Comet Ridge Limited

A.B.N. 47 106 092 577

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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Corporate Directory

Directors

James McKay	Non-executive Chairman
Tor McCaul	Managing Director
Gillian Swaby	Non-executive Director
Christopher Pieters	Executive Director

Company Secretary
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Australian Securities Exchange Ltd
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ASX Code: COI

COMET RIDGE LIMITED
DIRECTORS' REPORT

The Directors present their report on the consolidated group ("the Group") consisting of Comet Ridge Limited ("Comet Ridge" or "Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

Directors
The names of the Directors who held office at any time during the half-year and up to the date of this report are:

James McKay	Non-Executive Chairman
Tor McCaul	Managing Director
Gillian Swaby	Non-Executive Director
Christopher Pieters	Executive Director

All Directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

Principal Activities
The principal activities of the Group during the half-year were to carry out coal seam gas (CSG) exploration and appraisal. The Group has tenement interests and exploration and evaluation activities in Australia and New Zealand and an investment in a limited liability company based in the United States.

There have been no significant changes in the nature of the Group's principal activities during the half-year.

Review of Operations and Results
The loss for the half-year after providing for income tax amounted to $1.759 million (December 2014: loss $1.3 million).

Comments on the operations and results of those operations are set out below.

Exploration Activities

1. ATP 1191 Mahalo – Bowen Basin, Qld (Comet Ridge 40%), Santos (30%), APLNG (30%)

Mahalo Pilot
The Mahalo pilot project has continued to operate over the six month period to 31 December 2015. The project is located approximately 240km west of Gladstone in the southern Bowen Basin and is 11 kilometres from an infrastructure connection to the Gladstone LNG market with significant gas supply requirements.

The project has seen significant progress with strong and increasing gas production performance from the Mahalo 6 / 7 Vertical-Horizontal well combinations. Pump speed increases were applied throughout November 2015 and into the first half of December 2015, with each of these achieving successive increases in the gas rate from the well. Gas production during January 2016 passed 360,000 scf/d (standard cubic feet per day).

An initial independent certification of Reserves at Mahalo was announced on 28 August 2014. As a result of the promising results being achieved from the Mahalo pilot project, in early December 2015 the Company was also able to achieve an upgraded 2P and 3P reserves certification for Mahalo Block. Both 2P and 3P Reserves were increased by converting part of the significant Contingent Resources in the block to the higher category of Reserves. The most significant part of this Reserves upgrade has been the conversion from the 1C Contingent Resource category, into the 3P Reserves category. In addition, some conversion of 3P to 2P Reserves has also been achieved.

The Group is extremely pleased with the results in the Mahalo Block to date and believes it is a clear demonstration of strong commercial production potential. In the coming months, well deliverability at the Mahalo pilot will be the primary focus of the Group so as to continue the conversion of 3P to 2P reserves.

The table below summarises the changes to the Company's Reserves and Resources position for Mahalo as contained in its announcement to the market on 2 December 2015:

Exploration Activities (continued)

Mahalo Independent Reserve and Resource Upgrade (COI Net Interest 1)

COI Net Equity Share [1]	Gas Reserve (PJ) [2]			Gas Contingent Resource (PJ)		
Category	1P [3]	2P	3P	1C	2C	3C
30 November 2015 certification	-	30	219	112	232	372
27 August 2014 certification	-	22	124	208	328	468
Increase (PJ)	-	*8*	*95*	*-96*	*-96*	*-96*
Increase (%)	-	*36%*	*77%*	*-46%*	*-29%*	*-21%*

1) *COI has a 40% net equity share of Mahalo.*
2) *COI's net Reserves have not been adjusted for fuel or shrinkage (estimated at approximately 3%) and have been calculated at the wellhead (which is the reference point for the purposes of Listing Rule 5.26.5).*
3) *1P Reserves have not been attributed to the Mahalo Block under SPE 2007 PRMS Guidelines as the field is not yet at development stage with an approved development plan.*

In accordance with Listing Rule 5.34.3, Comet Ridge confirms that it is not aware of any new information or data that materially affects the information in the announcement to the market of the Reserves 2 December 2015 and that all of the material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed.

During the half-year ATP 337, which includes the Mahalo Joint Venture Area ("MJVA") and the Mahalo pilot project, was converted from a 1923 Petroleum Act permit to a Petroleum and Gas (Production and Safety) Act 2004 permit with effect late in 2015 for a term of four years. As a consequence the permit has been allocated a different number and has been changed to ATP 1191. The change of permit number has had no impact on the area of the permit.

2. ATP 743P and ATP 744P – Galilee Basin, Qld (Comet Ridge 100%)
ATP 1015P – Galilee Basin, Qld (Comet Ridge 20%)

During the half-year, activity in the Galilee Basin has concentrated on the Albany (formerly known as Carmichael) sandstone structure in ATP 744P. The Albany Structure is situated just north of the Gunn Project Area where Comet Ridge already holds a significant Contingent Resource Certification for coal seam gas (CSG).

The structure was first drilled in the 1990's when the Carmichael-1 well was drilled in 1995 by Maple Oil & Exploration NL. This well was designed as an oil exploration well to test the petroleum potential of the Late Carboniferous Lake Galilee Sandstone over a robust seismically defined anticlinal structure in the then ATP 588P (now ATP 744P). The structure is approximately 15km long on its main axis. Three separate zones within the Lake Galilee Sandstone flowed gas to surface at low rates. An additional significant section of gas pay was not tested. The well discovered a large natural gas accumulation which was deemed uneconomic at the time based on drill stem test results, and historic very low gas prices, and the well was plugged and abandoned.

Recent reprocessing and reinterpretation of the seismic data over the structure undertaken by the Group confirmed the presence of a large anticlinal feature with a significantly larger structural closure than had been previously mapped. This latest technical review also indicates the 1995 well was not optimally located over the crest of the structure, leading to significant upside for a future appraisal well. A review of the well data and results has been used to quantify key reservoir parameters. The well results also indicated that the productivity of the tight gas formation was not optimally tested in Carmichael-1 due to the significant overbalance in mud weight and the presence of liquid hydrocarbons decreasing relative permeability to gas. Further drilling is required to test the crest of the structure to demonstrate commercial flow rates for gas.

Exploration Activities (continued)

As a result of the work undertaken, on 5 August 2015 following an independent review by SRK Consulting (Australasia) Pty Ltd ("SRK") of Brisbane, Australia, the Group was able to announce a large Contingent Resource booking at the Albany sandstone structure in ATP 744P. SRK have used a combination of probabilistic and deterministic methods to prepare the estimates of Original Gas-In-Place and Contingent Resources (shown below in Table below).

Comet Ridge- Net Equity Share	OGIP (PJ)			Gas Contingent Resource (PJ)		
Category	1C	2C	3C	1C	2C	3C
100%	130	334	861	56	153	417

Notes to Table:

- *Contingent Resource estimates have been prepared in accordance with the Society of Petroleum Engineers ("**SPE"**) 2007 Petroleum Resource Management System ("**PRMS**") Guidelines as well as the 2011 Guidelines for Application of the PRMS approved by the SPE.*
- *Contingent Gas Resources are (100%) Unrisked Gross*
- *The previous assessment of Contingent Resources attributed to ATP 744 was in Comet Ridge's Gunn Project Area to the south of the Albany Structure and details of these were released to the market on 25 November 2010.*

Discussions for third party funding for drilling and testing the structure during 2016 have been ongoing. The Eastern Galilee basin gas is relatively close to the very large LNG and industrial gas demand further east in the Bowen Basin and in Gladstone. Given the size of the resource, Albany gas has the potential to be transported to the southeast via pipeline to connect into the expanding pipeline network originating in the Surat Basin and feeding the Brisbane market.

In ATP 743, approval from DNRM (Queensland Department of Natural Resources and Mines) was received for the Later Work Program (work required into the future to keep the permit in good standing) for the next 4 years through to September 2019. A relinquishment of 350 sub blocks was made, bringing the new permit area to 1,000 sub blocks (3,195 km2).

3. Gunnedah Basin, NSW
Comet Ridge CSG equity: PEL 427: 50%, PEL 428: 60%, PEL 6: 22.5%
Comet Ridge Conventional equity: PEL 427: 100%, PEL 428: 100%, PEL 6: 99.7%

Updated renewal applications for PEL 6 and PEL 428 were submitted in late October. The Company is awaiting formal approval for these renewals. In NSW, petroleum permit work programs must now be aligned with the NSW Government's newly released Minimum Standards and Merit Assessment Procedure which have been introduced as part of the NSW Gas Plan. When the new rules were implemented, PEL 428 and PEL 6 were under renewal application and, as such required updated renewal applications to be submitted.

Rounding of amounts
The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with the Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor's Independence Declaration
The lead auditor's independence declaration for the half-year ended 31 December 2015 has been received and is attached to this report.

Signed in accordance with a resolution of the Board of Directors.

Tor McCaul
Managing Director

Brisbane, Queensland, 11 March 2016

PITCHER PARTNERS
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Auditor's Independence Declaration

As lead auditor for the review of the financial statements of Comet Ridge Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, 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.

This declaration is in respect of Comet Ridge Limited and the entities it controlled during the period.

PITCHER PARTNERS

N Batters
Partner

Brisbane, Queensland
11 March 2016

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Note	December 2015 $000's	December 2014 $000's
Revenue and other income			
Interest received		**37**	68
Other income		**35**	1
Expenses			
Employee benefit's expense		**(208)**	(523)
Contractors' & consultancy costs		**(176)**	(224)
Exploration and evaluation expenditure written off		**-**	(65)
Professional fees		**(78)**	(144)
Corporate expenses		**(71)**	(157)
Occupancy costs		**(91)**	(91)
Fair value movement of financial liability at fair value	8	**(824)**	(718)
Finance costs		**(32)**	-
Other expenses		**(136)**	(138)
Depreciation		**(10)**	(13)
Impairment - exploration and evaluation expenditure		**(205)**	-
LOSS BEFORE INCOME TAX		**(1,759)**	(2,004)
Income tax credit	9	**-**	704
LOSS FOR THE PERIOD		**(1,759)**	(1,300)
Other Comprehensive Loss, Net of Income Tax			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		**(28)**	(50)
TOTAL OTHER COMPREHENSIVE LOSS, NET OF INCOME TAX		**(28)**	(50)
TOTAL COMPREHENSIVE LOSS		**(1,787)**	(1,350)
Loss attributable to:			
Owners of the parent		**(1,759)**	(1,300)
Non-controlling interests		**-**	-
		(1,759)	(1,300)
Total comprehensive loss attributable to:			
Owners of the parent		**(1,787)**	(1,350)
Non-controlling interests		**-**	-
		(1,787)	(1,350)
LOSS PER SHARE		**Cents**	**Cents**
Basic loss per share		**(0.3)**	(0.3)
Diluted loss per share		**(0.3)**	(0.3)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanied notes.

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	December 2015 $000's	June 2015 $000's
CURRENT ASSETS			
Cash and cash equivalents		**3,223**	5,827
Trade and other receivables		**57**	111
Inventories		**76**	76
Other assets		**455**	416
TOTAL CURRENT ASSETS		**3,811**	6,430
NON-CURRENT ASSETS			
Property, plant and equipment		**74**	78
Exploration and evaluation expenditure	7	**40,385**	39,551
TOTAL NON-CURRENT ASSETS		**40,459**	39,629
TOTAL ASSETS		**44,270**	46,059
CURRENT LIABILITIES			
Trade and other payables		**144**	1,050
Provisions		**686**	545
TOTAL CURRENT LIABILITIES		**830**	1,595
NON-CURRENT LIABILITIES			
Financial liability at fair value	8	**12,388**	11,564
Provisions		**220**	183
Deferred tax liabilities	9	**-**	-
TOTAL NON-CURRENT LIABILITIES		**12,608**	11,747
TOTAL LIABILITIES		**13,438**	13,342
NET ASSETS		**30,832**	32,717
EQUITY			
Contributed equity	10	**92,023**	92,099
Reserves		**2,594**	2,644
Accumulated losses		**(63,785)**	(62,026)
TOTAL EQUITY		**30,832**	32,717

The above consolidated statement of financial position should be read in conjunction with the accompanied notes.

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Contributed Equity $000's	Foreign Currency Translation Reserve $000's	Share Based Payments Reserve $000's	Accumulated Losses $000's	Total $000's
Balance at 1 July 2014	83,482	1,417	1,304	(43,457)	42,746
Loss for the period	-	-	-	(1,300)	(1,300)
Other comprehensive loss for the period	-	(50)	-	-	(50)
Total comprehensive loss for the period	-	(50)	-	(1,300)	(1,350)
Transactions with owners in their capacity as owners					
Contributions of equity net of transaction costs	8,555	-	-	-	8,555
Shares issued on vesting of performance rights	62	-	(62)	-	-
Share based payments	-	-	73	-	73
	8,617	-	11	-	8,628
Balance at 31 December 2014	92,099	1,367	1,315	(44,757)	50,024
Balance at 1 July 2015	**92,099**	**1,398**	**1,246**	**(62,026)**	**32,717**
Loss for the period	**-**	**-**	**-**	**(1,759)**	**(1,759)**
Other comprehensive loss for the period	**-**	**(28)**	**-**	**-**	**(28)**
Total comprehensive loss for the period	**-**	**(28)**	**-**	**(1,759)**	**(1,787)**
Transactions with owners in their capacity as owners					
Shares issued on vesting of performance rights	**10**	**-**	**(10)**	**-**	**-**
Share based payments	**(86)**	**-**	**(12)**	**-**	**(98)**
	(76)	**-**	**(22)**	**-**	**(98)**
Balance at 31 December 2015	**92,023**	**1,370**	**1,224**	**(63,785)**	**30,832**

The above consolidated statement of changes in equity should be read in conjunction with the accompanied notes.

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	December 2015 $000's	December 2014 $000's
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	**32**	41
Payments to suppliers and employees	**(998)**	(1,132)
NET CASH USED IN OPERATING ACTIVITIES	**(966)**	(1,091)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation assets	**(1,634)**	(4,603)
Payment for property, plant and equipment	**(6)**	(5)
NET CASH USED IN INVESTING ACTIVITIES	**(1,640)**	(4,608)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**-**	9,106
Share issue costs	**-**	(551)
NET CASH FROM FINANCING ACTIVITIES	**-**	8,555
Net (decrease)/increase in cash held	**(2,606)**	2,856
Cash at the beginning of the period	**5,827**	4,814
Effects of exchange rate changes on cash	**2**	(15)
CASH AT THE END OF THE PERIOD	**3,223**	7,655

The above consolidated statement of cash flows should be read in conjunction with the accompanied notes.

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1. Principal Activities

Comet Ridge Limited and Subsidiaries (the Group) principal activities are to carry out coal seam gas (CSG) exploration and appraisal. The Group has tenement interests and exploration and evaluation activities in Australia and New Zealand and an investment in a limited liability company based in the United States.

There have been no significant changes in the nature of the Group's principal activities during the half-year.

2. Basis of preparation

The condensed interim consolidated financial statements (the interim financial statements) are for the six months ended 31 December 2015 and are presented in Australian Dollar ($AUD) which is the functional currency of the Parent Company. The interim financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 "Interim Financial Reporting".

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The interim financial statements do not include all of the notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report of the Group together with any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with the Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

3. Significant accounting policies

The accounting policies adopted in the preparation of this interim financial report are consistent with those of the previous financial year and corresponding interim reporting period except for the impact of the Standards and Interpretations described below. Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

The Group has adopted all the mandatory new and amended Accounting Standards issued that are relevant to its operations and effective for the reporting period. There was no material impact on the financial report as a result of the adoption of these standards.

The accounting policies have been applied consistently throughout the Group for the purpose of preparation of the interim financial statements.

4. Going Concern

The consolidated financial statements have been prepared on a going concern basis which contemplates that the Group will continue to meet its commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Because of the nature of their operations, exploration companies, such as Comet Ridge Limited, find it necessary on a regular basis to raise additional cash funds to fund future exploration activity and meet other necessary corporate expenditure. At the date of this financial report, the ability of the Group to execute its currently planned exploration and evaluation activities may require the Group to raise additional capital within the next 12 months. Accordingly, when it is necessary to raise additional capital, the Group will investigate the various options for the raising of additional funds which may include but is not limited to an issue of shares, a farm-out of an interest in one or more exploration tenements or the sale of exploration assets where increased value has been created through previous exploration activity.

At the date of this financial report, no guarantee can be given that a successful outcome will eventuate from the future capital raising activities noted above. As a result, the Directors have concluded that the current circumstances may cast significant doubt regarding the Group's and the Company's ability to continue as a going concern and therefore the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business. Nevertheless, after taking into account the current status of the various funding options currently being investigated and making other enquiries regarding other sources of funding, the Directors have a reasonable expectation that the Group and the Company will have adequate resources to fund its future operational requirements and for these reasons they continue to adopt the going concern basis in preparing the financial report.

The financial report does not include adjustments relating to the recoverability or classification of recorded assets amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

5. Accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement when applying the Group's accounting policies. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The critical estimates and judgements applied in the preparation of the financial statements are as follows:

(a) Recoverability of exploration and evaluation expenditure

The Group assesses the recoverability of the carrying value of capitalised exploration and evaluation expenditure at each reporting date (or during the year should the need arise). During the half-year, all exploration expenditure incurred on the Gunnedah Basin permits was impaired. This is consistent with the policy adopted at 30 June 2015 to fully impair the expenditure with respect to these permits. The impairment expense amounted to $205,000 (December 2014: $Nil).

In completing this assessment, regard is given to the Group's intentions with respect to proposed future exploration and development plans for individual areas, to the success or otherwise of activities undertaken in individual areas, to the likely success of future planned exploration activities, and to any potential plans for divestment of individual areas. Any required impairment of capitalised exploration and evaluation expenditure is completed based on the results of the assessment. Furthermore, for various areas of interest, exploration and evaluation activities have not reached a stage to allow a reasonable assessment to be made regarding the existence of economically recoverable reserves. Accordingly, exploration and evaluation assets may be subject to further impairment in the future.

(b) Renegotiated Mahalo Option Agreement

At each reporting date, the Group reviews the underlying assumptions previously used to account for the repurchase of the 5% interest in the Mahalo Gas Project which was originally sold to Stanwell Corporation Limited (SCL) under the September 2011 Sale and Purchase Option Agreement. In accordance with the Renegotiated Mahalo Option Agreement the nature of the consideration payable by Comet Ridge is at the option of SCL and is either by way of:

1. The discount under the Gas Supply Agreement (Option A). Under this option, the consideration is paid by Comet Ridge foregoing a portion of its future revenue from the Mahalo Gas Project over the life of the Gas Supply Agreement. The revenue foregone by Comet Ridge is the $15m discount expressed in 1 July 2013 dollar terms and indexed by CPI up to the date the Gas Supply Agreement is signed; or

2. A cash payment of $20m indexed by CPI from 1 July 2014. This is the amount which will be payable if SCL decides not to exercise Option A or an acceptable gas supply agreement cannot be agreed.

Of the two options available, it was originally considered reasonable to assume that SCL will choose the option that provides the greatest benefit. If the Mahalo field proves up with significant reserves, SCL would be expected to proceed with Option A. If the field proves up with low gas volumes then SCL would be expected to opt for Option B. Obviously, there is a midway point where SCL will be ambivalent as to whether it chooses Option A or Option B. As a result, at 31 December 2015 it is necessary to consider whether there has been any technical or economic changes since the last reporting date that would now cause SCL to choose Option B rather than Option A.

The two critical assumptions that could potentially change the initial conclusion are:

1. The potential of the Mahalo/Mira Gas Project to supply the agreed quantities of gas; and

2. Gas price under the Gas Pricing Mechanism compared to the current market gas price.

The initial accounting treatment was based on the expectation that SCL was interested in securing future gas supplies and, provided the Mahalo/Mira field was able to supply the agreed gas quantities it would proceed with Option A. At the last reporting date, this conclusion was based on the current results from the Mahalo and Mira pilot operations which, while not conclusive, indicated that the Mahalo field had the potential for a significant gas resource. Since 30 June 2015, the project has seen significant progress with strong and increasing gas production performance from the Mahalo 6 / 7 Vertical-Horizontal well combinations. As a result the initial opinion on the potential of the field has not changed.

With respect to the Gas Pricing Mechanism, the gas price under the Gas Supply Agreement will be calculated on an ex-field basis using a formula which reflects the Oil Linked Gas Price (OLP), the field cost to produce plus a rate of return referred to as the Field Cost Plus Return (FCR) and with a specified Floor and Ceiling Price range.

During the six month period to 31 December 2015, the oil price has remained at around the same levels as at 30 June 2015.

5. Accounting estimates and judgements (continued)

(b) Renegotiated Mahalo Option Agreement (continued)
The pricing mechanism will operate as follows:

(a) If the price of oil is low (i.e. below the Floor Price of USD96.75/bbl), the gas price will be calculated based on the field cost to produce plus a rate of return;

(b) If the oil price is high (i.e. above USD134/bbl) then the ceiling gas price will be a specified maximum currently estimated at Au$9.51 per GJ;

(c) If the oil price lies between the prices mentioned in (a) and (b) above, the contracted gas price will be 50% based on OLP and 50% based on FCR; and

(d) With respect to both (a) and (b) above a discount calculated at the date of the Gas Supply Agreement will apply and will reduce the gas price calculated above on a $/GJ basis over the life of the Gas Supply Agreement.

Based on the oil price at inception of the agreement, it was concluded that the market gas price would be greater than the gas price calculated using the Gas Pricing Mechanism. As a result, it was considered that SCL would choose Option A. The critical issue at reporting date is whether the available market gas price is lower than the minimum price using the Gas Pricing Mechanism.

However, the oil price at 31 December 2015, as it was at 30 June 2015, was below the floor price. As a result, if the gas price for the Gas Sale Agreement was determined at balance date it would be based on field cost to produce plus a rate of return. Based on the break- even gas price determined by the "value in use" calculations completed at June 2015 the conservative estimate for the FCR was in the range $6.00/GJ to $6.10/GJ which is below the current market price of approximately $6.50/GJ. The analysis undertaken at 30 June 2015 is still considered relevant as there have only been minor variations in the assumptions over the half-year. The FCR price would also be reduced by the SCL discount hence it is still considered reasonable to assume that Option A would still be attractive to Stanwell.

After initial recognition, at each subsequent reporting date, the assumptions underlying the calculation of the liability to SCL are reviewed and amended so that at the anticipated date of the Gas Supply Agreement the full liability for the consideration payable to SCL will be recognised. At 31 December 2015, it was determined that the initial assumptions used to recognise the SCL liability were still appropriate. Based on these inputs, the increase in the fair value of the SCL liability was $824,000 and a corresponding amount is recognised as an expense in the profit and loss.

(c) Financial Guarantee Contract
One of the terms of the renegotiated Mahalo Option Agreement is that the parent entity (Comet Ridge Limited) guarantees the indexed $20m consideration payable by Comet Ridge Mahalo Pty Ltd (CRM) under Option B. In accordance with AASB 139 Financial Instruments, Recognition and Measurement, at each balance date to the extent that a liability/asset exists, Comet Ridge Limited will need to recognise a Financial Guarantee Contract liability and CRM will record a Financial Guarantee Contract asset.

Comet Ridge Limited's exposure to a financial guarantee liability arises from the risk that at any point in time the fair value of CRM's interest in the Mahalo Gas Project is less than the indexed liability. In order to determine the fair value of CRM's interest in the Mahalo Gas Project, CRM has developed a valuation methodology that takes into account the estimated cash flows from the development of the Mahalo Gas Project for eight years commencing from June 2018. Using a range of gas prices from $6.00GJ to $10.00GJ, the valuation provides a range of NPVs for Comet Ridge's 40% interest in the Mahalo Gas Project significantly above the value of the financial guarantee i.e. $20 million. As a result, based on these valuations, at 31 December 2015 CRM's Financial Guarantee Asset would have a zero value as the underlying asset supporting the financial guarantee is significantly above the value of the guarantee. As a result, Comet Ridge Limited's financial guarantee liability at 31 December 2015 is also nil.

6. Segment information

Identification of reportable segments
The Group has identified its operating segments based on the geographic location of its respective areas of interest (tenements). The internal reports that are reviewed and used by the board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources are prepared on the same basis.

The principal operating activities of the Group are the exploration and evaluation of its tenements for oil and gas reserves. Other than impairment losses and stand-by costs in relation to exploration and evaluation expenditure, income and expenditure as per the statement of comprehensive income consists of incidental revenue including interest and corporate overhead expenditure which are not allocated to the Group's operation segments.

6. Segment information (continued)

Unless otherwise stated, all amounts reported to the board of Directors as the chief decision makers with respect to operating segments are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

Segment performance
The following table tables show the revenue and profit information regarding the Group's operating segments.

	Queensland		New Zealand	New South Wales	Total
	Galilee	Bowen	South Island	Gunnedah	
31 December 2015	$000's	$000's	$000's	$000's	$000's
Segment revenue	-	-	-	-	-
Exploration and evaluation expenditure impaired	-	-	(100)	(105)	(205)
Segment result before tax	-	-	(100)	(105)	(205)
Reconciliation of segment result to Group loss before tax					
Interest revenue					37
Other income					35
Employee benefits expense					(208)
Contractors and consultants costs					(176)
Professional fees					(78)
Corporate expenses					(71)
Occupancy costs					(91)
Fair value movement of financial liability at fair value					(824)
Finance charges					(32)
Other expenses					(136)
Depreciation and amortisation expense					(10)
Loss before tax					(1,759)

	Queensland		New Zealand	New South Wales	Total
	Galilee	Bowen	South Island	Gunnedah	
31 December 2014	$000's	$000's	$000's	$000's	$000's
Segment revenue	-	-	-	-	-
Exploration and evaluation costs written off	-	(53)	(12)	-	(65)
Segment result before tax	-	(53)	(12)	-	(65)
Reconciliation of segment result to Group loss before tax					
Interest revenue					68
Other income					1
Employee benefits expense					(523)
Contractors and consultants costs					(224)
Professional fees					(144)
Corporate expenses					(157)
Occupancy costs					(91)
Fair value movement of financial liability at fair value					(718)
Other expenses					(138)
Depreciation and amortisation expense					(13)
Loss before tax					(2,004)

6. Segment information (continued)

	Queensland		New Zealand	New South Wales	
	Galilee	Bowen	South Island	Gunnedah	Total
31 December 2015	$000's	$000's	$000's	$000's	$000's
Segment assets	**20,740**	**19,645**	**-**	**-**	**40,385**
Segment liabilities	**-**	**(12,388)**	**-**	**-**	**(12,388)**
	20,740	**7,257**	**-**	**-**	**27,997**
Reconciliation of segment assets to group assets					
Unallocated assets					
Current assets					**3,811**
Non-current assets					**74**
Current liabilities					**(830)**
Non-current liabilities					**(220)**
Total group net assets					**30,832**
Segment asset movement for the year					
Balance at 1 July 2015	**20,425**	**19,126**	**-**	**-**	**39,551**
Exploration and evaluation expenditure	**315**	**519**	**12**	**105**	**951**
Restoration and rehabilitation expense	**-**	**-**	**88**	**-**	**88**
Impairment expense	**-**	**-**	**(100)**	**(105)**	**(205)**
	315	**519**	**-**	**-**	**834**
Balance at 31 December 2015	**20,740**	**19,645**	**-**	**-**	**40,385**
30 June 2015					
Segment assets	20,425	19,126	-	-	39,551
Segment liabilities		(11,564)			(11,564)
	20,425	7,562	-	-	27,987
Reconciliation of segment assets to group assets					
Unallocated assets					
Current assets					6,430
Non-current assets					78
Current liabilities					(1,595)
Non-current liabilities					(183)
Total group net assets					32,717
Segment asset movement for the year					
Balance at 1 July 2014	32,321	17,675	-	2,778	52,774
Exploration and evaluation expenditure	523	2,718	-	345	3,586
Exploration stand-by costs and other write-offs	-	(1,267)	-	-	(1,267)
Impairment - exploration expenditure	(12,419)	-	-	(3,123)	(15,542)
	(11,896)	1,451	-	(2,778)	(13,223)
Balance at 30 June 2015	20,425	19,126	-	-	39,551

7. Exploration and evaluation expenditure

	December 2015 $000's	June 2015 $000's
Exploration and evaluation expenditure	**71,093**	70,063
Less provision for impairment	**(30,708)**	(30,512)
	40,385	39,551

Movements in exploration and evaluation phase

	December 2015 $000's	December 2014 $000's
Balance at the beginning of period	**39,551**	52,774
Exploration and evaluation expenditure during the period	**951**	2,523
Impairment expense	**(205)**	-
Restoration and rehabilitation	**88**	-
Balance at the end of period	**40,385**	55,297

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phase is dependent on successful development and commercial exploitation, or alternatively, the sale of the respective areas of interest.

8. Financial liability at fair value

	December 2015	June 2015
Non-current	**$000's**	**$000's**
Financial liability at fair value - Stanwell Corporation Limited	**12,388**	11,564

Movements in financial liability at fair value:

	December 2015 $000's	December 2014 $000's
Balance at the beginning of the period	**11,564**	10,078
Movement in fair value of financial liability at fair value	**824**	718
Balance at the end of the period	**12,388**	10,796

Fair value measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes at each reporting date. AASB 13 Fair Value requires disclosure of fair value measurements by level as determined by the following fair value measurement hierarchy:

a. Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

b. Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

c. Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

8. Financial liability at fair value (continued)

Fair value measurement (continued)

The fair value of the liability owed to Stanwell Corporation Limited (SCL) is based on the anticipated discounted cash flows arising from the renegotiated Mahalo Option Agreement. It is classified as level 3 in the fair value hierarchy due to the use of unobservable inputs. The inputs used in the calculation of the fair value of the Financial Liability at Fair Value at 31 December 2015 have not changed from those used at 30 June 2015 and are as follows:

1 The most likely outcome under the Mahalo Option Agreement is SCL will opt for the Gas Sale Agreement as a result the $15m discount will be the basis for determining the liability calculations.
2 The agreement term for the initial calculations will be the maximum four years.
3 The CPI rate used to index the $15m gas supply discount from 1 August 2014 will be 3% pa based on upper level of RBA target for inflation.
4 The fair value of the 5% Mahalo Gas Project interest re-acquired will be the net present value (NPV) of the SCL liability discounted at a pre-tax rate based on Comet Ridge's cost of capital.
5 The Comet Ridge's cost of capital is 14.75% per annum (refer WACC calculation below). The pre-tax discount rate is also 14.75% per annum as the cost of debt is nil.

The relationships between the unobservable inputs and the fair value of the financial liability at fair value are as follows:

Unobservable input	Relationship to fair value
Likely outcome	If SCL opts for Option B the financial liability at fair value will increase.
Agreement term	If the Final Investment Decision (FID) is reached earlier than the 4 year limit the carrying amount of the financial liability at fair value will increase while the estimated total fair value movements over the new term will reduce.
CPI rate	If the 3% pa CPI rate reduces/increases to a low of 2% pa or a high of 4% pa the indexed liability will reduce/increase by approximately 3.9% or $650,000.
Pre-tax discount rate	If the 14.75% pa pre-tax discount rate reduces/increases by 2.25% pa i.e. to a low of 12.5% pa and or a high of 17.0% pa the NPV of the indexed liability will increase/reduce by approximately 8.0% or $750,000 with a resulting reduction/increase in the total fair value movement to be expensed over the term of the agreement.

9. Deferred tax liability

	December 2015 $000's	June 2015 $000's
Deferred tax liability	-	-
Income tax credit/(expense)		
Income tax credit comprises the following components		
Current income tax expense	-	-
Deferred income tax (expense)/credit	-	704
	-	704
Movements in deferred tax liability		
Opening balance	-	1,400
Deferred tax expense/(revenue) charged/(credited) to profit or loss	-	(704)
Closing balance	-	696

10. Contributed equity

	December 2015	June 2015
	$000's	$000's
Ordinary shares - fully paid	**92,023**	92,099

Movements in ordinary shares	December 2015	December 2014	December 2015	December 2014
	Number of Shares		$000's	$000's
Balance at the beginning of the period	**526,200,547**	458,598,746	**92,099**	83,482
Performance rights vested during the period	**50,000**	150,000	**(76)**	62
Share placement (67,451,801 shares @13.5 cents)	**-**	67,451,801	**-**	9,106
Share issue costs	**-**	-	**-**	(551)
Balance at the end of the period	**526,250,547**	526,200,547	**92,023**	92,099

11. Share based payments

The share-based payments' expense included in the financial statements with respect to Performance Rights issued during the half-year and already issued in prior years and the movements in the share-based Payments Reserve during the half-year are as follows:

	December 2015	December 2014
	$000's	$000's
Statement of comprehensive income		
Share based payments expense included in employee benefits expense	**(98)**	73

	December 2015	December 2014
Share based payments reserve	$000's	$000's
Balance at the beginning of the period	**1,246**	1,304
Shares issued on vesting of performance rights	**76**	(62)
Share based payments during the half year	**(98)**	73
Balance at the end of the period	**1,224**	1,315

During the half-year, performance rights were granted to certain directors in accordance with the Comet Ridge Limited Performance Rights Plans for employees and contractors. The object of the plans is to:

(a) provide an incentive for employees/contractors to remain in their employment and continue to provide services to the Group in the long term;
(b) recognise the ongoing efforts and contributions of employees/contractors to the long term performance and success of the Group; and
(c) provide employee/contractors with the opportunity to acquire performance rights, and ultimately shares in Comet Ridge Limited.

11. Share based payments (continued)

All performance rights granted during the half-year vest subject to a performance condition in addition to the director satisfying a service condition relating to the completion of a specified period of employment/engagement. Details of the performance rights granted during the 31 December 2015 half-year together with their terms and conditions are as follows:

Grant Date	No. of Rights	Vesting Date	Expiry Date	Fair Value	Service Period From	Service Period To	Performance Condition
10-Jul-15	167,000	31-Dec-16	31-Dec-16	6 cents	1-Jul-15	31-Dec-16	Reserves hurdle
10-Jul-15	167,000	31-Dec-16	31-Dec-16	6 cents	1-Jul-15	31-Dec-16	Reserves hurdle
10-Jul-15	166,000	31-Dec-16	31-Dec-16	6 cents	1-Jul-15	31-Dec-16	Reserves hurdle
10-Jul-15	1,000,000	31-Dec-16	31-Dec-16	6 cents	1-Jul-15	31-Dec-16	Gas flow rate

The following table shows the movements of Performance rights during the half-year:

Grant Date	Expiry Date	Vesting Date	No. of Rights June 2015	Granted during the Half-year	Vested During the Half-year	Expired During the Half-year	No. of Rights December 2015
1-Jul-13	7-Jul-15	1-Jul-15	50,000	-	(50,000)	-	-
1-Oct-14	1-Jul-15	1-Jul-15	1,910,000	-	-	(1,910,000)	-
27-Nov-14	1-Jul-15	1-Jul-15	500,000	-	-	(500,000)	-
10-Jul-15	31-Dec-16	31-Dec-16	-	167,000	-	-	167,000
10-Jul-15	31-Dec-16	31-Dec-16	-	167,000	-	-	167,000
10-Jul-15	31-Dec-16	31-Dec-16	-	166,000	-	-	166,000
10-Jul-15	31-Dec-16	31-Dec-16	-	1,000,000	-	-	1,000,000
			2,460,000	1,500,000	(50,000)	(2,410,000)	1,500,000

The fair value of performance rights is measured at grant date and is determined using a binomial or Black-Scholes pricing model that takes into account the term of the performance right, the underlying share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the performance right.

Where the performance rights are granted subject only to service conditions and non-market performance conditions, in accordance with the relevant accounting standard, it is assumed that the service condition will be met and the Comet Ridge Limited share price at grant date is used to determine the fair value of the performance rights issued. The non-market performance conditions are taken into account based on the number of performance rights that actually vest. Where the performance rights are granted subject to a market condition in addition to the service condition, the pricing model also takes into account the probability that the market condition will be satisfied/not satisfied during the term of the performance rights e.g. “monte carlo” simulation technique.

12. Contingent liabilities

The Directors are not aware of any contingent liabilities other than the Financial Guarantee Contract which is one of the terms of the renegotiated Mahalo Option Agreement. Under the renegotiated agreement Comet Ridge Limited guarantees the indexed $20m consideration payable by Comet Ridge Mahalo Pty Ltd (CRM) under Option B. Option B is exercisable by Stanwell Corporation Limited (SCL) upon the earlier of FID for any development of the Mahalo Gas Project permit area or on the 4th anniversary date of the execution of the new agreement.

If SCL elects to exercise Option B, it will receive a cash payment of A$20m escalated in accordance with CPI for the period from 1 July 2014 to 1 August 2015 and then annually thereafter (or part thereof) up to the payment date which is 60 days after the election notice under Option B is received.

13. Commitments

Operating lease commitments

Commitments for minimum lease payments for non-cancellable operating leases for offices and equipment contracted for but not recognised in the financial statements.

	December 2015	June 2015
Payable - minimum lease payments	$000's	$000's
- not later than 12 months	105	209
- between 12 months and 5 years	-	-
	105	209

Bank guarantees

Westpac Banking Corporation have provided bank guarantees totalling $403,000 (June 2015: $403,000) as follows:

- $150,000 (June 2015: $150,000) to the State of Queensland in respect of the Group's exploration permits and environmental guarantees;
- $200,000 (June 2015: $200,000) to the State of NSW to supports the Group's exploration permits and environmental guarantees; and
- $53,000 (June 2015: $53,000) to the landlord of the Brisbane office premises to support the Group's obligations under the lease.

The bank guarantees are secured by term deposits.

Exploration expenditure

In order to maintain an interest in the exploration tenements in which the Group is involved, the Group is committed to meet the conditions under the agreements. The timing and amount of exploration expenditure and obligations of the Group are subject to the minimum work or expenditure requirements of the permit conditions or farm-in agreements (where applicable) and may vary significantly from the forecast based on the results of the work performed, which will determine the prospectivity of the relevant area of interest. The obligations are not provided for in the financial statements.

	December 2015	June 2015
Minimum expenditure requirements	$000's	$000's
- not later than 12 months	1,117	335
- between 12 months and 5 years	4,633	4,808
	5,750	5,143

14. Events occurring after balance date

Subsequent to 31 December 2015, the Group's interest in the Gunnedah Basin CSG and conventional gas permits have increased following the withdrawal of Energy Australia from the various Gunnedah Basin Joint Arrangements. The Energy Australia interest will be spread pro-rata to the remaining members of the Joint Arrangements at no cost.

Other than the change in the Gunnedah basin interests, there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

COMET RIDGE LIMITED
DIRECTORS' DECLARATION

The Directors declare that:

(a) the attached financial statements and notes are in accordance with the *Corporations Act 2001* including:

I. complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*; and

II. giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date;

(b) in the Directors' opinion 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 in accordance with a resolution of the Board of Directors.

Tor McCaul
Managing Director

Brisbane, Queensland, 11 March 2016

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Comet Ridge Limited,

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Comet Ridge Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the period's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a 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 half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half- year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Comet Ridge Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of their performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 4 in the financial report which states that the consolidated entity's ability to execute its planned exploration and evaluation activity and meet other necessary corporate expenditure is dependent on the consolidated entity's ability to raise additional funds. The matters set forth in Note 4 indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

PITCHER PARTNERS

N Batters
Partner

Brisbane, Queensland
11 March 2016