

DIRECTORS' REPORT

The Directors present the consolidated financial report of Planet Gas Limited ('Planet Gas' or 'the Company') and its controlled entities for the financial year ended 31 December 2011. 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.

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 and Bolnisi Gold N.L. which discovered and is currently operating the Palmarejo and Guadalupe gold and silver deposits in Mexico.

Mr Seckold is currently Chairman of Augur Resources Ltd, a minerals exploration and development company operating in Australia and Indonesia, Cerro Resources N.L., a precious metals exploration company currently developing a project in Mexico, Cockatoo Coal Limited, an Australian coal mining, exploration and project development company and unlisted public companies Equus Resources Limited, Mekong Minerals Ltd and Nickel Mines Limited.

Peter James Nightingale Executive Director, Company 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 more than 20 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., Mogul Mining N.L., Bolnisi Gold N.L. and Chairman of ASX listed Callabonna Uranium Limited. Mr Nightingale is currently a director of Augur Resources Ltd, Cockatoo Coal Limited, Sumatra Copper & Gold plc and unlisted public companies Equus Resources Limited and Nickel Mines Limited.

Robert Michael Bell Independent and Non-Executive Director

Director since 30 October 2007.

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

He was one of the founders of Queensland Gas Company which was bought by British Gas in 2009. His directorship over the last three years includes Cerro Resources N.L. and Green Invest Limited.

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Anthony John 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 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. His directorship over the last three years includes European Gas Limited until October 2009 and he is a current director of unlisted public companies Nickel Mines Limited and Mekong Minerals Limited.

Anthony John 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 over 12 years of active involvement in management in the natural resources sector in Australia and internationally. He has been a director, company secretary and/or legal advisor to a number of listed and unlisted public companies. He is currently Managing Director of Cerro Resources N.L. a dual ASX and TSX.V listed precious metals exploration company currently developing a project in Mexico, a non-executive director of ASX listed Industrea Limited, a supplier of mining products and services, and unlisted public company Mekong Minerals Limited. His directorships in the last three years also include Deep Yellow Limited.

Robert Charles Neale

Non-Executive Director

Director since 20 November 2009.

Mr Neale is the Managing Director of New Hope Corporation Limited and has more than 40 years' experience in the mining and exploration industries covering coal, base metals, gold, synthetic fuels, bulk materials shipping, and power generation. He joined New Hope Corporation Limited in 1996 as General Manager, has been Chief Executive Officer since 2005 and was appointed to the Board of Directors in November 2008.

Directors' and Executives' Remuneration

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

Directors' Meetings

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

Director	Board Meetings	
	Held	Attended
Norman A. Seckold	4	4
Peter J. Nightingale	4	3
Robert M. Bell	4	3
Anthony J. McClure	4	4
Anthony J. McDonald	4	4
Robert C. Neale	4	4

Directors' Interests

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

Director	Fully Paid	Options
	Ordinary Shares	
Norman A. Seckold	72,247,482	-
Peter J. Nightingale	12,128,487	8,000,000
Robert M. Bell	1,250,000	2,000,000
Anthony J. McClure	5,154,181	2,000,000
Anthony J. McDonald	7,851,923	8,000,000
Robert C. Neale	-	-

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Option Holdings

Options granted to Directors

At the date of this report, the beneficial interests of each Director of the Company in options over the unissued share capital of the Company are:

Specified Directors	Held at 1 January 2011	Granted as remuneration	Expired	Held at 31 December 2010	Vested during the year	Vested and exercisable at date of report
Norman A. Seckold	-	-	-	-	-	-
Peter J. Nightingale	8,000,000	-	-	8,000,000	-	8,000,000
Robert M. Bell	2,000,000	-	-	2,000,000	-	2,000,000
Anthony J. McClure	2,000,000	-	-	2,000,000	-	2,000,000
Anthony J. McDonald	8,000,000	-	-	8,000,000	-	8,000,000
Robert C. Neale	-	-	-	-	-	-

No options have been granted to Directors subsequent to year end.

Unissued shares under option

At the date of this report, unissued ordinary shares of the Company under option are:

Number of options	Exercise price	Expiry date
77,500,000	\$0.132	20 August 2014

Details of options issued by the Company are set out in the reserves note to the financial report. The names of persons who currently hold options are entered in the register of options kept by the Company pursuant to the Corporations Act 2001. This register may be inspected free of charge.

The persons entitled to exercise the options do not have, by virtue of the options, the right to participate in a share issue of any other body corporate.

Principal Activities

The Company is engaged in the acquisition and exploration of oil, gas, geothermal energy and coal bed methane projects.

Financial Results

The consolidated loss after income tax attributable to members of the Company for the year was \$7,324,678 (2010 - \$5,316,871 loss).

Review of Operations

The review of operations is set out on pages 2 to 9 of this Annual Report.

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Dividends

The Directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2011. No dividends have been paid or declared during the financial year.

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 2011 were as follows:

- Planet Gas issued 35,307,692 fully paid ordinary shares.
- Planet Gas issued 1,000,000 options.
- Planet Gas sold its investment in Greenpower Energy Limited for \$500,000.

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 the 13 January 2012, the Company completed a placement of 8,461,538 fully paid ordinary shares at \$0.026, raising \$220,000.

Other than the matter outlined above, there has not arisen in the interval between the end of the financial year and the date of this report any other matters, 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

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 Company.

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.

DIRECTORS' REPORT

Remuneration Report - Audited

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 Directors are not employed directly by the Group. Their services are provided by way of arrangements with related parties. The CEO is employed directly by the Group. The salary component of the CEO's remuneration is made up of fixed remuneration, performance based remuneration, equity based remuneration in accordance with his employee service agreement and termination payment. The remuneration disclosed below represents the cost to the Group for the services provided under these fee arrangements.

Details of the nature and amount of each major element of the remuneration of each Director of the Company and each of the named executive officers of the Company and Group are:

Specified Directors and Executives	Year	Primary Fees/Salary \$	Superannuation \$	Bonus \$	Fair value of Options \$	Total \$	Proportion of remuneration related %	Value of options as a proportion of remuneration %
Executive Directors								
Norman A. Seckold (Chairman)	2011	90,000	-	-	-	90,000	-	-
	2010	90,000	-	-	-	90,000	-	-
Sharif A. Oussa (Managing Director)*	2011	-	-	-	-	-	-	-
	2010	149,999	13,500	-	-	163,499	-	-
Peter J. Nightingale (Director, Secretary and CFO)	2011	75,000	-	-	-	75,000	-	-
	2010	75,000	-	-	-	75,000	-	-
Non-executive Directors								
Robert M. Bell	2011	24,000	-	-	-	24,000	-	-
	2010	24,000	-	-	-	24,000	-	-
Anthony J. McClure	2011	25,000	-	-	-	25,000	-	-
	2010	25,000	-	-	-	25,000	-	-
Anthony J. McDonald	2011	60,000	-	-	-	60,000	-	-
	2010	60,000	-	-	-	60,000	-	-
Robert C. Neale	2011	24,000	-	-	-	24,000	-	-
	2010	24,000	-	-	-	24,000	-	-
Total, all specified Directors	2011	298,000	-	-	-	298,000	-	-
	2010	447,999	13,500	-	-	461,499	-	-
Executives								
Ian G. Halstead CEO [^]	2011	350,000	24,616	58,333	49,554	482,503	12%	10%
	2010	84,090	7,568	-	103,687	195,345	-	53%
Total, all specified executives	2011	350,000	24,616	58,333	49,554	482,503	12%	10%
	2010	84,090	7,568	-	103,687	195,345	-	53%

* Sharif Oussa ceased on 14 September 2010.

[^] Ian Halstead appointed CEO on 25 October 2010.

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Remuneration Report - Audited (Cont.)

Apart from the Chief Executive Officer, there are no executives of the Company or Group that are not Directors and no Directors receive performance related remuneration. There are no service contracts and no bonuses or other performance related compensation was paid during the current or prior year to Directors. The Chief Executive Officer received performance related compensation of \$58,333 during the year ending 31 December 2011. No shares were granted to key management personnel during the year ended 31 December 2011 or 31 December 2010 as compensation.

CEO Remuneration - (Audited)

Employee service agreement conditions with Ian Halstead are as follows:

(a) Duration of the Contract

The service agreement is for a period of three years commencing on 1 July 2010.

(b) Remuneration

- i. Salary - effective from 1 January 2011 \$350,000 plus superannuation of \$15,199 per annum.
- ii. Short term incentive (STI) - Payable each financial year on an equally weighted basis in respect to:
 - the employee's performance, being measured by the employee's satisfaction of agreed key performance indicators (KPI's) relating to performance objectives; and
 - the Company's performance.

The short term incentive will be up to a maximum of 20% of the annual base salary.

- iii. Long term incentive (LTI) - The Company will issue shares subject to all such approvals or consents (if any) as required under the Company's constitution, ASX Listing rules and the Corporations Act 2001 as follows:

- Tranche 1 shares - the lesser of 1,000,000 shares or a number of shares based on a calculation on the number of shares in the Company held by the employee immediately prior to the issue of Tranche 1 shares and the total number of issued shares in the Company as at the Tranche 1 issue date. The vesting conditions will be regarded as having been satisfied as at the second anniversary of the Service Agreement. The vesting conditions will not apply if the Company is subject to a successful takeover and rollover relief pursuant to section 83A-130 of the Income Tax Assessment Act 1997 does not apply to the employee.
- Tranche 2 shares - the lesser of 2,000,000 shares or a number of shares based on a calculation on the number of shares in the Company held by the employee immediately prior to the issue of Tranche 1 shares and the total number of issued shares in the Company as at the Tranche 1 issue date. The vesting conditions will be regarded as having been satisfied as at the third anniversary of the Service Agreement. The vesting conditions will not apply if the Company is subject to a successful takeover and rollover relief pursuant to section 83A-130 of the Income Tax Assessment Act 1997 does not apply to the employee.

(c) Termination of Employment

Mr Halstead's service agreement may be terminated at any time by the Company giving to the employee not less than three months' prior written notice. In the event of termination, the Company must pay Mr Halstead an amount equal to the fee payable for so much of the notice period as the employee is not so retained.

This agreement may be terminated at any time by Mr Halstead giving to the Company not less than three months prior written notice.

The Company may terminate Mr Halstead's service agreement immediately in certain events including serious misconduct and material breach of contract. On termination of this agreement for the reasons of serious misconduct and material breach of contract Mr Halstead is entitled to the fee payable up to, and including, the date of termination.

DIRECTORS' REPORT

Remuneration Report - Audited (Cont.)

Details of vesting profiles of the options granted as remuneration to each key management person and executive of the Group are detailed below.

Analysis of options and rights over equity instruments granted as compensation - Audited

Director/Executive	Options Granted		% Vested in year	% Forfeited in year	Financial year in which grant vests
	Number	Date			
Peter J. Nightingale	8,000,000	20 August 2009	0%	0%	31 December 2009
Robert M. Bell	2,000,000	20 August 2009	0%	0%	31 December 2009
Anthony J. McClure	2,000,000	20 August 2009	0%	0%	31 December 2009
Anthony J. McDonald	8,000,000	20 August 2009	0%	0%	31 December 2009
Ian G. Halstead	4,000,000	17 August 2010	50%	0%	31 December 2011

Analysis of movements in options - Audited

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person and executive is detailed below.

Director/Executive	Granted in the year	Valuation of options exercised in the year	Lapsed in the year
Peter J. Nightingale	-	-	-
Robert M. Bell	-	-	-
Anthony J. McClure	-	-	-
Anthony J. McDonald	-	-	-
Ian G. Halstead	-	-	-

There were no options exercised, forfeited or lapsed unexercised during the year ended 31 December 2011 and 31 December 2010.

In the event that the employment or office of the option holder is terminated, any options which have not reached their vesting date will lapse and any options which have reached their vesting date may be exercised within one month from the date of termination of employment. Vesting conditions relate solely to service periods.

The Group does not have a policy that prohibits those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases.

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Remuneration Report - Audited (Cont.)

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.

	2011	2010	2009	2008	2007
Net loss attributable to equity holders of the parent	7,324,678	5,316,871	10,282,193	17,067,776	1,867,776
Dividends paid	-	-	-	-	-
Change in share price	(\$0.01)	(\$0.07)	(\$0.110)	(\$0.117)	(\$0.130)

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

Non-audit Services

During the year KPMG, the Group's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

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Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out below.

	2011	2010
	\$	\$
Statutory Audit		
Auditors of the Company		
- audit and review of financial reports	56,250	84,465
Services other than Statutory Audit		
Other services		
- project review and strategy	4,318	26,500

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

The lead auditor's independence declaration is set out on page 25 and forms part of the Directors' report for the year ended 31 December 2011.

Signed at Sydney this 23rd day of March 2012 in accordance with a resolution of the Board of Directors:



Norman A. Seckold
Director



Peter J. Nightingale
Director