

REVIEW OF OPERATIONS

Summary

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

In the Cooper Basin of South Australia, the Company saw the continuation of oil exploration activities with Senex Energy Limited ('Senex') along with the entry of Origin Energy Limited ('Origin') into a substantial tight gas exploration program.

During 2014:

- The Company established a 5 year US\$15 million debt facility with Macquarie Bank Limited to assist with funding the purchase of oil and gas royalties in the United States of America. The first drawdown against the facility was made in February 2015 with the completion of the first oil and gas royalty transaction.
- Initial cash flows to the Company commenced in February 2015.
- Farm-in agreements were entered into with Origin and Senex providing for Planet Gas to be free carried for expenditure of up to \$80 million of tight gas exploration program expenditure.
- 'Cordillo' 3D seismic processing and interpretation covering 158.7 km² was completed.
- 'Dundinna' 3D seismic processing and interpretation covering 163.9 km² was completed.
- Drilling of Hathi-1 and Bagherra East-1 oil exploration wells was concluded.
- 'Jonothon' and 'Mudrangie' 3D seismic surveys were approved and scheduled for recording in the first half of 2015.



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Corporate Activities

Oil and Gas Overriding Royalty Acquisition and Funding Facility

In August 2014, the Company reached an understanding with Macquarie Bank Limited for the purchase of a 3.0% Overriding Royalty Interest ('ORRI') over established oil and gas production assets in Kansas, Pennsylvania and New York State which total approximately 500,000 barrels of oil equivalent per annum.

In October 2014 the Company established a 5 year US\$15 million debt facility provided by Macquarie Bank Limited. At 31 December 2014 the facility was yet to be drawn down.

In February 2015, the purchase of the ORRI was finalised. The total purchase consideration of US\$4.45 million was funded by US\$1.25 million from the Company's existing cash reserves and US\$3.2 million drawdown on the Macquarie Bank Limited facility. The US\$3.2 million is to be repaid US\$150,000 per annum for four years and a final payment of US\$2.6 million in year 5.

Origin Energy and Senex Energy PEL 638 Gas Farm-Out

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

As part of the agreements, a new permit, PEL 638, was excised from PEL 514 (now PRL 118 through PRL 128). PEL 638 is administered by two joint ventures; the PEL 638 Deeps joint venture (the subject of the farm-in by Origin) and the PEL 638 Shallows joint venture (subject to the farm-in by Senex).

The PEL 638 Deeps work program is split into Stage 1 and Stage 2 with total expenditure of up to \$80 million. Stage 1 will evaluate the potential of the tight gas sands, provide exposure to gas in shales and deep coal seams and provide proof of concept of the Permian system. Stage 2 would evaluate the commercial viability of the gas resource by undertaking extended flow testing through a separate pilot program.

Planet Gas' 12.5% interest in PEL 638 Deeps is free carried for its share of expenditure of up to \$80 million across the two Stages. In the event that Origin proceeds with Stage 2 of the farm-in program Planet Gas' interest will be reduced to 10%.

The existing farm-in arrangements between Planet Gas and Senex with regards to oil exploration will continue in PEL 638 Shallows and in PRL 118 through PRL 128 (previously called PEL 514). Planet Gas' 20% interest continues to be free carried by Senex for oil exploration.

Expiration of Unlisted Options

In August 2014, 70,500,000 unquoted options expired unexercised and the Company now has no options on issue.

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Overriding Royalty Interest, United States of America

During 2014, the Company announced its plans to enter into an agreement with Macquarie Americas Corporation (a Macquarie Bank Limited subsidiary) for the purchase of a 3.0% Overriding Royalty Interest ('ORRI') over established oil and gas production assets in Kansas, Pennsylvania and New York State which total approximately 500,000 barrels of oil equivalent per annum (see Figure 1).

Purchase consideration was US\$4.45 million, with US\$1.25 million funded from the Company's existing cash reserves and US\$3.2 million by a drawdown from a 5 year US\$15.0 million debt facility provided by Macquarie Bank Limited which will be repaid US\$150,000 per annum for four years plus a final payment of US\$2.6 million.

Towards the end of the year, registration of each licence continued across each relevant county in Kansas, Pennsylvania and New York State to allow for final transfer to the Company and the transaction was completed in February 2015.

Initial cash flows to the Company commenced in the first quarter of 2015.

The ORRI acquisition forms part of a wider oil and gas strategy for the Company targeting low risk royalty and other cash flow assets with development upside.

During the final quarter of 2014, crude oil price exhibited substantial volatility. The West Texas Intermediate Crude price dropped dramatically from approximately US\$90.00 per barrel in early October 2014 to approximately US\$55.00 per barrel by the end of December 2014. Over the same period, NYMEX natural gas prices fell from approximately US\$4.00 per million British Thermal Units ('MMBtu') to US\$3.00 per MMBtu. Such volatility will have a material effect on revenue receipts for the Company, however, with Planet Gas' cash flow interests being entirely from royalty interests, the Company's operational cost exposure from production operations is minimal.

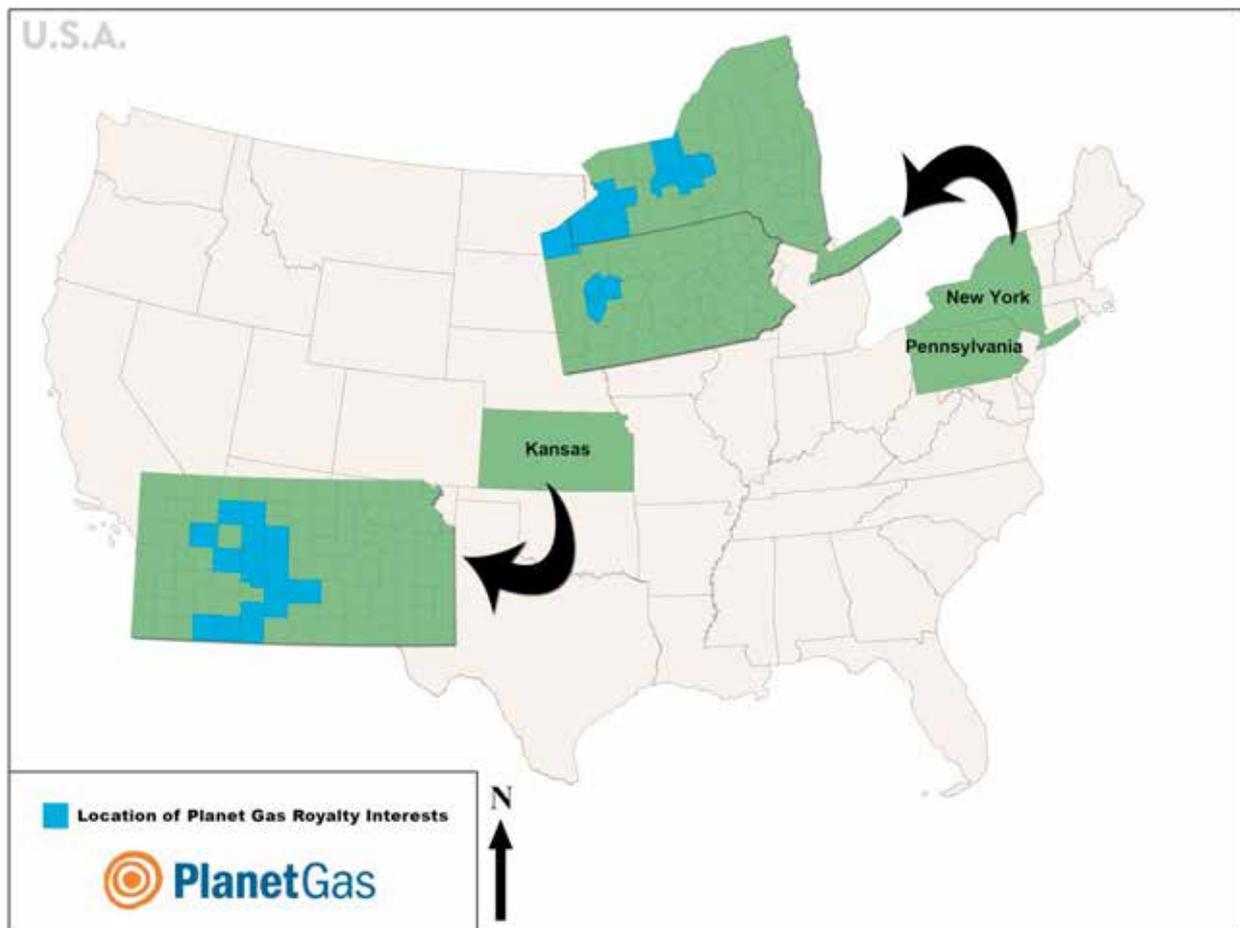


Figure 1. Location of Planet Gas' Royalty Interests in the United States of America

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Cooper Basin, South Australia

Planet Gas' acreage position in the Cooper Basin of South Australia includes PRL 118 through PRL 128 (previously called PEL 514) and PEL 638 ('the Licences'). The Licences cover 1,917 km² and contain an array of targets for conventional and unconventional hydrocarbon exploration (see Figure 2).

Conventional oil and gas prospectivity lies within the Jurassic and Cretaceous Namur and Hutton sandstones, the Murta Formation and also the Triassic sands, Permian gas in the Toolachee, Daralingie, Epsilon, Patchawarra and Tirrawarra Formations. The Birkhead channel sands are considered oil targets.

Tight gas in sands and gas in coals and shales are present across the area. Tight gas targets are considered in the deep Permian system of the Patchawarra Trough while coal seam gas potential is evidenced in the Cretaceous Winton, Permian Toolachee and Patchawarra formations. There is also shale gas potential in the Murteree shales.

Planet Gas' interests in the Cooper Basin are through two joint ventures.

PEL 514 and PEL 638 Joint Ventures

PEL 638, which covers an area of 904 km² in the Patchawarra Trough, was excised from PEL 514 (now PRL 118 through PRL 128) to facilitate the administration of a new joint venture between Origin, Senex and Planet Gas. Prior to the excising of PEL 638, Planet Gas held a 20% interest in the Licences.

Further, PEL 638 is divided into two joint ventures; the PEL 638 Deeps joint venture (the subject of the farm-in by Origin) and the PEL 638 Shallows joint venture (the subject of the farm-in by Senex). A stratigraphic division separates the 'Deeps' and 'Shallows'.

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

- PRL 118 through PRL 128: 20.0% free carried.
- PEL 638 Shallows: 20.0% free carried.
- PEL 638 Deeps: 12.5% free carried reducing to 10% in the event that Origin proceeds with Stage 2 of the farm-in program.

PEL 638 Deeps

Planet Gas initially held a 20% interest in the PEL 638 Deeps joint venture and, as announced in June 2014, the joint venture was renegotiated so that Planet Gas' interest was reduced to a 12.5% free carried interest which would further reduce to a 10% interest in the event that Origin proceeds with Stage 2 of the farm-in program.

The Deeps work program is split into Stage 1 and Stage 2 with total expenditure of up to \$80 million, being \$40 million in each Stage.

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

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

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

Towards the end of the year, two 3D seismic surveys were approved by the PEL 638 Deeps joint venture.

The surveys comprise:

- Jonothon: 150 km²
- Mudrangie: 99 km²
- Total: 249 km² (see Figure 2)

The seismic data from these surveys will be used to identify PEL638 Deeps drilling targets.

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PRL 118 through PRL 128 and PEL 638 Shallows

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

Seismic Surveys

During the year, processing and interpretation of the 'Cordillo' 3D seismic data and the 'Dundinna' 3D seismic data covering 322.5 km² was completed. This work has identified several play types including Tinchoo Formation structural traps and Toolachee Formation stratigraphic traps.

Drilling

During the year, drilling of Hathi-1 and Bagherra East-1 oil exploration wells was concluded. Both wells were plugged and abandoned with no significant hydrocarbons intersected.

Although the Hathi-1 and Bagheera East-1 wells were unsuccessful in discovering moveable hydrocarbons the campaign did provide valuable technical data in this underexplored region of the Cooper Basin. Well data indicates that hydrocarbons from mature source rocks in the Patchawarra Trough have migrated into the northern flank of the Cooper Basin beyond previously known limits.

Subject to joint venture approvals, the next phase of this campaign will involve applying AVO (Amplitude Versus Offset) and inversion processes to the Dundinna 3D seismic survey, using shear sonic data gained from the drilling program. The object of the program is to help identify potential stratigraphic traps within the Birkhead sands with favourable reservoir qualities.

In August 2013, Planet Gas reported initial undeveloped oil reserve estimates for the Sprigg field which were independently completed by DeGolyer and MacNaughton of Dallas, Texas, Unites States of America. The reserves comprised 2P 188.0 thousand barrels of crude oil ('Mbbls') gross (37.6 Mbbls net to Planet Gas) and 3P 725.6 Mbbls gross (145.1 Mbbls net to Planet Gas). There was no 1P component estimated. The Sprigg-1 exploration well located in PRL 124 was drilled in late 2013 and was tested in early 2014. As no significant hydrocarbons were intersected in the well over a four zone selective completion, the reserves were written off.

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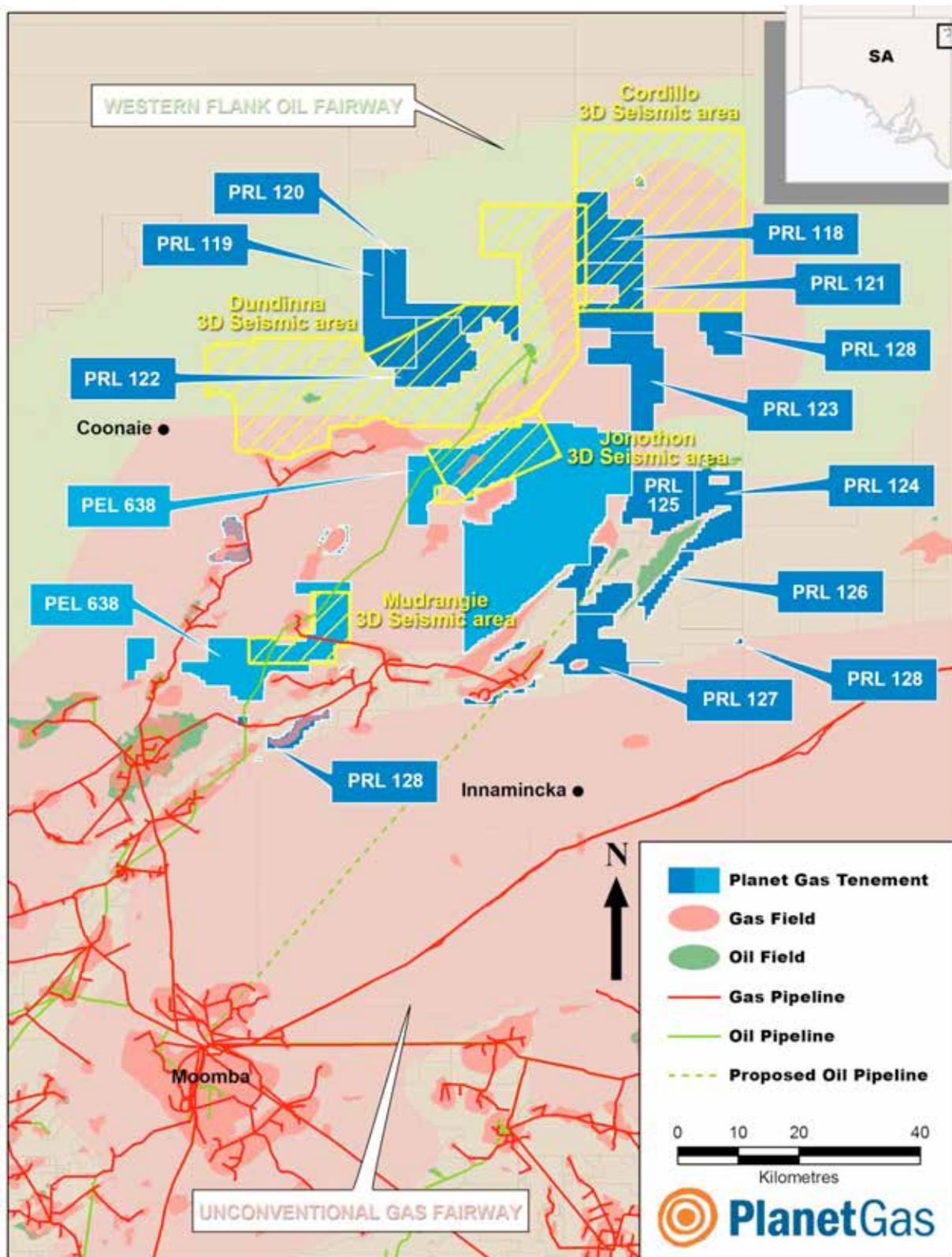


Figure 2. Location of Planet Gas' Interests in the Cooper Basin, South Australia

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Reserves and Resources Governance Arrangements

Senex is the operator of the Company's Licences and provides information to the Company with regards to that project. Reserve estimates for the Company have been independently completed by DeGolyer and MacNaughton of Dallas, Texas, United States of America.

Governance arrangements and internal controls by Planet Gas include annual reviews with respect to its estimates of petroleum reserves and the estimation process unless material information provides for such processes be conducted prior to each annual review.

Planet Gas has put in place an Estimation and Reporting of Reserves and Resources Guideline which sets out the governance arrangements and internal controls regarding the reported estimates of petroleum reserves and resources and the estimation process to apply at Planet Gas. The guideline provides for an annual review of all reserves and resources by the Company's consultants DeGolyer and MacNaughton of Dallas, Texas, USA and for an annual audit covering all material assets over a rolling three year period.

All audits will be undertaken by independent third party resource evaluators who are petroleum reserves and resources evaluators qualified in accordance with ASX Listing Rule requirements. Public reporting of all reserves or resources estimates is only permitted with the approval of the Board of Directors. All public reporting of the reserves or resources estimates is in accordance with the requirements set out in Chapter 5 of the ASX Listing Rules and the Company's Continuous Disclosure Policy.

The reserves and resources reported in the Annual Report were estimated and reviewed in accordance with these guidelines.

Material Changes

The consent of the qualified petroleum reserve evaluator for the Reserves Statement in this Annual Report was provided in the market announcement dated 20 August 2013. Subsequently, as no significant hydrocarbons were intersected in the Sprigg-1 exploration well, the reserves were written off. Planet Gas confirms that it is not aware of any new information or data that materially affects the information included in this Annual Report and that all material assumptions and technical parameters underpinning the reserve statement of this Annual Report continue to apply.

Compliance Statement

The reserve information in this report is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, Mr R.M. Shuck, Professional Engineer who is a qualified petroleum reserves and resources evaluator, Senior Vice President, DeGolyer and MacNaughton, Dallas, Texas, United States of America and a member of Society of Petroleum Engineers and who consented as to the form and context in which the estimated petroleum reserves and supporting information are presented in this report.

