Comet Ridge Limited

A.B.N. 47 106 092 577

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Contents

Corporate Directory

Directors

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

Company Secretary
Stephen Rodgers

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Securities Exchange Listing
Australian Securities Exchange Ltd
Home Exchange: Brisbane
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 2014.

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
Jeff Schneider	Non-Executive Director (retired 27 November 2014)
Gillian Swaby	Non-Executive Director
Christopher Pieters	Non-executive Director
Anthony Gilby	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 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 $1,300,069 (December 2013: loss $4,140,069).

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

(a) Capital Raising Successfully Completed

In October and November 2014, the Group raised additional capital by way of:

1. a share placement to institutional and sophisticated investors of 59,259,250 new ordinary shares at 13.5 cents per share; and
2. a share purchase plan offered to existing shareholders resulting in 8,192,551 new ordinary shares being issued also at an issue price of 13.5 cents per share.

The net proceeds from the placements amounted to $8.6 million which will be used to fund exploration and appraisal activities for 2014/15 and provide for additional working capital.

(b) Exploration Activities

Bowen Basin, QLD - ATP 337P Mahalo (Comet Ridge 40%)
During the half-year, the Group had an operational focus on its Queensland assets in the Bowen Basin at the Mahalo block. The Mahalo Gas Project is located approximately 240km west of Gladstone in the southern Bowen Basin and is located just 11 kilometres from an infrastructure connection to the Gladstone LNG market with significant gas supply requirements.

On 28 August 2014, the Group announced to the market its first independently certified reserves at the Mahalo Gas Project which also included a substantial increase in the contingent resource booked. Comet Ridge's share of the existing Reserve and Contingent Resources for ATP 337P is detailed below:

COI Net Equity Share ATP 337P	Gas Reserve (PJ)			+Gas Contingent Resource (PJ)		
Category	1P [4]	2P	3P	1C	2C	3C
27 August 2014 certification	-	22	124	208	328	468
25 October 2010 certification	-	-	-	83	221	442
Increase	-	22	124	125	107	26

+ ***ASX Listing Rule 5.28.2 Statement***
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.

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Review of Operations and Results - Exploration Activities (continued)

(b) Exploration Activities (continued)

Bowen Basin, QLD - ATP 337P Mahalo (Comet Ridge 40%) (continued)

+ ***ASX Listing Rule 5.28.2 Statement (continued)***
The contingent resource estimates for part of ATP 337P as at 25 October 2010, provided in the table above are based on and fairly represent, information and supporting documentation determined by Mr John Hattner of Netherland, Sewell and Associates Inc (NSAI), Dallas, Texas, USA, in accordance with Petroleum Resource Management System guidelines. Mr Hattner is a full-time employee of NSAI, and is considered to be a qualified person as defined under the ASX Listing Rule 5.42 and has given his consent to the use of the resource figures in the form and context in which they appear in these accounts.

The contingent gas resource estimates for ATP 337P provided in these accounts were originally released to the Market in the Company's announcement of 25 October 2010 and updated on 28 August 2014, were estimated using the deterministic method with the estimate of contingent resources for ATP 337P not having been adjusted for commercial risk.

The contingent resources estimates for part of ATP 337P as at 27 August 2014 provided in the table above is based on, and fairly represents, information and supporting documentation determined by Mr Timothy L. Hower of MHA Petroleum Consultants LLC Inc in accordance with Petroleum Resource Management System guidelines. Mr Hower is a full-time employee of MHA, and is a qualified person as defined under the ASX Listing Rule 5.42 and has given his consent to the use of the resource figures in the form and context in which they appear in these accounts.

Comet Ridge Limited confirms that it is not aware of any new information or data that materially affects the information included in the two announcements referred and that all of the material assumptions and technical parameters underpinning the estimates in the announcements continue to apply and have not materially changed.

During the half-year the Joint Venture continued to operate the Mahalo and Mira pilot schemes dewatering the coals in the northern part of the Mahalo Gas Project. These two pilots are a key component of a Joint Venture plan to book gas reserves across a large part of the Mahalo project area. Having two independent pilot schemes operating concurrently significantly increases the likelihood of achieving a commercial gas rate for establishing reserves, and also allows the Joint Venture to gather valuable data on optimal well completion design for field development.

The Mahalo 7 horizontal well was completed late December 2014. This involved removing the existing pump from Mahalo 6 and running in homing equipment in the well to allow for the Mahalo 7 intercept. The Mahalo 7 horizontal well was drilled horizontally through a significant section of the coal reservoir, intercepting the Mahalo 6 well on the first attempt. A new pump was then run into the Mahalo 6 vertical well to lift the water produced from the Mahalo 7 horizontal well section. This work was undertaken in mid-December 2014 and the pump was put on line with water production commencing on 28 December. The Mahalo 7 surface to in-seam horizontal well was designed to maximise the use of current reservoir data and has been positioned inside the current pilot wells. The well contacted approximately 360 metres of coal in the horizontal hole section.

The Mahalo 6 vertical production well is now being utilised to lift water from the Mahalo 7 horizontal well. The pump in Mahalo 6 is initially being run at a very low speed such that pressure drawdown is kept very low with the intent that the drawdown will be gradually increased over time. Comet Ridge is pleased with the progress on the drawdown.

The Mahalo 3, 4 and 5 wells continued to dewater during the half-year. Gas production from the Mahalo Field Pilot has continued to increase since early March 2014 when the wells were brought back on line following the Mahalo stimulation.

At the Mira Pilot Scheme, approximately 13km southeast of the Mahalo Pilot, one well (Mira 2) is being used as a pressure observation well, whilst the Mira 3, 4 and 5 wells are being used to dewater the reservoir and allow gas to flow. Gas production continues to be measured on two of the three flowing Mira wells.

Galilee Basin, Qld – ATP 743P & ATP 744P (Comet Ridge 100%) & ATP 1015P Farm-in Area (Comet Ridge 20%)
With the Group's operational focus on the Mahalo Gas Project there was less activity during the half-year on the Galilee Basin permits. The half-year activity included:

Harrington-1
Laboratory testing of the Harrington 1 core recovered when the well was drilled mid-2014.

Conventional Petroleum Potential
Technical work continued during the half-year to evaluate conventional petroleum potential in the Company's Galilee Basin blocks. Significant gas potential outside of coal seams exists within the deeper section yet to be drilled and tested. Three historic petroleum wells within ATP 743P and ATP 744P recovered oil and/or gas from Lake Galilee Sandstone at the base of the Galilee Basin.

Carmichael 1 which was drilled in 1995 flowed gas to surface on three tests from deeper sandstone intervals (2600m) using sub-optimal drilling practices and an additional thick section was not tested. This well is close to the area around the Gunn Project Area and demonstrates further prospectivity in the eastern part of the Galilee Basin.

(b) Exploration Activities (continued)

Gunnedah Basin, NSW (Comet Ridge equity: PEL 427: 50%, PEL 428: 60%, PEL 6: 22.5%)
Comet Ridge's three contiguous licences are located in the northern Gunnedah Basin, immediately north and west of Santos' Narrabri CSG Project in the Bohena Trough, and cover a total area of approximately 18,000 km2. Comet Ridge currently holds between 22.5% and 60% CSG interest across these licences and between 97.5% and 100% conventional oil and gas equity across these permits and is the conventional operator. Santos operates the CSG interest.

Following the release of the NSW Chief Scientist's long awaited report on the Coal Seam Gas Industry on 30 September 2014, the NSW Government, led by the Office of Coal Seam Gas, is moving to implement the recommendations from the Chief Scientist.

During the half-year, Comet Ridge continued to work with Joint Venture partner and CSG Operator Santos, to renew the Joint Venture's Gunnedah Basin permits and plan the future work programme to evaluate a number of Permian-aged troughs that have been identified through the acreage position. Several of these troughs may contain large volumes of recoverable gas, in similar fashion to the Bohena Trough just to the south of PEL 427. To date, PEL 427 has been extended through to May 2016 and extensions continue to be processed for PEL 428 and PEL 6.

New Zealand - PMP 50100 Greymouth Block West Coast (Comet Ridge 100%)
The Board has decided that because there is far greater potential with the Australian exploration areas the Group's exploration activities will be focussed in Australia. As a result, no further exploration activity is planned to be undertaken on the New Zealand permits at this stage. Because no further exploration work is planned, in accordance with Australian Accounting Standards, the decision was made to fully impair the New Zealand exploration and evaluation expenditure at 30 June 2014.

Also, in accordance with the decision to focus exploration activity in Australia, as there was no intention to complete the next stage of the work program for exploration permit PEP50279P, this permit was surrendered during the half-year.

(c) Other Activities

USA Interest - Comet Ridge Resources LLC (Comet Ridge 10.2%)
During the quarter, Comet Ridge Resources LLC (CRR) continued to work towards farm-out opportunities in both SE Colorado and Montana. Commensurate with this effort the level of overhead has been reduced. Drilling of the two wells in SE Colorado was completed during the quarter. Production testing commenced late in the year.

Auditor's Independence Declaration
The lead auditor's independence declaration for the half-year ended 31 December 2014 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
16 March 2014

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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 2014, 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

PITCHER PARTNERS

N Batters
Partner

Brisbane, Queensland
16 March 2014

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Note	December 2014 $	December 2013 $
Revenue and other income			
Interest received		**68,453**	125,368
Other income		**1,244**	591
Expenses			
Employee benefit's expense		**(522,883)**	(489,124)
Contractors' & consultancy costs		**(223,833)**	(400,039)
Exploration and evaluation expenditure written off		**(64,902)**	(25,101)
Professional fees		**(144,249)**	(116,655)
Corporate expenses		**(157,872)**	(154,012)
Occupancy costs		**(90,994)**	(108,160)
Fair value movement of financial liability at fair value	9	**(717,686)**	-
Other expenses		**(138,132)**	(169,477)
Depreciation		**(13,332)**	(14,145)
Impairment - available-for-sale financial asset	7	**-**	(1,459,797)
LOSS BEFORE INCOME TAX		**(2,004,186)**	(2,810,551)
Income tax credit/(expense)	10	**704,117**	(1,329,518)
LOSS FOR THE PERIOD		**(1,300,069)**	(4,140,069)
Other Comprehensive (Loss)/Income, Net of Income Tax			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		**(50,290)**	911,784
TOTAL OTHER COMPREHENSIVE (LOSS)/INCOME, NET OF INCOME TAX		**(50,290)**	911,784
TOTAL COMPREHENSIVE LOSS		**(1,350,359)**	(3,228,285)
Loss attributable to:			
Owners of the parent		**(1,300,069)**	(4,140,069)
Non-controlling interests		**-**	-
		(1,300,069)	(4,140,069)
Total comprehensive loss attributable to:			
Owners of the parent		**(1,350,359)**	(3,228,285)
Non-controlling interests		**-**	-
		(1,350,359)	(3,228,285)
		Cents	**Cents**
LOSS PER SHARE			
Basic loss per share		**(0.3)**	(0.9)
Diluted loss per share		**(0.3)**	(0.9)

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 2014

	Note	December 2014	June 2014
		$	$
CURRENT ASSETS			
Cash and cash equivalents		**7,654,639**	4,814,076
Trade and other receivables		**162,935**	960,092
Inventories		**98,571**	98,571
Other assets		**460,838**	464,254
TOTAL CURRENT ASSETS		**8,376,983**	6,336,993
NON-CURRENT ASSETS			
Available-for-sale financial assets	7	**-**	-
Property, plant and equipment		**87,291**	94,980
Exploration and evaluation expenditure	8	**55,296,801**	52,774,432
TOTAL NON-CURRENT ASSETS		**55,384,092**	52,869,412
TOTAL ASSETS		**63,761,075**	59,206,405
CURRENT LIABILITIES			
Trade and other payables		**1,477,081**	4,264,939
Provisions		**595,519**	552,976
TOTAL CURRENT LIABILITIES		**2,072,600**	4,817,915
NON-CURRENT LIABILITIES			
Financial liability at fair value	9	**10,795,528**	10,077,842
Provisions		**172,259**	163,995
Deferred tax liabilities	10	**696,415**	1,400,532
TOTAL NON-CURRENT LIABILITIES		**11,664,202**	11,642,369
TOTAL LIABILITIES		**13,736,802**	16,460,284
NET ASSETS		**50,024,273**	42,746,121
EQUITY			
Contributed equity	11	**92,098,540**	83,481,566
Reserves		**2,683,155**	2,721,908
Accumulated losses		**(44,757,422)**	(43,457,353)
TOTAL EQUITY		**50,024,273**	42,746,121

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 2014

	Contributed Equity $	Foreign Currency Translation Reserve $	Share Based Payments Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2013	74,689,218	712,301	1,578,382	(29,856,698)	47,123,203
Loss for the period	-	-	-	(4,140,069)	(4,140,069)
Other comprehensive income for the period	-	911,784	-	-	911,784
Total comprehensive (loss)/income for the period	-	911,784	-	(4,140,069)	(3,228,285)
Transactions with owners in their capacity as owners					
Contributions of equity net of transaction costs	8,460,000	-	-	-	8,460,000
Shares issued on vesting of performance rights	230,607	-	(230,607)	-	-
Share based payments	-	-	48,415	-	48,415
	8,690,607	-	(182,192)	-	8,508,415
Balance at 31 December 2013	83,379,825	1,624,085	1,396,190	(33,996,767)	52,403,333
Balance at 1 July 2014	**83,481,566**	**1,417,582**	**1,304,326**	**(43,457,353)**	**42,746,121**
Loss for the period	**-**	**-**	**-**	**(1,300,069)**	**(1,300,069)**
Other comprehensive loss for the period	**-**	**(50,290)**	**-**	**-**	**(50,290)**
Total comprehensive loss for the period	**-**	**(50,290)**	**-**	**(1,300,069)**	**(1,350,359)**
Transactions with owners in their capacity as owners					
Contributions of equity net of transaction costs	**8,555,223**	**-**	**-**	**-**	**8,555,223**
Shares issued on vesting of performance rights	**61,751**	**-**	**(61,751)**	**-**	**-**
Share based payments	**-**	**-**	**73,288**	**-**	**73,288**
	8,616,974	**-**	**11,537**	**-**	**8,628,511**
Balance at 31 December 2014	**92,098,540**	**1,367,292**	**1,315,863**	**(44,757,422)**	**50,024,273**

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 2014

	December 2014	December 2013
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	**40,511**	118,690
Payments to suppliers and employees	**(1,132,421)**	(1,739,698)
NET CASH USED IN BY OPERATING ACTIVITIES	**(1,091,910)**	(1,621,008)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation assets	**(4,602,482)**	(3,970,545)
Payment for property, plant and equipment	**(5,335)**	(14,736)
Payments for term deposit	**-**	(53,181)
NET CASH USED IN INVESTING ACTIVITIES	**(4,607,817)**	(4,038,462)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**9,105,993**	9,000,000
Share issue costs	**(550,770)**	(540,000)
NET CASH FROM FINANCING ACTIVITIES	**8,555,223**	8,460,000
Net increase in cash held	**2,855,496**	2,800,530
Cash at the beginning of the period	**4,814,076**	4,464,130
Effects of exchange rate changes on cash	**(14,933)**	(77,987)
CASH AT THE END OF THE PERIOD	**7,654,639**	7,186,673

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 2014 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.

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, the Group has sufficient funds to meet its immediate requirements, as a result, none of the above fund-raising options are being considered. However, when it is necessary to raise additional funds, no guarantee can be given that a successful outcome will eventuate. 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 there was no impairment of exploration and evaluation expenditure (December 2013: $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 2014 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 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 2014, the horizontal well has been completed and the early results so far have not changed the initial opinion on the potential of the field.

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 2014, the oil price has experienced a sharp decline and at the reporting date was approximately 50% of the price at the time the agreement was signed and at 30 June 2014.

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. The initial estimate of FCR is Au$6.87 per GJ and remains unchanged at 31 December 2014;

(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 30 June 2014, 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.

The relevant oil price to be used in the Stanwell GSA calculations is the 12 month average in USD/bbl for JCC delivery. The 12 month rolling average of JCC at 31 December 2014 (being the current evaluation date for accounting purposes) is USD104.60/bbl. However, at 31 December 2014 Brent oil and JCC prices had dropped sharply to well below the 12 month average prices used in the valuation above. Notwithstanding the sharp decline at 31 December 2014, Standard and Poors is currently adopting a long term Brent oil price of USD85/bbl from 2017 (which coincides with first gas delivery for the Stanwell GSA). In addition to the above, Wilson HTM estimates that a LT oil price of USD85/bbl and AUD/USD price of $0.80, results in long term Australian domestic (oil-linked) gas prices of A$8.77/GJ. If Stanwell elected to contract gas in 2017 from Comet Ridge under the GSA, the gas pricing (prior to discount) in 2017 dollars would be A$7.67/GJ (assuming USD oil price of 85/bbl), lower than Wilson HTM's assumed Australian domestic gas price of Au$8.77/GJ. Hence it is 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 2014, 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 $717,686 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 amount indexed liability. At 30 June 2014, in order to determine the fair value of CRM's interest in the Mahalo Gas Project, CRM 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 this same valuation methodology but adopting a long term Brent oil price of USD85/bbl from 2017 as a proxy for JCC pricing for the Stanwell GSA results in a NPV of COI's 40% interest in the MGP of A$72m at 31 December 2014. Based on this valuation, at 31 December 2014 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 2014 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	
31 December 2014	**Galilee $**	**Bowen $**	**South Island $**	**Gunnedah $**	**Total $**
Segment revenue					
Segment revenue	-	-	-	-	-
Exploration and evaluation costs written off	-	(52,546)	(12,356)	-	(64,902)
Segment result before tax	-	(52,546)	(12,356)	-	(64,902)
Reconciliation of segment result to Group loss before tax					
Interest revenue					68,453
Employee benefits expense					(522,883)
Contractors and consultants costs					(223,833)
Depreciation and amortisation expense					(13,332)
Fair value movement of financial liability at fair value					(717,686)
Professional fees					(144,249)
Corporate expenses					(157,872)
Occupancy costs					(90,994)
Other expenses					(136,888)
Loss before tax					(2,004,186)

	Queensland		New Zealand	New South Wales	
31 December 2013	**Galilee $**	**Bowen $**	**South Island $**	**Gunnedah $**	**Total $**
Segment revenue	-	-	-	-	-
Exploration and evaluation costs written off	-	(25,101)	-	-	(25,101)
Segment result before tax	-	(25,101)	-	-	(25,101)
Reconciliation of segment result to Group loss before tax					
Interest revenue					125,368
Employee benefits expense					(489,124)
Contractors and consultants costs					(400,039)
Depreciation and amortisation expense					(14,145)
Impairment - available-for-sale					(1,459,797)
Professional fees					(116,655)
Corporate expenses					(154,012)
Occupancy costs					(108,160)
Other expenses					(168,886)
Loss before tax					(2,810,551)

7. Available-for-sale financial assets

	December 2014	June 2014
	$	$
Investment in Comet Ridge Resources LLC	**-**	-

Movement in carrying amount	December 2014	December 2013
	$	$
Balance at the beginning of the period	**-**	3,255,779
Fair value adjustment	**-**	(1,459,797)
Foreign exchange movements	**-**	73,797
Balance at the end of the period	**-**	1,869,779

Comet Ridge USA Inc., a wholly owned subsidiary of Comet Ridge Limited, owns a 10.2% (December 2013: 10.2%) minority interest in Comet Ridge Resources, LLC ("CRR"). CRR is not a controlled entity of Comet Ridge Limited as Comet Ridge Limited, even though it is exposed to variable returns from its investment, does not have the power to direct or control the activities of CRR in order to affect those returns. The Group may retain its minority interest in CRR by contributing cash to CRR as and when requested to fund CRR's ongoing exploration and evaluation programme. There were no cash calls made during the period, as a result, there has been no further dilution of the Group's interest in CRR LLC during the half-year.

Given that Comet Ridge holds a minority (10.2%) interest in CRR, which is not a material investment to the Group and that Comet Ridge plans to not pay further cash calls because of its focus on the eastern Australia gas projects, it was considered prudent to reduce the investment in CRR at 30 June 2014 to nil.

8. Exploration and evaluation expenditure

	December 2014	June 2014
	$	$
Exploration and evaluation expenditure	**70,639,425**	67,744,439
Less provision for impairment	**(15,342,624)**	(14,970,007)
	55,296,801	52,774,432

Movements in exploration and evaluation phase	December 2014	December 2013
	$	$
Balance at the beginning of period	**52,774,432**	44,288,615
Exploration and evaluation expenditure during the year	**2,522,369**	1,074,493
Reimbursement of Mahalo cash calls to Stanwell Corporation	**-**	25,101
Exploration and evaluation expenditure written off	**-**	(25,101)
Foreign currency translation	**-**	774,199
Balance at the end of period	**55,296,801**	46,137,307

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.

9. Financial liability at fair value

	December 2014	June 2014
Non-current	$	$
Financial liability at fair value - Stanwell Corporation Limited	**10,795,528**	10,077,842

9. Financial liability at fair value (continued)

Movements in financial liability at fair value:

	December 2014 $	December 2013 $
Balance at the beginning of the period	10,077,842	-
Movement in fair value of financial liability at fair value	717,686	-
Balance at the end of the period	10,795,528	-

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).

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 2014 have not changed from those used at 30 June 2014 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.

10. Deferred tax liability

	December 2014	June 2014
	$	$
Deferred tax liability	**696,415**	1,400,532

Movements in deferred tax liability

	December 2014	December 2013
	$	$
Opening balance	**1,400,532**	596,447
Deferred tax expense/(revenue) charged/(credited) to profit or loss (refer note (a) below	**(704,117)**	1,329,518
Closing balance	**696,415**	1,925,965

(a) The deferred tax expense amounting to $1,329,518 recognised in the December 2013 half-year predominantly relates to the reduction in tax losses carried forward arising from the receipt of a Research and Development tax offset claim.

11. Contributed equity

	December 2014	June 2014
	$	$
Ordinary shares - fully paid	**92,098,540**	83,481,566

Movements in ordinary shares	December 2014	December 2013	December 2014	December 2013
	Number of Shares		$	$
Balance at the beginning of the period	**458,598,746**	406,498,746	**83,481,566**	74,689,218
Performance rights vested during the period	**150,000**	1,570,000	**61,751**	230,607
Share placement (67,451,801 shares @13.5 cents)	**67,451,801**	-	**9,105,993**	-
Share placement (50,000,000 shares @18 cents)	**-**	50,000,000	**-**	9,000,000
Share issue costs	**-**	-	**(550,770)**	(540,000)
Balance at the end of the period	**526,200,547**	458,068,746	**92,098,540**	83,379,825

12. Share based payments

During the half-year, performance rights were granted to certain employees and contractors 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.

All performance rights granted during the half-year vest subject to a performance condition in addition to the employee/contractor satisfying a service condition relating to the completion of a specified period of employment/engagement. The vesting of performance rights granted during the half-year is conditional upon the Group booking 2P reserves. The number of performance rights that ultimately vest will be on a percentage basis of a total 2P reserve target of 75PJ with a threshold of 37.5PJ to be reached before any performance rights vest.

12. Share based payments (continued)

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.

Performance rights on issue at reporting date are as follows:

Issue No	No. of Rights	Service Period From	Service Period To	Vesting Date	Grant Date	Fair Value
Tranche 11	50,000	1-Jul-13	30-Jun-15	1-Jul-15	6-Sep-13	19 cents
Tranche 12	1,910,000	1-Jul-14	30-Jun-15	1-Jul-15	1-Oct-14	14 cents
Tranche 13	500,000	1-Jul-14	30-Jun-15	1-Jul-15	27-Nov-14	12 cents

Details of the performance rights granted during the 31 December 2014 half-year are as follows:

Grant Date	No. of Rights	Vesting Date	Expiry Date	Fair Value	Service Period From	Service Period To	Performance Condition
1-Oct-14	1,910,000	1-Jul-15	5-Jul-15	14 cents	1-Jul-14	30-Jun-15	Reserves hurdle
27-Nov-14	500,000	1-Jul-15	5-Jul-15	12 cents	1-Jul-14	30-Jun-15	Reserves hurdle

Details of the performance rights granted during the December 2013 half-year are as follows:

Grant Date	No. of Rights	Vesting Date	Expiry Date	Fair Value	Service Period From	Service Period To	Performance Condition
6-Sep-13	50,000	1-Jul-14	5-Jul-14	19 cents	1-Jul-13	30-Jun-14	Nil
6-Sep-13	50,000	1-Jul-15	5-Jul-15	19 cents	1-Jul-13	30-Jun-15	Nil

The share based payments expense included in the half-year financial statements with respect to performance rights granted during the half-year and those already issued in prior years and the movements in the Share-based Payments Reserve are as follows:

	December 2014 $	December 2013 $
Statement of comprehensive income		
Share based payments expense included in employee benefits expense	**73,288**	48,415

	December 2014 $	December 2013 $
Share based payments reserve		
Balance at the beginning of the period	**1,304,326**	1,578,382
Shares issued on vesting of performance rights	**(61,751)**	(230,607)
Share based payments during the half year	**73,288**	48,415
Balance at the end of the period	**1,315,863**	1,396,190

13. 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.

14. 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.

Payable - minimum lease payments	December 2014 $	June 2014 $
- not later than 12 months	**205,143**	202,692
- between 12 months and 5 years	**104,583**	209,165
	309,726	411,857

Bank guarantees

Westpac Banking Corporation have provided bank guarantees totalling $401,437 (June 2014: $401,437) as follows:

- $148,256 (June 2014: $148,256) to the State of Queensland in respect of the Group's exploration permits and environmental guarantees;
- $200,000 (June 2014: $200,000) to the State of NSW to supports the Group's exploration permits and environmental guarantees; and
- $53,181 (June 2014: $53,181) 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.

Exploration expenditure

Minimum expenditure requirements	December 2014 $	June 2014 $
- not later than 12 months	**2,527,264**	4,350,513
- between 12 months and 5 years	**4,475,005**	5,082,861
	7,002,269	9,433,374

15. 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.

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 2014 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
16 March 2014

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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 2014, 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 2014 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 2014 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

PITCHER PARTNERS

N Batters
Partner

Brisbane, Queensland
16 March 2014