Comet Ridge Limited

A.B.N. 47 106 092 577

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

Contents

Corporate Directory

Directors

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

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COMET RIDGE LIMITED
DIRECTORS' REPORT

Your directors present their report on the consolidated group consisting of Comet Ridge Limited and the entities it controlled ("Comet Ridge" or "the group") at the end of, or during, the half-year ended 31 December 2013.

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
Gillian Swaby	Non-Executive Director
Christopher Pieters	Commercial 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.

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 $4,140,069 (December 2012: loss $2,313,404).

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

(a) Capital Raising Successfully Completed

In August 2013, the group raised additional capital by way of a share placement to a number of institutional investors of 50 million new ordinary shares at an issue price of 18 cents per share. The net proceeds from the placement amounted to $8.46 million which will be used to fund exploration and appraisal activities for 2013/14 and provide for additional working capital.

(b) Exploration Activities

During the half-year, the group had an operational focus on its Queensland assets in the Galilee Basin and in the Bowen Basin at the Mahalo block.

Bowen Basin, QLD - ATP 337P Mahalo (Comet Ridge 35%)
The Joint Venture focus during the half-year was the dewatering of the coals in the northern part of the Mahalo Block. These 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.

Stimulation operations at Mahalo commenced in November 2013 as planned, however soon after commencement, the Operator, Santos QNT Pty Ltd, advised the Joint Venture that during these stimulation operations, a safety incident occurred. This necessitated the halting of all operations on the Mahalo 3 well, while a detailed investigation was carried out. Recommendations from the investigation were implemented by the Operator and ultimately work re-commenced just after the end of the calendar year.

This stimulation activity was completed on Mahalo 3 during January with the pump being reinstalled and the rig released. Mahalo 3 was restarted to resume dewatering to establish the effectiveness of the stimulation work carried out. A decision has been made to delay the Mahalo 5 stimulation to observe the performance of Mahalo 3. Planning is underway for a rig to return to the area and stimulate Mahalo 5 in February, allowing sufficient time to evaluate the effectiveness of the work done at Mahalo 3.

At the Mira pilot project, approximately 13km southeast of the Mahalo pilot, dewatering of the wells is ongoing. In mid-January, the pilot began producing a small amount of measurable gas which has been increasing on a steady basis. All four wells in the Mira pilot project will continue pumping with further gas and water flows monitored.

DIRECTORS' REPORT Continued

Review of Operations and Results - Exploration activities (continued)

(b) Exploration Activities (continued)

Galilee Basin, Qld – ATP 743P & ATP 744P (Comet Ridge 100%) & ATP 1015P Farm-in Area (Comet Ridge 20%)

Equity Partner for a Gunn Project Area Pilot or Pre-Sale of Gas
Several commercial options exist for development of gas from the eastern Galilee Basin. With the market for gas in eastern Australia tightening significantly, several parties have informally expressed an interest in participating in Comet Ridge's Gunn Project. This is largely driven by the project's significant 3C Contingent Resource base and the positive results from the Gunn 2 Extended Production Test. A full scale pilot programme is required to move the project's large Contingent Resource base to commercial reserves. Comet Ridge is continuing to examine various options for funding, including an equity partner or pre-sales of gas.

Gunn 2 well Extended Production Test
During the latter part of the half-year, the Gunn 2 well was operated and produced water in order to re-fill the storage tanks following hot weather and significant evaporation. An Underground Water Impact Report (UWIR), as required by Queensland legislation, was concluded during the quarter and released for public review and comment in early January 2014 and is available on the Comet Ridge website at www.cometridge.com.au. Submissions are due by 21 February 2014.

Shale Gas and Deeper Conventional Gas Potential
Further technical work continued during the half-year to evaluate both shale gas and conventional gas potential in the Company's Galilee Basin blocks. Significant gas potential outside of coal seams exists within the deeper section which is yet to be drilled and tested. Natural gas flared from a conventional well drilled by a previous tenure holder in the area around the Gunn Project Area. The data with respect to this well has also been evaluated technically and demonstrates further prospectivity in the eastern part of the Galilee Basin.

Tenure Management
ATP 743 and ATP 744P reached the end of the first four years of the 12 year permit term during September and October 2013. The first term permit conditions were satisfied for ATP 744P but not for ATP 743P. Consistent with normal exploration practice, the renewal applications provide that the least prospective one-third of each block area will be relinquished back to the Queensland Government. This leaves a remaining permit area of approximately 8,400 km^2 for the next four year term of the licences. However, the fact that the first four year term permit conditions were not fully completed for ATP 743P may have an adverse impact on the renewal application which may involve additional relinquishment of greater than one third of the block already identified in the renewal application.

Gunnedah Basin, NSW (Comet Ridge equity: PEL 427: 50%, PEL 428: 60%, PEL 6: 22.5%)

Comet Ridge continues 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 throughout 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 for a period of three years and extensions continue to be processed for PEL 428 and PEL 6.

The Company believes that there is now a renewed focus in NSW, at both state and federal government levels, to attempt to mitigate some of the gas supply crunch (and price increases) that are unfolding on the east coast of Australia; a crunch that will impact many businesses and retail consumers, particularly in NSW.

The Gunnedah Basin has a large volume of existing proven and probable gas reserves in the Santos and Energy Australia's Narrabri Gas Project, and also large potential for future gas reserves further north and west in the Comet Ridge and Santos held acreage. Industry participants agree that a focus on accessing these reserves, and also exploring and appraising further to the north, could go a long way to closing the gas self-sufficiency gap that NSW currently suffers. Comet Ridge has been pleased that exploration and appraisal drilling has successfully re-commenced during the latter part of 2013 in NSW, and has been ongoing in PEL 238, just south of PEL 427.

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.

DIRECTORS' REPORT Continued

Review of Operations and Results - Exploration activities (continued)

(b) Exploration Activities (continued)

New Zealand

PMP 50100 Greymouth Block – West Coast, PEP 50279 Buller Block – West Coast (both Comet Ridge 100%)
Exploration activity during the half-year focused on geological studies in PEP 50279, including paleogeographic history and depth modelling. These studies were done to further evaluate the presence, extent and depth of the Paparoa and Brunner coal measures and are in line with the varied work programmes that were renegotiated with New Zealand Department of Petroleum & Minerals in the previous financial year.

(c) Other Activities

USA Interest - Comet Ridge Resources LLC (Comet Ridge 10.2%)
Comet Ridge Montana LLC (subsidiary of Comet Ridge Resources LLC) drilled three exploration wells on its new oil play in the Northern Rockies. Full cores were acquired across the target reservoirs and oil shows were encountered in all three wells. Two of the wells warranted production testing. Data from the testing is currently being evaluated ahead of a resumption of operations in the coming months.

Activity in the company's oil play in SE Colorado has been placed on hold until a partner is secured.

During the half-year, Comet Ridge Resources LLC (CRR) impaired the carrying value of some of its exploration and evaluation assets. Also, during the half-year, in accordance with its Shareholder Agreement with CRR, Comet Ridge decided not to pay cash calls made during the period. This has resulted in Comet Ridge's interest in CRR being diluted down from 12.08% to 10.2%.

As a result, during the half-year the value of the investment in CRR has been reduced by $1,386,000. Of this amount, as the impairment is considered to be a permanent reduction in value of CRR, $1,459,797 has been expensed to profit and loss and the $73,797 gain on foreign currency movement reflected in the Foreign Currency Translation Reserve.

Auditor's Independence Declaration
The lead auditor's independence declaration for the half-year ended 31 December 2013 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
5 March 2013

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The Directors
Comet Ridge Limited
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 2013, 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
5 March 2013

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	December 2013 $	December 2012 $
Revenue and other income			
Interest received		**125,368**	214,283
Research & development tax offset received		**-**	182,045
Other income		**591**	495
Expenses			
Employee benefits expense		**(489,124)**	(567,431)
Contractors' & consultancy costs		**(400,039)**	(221,014)
Professional fees		**(116,655)**	(168,382)
Corporate expenses		**(154,012)**	(196,405)
Occupancy costs		**(108,160)**	(109,139)
Other expenses		**(169,477)**	(141,045)
Depreciation and amortisation expense		**(14,145)**	(16,782)
Impairment - available-for-sale financial asset	4	**(1,459,797)**	(480,684)
Exploration and evaluation expenditure written off	5	**(25,101)**	(1,340,134)
LOSS BEFORE INCOME TAX		**(2,810,551)**	(2,844,193)
Income tax credit/(expense)	6	**(1,329,518)**	530,789
LOSS FOR THE PERIOD		**(4,140,069)**	(2,313,404)
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		**911,784**	16,057
Net fair value loss on available-for-sale financial assets		**-**	(947,973)
TOTAL OTHER COMPREHENSIVE (LOSS)/INCOME, NET OF INCOME TAX		**911,784**	(931,916)
TOTAL COMPREHENSIVE LOSS		**(3,228,285)**	(3,245,320)
Loss attributable to:			
Owners of the parent		**(4,140,069)**	(2,313,404)
Non-controlling interests		**-**	-
		(4,140,069)	(2,313,404)
Total comprehensive loss attributable to:			
Owners of the parent		**(3,228,285)**	(3,245,320)
Non-controlling interests		**-**	-
		(3,228,285)	(3,245,320)
LOSS PER SHARE		**Cents**	**Cents**
Basic loss per share		**(0.9)**	(0.6)
Diluted loss per share		**(0.9)**	(0.6)

Notes to the consolidated financial statements are attached.

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	December 2013 $	June 2013 $
CURRENT ASSETS			
Cash and cash equivalents		**7,186,673**	4,464,130
Trade and other receivables		**298,482**	818,937
Inventories		**108,389**	108,389
Other assets		**513,467**	473,760
TOTAL CURRENT ASSETS		**8,107,011**	5,865,216
NON-CURRENT ASSETS			
Available-for-sale financial assets	4	**1,869,779**	3,255,779
Property, plant and equipment		**105,609**	103,847
Exploration and evaluation expenditure	5	**46,137,307**	44,288,615
TOTAL NON-CURRENT ASSETS		**48,112,695**	47,648,241
TOTAL ASSETS		**56,219,706**	53,513,457
CURRENT LIABILITIES			
Trade and other payables		**1,638,992**	5,580,597
Provisions		**199,404**	164,871
TOTAL CURRENT LIABILITIES		**1,838,396**	5,745,468
NON-CURRENT LIABILITIES			
Provisions		**52,012**	48,339
Deferred tax liabilities		**1,925,965**	596,447
TOTAL NON-CURRENT LIABILITIES		**1,977,977**	644,786
TOTAL LIABILITIES		**3,816,373**	6,390,254
NET ASSETS		**52,403,333**	47,123,203
EQUITY			
Contributed equity	7	**83,379,825**	74,689,218
Reserves		**3,020,275**	2,290,683
Accumulated losses		**(33,996,767)**	(29,856,698)
TOTAL EQUITY		**52,403,333**	47,123,203

Notes to the consolidated financial statements are attached.

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Contributed Equity $	Foreign Currency Translation Reserve $	Available-for-Sale Reserve $	Share Based Payments Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2012	65,265,125	(216,139)	947,973	1,508,283	(22,870,152)	44,635,090
Loss for the period	-	-	-	-	(2,313,404)	(2,313,404)
Other comprehensive income/(loss) for the period	-	16,057	(947,973)	-	-	(931,916)
Total comprehensive income/(loss) for the period	-	16,057	(947,973)	-	(2,313,404)	(3,245,320)
Transactions with owners in their capacity as owners						
Contributions of equity net of transaction costs	8,877,135	-	-	-	-	8,877,135
Shares issued on vesting of performance rights	121,565	-	-	(121,565)	-	-
Share based payments	-	-	-	180,832	-	180,832
	8,998,700	-	-	59,267	-	9,057,967
Balance at 31 December 2012	74,263,825	(200,082)	-	1,567,550	(25,183,556)	50,447,737
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**

Notes to the consolidated financial statements are attached.

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	December 2013	December 2012
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	**118,690**	249,709
Research & development tax offset received	**-**	182,045
Payments to suppliers and employees	**(1,739,698)**	(1,868,117)
NET CASH USED IN BY OPERATING ACTIVITIES	**(1,621,008)**	(1,436,363)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation assets	**(3,970,545)**	(3,830,985)
Payment for property, plant and equipment	**(14,736)**	(60,078)
Payments for term deposits	**(53,181)**	-
NET CASH USED IN INVESTING ACTIVITIES	**(4,038,462)**	(3,891,063)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**9,000,000**	9,392,760
Share issue costs	**(540,000)**	(515,625)
NET CASH FROM FINANCING ACTIVITIES	**8,460,000**	8,877,135
Net increase in cash held	**2,800,530**	3,549,709
Cash at the beginning of the period	**4,464,130**	6,081,148
Effects of exchange rate changes on cash	**(77,987)**	(10,862)
CASH AT THE END OF THE PERIOD	**7,186,673**	9,619,995

Notes to the consolidated financial statements are attached.

Note 1 - Significant accounting policies

Basis of preparation of half-year report

(a) Corporate Information

Comet Ridge Limited (the company) is a company limited by shares incorporated in Australia whose shares are publically traded on the Australian Securities Exchange.

The consolidated financial statements of the company as at and for the half-year ended 31 December 2013 comprise the financial statements of the Company and its controlled entities (the group).

The nature of the operations and the principal activities of the group are described in the Directors' Report.

(b) Compliance with accounting standards

This consolidated interim financial report for the half-year ended 31 December 2013 has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

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

The 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.

(c) New or revised accounting standards and interpretations that are first effective in the current reporting period

The group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period. These standards are as follows:

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair value measurement*
- AASB 119 *Employee benefits*

The adoption of the new and revised standards has not resulted in any changes to the group's accounting policies and has no effect on the amounts reported in the current and prior periods except as noted below. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Under AASB 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The group has assessed the nature of its joint arrangements and has determined that all of its interests are joint operations. The accounting for the group's interest in joint arrangements has not changed as a result of the adoption of AASB 11. As a result, the group continues to recognise its share of jointly held assets, liabilities, revenues and expenses which are incorporated in the financial statements under the appropriate headings.

AASB 13 explains how to measure the fair value of assets and liabilities and aims to enhance fair value disclosures. The standard defines a fair value measurement hierarchy as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value assets and liabilities are required to be disclosed by level in accordance with fair value measurement hierarchy:

The group has reviewed its policies for measuring fair values and has determined that the adoption of AASB 13 has not changed how the group measures investments held at fair value through the profit and loss and equity accounted investments. AASB 13 also introduced new disclosures for the interim report. These additional disclosures have been included in note 4.

Note 1 - Significant accounting policies (continued)

(d) Historical cost convention

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 financial report is presented in Australian dollars.

(e) 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 requires the group to raise additional capital within the next 12 months. Accordingly, the group is in the process of investigating 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, none of the above fund-raising options have been concluded and 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.

Note 2 - Accounting estimates and judgements

Critical estimates and judgements are continually evaluated and are consistent with those disclosed in the previous annual report. The critical estimates and judgements for the half-year 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). As a result of the review, there was no impairment of exploration and evaluation expenditure required at 31 December 2013 (December 2012: $1,340,134) However, during the half-year, under the terms of the Mahalo Sale Agreement, the group was required to reimburse cash calls paid Stanwell Corporation Limited. The amount paid amounted to $25,101 (December 2012: $nil). As these payments did not relate to the group's 35% interest in the Mahalo project, they have not been classified as exploration and evaluation expenditure and have been written off.

(b) Investment in Comet Ridge Resources LLC

Comet Ridge USA Inc. (CRUSA), a wholly owned subsidiary of Comet Ridge Limited, owns a 10.2% (June 2013: 12.08%) minority interest in Comet Ridge Resources, LLC ("CRR"). CRR operations include oil and gas exploration and evaluation in the states of Colorado and Washington USA. Pine Brook Road Partners LLC (Pine Brook), a private equity firm based in New York City, USA holds the majority interest at approximately 89.2% (June 2013: 87.5%).

The group has classified its interest in CRR as an available-for-sale financial asset and, in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, values the investment at fair value. The fair value measurement of the 'available-for-sale' financial asset is based on the group's proportionate interest in the net assets of CRR discounted for minority interest and liquidity considerations. As the valuation technique for this asset is based on significant unobservable inputs, the asset is categorised in level 3 of the fair value hierarchy in accordance with the requirements of AASB 13 *Fair Value*. This is considered the most reliable valuation method given:

Note 2 - Accounting estimates and judgements (continued)

(b) Investment in Comet Ridge Resources LLC (continued)

a. the group has a minority equity interest in an unlisted company (CRR);
b. the nature of CRR's activities, being oil and gas production and exploration;
c. the oil and gas reserves and resources interests of CRR are either carried at fair value or on a basis consistent with the group's accounting policy for the recognition and measurement of exploration and evaluation expenditure; and
d. the continued contributions to CRR by Pine Brook.

During the year, Comet Ridge Resources LLC (CRR) impaired the carrying value of some of its exploration and evaluation assets. Also, during the year, in accordance with its Shareholder Agreement with CRR, Comet Ridge decided not to pay cash calls made during the period. This has resulted in Comet Ridge's interest in CRR LLC being diluted down from 12.08% to 10.2%.

As a result, during the half-year the value of the investment in CRR has been reduced by $1,386,000. Of this amount, as the impairment is considered to be a permanent reduction in value of CRR, $1,459,797 has been expensed to profit and loss and the $73,797 gain on foreign currency movement reflected in the Foreign Currency Translation Reserve.

(c) Joint arrangements
The group has interests in the following joint arrangements:

- ATP337P Mahalo – 35%
- PEL427 Gunnedah – 50%
- PEL428 Gunnedah – 60%
- PEL6 Gunnedah – 25%
- ATP1015P Galilee – 20%

In accordance with AASB 11 *Joint Arrangements*, the accounting treatment adopted for these joint arrangements depends upon an assessment of the rights and obligations of the parties to the arrangement that are established in each of the joint operating agreements (JOAs) or the farm-in agreement as the case may be. The JOA or farm-in agreement sets out the voting rights of the parties to the agreement. The voting rights determine who has control i.e. the power to direct the operating activities of the joint arrangement.

Based on the on an analysis of each JOA and farm-in agreement, the group has classified each of its joint arrangements as a "joint operation" in accordance with the requirements of AASB 11 in that:

1) there is joint control because all decisions about the operating activities requires unanimous consent of all the parties, or a group of the parities considered collectively; and
2) each party to the joint operation has rights to its respective interest in the assets and revenue of the arrangement, and obligations for its share of the liabilities and expenditure.

As a result, the group recognises in its financial statements its share of the revenue, expenses, assets and liabilities of each of the joint operations in which it has an interest.

Note 3 - 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 Loss and Other Comprehensive Income consists of incidental revenue including interest and corporate overhead expenditure which are not allocated to the group's operating segments.

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.

Note 3 - Segment information (continued)

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

	Queensland		New Zealand	New South Wales	
	Galilee	Bowen	South Island	Gunnedah	Total
31 December 2013	$	$	$	$	$
Segment revenue					
Total segment revenue	-	-	-	-	-
Exploration and evaluation expenditure 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
Other income					591
Employee benefits expense					(489,124)
Contractors and consultants costs					(400,039)
Depreciation and amortisation expense					(14,145)
Impairment - available-for-sale financial asset					(1,459,797)
Professional fees					(116,655)
Corporate expenses					(154,012)
Occupancy costs					(108,160)
Other expenses					(169,477)
Loss before tax					(2,810,551)

	Queensland		New Zealand	New South Wales	
	Galilee	Bowen	South Island	Gunnedah	Total
31 December 2012	$	$	$	$	$
Revenue	-	-	-	-	-
Total segment revenue	-	-		-	-
Exploration and evaluation expenditure written off	-	-	(1,340,134)	-	(1,340,134)
Segment result before tax	-	-	(1,340,134)	-	(1,340,134)
Reconciliation of segment result to group loss before tax					
Interest revenue					214,283
Research & development tax offset grant					182,045
Other income					495
Employee benefits' expense					(567,431)
Contractors' and consultants' costs					(221,014)
Depreciation and amortisation expense					(16,782)
Impairment - available-for-sale financial asset					(480,684)
Professional fees					(168,382)
Corporate expenses					(196,405)
Occupancy costs					(109,139)
Other expenses					(141,045)
Loss before tax					(2,844,193)

Note 4 – Available-for-sale financial assets

	December 2013	June 2013
	$	$
Investment in Comet Ridge Resources LLC	**1,869,779**	3,255,779

Movement in carrying amount	December 2013	December 2012
	$	$
Balance at the beginning of the period	**3,255,779**	4,362,692
Unrealised losses recognised in loss for the period		
- Impairment - available-for-sale financial asset	**(1,459,797)**	(480,684)
Unrealised gains recognised in other comprehensive income		
- Impairment applied to reduce available-for-sale reserve		(947,973)
- Exchange differences on translation of foreign operations	**73,797**	(113,743)
Balance at the end of the period	**1,869,779**	2,820,292

Comet Ridge USA Inc., a wholly owned subsidiary of Comet Ridge Limited, owns a 10.2% (June 2013: 12.08%) 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 program. During the half-year, in accordance with its agreements with CRR, Comet decided not to pay cash calls made during the period. This has resulted in Comet's interest in CRR LLC being diluted down from 12.08% to 10.2%.

The fair value measurement of the investment in CRR is based on the group's proportionate interest in the net assets of CRR discounted for minority interest (22.5%) and liquidity considerations (22.5%). The valuation technique applied at 31 December 2013 did not change from that used at 30 June 2013. As the valuation technique is based on significant unobservable inputs, in accordance with AASB 13 *Fair Value* the asset is classified under the fair value hierarchy as a level 3 financial instrument. There were no transfers between the levels of the fair value hierarchy during the period. In addition, there is a direct relationship between the value of the group's investment in CRR and the net assets of CRR e.g. if the net assets decrease by 10% the investment in CRR also decreases by 10% or alternatively, if the net assets of CRR increase by 10% the group's investment increases by 10%.

During the year, Comet Ridge Resources LLC (CRR) impaired the carrying value of some of its exploration and evaluation assets. Also, during the year, in accordance with its Shareholder Agreement with CRR, Comet Ridge decided not to pay cash calls made during the period. This has resulted in Comet Ridge's interest in CRR LLC being diluted down from 12.08% to 10.2%. As a result, during the half-year the value of the investment in CRR has been reduced by $1,386,000. Of this amount, as the impairment is considered to be a permanent reduction in value of CRR, $1,459,797 has been expensed to profit and loss and the $73,797 gain on foreign currency movement reflected in the Foreign Currency Translation Reserve.

Note 5 - Exploration and evaluation expenditure

	December 2013	June 2013
	$	$
Exploration and evaluation expenditure	**51,656,018**	49,507,675
Less provision for impairment	**(5,518,711)**	(5,219,060)
	46,137,307	44,288,615

Movements in exploration and evaluation phase	December 2013	December 2012
	$	$
Balance at the beginning of period	**44,288,615**	36,532,267
Exploration and evaluation expenditure during the period	**1,074,493**	8,164,099
Reimbursement of Mahalo cash calls to Stanwell Corporation	**25,101**	-
Exploration and evaluation expenditure written off	**(25,101)**	(1,340,134)
Foreign currency translation	**774,199**	119,261
Balance at the end of period	**46,137,307**	43,475,493

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, sale of the respective areas of interest.

Note 6 – Income tax (expense)/credit

	December 2013	December 2012
Income tax credit comprises the following components	$	$
Current income tax expense - refer (a) below	-	(218,826)
Deferred income tax (expense)/credit - refer (b) below	**(1,329,518)**	749,615
	(1,329,518)	530,789

(a) The tax expense in the December 2012 half-year relates to the distribution received from Comet Ridge Resources LLC (CRR) amounting to $3,300,729. The distribution arose from the capital profit generated from the sale of the "Sweet Pea" project.

(b) 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 a Research and Development tax offset claim. The deferred tax credit of $749,615 recognised during the December 2012 half-year relates to the recognition of additional tax losses which are available for offset against the net deferred tax liability.

Note 7 – Contributed equity

	December 2013	June 2013
	$	$
Ordinary shares - fully paid	**83,379,825**	74,689,218

Movements in ordinary shares	December 2013	December 2012	December 2013	December 2012
	Number of Shares		$	$
Balance at the beginning of the period	**406,498,746**	307,351,144	**74,689,218**	65,265,125
Performance rights vested during the period	**1,570,000**	870,000	**230,607**	121,565
Share placement (50,000 shares @18 cents)	**50,000,000**	-	**9,000,000**	-
Share placement (25,000,000 shares @ 10 cents)	**-**	25,000,000	**-**	2,500,000
Rights issue (68,927,602 shares @10 cents)	**-**	68,927,602	**-**	6,892,760
Share issue costs	**-**	-	**(540,000)**	(515,625)
Balance at the end of the period	**458,068,746**	402,148,746	**83,379,825**	74,263,825

Note 8 - Share based payments

Performance rights

During the half-year, performance rights were granted to an employee 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 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 vest subject to the employee/contractor satisfying a service condition relating to the completion of a specified period of employment/engagement and, in some cases, an additional performance condition such as the volume weighted average share price (VWAP) exceeding a specified amount.

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

	No. of Rights	Service Period		Vesting Date	Grant Date	Fair Value
Issue No		From	To			
Tranche 10	50,000	1-Jul-13	30-Jun-14	1-Jul-14	6-Sep-13	19 cents each
Tranche 11	50,000	1-Jul-13	30-Jun-15	1-Jul-15	6-Sep-13	19 cents each

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.

Note 8 - Share based payments (continued)

Performance rights (continued)

Where the performance rights are granted subject only to service 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.
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.

All performance rights issued during the half-year were issued subject only to a service condition.

The share based payments expense included in the half-year financial statements with respect to performance rights and the movements in the Share-based Payments Reserve are as follows:

	December 2013	December 2012
Statement of comprehensive income	**$**	**$**
Share based payments expense included in employee benefits expense	**48,415**	180,832
Share based payments reserve		
Balance at the beginning of the period	**1,578,382**	1,508,283
Shares issued on vesting of performance rights	**(230,607)**	(121,565)
Share based payments expense during the half-year	**48,415**	180,832
Balance at the end of the period	**1,396,190**	1,567,550

Employee Share Options

There were no employee share options granted during the 2013 half-year (December 2012: nil). The following table shows the movements of share options during the 31 December 2013 half-year:

Grant Date	***Expiry date***	***Exercise price***	**Opening Balance July 2013**	**Granted During the Half-year**	**Exercised During the Half-year**	**Expired During the Half-year**	**Closing Balance December 2013**	**Vested & Exercisable**
13-Apr-10	30-Nov-13	$0.50	500,000	-	-	(500,000)	-	-
13-Apr-10	31-Jan-14	$0.65	500,000	-	-	-	500,000	-
18-Jun-10	28-Feb-14	$0.50	500,000	-	-	-	500,000	500,000
18-Jun-10	31-Mar-14	$0.65	1,000,000	-	-	-	1,000,000	-
Total options			2,500,000	-	-	(500,000)	2,000,000	500,000

Note 9 - Contingent liabilities

The directors are not aware of any significant change to the contingent liabilities as reported at 30 June 2013.

Note 10 - Commitments

Exploration expenditure

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

	December 2013	June 2013
Minimum expenditure requirements	**$**	**$**
- not later than 12 months	**4,683,627**	4,246,381
- between 12 months and 5 years	**8,746,227**	12,097,950
	13,429,854	16,344,331

Note 11 - 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 2013 and of its performance for the half-year ended on that date; and

(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
5 March 2013

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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 2013, 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 2013 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.

PITCHER PARTNERS
ACCOUNTANTS + AUDITORS + ADVISORS

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 2013 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 1(e) 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 Note1 (e) 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
5 March 2013