Comet Ridge Limited

A.B.N. 47 106 092 577

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Contents

Corporate Directory

Directors

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

Company Secretary
Stephen Rodgers

Share Registry
Computershare Registry Services Pty Ltd
Level 1
200 Mary Street
Brisbane Queensland 4000
Telephone: +61 7 3237 2100
Facsimile: +61 7 3229 9860

Auditors
Pitcher Partners
Level 38, Central Plaza One
345 Queen Street
Brisbane Queensland 4000
Telephone: +61 7 3222 8444
Facsimile: +61 7 3221 7779

Registered Office
Level 3
283 Elizabeth Street
Brisbane Queensland 4000
Telephone: +61 7 3221 3661
Facsimile: +61 7 3221 3668
Website: www.cometridge.com.au
Email: info@cometridge.com.au

Securities Exchange Listing
Australian Securities Exchange Ltd
Home Exchange: Brisbane
ASX Code: COI

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 2017.

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
Michael Dart	Non-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 a suite of prospective projects in eastern Australia.

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 $1.777 million (December 2016: loss $2.033 million).

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

EXPLORATION ACTIVITIES
During the half-year Comet Ridge focussed its exploration activities on its central Queensland Permits (Galilee and Southern Bowen Basins) which the Company believes will be the key to developing short to medium term gas supply. As a result of the positive results achieved from the Mahalo Gas Project (MGP) half-year exploration programme, MHA Petroleum Consultants, LLC (MHA) were engaged to assess the MGP's gas resource volumes and provide an updated independent certification of the Project's reserves. The report from the Reserves Auditor was received on 5 March 2018 and resulted in the first 1P reserves for the Project and a significant upgrade to 2P and 3P reserves.

Detailed in the table below, is Comet Ridge's current (net recoverable) reserve and resource position for its permits.

Comet Ridge Limited – Net Recoverable Reserves and Resources									
Location	Project	COI Interest	Reserve (PJ) [1]			Contingent Resource			Prospective Resource (PJ) [2]
			1P[4]	2P	3P	1C	2C	3C	
Bowen Basin, QLD	Mahalo Gas Project (ATP 1191)	40%	18	172	374	224	385	389	-
Galilee Basin, QLD	Gunn Project Area 5 (ATP 744P)	100%	-	-	-	-	67	1,870	597 [3]
Galilee Basin, QLD	Albany Structure (ATP 744P)	100%	-	-	-	56	153	417	-
Gunnedah Basin, NSW	PEL 6 PEL 427 PEL 428	22 1/2% 50% 60%	-	-	-	-	-	474	2,101
Total			**18**	**172**	**374**	**280**	**605**	**3,150**	**2,698**

See Notes to Net Recoverable Reserves and Resources Table on page 3:

1. ATP 1191 Mahalo – Bowen Basin, Qld (Comet Ridge 40%), Santos (30%), APLNG (30%)
Mahalo Gas Project
The 2017-year exploration programme field work was substantially undertaken during the six months to 31 December 2017. Comet Ridge managed the exploration activities in its capacity as agent for Santos the exploration operator. The exploration programme was completed on time and on budget.

Three vertical wells (Mira 3, 4, and 5) were successfully under-reamed and re-completed with pressure build-up surveys quantifying the success. The Humboldt South 1 core-hole was successfully drilled with all objectives met. The well was cored extensively through the main coal intervals and reached a total depth of 326 metres. Approximately 8.4 metres of net coal was intersected in the well. Coal recovered showed gas bubbling from the core and flow tests indicated permeability across the main target reservoir seam and also across two shallower seams in the top of the section. Gas content is on trend with that at Mira to the south west. The Mira 6 horizontal well was also drilled successfully with a total length of 1,283 metres of which 924 metres was in coal. This well intersected the Mira 2 vertical well with both wells working in combination to produce water and gas.

EXPLORATION ACTIVITIES (continued)

1. ATP 1191 Mahalo – Bowen Basin, Qld (Comet Ridge 40%), Santos (30%), APLNG (30%) (continued)
Mahalo Gas Project (continued)
All 4 wells are now on-line with the Mira pilot scheme producing gas at steadily increasing rates. Since 31 December 2017 the well performance from Mira 6/2 has been excellent and by early March 2018 passed through 750 mcfd – making it the strongest producing well in the Mahalo block exceeding the 426 mcfd achieved from Mahalo 7/6. Bottom-hole pressure has yet to be fully drawn down, indicating additional flow potential is available. Gas rates are expected to continue increase as the reservoir pressure in the pilot area coals is reduced.

As a result of the positive results achieved from the half-year exploration programme, MHA Petroleum Consultants, LLC (MHA) were engaged to assess the MGP's gas resource volumes and provide an updated independent certification of the Project's reserves. The report from the Reserves Auditor which was announced to the market on 6 March 2018 included 1P reserves for the first time and resulted in a significant upgrade to 2P and 3P reserves as follows:

COI Net Equity Share [4]	Gas Reserves (PJ) [2]			Gas Contingent Resources (PJ)		
Category	1P 4	2P	3P	1C	2C	3C
5 Mar 2018 certification: Mahalo Gas Project (ATP 1191)	18	172	374	224	385	390
2 Dec 2015 certification: Mahalo Gas Project (ATP 1191)	-	30	219	112	232	372
Increase (PJ)	18	142	155	112	153	18
Increase (%)	N/A	473%	71%	100%	66%	5%

See Notes to Net Recoverable Reserves and Resources Table on page 3:

The positive results achieved during the six months to December 2017 from the Mira Pilot have strengthened the view that the Mahalo Block has the potential to supply significant gas volume into the east coast market.

Mahalo Development Plan
Also, during the half-year, Comet Ridge continued its development analysis work to examine the most efficient and cost-effective way to move the northern pilot schemes in the block into production via available export pipeline capacity and field infrastructure. These studies focussed on utilising existing infrastructure wherever possible in order to minimise capital spend and optimise the time required to bring the northern part of the Mahalo block into production.

2. ATP 743, ATP 744, and ATP 1015 – Galilee Basin, Qld (Comet Ridge 100% in CSG with farm-out reducing equity to 70% in "Deeps")
Comet Ridge has a very large acreage position in the eastern part of the Galilee Basin (9685 km^2)which is prospective for both sandstone gas and CSG development.

During the half-year, Comet Ridge continued discussions with a number of parties in relation to the supply of gas from the Galilee Basin (both sandstone gas and CSG) and the associated infrastructure. There are several connection points and supply options available and the Company continues to evaluate the commercial options that provide the greatest value to the Company. The LNG, industrial and domestic demand, and power generation sectors each have requirements for gas and the volume of gas resources in the Galilee Basin is such that multiple requirements may be able to be met concurrently. Evaluation work continues on each of the options.

In October 2017, Comet Ridge announced that it had negotiated a farm-out agreement with Vintage Energy Limited (Vintage) to enable Vintage to earn 30% in the Sandstone gas targets for ATPs 743, 744, and 1015 by spending approximately $8.5 million. This farm-out became unconditional in early March 2018 after all conditions precedent (including funding) for the transaction were met. The first well in the Albany Conventional Gas Project (ATP 744) is expected to be drilled during the second quarter of calendar 2018.

Also, during the half-year Comet Ridge continued to evaluate a number of pipeline export options to connect its Galilee Basin contingent resource base (both Sandstone gas and CSG) into the east coast market.

3. Gunnedah Basin, NSW
Comet Ridge CSG equity: PEL 427: 59.09%, PEL 428: 68.42%, PEL 6: 29.55%
Comet Ridge Conventional equity: PEL 427: 100%, PEL 428: 100%, PEL 6: 99.7%
With respect to the NSW permits, the formal approval of the renewals for PEL 6, PEL 427 and PEL 428 have not yet been received. It is unclear when these approvals will be granted although it is understood that they are currently being progressed. In keeping with the delay on the approval applications by the NSW government, no exploration activities have been undertaken and the current spend on the permits is very low.

4. Other
During 2016, Comet Ridge submitted an application to surrender its 100% interest in PMP50100 in New Zealand. This is currently being processed by New Zealand Petroleum and Minerals. As all exploration activities in USA had ceased and there is no intention to undertake further activities, during the half-year the US entity Comet Ridge USA Inc was wound up. The investment in the US had been written off in full in prior years.

CAPITAL RAISING

During the half-year, the Company completed a successful $10 million Placement and a Share Purchase Plan (SPP) that raised an additional $3.1 million. Both the Placement and SPP were offered at 23.5 cents per share. Demand for the shares saw the Placement and SPP strongly supported and heavily oversubscribed. The net proceeds from the raising will be used for:

- Ongoing appraisal and pre-development activities at the Company's flagship Mahalo project;
- Comet Ridge's share of costs for the Albany sandstone initial appraisal programme in the Galilee Basin;
- Other permit exploration and appraisal; and
- General corporate and working capital purposes.

ROUNDING OF AMOUNTS

Pursuant to ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 the amounts in the directors' report and financial report, have been rounded off to the nearest thousand dollars, unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration is required under Section 307C of the *Corporations Act 2001* accompanies this report.

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

Tor McCaul
Managing Director

Brisbane, Queensland, 12 March 2018

Notes to Net Recoverable Reserves and Resources Table (Table):

1) 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).
2) ASX Listing Rule 5.28.2 Statement relating to Prospective Resources: The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.
3) Where the auditor has detailed Prospective Resources in a range in the Galilee Basin, the best estimate case has been reported in the table above.
4) 1P Reserves have been determined on the basis of the development of a 10 TJ/d field development centred in the areas around the Mahalo and Mira pilot schemes, based on the positive horizontal well performance demonstrated in both of those locations in 2016 (Mahalo 7) and 2018 (Mira 6). There is significant water storage (approximately 15 ML at each pilot) already installed and gas processing (given the high-quality gas in the reservoir) would be limited to compression and dehydration with a short 14km tie-in to the nearest available infrastructure. This development scenario was viable at gas prices below those observed in the existing market.

ASX Listing Rule 5.42 - Reporting on Oil and Gas Activities

The Contingent Resource for the Albany Structure referred to in the Table are taken from an independent report by Dr Bruce McConachie of SRK Consulting (Australasia) Pty Ltd, originally released to the Market in the Company's announcement of 6 August 2015.

The estimate of Reserves and Contingent Resources for the Mahalo Gas Project (part of ATP 1191) provided in the Table is based on, and fairly represents, information and supporting documentation determined by Mr Timothy L. Hower of MHA Petroleum Consultants LLC Inc The estimates have been calculated in accordance with the Society of Petroleum Engineers (SPE) 2007 Petroleum Resource Management System guidelines (PRMS) as well as the 2011 Guidelines for Application of the PRMS approved by the SPE. MHA have updated the Reserves and Resources to Comet Ridge's net equity interest in the Mahalo Gas Project using the deterministic method of petroleum reserves estimation. Th updated reserves and resources estimates included in the Table were originally announced to the Market in the Company's announcement of 6 March 2018.

The contingent gas resource estimates for ATP 744 provided in this statement were originally released to the Market in the Company's announcement of 25 November 2010, and were estimated using the deterministic method with the estimate of contingent resources for ATP 744P not having been adjusted for commercial risk.

The Company confirms that it is not aware of any new information or data that materially affects the information in this announcement to the market of the Net Recoverable Reserves and Resources announced as detailed above and that all of the material assumptions and technical parameters underpinning the estimates in those announcements continue to apply and have not materially changed.

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

Level 38
345 Queen Street
Brisbane
Queensland 4000

Postal Address:
GPO Box 1144
Brisbane
Queensland 4001

Tel: 07 3222 8444
Fax: 07 3221 7779

www.pitcher.com.au
info@pitcherpartners.com.au

Pitcher Partners is an association of independent firms
Brisbane | Melbourne | Sydney | Perth | Adelaide | Newcastle

The Directors
Comet Ridge Limited
Level 3, 283 Elizabeth Street
BRISBANE, QLD, 4000

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 2017, 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 APES 110 *Code of Ethics for Professional Accountants*.

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

PITCHER PARTNERS

N Batters
Partner

Brisbane, Queensland
12 March 2018

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	December 2017 $000's	December 2016 $000's
Revenue and other income			
Interest received		**37**	12
Other income		**4**	2
Expenses			
Employee benefit's expense		**(331)**	(379)
Contractors' & consultancy costs		**(161)**	(240)
Restoration & rehabilitation expense		**(225)**	(8)
Professional fees		**(96)**	(89)
Corporate expenses		**(145)**	(113)
Occupancy costs		**(46)**	(56)
Fair value movement of financial liability at fair value	8	**(579)**	(945)
Finance costs		**(36)**	(12)
Other expenses		**(110)**	(97)
Depreciation		**(9)**	(8)
Impairment - exploration and evaluation expenditure		**(80)**	(100)
LOSS BEFORE INCOME TAX		**(1,777)**	(2,033)
Income tax credit		**-**	-
LOSS FOR THE PERIOD		**(1,777)**	(2,033)
Other comprehensive profit/(loss), net of income tax			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		**26**	(6)
TOTAL OTHER COMPREHENSIVE PROFIT/(LOSS), NET OF INCOME TAX		**26**	(6)
TOTAL COMPREHENSIVE LOSS		**(1,751)**	(2,039)
Loss attributable to:			
Owners of the parent		**(1,777)**	(2,033)
Non-controlling interests		**-**	-
		(1,777)	(2,033)
Total comprehensive loss attributable to:			
Owners of the parent		**(1,751)**	(2,039)
Non-controlling interests		**-**	-
		(1,751)	(2,039)
LOSS PER SHARE		**Cents**	**Cents**
Basic loss per share		**(0.3)**	(0.4)
Diluted loss per share		**(0.3)**	(0.4)

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

	Note	December 2017 $000's	June 2017 $000's
CURRENT ASSETS			
Cash and cash equivalents		**3,836**	6,039
Trade and other receivables		**1,855**	723
Other financial assets - term deposits		**10,000**	-
Inventories		**76**	76
Other assets		**504**	394
TOTAL CURRENT ASSETS		**16,271**	7,232
NON-CURRENT ASSETS			
Property, plant and equipment		**48**	53
Exploration and evaluation expenditure	7	**45,779**	43,491
TOTAL NON-CURRENT ASSETS		**45,827**	43,544
TOTAL ASSETS		**62,098**	50,776
CURRENT LIABILITIES			
Trade and other payables		**1,296**	1,510
Financial liability at fair value	8	**15,806**	-
Provisions		**963**	679
TOTAL CURRENT LIABILITIES		**18,065**	2,189
NON-CURRENT LIABILITIES			
Financial liability at fair value	8	**-**	15,227
Provisions		**555**	572
TOTAL NON-CURRENT LIABILITIES		**555**	15,799
TOTAL LIABILITIES		**18,620**	17,988
NET ASSETS		**43,478**	32,788
EQUITY			
Contributed equity	9	**111,851**	99,377
Reserves		**1,433**	1,440
Accumulated losses		**(69,806)**	(68,029)
TOTAL EQUITY		**43,478**	32,788

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 2017

	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 2016	92,022	1,361	56	(64,411)	29,028
Loss for the period	-	-	-	(2,033)	(2,033)
Other comprehensive loss for the period	-	(6)	-	-	(6)
Total comprehensive loss for the period	-	(6)	-	(2,033)	(2,039)
Transactions with owners in their capacity as owners					
Contributions of equity net of transaction costs	2,403	-	-	-	2,403
Share based payments	-	-	10	-	10
	2,403	-	10	-	2,413
Balance at 31 December 2016	94,425	1,355	66	(66,444)	29,402
Balance at 1 July 2017	**99,377**	**1,360**	**80**	**(68,029)**	**32,788**
Loss for the period	**-**	**-**	**-**	**(1,777)**	**(1,777)**
Other comprehensive profit for the period	**-**	**26**	**-**	**-**	**26**
Total comprehensive (loss)/profit for the period	**-**	**26**	**-**	**(1,777)**	**(1,751)**
Transactions with owners in their capacity as owners					
Contributions of equity net of transaction costs	**12,474**	**-**	**-**	**-**	**12,474**
Share based payments	**-**	**-**	**(33)**	**-**	**(33)**
	12,474	**-**	**(33)**	**-**	**12,441**
Balance at 31 December 2017	**111,851**	**1,386**	**47**	**(69,806)**	**43,478**

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

	December 2017 $000's	December 2016 $000's
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	**18**	11
Payments to suppliers and employees	**(2,160)**	(954)
NET CASH USED IN OPERATING ACTIVITIES	**(2,142)**	(943)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation assets	**(2,557)**	(536)
Payment for property, plant and equipment	**(2)**	-
Movement in term deposits	**(10,000)**	-
Movement in restricted cash	**(62)**	-
NET CASH USED IN INVESTING ACTIVITIES	**(12,621)**	(536)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**13,109**	2,455
Share issue costs	**(549)**	(52)
NET CASH FROM FINANCING ACTIVITIES	**12,560**	2,403
Net (decrease)/increase in cash held	**(2,203)**	924
Cash at the beginning of the period	**6,039**	1,625
CASH AT THE END OF THE PERIOD	**3,836**	2,549

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

.

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 permit interests and exploration and evaluation activities in Australia and New Zealand.

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 2017 and are presented in Australian Dollars ($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.

Pursuant to ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 the amounts in the directors' report and financial report, have been rounded off to the nearest thousand dollars, unless otherwise indicated.

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.

While the Group has sufficient cash to execute its current planned exploration and evaluation activities it may be required to raise additional capital within the next 12 months or sell down its interest in an existing asset or pre-sell gas from one of its assets in order to fund a payment to Stanwell Corporation Limited (SCL) under Option B of the Renegotiated Option Agreement in relation to Mahalo Gas Project (MGP). Option B is exercisable by SCL upon the earlier of Final Investment Decision for any development of the Mahalo Gas Project permit area or on the 4th anniversary date of the execution of the renegotiated agreement. If SCL elects to exercise Option B, it will receive a cash payment of $20 million at 1 July 2014 dollar terms which is to be escalated in accordance with CPI on and from 1 July 2014 and annually thereafter (or part thereof) up to the date the Pay Agreement is signed.

At the date of this financial report, the Directors have a reasonable expectation that the Group and the Company will be successful with its future fund-raising initiatives and, as a result, 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). 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 may not have 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.

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 2017 to fully impair the expenditure with respect to these permits. The impairment expense amounted to $80,000 (December 2016: $100,000). In addition, because the New Zealand permits are to be relinquished, any expenditure in New Zealand during the half-year has been expensed to exploration permit expenditure.

(b) Renegotiated Mahalo Option Agreement

On 18 March 2014, the Group signed an agreement to repurchase 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. The effective date of this transaction was 20 October 2014. 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. 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 indexed by CPI up to the date the Gas Supply Agreement is signed; or

2. A cash payment of $20m indexed by CPI up to the date of payment. This amount is 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 2017 it is necessary to consider whether there have been any technical or economic changes since the last reporting date that would now cause SCL to choose Option B rather than Option A. If necessary, the liability to SCL will be amended so that at the anticipated date of the GSA the full liability for the consideration payable to SCL will be recognised.

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. This conclusion was based on the exploration results from the Mahalo and Mira pilot operations which, while not conclusive at that time, indicated that the Mahalo/Mira field had the potential for a significant gas resource.

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 results of exploration and development activity undertaken during the six months to 31 December 2017 have not changed the initial opinion on the potential of the field. Three vertical wells (Mira 3, 4, and 5) were successfully under-reamed and re-completed with pressure build-up surveys quantifying the success. The Humboldt South 1 core hole was successfully drilled with all objectives met. The Mira 6 horizontal well was also drilled successfully and intersected the Mira 2 vertical well to ensure both wells work in combination to produce water and gas. All 5 wells are now on-line with 3 wells producing gas at steadily increasing rates. Further studies are also being undertaken to examine the most efficient path to development and production.

As a result of the positive results achieved from the half-year exploration programme, MHA Petroleum Consultants, LLC (MHA) were engaged to assess the MGP's gas resource volumes and provide an updated independent certification of the Project's reserves. The report from the Reserves Auditor which was announced to the market on 6 March 2018, included 1P reserves for the first time and resulted in a significant upgrade to 2P and 3P reserves and confirmed the Mahalo/Mira field had the potential for a significant gas resource.

5. Accounting estimates and judgements (continued)

(b) Renegotiated Mahalo Option Agreement (continued)

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

The pricing mechanism will operate as follows:

1. If the price of oil is low (i.e. below the OLP Floor of USD60.02/bbl), the gas price will be based on the field cost to produce plus a 14.5% after tax rate of return (FCR);
2. If the oil price is high (i.e. above the OLP Ceiling of USD112.52/bbl) then the gas price will be based 50% on FCR and 50% on OLP Ceiling;
3. If the oil price lies between the OLP Floor and Ceiling levels mentioned in (1) and (2) above, the gas price will be based 50% on FCR and 50% on OLP; and
4. A discount, calculated at the date of the GSA, will apply and will reduce the gas price calculated on a $/GJ basis over the life of the GSA.

The oil price at 31 December 2017 was higher than the price at 30 June 2017 and is approaching the OLP Floor. As a result, if the gas price for the GSA was determined at balance date it would be based on FCR. The conservative estimate of FCR determined by the development studies ("value in use" calculations) conducted at September 2015 and August 2016 is in the range $3.05/GJ to $4.26/GJ. This is below the current market price range of around $7.50/GJ to $8.50/GJ (Australian Energy Regulator weekly gas report issued 2 March 2018). The FCR price would also be reduced by the SCL discount, hence it is reasonable to assume that Option A would still be attractive to Stanwell.

As a result, at 31 December 2017, 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 during the half year was $579,000 (2016: $945,000) and a corresponding amount was recognised as an expense in the profit or 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 $20 million 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 "value in use" methodology that takes into account the estimated cash flows from the development and operation of the Mahalo Gas Project. Using a range of gas prices from $6.00/GJ to $8.00/GJ, the valuation provides a range of NPVs for Comet Ridge's 40% interest in the Mahalo Gas Project that are significantly above the value of the indexed $20 million financial guarantee. Accordingly, at 31 December 2017 CRM's Financial Guarantee Contract asset and Comet Ridge Limited's Financial Guarantee Contract liability would both be valued at nil.

6. Segment information

Identification of reportable segments

The principal operating activities of the Group are the exploration and evaluation of its tenements for oil and gas reserves. 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.

Reportable segments disclosed are based on aggregating operating activities where those activities are considered to have similar economic characteristics and meet the other aggregation criteria of AASB 8 Operating Segments. Other than exploration and evaluation costs written off and impairment losses and stand-by costs in relation to exploration and evaluation expenditure, income and expenditure as per the Statement of Profit or Loss and Other Comprehensive Income consist of incidental revenue including interest and corporate overhead expenditure which are not allocated to the Group's operating segments.

In addition, only exploration and evaluation expenditure assets are allocated to the Group's operation segments. All other assets and liabilities relate to corporate activities and are not allocated to operating 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.

The following tables show the financial performance and financial position information regarding the Group's operating segments.

(a) Segment performance

	Queensland		New Zealand	New South Wales	Total
	Galilee	**Bowen**	**South Island**	**Gunnedah**	
31 December 2017	**$000's**	**$000's**	**$000's**	**$000's**	**$000's**
Segment revenue	**-**	**-**	**-**	**-**	**-**
Exploration and evaluation expenditure impaired	**-**	**-**	**-**	**(80)**	**(80)**
Restoration and rehabilitation expense	**-**	**-**	**(225)**	**-**	**(225)**
Segment result before tax	**-**	**-**	**(225)**	**(80)**	**(305)**
Reconciliation of segment result to Group loss before tax					
Interest received					**37**
Other income					**4**
Employee benefits' expense					**(331)**
Contractors' and consultancy costs					**(161)**
Professional fees					**(96)**
Corporate expenses					**(145)**
Occupancy costs					**(46)**
Fair value movement of financial liability at fair value					**(579)**
Finance costs					**(36)**
Other expenses					**(110)**
Depreciation					**(9)**
Loss before tax					**(1,777)**
31 December 2016					
Segment revenue	-	-	-	-	-
Exploration and evaluation expenditure impaired	-	-	-	(100)	(100)
Restoration and rehabilitation expense	-	-	(8)	-	(8)
Segment result before tax	-	-	(8)	(100)	(108)
Reconciliation of segment result to Group loss before tax					
Interest received					12
Other income					2
Employee benefits' expense					(379)
Contractors' and consultancy costs					(240)
Professional fees					(89)
Corporate expenses					(113)
Occupancy costs					(56)
Fair value movement of financial liability at fair value					(945)
Finance costs					(12)
Other expenses					(97)
Depreciation					(8)
Loss before tax					(2,033)

6. Segment information (continued)

(b) Segment assets	**Queensland**		**New Zealand**	**New South Wales**	**Total**
	Galilee	**Bowen**	**South Island**	**Gunnedah**	
31 December 2017	**$000's**	**$000's**	**$000's**	**$000's**	**$000's**
Segment assets	**22,390**	**23,389**	**-**	**-**	**45,779**
Segment liabilities	**-**	**(15,806)**	**-**	**-**	**(15,806)**
	22,390	**7,583**	**-**	**-**	**29,973**
Reconciliation of segment assets to group assets					
Unallocated assets					
Current assets					**16,271**
Non-current assets					**48**
Current liabilities					**(2,259)**
Non-current liabilities					**(555)**
Total group net assets					**43,478**
Segment asset movement for the year					
Balance at 1 July 2017	**22,089**	**21,402**	**-**	**-**	**43,491**
Exploration and evaluation expenditure	**301**	**1,987**	**-**	**80**	**2,368**
Impairment expense	**-**	**-**	**-**	**(80)**	**(80)**
	301	**1,987**	**-**	**-**	**2,288**
Balance at 31 December 2017	**22,390**	**23,389**	**-**	**-**	**45,779**
31 December 2016					
Segment assets	21,542	20,223	-	-	41,765
Segment liabilities	-	(14,215)	-	-	(14,215)
	21,542	6,008	-	-	27,550
Reconciliation of segment assets to group assets					
Unallocated assets					
Current assets					3,285
Non-current assets					54
Current liabilities					(924)
Non-current liabilities					(563)
Total group net assets					29,402
Segment asset movement for the year					
Balance at 1 July 2015	21,246	19,997	-	-	41,243
Exploration and evaluation expenditure	296	226	-	100	622
Impairment - exploration expenditure	-	-	-	(100)	(100)
	296	226	-	-	522
Balance at 31 December 2016	21,542	20,223	-	-	41,765

7. Exploration and evaluation expenditure

	December 2017	June 2017
	$000's	**$000's**
Exploration and evaluation expenditure	**63,498**	61,130
Less provision for impairment	**(17,719)**	(17,639)
	45,779	43,491

Movements in exploration and evaluation phase	December 2017	December 2016
	$000's	**$000's**
Balance at the beginning of period	**43,491**	41,243
Exploration and evaluation expenditure during the period	**2,368**	622
Impairment expense	**(80)**	(100)
Balance at the end of period	**45,779**	41,765

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 2017	June 2017
	$000's	**$000's**
Current		
Financial liability at fair value - Stanwell Corporation Limited	**15,806**	-
Non-current		
Financial liability at fair value - Stanwell Corporation Limited	**-**	15,227
	15,806	15,227

Movements in financial liability at fair value	December 2017	December 2016
	$000's	**$000's**
Balance at the beginning of the period	**15,227**	13,270
Movement in fair value of financial liability at fair value	**579**	945
Balance at the end of the period	**15,806**	14,215

Fair value measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes.

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).

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. The SCL liability 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 2017 have not changed from those used at 30 June 2017 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 $15 million 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 $15 million gas supply discount is 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. The pre-tax discount rate is also 14.75% per annum as the cost of debt is nil.

8. Financial liability at fair value (continued)

Fair value measurement (continued)

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 at 31 December 2017 will increase by approximately $6.5 million.
Agreement term	If the Final Investment Decision (FID) is reached earlier than the 4-year limit (i.e. earlier than 20 October 2018) 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 4.5% or $680,000.
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 or a high of 17.0% pa the NPV of the indexed liability will increase/reduce by approximately $870,000 (10.0%) and $780,000 (9.0%) respectively with a resulting reduction/increase in the total fair value movement to be expensed over the term of the agreement.

9. Contributed equity

	December 2017	June 2017
	$000's	$000's
Ordinary shares - fully paid	**111,851**	99,377

Movements in ordinary shares	December 2017	December 2016	December 2017	December 2016
	Number of Shares		$000's	$000's
Balance at the beginning of the period	**617,742,154**	526,250,547	**99,377**	92,022
Share placement @ 23.5 cents per share	**42,638,299**	-	**10,020**	-
Entitlement issue @ 23.5 cents per share	**13,358,533**	-	**3,089**	-
Share placement @ 5 cents per share	**-**	28,041,306	**-**	1,402
Entitlement issue @ 5 cents per share	**-**	21,050,301	**-**	1,053
Share issue costs	**-**	**-**	**(635)**	(52)
Balance at the end of the period	**673,738,986**	575,342,154	**111,851**	94,425

10. 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 2017	December 2016
	$000's	$000's
Statement of comprehensive income		
Share based payments expense included in employee benefits' expense	**(33)**	10

	December 2017	December 2016
Share based payments reserve	$000's	$000's
Balance at the beginning of the period	**80**	56
Share based payments expense during the half year	**46**	10
Performance rights expired during the half year	**(79)**	-
Balance at the end of the period	**47**	66

10. Share based payments (continued)

During the half-year, performance rights were granted to the Managing Director in accordance with the Comet Ridge Limited Performance Rights Plan for employees and contractors. The object of the plan 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.

All performance rights granted during the half-year vest subject to a performance condition and the completion of a specified period of employment/engagement. Details of the performance rights granted during the 31 December 2017 half-year together with their terms and conditions are as follows:

Grant Date	No. of Rights	Assumed Vesting Date	Expiry Date	Fair Value (cents)	Performance Condition
23-Nov-17	500,000	30-Jun-18	31-Jan-21	17.4	Closing share price at or above 0.25 for 10 consecutive days
23-Nov-17	1,000,000	31-Jan-20	31-Jan-20	26.5	Mahalo JV resolves to proceed to development
23-Nov-17	1,000,000	31-Jan-21	31-Jan-21	26.5	Resolution to proceed to development for Albany Project

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

Grant Date	Expiry Date	Share Price at Grant Date (cents)	No. of Rights 30 June 2017	Granted during the half-year	Vested during the half-year	Expired during the half-year	No. of Rights 31 Dec 2017
18-Jan-16	31-Dec-17	9.0	1,260,000	-	-	(1,260,000)	-
18-Jan-16	31-Dec-17	9.0	1,260,000	-	-	(1,260,000)	-
1-Dec-16	31-Dec-19	7.0	2,500,000	-	-	-	2,500,000
23-Nov-17	31-Jan-21	26.5	-	500,000	-	-	500,000
23-Nov-17	31-Jan-20	26.5	-	1,000,000	-	-	1,000,000
23-Nov-17	31-Jan-21	26.5	-	1,000,000	-	-	1,000,000
			5,020,000	2,500,000	-	(2,520,000)	5,000,000

The fair value of performance rights is determined at grant date. The value of performance rights that are issued subject only to a service condition or subject to a service condition and a non-market performance condition e.g. reserves certification, is determined by reference to the quoted price of the Company's shares on the ASX and an appropriate probability weighting to factor the likelihood of the satisfaction of these conditions. The fair value of performance rights at grant date issued subject to a market condition e.g. Total Shareholder Return performance, is determined using generally accepted valuation techniques including Black-Scholes option pricing model and Monte Carlo simulation that take into account the term of the performance right, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the performance right.

11. 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 $20 million 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 $20 million at 1 July 2014 dollar terms which is to be escalated in accordance with CPI on and from 1 July 2014 and annually thereafter (or part thereof) up to the date the Pay Agreement is signed.

12. 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 2017 $000's	June 2017 $000's
Payable - minimum lease payments		
- not later than 12 months	**96**	94
- between 12 months and 5 years	**57**	107
	153	201

12. Commitments (continued)

Bank guarantees

Westpac Banking Corporation have provided bank guarantees totalling $445,000 (June 2017: $383,000) as follows:

- $212,000 (June 2017: $150,000) to the State of Queensland in respect of the Group's exploration permits and environmental guarantees;
- $200,000 (June 2017: $200,000) to the State of NSW to supports the Group's exploration permits and environmental guarantees; and
- $33,000 (June 2017: $33,000) 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 permits 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 2017	June 2017
Minimum expenditure requirements	**$000's**	**$000's**
- not later than 12 months	**999**	92
- between 12 months and 5 years	**1,651**	5,692
	2,650	5,784

13. Events occurring after balance date

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 other than:

- Agency Agreement

On 23 February 2018 Comet Ridge announced that it had executed a second agency agreement with Santos appointing Comet Ridge to operate and manage the Mahalo 2018 Joint Venture Exploration Programme and Budget in its capacity as agent for and on behalf of Santos as Exploration Operator.

- Vintage Farm-in

On 1 March 2018 Comet Ridge announced that all of the conditions precedent with respect to the farm-out to Vintage Energy Limited (Vintage) of the sandstone reservoir sequence within the Galilee Basin permits had been met. Under the Farm-in Agreement Vintage will spend approximately $8.5 million to earn a 30% interest in the sandstone targets in the Galilee Basin permits ATP 743, ATP 744 and ATP 1015. Comet Ridge continues to hold 100% of the coal seam gas interests in the Galilee Basin permits.

- Reserves Booked

On 6 March 2018, Comet Ridge announced a material reserves upgrade for the MGP. As a result of the positive results achieved from the half-year exploration programme, MHA Petroleum Consultants, LLC (MHA) were engaged to assess the MGP's gas resource volumes and provide an updated independent certification of the Project's reserves. The report from the Reserves Auditor which was announced to the market on 6 March 2018 included 1P reserves for the first time and resulted in a significant upgrade to 2P and 3P reserves (refer table on page 2 of the Directors' Report).

- Vesting of Performance Rights

Upon the booking of the reserves upgrade for the MGP and the gas flow rate for the Mira Pilot exceeding 800 mfcd the vesting conditions for 1,858,334 performance rights were met. In addition, the vesting criteria (share price) for a further 500,000 performance rights have been met as at 12 March 2018. As a result, a total of 2,358,334 fully paid shares are expected to be issued to staff and long-term contractors.

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 2017 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, 12 March 2018

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

Level 38
345 Queen Street
Brisbane
Queensland 4000

Postal Address:
GPO Box 1144
Brisbane
Queensland 4001

Tel: 07 3222 8444
Fax: 07 3221 7779

www.pitcher.com.au
info@pitcherpartners.com.au

Pitcher Partners is an association of independent firms
Brisbane | Melbourne | Sydney | Perth | Adelaide | Newcastle

KEN OGDEN
NIGEL FISCHER
TERESA HOOPER
MARK NICHOLSON
PETER CAMENZULI
JASON EVANS
IAN JONES
KYLIE LAMPRECHT
NORMAN THURECHT
BRETT HEADRICK
WARWICK FACE
NIGEL BATTERS
COLE WILKINSON
SIMON CHUN
JEREMY JONES

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 2017, 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 disclosing entity 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 2017 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 disclosing entity's financial position as at 31 December 2017 and of its 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 while the consolidated entity has sufficient cash to execute its current planned exploration and evaluation activities it may be required to raise additional capital within the next 12 months, or sell down its interest in an existing asset or pre-sell gas from one of its assets in order to fund a payment to Stanwell Corporations Limited ('SCL'). If SCL elects to exercise option B under the Renegotiated Option Agreement in relation to Mahalo Gas Project, the consolidated entity will be liable for a $20m cash payment (escalated in accordance with CPI on and from 1 July 2014 and annually thereafter, or part thereof, up to the date the pay agreement is signed). 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 in the financial report.

Pitcher Partners

PITCHER PARTNERS

NIGEL BATTERS
Partner

Brisbane, Queensland
12 March 2018