Comet Ridge

ABN 47 106 092 577

HALF YEARLY REPORT

31 December 2004

CONTENTS

DIRECTORS' REPORT

The Directors present their report on Comet Ridge Ltd for the half-year ended 31 December 2004.

DIRECTORS

The following persons were Directors of Comet Ridge Ltd during the whole of the half-year and up to the date of this report:

Mr Jeff Schneider (Chairman and Non Executive)
Mr Simon Ashton (Non Executive Director)
Mr Andrew Lydyard (Managing Director)
Ms Gillian Swaby (Non Executive Director and Company Secretary)

REVIEW OF OPERATIONS

Expenditure totalling $4,999,542 (30 June 2004: $4,594,580) has been carried forward on areas where operations are continuing. The results are as follows:

	2004
	$
Operating loss after income tax	(300,075)

PROJECT REVIEW

Highlights:

- **Tipton West Pilot tests three new well completions.**
- **Tipton West Pilot gas rate exceeds 300 mcfd.**
- **Tipton West #13 reaches 165 mcfd.**
- **PL 198 granted over approximately 260 km^2 of the ATP 683P.**
- **PPL 102 granted for the construction of a 147 km pipeline from the Tipton West Pilot to potential custoers at Oakey, Dalby and Kogan.**
- **Tipton West JV signs Letter of Intent with Country Energy to develop two gas fired electricity generation projects near Dalby and Kogan in SE Queensland.**

Walloon Coal Measure Project

Tipton West
ATP683P (PL 198), Dalby Block, Comet Ridge 20%

The Queensland Department of Natural Resources and Mines (QDNRM) has granted the Dalby Block JV a PL covering approximately 260 km^2 around the Tipton West Pilot.

The QDNRM also granted the Dalby Block JV a pipeline license (PPL 102).

The JV tested three new well completion designs in Tipton West Pilot wells #9, #11 and #13.

The pilot will be expanded with two additional wells (TWP's 14 &15) in the first quarter, 2005. These wells will incorporate a further fine tuning of the TWP #13 type completion which is the most prolific producer in the pilot.

DIRECTORS' REPORT (cont.)

Reserve Certification

Production information from the new wells continues to be provided to Netherland Sewell & Associates Inc. for incorporation into an updated reserves certification report. We now expect to achieve certification reserves in the second quarter of 2005.

Development Planning

Planning is progressing in anticipation of the Tipton West area development in the second half of 2005.

Meenawarra
ATP683P, Dalby South., Comet Ridge 36.67%

No further drilling occurred. A multi-well program is being considered to follow up on the coals encountered in the Meenawarra 1 and 3 wells.

ATP683P, Millmerran, Comet Ridge 30%

The three well drilling program planned for 2005 to assess the potential of gas flows in the Bora Creek 1 area is under consideration. Bora Creek 1 flowed gas at rates up to 52.4 mcfd from the Walloon Coal Measures section post drilling in 2001.

ATP689P - Comet Ridge 30%

Two holes were drilled in ATP 689P, Trapyard -1 and Glen Haven -1. Both wells encountered relatively thin coal intersections.

Mahalo Project - Bowen Basin, Queensland

ATP 337P, Comet Ridge earning 40%

No further drilling occurred due to a shortage of suitable drilling equipment. Comet Ridge has fulfilled its obligations to earn the initial 20% and has elected to earn the full 40% available. Final reports on gas content reveal that the coals in both the first two coreholes, Mahalo 1 and Somerby 1, contain more gas than initially thought, ranging between 6 and 7 cubic metres per tonne (dry ash free basis).

Shallow Gas Play – Surat Basin, New South Wales

PEL 427, Comet Ridge 100%

Comet Ridge renewed PEL 427 as of 20 May, 2004. Comet has recently negotiated a farm out with Eastern Star Gas Limited (ASX Code: ESG).

The PEL 427 forward program will focus on the conventional exploration potential in the Permian and Triassic aged sequences of the Gunnedah Basin.

PEL 428, Comet Ridge 80%

Comet Ridge and its JV partner Davidson Prospecting (100% owned subsidiary of Planet Gas (ASX Code: PGS) successfully renewed the PEL as of 14 September, 2004.

PSPA 9, Comet Ridge 50%

Comet Ridge and partner Australian Coalbed Methane have decided not to proceed with a licence over PSPA 9.

DIRECTORS' REPORT (cont.)

Galilee Basin Play – Galilee Basin, Queensland

ATP 743P (Application), Comet Ridge 100%

No activity to report. It is likely this permit application will also require an Indigenous Land Use Agreement (ILUA) to proceed.

ATP 744P (Application), Comet Ridge 100%

No activity to report. It is likely this permit application will also require an ILUA to proceed.

Commercial

The Dalby Block JV (Comet Ridge 20% and Arrow Energy (ASX Code: AOE) 80%) signed a Letter of Intent with Country Energy to develop two gas fired electricity generation projects near Dalby and Kogan in SE Queensland. The two projects will be capable of generating 27.4 MW of electricity for sale into the National Electricity Market Grid.

Negotiation of definitive Gas Sales Agreements (GSAs) continue with Ergon Energy (3.2 PJ pa for 15 years from 2006), Wambo Power Ventures (3.97 PJ pa for 15 years from 2006) and BP Bulwer (15 PJ pa over 5 years from 2006).

The above GSAs will result in 2.0 PJ pa net gas production for Comet Ridge.

New business development activities continue with the Company reviewing a number of opportunities during the first half of the year.

Auditors' Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 4 and forms part of this Directors' Report for the half-year ended 31 December 2004.

This report is made in accordance with a resolution of the Directors.

A Lydyard (Director)

Perth

11 March 2005

HLB Mann Judd
Chartered Accountants

Auditors' Independence Declaration

As lead auditor for the review of the financial report of Comet Ridge Limited for the half year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Comet Ridge Limited.

Perth, Western Australia
11 March 2005

L DI GIALLONARDO
Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership)
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Partners: Ian R Borsden, Terry M Blenkinsop, Lisa Christodulou, Wayne M Clark, Lucio Di Giallonardo, Colin D Emmott, Trevor G Hoddy, Norman G. Neill, Peter J Speechley

HLB Mann Judd (WA Partnership) is a member of HLB International and the HLB Mann Judd National Association of independent accounting firms

COMET RIDGE LTD
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	Half Year 2004 $
Revenue from ordinary activities	
Interest received	**73,892**
Depreciation expense	**(6,278)**
Employee expenses	**(93,582)**
Directors' fees	**(52,500)**
Company secretarial fees	**(24,000)**
Corporate advisory fees	**(30,452)**
Consultancy fees	**(18,872)**
Listing fees	**(9,818)**
Annual report costs	**(20,430)**
Insurance	**(24,936)**
Office overhead charges	**(15,000)**
Other administration costs	**(7,138)**
Exploration costs	**(70,961)**
Loss from ordinary activities before related income tax expense	**(300,075)**
Income tax expense	**-**
Loss from ordinary activities after related income tax expense	**(300,075)**
Total changes in equity other than those resulting from transactions with owners as owners	**(300,075)**
	Cents
Basic (loss) per share	**(0.49)**

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

COMET RIDGE LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004

	31 Dec 2004	30 Jun 2004
	$	$
CURRENT ASSETS		
Cash	**2,270,712**	3,139,558
Receivables	**23,374**	77,995
Other	**10,981**	12,260
TOTAL CURRENT ASSETS	**2,305,067**	3,229,813
NON CURRENT ASSETS		
Exploration and Evaluation Expenditure	**4,999,542**	4,594,580
Property, Plant and Equipment	**53,191**	9,474
Other	**35,000**	-
TOTAL NON CURRENT ASSETS	**5,087,733**	4,604,054
TOTAL ASSETS	**7,392,800**	7,833,867
CURRENT LIABILITIES		
Payables	**85,882**	218,609
Provisions	**5,534**	13,799
TOTAL CURRENT LIABILITIES	**91,416**	232,408
NET ASSETS	**7,301,384**	7,601,459
EQUITY		
Contributed Equity	**7,983,804**	7,983,804
Accumulated Losses	**(682,420)**	(382,345)
TOTAL EQUITY	**7,301,384**	7,601,459

The above Statement of Financial Position should be read in conjunction with the accompanying notes

COMET RIDGE LTD
STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	Half Year 2004 $
Cash flows from operating activities	
Payments to suppliers and employees	**(261,986)**
Interest received	**74,887**
Net cash used in operating activities	**(187,099)**
Cash flows from investing activities	
Exploration and evaluation expenditure	**(631,752)**
Payments for property, plant and equipment	**(49,995)**
Net cash used in investing activities	**(681,747)**
Net decrease in cash held	**(868,846)**
Cash at the beginning of the financial period	**3,139,558**
Cash at the end of the financial period	**2,270,712**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

COMET RIDGE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

Note 1. Basis of Preparation of Half-Year Financial Report

This general purpose financial report for the interim half-year reporting period ended 31 December 2004 has been prepared in accordance with Accounting Standard AASB 1029 *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the period ended 30 June 2004 and any public announcements made by Comet Ridge Ltd (The "Company") during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial period.

International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financing Reporting Standards (IFRS) effective for financial periods commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The Company's management is assessing the significance of these changes and preparing for their implementation. An IFRS committee has been established to oversee and manage the Company's transition to IFRS. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised. The Directors are of the opinion that the key differences in the Company's accounting policies which will arise from the adoption of IFRS are:

Impairment of Assets
The Company currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairment being recognised more often than under the existing policy.

Income Tax
Currently, the Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit/loss adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112: Income Taxes, the Company will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

The Company also has carried forward income tax losses which have not been recognised as deferred tax assets as they do not satisfy the 'virtually certain' test under current Australian Accounting Standards. Under AASB 112, it will be easier to recognise these tax losses as deferred tax assets due to the recognition test being based on whether it is 'probable' that the loses will be recovered.

COMET RIDGE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

Note 1. Basis of Preparation of Half-Year Financial Report (cont.)

Share-based Payment

Share based compensation forms part of the remuneration of employees of the Company as disclosed in the notes to the financial statements. The Company currently does not recognise an expense for any share-based compensation granted. Under AASB 2: Share-Based Payment, the Company will be required to recognise an expense for such share-based compensation. Share-based compensation is measured at the fair value of the share options determined at grant date and recognised over the expected vesting period of the options. A reversal of the expense will be permitted to the extent that non-market based vesting conditions such as service, are not met.

Extractive Industries

Under AASB 6: Exploration for and Evaluation of Mineral Resources, entities recognising exploration and evaluation assets must perform impairment tests on those assets when facts and circumstances suggest that the carrying amounts of those assets may be impaired.

It is not expected that there will be any significant impact in terms of statements of financial position, financial performance or cashflows from the transition to AASB 6.

Note 2. Equity Securities Issued

	Half Year	
	2004	2003
	$	$
Funds raised from the issue of ordinary shares	-	2,003,071

Options

The total number of options remaining on issue as at 31 December 2004 is as follows;

Number of Options	Exercise Price	Expiry Date
5,350,000	$0.20	1 December 2006

Note 3. Contingent Liabilities

There have been no changes in the contingent liabilities from those reported in the previous financial year.

Note 4. Events Subsequent to Balance Date

No events subsequent to balance date were considered to have a material effect on the Financial Statements.

COMET RIDGE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

Note 5. Comparatives

The Company became a disclosing entity during the period ended 30 June 2004 and was not required to prepare a financial report for the half-year ended 31 December 2003. As the Company has applied Accounting Standard AASB 1029 "Interim Financial Reporting" for the first time for the half-year ended 31 December 2004, no comparative information has been disclosed in the Statements of Financial Performance and Cash Flows for the half-year ended 31 December 2004.

DIRECTORS' DECLARATION

The Directors of the Company declare that the Financial Statements and notes set out on pages 5 to 10:

(a) comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and

(b) give a true and fair view of the Company's financial position as at 31 December 2004 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date.

In the Directors' opinion:

a) the Financial Statements and notes are in accordance with the Corporations Act 2001; and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

DATED at Perth this 11th day of March 2005

A. Lydyard (Director)

HLB Mann Judd
Chartered Accountants

INDEPENDENT REVIEW REPORT

To the members of
COMET RIDGE LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the directors' declaration of Comet Ridge Limited for the half-year ended 31 December 2004.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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(cont'd)

Independence
In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Comet Ridge Limited, is not in accordance with:

(a) the Corporations Act, including:

   (i) giving a true and fair view of the company's financial position at 31 December 2004 and of its performance for the half-year ended on that date; and

   (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

HLB Mann Judd.

HLB MANN JUDD
Chartered Accountants

L DI GIALLONARDO
Partner

Perth, Western Australia
11 March 2005