



PLANET GAS LIMITED

Planet Gas Limited and its controlled entities
ABN 46 098 952 035



annual report
2005

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chairman's letter

Dear fellow shareholder

The Company has a quality portfolio of coalbed methane ('CBM') acreage. During the course of the year, this land position has been significantly enhanced, particularly at the West Esponda project, by strategic acquisitions and, as indicated in last year's Annual Report, the drilling of future gas producing wells, thus laying the base for the Company's future prosperity.

Early in 2006, another event of significance for Planet took place. At East Esponda, we have been involved in two separate joint ventures. Our partners have been Kennedy Oil and Western Gas. Since balance date, Western Gas has agreed to buy the Big Cat Field from Kennedy Oil for \$US137M. Therefore we now have a single partner in Western Gas. 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.'

In addition to our development programs, a corporate strategy to identify and complete a strategic transaction in the North American capital markets has been instigated with a view to attaining the generally higher prevailing North American market values for energy stocks.

I look forward to 2006 with confidence and anticipation.

Yours faithfully



Norman A. Seckold
Chairman



The Company's CBM acreage has been significantly enhanced by the drilling of future gas producing wells.

review of operations



Above: The Powder River Basin encompasses approximately 67,000 square kilometres in the northern Rocky Mountains of the USA. It is estimated to contain more than one trillion short tons of coal with potential CBM resources of over 25 trillion cubic feet.

summary

The year ended 31 December 2005 was a year of consolidation for Planet Gas Limited ('Planet Gas' or 'the Company').

Major achievements since the end of the previous financial year include:

- ⊙ Strategic acquisitions at West Esponda
- ⊙ Successful completion of a stratigraphic drilling program at West Esponda
- ⊙ Completion of 7 wells in the West Esponda Pilot Production Program
- ⊙ Construction of production facilities at East Esponda
- ⊙ Independent GIP resource estimate of 19.5 Bcf (15.2 Bcf net) at Oriva
- ⊙ Independent CBM reserve estimate of 15.3 Bcf (12.0 Bcf net) at Oriva



- © Completion of 3 'exception location' wells at Oriva Throne
- © CBM production of 135,424 Mcf (82,270 Mcf NRI) at Oriva Throne
- © Average CBM sale price received was US\$7.06 per MCF for net revenues of US\$581,007
- © Various Oriva Federal permit approvals received
- © Ownership of Skull Creek increased to a 50% working interest
- © Production test well at Skull Creek completed
- © Positive stratigraphic drilling program results in the Gippsland Basin
- © Offer of a US\$7.5 million funding proposal
- © Appointment of North American financial advisor



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 (including Whiskey Draw) which is under development. The Esponda Project is located approximately 25 kilometres southeast of Buffalo, Wyoming, and totals 6,501 net hectares (16,064 acres) in Townships 47 to 50 North, Ranges 79 and 80 West, Johnson County, Wyoming.

East Esponda

Under two separate arrangements, the East Esponda Project, covering 469 net hectares (1,160 acres) is being developed by the Company's partners, Western Gas Resources Inc ('Western Gas') and Kennedy Oil. Subsequent to the end of the financial year, Western Gas acquired a number of Kennedy Oil projects, including their interest in the East Esponda Project.

Resources

In 2004, a Gas-In-Place ('GIP') resource estimate was completed on the Company's East Esponda Project by Dr. Jimmy E. Goolsby of Goolsby, Finley & Associates of Casper Wyoming, considered to be pre-eminent authorities on the CBM geology of the Powder River Basin.

As detailed below, the GIP resource estimate totalled 21.9 billion cubic feet ('Bcf') (gross) and 7.3 Bcf (net) (ie attributable to the Company) within the Big George Seam:

Original Operator	Coal Seam	Gross GIP (Mcf)	Net GIP (Mcf)
Western Gas	Big George (merged)	9,515,520	2,378,880
Kennedy Oil	Big George (merged & upper/lower)	12,397,080	4,958,832
Totals		21,912,600	7,337,712

The resource estimate was based upon volumetric calculations derived from the twenty well program conducted by Western Gas and Kennedy Oil and was calculated using 80 acre blocks (legal drill spacing unit), the seam's thickness (closest neighbour interpolation) and a gas content factor of 100 standard cubic feet per ton ('Scf/t').

The gas content factor is an estimation based on a published study by Goolsby, Finley & Associates completed on behalf of the State of Wyoming. Although this is the maximum gas content value at these depths that Goolsby, Finley & Associates utilises in its GIP volumetric calculations, Goolsby, Finley & Associates have been apprised of proprietary gas desorption tests indicating values greater than 100 Scf/t in this general area of the Powder River Basin.

review of operations (cont)

The Big George Seam is completely merged in the Western Gas area but splits into an upper and lower unit in the western portion of Kennedy Oil's area. Where the Big George Seam is merged, its thickness is greater than 80 feet, and where split its total thickness is approximately 65 feet.

Development

The drilling programs completed to date by the Company's two joint venture partners consist of 12 wells in the Big Cat Project (Kennedy Oil) and 9 wells in the Indian Creek Project (Western Gas). All 21 wells have been completed as future production wells.

Western Gas has informed the Company that it has received its State of Wyoming water discharge permit during the year which allows discharge to the Powder River after water treatment. Western Gas has commenced construction of approximately 15 miles of discharge pipeline and the water treatment facility. Presently the field gathering system is being finished and brought to the central gathering point. From here the water will be pumped via newly constructed steel pipeline to the Indian Creek Harriet Treating Facility near the Powder River. The facility's construction is nearing completion and the initial dewatering from the Western Gas joint venture wells completed in the Big George Seam will commence once the treatment facility is operational.

The remaining East Esponda tenements, developed by Kennedy Oil at the Big Cat Project, continue in a dewatering phase. Kennedy Oil, who was the operator and sole funded these wells (to be repaid from production), proposed drilling four 'exception location' wells in the East Esponda joint venture area to facilitate the dewatering of the coal seam. State of Wyoming approval will be required to reduce the well density from the State mandated 32 hectare (80 acre) spacing if this proposal is pursued. The Company agrees that a more aggressive dewatering plan will be beneficial to the project's development.

West Esponda

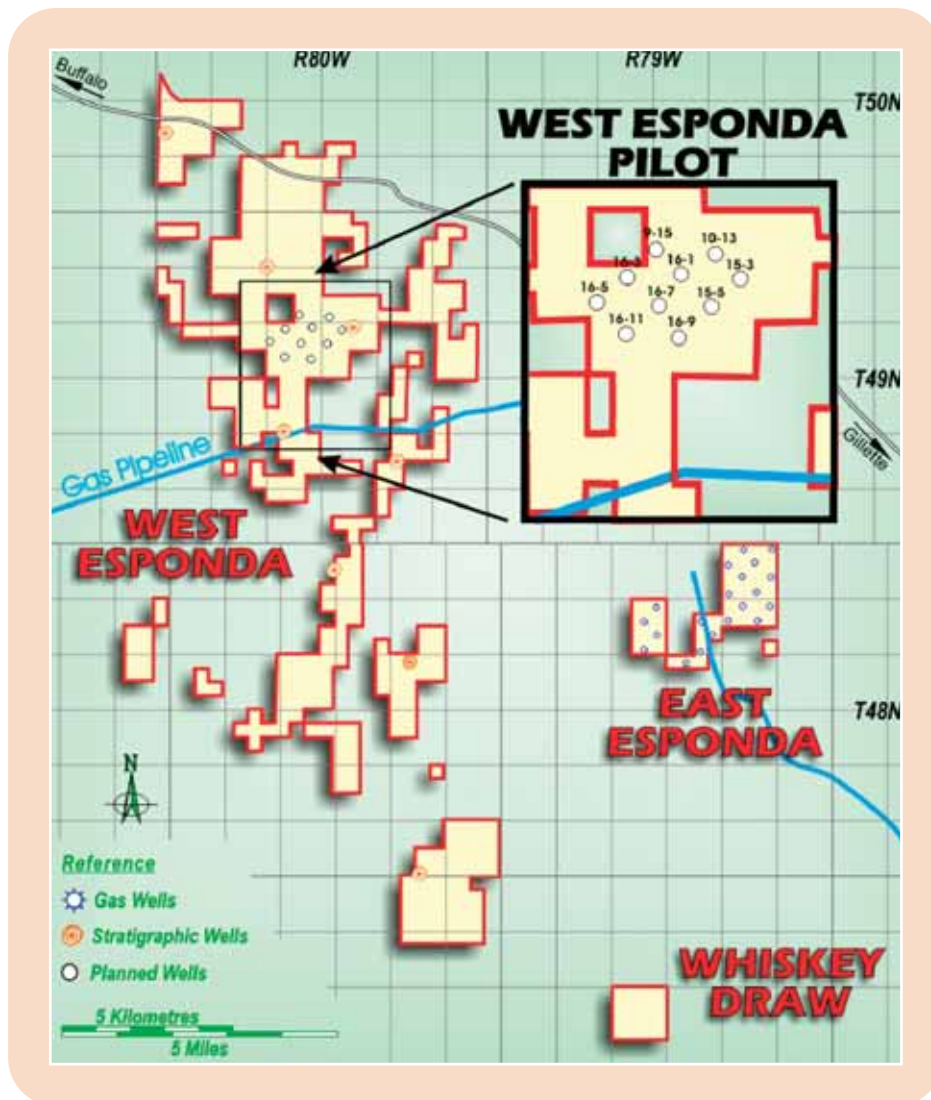
The West Esponda Project lies near the Powder River Basin's asymmetric structural axis, and situated between the depositional centres of the stratigraphically higher Buffalo-Lake De Smet Coalfield to the west (Eocene Wasatch Formation) and the Gillette Coalfield (Palaeocene Fort Union Formation) to the 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 between 20 to 45 metres of coal is present. This estimate is supported by results from the stratigraphic drilling program which was completed by the Company at West Esponda late 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, thereby indicating 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 Company's East Esponda Project.

The West Esponda Project area consists of freehold CBM leases and State of Wyoming leases totalling 7,030 gross hectares (17,371 acres), 6,032 net hectares (14,905 acres) and has the capacity for more than 200 wells on the state mandated 32 hectare (80 acre) spacing.

Pilot Production Program

The Company's first stage of commercialisation of the West Esponda Project has been initiated with the commencement of drilling 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.



The 10 well pilot production program will total approximately 6,700 metres of drilling centred on the State lease which was acquired in October 2004 as part of the continued program of area consolidation of the Company's lease package. All 10 wells will be drilled in a continuous program, by the contractor Kid Pronghorn Enterprises Inc of Sheridan, Wyoming. As with the Company's prior stratigraphic drill program, on-site supervision will be carried out by Goolsby, Finley & Associates.

The Wyoming Oil and Gas Conservation Commission has approved the Company's

construction permit for its water discharge retention facility with a capacity of approximately 200 megalitres.

The Wyoming Department of Environmental Quality ('WDEQ') has notified the Company that its Wyoming Pollution Discharge Elimination System ('WYPDES') Option 1A permit, WY0054313, is complete and is currently subject to a 30 day public notice advertisement period prior to final permit approval by the Director's Office.

To date, 7 wells in the pilot program have been completed with the eighth recently spudded.

review of operations (cont)

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

All wells are being fully cased on reaching the well's total depth. Well completion, including down hole cleanup, seam perforations, formation enhancement and pump installation, will be conducted at the end of the program. Two wells, State 16-7 and 16-3, have been initially tested using Schlumberger's 10.2 cm (4 inch) HEGS (High-Efficiency Gun System) perforating gun and standard Powder River Basin water enhancement techniques. Two sets of 22.7 gram Deep Penetrator charges each utilising 4 shots per foot and phased at 900 and 1200 successfully tested the pilot's perforation procedures.

The in-field gas and water reticulation has been completed. This system will be tied into the individual wells at the conclusion of the drilling/well completion program. A generator to power in-well pumps has been delivered to site. State 16-7 has been equipped with a pump to supply drilling water and will also provide a water quality sampling point for the various State permits.

There is an under-utilised high pressure gas pipeline, operated by Western Gas, passing approximately 2.5 kilometres to the south of the pilot program area with these becoming bridged through recent tenement acquisitions. The Billy Creek Pipeline, a 6 inch steel line operating with a capacity of 6,000 Mcf per day, takes gas to the MIGC system. Western Gas anticipates diverting its current gas load to

their new 100,000 Mcf per day River Pipeline leaving the Billy Creek Pipeline with excess capacity.

The sole focus of the pilot program will be the Big George formation. Last year's stratigraphic drilling indicated the Big George coal seam intervals were between 17 to 22 metres. Additionally coals of 17 to 24 metres in total thickness overly the Big George. 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. Also the stratigraphic program intersected deeper coal units which will be valid targets for the future.

Acquisitions

During the year, the Company continued its aggressive tenure consolidation of the West Esponda Project in Townships 48, 49 and 50 North, Ranges 80 and 81 West. The Company acquired a 100% Working Interest in 14 freehold tenements totalling 1,299 net hectares (3,211 acres) and 2 State of Wyoming leases totalling 518 net hectares (1,280 acres). The Company further consolidated its net acreage holdings by acquiring outstanding interests in 4 freehold leases totalling 169 net hectares (417 net acres).

These acquisitions, which cost US\$349,777, are contiguous with the existing West Esponda Project tenements and are a further step to infill the West Esponda Project tenements into a consolidated

contiguous holding which will improve the logistics of the West Esponda Project development program and production.

The Company's continuing acquisition program is both strategic by increasing the Company's net gas resource potential as well as practical as more efficient methods of producing the reservoir may be accomplished through a more consolidated leasehold position.

Further strategic acquisitions are currently being negotiated.

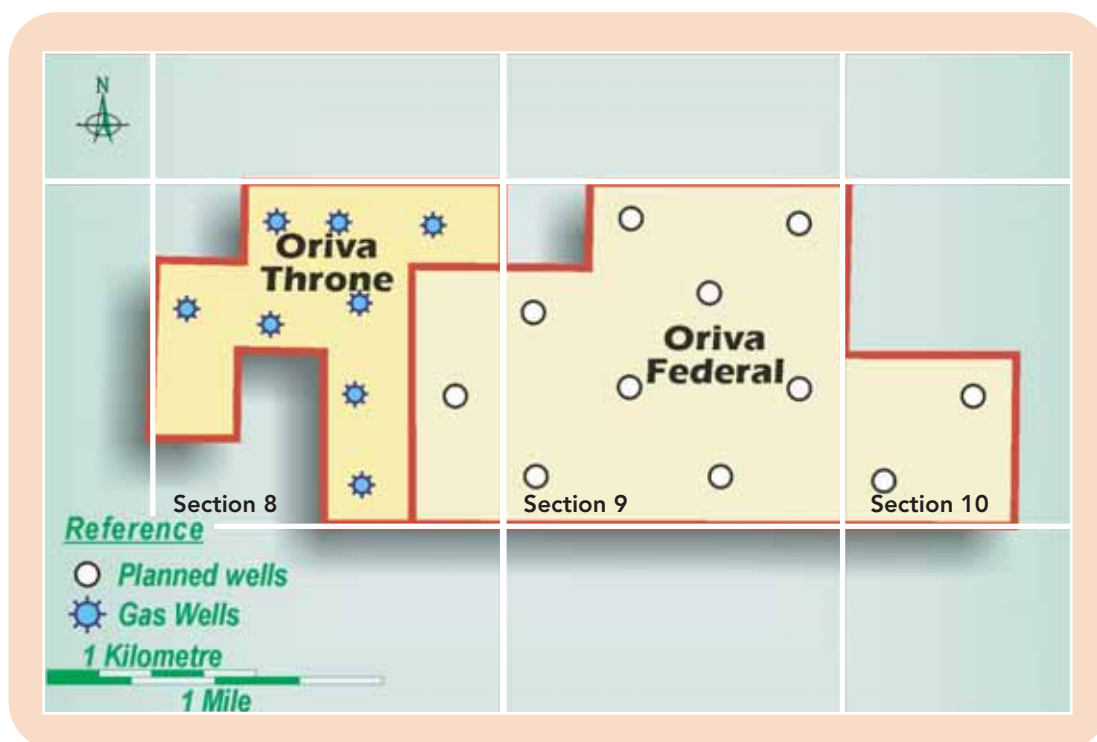
ORIVA PROJECT

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, which totals 505 net hectares (1,248 acres), is located approximately 21 kilometres west of Gillette Sections 8, 9 and 10, Township 50 North, Range 74 West, Campbell County, Wyoming.

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.

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). There are two deeper coal seams, Moyer and Danner, at depths of approximately 750 metres which are future potential CBM producers.

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 Company would likely farm-out the drilling of this deep (3,000 metre) exploration.



review of operations (cont)

Resources

During 2005, an independent study completed by Dr. Jimmy E. Goolsby of Goolsby, Finley & Associates concluded that the Company's Oriva Throne and Oriva Federal tenements contain GIP resources of 19.5 Bcf (gross) and 15.2 Bcf (net).

As described below, a further 6.0 Bcf (gross) potential resource is estimated to be contained in deeper coal seams beyond the scope of this GIP resource estimate.

The following table summarises the Oriva Project GIP resources within 6 coal seams of the Wasatch and Fort Union Formations:

Project Area	Gross GIP (Mcf)	Net Interest (%)	Net GIP (Mcf)
Oriva Throne	5,974,800	60.75	3,629,691
Oriva Federal	13,570,400	85.50	11,602,692
Totals	19,545,200		15,232,383

The GIP resource is based on a volumetric analysis of the six Wasatch and Fort Union coal seam's actual or projected thickness using 32 hectare (80 acre) blocks, and a gas content factor, depending upon the depth of the coal seam, between 10 and 85 standard cubic feet per ton. The gas content factor is a well defined estimation based on a published study by Goolsby, Finley & Associates completed on behalf of the State of Wyoming. It should be noted that the State of Wyoming has dictated a standard CBM well location spacing unit of 32 hectare (80 acre) blocks, and it maintains a publicly available database consisting of geophysical logs on all completed CBM wells that, once culled and correlated, is an invaluable asset for resource estimates.

Although beyond the scope of this GIP resource estimate, Dr Goolsby estimates the deeper (+600 metre) multiple Moyer coal seams may contain an additional potential resource of approximately 6.0 Bcf (gross), if the combined Moyer coals remain similar to what has been observed in logs drilled to date. Further, based on limited past production,

Dr Goolsby considers that the surrounding area may contain shallow (<800 metre) Fort Union Formation sands containing trapped natural gas derived from the adjacent CBM coals. These sands have the potential to further increase the GIP resource.

Reserves

In March 2005, subsequent to completion of the GIP resource estimate, an independent reserve estimate was completed by CBM International Engineering LLC ('CBMIE'), of Cody Wyoming, for the Company's Oriva Throne and Oriva Federal tenements reporting total CBM reserves of 15.3 Bcf (gross) and 12.0 Bcf (net).

As set out in the table below, these reserves comprise:

- Proven (PDP and PUD) reserves of 9.4 Bcf (gross) and 7.1 Bcf (net); and
- Additional Possible (POSS) reserves of 5.9 Bcf (gross) and 4.9 Bcf (net).

Coal Seam	Reserve Category	Gross GIP Volume (MMCF)	Cumulative Gas Produced (MMCF)	Remaining Recoverable Volume (MMCF)	Net Gas Reserves (MMCF)
Felix	P-1	206	64	67	41
	P-2	724	0	585	500
Smith	P-1	68	4	39	24
	P-2	1,137	0	907	723
Anderson	P-1	884	119	581	353
	P-2	4,229	0	3,369	2,880
Anderson Lower Canyon	P-2	1,959	0	1,559	1,192
	P-4	2,747	0	2,203	1,702
Wall	P-1	2,925	7	2,286	1,390
	P-4	4,665	0	3,731	3,190
Total Proven Reserves	P-1, P-2	12,132	194	9,393	7,103
Total All Reserves	P-1, P-2, P-4	19,544	194	15,327	11,995

Definitions of relevant terms utilised in this table are an extract from the above referenced report:

Reserve Category – The reserve portfolio was defined under standard industry guidelines, moreover:

P1 – PDP = Proven Developed Reserves; these reserves are commercially producing assets.

P2 – PUD = Proven Undeveloped Reserves; these reserves are within one mile of commercial producing gas within the correlative geologic interval or zone.

P4 – POSS = Possible Reserves; these reserves are located beyond the PROB [probable reserves] locations within the correlative geologic interval or zone.

Gross (GIP) Volume – Volumetric calculation based on total gas in place prepared by Goolsby, Finley and Associates of Casper Wyoming.

Cumulative Gas Produced – Total gross gas produced to the date of the reserve calculation.

Remaining Recoverable Volume – Recoverable gas volume left to be produced based on 80% recovery factors of GIP matched to a production decline curve.

Net Gas Reserves – Net Revenue Interests percentage of remaining recoverable gas (60.75% at Oriva Throne and 85.5% at Oriva Federal).

MMCF – million cubic feet.

review of operations (cont)

Oriva Throne

The Company 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 ('EOC-RMEI'). EOC-RMEI hold the remaining 24.025%

Working Interest (19.25% NRI). The entire leasehold interest is subject to a 20% land/mineral owner royalty.

Production

CBM production from the Oriva Throne tenements for the year ended 31 December 2005 was as follows:

Coal Seam	CBM Production (MCF)	Net Revenue Interest (MCF)
Anderson	115,339	70,068
Felix	17,853	10,846
Wall	2,232	1,356
Total	135,424	82,270

CBM production was sold for an average of US\$7.06 per Mcf in 2005 for total net revenues of US\$581,007.

Production at Oriva Throne is from 18 wells. Five State mandated 32 hectare (80 acre) spacing CBM pad sites have each been developed with 3 wells, producing CBM from the Felix, Anderson and Wall

Coal seams. In addition there are 3 'exception location' wells which were completed in the Wall seam in June 2005 that are presently in a dewatering stage.

Results from drilling these wells were positive and confirmatory of the project as follows:

Well Name	Total Depth (metres)	Intercept From – To (metres)	Total Intercept (metres)
Throne Wall 33-8	479	460 - 477	17
Throne Wall 31-8	482	465 - 481	16
Throne Wall 22-8	462	443 - 461	18

Although prior pump change-outs in the existing Wall wells successfully increased water production and decreased water levels, the completion of these new wells is expected to more rapidly accelerate dewatering times to gas production in this newly developing CBM horizon in this portion of the Powder River Basin.

All pipeline and electrical infrastructure to the three wells has been completed, the wells have been water enhanced and have already been brought on-line utilising the existing infrastructure.

It is planned that five additional wells will be completed to produce from the remaining Smith,

review of operations (cont)

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 Scf/t. The cyclic nature of the deposits makes it possible to intersect multiple coal seams in a single well. The major Cherokee Group coal beds make up the largest portion of this resource and include the 'Aw', Bevier, Mineral, Riverton, and Weir-Pittsburg coals. The Cherokee Group coals are Pennsylvanian in age and typically of high-volatile A and B bituminous rank.

The Weir-Pittsburg Seam has been actively mined by both open pit and underground methods in southeast Kansas since the 1900s. With the exception of the Weir-Pittsburg coal these as well as the 'Bw', Drywood and Tebo coals are present within the Skull Creek Project.

SKULL CREEK PROJECT

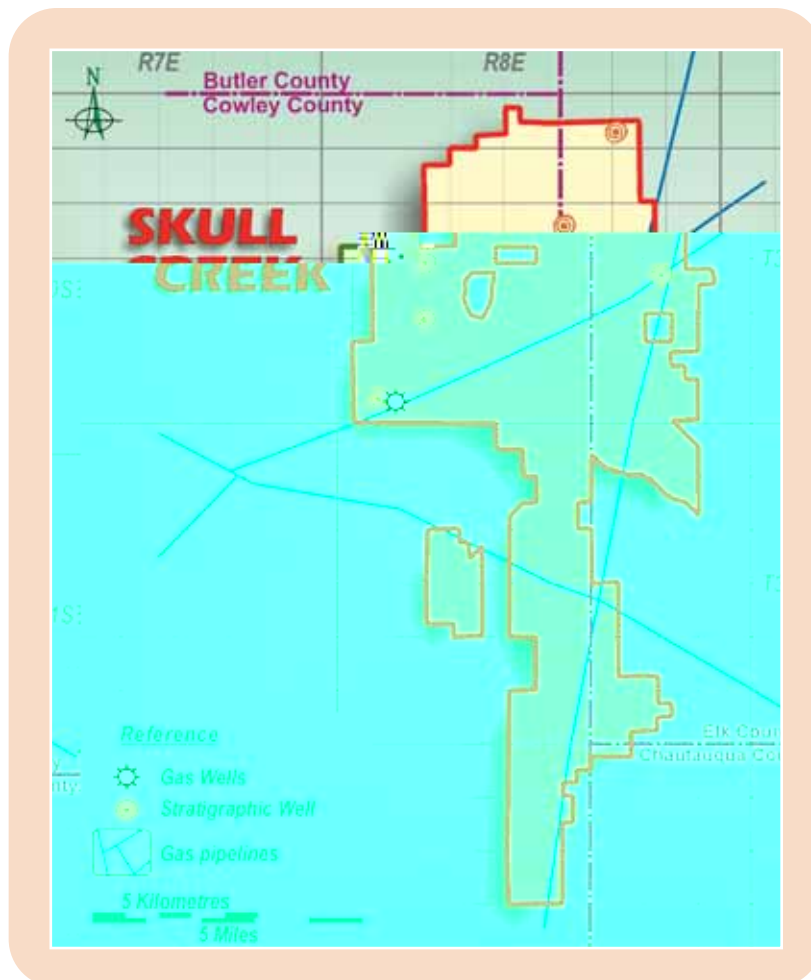
The Skull Creek Project is located in the western portion of the Cherokee Basin of southeast Kansas. The tenement occupies 11,573 net hectares (28,598 acres) in Cowley, Elk and Chautauqua Counties near existing infrastructure and within a receptive State regulatory regime.

During the year, the Company increased its interest in the Skull Creek Project to a 50% working interest by successfully completing six test wells during a six month evaluation period and making an additional payment of US\$250,000. The Company can further increase its working interest to 75% by completion of a 5 well pod within 6 months of making the US\$250,000 payment. The Company is able to earn a 100% working interest in the un-drilled leasehold area by making a further final payment of US\$750,000 or by incurring certain additional project drilling and well completion expenditures.

The principal CBM target coal seams occur in the Cabaniss and Krebs Formations of the Cherokee Group at depths of approximately 600 metres. The leases are not restricted to CBM, but convey all oil and gas rights to the Company. Conventional oil and gas targets may also exist in the Skull Creek Project and will be evaluated during all drilling operations. Underlying the region is 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.



The Company's first stage of commercialisation of the West Esponda Project has been initiated.



Drilling

Towards the end of 2004, the Company commenced a stratigraphic drilling program of up to 6,400 metres at the Skull Creek Project to confirm the total coal isopach (thickness) mapping and assess the in-situ gas of both the coal horizons and conventional reservoirs prior to development drilling programs. This program was completed in early 2005 with a core hole, FR 11-31, which was steel cased and cemented in place. This well and its offset, FR 12-31, are located within 800 metres of an existing pipeline.

Based on preliminary evaluations of electric logs and gas detection runs, the intersections are gassy coals and carbonaceous shales within horizons of the Cherokee Formation which are the primary coalbed methane targets.

During the year, the first of multiple zones on the FR11-31 was completed in the Tebo B at a depth 844 metres (2,768 feet). Initial testing showed water volumes more than 40 bwpd 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. The well was shut-in to prepare for the testing of multiple up-hole zones. Materials and services for the completion of up-hole zones are scheduled for January 2006. An overall testing period of several months is anticipated before a final decision to drill and complete additional production wells can be made.

review of operations (cont)

Since the original perforation, stimulation and testing of the Tebo B zone, 5 additional targeted zones have been completed during January 2006. Individual zones of the Tebo A, Mineral, V-Shale, and Summit/Excello formations were perforated and frac stimulated. The well was cleaned out and set up for pump testing of the commingled zones. Testing has commenced, and current operations are producing back fluid load volumes from the stimulations while recording data including down hole fluid levels for multiple zones in the Cherokee formation. The early data set will be used to establish a base line for fluid volumes in order to optimize necessary down hole pumping systems for water removal.

These results are highly encouraging with intersections being recorded slightly in excess of the expected average for the Cherokee Basin.

Australian Operations

The Company holds rights to prospective CBM projects in the Gippsland and Otway Basins of Victoria, the Willochra and Eromanga Basins of South Australia and the Gunnedah Basin of New South Wales.

GIPPSLAND BASIN, VICTORIA

The Gippsland Basin Project is located to the southeast of metropolitan Melbourne between Dandenong, Wonthaggi, Leongatha and Moe. During the year, seven tenements, (ELs 4858, 4859, 4860, 4861, 4862, 4877 and 4902) totalling approximately 194,300 hectares were granted to the Company in the greater Gippsland Basin. Coupled with the Company's existing tenements (ELs 4500 and 4807), the Company's existing tenements now total approximately 438,500 hectares.

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.

The Company's research indicates that there exist regionally deep black coals at depths similar to the San Juan Basin New Mexico USA. These seams cumulatively total 30% of a 75 metre interval. The Company's acquisition strategy in Gippsland is based on this premise.



Drilling

The Company plans to drill up to 18 stratigraphic holes totalling up to 14,000 metres on portions of its Gippsland tenement to depths of 900 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 Company's initial evaluation.

During the year, 7 stratigraphic drill holes were completed. Due to rig capacity, total depth reached by the first 5 holes was limited to an average of 360 metres. In each hole a number of clean and ashy coals were encountered and confirmed in subsequent logging.

Sourcing a new rig with greater capacity enabled drilling to penetrate beyond the previous depth limit. Hole GS13 showed good correlation with the upper zones of the first 5 holes, (particularly with hole GS12, which is located approximately 5 kilometres to the southwest) but the coals were gassier in GS13. Hole GS13 intercepted a cumulative 7.5 metres of gassy bright and ashy coals. More than half of the intercepts were in coals not previously encountered as they were below the limits of the smaller rig.

The prospectivity of the deeper stratigraphic section, as encountered in this hole, is highlighted by the fact that the cumulative average for the previous 5 (shallow) holes was 1.95 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.

The GS15 offset well to the very prospective areas located by the stratigraphic drilling program in bores GS12 and GS13 was abandoned due to ground conditions and water inflow. All further drilling was temporarily suspended until a more suitable drilling rig can be secured.

The Company's plan is to complete a desorption core hole to evaluate the gas contents of the black coals of the Strzelecki Group. The continued interpretation of the initial borehole data completed earlier in the year further encourages

the Company's outlook for its Gippsland Basin project.

OTHER AUSTRALIAN PROJECTS

The Company's projects in the Otway Basin of Victoria and the Gunnedah Basin of New South Wales are relatively early stage exploration projects. The Company also has licence applications in the Willochra and Eromanga Basins in South Australia. The Company has continued its data collation program in the Otway Basin leading to the development of an initial exploration program which will include the drilling of appraisal wells.

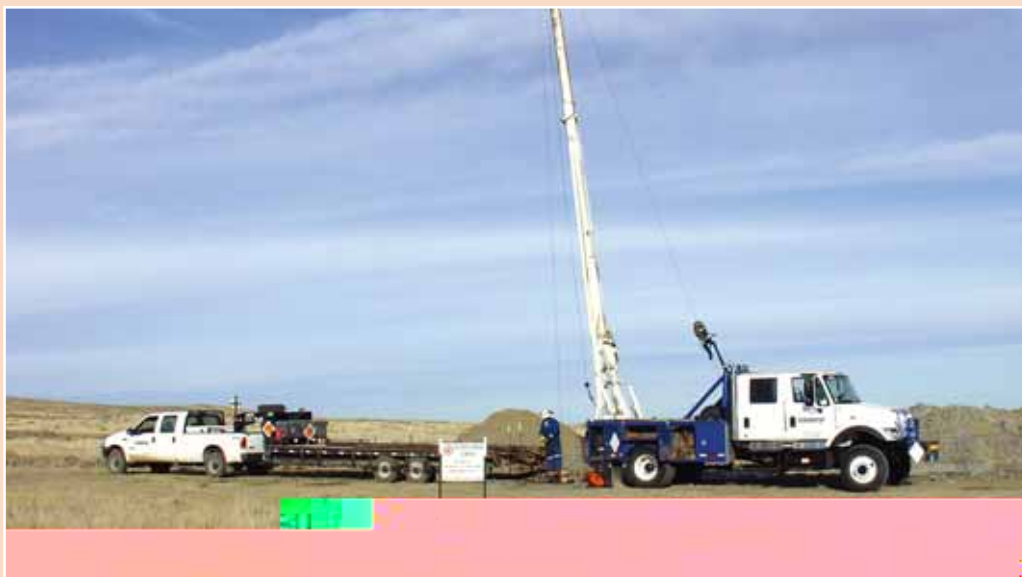
Otway Basin, Victoria

The Otway Basin is the westerly extension of the Gippsland/Bass Basin system situated to the west of the Bass and Gippsland Basins on-shore and off-shore in the southwest of Victoria, extending into the southeast of South Australia. The Basin contains thick seams of lignite in the near surface and thin seams of black coals at depth.



Three 'exception location' wells were completed at Oriva Throne during the year.

review of operations (cont)



Perforation techniques and standard Powder River Basin water enhancement techniques have been successfully tested at two wells in the West Esponda pilot production program.

The Company's current tenements (ELAs 4368 and 4369 and EL4811) total approximately 168,269 hectares. These tenements are on the western margin of the Otway Basin where little or no exploration for CBM has occurred.

Conventional oil and gas wells on the licence area and in the region have encountered black coal seams that will be targeted in the initial exploration program.

During the year, negotiations over native title issues continued as a pre-requisite to the conversion of the Company's exploration licence applications, ELAs 4368 and 4369, to granted exploration licences. A Work Plan has been submitted to the Department of Primary Industries Victoria to facilitate the drilling of up to four stratigraphic test holes on EL4811.

Willochra and Eromanga Basins, South Australia

The Willochra Basin is located approximately 200 kilometres north of Adelaide and to the northeast of Port Augusta. The southeast of the Basin is situated approximately 50 kilometres from the main

gas pipeline between Moomba and Adelaide, which may facilitate the sale of any gas discovered directly into Adelaide.

The Eromanga Basin is a large on-shore sedimentary basin that covers southwest Queensland, northeast South Australia and northern New South Wales. The underlying Cooper Basin straddles the border area of southwest Queensland and northeast South Australia. The Cooper Basin has been responsible for large scale conventional gas and oil production on-shore in Australia.

The Company has a 100% interest in two licence applications, PELAs 145 and 146, which total approximately 887,218 hectares. These are greenfield projects where no CBM exploration has yet been undertaken.

Gunnedah Basin, New South Wales

During the year, Eastern Star Gas Limited ('Eastern Star') entered into an agreement with Comet Ridge Limited ('Comet'), the Company's joint venture partner in the Gunnedah Basin Petroleum Exploration Licence ('PEL') 428, whereby Eastern

Star will earn a 60% interest in PEL 428 by funding 100% of Comet's years 1 and 2 work commitments which consist of seismic acquisition and the drilling of one well. During the year, Eastern Star was appointed as operators of the project.

PEL 428 covers an area of 24,300 hectares, with the Company's interest being 4,860 net hectares, in northern New South Wales and lies immediately north and west of Eastern Star's PEL 238 permit which contains the Coonarah Gas Field, the Wilga Park Power Station and the Bohena coal seam gas pilot.

Interests in PEL 428 after Eastern Star 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

The information in this report that relates to the CBM resources and reserves is based on information compiled by Dr. Jimmy E Goolsby, Wyoming Registered Professional Geologist No. 56, of Goolsby, Finley & Associates, Casper Wyoming and John W. Sinclair, Wyoming Registered Professional Engineer (Petroleum) No. 9233 of CBM International Engineering LLC, Cody Wyoming and supervised by Dr. Richard Haren who meets the requirements of ASX Listing Rule 5.11 and who has consented to the inclusion in this report of the matters based on the information in the form and context in which it appears.

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 meets the requirements of ASX Listing Rule 5.11 and who has consented to the inclusion in this report of the matters based on the information in the form and context in which it appears.



All pipeline and electrical infrastructure to the three 'exception location' wells at Oriva Throne has been completed.

statement of corporate governance

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, unless otherwise stated.

BOARD OF DIRECTORS

The board is responsible for the overall Corporate Governance of the consolidated entity including its strategic direction, establishing goals for management and monitoring the achievement of these goals. Because of the small number of directors, a Nomination Committee, a Remuneration Committee and an Audit Committee have not been established.

The board of directors has three executive and three non-executive directors. The three executive directors of the Company are actively involved in the operations of the consolidated entity. Having regard to the current membership of the board and the size, organisational complexity and scope of operations of the Company, the board does not believe that creating a board having a majority of independent directors or having an independent Chairman is appropriate for the Company at this time.

The composition of the board has been determined on the basis of providing the consolidated entity with the benefit of a broad range of technical, administrative and financial skills, combined with an appropriate level of experience at a senior corporate level. The names, terms of office, skills, experience and expertise of the board are disclosed in the Directors' Report.

The Chairman reviews the composition of the board annually to ensure that it provides the consolidated entity with the appropriate levels of both expertise and experience.

When a vacancy exists, through whatever cause, or where it is considered that the board would benefit from the services of a new director with particular skills, the board identifies a panel of candidates with appropriate expertise and experience. A selection procedure is then completed and the board appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

Directors are subject to re-election by the shareholders at least every three years.

Each director has the right to seek independent professional advice at the consolidated entity's expense. Prior approval of the Chairman is required, but such approval is not unreasonably withheld.

REMUNERATION

The remuneration of the directors is determined by the board as a whole, with the director to whom a particular decision relates being absent from the meeting during the time that the remuneration level is discussed and decided upon. As stated above, given the nature of the Company the board has chosen not to establish a Remuneration Committee.

For details on the amount of remuneration for each director, refer to the Directors' Remuneration note to the financial statements and the Remuneration Report in the Directors' Report.

INTERNAL CONTROLS

The board of directors acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. The system of internal control adopted by the consolidated entity seeks to provide an appropriate division of responsibility and careful selection and training of personnel relative to the level of activities and size of the consolidated entity.

The full board takes responsibility for reviewing financial reporting procedures, internal controls and the performance of the financial management and the external auditors. The full board reviews financial statements and other information distributed externally prior to distribution.

The Chairman and CFO state in writing to the board that the Company's financial statements present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

EXTERNAL AUDITORS

The board reviews the performance of the external auditors and the Chairman and CFO meet with them at the commencement of the half yearly review and annual audit to discuss any issues that have arisen with respect to accounting policies, any significant operational issues and level of proposed audit fees.

The auditors also meet regularly with the CFO to discuss the scope of the audit work to be performed, and during the course of the audit.

Should a vacancy arise, through whatever reason, the board will invite submissions from a panel of suitable firms to undertake the position of auditor, and having carried out a selection process, nominate the most suitable candidate for election at the next general meeting of shareholders. KPMG, the Company's auditors, were appointed in March 2005.

SIGNIFICANT BUSINESS RISKS

Each director reviews the business risks affecting his particular area of expertise annually and reports to the board.

The board then determines the appropriate actions to eliminate or minimise the identified business risks.

PERFORMANCE

Given the nature of the Company, the board has adopted an informal ad-hoc performance evaluation process of its key executives.

ETHICAL STANDARDS

All directors, managers and employees are expected to act with the utmost integrity and objectivity, endeavouring at all times to enhance the performance and reputation of the consolidated entity. Each director is expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Directors, officers and employees are permitted to trade in the Company's securities only in accordance with the provisions of the Corporations Act and ASX Listing Rules. The directors are under an obligation to report any dealings by them in the Company's securities.

THE ROLE OF SHAREHOLDERS

The board ensures that the shareholders are informed of all major developments affecting the consolidated entity by the following means:

- distribution of the annual report to all shareholders which contains relevant information about the operations of the entity during the year in addition to disclosures required by the Corporations Act 2001;
- lodgement of the half yearly report with the ASX, which contains summarised and audit reviewed financial information. Copies of the half year financial statements prepared in accordance with the Corporations Act 2001, are available to any shareholder on request;
- lodgement of quarterly reports with the ASX which show summarised financial information and a report on operations for the quarter. Copies of these reports are available to shareholders on request;
- announcements to the ASX concerning any significant development in the consolidated entity's operations, financing and administration. All announcements are immediately available to the general public; and
- disclosure of all major announcements to the ASX on the Company's website.

The shareholders are responsible for voting on the appointment of directors.

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 2005. 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 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 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, Kings Minerals NL and Cockatoo Coal Limited and also Canadian public listed company Palmarejo Silver and Gold Corporation.

Peter James 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.

Mr Nightingale has, for the past 18 years, been a director or company secretary of a number of private and publicly listed companies in Australia, the USA and Europe. Mr Nightingale has been responsible for the financial control, administration, secretarial and in-house legal functions of these companies. He 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 Fullerton 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.

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 20 years of extensive technical, management and financial experience in the resource sector within Australia, South America and Africa in project management and executive development roles. He has 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 European Gas Limited, a publicly listed company in Australia, whose main interests are in CBM projects in Europe.

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



The Oriva Federal tenements have the capacity for 11 pad sites with 3 CBM production wells planned for each site.

directors' report (cont)

DIRECTORS' INTERESTS

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

Director	Fully Paid Ordinary Shares
Norman A. Seckold	23,250,003
Peter J. Nightingale	3,625,001
Bruce F. Riederer	4,000,000
Anthony J. McClure	3,000,000
Anthony J. McDonald	3,000,000
Norman J. Zillman	4,000,000

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	Board Meetings Attended
Norman A. Seckold	3	3
Peter J. Nightingale	3	3
Bruce F. Riederer	3	3
Anthony J. McClure	3	2
Anthony J. McDonald	3	3
Norman J. Zillman	3	3

DIRECTORS' AND EXECUTIVES' REMUNERATION

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

PRINCIPAL ACTIVITIES

The Company is engaged in the acquisition, exploration, development, production and operation of oil, gas, and coal bed methane projects.

FINANCIAL RESULTS

The consolidated loss after income tax attributable to members of the Company for the year was \$854,672 (2004 – \$13,689).

REVIEW OF OPERATIONS

The review of operations is set out on pages 2 to 19 of this Annual Report.

EMPLOYEES

The Company does not have any employees.

DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2005. 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 consolidated entity that occurred during the year ended 31 December 2005 were as follows:

- Continued consolidation of the Company's West Esponda tenements by completion of strategic acquisitions.
- The successful completion of stratigraphic drilling program at West Esponda.
- The completion of 7 wells in the West Esponda Pilot Production Program.
- Completion of the construction of production facilities at East Esponda.
- The preparation of an independent GIP resource estimate of 19.5 Bcf (15.2 Bcf net) at Oriva.

- The preparation of an independent CBM reserve estimate of 15.3 Bcf (12.0 Bcf net) at Oriva.
- The completion of 3 'exception location' wells at Oriva Throne.
- Receipt of various Oriva Federal permit approvals.
- The increase in ownership of the Skull Creek Project to a 50% working interest.
- Positive stratigraphic drilling program results in the Gippsland Basin.
- Receipt of an offer of a US\$7.5 million funding proposal.
- The appointment of North American financial advisor.

ENVIRONMENTAL REGULATIONS

The Company's operations are subject to significant environmental regulations under both 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

There has not 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

LIKELY DEVELOPMENTS

Further information as to likely developments in the operations of the consolidated entity 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.

directors' report (cont)

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 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

The broad remuneration policy 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 Company. Their services are provided by way of arrangements with related parties. The remuneration disclosed below represent the cost to the consolidated entity for the services provided under these fee arrangements.

No directors or executives receive performance related remuneration.

There are no executive officers of the Company or consolidated entity that are not directors and no options or bonuses were granted to directors or executive officers as part of their remuneration.

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 consolidated entity are:

Specified Directors	Year	Fees \$	Total \$
<i>Executive directors</i>			
Norman A. Seckold (Chairman)	2005	82,500	82,500
	2004	75,000	75,000
Peter J. Nightingale (Director, Secretary and CFO)	2005	60,000	60,000
	2004	50,000	50,000
Bruce F. Riederer (Director of Exploration and Development)	2005	179,225	179,225
	2004	174,212	174,212
<i>Non-executive directors</i>			
Anthony J. McClure	2005	65,000	65,000
	2004	96,000	96,000
Anthony J. McDonald	2005	60,000	60,000
	2004	41,140	41,140
Norman J. Zillman	2005	24,000	24,000
	2004	20,000	20,000
Total, all specified directors	2005	470,725	470,725
	2004	456,352	456,352

NON-AUDIT SERVICES

During the year KPMG, the Company's auditor, and Deloitte Touche Tohmatsu, the Company's previous auditor, have performed no other services in addition to their statutory duties. Audit fees for the year ended 31 December 2005 totalled \$25,000.

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

The lead auditor's independence declaration is set out on page 28 and forms part of the directors' report for the year ended 31 December 2005.

Signed at Sydney this 16th day of March 2006
in accordance with a resolution of the Board
of Directors:



Norman A. Seckold
Director



Peter J. Nightingale
Director

lead auditor's declaration of independence



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 2005, there have been:

- (i) no contravention 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.

A handwritten signature of 'KPMG' in black ink.

KPMG

A handwritten signature of 'S.J. Board' in black ink.

S.J. Board
Partner

16 March 2006

Planet Gas Limited and its controlled entities
ABN 46 098 952 035



financial report
2005



income statements

for the year ended 31 december 2005

	Notes	Consolidated		Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
Revenue from the sale of coal bed methane		747,371	107,015	-	-
Financial income	2	243,877	507,943	243,877	507,943
Production and transport costs		(853,392)	(33,386)	-	-
Consultants' and administration expenses		(654,027)	(557,503)	(610,416)	(557,503)
Depreciation expense		(6,698)	(6,630)	(6,281)	(6,630)
Amortisation expense		(235,511)	-	-	-
Impairment loss		-	-	(5,749,312)	(10,223,667)
Other expenses		(96,292)	(31,128)	(96,292)	(31,128)
Loss before income tax expense	2	(854,672)	(13,689)	(6,218,424)	(10,310,985)
Income tax expense	3	-	-	-	-
Loss for the period		(854,672)	(13,689)	(6,218,424)	(10,310,985)
Basic loss per share	11	0.51 cents	0.01 cents		
Diluted loss per share	11	0.51 cents	0.01 cents		

Notes to the financial statements are included on pages 35 to 55.

statements of recognised income and expense

for the year ended 31 december 2005

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
Foreign exchange translation differences	725,378	(1,091,930)	-	-
Net income/(expense) recognised directly in equity	725,378	(1,091,930)	-	-
Loss for the period	(854,672)	(13,689)	(6,218,424)	(10,310,985)
Total recognised income and expense for the period	(129,294)	(1,105,619)	(6,218,424)	(10,310,985)

Notes to the financial statements are included on pages 35 to 55.

balance sheets

as at 31 december 2005

	Notes	Consolidated		Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents		1,530,861	8,128,692	1,530,753	8,128,588
Trade and other receivables	4	334,095	140,326	31,652	70,755
TOTAL CURRENT ASSETS		1,864,956	8,269,018	1,562,405	8,199,343
NON-CURRENT ASSETS					
Other investments	5	-	-	-	-
Property, plant and equipment	6	7,139,730	3,921,301	12,723	14,189
Exploration and evaluation expenditure	7	9,791,857	6,327,664	76,609	43,764
Other	8	132,726	126,142	20,000	30,000
TOTAL NON-CURRENT ASSETS		17,064,313	10,375,107	109,332	87,953
TOTAL ASSETS		18,929,269	18,644,125	1,671,737	8,287,296
CURRENT LIABILITIES					
Trade and other payables	9	553,181	773,258	376,123	773,258
TOTAL CURRENT LIABILITIES		553,181	773,258	376,123	773,258
NON-CURRENT LIABILITIES					
Other	9	1,476,850	842,335	-	-
TOTAL NON-CURRENT LIABILITIES		1,476,850	842,335	-	-
TOTAL LIABILITIES		2,030,031	1,615,593	376,123	773,258
NET ASSETS		16,899,238	17,028,532	1,295,614	7,514,038
EQUITY					
Issued capital	10	18,765,014	18,765,014	18,765,014	18,765,014
Retained losses	12	(1,499,224)	(644,552)	(17,469,400)	(11,250,976)
Foreign currency translation reserve		(366,552)	(1,091,930)	-	-
TOTAL EQUITY		16,899,238	17,028,532	1,295,614	7,514,038

Notes to the financial statements are included on pages 35 to 55.

statements of cash flows

for the year ended 31 december 2005

	Notes	Consolidated		Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
Cash flows from operating activities					
Cash receipts from customers		584,856	-	-	-
Cash paid to suppliers		(870,492)	(502,657)	(759,304)	(502,657)
Payments for production		(573,850)	-	-	-
Cash generated from operations		(859,486)	(502,657)	(759,304)	(502,657)
Interest received		264,603	507,943	264,603	507,943
Net cash provided by/(used in) operating activities	13	(594,883)	5,286	(494,701)	5,286
Cash flows from investing activities					
Investments in controlled entities		-	-	(6,085,199)	(7,068,352)
Payments for controlled entities		-	-	-	(100)
Payments for security deposits		(28,809)	(118,288)	10,000	(10,000)
Payments for development		(1,762,887)	(268,976)	-	-
Payments for capitalised production costs		(489,261)	-	-	-
Payments for exploration and evaluation		(2,936,641)	(2,203,609)	(32,844)	(43,620)
Payments for acquisitions of exploration areas		(774,578)	(4,531,099)	-	-
Payments for plant and equipment		(20,496)	(13,904)	(4,815)	(13,904)
Net cash used in investing activities		(6,012,672)	(7,135,876)	(6,112,858)	(7,135,976)
Cash flows from financing activities					
Proceeds from issue of shares		-	15,000,000	-	15,000,000
Costs of issue		-	(557,040)	-	(557,040)
Net cash provided by financing activities		-	14,442,960	-	14,442,960
Net increase/(decrease) in cash held		(6,607,555)	7,312,370	(6,607,559)	7,312,270
Cash and cash equivalents at 1 January		8,128,692	816,322	8,128,588	816,318
Effect of exchange rate adjustments on cash held		9,724	-	9,724	-
Cash and cash equivalents at the end of the financial year	13	1,530,861	8,128,692	1,530,753	8,128,588

Notes to the financial statements are included on pages 35 to 55.

notes to the financial statements

for the year ended 31 december 2005

1. SUMMARY OF ACCOUNTING POLICIES

Planet Gas Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report of the Company for the year ended 31 December 2005 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity').

The financial report was authorised for issue by the directors on 16 March 2006.

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASB') and the Corporations Act 2001.

International Financial Reporting Standards ('IFRS') form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ('AIFRS').

This is the consolidated entity's first financial report prepared in accordance with AIFRS and AASB 1 'First Time Adoption of Australian Equivalents to International Financial Reporting Standards' has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity and Company is provided in note 21.

Going concern

The Company and the consolidated entity have expended significant amounts in the current year and in prior periods on exploration and development expenditure. The ongoing operation of the Company and the consolidated entity is dependent upon raising additional funds for further exploration and development.

During the year the directors have negotiated a US\$7.5 million debt facility which the Company may execute when required. The Company is also considering other debt financing alternatives.

Basis of preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis except for financial liabilities which are stated at fair value.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not ready apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and in preparing on opening AIFRS balance sheet at 1 January 2004 for the purposes of the transition to Australian Accounting Standards – AIFRS.

The accounting policies have been applied consistently by consolidated entities.

notes to the financial statements (cont)

for the year ended 31 december 2005

1. SUMMARY OF ACCOUNTING POLICIES (cont)

Issued standards not early adopted

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements:

- AASB 7 'Financial Instruments: Disclosure' (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 2005-10 'Amendments to Australian Accounting Standards' (September 2005) makes consequential amendments to AASB 132 'Financial Instruments: Disclosures and Presentation', AASB 101 'Presentation of Financial Statements', AASB 114 'Segment Reporting', AASB 117 'Leases', AASB 133 'Earnings per Share', AASB 139 'Financial Instruments: Recognition and Measurement', AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', AASB 4 'Insurance Contracts', AASB 1023 'General Insurance Contracts' and AASB 1038 'Life Insurance Contracts', arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.

There is no financial impact from the non adoption of these standards.

Revenue recognition

Interest revenue

Interest revenue is recognised on an accrual basis.

Sale of coal bed methane

Revenue from the sale of coal bed methane is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except where the amount of GST incurred is not recoverable from the Australian Tax Office ('ATO'). 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 are stated inclusive of GST. The net amount of GST recoverable from or payable to the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from or payable to the ATO are classified as operating cash flows.

Exploration expenditure

Exploration, evaluation and development expenditure is accumulated in respect of each identifiable area of interest. These costs are carried forward in the balance sheet where the right of tenure of the area of interest is current and the costs are expected to be recouped through the sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest are ongoing and have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial year in which the decision is made. Each area of interest is also reviewed for impairment at the end of each financial year and accumulated costs written off to the extent that they will not be recoverable in the future.

Areas of interest have been identified based on geographical areas of interest.

notes to the financial statements (cont)

for the year ended 31 december 2005

1. SUMMARY OF ACCOUNTING POLICIES (cont)

Property, plant and equipment

Producing and developing mine properties

Mine properties represent the accumulation of all exploration evaluation and development expenditure incurred by or on behalf of the entity in relation to its area of interest.

When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the cost of that mine property only when substantial future economic benefits are established, otherwise such expenditure is expensed.

Depreciation and amortisation

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 is depreciated at rates between 30% and 60% per annum.

Producing mine properties are amortised on a units of production basis over the life of the mine properties' reserves.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until commercial production commences.

Accounts payable

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 60 days.

Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

Financial instruments issued by the Company

Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement. Interest and dividends are classified as expenses or as distributions of profit, consistent with the balance sheet classification of the related debt or equity instruments. Costs associated with the issue of equity are offset against equity.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the financial report from the date that control commences until the date that control ceases.

Joint ventures

Joint ventures are those entities over whose activities the consolidated entity has joint control, established by contractual agreement.

Jointly controlled operations

The interest of the consolidated entity in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

notes to the financial statements (cont)

for the year ended 31 december 2005

1. SUMMARY OF ACCOUNTING POLICIES (cont)

Basis of consolidation (cont)

Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to the 'Investment in associates' and 'Share of associates net profits' accounts.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised as the contributed assets are consumed or sold by the associates and jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the consolidated entity's interest in such entities is disposed.

Calculation of recoverable amount

The recoverable amount of the consolidated entity's investments in exploration and development areas, producing areas and receivables carried at amortised cost are calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

The recoverable amount of other assets 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment

The carrying amounts of the consolidated entity's 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.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

notes to the financial statements (cont)

for the year ended 31 december 2005

1. SUMMARY OF ACCOUNTING POLICIES (cont)

Reversals of impairment

An impairment loss in respect of a receivable 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.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in the income statement.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a 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.

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 balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

Following the adoption of AIFRS the functional currency of the Company's wholly owned entities incorporated in the United States has changed from Australian dollars to United States dollars.

The assets and liabilities of these entities are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues 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 foreign currency translation reserve, a separate component of equity. At the transition date to AIFRS on 1 January 2004, no foreign entities were in existence, hence no translation difference existed at transition.

Any references to functional currency, unless otherwise stated, are to the functional currency of the Company and consolidated entity, Australian dollars. The effects of the translation differences as set out in note 21.

Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

notes to the financial statements (cont)

for the year ended 31 december 2005

1. SUMMARY OF ACCOUNTING POLICIES (cont)

Income tax

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Intercompany loans

Loans made to controlled entities which are interest free, unsecured, of no fixed term, and repayable only out of potential future profits are classified as investments.

Investments in controlled entities

Under AIFRS the recoverability of investments in controlled entities is assessed using a discounted cash flow model.

Due to inherent uncertainty over the ultimate recovery of exploration assets, the Company has impaired all intercompany investments.

Cash and cash equivalents

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

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
2. LOSS FROM ORDINARY ACTIVITIES				
Loss from ordinary activities includes the following items of revenue and expense:				
Revenue				
Sale of coal bed methane	747,371	107,105	-	-
Interest revenue	243,877	507,943	243,877	507,943
Expenses				
Amortisation of producing Mine Properties	235,511	-	-	-
Auditors' remuneration				
- Audit and review of financial reports	25,000	38,500	25,000	38,500
- Other services – prospectus related	-	7,500	-	7,500
Depreciation of plant and equipment				
- Office equipment	6,698	6,630	6,281	6,630

notes to the financial statements (cont)

for the year ended 31 december 2005

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
3. INCOME TAX EXPENSE				
Prima facie income tax benefit on loss from ordinary activities at 30%	256,401	5,311	140,734	26,195
Net non-deductible items	(636)	-	(636)	-
Future income tax benefit not brought to account	(255,765)	(5,311)	(140,098)	(26,195)
Income tax expense	-	-	-	-

The following cumulative potential income tax benefit calculated at 30% arising from tax losses and temporary differences has not been recognised as an asset because recovery is not probable.

Tax losses and deductible temporary differences	432,089	176,324	337,306	197,208
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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 consolidated entity can utilise the benefits therefrom.

Tax consolidation system

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The Company and its wholly owned Australian resident entities are eligible to consolidate for tax purposes under this legislation and the directors of these entities consider it likely that they will elect to implement the tax consolidation system in due course. The directors have not made a final formal decision whether or not to implement the tax consolidation system and if so, from which date implementation would occur.

Accordingly, the financial effect of the implementation of the tax consolidation system has not been recognised in respect of these items. However, as each of the entities eligible to participate in the tax consolidation system are in a cumulative tax loss position and these tax losses have not been brought to account as deferred tax assets, the impact of the tax consolidation system on the current financial report would not be material.

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
4. RECEIVABLES				
Other debtors	315,317	117,145	12,874	47,574
GST receivable	18,778	23,181	18,778	23,181
	334,095	140,326	31,652	70,755
5. OTHER INVESTMENTS				
Investment in controlled entities	-	-	16,305,539	10,556,227
Less cumulative impairment losses	-	-	(16,305,539)	(10,556,227)
Investment in controlled entities, at recoverable amount	-	-	-	-

notes to the financial statements (cont)

for the year ended 31 december 2005

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
6. PROPERTY, PLANT AND EQUIPMENT				
Office equipment – at cost	42,001	41,171	42,001	41,171
Accumulated depreciation	(32,600)	(26,982)	(32,600)	(26,982)
Net book value	9,401	14,189	9,401	14,189
Plant and equipment – at cost	19,685	-	3,985	-
Accumulated depreciation	(1,099)	-	(663)	-
Net book value	18,586	-	3,322	-
Developing mine properties – at cost	3,594,317	1,079,982	-	-
Accumulated amortisation	-	-	-	-
Net book value	3,594,317	1,079,982	-	-
Producing mine properties – at cost	3,752,937	2,827,130	-	-
Accumulated amortisation	(235,511)	-	-	-
Net book value	3,517,426	2,827,130	-	-
Total property, plant and equipment	7,139,730	3,921,301	12,723	14,189

Reconciliations of the carrying amounts for each class of plant and equipment are set out below:

Office equipment

Carrying amount at beginning of year	14,189	6,915	14,189	6,915
Additions	830	13,904	830	13,904
Depreciation	(5,618)	(6,630)	(5,618)	(6,630)
Net book value	9,401	14,189	9,401	14,189

Plant and equipment

Carrying amount at beginning of year	-	-	-	-
Additions	19,685	-	3,985	-
Depreciation	(1,080)	-	(663)	-
Net foreign currency differences on translation	(19)	-	-	-
Net book value	18,586	-	3,322	-

Developing mine properties

Carrying amount at beginning of year	1,079,982	-	-	-
Additions	2,080,812	1,240,143	-	-
Net foreign currency adjustment on translation	433,523	(160,161)	-	-
Net book value	3,594,317	1,079,982	-	-

Producing mine properties

Carrying amount at beginning of year	2,827,130	-	-	-
Additions	375,638	3,147,460	-	-
Net foreign currency adjustment on translation	550,169	(320,330)	-	-
Amortisation	(235,511)	-	-	-
Net book value	3,517,426	2,827,130	-	-

notes to the financial statements (cont)

for the year ended 31 december 2005

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
7. EXPLORATION AND EVALUATION EXPENDITURE				
Areas of Interest – Exploration/Evaluation Phase				
West Esponda – Powder River Basin, Wy, USA	3,535,087	2,600,170	-	-
Oriva Federal – Powder River Basin, Wy, USA	1,186,866	720,618	-	-
Skull Creek – Cherokee Basin, Ks, USA	2,861,900	1,910,557	-	-
Gippsland Basin – Victoria (ELs 4500, 4807, 4858 to 4862, 4877 and 4902)	1,829,383	780,591	-	-
Otway Basin – Victoria (ELAs 4368 and 4369 and EL 4811)	87,830	30,320	60,344	30,320
Willochra Basin – SA (PELA 145)	8,249	7,649	8,249	7,649
Eromanga Basin – SA (PELA 146)	8,016	5,795	8,016	5,795
Gunnedah Basin – NSW (PEL 428)	274,526	271,964	-	-
	<u>9,791,857</u>	<u>6,327,664</u>	<u>76,609</u>	<u>43,764</u>

Ultimate recoupment of these costs is dependent on successful development and commercial exploitation, or alternatively sale of the respective areas of interest.

8. OTHER NON-CURRENT ASSETS

Security deposits	132,726	126,142	20,000	30,000
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9. PAYABLES

Current

Creditors and accruals	553,181	773,258	376,123	773,258
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Non-current

Share of East Esponda development expenditure	1,476,850	842,335	-	-
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This non-current payable represents the Company's share (40%) of development expenditure which was incurred by Kennedy Oil at the East Esponda project. There are no other assets, liabilities or expenses of the joint venture operation. Consistent with the consolidated entity's accounting policy, the liability is now been recognised at fair value at the date of transition to AIFRS.

In June 2003, the consolidated entity entered into a farmout agreement with Kennedy Oil of Wyoming, USA whereby Kennedy Oil committed to sole fund twelve wells within part of the consolidated entity's East Esponda Project in the Powder River Basin in return for a 50% - 60% working interest depending on the location. The consolidated entity is obligated to reimburse 125% of the costs incurred on its behalf from production. Prior to capital payback, the consolidated entity will receive a 1.5% gross royalty. Kennedy Oil has completed its drilling program with 12 wells as future production wells. The consolidated entity holds a 40% free carried interest in these wells.

notes to the financial statements (cont)

for the year ended 31 december 2005

10. ISSUED CAPITAL

168,800,005 (2004 – 168,800,005) fully paid ordinary shares

Consolidated		Company	
2005	2004	2005	2004
\$	\$	\$	\$
18,765,014	18,765,014	18,765,014	18,765,014

Fully paid ordinary shares

Balance at beginning of financial year

Issue of shares

Less costs of issue

Balance at end of financial year

2005		2004	
No.	\$	No.	\$
168,800,005	18,765,014	60,750,005	1,322,054
-	-	108,050,000	18,000,000
-	-	-	(557,040)
168,800,005	18,765,014	168,800,005	18,765,014

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

11. LOSS PER SHARE

Basic and diluted loss per share have been calculated using:

Net loss for the year

Weighted average number of ordinary shares

Consolidated	
2005	2005
\$	\$
854,672	13,689
168,800,005	148,078,087

As at 31 December 2005 there are no 'potential' ordinary shares, therefore diluted earnings per share is the same as basic earnings per share.

12. ACCUMULATED LOSSES

Accumulated losses at the beginning of the year

Net loss attributable to members of the parent entity

Accumulated losses at the end of the year

Consolidated		Company	
2005	2004	2005	2004
\$	\$	\$	\$
644,552	630,863	11,250,976	939,991
854,672	13,689	6,218,424	10,310,985
1,499,224	644,552	17,469,400	11,250,976

notes to the financial statements (cont)

for the year ended 31 december 2005

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
13. STATEMENTS OF CASH FLOWS				
Reconciliation of net loss from operating activities after tax to net cash used in operating activities				
Loss from operating activities after tax	(854,672)	(13,689)	(6,218,424)	(87,318)
Non-cash items				
Depreciation of plant and equipment	6,698	6,630	6,281	6,630
Amortisation of areas in production	235,511	-	-	-
Foreign exchange gain on cash	(9,724)	-	(9,724)	-
Impairment loss	-	-	5,749,312	-
Changes in assets and liabilities				
Increase in receivables	(191,050)	(123,130)	39,104	(49,501)
Increase/(decrease) in accounts payable	218,354	135,475	(61,250)	135,475
Net cash provided by/(used in) operating activities	(594,883)	5,286	(494,701)	5,286

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 Balance Sheet as follows:

Cash	1,530,861	8,128,692	1,530,753	8,128,588
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14. KEY MANAGEMENT PERSONNEL DISCLOSURES

The broad remuneration policy 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 Company. Their services are provided by way of informal fee arrangements with related parties. No options were granted to directors or executives as part of their remuneration.

The following table provides the details of all key management personnel of the Company and consolidated entity for the entire reporting period.

There are no executive officers of the Company or consolidated entity that are not directors.

notes to the financial statements (cont)

for the year ended 31 december 2005

	Year	Primary fees \$	Total \$
14. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont)			
Executive directors			
Norman A. Seckold (Chairman)	2005	82,500	82,500
	2004	75,000	75,000
Peter J. Nightingale (Director, Secretary and CFO)	2005	60,000	60,000
	2004	50,000	50,000
Bruce F. Riederer (Director of Exploration and Development)	2005	179,225	179,225
	2004	174,212	174,212
Non-executive directors			
Anthony J. McClure	2005	65,000	65,000
	2004	96,000	96,000
Anthony J. McDonald	2005	60,000	60,000
	2004	41,140	41,140
Norman J. Zillman	2005	24,000	24,000
	2004	20,000	20,000
Total, all specified directors	2005	470,725	470,725
	2004	456,352	456,352

During the year ended 31 December 2005, Norman A. Seckold, had an interest in an entity, Evenlen Pty Limited which rendered administrative services to the consolidated entity. Fees paid to Evenlen Pty Limited during the year, which were in the ordinary course of business and on normal commercial terms and conditions, amount to \$82,500 (2004 - \$75,000).

During the year ended 31 December 2005, Peter J. Nightingale, had an interest in an entity, Rosignol Consultants Pty Limited, which rendered financial and administrative services to the consolidated entity. Fees paid to Rosignol Consultants Pty Limited during the year, which were in the ordinary course of business and on normal commercial terms and conditions, amounted to \$60,000 (2004 - \$50,000).

During the year ended 31 December 2005, Norman A. Seckold and Peter J. Nightingale had an interest in an entity, Mining Services Trust, which provided full administrative services, including rental accommodation, administrative staff, services and supplies, to the consolidated entity. Fees paid to Mining Services Trust during the year, which were in the ordinary course of business and on normal terms and conditions, amounted to \$115,419 (2004 - \$100,000).

During the year ended 31 December 2005, Anthony J. McClure, had an interest in an entity, Anthina Holdings Pty Ltd which rendered administrative and geological services to the consolidated entity. Fees paid to Anthina Holdings Pty Ltd during the year, which were in the ordinary course of business and on normal commercial terms and conditions, amounted to \$65,000 (2004 - \$96,000).

During the year ended 31 December 2005, Anthony J. McDonald, had an interest in an entity, Trio Investments Pty Ltd which rendered administrative and legal services to the consolidated entity. Fees paid to Trio Investments Pty Ltd during the year, which were in the ordinary course of business and on normal commercial terms and conditions, amounted to \$60,000 (2004 - \$41,140).

During the year ended 31 December 2005, Norman J. Zillman, had an interest in an entity, Bannerblock Pty Ltd which rendered administrative and geological services to the consolidated entity. Fees paid to Bannerblock Pty Ltd during the year, which were in the ordinary course of business and on normal commercial terms and conditions, amounted to \$24,000 (2004 - \$20,000).

The board reviews remuneration arrangements annually based on services provided.

The above fees all represent short term remuneration arrangements.

notes to the financial statements (cont)

for the year ended 31 december 2005

15. RELATED PARTY DISCLOSURES

Directors

The names of each person holding the position of director of the Company during the year are Norman A. Seckold, Peter J. Nightingale, Bruce F. Riederer, Anthony J. McClure, Anthony J. McDonald and Norman J. Zillman. Details of directors' remuneration are set out in note 14.

Details of relevant interests of directors of the Company and their director-related entities in shares of entities within the consolidated entity are as follows:

Director	Held at 31 December 2004	Purchased shares	Sales	Held at 31 December 2005
Norman A. Seckold	23,250,003	-	-	23,250,003
Peter J. Nightingale	3,625,001	-	-	3,625,001
Bruce F. Riederer	4,000,000	-	-	4,000,000
Anthony J. McClure	3,000,000	-	-	3,000,000
Anthony J. McDonald	3,000,000	-	-	3,000,000
Norman J. Zillman	4,000,000	-	-	4,000,000

Apart from the details disclosed in this note, 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. Informal fee arrangements were entered into between the directors and the Company as set out in note 14.

16. FINANCIAL INSTRUMENTS DISCLOSURE

Interest rate risk

With the exception of cash, all the Company's financial assets and liabilities are non-interest bearing. The cash balance earns interest at an average of 5.4%.

Credit risk exposure

The credit risk exposure on financial assets of the consolidated entity which have been recognised on the statement of financial position is the carrying amount, net of any provision for doubtful debts.

Net fair values of financial assets and liabilities

The carrying amounts of financial assets and liabilities approximate their net fair values. At 31 December 2005 the consolidated entity had a financial liability recorded at fair value of \$1,476,850 (2004 – \$842,335). The financial liability is expected to be settled in 2008 and has been fair valued at an effective interest rate of 10%.

Foreign exchange risk

The consolidated entity does not enter into foreign exchange contracts to hedge purchases and sales denominated in foreign currencies.

notes to the financial statements (cont)

for the year ended 31 december 2005

	Area	Output Interest	
		2005	2004
		%	%
17. JOINT VENTURE OPERATIONS			
East Esponda (Kennedy Oil)	USA	40	40
East Esponda (Western Gas)	USA	20	20
Oriva Throne	USA	61	61
Davidson Prospecting (PEL 428)	Australia	20	20

The consolidated entity's interest in assets employed in the above joint venture operations includes capitalised exploration, evaluation and development expenditure totalling \$5,920,134 (2004 - \$4,118,086), and current accounts receivable totalling \$ 299,724 (2004 - \$69,570). The contingent liabilities and capital commitments arising from the consolidated entity's interest in joint venture operations, where applicable, are disclosed in note 19 to the financial statements. All joint venture operations are engaged in the evaluation, exploration, and development of oil and gas properties.

18. SEGMENT REPORTING

Segment information is presented in respect of the consolidated entity's geographical segments. This is based on the consolidated entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

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.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Geographical segments

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

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Division of the consolidated entity's 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.

notes to the financial statements (cont)

for the year ended 31 december 2005

18. SEGMENT REPORTING (Cont)

Geographical Segments	Consolidated		
	Australia	USA	Total
	\$	\$	\$
31 December 2005			
Revenue			
External segment revenue	-	747,371	747,371
Unallocated revenue			243,877
Total revenue			991,248
Result			
Segment result	-	198,960	198,960
Unallocated corporate revenues and expenses			(1,053,632)
Net loss			854,672
Assets			
Segment assets	3,785,149	15,116,133	18,901,282
Unallocated corporate assets			27,987
			18,929,269
Including non-current assets acquired during the year:			
Exploration and evaluation	1,111,685	2,360,338	3,472,023
Mining projects	-	774,578	774,578
Mine development	-	2,179,716	2,179,716
	1,111,685	5,314,632	6,426,317
Segment liabilities	304,481	1,725,550	2,030,031

notes to the financial statements (cont)

for the year ended 31 december 2005

18. SEGMENT REPORTING (Cont)

Geographical Segments	Consolidated		
	Australia	USA	Total
	\$	\$	\$
31 December 2004			
Revenue			
External segment revenue	-	107,015	107,015
Unallocated revenue			507,943
Total revenue			614,958
Result			
Segment result	-	73,629	73,629
Unallocated corporate revenues and expenses			(87,318)
Net loss			13,689
Assets			
Segment assets	9,325,766	9,304,170	18,629,936
Unallocated corporate assets			14,189
			18,644,125
Including non-current assets acquired during the year:			
Exploration and evaluation	243,536	2,002,093	2,245,629
Mining projects	500,000	4,031,099	4,531,099
Mine development	-	1,079,982	1,079,982
	743,536	7,113,174	7,856,710
Segment liabilities	129,726	1,485,867	1,615,593

19. 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.

Western Gas Resources Inc

Western Gas is manager of nine wells in one Section at the consolidated entity's East Esponda Project in the Powder River Basin. The consolidated entity reimburses Western Gas for its 25% working interest in this Section. The nine wells have been completed and a State of Wyoming water discharge permit was received during the year. This allows discharge to the Powder River after water treatment. Western Gas has commenced construction of approximately 15 miles of discharge pipeline and the water treatment facility. The initial dewatering from the Western Gas joint venture wells completed in the Big George Seam will commence once the treatment facility is operational.

notes to the financial statements (cont)

for the year ended 31 december 2005

20. CONTROLLED ENTITIES

Parent Entity

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

Wholly-Owned Controlled Entities	Country of Incorporation	Ownership Interest	
		2005	2004
		%	%
Davidson Prospecting Pty Limited	Australia	100	100
Greenpower Energy Pty Limited	Australia	100	100
Pauper's Dream Company	USA	100	100
Planet Gas Properties LLC	USA	100	100
Planet Gas Resources LLC	USA	100	100
Sawells Pty Limited	Australia	100	100

21. AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in the significant accounting policies, these are the consolidated entity's first condensed consolidated financial statements prepared in accordance with AIFRS.

The policies set out in the significant accounting policies section of this report have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information presented in these financial statements for the year ended 31 December 2004 and in the preparation of an opening AIFRS balance sheet at 1 January 2004 (the consolidated entity's date of transition).

In preparing its opening AIFRS balance sheet, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to AIFRS has affected the consolidated entity's financial position and financial performance is set out in the following tables and the accompanying notes.

Notes

- (a) Under AASB 121 each entity in the consolidated entity determines its functional currency, the currency of the primary economic environment in which the entity operates reflecting the underlying transactions, events and conditions that are relevant to the entity. The entity maintains its books and records in its functional currency.

Following the adoption of AIFRS the functional currency of the Company's wholly owned entities incorporated in the United States has changed from Australian dollars to United States dollars.

The assets and liabilities of these entities are translated to Australian dollars at foreign exchange rates ruling at the end of year rate. The revenues 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 translation are recognised directly in foreign currency translation reserve, a separate component of equity. At the transition date to AIFRS on 1 January 2004, no foreign entities were in existence, hence no translation difference existed at transition.

The effect on the consolidated entity at 31 December 2004 is to reduce trade and other receivables by \$44, to reduce capitalised exploration and evaluation expenditure by \$1,075,726 and a reduction in other financial assets of \$12,146. The net loss at 31 December 2004 was also reduced by \$4,014.

notes to the financial statements (cont)

for the year ended 31 december 2005

21. AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont)

- (b) Consistent with the consolidated entity's accounting policy, financial liabilities have been recognised at fair value at the date of transition to AIFRS. Under previous GAAP, the liability was measured on a cost basis.

The effect on the consolidated entity at 31 December 2004 is a reduction in the amount payable of \$331,040 and a corresponding reduction in the carrying amount of capitalised exploration and evaluation expenditure.

- (c) Under AIFRS the recoverability of investments in controlled entities is assessed using a discounted cash flow model.

Due to inherent uncertainty over the ultimate recovery of exploration assets and the volatility in fair valuing production assets, the Company has fully provided for the entire amount of any intercompany investments.

The effect on the Company at transition date, 1 January 2004, is an increase in accumulated losses of \$309,129, a reduction in receivables of \$259,125 and a reduction in other financial assets of \$50,004. At 31 December 2004, the effect on the Company is an increase in accumulated losses of \$10,532,795, a reduction in receivables of \$9,982,691 and a reduction in other financial assets of \$550,104. The net loss for the Company in the year ended 31 December 2004 is increased by \$10,223,667. There is no impact on the consolidated entity. The values of investments in controlled entities held by the Company are reduced by the corresponding amount in each year.

- (d) Consistent with the consolidated entity's accounting policy, expenditure on developing and producing mine properties has been classified as property, plant and equipment.

The effect on the consolidated entity at 31 December 2004 is a reduction in the exploration and evaluation expenditure of \$3,907,112 and a corresponding increase in property, plant and equipment.

notes to the financial statements (cont)

for the year ended 31 december 2005

21. AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont)

The following table sets out the adjustments to the balance sheet of the consolidated entity at transition to AIFRS as at 1 January 2004 and for the AIFRS comparative period balance sheet as at 31 December 2004.

	Notes	Consolidated 1 January 2004		AIFRS	Consolidated 31 December 2004		AIFRS
		AGAAP	Transition Impact		AGAAP	Transition Impact	
		\$	\$	\$	\$	\$	\$
CURRENT ASSETS							
Cash and cash equivalents		816,322	-	816,322	8,128,692	-	8,128,692
Trade and other receivables	(a)	21,254	-	21,254	140,370	(44)	140,326
TOTAL CURRENT ASSETS		837,576	-	837,576	8,269,062	(44)	8,269,018
NON-CURRENT ASSETS							
Property, plant and equipment	(d)	6,915	-	6,915	14,189	3,907,112	3,921,301
Exploration and evaluation expenditure	(a)(b)(d)	2,491,482	-	2,491,482	11,641,542	(5,313,878)	6,327,664
Other	(a)	20,000	-	20,000	138,288	(12,146)	126,142
TOTAL NON-CURRENT ASSETS		2,518,397	-	2,518,397	11,794,019	(1,418,912)	10,375,107
TOTAL ASSETS		3,355,973	-	3,355,973	20,063,081	(1,418,956)	18,644,125
CURRENT LIABILITIES							
Trade and other payables		164,782	-	164,782	773,258	-	773,258
Other		2,500,000	-	2,500,000	-	-	-
TOTAL CURRENT LIABILITIES		2,664,782	-	2,664,782	773,258	-	773,258
NON-CURRENT LIABILITIES							
Other	(b)	-	-	-	1,173,375	331,040	842,335
TOTAL NON-CURRENT LIABILITIES		-	-	-	1,173,375	331,040	842,335
TOTAL LIABILITIES		2,664,782	-	2,664,782	1,946,633	331,040	1,615,593
NET ASSETS		691,191	-	691,191	18,116,448	(1,087,916)	17,028,532
EQUITY							
Issued capital		1,322,054	-	1,322,054	18,765,014	-	18,765,014
Foreign currency translation reserve	(a)	-	-	-	-	(1,091,930)	(1,091,930)
Accumulated losses	(a)	(630,863)	-	(630,863)	(648,566)	4,014	(644,552)
TOTAL EQUITY		691,191	-	691,191	18,116,448	(1,087,916)	17,028,532

notes to the financial statements (cont)

for the year ended 31 december 2005

21. AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont)

The following table sets out the adjustments to the balance sheet of the Company at transition to AIFRS as at 1 January 2004 and for the AIFRS comparative period balance sheet as at 31 December 2004.

	Notes	Company 1 January 2004			Company 31 December 2004		
		AGAAP	Transition Impact	AIFRS	AGAAP	Transition Impact	AIFRS
		\$	\$	\$	\$	\$	\$
CURRENT ASSETS							
Cash and cash equivalents		816,318	-	816,318	8,128,588	-	8,128,588
Trade and other receivables		21,254	-	21,254	70,755	-	70,755
TOTAL CURRENT ASSETS		837,572	-	837,572	8,199,343	-	8,199,343
NON-CURRENT ASSETS							
Receivables	(c)	259,125	(259,125)	-	9,982,691	(9,982,691)	-
Other financial assets	(c)	50,004	(50,004)	-	550,104	(550,104)	-
Property, plant and equipment		6,915	-	6,915	14,189	-	14,189
Exploration and evaluation expenditure		2,182,357	-	2,182,357	43,764	-	43,764
Other		20,000	-	20,000	30,000	-	30,000
TOTAL NON-CURRENT ASSETS		2,518,401	(309,129)	2,209,272	10,620,748	(10,532,795)	87,953
TOTAL ASSETS		3,355,973	(309,129)	3,046,844	18,820,091	(10,532,795)	8,287,296
CURRENT LIABILITIES							
Trade and other payables		164,782	-	164,782	773,258	-	773,258
Other		2,500,000	-	2,500,000	-	-	-
TOTAL CURRENT LIABILITIES		2,664,782	-	2,664,782	773,258	-	773,258
TOTAL LIABILITIES		2,664,782	-	2,664,782	773,258	-	773,258
NET ASSETS		691,191	(309,129)	382,062	18,046,833	(10,532,795)	7,514,038
EQUITY							
Issued capital		1,322,054	-	1,322,054	18,765,014	-	18,765,014
Accumulated losses	(c)	(630,863)	(309,129)	(939,991)	(718,181)	(10,532,795)	(11,250,976)
TOTAL EQUITY		691,191	(309,129)	382,062	18,046,833	(10,532,795)	7,514,038

notes to the financial statements (cont)

for the year ended 31 december 2005

21. AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont)

The following table sets out the adjustments to the income statements of the Company and the consolidated entity for the year ended 31 December 2004.

	Notes	Consolidated 2004		AIFRS	Company 2004		AIFRS
		AGAAP \$	Transition Impact \$		AGAAP \$	Transition Impact \$	
Revenue from the sale of coal bed methane	(a)	101,181	5,834	107,015	-	-	-
Financial income		507,943	-	507,943	507,943	-	507,943
Production and transport costs	(a)	(31,566)	(1,820)	(33,386)	-	-	-
Consultants' and administration expenses		(557,503)	-	(557,503)	(557,503)	-	(557,503)
Depreciation expense		(6,630)	-	(6,630)	(6,630)	-	(6,630)
Impairment loss	(c)	-	-	-	-	(10,223,667)	(10,223,667)
Other expenses		(31,128)	-	(31,128)	(31,128)	-	(31,128)
Loss before income tax expense		(17,703)	4,014	(13,689)	(87,318)	(10,223,667)	(10,310,985)
Income tax expense		-	-	-	-	-	-
Loss for the period		(17,703)	4,014	(13,689)	(87,318)	(10,223,667)	(10,310,985)

The effect of the above adjustments on retained earnings is as follows:

	Notes	Consolidated		Company	
		1 January 2004 \$	31 December 2004 \$	1 January 2004 \$	31 December 2004 \$
Impairment loss on investment in subsidiaries	(c)	-	-	(309,129)	(10,223,667)
Change of functional currency	(a)	-	4,014	-	-
Total adjustment to equity		-	4,014	(309,129)	(10,223,667)

There has been no effect on the Company's or consolidated entity's statements of cash flows.

directors' declaration

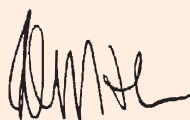
In the opinion of the directors of Planet Gas Limited:

- (a) the financial statements and notes thereto, set out on pages 31 to 55, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 31 December 2005 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia 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;
- (c) the directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 31 December 2005 pursuant to Section 295A of the Corporations Act 2001.

Signed at Sydney this 16th day of March 2006 in accordance with a resolution of the Board of Directors:



Norman A. Seckold
Director



Peter J. Nightingale
Director

independent audit report to the members of
planet gas limited



KPMG

additional stock exchange information

Additional information as at 28 February 2006 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.

Audit Committee

As at the date of the Directors' Report, there was no audit committee of the Board of Directors, because the small number of Directors comprising the Board does not warrant the formal constitution of such a committee.

Substantial Shareholdings

At 28 February 2006 the Register of Substantial Shareholders showed the following:

Altinova Nominees Pty Ltd	23,250,001 fully paid ordinary shares
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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.

As at 28 February 2006 the twenty largest quoted shareholders held 48.37% of the fully paid ordinary shares as follows:

Name	Number	%	Name	Number	%
1 Altinova Nominees Pty Ltd	23,250,001	13.77	11 Removale Pty Ltd	2,562,535	1.52
2 ANZ Nominees Ltd Cash Income A/C	13,294,147	7.88	12 Sharif A Oussa	2,000,001	1.18
3 Berpaid Pty Ltd	6,263,630	3.71	13 All States Secretarial Pty Ltd	2,000,000	1.18
4 Nitroshire Pty Ltd	4,000,000	2.37	14 Paradyn Holdings Pty Ltd	1,875,000	1.11
5 Mr Bruce Riederer	4,000,000	2.37	15 Mr P J & Mrs J A Bartter	1,704,500	1.01
6 Rosignol Pty Ltd	3,375,000	2.00	16 All-States Finance Pty Ltd	1,575,000	0.93
7 Mr Thomas J Mann	3,000,000	1.78	17 Citicorp Nominees Pty Ltd	1,529,158	0.91
8 Mr Anthony J McClure	3,000,000	1.78	18 Mr Geoffrey Charles Clarke	1,500,000	0.89
9 Trio Investments Pty Ltd	3,000,000	1.78	19 Standard Investments Pty Ltd	1,500,000	0.89
10 Mdm Thie Tjie Hoa	2,810,670	1.67	20 Ringwood Agricultural Company Pty Ltd	1,400,022	0.83

additional stock exchange information

Distribution of shareholders

As at 28 February 2006, the total distribution of fully paid shareholders, being the only class of equity, was as follows:

Range	Total Holders	Units	% Issued Capital
1 - 1,000	9	2,095	0.00%
1,001 - 5,000	54	194,344	0.12%
5,001 - 10,000	99	884,804	0.52%
10,001 - 100,000	543	25,165,675	14.91%
100,001 and over	190	142,553,087	84.45%
Total	895	168,800,005	100.00%

As at 28 February 2006, 14 shareholders held less than marketable parcels of 1,786 shares.

The Company had 48,250,005 fully paid ordinary shares released from escrow on 11 March 2006.

Use of Cash and Assets

Since the Company's listing on the Australian Stock Exchange, the Company has used its cash and assets that it had at the time of listing in a way consistent with its stated business objectives.

On Market Buy Back

There is no on market buy-back.

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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KPMG

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345 Queen Street

BRISBANE QLD 4000

Solicitors

Minter Ellison

88 Phillip Street

SYDNEY NSW 2000

Share Registrars

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PLANET GAS LIMITED

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