

30 August 2007

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

(33 pages by email)

Dear Madam,

**RE: HALF YEAR REPORT**

I attach the Company's Appendix 4D and Half Year Financial report for the half year ended 30 June 2007.

The attached information should be read in conjunction with the Company's most recent annual financial report for the year ended 31 December 2006.

Yours sincerely



Peter J. Nightingale  
Director

pjn4013

# Appendix 4D

## Half Year Report

Name of entity

<b>PLANET GAS LIMITED</b>
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ABN or equivalent company  
reference

<b>46 098 952 035</b>
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Financial year ended ('current period')

<b>30 JUNE 2007</b>
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### Results for announcement to the market

Revenues from ordinary activities	down	44%	to	\$181,518
Loss from ordinary activities after tax attributable to members	up	42%	to	\$866,528
Net loss for the period attributable to members	up	42%	to	\$866,528
<b>Dividends (distributions)</b>	Amount per security		Franked amount per security	
Final dividend	Nil		Nil	
Interim dividend	Nil		Nil	
Previous corresponding period				
Final dividend	Nil		Nil	
Interim dividend	Nil		Nil	
Record date for determining entitlements to the dividend.	N/A			
Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				
Refer attached audit reviewed Half Year Financial report.				
<b>NTA backing</b>	Current period		Previous corresponding period	
Net tangible asset backing per ordinary security	10.2 cents		12.3 cents	

**PLANET GAS LIMITED**  
and its controlled entities

A.B.N. 46 098 952 035

**INTERIM FINANCIAL REPORT  
FOR THE HALF YEAR ENDED  
30 JUNE 2007**

# PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

## CONTENTS

	<b>Page</b>
Directors' Report	1
Consolidated Interim Income Statement	19
Consolidated Interim Statement of Recognised Income and Expense	20
Consolidated Interim Balance Sheet	21
Consolidated Interim Statement of Cash Flows	22
Notes to the Financial Statements	23
Directors' Declaration	27
Independent Review Report	28
Corporate Directory	29

# PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

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The directors present their report together with the consolidated financial report and the auditors review report thereon for the half year ended 30 June 2007.

### Directors

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

#### **Norman A. Seckold, Executive Chairman**

Director since 4 December 2001.

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

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

Mr Seckold is currently a director of Bolnisi Gold N.L. and its partly owned Canadian listed subsidiary, Palmarejo Silver and Gold Corporation, which are exploring for precious metals in Mexico, Cockatoo Coal Limited, an Australian coal exploration and project development company, Kings Minerals N.L., a company exploring for precious and base metals in Australia and its Canadian listed subsidiary San Anton Resources Inc which is exploring for precious and base metals in Mexico.

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

Director since 4 December 2001.

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

As a director or company secretary Mr Nightingale has, for the past 20 years, been responsible for the financial control, administration, secretarial and in-house legal functions of a number of private and public listed companies in Australia, the USA and Europe including Pangea Resources Limited, Timberline Minerals Inc., Perseverance Corporation Limited, Valdora Minerals N.L. and ETT Limited. Mr Nightingale is currently a director or company secretary of Biotron Limited, Bolnisi Gold NL, Cockatoo Coal Limited, IMD Group Limited and Palmarejo Silver and Gold Corporation.

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

Director since 10 September 2003.

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

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

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

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

Director since 27 August 2003.

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

Mr McClure is currently a director of Bolnisi Gold N.L. and European Gas Limited.

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

Director since 19 November 2003.

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

Mr McDonald has been a director, secretary and/or legal advisor to a number of listed and unlisted public companies in the resources sector.

Mr McDonald is currently a director of Deep Yellow Limited.

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

Director since 20 August 2002 to 13 February 2007.

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

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

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

**Operating and Financial Review**

The consolidated entity has completed a number of significant achievements during the half year ended 30 June 2007 including the following highlights:

- West Esponda project tenement interest increased by 3,185 net hectares (41%) to 10,984 net hectares.
- West Esponda net GIP resources increased by 72.5 Bcf (71%) to 173.8 Bcf.
- West Esponda pilot production program dewatering continues.
- West Esponda project extension program commenced with 5 wells drilled.
- Permitting of the northern portion of the West Esponda project commenced.
- Gas production (not yet commercial quantities) increasing at East Esponda.
- Oriva Federal conventional oil and gas well completed and tied into production pipelines.
- A CDN\$50.0 million joint venture transaction to enable the development of the Company's USA projects.
- Proposed formation of a uranium company spin-off.
- Proposed sale of the Company's Australian CBM projects.

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

<b>Block/Project</b>	<b>Location</b>	<b>Area Net Hectares</b>
<b>USA</b>		
East Esponda	Powder River Basin, Wyoming	469
West Esponda	Powder River Basin, Wyoming	10,984
Oriva Throne	Powder River Basin, Wyoming	146
Oriva Federal	Powder River Basin, Wyoming	359
Skull Creek	Cherokee Basin, Kansas	11,573
<b>Australia</b>		
EL 4500	Gippsland Basin, Victoria	164,400
EL 4807	Gippsland Basin, Victoria	2,600
EL 4859	Gippsland Basin, Victoria	5,900
EL 4860	Gippsland Basin, Victoria	40,500
EL 4861	Gippsland Basin, Victoria	3,400
EL 4862	Gippsland Basin, Victoria	2,400
EL 4877	Gippsland Basin, Victoria	165,100
EL 4368	Otway Basin, Victoria	48,379
EL 4369	Otway Basin, Victoria	24,190
EL 4811	Otway Basin, Victoria	77,800
PELA 145	Willochra Basin, South Australia	619,432
PELA 146	Eromanga Basin, South Australia	267,786
PEL 428	Gunnedah Basin, New South Wales	150,842

# PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

### POWDER RIVER BASIN, WYOMING, USA

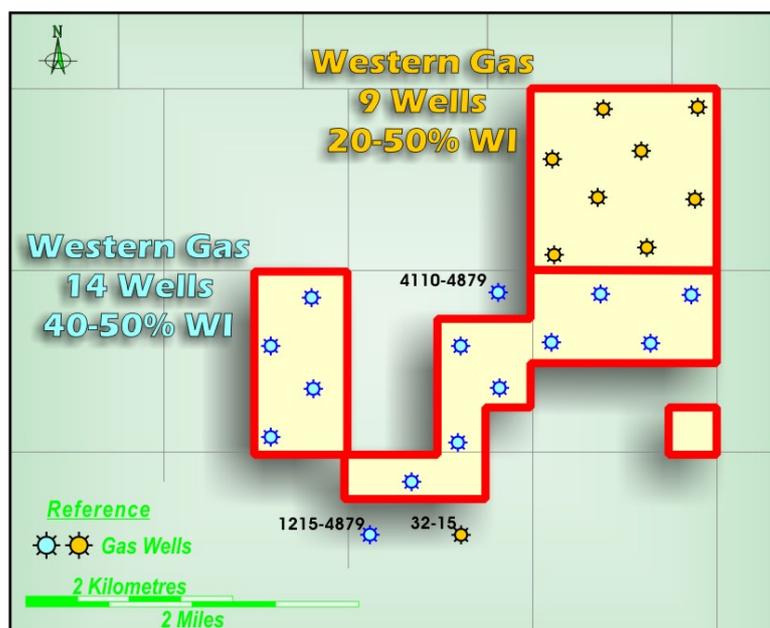
The Powder River Basin encompasses approximately 67,000 square kilometres in the northern Rocky Mountains of the USA straddling the northeast of Wyoming and the southeast of Montana. The Powder River Basin is estimated to contain more than one trillion short tons (0.9 trillion tonnes) of coal with potential CBM resources of over 25 trillion cubic feet. CBM production in the Powder River Basin has increased at a rapid rate since 1995 with production today of around 1,100 million cubic feet per day from over 16,000 producing wells.

### ESPONDA PROJECT

The Esponda Project comprises two project areas, East Esponda which has been developed under joint venture arrangements and is currently being dewatered in advance of the commencement of production and West Esponda which has begun to be developed by the completion of a pilot production program and an extension of that production program. The Esponda Project is located approximately 25 kilometres southeast of Buffalo, Wyoming, and totals 11,453 net hectares (28,303 acres) in Townships 47 to 50 North, Ranges 79 and 80 West, Johnson County, Wyoming.

#### East Esponda

The East Esponda project covers a total of 469 net hectares (1,160 acres). To date there have been 23 wells completed within the Company's East Esponda leasehold interests. These include 14 wells in the Big Cat Field and 9 in the Indian Creek Field. Although 3 wells are located exterior to the Company's leasehold (see diagram below), the Company retains an interest in these wells due to the State's mandated 32 hectare spacing orders in its proportional share.

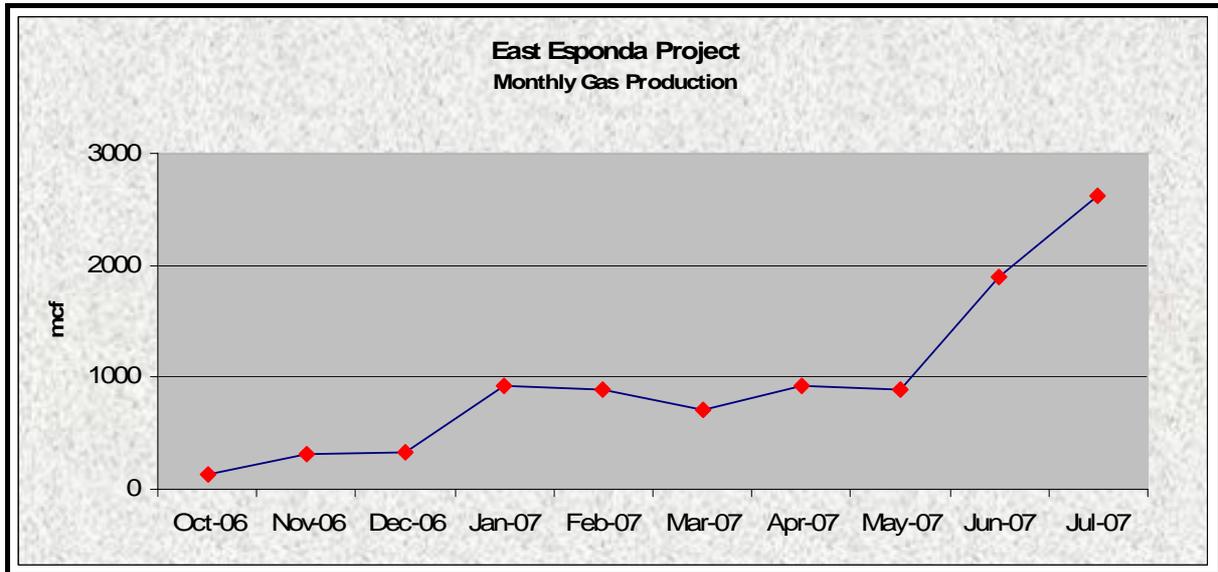


The Company's East Esponda project is situated in the Western Gas Indian Creek-Big Cat fields. Since the commencement of dewatering, production ranging between ~200 to +1,000 barrels water per day per well (bwpd/well) have been produced.

Of the 12 wells in Sections 2 and 9 of this area, a varying 5 or 6 wells are now contributing to gas production, although not yet of saleable quantities. As can be seen in the table below, monthly gas production from these wells continues to increase with a significant increase in June and July production as the dewatering program continues to advance the project towards commercial production.

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT**



**West Esponda**

The West Esponda Project is located approximately 110 kilometres west of Gillette, Wyoming, and totals 10,984 net hectares (27,143 acres) in Townships 47 to 50 North, Ranges 79 to 81 West, Johnson County. The West Esponda Project has the capacity for more than 340 wells on the State mandated 32 hectare (80 acre) spacing.

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

Geological mapping based on the Company's previous West Esponda pilot program wells and stratigraphic bores in this area of the deep Powder River Basin estimates that between 20 to 45 metres of coal is present. This estimate is supported by results from the Company's stratigraphic drilling program 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.

Development of the West Esponda project has begun in the northern portion of the West Esponda project where the Company's tenements have the capacity for approximately 106 contiguous or near contiguous well locations. To date, 10 wells have been completed in a pilot production program and a further 8 production wells in an extension program have been permitted and are currently being drilled. During the half year, permitting of the well locations in the northern portion of the West Esponda project was commenced with the field staking of the well locations in preparation for the development of these wells which will follow the completion of the Highlands Resources Inc transaction (refer Corporate Activities below).

*Acquisitions*

During the half year, the Company increased its interest in West Esponda project tenement holdings by 3,185 net hectares (7,871 acres), or approximately 41%.

Ten Federal mineral leases totalling 3,153 net hectares (7,791 acres) have been conveyed from Lance Oil and Gas, a subsidiary of Western Gas Resources-Anadarko to the Company.

# PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

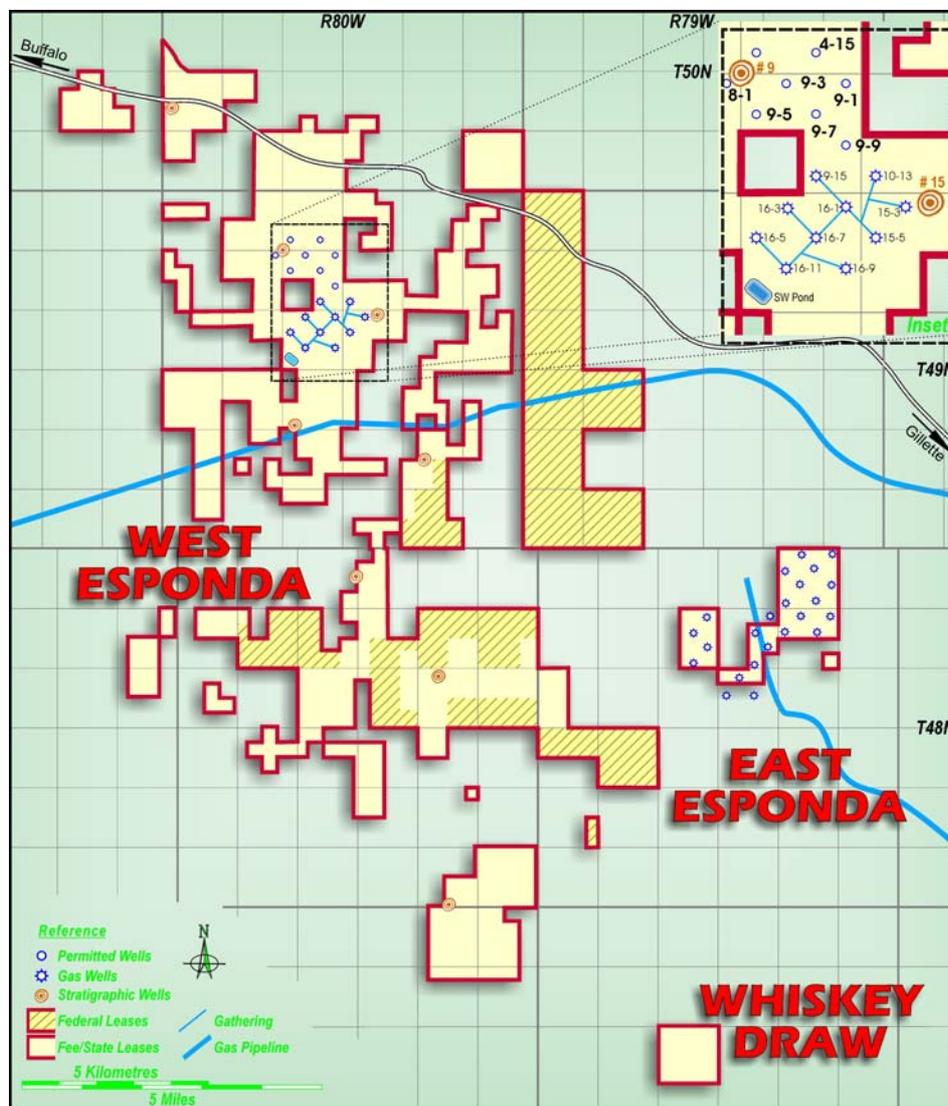
## DIRECTORS' REPORT

The new leases, shown as Federal Leases in the map below, are situated either adjoining or within a kilometre of the Company's West Esponda tenements in Townships 48 and 49 North, Ranges 79 and 80 West, Johnson County.

These leases are not restricted to CBM, but, like the Company's Oriva Federal project which is currently developing a conventional oil and gas project, convey all oil and gas rights to the Company. While the primary CBM target is the Big George Seam at depths of approximately 600 metres, conventional oil and gas prospects to depths greater than 2,500 meters are being evaluated.

Federal leases carry a 12.5% Federal royalty and these new leases also have an additional 5.5% to 7.5% overriding royalty payable. Thus, the Company's net revenue interest in these leases ranges between 80% and 82% and averages 80.9%.

In addition to the 10 Federal mineral leases, the Company further consolidated a minority freehold interest within the Esponda leasehold during the half year. This lease comprised 32 net hectares (80 acres).



Further strategic acquisitions are currently being negotiated.

# PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

### *Gas-In-Place Resources*

A Gas-In-Place ('GIP') resource calculation, based upon volumetric calculations for the Company's new Federal lease interests, has been estimated for 3 of the 5 regionally correlated coal seams. These coal seams are the three (upper, middle and lower) units of the Big George seam.

The Company's new Federal lease interests add 89.6 billion cubic feet ('Bcf') (gross) (72.5 Bcf net) to the Company's West Esponda project's GIP resources.

The following tabulates the West Esponda project's GIP resources:

<b>New Federal Area Gross GIP (MMcf)</b>	<b>Previous Esponda Area Gross GIP (MMcf)</b>	<b>Total Gross GIP (MMcf)</b>	<b>Total Net GIP (MMcf)</b>
89,577.8	158,650.5	248,228.3	173,846.1

This resource estimation was completed by Dr. Jimmy Goolsby of Goolsby, Finley & Associates ('GFA') of Casper Wyoming who are considered to be pre-eminent authorities on the CBM geology of the Powder River Basin, providing consulting services to the State's leading CBM producers and developers. Additionally, the State of Wyoming retained GFA to conduct a study of the CBM reserve potential of the Powder River Basin.

The GIP resource was calculated using 32 hectare (80 acre) blocks (legal drill spacing units), the seams' thicknesses (contour interpolation) and a gas content factor of up 100 standard cubic feet per ton depending on each coal seam's depth. The gas content factor is an estimation based on a published study by GFA completed on behalf of the State of Wyoming.

### *Pilot Production Program*

Located in the northern portion of the West Esponda project, a pilot production program, comprising 10 wells, has been developed and is currently in the dewatering phase. The commencement of production from these wells will be assisted by the development of the 8 well extension program which was commenced in June 2007.

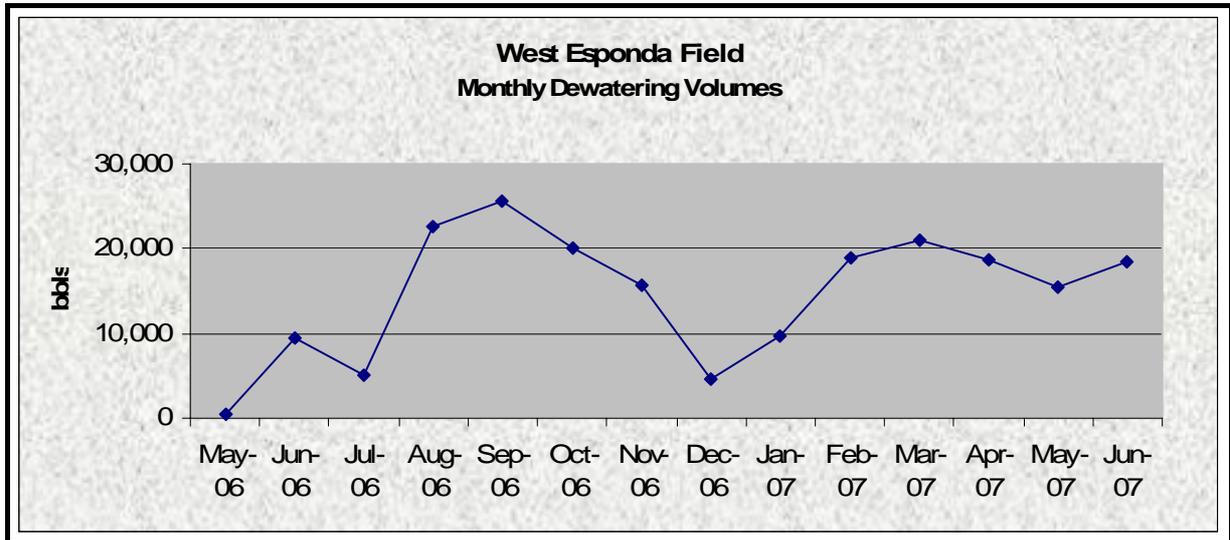
The sole focus of the pilot production program is CBM production from the Big George coal seam. Stratigraphic and pilot production program drilling has indicated that the Big George coal seam at the West Esponda Project is 17 to 22 metres thick. In addition, coals of 17 to 24 metres in total thickness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

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

During the half year, the 10 well pilot production program in the northern portion of the West Esponda project continued its dewatering period. Extreme, late northern hemisphere winter weather caused the loss of dewatering production due to two extended periods of subzero temperatures causing the generator's diesel fuel to 'gel' and the water outfall to freeze solid. As can be seen in the table below, dewatering improved towards normal levels in June 2007.

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT**



*Extension Program*

The extension program, which comprises 8 wells drilled in a staggered offsetting pattern, will total approximately 5,500 metres of drilling was initiated in June 2007. This development is situated immediately northwest of the existing 10 well pilot production program at West Esponda.

All 8 wells will be drilled in a continuous program by the contractor Texas Wyoming Drilling of Gillette, Wyoming. As with our prior drilling programs, on-site supervision will be carried out by Goolsby, Finley and Associates of Casper Wyoming.

All wells are being fully cased on reaching total depth. Well completions, including downhole cleanup, seam perforations, formation enhancement, pump installation, and in-field reticulation are to be initiated with the completion of the drilling portion. The existing generator to power in-well pumps will be utilised for these wells.

The estimated cost to drill and complete the eight wells is US\$2.0 million with a projected monthly operating cost of US\$25,000.

Wells drilled to date have recorded the following coal seam intercept results:

Well Name	Total Logged Depth (metres)	Total Coal Intercepts (metres)	Total Big George Interval (metres)
Esponda 9-5	700.3	31.1	14.6
Esponda 9-9	671.5	32.9	14.9
Esponda 9-7	662.3	35.7	17.7
Esponda 9-1	662.1	31.4	13.1
Esponda 8-1	680.8	29.0	13.7
Esponda 9-3	671.8	39.6	21.0
Esponda 4-15	671.8	35.1	15.8

*West Esponda Permitting*

The Company is required by the Federal Bureau of Land Management's Buffalo Field Office ('BLM-BFO') to develop a Plan of Development ('POD') to conduct CBM operations on its Federal lease interests. Approximately 125 CBM production wells are able to be developed on the new Federal lease interests based on the State mandated 32 hectare drill spacing units.

# PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

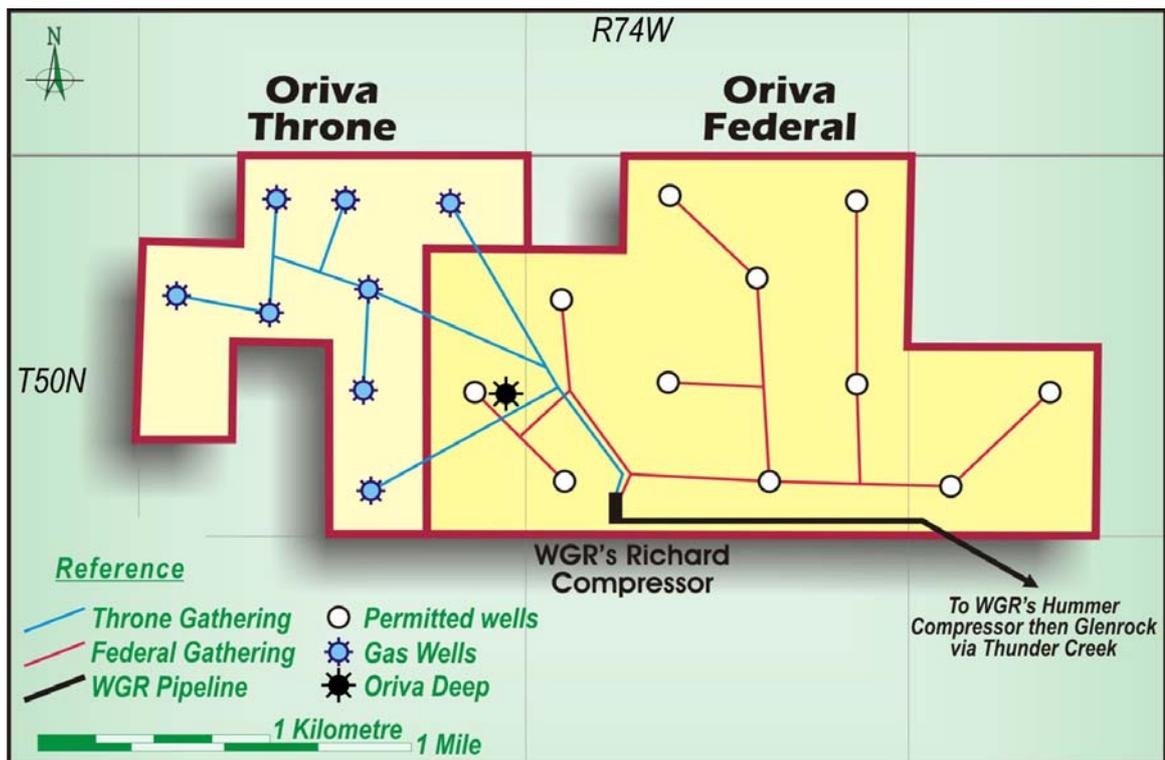
To meet the specific requirements of the POD process, the Company has initiated the requisite long lead items for the POD with seasonal wildlife surveys. These will continue through the northern hemisphere's 2008 winter season. Additional studies for archaeological and cultural heritage and the development of a Water Management Plan to contain the water generated from its well dewatering program are being evaluated.

### ORIVA PROJECT

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

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

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.



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

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

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

**Oriva Throne**

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

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

CBM production for the half year was as follows:

Coal Seam	CBM Production (Mcf)	Net Revenue Interest (Mcf)
Anderson	34,311	20,844
Felix	7,656	4,651
Wall	2,368	1,439
<b>Total</b>	<b>44,336</b>	<b>26,934</b>

During the half year, CBM production was sold for an average of US\$4.60 per Mcf for total net revenues of US\$123,896.

**Oriva Federal**

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

*CBM Development*

The fully permitted Oriva Federal project will develop 11 pad sites on the State mandated 32 hectare well spacing with three CBM production wells on each pad. Overall project development will involve the drilling of 33 wells totalling approximately 13,400 metres (44,000 feet), in-field piping for gas and water gathering 20,000 metres (66,000 feet), underground electrification for its pumping requirements and construction of multiple water retention reservoirs and pits. The Company's Water Management Plan provides for standard CBM style reservoirs either along or in ephemeral channels with the project designed to fully contain its water output of nearly 25,000 barrels of water per day in constructed earthen pits, called Off-Channel Containment Pits. In addition, two contracts for in-field gas compression and gas transportation to markets are in place.

*Conventional Oil and Gas Development*

Under the terms of a Conventional Oil and Gas Farmout Agreement, Carpenter & Sons and North Finn ('C&S-NF') of Casper, Wyoming, as Operator, earned an 81% NRI to conventional oil and gas (not coal bed methane which is retained by the Company) production in one half of the Oriva Federal leasehold by drilling test well Oriva Deep Federal No 9-8A. The completion of a second well will earn-in C&S-NF to the remaining leasehold interest.

The Company retains a 19% Net Revenue Interest which will cover all royalties (totalling 14.5%) and will retain a 4.5% Net Revenue Interest to conventional oil and gas production from the Oriva Federal leasehold. Further, for future wells, the Company has the option to convert its 4.5% NRI to a participating 20% Working Interest.

# **PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES**

## **DIRECTORS' REPORT**

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Late in 2006, the Oriva Deep Federal No 9-8A conventional oil and gas well on the Company's Oriva Federal property was completed to a depth of 2,949 metres (9,676 feet). The well has been cased to 2,944 metres (9,660 feet) in the Cretaceous Muddy Formation, the primary target, as a potential natural gas and condensate or oil producer.

In addition to the primary Cretaceous Muddy Formation target, gassy Cretaceous aged fractured shales situated above the primary target were intercepted and will continue to be evaluated for potential oil and gas production. The Muddy pay zone found in Well No.9-8A is similar to that found in the nearby Amos Draw field, located 3 miles northwest, which has a cumulative production of 2.7 million barrels of oil and 67 Bcf of gas since its discovery in 1982. The Kingsbury Creek field has also produced commercial oil and gas since its discovery in 1968; it is located 1.6 kilometres (1.0 mile) mile southeast and has produced 627,000 barrels of oil and 11 Bcf of gas.

The Company has been advised by C&S-NF, as Operator, that production testing initially commenced before the Oriva Deep Federal No 9-8A well had been tied into an existing Western Gas-Anadarko pipeline which is less than 1.6 kilometres (1.0 mile) from the well. Western Gas-Anadarko has advised the Operator that it will restrict the daily gas production to its compressor due to the high pipeline pressure that the Oriva Deep Federal No 9-8A is delivering. The Operator is evaluating piping alternatives and will be continue its production testing.

Preliminary daily flow tests are producing 15 to 20 barrels oil per day and 80 to 100 Mcf of gas per day. Testing is continuing.

A second deep well is being proposed to the US Bureau of Land Management for their approval with drilling planned in the near future.

In addition to Oriva Deep Federal well No 9-8A, on the basis of 65 hectare (160 acre) spacings, there are an additional 5 Muddy well locations which are able to be developed on the Oriva Federal project.

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

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

### **SKULL CREEK PROJECT**

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

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

Field activities have been temporarily suspended due to the termination by the Company of the third party operator. The Company expects to resume field activities during the third quarter 2007. Dewatering of the Cherokee coals will recommence with an overall testing period of several months being anticipated before a final decision to drill and complete additional production wells will be made.

# PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

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### AUSTRALIAN OPERATIONS

The Company holds rights to prospective CBM projects in the Gippsland and Otway Basins of Victoria, the Eromanga and Willochra Basins of South Australia and the Gunnedah Basin of New South Wales. The Company continues its data collation program leading to the development of further exploration programs in Victoria. Work programs have been prepared for ELs 4807, 4859, 4860, 4861, 4862 and 4877 in the Gippsland Basin and EL4811 in the Otway Basin. ELs 4368 and 4369 in the Otway Basin were granted in February 2007 and now form part of the active exploration program in Victoria. In addition, the Company continues its appraisal program of other potential CBM prospects in Australia.

#### Gippsland Basin, Victoria

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

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

During the half year a number of tenements in Gippsland were subject to statutory reductions as prescribed by the Department of Primary Industries, Victoria. The Company now controls a total area of approximately 3,843 square kilometres.

The consolidated entity plans to drill up to eighteen stratigraphic holes totalling up to 14,000 metres on portions of its Gippsland tenements to depths of up to 1,000 metres to evaluate the prospective CBM potential of the Cretaceous Strzelecki Group. With the exception of the Cape Paterson region, the historic black coal mining centres in and around the communities of Korumburra, Outtrim-Jumbunna, Wonthaggi and Kilcunda-Woolami as well as the Koo-Wee-Rup coalfield will receive stratigraphic bore evaluations in the consolidated entity's initial evaluation.

During the half year, the work programs for ELs 4807 and 4500 were modified to facilitate the drilling of a twin hole to GS13 drilled last year. Approval for the twin hole was obtained. The Company is preparing work programs for three other leases in Gippsland.

As all of the Gippsland ELs have active registered work plans the Company will be able to continue its exploration appraisal of the Gippsland Basin.

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

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

#### Otway Basin, Victoria

The Otway Basin Project is adjacent to the South Australian border and alongside the route of the South East Australia gas pipeline. During the half year ELs 4368 and 4369 were granted and it is now possible to start exploration work on this area which is adjacent to EL 4811.

A work program to facilitate the drilling of up to four 1,200 metre stratigraphic test holes on EL 4811 has been approved and registered with the Department of Primary Industries. Drill testing on EL 4811 is scheduled to begin as soon as the Company is able to source the required drilling rig.

# PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

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### Gunnedah Basin, New South Wales

PEL 428 covers an area of 6,021 square kilometres in northern New South Wales and lies immediately north and west of Eastern Star Gas Limited's ('Eastern Star Gas') PEL 238 permit which contains the Coonarah Gas Field, the Wilga Park Power Station and the Bohena coal seam gas pilot. Eastern Star Gas is funding Comet Ridge Limited's expenditure commitment at present and is the operator. No significant exploration work was completed during the half year but a planned Seismic Survey on PEL 428 was successfully completed during August 2007.

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

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

### OTHER

#### Share Placements

During the half year the Company issued 4,197,317 new shares to Cornell Capital, LP as repayment of \$1.25 million under the convertible loan agreement of 11 December 2006.

On 4 May 2007 the Company completed a placement of 9,000,000 new shares at an issue price of \$0.31 per share to raise \$2.79 million to provide funds for the continued development and exploration of the consolidated entity's CBM projects and for working capital purposes.

#### Corporate Activities

During the half year, the Company commenced the following corporate initiatives:

- A transaction with Highland Resources Inc.
- The proposed formation of a uranium exploration company, Callabonna Uranium Limited.
- The proposed sale of the Company's Australian CBM projects to Greenpower Energy Limited.

#### *Highland Resources Inc. Transaction*

A Letter of Intent was executed with Highland Resources Inc ('Highland') (TSX-V: HI.P), a Canadian capital pool company listed on the TSX-Venture Exchange ('TSX-V') whereby it is proposed that Highland will enter into a Joint Venture Agreement with the following material terms:

- The Company will remain as operators of the Company's USA projects during the term of the Joint Venture Agreement.
- Highland will have the right to earn a 50% interest in the Company's USA projects by spending CDN\$50.0 million over a 5 year earn in period, subject to certain milestone events.
- Subject to achieving the milestone events, Highland or its subsidiaries will have the right to buy out the Company's USA projects by the issue of 66.0 million Highland shares and 10.0 million 5 year warrants, each exercisable to acquire 1 Highland share at CDN\$1.00.

Highland's CDN\$50.0 million earn in milestone events are as follows:

- CDN\$8.0 million per annum expenditure for 5 years on the projects held by the Company's USA subsidiaries.
- CDN\$2.0 million per annum payment to the Company for 5 years with the first payment in 15 months.

Highland will earn a 10% interest in the joint venture over the Company's USA projects for each CDN\$10.0 million of expenditure.

# PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

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Completion of the Joint Venture Agreement is subject to a number of conditions precedent, including satisfactory completion of due diligence reviews by the Company and Highland and receipt of any necessary regulatory approvals.

Highland is a Canadian Capital Pool Company (as defined by the TSX-V Policy 2.4) which was incorporated on 7 June 2006. Its principal business is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction for the purposes of satisfying the listing requirements of the Canadian TSX-V. It is expected that this proposed transaction will act as a Qualifying Transaction.

Highland currently has the following equity securities on issue:

Fully paid ordinary shares	4,000,001
5 year CDN\$0.20 options	400,000
2 year CDN\$0.20 options	200,000

Dundee Securities Corporation ('Dundee') has agreed to act as agent in connection with a best-efforts financing (the 'Financing') of up to 20.0 million Highland units (the 'Units') at a price of CDN\$1.00 per Unit for total gross proceeds of up to CDN\$20.0 million, where each Highland Unit will be comprised of one common share in the capital of Highland (a 'Common Share') and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant a 'Warrant'). Each Warrant will entitle the holder thereof to acquire one Highland common share for a period of 24 months following the closing of the offering at an exercise price of CDN\$1.40.

In addition, Dundee will have the option (the 'Agent's Option') to sell an additional 5.0 million Units at CDN\$1.00 per Unit exercisable at any time up to the closing of the Financing.

In consideration of the services provided by Dundee in connection with the Financing, Dundee will be entitled to receive a cash commission equal to 6% of the gross proceeds raised under the Financing and that number of broker warrants (the 'Broker Warrants') equal to 6% of the number of Units issued pursuant to the Financing. Each Broker Warrant will entitle the holder thereof to acquire one Unit at CDN\$1.00 per Unit for a period of 24 months following the closing of the Offering.

The closing of the Financing is conditional upon, among other things:

- Highland entering into the Joint Venture Agreement with the Company on substantially the terms set forth in the Letter of Intent between the Company and Highland.
- The entering into of the JV Agreement will constitute a 'Qualifying Transaction' (as such term is defined in the TSX-V Corporate Finance Manual) for Highland.
- Each of Messrs James Crombie, David Fennell and Bruce McLeod, shall have been appointed or elected to the Board of Directors of Highland.

### *Callabonna Uranium Limited IPO*

The Company entered into a binding Heads of Agreement with Touchstone Management Pty Ltd ('Touchstone') to form the basis of a company, Callabonna Uranium Limited ('Callabonna'), which is proposed to be listed for quotation by the Australian Stock Exchange Limited ('ASX').

Callabonna's operating activities will be focused on uranium exploration, initially in South Australia and the Northern Territory.

Planet shareholders will be offered an entitlement to participate in the Callabonna IPO and Planet will hold approximately 23.3% of Callabonna after a proposed \$10.0 million IPO capital raising.

In summary, Planet and Touchstone have rights to exploration licences and exploration licence applications with uranium potential totalling approximately 8,835 square kilometres in South Australia and the Northern Territory ('Project Area').

# PLANET GAS LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

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Planet and Touchstone have agreed to sponsor an IPO of Callabonna. In the event that the Callabonna IPO is not completed by 1 November 2007, Planet and Touchstone will explore and exploit the Project Area by way of a joint venture whereby Planet can earn a 70% interest in the joint venture by expenditure of \$8.0 million within 4 years.

In addition to Planet assigning its exploration licence application areas to Callabonna, Planet has reimbursed Touchstone \$120,000 for prior expenditures and will issue 4.0 million Planet shares to Touchstone or its nominees.

Planet will fund exploration to a minimum extent of \$350,000 on the Project Area over the next four months. This expenditure will be reimbursable from the proceeds of a successful Callabonna IPO.

Touchstone will receive a royalty on production and sale of all minerals as follows:

- Minerals other than uranium at a 2% net smelter return.
- Geothermal energy at 2% of gross sales.
- Uranium on a sliding scale from 0.5% (if the uranium price is less than \$20 per pound) increasing to 5.0% (if the uranium price is \$200 per pound or greater).

Callabonna's commercial intent and principle business will be the exploration and exploitation of the uranium potential of the Project Area.

Under the proposed IPO, which is to be completed by 1 November 2007, 50.0 million shares will be offered at \$0.20 per share to raise \$10.0 million (with a minimum of \$8.0 million after costs of the issue). Oversubscriptions will be considered at the time of completion of the IPO documentation.

On the basis of a \$10.0 million capital raising under the IPO, the public, the Company, Touchstone and other parties will hold the following percentage interests in Callabonna:

Shareholder Group	Shares	%
Public subscription (IPO)	50,000,000	45.4
Existing Touchstone shareholders	33,000,000	30.0
Planet shareholding	25,600,000	23.3
Other existing shareholders	1,400,000	1.3
Total	110,000,000	100.0

Planet shareholders will be offered an opportunity to participate in the Callabonna IPO on a priority basis. Terms of this priority will be detailed in the Callabonna prospectus.

The Board of Directors of Callabonna will comprise two Planet nominees, one of whom will be Chairman, and three Touchstone nominees each of whom may be executive directors.

The Company has applied for mineral exploration licences covering an area of approximately 4,128 square kilometres in the Northern Territory. Touchstone holds or controls exploration licence areas in the Frome Embayment near Lake Callabonna in South Australia covering an area of approximately 3,370 square kilometres (known as the Curnamona project) and applications for mineral licences in the Northern Territory covering an area of approximately 1,337 square kilometres.

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

Tenement	Location	Area (Km <sup>2</sup> )
EL274/06	South Australia	131.0
EL275/06	South Australia	777.0
EL276/06	South Australia	908.0
EL277/06	South Australia	528.0
EL677/06	South Australia	125.0
EL679/06	South Australia	901.0
ELA25956	Northern Territory	957.7
ELA25957	Northern Territory	1,624.0
ELA25958	Northern Territory	1,546.0
ELA26006	Northern Territory	797.3
ELA26012	Northern Territory	376.6
ELA26040	Northern Territory	163.3
<b>Total</b>		<b>8,834.9</b>

All of these areas are considered to be prospective for uranium and will form the basis for Callabonna's exploration activities and IPO.

The Company's initial focus will be to explore the Curnamona project located in the Frome Embayment in South Australia. The first stage will be an airborne electromagnetic survey to map channels and structure throughout the region with infill in the areas where channels or structure are indicated from previous work. Based on the results from this airborne survey and interpretation of existing data, the Company expects to target favourable structural belts and channels for follow up drilling.

*Greenpower Energy Limited*

The Company entered into an agreement with Greenpower Energy Limited ('Greenpower') to sell the Company's Australian CBM projects to Greenpower, which is proposed to be listed for quotation by the ASX.

In summary, the Company has agreed to sell its Australian CBM projects by selling its subsidiary companies which hold the tenements for 12.5 million fully paid ordinary Greenpower shares.

Completion of the sale is conditional upon a number of conditions precedent including that the ASX approves admission of Greenpower to the official list of the ASX following successful completion of its IPO.

Greenpower's operating activities will be focused the exploration, appraisal, drilling and development of CBM projects in Australia, including two hydrocarbon exploration permits it currently holds in the Perth Basin of Western Australia and the Planet exploration 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. Greenpower will also consider new acquisitions.

With the Company's focus on its USA based CBM projects, particularly the Powder River Basin projects, this proposed transaction will facilitate increased exploration and development of the Company's Australian CBM projects whilst allowing the Company to retain an interest in the future possible success of the projects.

Planet shareholders will be offered an entitlement to participate in the Greenpower IPO and Planet will hold approximately 16.5% of Greenpower after a proposed \$8.0 million IPO capital raising.

Under the proposed IPO, 40.0 million shares will be offered at \$0.20 per share to raise \$8.0 million. The minimum subscription amount is \$6.0 million and oversubscriptions may be accepted through the issue of a further 10.0 million new shares for a maximum subscription of \$10.0 million.

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

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On the basis of an \$8.0 million capital raising under the IPO, the capital structure of Greenpower will be as follows:

Shareholder Group	Shares	%
Public subscription (IPO)	40,000,000	52.7
Existing Greenpower shareholders	23,421,110	30.8
Planet shareholding	12,500,000	16.5
Total	75,921,110	100.0

Planet shareholders will be offered an opportunity to participate in the Greenpower IPO on a priority basis. Terms of this priority will be detailed in the Greenpower prospectus.

**Responsibility Statement**

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

**Lead Auditor's Independence Declaration**

The lead auditor's independence declaration is set out on page 18 and forms part of the Directors' Report for the half year ended 30 June 2007.

Signed at Sydney this 30th day of August 2007  
in accordance with a resolution of the Board of Directors:



**Norman A. Seckold**  
Director



**Peter J. Nightingale**  
Director



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

To the Directors of Planet Gas Limited:

I declare that, to the best of my knowledge and belief, in relation to the review for the six month period ended 30 June 2007, there have been:

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

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

**KPMG**

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

**S.J. Board  
Partner**

30 August 2007

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**CONSOLIDATED INTERIM INCOME STATEMENT  
FOR THE HALF YEAR ENDED 30 JUNE 2007**

	Notes	Consolidated	
		Six Months Ended 30 June 2007 \$	Six Months Ended 30 June 2006 \$
<b>Revenue from sale of coal bed methane</b>		<b>152,728</b>	<b>270,680</b>
Production and transport costs		(364,199)	(363,783)
Administration and consultants' expenses		(412,845)	(316,138)
Audit fees		(14,018)	(34,548)
Depreciation expense		(3,156)	(4,877)
Amortisation expense		(74,784)	(91,239)
Travel expense		(35,206)	(89,405)
Other expenses		(27,434)	(31,792)
<b>Results from operating activities</b>		<b>(778,914)</b>	<b>(661,102)</b>
Financial income		28,790	52,217
Financial expenses		(116,404)	-
<b>Net financing income/(expenses)</b>		<b>(87,614)</b>	<b>52,217</b>
<b>Loss before income tax</b>		<b>(866,528)</b>	<b>(608,885)</b>
Income tax expense relating to ordinary activities		-	-
<b>Loss for the period</b>		<b>(866,528)</b>	<b>(608,885)</b>
Basic loss per share	5	<u>(0.46) cents</u>	<u>(0.35) cents</u>
Diluted loss per share	5	<u>(0.46) cents</u>	<u>(0.35) cents</u>

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**CONSOLIDATED INTERIM STATEMENT OF  
RECOGNISED INCOME AND EXPENSE  
FOR THE HALF YEAR ENDED 30 JUNE 2007**

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	Consolidated	
	Six Months Ended 30 June 2007 \$	Six Months Ended 30 June 2006 \$
Foreign exchange translation differences	(1,230,317)	39,775
<b>Net income recognised directly in equity</b>	(1,230,317)	39,775
<b>Loss for the period</b>	(866,528)	(608,885)
<b>Total recognised income and expense for the period</b>	(2,096,845)	(569,110)

Other movements in equity arising from transactions with owners as owners are set out in note 6.

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**CONSOLIDATED INTERIM BALANCE SHEET  
AS AT 30 JUNE 2007**

	Notes	Consolidated	
		30 June 2007 \$	31 December 2006 \$
<b>Current assets</b>			
Cash and cash equivalents		1,781,700	1,065,779
Trade and other receivables		122,769	153,540
Other		37,079	141,485
<b>Total current assets</b>		<u>1,941,548</u>	<u>1,360,804</u>
<b>Non-current assets</b>			
Property, plant and equipment		15,816,520	15,868,596
Exploration and evaluation expenditure		4,801,118	5,067,856
Other		355,574	189,515
<b>Total non-current assets</b>		<u>20,973,212</u>	<u>21,125,967</u>
<b>Total assets</b>		<u>22,914,760</u>	<u>22,486,771</u>
<b>Current liabilities</b>			
Trade and other payables		764,051	852,583
Borrowings		650,418	1,900,418
<b>Total current liabilities</b>		<u>1,414,469</u>	<u>2,753,001</u>
<b>Non-current liabilities</b>			
Other payables		1,465,555	1,502,689
<b>Total non-current liabilities</b>		<u>1,465,555</u>	<u>1,502,689</u>
<b>Total liabilities</b>		<u>2,880,024</u>	<u>4,255,690</u>
<b>Net assets</b>		<u>20,034,736</u>	<u>18,231,081</u>
<b>Equity</b>			
Issued capital	6	26,889,388	22,988,889
Option premium reserve		46,058	46,058
Retained losses	7	(4,050,146)	(3,183,618)
Foreign currency translation reserve		(2,850,564)	(1,620,248)
<b>Total equity</b>		<u>20,034,736</u>	<u>18,231,081</u>

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 30 JUNE 2007**

	<b>Consolidated</b>	
	<b>Six Months Ended 30 June 2007 \$</b>	<b>Six Months Ended 30 June 2006 \$</b>
<b>Cash flows from operating activities</b>		
Cash receipts from customers	181,168	450,920
Cash paid to suppliers	(466,276)	(473,853)
Payments for production	(352,602)	(516,421)
Cash generated from operations	(637,710)	(539,354)
Interest received	19,230	45,498
<b>Net cash from operating activities</b>	<b>(618,480)</b>	<b>(493,856)</b>
<b>Cash flows from investing activities</b>		
Payments for exploration and evaluation expenditure	(210,857)	(525,896)
Payments for acquisitions of exploration areas	(127,426)	(361,815)
Payments for development expenditure	(937,951)	(1,972,421)
Payments for capitalised production costs	(7,574)	(55,351)
Payments for plant and equipment	-	(1,505)
<b>Net cash from investing activities</b>	<b>(1,283,808)</b>	<b>(2,916,988)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	2,790,000	4,000,000
Costs of share issue	(139,500)	(12,800)
Interest paid	(26,041)	-
<b>Net cash from financing activities</b>	<b>2,624,459</b>	<b>3,987,200</b>
Net increase in cash and cash equivalents	722,171	576,356
Cash and cash equivalents at the beginning of the financial period	1,065,779	1,530,861
Effect of exchange rate fluctuations on cash held	(6,250)	3,661
<b>Cash and cash equivalents at the end of the financial period</b>	<b>1,781,700</b>	<b>2,110,878</b>

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2007**

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**NOTE 1 - REPORTING ENTITY**

Planet Gas Limited (the 'Company') is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the half year ended 30 June 2007 comprises the Company and its subsidiaries (together referred to as the 'Group').

The consolidated annual financial report of the Group as at and for the year ended 31 December 2006 is available upon request from the Company's registered office at Level 8, 261 George Street, Sydney, NSW, 2000 or at [www.planetgas.com](http://www.planetgas.com).

**NOTE 2 - STATEMENT OF COMPLIANCE**

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 31 December 2006.

This consolidated interim financial report was approved by the Board of Directors on 30 August 2007.

**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES**

Except as described below, the accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 31 December 2006.

The Group has elected to early adopt AASB 2007-4 Amendments to Australian Accounting Standards arising from ED151 and Other Amendments (April 2007) (AASB 2007-4).

**NOTE 4 - ESTIMATES**

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 December 2006.

<b>Consolidated</b>	
<b>30 June 2007</b>	<b>30 June 2006</b>
<b>\$</b>	<b>\$</b>

**NOTE 5 - LOSS PER SHARE**

Basic loss per share has been calculated using:

Net loss for the half year	866,528	608,885
Weighted average number of ordinary shares	187,700,321	174,808,292

There are no dilutive potential ordinary shares.

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2007**

**NOTE 6 - ISSUED CAPITAL**

	<b>30 June 2007</b>	<b>31 December 2006</b>
	\$	\$
<b>Fully paid ordinary shares</b>		
195,917,403 (31 December 2006 – 182,720,086) fully paid ordinary shares	26,889,388	22,988,889

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

During the half-year ended 30 June 2007:

- The company issued 4,197,317 new shares to Cornell Capital, LP as repayment of \$1,250,000 under the convertible loan agreement of 11 December 2006.
- The Company issued 9,000,000 shares for cash totalling \$2,790,000. There were no amounts unpaid on shares issued. Transaction costs of \$139,500 were recognised as a reduction of the proceeds of issue in these shares.

	<b>Consolidated</b>	
	<b>Six Months Ended 30 June 2007</b>	<b>Six Months Ended 30 June 2006</b>
	\$	\$
<b>NOTE 7 - RETAINED LOSSES</b>		
Retained losses at the beginning of the half year	3,183,618	1,499,224
Net loss attributable to members of the parent entity	866,528	608,885
	4,050,146	2,108,109
Retained losses at the end of the half year	4,050,146	2,108,109

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2007**

**NOTE 8 - FINANCIAL REPORTING BY SEGMENTS**

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

<b>Geographical Segments</b>	<b>Australia</b>	<b>United States</b>	<b>Consolidated Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>30 June 2007</b>			
<b>Revenue</b>			
External segment revenue	-	152,728	152,728
Unallocated revenue			28,790
			<hr/>
<b>Total revenue</b>			<b>181,518</b>
			<hr/> <hr/>
<b>Result</b>			
Segment result	-	(366,639)	(366,639)
Tax expense			-
Unallocated corporate expenses			(499,889)
			<hr/>
<b>Net loss</b>			<b>(866,528)</b>
			<hr/> <hr/>
<b>Assets</b>			
Segment assets	4,493,705	18,413,339	22,907,045
Unallocated corporate assets			7,715
			<hr/>
			<b>22,914,760</b>
			<hr/> <hr/>
<b>Liabilities</b>			
Segment liabilities	49,500	2,180,106	2,229,606
Unallocated liabilities			650,418
			<hr/>
			<b>2,880,024</b>
			<hr/> <hr/>

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2007**

**30 June 2006**

<b>Revenue</b>			
External segment revenue	-	270,680	270,680
Unallocated revenue			52,217
<b>Total revenue</b>			322,897
<b>Result</b>			
Segment result	-	(132,835)	(132,835)
Tax expense			-
Unallocated corporate expenses			(476,050)
<b>Net loss</b>			(608,855)
<b>Assets</b>			
Segment assets	4,529,558	17,813,988	22,343,546
Unallocated corporate assets			11,893
			22,355,438
<b>Liabilities</b>			
Segment liabilities	83,155	1,954,955	2,038,110

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

**NOTE 9 - CONTROLLED ENTITIES**

*Parent Entity*

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

*Wholly-Owned Controlled Entities*

Davidson Prospecting Pty Limited, incorporated in Australia.

Greenpower Energy Pty Limited, incorporated in Australia.

Indpro Consulting Pty Limited, incorporated in Australia.

Sawells Pty Limited, incorporated in Australia.

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

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

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

During the half-year ended 30 June 2007, the Company acquired Indpro Consulting Pty Limited, an Australian wholly owned subsidiary, for an initial investment of \$100 and the fair value of the net assets acquired was \$100.

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' DECLARATION**

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In the opinion of the directors of Planet Gas Limited:

- (a) the financial statements and notes set out on pages 19 to 26, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2007 and of its performance for the six month period ended on that date; and
  - (ii) complying with Australian Accounting Standards AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed at Sydney this 30th day of August 2007  
in accordance with a resolution of the Board of Directors:



**Norman A. Seckold**  
Director



**Peter J. Nightingale**  
Director



## Independent auditor's review report to the members of Planet Gas Limited

### Report on the financial report

We have reviewed the accompanying interim financial report of Planet Gas Limited, which comprises the consolidated interim balance sheet as at 30 June 2007, consolidated interim income statement, consolidated interim statement of recognised income and expense and consolidated interim cash flow statement for the 6 month interim period ended on that date, a description of accounting policies and other explanatory notes 1 to 9, and the directors' declaration of the Group comprising the company and the entities it controlled at the interim period's end or from time to time during the interim period.

### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2007 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Planet Gas Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Planet Gas Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2007 and of its performance for the 6 month interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

**S.J. Board**  
Partner

30 August 2007

**PLANET GAS LIMITED  
AND ITS CONTROLLED ENTITIES**

**CORPORATE DIRECTORY**

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**Directors:**

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

**Company Secretary:**

Mr Peter J. Nightingale

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

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**Auditors:**

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

**Share Registrar:**

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

**Solicitors:**

Minter Ellison  
88 Phillip Street  
SYDNEY NSW 2000