

13 September 2006

The Manager - Companies  
Australian Stock Exchange Limited  
20 Bridge Street  
SYDNEY NSW 2000

(27 pages by email)

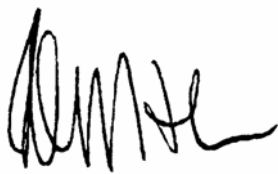
Dear Madam,

**RE: HALF YEAR REPORT**

I attach the Company's Appendix 4D and Half Year Financial report for the half year ended 30 June 2006.

The attached information should be read in conjunction with the Company's most recent annual financial report for the year ended 31 December 2005.

Yours sincerely



Peter J. Nightingale  
Director

pjn3620

# Appendix 4D

## Half Year Report

Name of entity

**PLANET GAS LIMITED**

ABN or equivalent company  
reference

**46 098 952 035**

Financial year ended ('current period')

**30 JUNE 2006**

### Results for announcement to the market

Revenues from ordinary activities	down 30%	to	\$322,897
Loss from ordinary activities after tax attributable to members	up 95%	to	\$608,885
Net loss for the period attributable to members	up 95%	to	\$608,885
<b>Dividends (distributions)</b>	Amount per security	Franked amount per security	
Final dividend	Nil	Nil	
Interim dividend	Nil	Nil	
Previous corresponding period			
Final dividend	Nil	Nil	
Interim dividend	Nil	Nil	
Record date for determining entitlements to the dividend.	N/A		
Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:			
Refer attached audit reviewed Half Year Financial report.			
<b>NTA backing</b>	Current period	Previous corresponding period	
Net tangible asset backing per ordinary security	12.3 cents	10.0 cents	

**PLANET GAS LIMITED**  
and its controlled entities

A.B.N. 46 098 952 035

**HALF YEAR**  
**FINANCIAL REPORT**  
**30 JUNE 2006**

# PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

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**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

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The directors present their report together with the consolidated financial report and the review report thereon for the half year ended 30 June 2006.

**Directors**

The names and particulars of the directors of the Company at any time during or since the end of the half year are:

**Norman A. Seckold, Executive Chairman**

Director since 4 December 2001.

Norman Seckold graduated with a Bachelor of Economics degree from the University of Sydney in 1970. He has spent over 25 years in the full time management of natural resource companies, both in Australia and overseas.

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

Mr Seckold is currently Chairman of Australian public listed mining companies Bolnisi Gold NL, Cockatoo Coal Limited and Kings Minerals NL and also Canadian public listed company Palmarejo Silver and Gold Corporation.

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

Director since 4 December 2001.

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

As a director or company secretary Mr Nightingale has, for the past 19 years, been responsible for the financial control, administration, secretarial and in-house legal functions of a number of private and public listed companies in Australia, the USA and Europe including Pangea Resources Limited, Timberline Minerals Inc., Perseverance Corporation Limited, Valdora Minerals N.L. and ETT Limited. Mr Nightingale is currently a director or company secretary of Biotron Limited, Bolnisi Gold NL, Cockatoo Coal Limited, IMD Group Limited and Palmarejo Silver and Gold Corporation.

**Bruce F. Riederer, Executive Director of Exploration and Development**

Director since 10 September 2003.

Bruce Riederer graduated with a Bachelor of Geoscience (Geology) degree from the University of Arizona in 1974. Mr Riederer is a professional geologist and has over 30 years' experience in the mining and resources industry.

For a number of years he has conducted a consulting practice in the management of CBM and conventional oil and gas exploration and development programs in the Powder River, Wind River and Green River Basins in Wyoming, the Cherokee Basin in Kansas, and the Gippsland and Otway Basins in Australia.

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

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**Anthony J. McClure, Independent and Non-Executive Director**

Director since 27 August 2003.

Anthony McClure graduated with a Bachelor of Science (Geology) degree from Macquarie University in 1986. Mr McClure has over 20 years of technical, management and financial experience in the resource sector within Australia, and internationally in project management and executive development roles. He has worked in the financial services sector and stockbroking, primarily as a resource analyst.

Mr McClure is currently an executive director of European Gas Limited, a publicly listed company in Australia, whose main interests are in CBM projects in Europe. Mr McClure is also an alternate director of Bolnisi Gold NL.

**Anthony J. McDonald, Independent and Non-Executive Director**

Director since 19 November 2003.

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

Mr McDonald has been a director, secretary and/or legal advisor to a number of listed and unlisted public companies in the resources sector. He is also a director and corporate secretary of Kings Minerals NL.

**Norman J. Zillman, Independent and Non-Executive Director**

Director since 20 August 2002.

Norman Zillman graduated with a Bachelor of Science Honours degree from the University of Queensland in 1966. Mr Zillman is a professional geologist with over 35 years experience in the petroleum and coal industries in Australia and internationally. He has extensive worldwide experience in oil and natural gas exploration and production having worked in Australia, the USA, Asia, and Europe. His initial training was as a petroleum geologist with international companies Aquitaine Petroleum in Papua New Guinea and Union Oil Company of California (UNOCAL) in Indonesia.

Mr Zillman was the Deputy CEO of Crusader Oil NL and was the Manager of the Petroleum Branch of the Queensland Department of Mines and Energy. Mr Zillman's most recent positions were as Managing Director of Queensland Gas Company Limited, a publicly traded CBM company in Australia and non-executive Chairman of Great Artesian Oil and Gas Limited. Mr Zillman is a member of the Australasian Institute of Mining and Metallurgy and the Petroleum Exploration Society of Australia.

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

**Review of Operations**

The consolidated entity has completed a number of significant achievements during the half year ended 30 June 2006 including the following highlights:

- West Esponda permits approved.
- All wells in the West Esponda pilot production program were completed.
- CBM production of 58,373 Mcf (35,462 Mcf NRI).
- Average CBM sale price received was US\$5.73 per Mcf.
- Further strategic acquisitions at West Esponda.
- The Southwest Pond's construction was completed at West Esponda.
- Oriva Federal Plan of Development and State permits approved.
- State water discharge permits were received.
- Conventional oil and gas drilling planned at Oriva Federal.

The consolidated entity is engaged in the acquisition, exploration, development, production and operation of oil, gas and coal bed methane ('CBM') properties. The Company has rights to the following tenements in the USA and Australia:

<b>Block/Project</b>	<b>Location</b>	<b>Area Net Hectares</b>
<b>USA</b>		
East Esponda	Powder River Basin, Wyoming	469
West Esponda	Powder River Basin, Wyoming	7,540
Oriva Throne	Powder River Basin, Wyoming	146
Oriva Federal	Powder River Basin, Wyoming	359
Skull Creek	Cherokee Basin, Kansas	11,573
<b>Australia</b>		
EL 4500	Gippsland Basin, Victoria	241,600
EL 4807	Gippsland Basin, Victoria	2,600
EL 4859	Gippsland Basin, Victoria	5,900
EL 4860	Gippsland Basin, Victoria	40,500
EL 4861	Gippsland Basin, Victoria	4,200
EL 4862	Gippsland Basin, Victoria	2,600
EL 4877	Gippsland Basin, Victoria	165,100
ELA 4368	Otway Basin, Victoria	48,379
ELA 4369	Otway Basin, Victoria	24,190
EL 4811	Otway Basin, Victoria	77,800
PELA 145	Willochra Basin, South Australia	619,432
PELA 146	Eromanga Basin, South Australia	267,786
PEL 428	Gunnedah Basin, New South Wales	150,842

# PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

### POWDER RIVER BASIN, WYOMING, USA

The Powder River Basin encompasses approximately 67,000 square kilometres in the northern Rocky Mountains of the USA straddling the northeast of Wyoming and the southeast of Montana. The Powder River Basin is estimated to contain more than one trillion short tons (0.9 trillion tonnes) of coal with potential CBM resources of over 25 trillion cubic feet. CBM production in the Powder River Basin has increased at a rapid rate since 1995 with production today of around 900 million cubic feet per day from over 10,000 producing wells.

### ESPONDA PROJECT

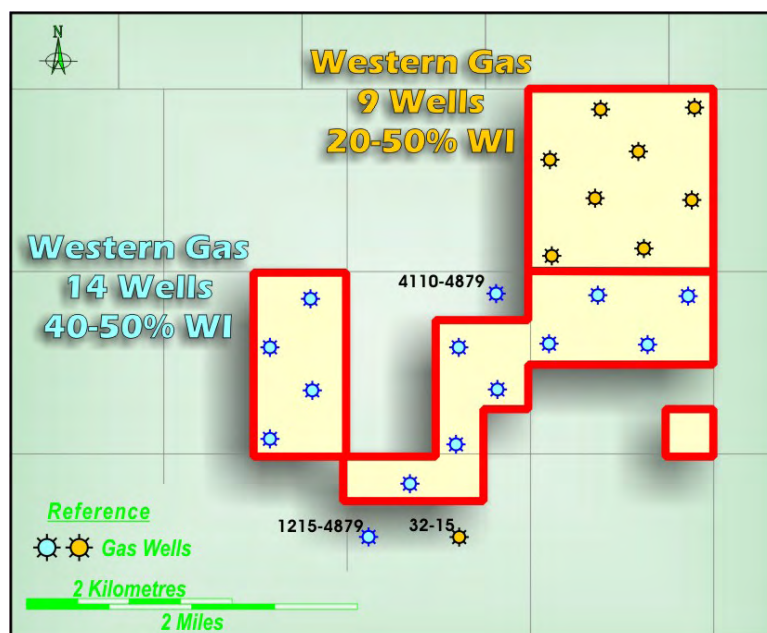
The Esponda Project comprises two project areas, East Esponda which has been developed under joint venture arrangements and currently being dewatered in advance of the commencement of production and West Esponda which has begun to be developed by the completion of a pilot production program. The Esponda Project is located approximately 25 kilometres southeast of Buffalo, Wyoming, and totals 8,009 net hectares (19,791 acres) in Townships 47 to 50 North, Ranges 79 and 80 West, Johnson County, Wyoming.

#### East Esponda

At East Esponda, the consolidated entity is a party to two joint ventures covering 469 net hectares (1,160 acres). Effective 21 March 2006, Western Gas Resources Inc. ('Western Gas') purchased select Powder River Basin assets, including the Big Cat Field which includes the consolidated entity's East Esponda leasehold, from Kennedy Oil for \$US137 million. The consolidated entity's joint venture agreements remain unchanged other than Western Gas becoming the only operator and joint venture partner in the East Esponda Project.

In their press release, Western Gas stated "Gas production is expected to begin in the third quarter of 2006. ... This acquisition offers the same low risk development that the company has been successfully drilling for the last eight years in the Powder River Basin."

To date there have been 23 wells completed within the consolidated entity's East Esponda leasehold interests. There are 14 wells in the Big Cat Field which have been sole funded by Western Gas and will be repaid from production and 9 wells in the Indian Creek Field which have been funded by the consolidated entity in proportion to its working interest.



Although 3 wells are located exterior to the consolidated entity's leasehold, the consolidated entity retains an interest in these wells due to the State's mandated 32 hectare (80 acre) spacing orders.



# PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

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Western Gas has advised that since commissioning its Indian Creek-Harriet water treating facility and the approximately 24 kilometres of discharge pipeline the dewatering program for the East Esponda Project is well advanced and CBM production is expected to commence in October 2006.

On 23 June 2006 Anadarko Petroleum Corporation announced a bid to acquire Western Gas for US\$5.5 billion, a 49% premium to the pre-bid Western Gas share price. This offer reaffirms the strength of the North American CBM market, and its increasing importance to major companies as a source of expanding natural gas production in a stable political and economic market.

### **West Esponda**

The West Esponda Project is located approximately 110 kilometres west of Gillette, Wyoming, and totals 7,540 net hectares (18,631 acres) in Townships 47 to 50 North, Ranges 79 to 81 West, Johnson County. The West Esponda Project has the capacity for more than 230 wells on the State mandated 32 hectare (80 acre) spacing.

The West Esponda Project lies near the Powder River Basin's asymmetric structural axis, and situated between the depositional centres of the stratigraphically higher Buffalo-Lake De Smet Coalfield to the west (Eocene Wasatch Formation) and the Gillette Coalfield (Paleocene Fort Union Formation) to the east. Thus, the more shallow Eocene-aged coals are being eroded to the east and south across the region and depositionally splitting with less ash content than its thickest member near Buffalo; and the Big George Coal, a part of the Gillette Coalfield, present at East Esponda is splitting towards the west.

Total coal isopach mapping of this sparsely drilled area of the deep Powder River Basin estimates that 20 to 45 metres of coal is present. This estimate is supported by results from the consolidated entity's eight well stratigraphic drilling program which was completed at West Esponda last year which intersected gassy coal with cumulative intersections of up to 50 metres and an average of 35.4 metres, of which the Big George coal seam intervals were between 17 to 22 metres, and the results from the 10 well pilot program as set out below.

These results indicate that the Big George coal horizon can be extended 16 kilometres to the northwest with a total thickness correlative to that present in the western portions of the consolidated entity's East Esponda Project.

### *Acquisitions*

During the half year, the consolidated entity continued its tenure consolidation in the northern area of the West Esponda Project and acquired a 100% Working Interest (averaging 81.28% Net Revenue Interest) in freehold tenements which total 1,508 net hectares (3,726 acres) in Townships 48N and 50N, Ranges 80W and 81W. These acquisitions, which cost US\$267,305 are contiguous with the consolidated entity's existing West Esponda tenements and are a further step by the consolidated entity to infill the West Esponda tenement positions into a contiguous holding which will improve the logistics of the West Esponda development program and production.

With these acquisitions, the first phase of the West Esponda development program has been increased to more than 100 wells.

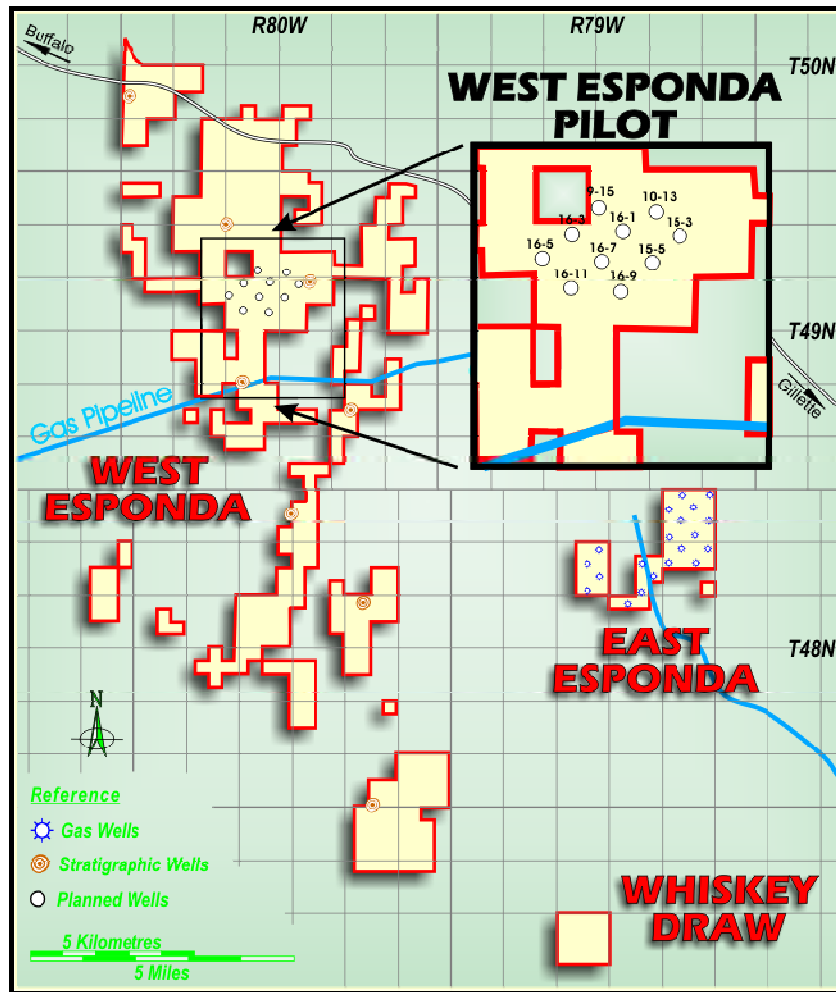
Further strategic acquisitions are currently being negotiated.

### *Pilot Production Program*

The consolidated entity's first stage of commercialisation of the West Esponda Project has been initiated with the completion of 10 wells in a pilot production program. This northern portion of the West Esponda Project has approximately 106 contiguous or near contiguous well locations.

**PLANET GAS LIMITED  
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**DIRECTORS' REPORT**



The following tabulates the drilling results:

Well Name	Total Drilled Depth (metres)	Total Coal Intercepts (metres)	Total Big George Interval (metres)
State 4980-16-7	641	37.5	15.5
State 4980-16-3	671	47.5	18.0
Hodges 4890-9-15	701	40.8	18.0
State 4980-16-1	701	35.1	16.8
State 4980-16-9	701	28.3	14.0
State 4980-16-5	701	39.0	11.3
State 4980-16-11	702	40.5	13.7
Esponda 4980-15-5	695	35.7	18.3
Esponda 4980-10-13	671	30.8	14.0
Esponda 4980-15-3	689	38.1	18.3

# PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

All wells were cased on reaching the well's total depth and all wells have been completed, including downhole cleanup, seam perforations, formation enhancement and pump installation. Further, the in-field gas and water reticulation and well tie-ins for the pilot production program have been completed and a generator to power the submersible pumps is being used on-site.

Following receipt of a construction permit for a water discharge retention facility, the Southwest Pond, with a capacity of approximately 200 megalitres and a water discharge permit, construction of the Southwest Pond, was commenced in June 2006. The Southwest Pond has been completed and is now being used for water discharge from the 10 well pilot production program.

The sole focus of the pilot production program is CBM production from the Big George coal seam. Stratigraphic and pilot production program drilling has indicated that the Big George coal seam at the West Esponda Project is 17 to 22 metres thick. In addition, coals of 17 to 24 metres in total thickness overlie the Big George coal seam. Whilst these are not intended to be produced from at this time, they will be 'behind pipe' so they can be readily accessed in the future. The stratigraphic program also intersected deeper coal units which will be valid targets for the future.

The pilot production program not only tests the most westerly extensions of the Big George seam in the Powder River Basin, but will provide invaluable site specific technical knowledge of the reservoir by its initial development, dewatering and production and will provide an evaluation of the completion methodologies.

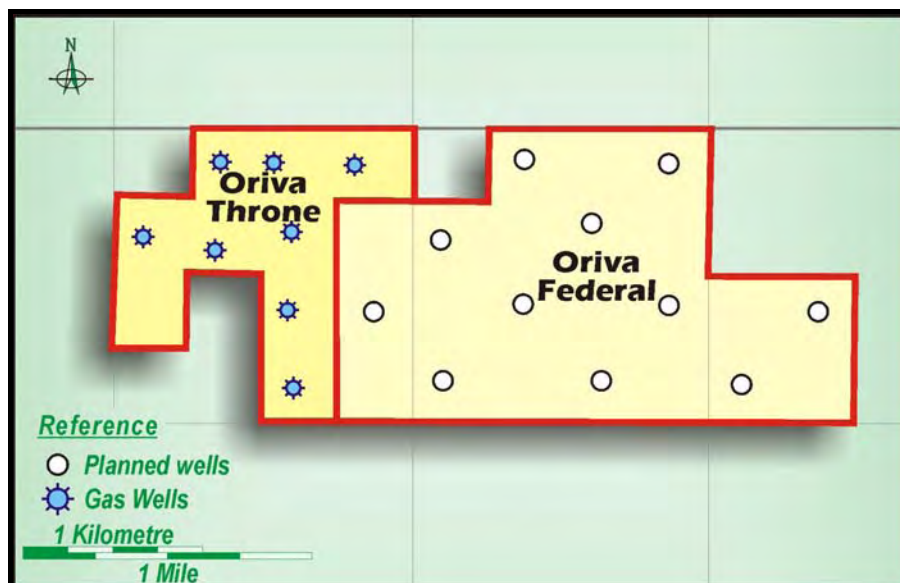
### ORIVA PROJECT

The Oriva Project comprises two contiguous project areas, Oriva Throne which is in production and Oriva Federal which is in the permitting phase. The Oriva Project is located approximately 21 kilometres west of Gillette, Wyoming, and totals 505 net hectares (1,248 acres) in Sections 8, 9 and 10, Township 50 North, Range 74 West, Campbell County.

The Oriva Project contains nearly all productive coals in the Powder River Basin: Felix, Smith, and Anderson seams (depths 60 to 300 metres), Canyon/Cook and Wall seams (depths 300 to 500 metres). In addition to these primary coal bed targets, there are two deeper seams, Moyer & Danner at depths of approximately 750 metres.

In addition to the CBM potential of the Oriva Project, a conventional oil and gas prospect in the Lower Cretaceous Muddy Formation may be developed.

The proximity of Oriva Throne to Oriva Federal is of strategic importance, not only for the addition of reserves but to the overall project development with access to existing infrastructure and operations.



**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

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**Oriva Throne**

The consolidated entity holds a 75.975% Working Interest (60.75% NRI) in the Oriva Throne tenements which total 146 net hectares (361 acres). Oriva Throne is operated by Emerald Operating Company and Rocky Mountain Exploration of Denver, Colorado which holds the remaining 24.025% Working Interest (19.25% NRI). The entire leasehold interest is subject to a 20% land/mineral owner royalty.

Production during the half year at Oriva Throne was from the 5 state mandated 32 hectare (80 acre) spacing CBM pad sites each of which have been developed with 3 wells, producing CBM from the Felix, Smith, Anderson and Wall Coal seams plus 3 'exception location' Wall seam wells.

CBM production for the half year was as follows:

<b>Coal Seam</b>	<b>CBM Production (Mcf)</b>	<b>Net Revenue Interest (Mcf)</b>
Anderson	45,223	27,473
Felix	12,380	7,521
Wall	770	468
<b>Total</b>	<b>58,373</b>	<b>35,462</b>

During the half year, CBM production was sold for an average of US\$5.73 per Mcf for total net revenues of US\$203,032.

The completion of the 3 'exception location' Wall seam wells is intended to increase water production from the Wall seam and thus to accelerate the dewatering time leading to increased gas production from this newly developing CBM horizon in this portion of the Powder River Basin.

**Oriva Federal**

The Company holds a 100% Working Interest (85.5% NRI) in the Oriva Federal tenements which total 359 net hectares (887 acres). The entire leasehold interest is subject to a 12.5% mineral owner royalty and a 2% overriding royalty. On the basis of the State mandated 32 hectare (80 acre) well spacing, the Oriva Federal tenements have the capacity for 11 pad sites.

During the half year, the consolidated entity's Plan of Development was approved by the Federal Bureau of Land Management and the Wyoming Department of Environmental Quality and State Engineers Office approved and issued their respective permits thereby facilitating the development of 33 CBM wells (11 pad sites with 3 wells on each site) at the Oriva Federal Project with production from the same coal seams as on the adjoining Oriva Throne area.

Overall project development will involve the drilling of 33 wells totalling approximately 13,400 metres (44,000 feet), in-field gas and water reticulation totalling 20,000 metres (66,000 feet), underground electrification for pumping requirements and construction of multiple water retention reservoirs and pits.

The consolidated entity's water management plan provides for standard CBM style reservoirs either along or in ephemeral channels. The project has been designed to fully contain its water output of nearly 25,000 barrels of water per day in off-channel containment pits.

Negotiated contracts for in-field gas compression and gas transportation to markets are currently undergoing final review.

# PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

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### *Conventional Oil and Gas*

During the half year, a Conventional Oil and Gas Farmout Agreement ('Farmout Agreement') was entered into with Carpenter & Sons and North Finn ('C&S-NF') of Casper, Wyoming. The Farmout Agreement covers only the non-CBM rights at the Oriva Federal Project with activities primarily targeting the Cretaceous Muddy Formation at a depth of approximately 2,900 metres and with Cretaceous aged fractured shales situated above the primary target as secondary objectives.

C&S-NF, as operator, will earn their interest in the conventional oil and gas (not CBM) from the Oriva Federal lease as follows:

- By drilling a well which must commence on or before 31 October 2006, C&S-NF will earn an 81% net revenue interest in 50% of the non-CBM interests in the Oriva Federal lease.
- By the completion of a second well, C&S-NF will earn an 81% net revenue interest in the remaining non-CBM Oriva Federal lease.

Under the terms of the Farmout Agreement the consolidated entity will retain a 19% interest which will cover all royalties (totalling 14.5%) which are payable in respect of the Oriva Federal lease. The consolidated entity retains a net 4.5% net revenue interest in the conventional oil and gas production from the Oriva Federal lease which the consolidated entity may convert a 20% working interest. In the event of this conversion, the royalties payable will be shared in proportion to the parties working interests.

### **CHEROKEE BASIN KANSAS, USA**

The Cherokee Basin contains nearly two dozen Pennsylvanian aged coals with thickness ranging up to 9 metres but more typically up to 4 metres with gas contents ranging from 150 to 375 standard cubic feet per ton. The cyclic nature of the deposits makes it possible to intersect multiple coal seams in a single well. The principal CBM target coal seams occur in the Cabaniss and Krebs Formations of the Cherokee Group at depths of approximately 600 metres.

### **SKULL CREEK PROJECT**

The Skull Creek Project is located in the western portion of the Cherokee Basin of southeast Kansas. The tenement occupies 11,573 net hectares (28,598 acres) in Cowley, Elk and Chautauqua Counties near existing infrastructure and within a receptive State regulatory regime.

The leases are not restricted to CBM, but convey all oil and gas rights to the consolidated entity. Conventional oil and gas targets may also exist in the Skull Creek Project and will be evaluated during all drilling operations. Underlying the region are Mississippian and Ordovician aged carbonates that yield conventional hydrocarbons. Also, the Ordovician sediments serve as a water disposal zone for co-produced coalbed methane water. Additional conventional hydrocarbon occurrences in the overlying strata of the Kansas City-Lancing Group are potential targets.

During the half year, the first of multiple zones on the FR11-31 (which was drilled in 2005) was completed in the Tebo B at a depth of 844 metres (2,768 feet). Initial testing showed water volumes more than 40 barrels of water per day with some associated gas (not measured). The static fluid level indicated a reservoir pressure gradient of 0.32 psi/ft from the Tebo B zone which is consistent with the range of pressure gradients in the Cherokee from 0.25 to 0.43 psi/ft.

Completion and testing operations are in progress for multiple zones in the Cherokee formation. Individual zone stimulations on the Tebo A, Mineral, V-Shale, and Summit/Excello formations were performed in the half year. The well was cleaned out and setup for pump testing of all zones. Pump testing has commenced with associated fluid levels being measured to understand the pressure drawdown of the dewatering effort.

Dewatering of the Cherokee coals is in progress and an overall testing period of several months is anticipated before a final decision to drill and complete additional production wells will be made.

# PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

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### AUSTRALIAN OPERATIONS

The consolidated entity holds rights to prospective CBM projects in the Gippsland and Otway Basins of Victoria, the Eromanga and Willochra Basins of South Australia and the Gunnedah Basin of New South Wales. The consolidated entity continues its data collation program leading to the development of initial exploration programs in Victoria. Work programs have been prepared for EL4807 and EL4811 and others are in preparation. In addition, the consolidated entity continues its appraisal program of potential CBM prospects in Australia.

#### Gippsland Basin, Victoria

The Gippsland Basin Project is located to the southeast of metropolitan Melbourne between Dandenong, Wonthaggi, Leongatha and Moe.

The CBM potential in the Gippsland Basin occurs in the black coals of the Early Cretaceous Strzelecki Group. The Gippsland Basin is a complex rift basin system with the northeast trending structural lineaments composed of anticlines, synclines, monoclines, extensional and compressional faults.

During the half year tenements have been granted and a number of tenements have been amalgamated. These recently granted tenements add to the existing tenement base and the consolidated entity now controls a total area of approximately 4,625 square kilometres.

The consolidated entity plans to drill up to eighteen stratigraphic holes totalling up to 14,000 metres on portions of its Gippsland tenements to depths of up to 1000 metres to evaluate the prospective CBM potential of the Cretaceous Strzelecki Group. With the exception of the Cape Paterson region, the historic black coal mining centres in and around the communities of Korumburra, Outtrim-Jumbunna, Wonthaggi and Kilcunda-Woolami as well as the Koo-Wee-Rup coalfield will receive stratigraphic bore evaluations in the consolidated entity's initial evaluation.

During the half year, the Work Program for EL4807 was revised and the registered Work Program for EL4500 was modified to facilitate the drilling of a twin hole to GS13 drilled last year. Approval for the twin hole was obtained. The Company is preparing work programs for three other leases in Gippsland.

The sourcing of a drill rig with greater depth potential has proved difficult, so further drilling is on hold. The general prospectivity of the Gippsland region for CBM has been proven by the earlier drilling but drilling equipment that is up to the task of penetrating to 900 or 1,000 metres needs to be sourced. The prospectivity of the deeper stratigraphic section, as encountered in hole GS13, is highlighted by the fact that the cumulative average coal thickness for the previous five shallow holes was 1.95 metres, while GS13 produced a cumulative coal thickness of 7.5 metres. It is important to note that the base of the prospective Strzelecki Group's coals was not reached in GS13, again due to rig limitations.

A desorption core hole is planned to be drilled in the vicinity of GS13/GS15 prior to the continuation of drilling the outstanding stratigraphic bores.

#### Otway Basin, Victoria

The Otway Basin Project is adjacent to the South Australian border and alongside the route of the South East Australia gas pipeline. A Work Program to facilitate the drilling of up to four 1,200 metre stratigraphic test holes on EL4811 has been lodged with the Department of Primary Industries. Once this has been accepted and registered, test drilling will begin.

#### Gunnedah Basin, New South Wales

PEL 428 covers an area of 6,021 square kilometres in northern New South Wales and lies immediately north and west of Eastern Star Gas Limited's ('Eastern Star Gas') PEL 238 permit which contains the Coonarah Gas Field, the Wilga Park Power Station and the Bohena coal seam gas pilot. Eastern Star Gas is funding Comet Ridge Limited's expenditure commitment at present and is the operator. No significant exploration work was completed during the half year.

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

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Interests in PEL 428 after Eastern Star Gas has fulfilled its earning obligation will be:

Planet Gas Limited (through its wholly owned subsidiary Davidson Prospecting Pty Limited)	20%
Eastern Star Gas Limited	60%
Comet Ridge Limited	20%

**OTHER**

**Share Placement**

On 5 April 2006 the Company completed a placement of 12,500,000 new shares at an issue price of \$0.32 per share to raise \$4.0 million to provide funds for the continued development and exploration of the consolidated entity's CBM projects and for working capital purposes.

**Responsibility Statement**

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

**Lead Auditor's Independence Declaration**

The lead auditor's independence declaration is set out on page 12 and forms part of the Directors' Report for the half year ended 30 June 2006.

Signed at Sydney this 13th day of September 2006  
in accordance with a resolution of the Board of Directors:



**Norman A. Seckold**  
Director



**Peter J. Nightingale**  
Director



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

To the Directors of Planet Gas Limited:

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 30 June 2006, there have been:

- (i) no contravention of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink that reads 'KPMG'.

**KPMG**

A handwritten signature in black ink that reads 'S.J. Board'.

**S.J. Board  
Partner**

13 September 2006



**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT  
FOR THE HALF YEAR ENDED 30 JUNE 2006**

	Notes	Consolidated	
		Six Months Ended 30 June 2006 \$	Six Months Ended 30 June 2005 \$
<b>Revenue from sale of coal bed methane</b>		<b>270,680</b>	<b>294,965</b>
Production and transport costs		(363,783)	(372,464)
Administration and consultants' expenses		(316,138)	(207,366)
Audit fees		(34,548)	(27,000)
Depreciation		(4,877)	(2,802)
Amortisation		(91,239)	(41,321)
Travel		(89,405)	(71,244)
Other expenses		(31,792)	(49,483)
<b>Results from operating activities</b>		<b>(661,102)</b>	<b>(476,715)</b>
Financial income		52,217	163,849
<b>Net financing income</b>		<b>52,217</b>	<b>163,849</b>
<b>Loss before income tax</b>		<b>(608,885)</b>	<b>(312,866)</b>
Income tax expense relating to ordinary activities		-	-
<b>Loss for the period</b>		<b>(608,885)</b>	<b>(312,866)</b>
Basic loss per share	5	<u>(0.35) cents</u>	<u>(0.18) cents</u>
Diluted loss per share	5	<u>(0.35) cents</u>	<u>(0.18) cents</u>

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF  
RECOGNISED INCOME AND EXPENSES  
FOR THE HALF YEAR ENDED 30 JUNE 2006**

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	<b>Consolidated</b>	
	<b>Six Months Ended 30 June 2006 \$</b>	<b>Six Months Ended 30 June 2005 \$</b>
Foreign exchange translation differences	39,775	211,898
<b>Net income recognised directly in equity</b>	39,775	211,898
<b>Loss for the period</b>	(608,885)	(312,866)
<b>Total recognised income and expense for the period</b>	(569,110)	(100,968)

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET  
AS AT 30 JUNE 2006**

	Notes	Consolidated	
		30 June 2006 \$	31 December 2005 \$
<b>Current assets</b>			
Cash and cash equivalents		2,110,878	1,530,861
Trade and other receivables		140,754	334,095
Other		42,479	-
<b>Total current assets</b>		<u>2,294,111</u>	<u>1,864,956</u>
<b>Non-current assets</b>			
Property, plant and equipment		9,081,209	7,139,730
Exploration and evaluation expenditure		10,711,057	9,791,857
Security deposits		269,061	132,726
<b>Total non-current assets</b>		<u>20,061,327</u>	<u>17,064,313</u>
<b>Total assets</b>		<u>22,355,438</u>	<u>18,929,269</u>
<b>Current liabilities</b>			
Trade and other payables		489,177	553,181
<b>Total current liabilities</b>		<u>489,177</u>	<u>553,181</u>
<b>Non-current liabilities</b>			
Other		1,548,933	1,476,850
<b>Total non-current liabilities</b>		<u>1,548,933</u>	<u>1,476,850</u>
<b>Total liabilities</b>		<u>2,038,110</u>	<u>2,030,031</u>
<b>Net assets</b>		<u>20,317,328</u>	<u>16,899,238</u>
<b>Equity</b>			
Issued capital	6	22,752,214	18,765,014
Retained losses	7	(2,108,109)	(1,499,224)
Foreign currency translation reserve		(326,777)	(366,552)
<b>Total equity</b>		<u>20,317,328</u>	<u>16,899,238</u>

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 30 JUNE 2006**

	<b>Consolidated</b>	
	<b>Six Months Ended 30 June 2006 \$</b>	<b>Six Months Ended 30 June 2005 \$</b>
<b>Cash flows from operating activities</b>		
Cash receipts from customers	450,920	264,023
Cash paid to suppliers	(473,853)	(516,163)
Payments for production	(516,421)	(260,945)
	(539,354)	(513,085)
Cash generated from operations		
Interest received	45,498	167,138
	(493,856)	(345,947)
<b>Net cash from operating activities</b>		
<b>Cash flows from investing activities</b>		
Payments for exploration and evaluation expenditure	(525,896)	(2,162,814)
Payments for acquisitions of exploration areas	(361,815)	(469,602)
Payments for development expenditure	(1,972,421)	(217,531)
Payments for capitalised costs of production	(55,351)	(17,297)
Payments for plant and equipment	(1,505)	-
	(2,916,988)	(2,867,244)
<b>Net cash from investing activities</b>		
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	4,000,000	-
Costs of share issue	(12,800)	-
	3,987,200	-
<b>Net cash from financing activities</b>		
Net increase/(decrease) in cash and cash equivalents	576,356	(3,213,191)
Cash and cash equivalents at the beginning of the financial period	1,530,861	8,128,692
Effect of exchange rate fluctuations on cash held	3,661	2,696
	2,110,878	4,918,197
<b>Cash and cash equivalents at the end of the financial period</b>		

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2006**

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**NOTE 1 - REPORTING ENTITY**

Planet Gas Limited (the 'Company') is a company domiciled in Australia. The condensed consolidated interim financial report of the Company for the half year ended 30 June 2006 comprise the Company and its subsidiaries (together referred to as the 'consolidated entity') and the consolidated entities interest in associates and jointly controlled entities.

The consolidated annual financial report of the consolidated entity as at and for the year ended 31 December 2005 is available upon request from the Company's registered office at Level 8, 261 George Street, Sydney, NSW, 2000 or at [www.planetgas.com](http://www.planetgas.com).

**NOTE 2 - STATEMENT OF COMPLIANCE**

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards ('AIFRSs'), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The condensed consolidated interim financial report is presented in Australian dollars. The condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 31 December 2005.

This condensed consolidated interim financial report was approved by the Board of Directors on 13 September 2006.

**Going concern**

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

As the consolidated entity is in the exploration, evaluation and development phase of operations, trading losses have been incurred in the current half year and in prior periods. As at 30 June 2006, cash funds were \$2,110,878 as a result of the consolidated entity expending funds on operating losses and expenditure on exploration, evaluation and development. The ongoing operation of the consolidated entity is dependent upon:

- the consolidated entity achieving positive cash flows from trading operations in the longer term; and
- the consolidated entity raising additional funding from shareholders and/or external parties in the short term to meet ongoing cash expenditure commitments.

The directors consider that the consolidated entity will be able to achieve positive cashflow and raise additional funding and accordingly it is appropriate to prepare the financial report on the going concern basis.

In the event that the consolidated entity does not obtain the additional funding, it will be unable to continue its operations as a going concern and therefore the consolidated entity may not be able to realise its assets and extinguish its liabilities in the normal course of operations and at the amounts stated in the financial statements.

**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the consolidated entity in this condensed consolidated financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 31 December 2005.

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2006**

**NOTE 4 - ESTIMATES**

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

In preparing this condensed consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 December 2005.

<b>Consolidated</b>	
<b>30 June 2006</b>	<b>30 June 2005</b>
\$	\$

**NOTE 5 - LOSS PER SHARE**

Basic loss per share has been calculated using:

Net loss for the half year	608,885	312,866
Weighted average number of ordinary shares	174,808,292	168,800,005

There are no 'potential' dilutive ordinary shares.

**NOTE 6 - ISSUED CAPITAL**

**Fully paid ordinary shares**

181,300,005 (31 December 2005 – 168,800,005) fully paid ordinary shares

	22,752,214	18,765,014
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Fully paid ordinary shares carry one vote per share and carry the right to dividends.

The Company issued 12,500,000 ordinary shares for cash totalling \$4,000,000 during the year. There were no amounts unpaid on the shares issued. Transaction costs of \$12,800 were recognised as a reduction of the proceeds of issue of these shares.

<b>Consolidated</b>	
<b>Six Months Ended</b>	<b>Six Months Ended</b>
<b>30 June 2006</b>	<b>30 June 2005</b>
\$	\$

**NOTE 7 - RETAINED LOSSES**

Retained losses at the beginning of the half year	(1,499,224)	(648,567)
Net loss attributable to members of the parent entity	(608,885)	(312,866)
	(2,108,109)	(961,433)

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2006**

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

**Lynch Mining Pty Limited**

In December 2003 the consolidated entity entered into a Heads of Agreement with Lynch Mining Pty Ltd ('Lynch Mining'). The consolidated entity assumed all of the administrative obligations and expenses under the applications for Exploration Licences 4368 and 4369 in the Otway Basin. This included the negotiation with the Native Title claimants. This negotiation is continuing.

Upon granting of the Exploration Licences, the consolidated entity will reimburse Lynch Mining \$100,000 in exchange for a transfer of the Exploration Licences.

**NOTE 9 - FINANCIAL REPORTING BY SEGMENTS**

The consolidated entity operates wholly within the mining industry in Australia and the United States.

<b>Geographical Segments</b>	<b>Australia</b>	<b>United States</b>	<b>Consolidated Total</b>
	\$	\$	\$
<b>30 June 2006</b>			
<b>Revenue</b>			
External segment revenue	-	270,680	270,680
Unallocated revenue			52,217
<b>Total revenue</b>			<u>322,897</u>
<b>Result</b>			
Segment result	-	(132,835)	(132,835)
Tax expense			-
Unallocated corporate expenses			(476,050)
<b>Net loss</b>			<u>(608,855)</u>
<b>30 June 2005</b>			
<b>Revenue</b>			
External segment revenue	-	294,965	294,965
Unallocated revenue			163,849
<b>Total revenue</b>			<u>458,814</u>
<b>Result</b>			
Segment result	-	(39,614)	(39,614)
Tax expense			-
Unallocated corporate revenue and expenses			(273,252)
<b>Net loss</b>			<u>(312,866)</u>

Division of the consolidated entities results and assets into geographical segments has been ascertained by direct identification of assets and revenue cost centres. There are no intersegment revenue transactions and the major product is coal bed methane.

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2006**

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**NOTE 10 - CONTROLLED ENTITIES**

*Parent Entity*

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

*Wholly-Owned Controlled Entities*

Davidson Prospecting Pty Limited, incorporated in Australia.

Greenpower Energy Pty Limited, incorporated in Australia.

Sawells Pty Limited, incorporated in Australia.

Pauper's Dream Company, incorporated in the United States of America.

Planet Gas Properties LLC, incorporated in the United States of America.

Planet Gas Resources LLC, incorporated in the United States of America.



**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' DECLARATION**

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In the opinion of the directors of Planet Gas Limited:

- (a) the financial statements and notes set out on pages 13 to 20, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2006 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended 30 June 2006; and
  - (ii) complying with Australian Accounting Standards AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed at Sydney this 13th day of September 2006  
in accordance with a resolution of the Board of Directors:



**Norman A. Seckold**  
Director



**Peter J. Nightingale**  
Director



## Scope

### ***The financial report and directors' responsibility***

The financial report comprises the condensed consolidated interim statement of income, statement of recognised income and expense, balance sheet, statement of cash flows, accompanying notes 1 to 10 to the financial statements, and the directors' declaration set out on pages 13 to 21 for the Planet Gas Limited consolidated entity ('the Consolidated Entity'), for the half year ended 30 June 2006. The Consolidated Entity comprises Planet Gas Limited ('the Company') and the entities it controlled during that half year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### ***Review approach***

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of Company personnel; and
- analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

## Statement

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

- a) the Corporations Act 2001, including:
  - i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2006 and of its performance for the half year ended on that date; and
  - ii. complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.

## Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the statement expressed above, attention is drawn to the following matter. As a result of the matters described in note 2 on going concern, there is significant uncertainty whether the Company and consolidated entity will be able to continue as a going concern and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

KPMG

**S.J. Board**  
Partner

13 September 2006

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**CORPORATE DIRECTORY**

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**Directors:**

Mr Norman A. Seckold (Chairman)  
Mr Peter J. Nightingale  
Mr Bruce F. Riederer  
Mr Anthony J. McClure  
Mr Anthony J. McDonald  
Mr Norman J. Zillman

**Company Secretary:**

Mr Peter J. Nightingale

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

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SYDNEY NSW 2000  
Phone: 61-2 9247 5112  
Fax: 61-2 9247 7273  
Email: [info@planetgas.com](mailto:info@planetgas.com)  
Homepage: [www.planetgas.com](http://www.planetgas.com)

**Auditors:**

KPMG  
Level 30, Central Plaza One  
345 Queen Street  
BRISBANE QLD 4000

**Share Registrar:**

Computershare Investor Services Pty Limited  
PO Box 523  
BRISBANE QLD 4001  
Phone: 61-7 3237 2100  
Fax: 61-7 3229 9860

**Solicitors:**

Minter Ellison  
88 Phillip Street  
SYDNEY NSW 2000