

STATEMENT OF CORPORATE GOVERNANCE

The role and responsibilities of the Board of Directors is for the overall Corporate Governance of the Company and oversight of management, protecting the rights and interests of the shareholders, by adopting systems of control and managed risk as the basis for the administration.

CORPORATE GOVERNANCE STATEMENT

The Board is committed to maintaining the highest standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders.

The Board of Directors supports the Principles of Good Corporate Governance and Best Practice Recommendations developed by the ASX Corporate Governance Council (Council). Whilst the Company's practices are largely consistent with the Council's guidelines, the Board considers that the implementation of some recommendations are not appropriate having regard to the nature and scale of the Company's activities and size of the Board. The Board uses its best endeavours to ensure exceptions to the Council's guidelines do not have a negative impact on the Company and the best interests of shareholders as a whole. When Planet Gas is not able to implement one of the Council's recommendations the company applies the "if not, why not" explanation approach by applying practices in accordance with the spirit of the relevant principle.

The following discussion outlines the ASX Corporate Governance Council's eight principles and associated recommendations and the extent to which the Company complies with those recommendations.

Principle 1 - Lay Solid Foundations for Management and Oversight

The Company has adopted recommendation 1.1 to disclose the functions reserved to the Board and those delegated to senior executives in the context of every new director and senior executive appointment.

BOARD OF DIRECTORS - ROLE AND RESPONSIBILITIES

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. The Board is also responsible for the overall corporate governance and management oversight of the Company, and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of the Company as a whole.

The Board also ensures that the Company complies with all of its contractual, statutory and any other legal or regulatory obligations. The Board has the final responsibility for the successful operations of the Company.

Where the Board considers that particular expertise or information is required, which is not available from within their members, appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

Without intending to limit the general role of the Board, the principal functions and responsibilities of the Board include the following:

- formulation and approval of the strategic direction, objectives and goals of the Company;
- the prudential control of the Company's finances and operations and monitoring the financial performance of the Company;
- the resourcing, review and monitoring of executive management;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the timeliness, accuracy and effectiveness of communications and reporting to shareholders and the market; and
- the establishment and maintenance of appropriate ethical standards.

The Company has adopted recommendation 1.2 of evaluating the performance of senior executives.

From January 2010 the Board reviewed face to face the performance of its senior executives.

The Company has not adopted recommendation 1.3 due to the small size of the company.

The performance evaluation for the CEO will be conducted on the process described in Recommendation 1.2 by the Chairman of the Board once the CEO completes at least 1 year of services on the role. No other evaluation will be carried out.

Principle 2 - Structure the Board to Add Value

BOARD OF DIRECTORS - COMPOSITION, STRUCTURE AND PROCESS

The Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given the Company's current size, scale and nature of its activities.

INDEPENDENT DIRECTORS

The Board is made up of six Directors of which four Directors are independent non-executive Directors. The Company has adopted recommendation 2.1.

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REGULAR ASSESSMENT OF INDEPENDENCE

An Independent Director, in the view of the Company, is a Non-executive Director who:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional advisor or a material consultant to the Company, or an employee materially associated with a service provider;
- is not a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The composition of the Board is reviewed periodically with regards to the optimum number and skills of Directors required for the Board to properly perform its responsibilities and functions.

CHAIRMAN AND MANAGING DIRECTOR/CEO

Since December 2001 the office of Chair has been held by Norman A. Seckold. The Company does not follow recommendation 2.2. However the Board considers that the office of Chair is best served by Mr Seckold due to his extensive experience in the industry.

The Chairman leads the Board and has responsibility for ensuring the Board receives accurate, timely and clear information to enable Directors to perform their duties as a Board.

The CEO is responsible and accountable to the Board for the Company's management. Ian G. Halstead is the CEO of the Company.

The Company follows recommendation 2.3. The role of the Chair and the CEO is not exercised by the same person.

BOARD NOMINATIONS

Given the nature of the Company the Board has not established a Remuneration and Nomination Committee. The Company does not follow recommendation 2.4. However, the Board has taken the responsibilities of such a committee and considers nominations for the appointment or election of Directors that may arise from time to time having regard to the corporate and governance skills required by the Company and procedures outlined in the Constitution.

The responsibilities assumed by the Board include:

- Board and senior executive functions;
- Board composition;
- number of Board members;
- criteria for nomination of Directors;
- selection and appointment of the Chairperson;
- selection and appointment of the Secretary;
- determine the frequency of meetings of the Committee;
- responsibilities of the Committee; and
- oversight of Board and executive succession plans.

PERFORMANCE REVIEW AND EVALUATION

It is the policy of the Board to ensure that the Directors and executives of the Company are equipped with the knowledge and information they need to discharge their responsibilities effectively, and that individual and collective performance is regularly and fairly reviewed. Although the Company is not of a size to warrant the development of formal processes for evaluating the performance of its Board, individual Directors and executives, there is on-going monitoring by the Chairman and the Board. The Chairman also speaks to Directors individually regarding their role as a Director.

ACCESS TO INFORMATION

Each Director has access to Board papers and all relevant documentation.

SKILLS KNOWLEDGE AND EXPERIENCE

Directors are appointed based on the specific corporate and governance skills and experience required by the Company. The Board consists of a relevant blend of personal experience in accounting and finance, law, financial and investment markets, financial management and public company administration, and, director-level business or corporate experience required by the Company.

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INDEPENDENT DIRECTORS

The Company considers that as at 31 December 2010 four Directors of the Company are classified as Independent.

PROFESSIONAL ADVICE

Board members with the approval of the Chairman may seek from time to time external professional advice.

PERIOD OF OFFICE HELD BY EACH DIRECTOR

- Norman A. Seckold since December 2001.
- Peter J. Nightingale since December 2002.
- Anthony J. McClure since August 2003.
- Anthony J. McDonald since November 2003.
- Robert M. Bell since October 2007.
- Robert C. Neale since November 2009.
- Sharif Oussa since May 2009 (deceased 14 September 2010).

TERMS OF APPOINTMENT AS A DIRECTOR

The current Directors of the Company by virtue of the Company's constitution are appointed for 36 months. The Constitution of the Company provides that a Director, other than an Executive Director, may not retain office for more than three calendar years or beyond the third Annual General Meeting following his or her election, whichever is longer, without submitting himself or herself for re-election. One third of the Directors (excluding Executive Directors) must retire each year and are eligible for re-election. The Directors who retire by rotation at each Annual General Meeting are those with the longest length of time in office since their appointment or last election.

MEETINGS OF THE REMUNERATION AND NOMINATION COMMITTEE

As mentioned under heading 'Board Nominations' the functions of the Committees during the financial year ended 31 December 2010 were performed by the entire Board. Therefore is no Remuneration or Nomination Committee in place.

Principle 3 - Promote Ethical and Responsible Decision Making

CODE OF CONDUCT AND ETHICAL STANDARDS

The Company has adopted recommendation 3.1 by establishing a code of conduct policy that guides compliance with all levels of legal and other obligations to stakeholders. The Code is focused on ensuring that all Directors, executives and employees act with the utmost integrity and objectivity in carrying out their duties and responsibilities, striving at all times to enhance the reputation and performance of the Company.

ACCESS TO COMPANY INFORMATION AND CONFIDENTIALITY

All Directors have the right of access to all relevant Company books and to the Company's executive management. In accordance with legal requirements and agreed ethical standards, Directors and executives of the Company have agreed to keep confidential information received in the course of exercising their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

SHARE DEALINGS AND DISCLOSURES

The Company adopted recommendation 3.2, establishing a policy relating to the trading of Company securities. The Board restricts Directors, executives and employees from acting on material information until it has been released to the market. Executives, employees and Directors are required to consult the Chairman and the Board respectively, prior to dealing in securities in the Company or other companies in which the Company has a relationship.

Share trading by Directors, executives or employees is not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act prohibits the purchase or sale of securities whilst a person is in possession of inside information.

As at the date of this report the Company has modified its share trading policy as follows:

- The trading windows for restricted persons are now 60 days after the release of the following:
 - the half year results;
 - the full year results; and
 - the holding of the Annual General Meeting.
- Restricted persons are otherwise prohibited from trading in the Company's securities unless in special circumstances and with the approval of the Chairman.

CONFLICT OF INTEREST

To ensure that Directors are at all times acting in the best interests of the Company, Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot, or is unwilling to remove a conflict of interest then the Director must, as required by the Corporations Act, absent himself from the room when Board discussion and/or voting occurs on matters about which the conflict relates.

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RELATED PARTY TRANSACTIONS

Related party transactions include any financial transaction between a Director and the Company as defined in the Corporations Act or the ASX Listing Rules. The Company also discloses related party transactions in its financial statements as required under relevant Accounting Standards.

PUBLICLY AVAILABLE INFORMATION

The Company has adopted recommendation 3.3 by making publicly available on the Company's website, www.planetgas.com, the Code of Conduct and Share Trading Policy under the corporate governance section.

Principle 4 - Safeguard Integrity in Financial Reporting

AUDIT AND RISK COMMITTEE

The Company has not established an Audit and Risk Committee or a corresponding charter.

The objective of a Committee is to make recommendation to the Board regarding among various matters the adequacy of the external audit, risk management and compliance procedures. A Committee is asked to evaluate from time to time the effectiveness of the financial statements prepared for the Board meetings and to insure that an independent judgement is always exercised.

The functions of the Audit and Risk Committee are performed by the full Board because of the small size of the Company. Therefore recommendation 4.2 has not been adopted.

The duties and responsibilities of recommendation 4.3 were not adopted because the Company does not have an Audit and Risk Committee. However all the normal duties and responsibilities of an Audit and Risk Committee are presently carried out jointly by the Board.

Because the functions of an Audit and Risk Committee are performed by the Board recommendation 4.4 provides the name and qualification of all Directors.

- Norman A. Seckold - Bachelor of Economics, University of Sydney.
- Peter J. Nightingale - Bachelor of Economics, University of Sydney.
- Robert M. Bell - Graduated from Birmingham University.
- Anthony J. McClure - Bachelor of Science, Macquarie University.
- Anthony J. McDonald - Bachelor of Law, Queensland University.
- Robert C. Neale Bachelor of Geology and Mineralogy, University of Queensland.

Principle 5 - Make Timely and Balanced Disclosure

The Company has adopted recommendation 5.1 by putting in place a continuous Disclosure Policy.

CONTINUOUS DISCLOSURE TO THE ASX

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. Accordingly the Company will notify the ASX promptly of information:

- concerning the Company, that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

The Company has adopted recommendation 5.2 by making publicly available on its website a summary of the Continuous Disclosure Policy.

Principle 6 - Respect the Rights of Shareholders

COMMUNICATIONS

The Company has adopted recommendation 6.1 by establishing a formal Shareholders' Communication Policy that has been in place for this reporting period and made publicly available on the Company's website.

The information indicated in recommendation 6.2 is adopted by Planet Gas and described under the heading 'Communication to the Market and Shareholders' below.

COMMUNICATION TO THE MARKET AND SHAREHOLDERS

The Board recognises its duty to ensure that its shareholders are informed of all major developments affecting the Company's state of affairs and has adopted a Shareholder Communication Policy. The Policy provides that information will be communicated to shareholders and the market through:

- the Annual Report which is distributed to shareholders (usually with the Notice of Annual General Meeting);
- the Annual General Meeting and other general meetings called to obtain shareholder approvals as appropriate;
- the half-yearly Directors' report and financial statements;
- quarterly activities and cash flow reports; and
- other announcements released to the ASX as required under the continuous disclosure requirements of the ASX Listing Rules and other information that may be mailed to shareholders.

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The Company actively promotes communication with shareholders through a variety of measures, including the use of the Company's website and email. The Company's reports and ASX announcements are made available on the Company's website, www.planetgas.com, and on the ASX website, www.asx.com.au, under ASX code 'PGS'.

Principle 7 - Recognise and Manage Risk

The Board is responsible for the identification, monitoring and management of significant business risks and the implementation of appropriate levels of internal control, recognising however that no cost effective internal control system will preclude all errors and irregularities. The Board regularly reviews and monitors areas of significant business risk.

Due to the size of the Company, recommendation 7.2 has not been adopted. The risk management functions and oversight of material business risks are performed directly by the Board and not by management.

INTERNAL CONTROL AND RISK MANAGEMENT

The primary vehicle for managing corporate risks is the Board. The Board reviews systems of external and internal controls and areas of significant operational, financial and property risk and ensures arrangements are in place to contain such risks to acceptable levels.

The Company ensures that appropriate insurance policies are kept current to cover potential risks and maintains Directors' and Officers' professional indemnity insurance.

INTERNAL AUDIT FUNCTION

The internal audit function is carried out by the Board. The Company does not have an internal audit department nor has an internal auditor. The size of Planet Gas does not warrant the need or the cost of appointing an internal auditor.

CEO AND CFO DECLARATIONS

The Company has adopted and complied with recommendation 7.3.

The Board has determined that the CEO and the Company Secretary are the appropriate persons to make the CEO and CFO declarations in respect of the year ended 31 December 2010, as required under section 295A of the Corporations Act and recommended by the ASX Corporate Governance Council. The Board is also satisfied that the internal control system is operating effectively in all material respects.

The Company has adopted and complied with recommendation 7.4 as follows:

- the Board has received the declarations from the CEO and Company Secretary;
- the Company does not have a written policy on risks oversight management because the number of people engaged in the Company's operations is minimal; and

- independent professional advice - subject to prior consultation with the Chairman, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

Principle 8 - Remunerate Fairly and Responsibly

Due to the size of the Company, recommendation 8.1 has not been adopted and the Company does not have a Remuneration Committee. However, for the year ended 31 December 2010 the functions and responsibilities listed below were carried out by the Board.

REMUNERATION RESPONSIBILITIES

The role and responsibility of the Board is to review and make recommendations in respect of:

- executive remuneration policy;
- Executive Director and senior management remuneration;
- executive incentive plan;
- Non-executive Directors' Remuneration;
- performance measurement policies and procedures;
- termination policies and procedures;
- equity based plans; and
- required remuneration and remuneration benefits public disclosure.

REMUNERATION POLICY

The Directors remuneration is adopted by shareholders at the Annual General Meeting. The salary and emoluments paid to officers are approved by the Board. Consultants are engaged as required pursuant to service agreements. The Company ensures that fees, salaries and emoluments are in line with general standards for publicly listed companies of the size and type of the Company. All salaries of Directors and statutory officers are disclosed in the Annual Report of the Company each year.

In line with recommendation 8.2 the Company has a policy to remunerate its Directors and officers based on fixed and incentive component salary packages to reflect the short and long term objectives of the Company.

The salary component of the CEO's remuneration is made up of:

- fixed remuneration; and
- equity based remuneration when invited to participate by the Board in the executive share option plan of the Company.

The salary component of Non-executive and Executive Directors is made up of:

- fixed remuneration; and
- equity based remuneration when invited to participate by the Board in the executive share option plan of the Company.

The Company has not adopted recommendation 8.3 because it does not have a Remuneration Committee.