(2,664,629)** | (2,774,502) |
| Accumulated losses | | **(46,510,132)** | (42,606,282) |
| **Total equity** | | **607,656** | 4,402,178 |

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

## PLANET GAS LIMITED

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
### FOR THE YEAR ENDED 31 DECEMBER 2015

**Attributable to equity holders of the Company**

| | Issued capital | Accumulated losses | Option premium reserve | Fair value reserve | Foreign currency translation reserve | Total equity |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| Balance at 1 January 2014 | 49,781,972 | (46,271,626) | 4,379,880 | 30,555 | (2,786,032) | 5,134,749 |
| **Total comprehensive income for the year** | | | | | | |
| Loss for the year | - | (714,536) | - | - | - | (714,536) |
| Total other comprehensive income/(loss) | - | - | - | (29,565) | 11,530 | (18,035) |
| Total comprehensive income/(loss) for the year | - | (714,536) | - | (29,565) | 11,530 | (732,571) |
| **Transactions with owners recorded directly in equity** | | | | | | |
| ***Contribution by and distribution to owners*** | | | | | | |
| Transfer of expired options | - | 4,379,880 | (4,379,880) | - | - | - |
| **Balance at 31 December 2014** | **49,781,972** | **(42,606,282)** | **-** | **990** | **(2,774,502)** | **4,402,178** |
| | | | | | | |
| Balance at 1 January 2015 | 49,781,972 | (42,606,282) | - | 990 | (2,774,502) | 4,402,178 |
| **Total comprehensive income for the year** | | | | | | |
| Loss for the year | - | (3,903,850) | - | - | - | (3,903,850) |
| Total other comprehensive income/(loss) | - | - | - | (545) | 109,873 | 109,328 |
| Total comprehensive income/(loss) for the year | - | (3,903,850) | - | (545) | 109,873 | (3,794,522) |
| **Transactions with owners recorded directly in equity** | | | | | | |
| ***Contribution by and distribution to owners*** | | | | | | |
| Transfer of expired options | - | - | - | - | - | - |
| **Balance at 31 December 2015** | **49,781,972** | **(46,510,132)** | **-** | **445** | **(2,664,629)** | **607,656** |

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

# PLANET GAS LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts in the course of operations | | **308,514** | 4,098 |
| Cash payments in the course of operations | | **(747,158)** | (901,457) |
| Cash used in operations | | **(438,644)** | (897,359) |
| Interest received | | **29,451** | 99,250 |
| Interest paid | | **(185,675)** | - |
| **Net cash used in operating activities** | 16 | **(594,868)** | (798,109) |
| | | | |
| **Cash flows from investing activities** | | | |
| Payments for exploration and evaluation | | **(135,108)** | (145,207) |
| Payment for royalty acquisition | | **(6,364,199)** | - |
| **Net cash used in investing activities** | | **(6,499,307)** | (145,207) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from loans and borrowings | | **4,384,763** | - |
| **Net cash provided by financing activities** | | **4,384,763** | - |
| | | | |
| **Net decrease in cash and cash equivalents** | | **(2,709,412)** | (943,316) |
| **Cash and cash equivalents at 1 January** | | **3,471,201** | 4,414,517 |
| | | | |
| **Cash and cash equivalents at the end of the financial year** | 16 | **761,789** | 3,471,201 |

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 2015 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 24 March 2016.

### (b) Basis of measurement

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

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

### (c) Functional and presentation currency

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

### (d) Use of estimates and judgements

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

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

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

- Note 2 - Going concern;
- Note 5 - Unrecognised deferred tax assets;
- Note 9 - Exploration and evaluation expenditure; and
- Note 10 - Intangible assets.

### (e) Going concern

The consolidated financial statements have been prepared on a going concern basis which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the ordinary course of business.

**2. Basis of preparation (Cont.)**

**(e) Going concern (Cont.)**

The Group incurred a loss of $3,903,850 for the year ended 31 December 2015 (2014: $714,536) and has accumulated losses of $46,510,132 as at 31 December 2015. The Group has a net current asset deficiency of $3,662,594 at 31 December 2015 (2014: net current assets of $3,449,201) which includes cash and cash equivalents of $761,789 (2014: $3,471,201). During the year ended 31 December 2015 the Group used $729,976 (2014 - $943,316) in cash outflows from operating activities, including payments for exploration and evaluation of $135,108 (2014 - $145,207).

During the year ended 31 December 2015, the Group acquired an Overriding Royalty Interest ('ORRI') in oil and gas production assets in the United States from a subsidiary of Macquarie Bank Limited for total consideration of US$4,450,000. The purchase was partly funded by US$3,200,000 drawdown from the 5 year US$15,000,000 conditional debt facility provided by Macquarie Bank Limited. The initial drawdown is to be repaid with annual payments of US$150,000 for five years on the anniversary of the drawdown plus a final payment of US$2,450,000 in 2020. At 31 December 2015, the total owing was US$3,227,066 (including interest). Interest is payable quarterly and a principal debt repayment of US$150,000 was paid in February 2016.

During the year ended 31 December 2015 and subsequent to year end, the Group has not complied with certain financial covenants under the loan facility and has obtained waivers from Macquarie Bank Limited for the period to 30 November 2016. The Directors are currently evaluating their options in relation to the non-compliance with the financial covenants of the loan facility prior to the expiry of the waiver on 30 November 2016 (refer Note 12). These options may include sale of certain assets to repay debt, renegotiation of the existing debt facility or extension of financial covenant waiver beyond 30 November 2016. As a result of the non-compliance with financial covenants the Group has reclassified the loan facility to current liabilities at year end.

The Directors have prepared cash flow projections for the coming 12 months that support the ability of the Group to continue as a going concern. These cash flow projections assume the Group resolves the debt covenant issues through the strategies outlined above, generates revenue from the US royalty interest and obtains sufficient additional funding from shareholders or other parties to meet the ongoing operational expenditure and contractual debt repayments. To the extent that adequate funding is not obtained, the Group would need to reduce cash outflows to the level of cash funds available.

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

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

**3. Significant accounting policies**

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

**(a) Revenue recognition**

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

***Royalty income***

Revenue from royalties is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

**3. Significant accounting policies (Cont.)**

**(b) Exploration and evaluation expenditure**

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

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

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

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

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

**(c) Intangible assets**

*Recognition and measurement*
Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment costs.

*Subsequent expenditure*
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

*Amortisation*
Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimates useful live and is generally 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***

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

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

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

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

*Financial assets at fair value through profit or loss*

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

## 3. Significant accounting policies (Cont.)

### (e) Financial instruments (Cont.)

***Non-derivative financial assets (Cont.)***

*Loans and receivables*

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

*Held-to-maturity investments*

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

*Available-for-sale financial assets*

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

***Non-derivative financial liabilities***

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

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

Other financial liabilities comprise trade and other payables.

### (f) Share capital

*Ordinary Shares*

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

### (g) Cash and cash equivalents

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

## 3. Significant accounting policies (Cont.)

### (h) Income tax

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

*Current tax*

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

*Deferred tax*

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

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

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

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

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

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

### (i) Goods and services tax (GST)

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

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

**3. Significant accounting policies (Cont.)**

**(j) Impairment**

***Non-derivative financial assets***

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

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

*Financial assets measured at amortised cost*

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

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

*Available-for-sale financial assets*

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

***Non-financial assets***

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

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

***Reversals of impairment***

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

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

## 3. Significant accounting policies (Cont.)

### (k) Basis of consolidation

***Subsidiaries***

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

***Loss of control***

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

***Transactions eliminated on consolidation***

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

### (l) Foreign currency transactions

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

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

### (m) Foreign operations

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

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

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

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

## 3. Significant accounting policies (Cont.)

### (n) Segment reporting

*Determination and presentation of operating segments*

The Group determines and presents operating segments based on the information that is provided internally to the Managing Director, who is the Group's chief operating decision maker.

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 Managing Director 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 Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

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

### (o) Employee benefits

*Share-based payment transactions*

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

### (p) Provisions

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

*Site restoration*

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

### (q) Finance income and finance costs

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

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

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

## 3. Significant accounting policies (Cont.)

### (r) Determination of fair values

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

*Investments in equity securities*

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

*Share-based payment transactions*

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

### (s) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

*AASB 9 Financial Instruments*

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

AASB 9 is effective for the Company's annual reporting period beginning 1 July 2018 and can be early adopted. The Company does not plan to adopt this standard early and the standard is not expected to have a significant effect on the financial statements.

| | 2015 $ | 2014 $ |
|---|---|---|
| **4. Profit/(loss) from operating activities** | | |
| Profit/(loss) from operating activities before income tax includes the following items of income and expense: | | |
| Depreciation of non-current assets | | |
| - plant and equipment | **-** | (698) |
| Intangible assets | | |
| - royalty amortisation | **(170,898)** | - |
| - royalty impairment | **(2,987,787)** | - |
| Other expenses | | |
| - establishment fee | **(42,542)** | - |
| Auditors' remuneration | | |
| - audit and review of financial reports | **(63,500)** | (57,550) |
| **Financial income and expense** | | |
| **Recognised in profit or loss** | | |
| Interest revenue | **29,451** | 99,250 |
| Interest payments | **(221,657)** | - |
| Net finance (expense)/income | **(192,206)** | 99,250 |
| **Recognised in other comprehensive income** | | |
| Net change in fair value of available-for-sale financial assets | **(545)** | (29,565) |

| | 2015 $ | 2014 $ |
|---|---|---|
| **5. Income tax expense** | | |
| **Current tax expense** | | |
| Current year | **251,948** | (271,344) |
| Adjustments for prior year | **590,093** | (1,758,449) |
| Tax (profit)/losses not recognised | **(842,041)** | 2,029,793 |
| | **-** | - |
| *Numerical reconciliation of income tax expense to prima facie tax payable:* | | |
| Loss before tax | **(3,903,850)** | (714,536) |
| Prima facie income tax liability/(benefit) at the Australian tax rate of 30% (2014 - 30%) | **(1,171,155)** | (214,361) |
| Adjustments to prima facie tax due to: | | |
| - non-deductible expenses | **559,396** | 1,289 |
| - effect of DTAs on tax (gains)/losses not brought to account | **(237,789)** | 271,344 |
| - effect of DTAs on temporary differences not brought to account | **849,548** | (58,272) |
| Tax expense | **-** | - |

**Unrecognised deferred tax assets**

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

| | 2015 $ | 2014 $ |
|---|---|---|
| Capital losses | **-** | 781,964 |
| Tax losses | **14,641,990** | 13,301,500 |
| Net deductible temporary differences | **3,145,685** | 2,715,798 |
| Potential tax benefit at 30% | **17,787,675** | 16,799,262 |

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

| | 2015 $ | 2014 $ |
|---|---|---|
| **6. Trade and other receivables** | | |
| GST | **9,697** | 8,260 |
| Royalty earned | **28,036** | - |
| Other | **564** | - |
| | **38,297** | - |
| **7. Other assets** | | |
| **Current assets** | | |
| Prepayments | **9,203** | 14,570 |
| **8. Investments** | | |
| Investments - available-for-sale at fair value | **445** | 990 |

At 31 December 2015 the Directors compared the carrying value of the investment to market value and recorded a reduction in fair value within equity of $545 (2014 - $29,565). This was based on a closing bid price of $0.001 at 31 December 2015.

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| **9. Exploration and evaluation expenditure** | | |
| PRL 118 to PRL 128 (formerly PEL 514) | **1,003,177** | 935,569 |
| PEL 638 | **83,918** | 16,418 |
| Net book value | **1,087,095** | 951,987 |
| | | |
| PRL 118 to PRL 128 (formerly PEL 514) | | |
| Carrying amount at beginning of year | **935,569** | 756,780 |
| Additions | **67,608** | 178,789 |
| Net book value | **1,003,177** | 935,569 |
| | | |
| PRL 638 | | |
| Carrying amount at beginning of year | **16,418** | - |
| Additions | **67,500** | 16,481 |
| Net book value | **83,918** | 16,418 |

The ultimate recoupment of exploration and evaluation expenditure is dependent on the successful development and commercial exploitation, or alternatively sale, of the respective areas of interest.

During the year ended 31 December 2015, the Group assessed its exploration and evaluation expenditure assets for impairment and recorded no impairment.

## 10. Intangible assets

| | 2015 | 2014 |
|---|---|---|
| **Overriding royalty interest (ORRI)** | | |
| Royalty - at cost | **6,068,273** | - |
| Accumulated amortisation | **(170,898)** | - |
| Accumulated impairment | **(2,987,787)** | |
| Net foreign currency differences on translation | **273,122** | |
| Net book value | **3,182,710** | - |

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

| | 2015 | 2014 |
|---|---|---|
| Carrying amount at beginning of year | **-** | - |
| Additions | **6,068,273** | - |
| Amortisation | **(170,898)** | - |
| Impairment | **(2,987,787)** | |
| Net foreign currency differences on translation | **273,122** | - |
| Net book value | **3,182,710** | - |

The recoverable amount of the ORRI asset was assessed at 31 December 2015 based on its value in use, estimated using discounted cash flows to be generated through the royalty interest. The key assumptions to which the model is most sensitive include:

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

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

**10. Intangible assets (Cont.)**

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

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

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

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

Based on the impairment review completed at 31 December 2015, the carrying amount of the ORRI exceeded the recoverable amount and the asset was impaired by $2,987,787.

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| **11. Trade and other payables** | | |
| **Current liabilities** | | |
| Creditors and accruals | **50,034** | **44,830** |

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| **12. Loans and borrowings** | | |
| Current | **4,421,849** | - |

The Company has drawdown US$3.2 million from a 5 year conditional loan facility provided by Macquarie Bank Limited. The interest is payable quarterly and calculated each quarter using the LIBOR + 5.5% per annum and at 31 December 2015 the applicable interest rate was 5.85%. The loan is repayable in tranches over five years with 5 equals' instalments of US$150,000 payable annually on the anniversary date of the drawdown amount with a final instalment of US$2,450,000 payable in February 2020.

The loan facility contains a debt covenant stating that at all times the net present value of Proved Developed Producing Reserves ('PDP') is greater than 1.1 of the total aggregate indebtedness of the Group. During the period and subsequent to year end the Company has not complied with this financial covenant under the loan facility. At year end the Group had obtained a waiver from Macquarie Bank Limited until 31 March 2016, subsequent to the year end the waiver was extended to 30 November 2016. As outlined in Note 2(e) the Directors are currently evaluating their options in relation to the non-compliance with financial covenants of the loan facility. As a result of the non-compliance with financial covenants the Group has reclassified the loan facility to current at year end.

## 13. Issued capital

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | No. | $ | No. | $ |
| **Fully paid ordinary shares** | | | | |
| Balance at 31 December | **537,622,535** | **49,781,972** | 537,622,535 | 49,781,972 |

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

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

## 14. Reserves

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| **Fair value reserve** | | |
| Opening balance | **990** | 30,555 |
| Net change in fair value of available-for-sale financial assets | **(545)** | (29,565) |
| Closing balance | **445** | 990 |

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

| | 2015 | 2014 |
|---|---|---|
| **Foreign currency translation reserve** | | |
| Opening balance | **(2,774,502)** | (2,786,032) |
| Translation adjustment on foreign operations during the year | **109,872** | 11,530 |
| Closing balance | **(2,664,630)** | (2,774,502) |

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

## 15. Loss per share

| | 2015 | 2014 |
|---|---|---|
| **Basic and diluted loss per share has been calculated using:** | | |
| Net loss for the year attributable to equity holders of the parent | **(3,903,850)** | (714,536) |
| **Weighted average number of ordinary shares (basic)** | | |
| Issued ordinary shares at the beginning of the year (basic) | **537,622,535** | 537,622,535 |
| Weighted average number of ordinary shares at the end of the year | **537,622,535** | 537,622,535 |
| **Weighted average number of ordinary shares (diluted)** | | |
| Weighted average number of ordinary shares at the end of the year | **537,622,535** | 537,622,535 |
| Weighted average number of ordinary shares (diluted) at the end of the year | **537,622,535** | 537,622,535 |

## 16. Reconciliation of cash flows from operating activities

**Reconciliation of net loss from operating activities after tax to net cash used in operating activities**

| | | |
|---|---|---|
| Loss from operating activities after tax | **(3,903,850)** | (714,536) |
| **Non-cash items** | | |
| Depreciation of plant and equipment | **-** | 698 |
| Amortisation of royalty | **170,898** | |
| Impairment | **2,987,787** | - |
| **Changes in assets and liabilities** | | |
| Trade and other receivables | **(29,206)** | (8,260) |
| Other assets | **5,367** | 14,211 |
| Trade and other payables | **174,136** | (90,222) |
| **Net cash used in operating activities** | **(594,868)** | (798,109) |

**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** | **761,789** | 3,471,201 |

## 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 2015, Norman A. Seckold and Peter J. Nightingale had joint control of an entity, Mining Services Trust, which provided full administrative services, including rental accommodation, administrative staff, services and supplies to the Group. Fees paid to Mining Services Trust during the year amounted to $216,000 (2014 - $234,000). At the end of the year the amount outstanding was $nil (2014 - $nil). These services are invoiced monthly in advance and payable within 30 days.

## 18. Key management personnel disclosures

| | 2015 | 2014 |
|---|---|---|
| **Key management personnel compensation** | **$** | **$** |
| Primary fees/salary | **543,000** | 543,000 |
| Superannuation | **13,655** | - |
| | **556,655** | 543,000 |

At 31 December 2015 $6,250 of fees were outstanding (2014 - $6,250). There were no loans made to key management personnel or their related parties during the 2015 and 2014 financial years.

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

## 19. Financial risk management and financial instruments disclosures

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

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

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

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

### Liquidity risk

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

The Group monitors rolling forecasts of liquidity on the basis of commitments on finance facilities, expected fund raisings, trade payables and other obligations for the ongoing operation of the Group. At balance date, the Group has available funds of $761,789 for its immediate use.

Contractual maturities of financial liabilities are:

| **Financial liabilities** | **Carrying amount** | **Contractual cash flows** | **Less than 6 months** | **6 to 12 months** | **1 to 5 years** | **More than 5 years** |
|---|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** | **$** |
| Trade and other payables | 50,034 | (50,034) | (50,034) | - | | - |
| Loans and borrowings * | 4,421,849 | (4,622,059) | (336,398) | (4,285,662) | - | - |
| **31 December 2015** | **4,471,883** | **(4,672,093)** | **(386,432)** | **(4,285,662)** | **-** | **-** |
| Trade and other payables | 44,830 | (44,830) | (44,830) | - | - | - |
| 31 December 2014 | 44,830 | (44,830) | (44,830) | - | - | - |

* As outlined in Note 12 and Note 2(e) the Group is not in compliance with certain loan covenants during the year and subsequent to year end. The Directors have obtained a waiver from the financier in relation to these covenants for a period to 30 November 2016.

### 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:

| | **2015** | **2014** |
|---|---|---|
| | **$** | **$** |
| Cash and cash equivalents | **761,789** | 3,471,201 |
| Trade and other receivables | **38,297** | 8,260 |
| | **800,086** | 3,479,461 |

### *Cash and cash equivalents*

At 31 December 2015, the Group held cash and cash equivalents of $761,789 (2014 - $3,471,201), which represent its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- based on rating agency Standard & Poor's.

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

### Market risk

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

### *Interest rate risk*

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

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| **Variable rate instruments** | | |
| Cash and cash equivalents | **761,789** | 3,471,201 |
| Loans and borrowing | **(4,421,849)** | - |
| | **(3,660,060)** | 3,471,201 |

There are no fixed rate instruments during 2015 (2014 - $nil).

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

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

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

| | Post-tax profit/(loss)<br>Higher/(Lower)<br>2015<br>$ | Total equity<br>Higher/(Lower)<br>2015<br>$ |
|---|---|---|
| + 1.0% higher interest rate | (41,576) | (41,576) |
| - 0.5% lower interest rate | 25,371 | 25,371 |

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

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

**Market risk (Cont.)**

***Currency risk***

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

The following significant exchange rates applied during the year:

| | **Average rate** | | **Reporting date spot rate** | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| AUD/USD | **0.7522** | 0.9024 | **0.7298** | 0.8156 |

***Price risk***

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

As at 31 December 2015, the Group's investments in available-for-sale assets consists of an investment in Rampart Energy Limited (refer Note 8). A 10% increase/(decrease) in the price of this investment would result in an immaterial increase/(decrease) in equity.

**Capital management**

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

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

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

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

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

### Estimation of fair values

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

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

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

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **31 December 2015** | | | | |
| Available-for-sale financial assets | **445** | **-** | **-** | **445** |
| **31 December 2014** | | | | |
| Available-for-sale financial assets | 990 | - | - | 990 |

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

There have been no transfers between the levels of valuation method for each classification of financial asset held during the years ended 31 December 2015 and 31 December 2014.

## 20. Operating segments

The Group's chief operating decision maker has considered the requirements of AASB 8, Operating Segments. As a result of the acquisition of the overriding royalty interest over existing oil and gas production assets the Group has changed its internal organisation and the composition of reportable segments. The Group has three reportable segments, as described below.

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

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

| | Exploration $ | Royalty $ | Unallocated $ | Total $ |
|---|---|---|---|---|
| **31 December 2014** | | | | |
| **Revenue and other income** | | | | |
| Revenue from external customers | - | - | 4,098 | 4,098 |
| Interest income | - | - | 99,250 | 99,250 |
| Interest cost | - | - | - | - |
| **Results** | | | | |
| Operating loss before income tax | - | - | (714,536) | (714,536) |
| Income tax benefit | - | - | - | - |
| Impairment | - | - | - | - |
| **Assets** | | | | |
| Segment assets | 951,987 | - | 3,495,021 | 4,447,008 |
| **Liabilities** | | | | |
| Segment liabilities | - | - | 44,830 | 44,830 |

**20. Operating segments (Cont.)**

| **Reconciliations of reportable segment revenues and profit or loss** | **2015** | 2014 |
|---|---|---|
| | **$** | $ |
| **Revenue** | | |
| Total revenue for reportable segments | **335,715** | - |
| **Consolidated revenue** | **335,715** | - |
| | | |
| **Profit or loss** | | |
| Total loss for reportable segments | **(3,087,753)** | - |
| Unallocated amounts: | | |
| - interest income | **29,451** | 99,250 |
| - other income | **-** | 4,098 |
| - net other corporate expenses | **(845,548)** | (817,884) |
| Consolidated loss before tax | **(3,903,850)** | (714,536) |
| | | |
| **Reconciliations of reportable segment assets and liabilities** | | |
| **Assets** | | |
| Total assets for reportable segments | **4,401,605** | 951,987 |
| Unallocated corporate assets | **677,934** | 3,495,021 |
| Consolidated total assets | **5,079,539** | 4,447,008 |
| **Liabilities** | | |
| Total liabilities for reportable segments | **4,421,849** | - |
| Unallocated corporate liabilities | **50,034** | 44,830 |
| Consolidated total liabilities | **4,471,883** | 44,830 |

**Geographical information**

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

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Revenue** | **Non-current assets** | Revenues | Non-current assets |
| | **$** | **$** | $ | $ |
| Australia | **-** | **1,087,540** | - | 952,977 |
| United States | **335,715** | **3,182,710** | - | - |
| | **335,715** | **4,270,250** | - | 952,977 |

## 21. Subsequent events

On 22 March 2016 Macquarie Bank Limited provided a further extension to the existing financial covenant waiver for the period to 30 November 2016 in relation to the debt facility.

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

## 22. Controlled entities

### Parent entity

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

| **Controlled entity** | **Country of incorporation** | **Ownership interest** | |
|---|---|---|---|
| | | **2015** | **2014** |
| | | **%** | **%** |
| Gradient Energy Pty Limited | Australia | **100** | 100 |
| Planet Cooper Basin Pty Limited | Australia | **100** | 100 |
| Planet Gas & CBM Pty Limited | Australia | **100** | 100 |
| Planet Unconventional Energy Pty Limited | Australia | **100** | 100 |
| Planet Gas USA, Inc | USA | **100** | 100 |

## 23. Parent entity disclosures

As at 31 December 2015 the parent entity of the Group was Planet Gas Limited.

| | Company | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| **Result of the parent entity** | | |
| Net loss | **(2,677,055)** | (676,508) |
| Other comprehensive loss | **(545)** | (29,565) |
| **Total comprehensive loss** | **(2,677,600)** | (706,073) |
| **Financial position of the parent entity at year end** | | |
| Current assets | **677,490** | 3,484,993 |
| Non-current assets | **445** | 993 |
| **Total assets** | **677,935** | 3,485,986 |
| Current liabilities | **3,417,145** | 3,547,050 |
| **Total liabilities** | **3,417,145** | 3,547,050 |
| **Net assets** | **(2,739,210)** | (61,064) |
| **Equity** | | |
| Share capital | **49,781,972** | 49,781,972 |
| Reserves | **445** | 990 |
| Accumulated losses | **(52,521,627)** | (49,844,027) |
| **Total equity** | **(2,739,210)** | (61,064) |

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

The Company had no capital commitments at the balance date.

## DIRECTORS' DECLARATION

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

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

   (i) giving a true and fair view of the financial position of the Group as at 31 December 2015 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 2015.

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 24th day of March 2016 in accordance with a resolution of the Board of Directors:

**Norman A. Seckold**
**Chairman**

**Anthony J. McClure**
**Managing Director**

## INDEPENDENT AUDITOR'S REPORT
## TO THE MEMBERS OF PLANET GAS LIMITED

KPMG

We have audited the accompanying financial report of Planet Gas Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2015, and 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 ended on that date, notes 1 to 23 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

***Directors' responsibility for the financial report***

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements of the Group comply with International Financial Reporting Standards.

***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Independence***

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

# INDEPENDENT AUDITOR'S REPORT
# TO THE MEMBERS OF PLANET GAS LIMITED

***Auditor's opinion***

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

***Material uncertainty regarding continuation as a going concern***

Without modifying our opinion, we draw attention to Note 2(e), "Going Concern", in the financial report. The conditions disclosed in Note 2(e), including the need to resolve the debt covenant issues, raise additional funding from shareholders or other parties, and reduce cash outflows in-line with available funding, indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

**Report on the remuneration report**

We have audited the Remuneration Report included in pages 11 to 12 of the directors' report for the year ended 31 December 2015. 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 responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

***Auditor's opinion***

In our opinion, the Remuneration Report of Planet Gas Limited for the year ended 31 December 2015 complies with Section 300A of the *Corporations Act 2001*.

KPMG

**KPMG**

**Adam Twemlow**
**Partner**

**24 March 2016**

## ADDITIONAL STOCK EXCHANGE INFORMATION

Additional information as at 29 February 2016 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 29 February 2016, the total distribution of fully paid shareholders, being the only class of equity, was as follows:

| Range | Total Holders | Number of shares |
|---|---|---|
| 1 - 1,000 | 70 | 6,260 |
| 1,001 - 5,000 | 104 | 347,630 |
| 5,001 - 10,000 | 132 | 1,090,819 |
| 10,001 - 100,000 | 609 | 26,252,109 |
| 100,001 and over | 406 | 509,925,717 |
| Total | 1,321 | 537,622,535 |

As at 29 February 2016, 985 shareholders held less than marketable parcels of 166,667 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 |

# PLANET GAS LIMITED

## ADDITIONAL STOCK EXCHANGE INFORMATION

### Twenty Largest Shareholders

As at 29 February 2016 the twenty largest quoted shareholders held 55.96% 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> | 17,000,000 | 3.16 |
| 5 | Mr Graham Leslie Smith | 12,123,278 | 2.25 |
| 6 | Rosignol Pty Ltd <Nightingale Family A/C> | 7,995,673 | 1.49 |
| 7 | Trio Investments Pty Limited | 7,851,923 | 1.46 |
| 8 | Removale Pty Ltd | 6,090,000 | 1.13 |
| 9 | Berpaid Pty Ltd | 5,375,000 | 1.00 |
| 10 | Mr Dallas John William Allman & Mrs Judith Dawn Allman <DJW & JD Allman S/F A/C> | 5,000,000 | 0.93 |
| 11 | Soot Hin Goh | 5,000,000 | 0.93 |
| 12 | Serlett Pty Ltd <Diligent Inv Superfund A/C> | 4,300,000 | 0.80 |
| 13 | Norman Ladson and Mary-Ann Ladson | 4,000,000 | 0.74 |
| 14 | Bruce Riederer | 4,000,000 | 0.74 |
| 15 | Dr Andrew Solomons | 3,851,547 | 0.72 |
| 16 | Paul Tyrrell | 3,841,000 | 0.71 |
| 17 | Rosignol Consultants Pty Ltd | 3,781,250 | 0.70 |
| 18 | Mr Anthony J McClure | 3,750,000 | 0.70 |
| 19 | Umbiram Pty Ltd <Michael Hoy Superfund A/C> | 3,750,000 | 0.70 |
| 20 | National Nominees Limited | 3,600,000 | 0.67 |

### Tenements Held

As at 24 March 2016 the Company held the following tenements:

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

# PLANET GAS LIMITED

## CORPORATE DIRECTORY

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**Directors:**

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

**Company Secretary:**

Mr Marcelo Mora

**Principal Place of Business and Registered Office:**

Level 2, 66 Hunter Street
SYDNEY NSW 2000
Phone: +61 2 9300 3322
Facsimile: +61 2 9221 6333

**Auditors:**

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

**Solicitors:**

Minter Ellison
88 Phillip Street
SYDNEY NSW 2000

**Share Registrars:**

Computershare Investor Services Pty Limited
Level 4
60 Carrington Street
Sydney NSW 2000
Phone: 1300 787 272
Overseas Callers +61 3 9415 4000
Facsimile: +61 3 9473 2500