



Comet Ridge Limited

A.B.N. 47 106 092 577

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

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COMET RIDGE LIMITED

DIRECTORS' REPORT

Your directors present their report on the consolidated group of Comet Ridge Limited ("Comet Ridge" or "the group") for the half-year ended 31 December 2011.

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
Jeffrey Schneider	Non-Executive Director
Gillian Swaby	Non-Executive Director
Christopher Pieters	Non-Executive Director
Anthony Gilby	Non-Executive Director

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

Principal Activities

The principal activities of the group during the half-year were to carry out coal seam gas (CSG) exploration and appraisal. The group has tenement interests and a suite of prospective projects in Australia and New Zealand and an investment in a joint venture 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 profit for the half-year after providing for income tax amounted to \$3,858,971 (December 2010: loss \$518,611).

Gain on sale of interest in joint venture

The most significant item contributing to the profit for the half-year was the gain on sale of a part interest in the Mahalo Joint Venture (part of ATP 337P) amounting to \$6,251,819. On 29 September 2011, Comet Ridge entered into a Sale and Purchase Option Agreement (SPOA) with the Queensland Government owned Stanwell Corporation Limited (Stanwell) for the sale of a 5% interest in the Mahalo JV i.e. 12.5% of Comet Ridge's 40% interest. The JV partners are Santos (exploration operator) and APLNG (development operator) each holding a 30% interest. Stanwell is a major domestic gas consumer, and Queensland's largest electricity generator.

Under the SPOA, Comet Ridge sold a 5% interest in the ATP 337P Mahalo JV to Stanwell in return for a cash payment of \$7 million. Stanwell has also been granted an option to purchase an additional 15% or 35% interest in this asset in exchange for carrying Comet Ridge's expenditure through the upcoming pilot programmes, which are planned for 2012. Stanwell will fund up to \$8 million of ATP 337P Mahalo expenditure commitments until the option exercise date, expected to occur at the end of 2013. At the option exercise date, Stanwell will have the right to purchase the additional interest based on a pre-agreed formula.

The key highlights of the transaction were as follows:

- The sale of an initial 5% interest in ATP 337P Mahalo for \$7 million;
- The grant of an option to acquire either an additional 15% (Option A) or 35% (Option B) interest in ATP 337P Mahalo in exchange for funding up to \$8 million of expenditure commitments associated with the 40% interest held by Comet Ridge and Stanwell in the upcoming ATP 337P Mahalo pilot programmes;
- In order to exercise the Option, Stanwell will be required to pay Comet Ridge consideration based on the ATP 337P Mahalo certified 2P reserves as at 31 December 2013, but this reserves date may be extended to as late as 31 December 2014.

As a result of the sale Comet Ridge now holds a 35% interest in the ATP 337P Mahalo JV.

DIRECTORS' REPORT Continued

Review of Operations and Results (continued)

ATP 743P and ATP 744P, Queensland - Galilee Basin (Comet Ridge 100%):

Comet Ridge completed a 2D seismic acquisition survey in the Galilee Basin in October 2011 which obtained a total of 252 km of 2D seismic data. The seismic programme was designed to define the structural nose observed in the Gunn Project Area, and will enable Comet Ridge to better locate future pilot production and appraisal wells. Processing of the seismic data has been completed and the initial review has shown the data quality to be excellent.

Interpretation of this data commenced subsequent to 31 December 2011 and will be integrated into the current Galilee basin models. Further technical studies will continue in early 2012, and will have a major impact on Comet Ridge's drilling programme in the Galilee Basin in 2012. Comet Ridge is planning to drill up to four core-holes in its Galilee Basin permits after the wet season is concluded (normally April/May). Preliminary planning is now underway including sourcing a suitable drilling rig and associated services.

The interpreted seismic data will enable the surface locations of the upcoming 2012 appraisal core-holes to be fine-tuned. These core-holes will, in turn, allow a pilot scheme to be optimally sited in the Gunn Project Area.

ATP 337P (Mahalo), Queensland – Bowen Basin (Comet Ridge 35%) :

Comet Ridge has been working closely with Santos, APLNG and Stanwell Corporation to finalise the planning for a drilling program and a pilot scheme for early to mid 2012. The intention of the appraisal/pilot programme is to quickly mature the 2C and 3C Contingent Resources into 2P and 3P reserves.

The ATP 337P Mahalo Joint Venture has agreed its 2012 Work Programme and Budget and is finalising plans to implement this. The drilling of the first of two pilot wells in the permit was delayed from December 2011 until near the end of the first quarter of 2012 to avoid the potential for bad weather during the Queensland wet season. This first pilot project is planned to be closely followed by the drilling of several additional core holes.

Before the end of the permit term in September 2011, the JV applied for 9 Petroleum Lease Applications (PLAs) which are currently with the Queensland Department of Employment, Economic Development & Innovation (DEEDI).

PEL 427 and PEL 428, NSW - Gunnedah Basin (Comet Ridge 25% & 40%) :

In November 2010, the PEL 428 block was formally renewed for a further two years with expiry in September 2012. The work commitments are planned for completion by mid 2012.

The three year term for PEL 427 expired on 20 May 2011 without the required work commitment being completed due to both adverse weather conditions and government reviews of the industry including the NSW State Government moratorium on some aspects of CSG exploration. A "Request for Suspension of Conditions of Petroleum Title" was submitted in April 2011 at the request of the NSW Department of Industry and Innovation (DII) for the purpose of allowing outstanding work commitments to be achieved, even though the permit term had technically expired.

This Renewal Application was lodged requesting a renewal term of three years and proposing a relinquishment of 20.6% of the area held. While the renewal has been acknowledged by DII, it has not been formally agreed due to the NSW State Government's review of CSG activities.

The ability to carry out the PEL 427 and PEL 428 work programs continues to be impacted by a combination of land access concerns and an ongoing NSW Government review of CSG activities. The Joint Venture was not able to progress the planned field activities for 2011, but is working towards completing the program during 2012. The planned activities in the 2012 program include 2D seismic acquisition and a core-hole in each permit.

State Government approval has been received for 2D seismic surveys in PEL 427 and PEL 428. However, while discussions with Local Governments and relevant landowners are progressing, suitable access arrangements have not yet been obtained for the proposed surveys.

DIRECTORS' REPORT Continued

Review of Operations and Results (continued)

PMP 50100, Greymouth, West Coast NZ (Comet Ridge Group 100%):

PEP 50279 & PEP 50280, West Coast & North Waikato Regions (Comet Ridge Group 100%):

Comet Ridge has completed the processing and interpreting of the data acquired in its recently completed Airborne Gravity Gradiometry (AGG) survey in PMP 50100 and PEP 50279. This is being incorporated into regional geological modelling of the South Island of New Zealand, West Coast region which will help Comet Ridge identify the highest value CSG targets.

Comet Ridge has found the technology associated with the AGG survey, previous airborne magnetic surveys, and the detailed analysis by Canberra based consultancy, FrOGTech, to be very powerful and cost effective tools for improving understanding of regional geology and identifying new CSG plays. Comet Ridge is now evaluating opportunities to apply this technology to its CSG permits in Australia.

Comet Ridge has completed the processing and interpreting of the data acquired in its recently completed Airborne Gravity Gradiometry (AGG) survey program in PEP 50280. This work has provided important insights into the geology and depositional environment of the study area.

Other Operational Matters

During the half year, Comet Ridge Resources LLC (CRR) drilled seven oil appraisal and development wells in the Florence Field of which, six wells were completed as producers. The Florence field was producing over 1,000 barrels of oil per day at the end of December 2011 and produced 236,000 barrels of oil for the full year.

The Yeti well at Grays Harbor in Washington State is scheduled for drilling in June 2012 after the winter rains subside.

CRR continues to actively evaluate a number of farm-in and acquisition opportunities in the USA.

Auditor's Independence Declaration

The lead auditor's independence declaration for the half-year ended 31 December 2011 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
6 March 2012

The Directors
Comet Ridge Limited
283 Elizabeth Street
BRISBANE QLD 4000

Auditor's Independence Declaration

In accordance with the requirements of Section 307C of the Corporations Act 2001, as lead auditor for the review of the financial statements of Comet Ridge Limited for the half-year ended 31 December 2011, 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.

JOHNSTON RORKE
Chartered Accountants



Brisbane, Queensland
6 March 2012

J. J. EVANS
Partner

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	December 2011 \$	December 2010 \$
Revenue and other income			
Interest received		134,018	224,920
Gain on sale of interest in joint venture	5	6,251,819	-
Research & development tax offset	5	424,454	-
Sundry income		3,541	33,584
Expenses			
Employee benefits expense		(762,566)	(738,112)
Depreciation		(22,332)	(22,736)
Impairment - receivables		-	(106,753)
Professional fees		(213,916)	(210,199)
Corporate expenses		(69,378)	(64,475)
Occupancy costs		(92,908)	(116,120)
Other expenses		(195,765)	(219,355)
PROFIT (LOSS) BEFORE INCOME TAX		5,456,967	(1,219,246)
Income tax (expense)/credit		(1,597,996)	700,635
PROFIT (LOSS) FOR THE PERIOD		3,858,971	(518,611)
OTHER COMPREHENSIVE INCOME (LOSS)			
Exchange differences on translation		71,337	(1,209,514)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		71,337	(1,209,514)
TOTAL COMPREHENSIVE INCOME (LOSS)		3,930,308	(1,728,125)
Profit (loss) attributable to:			
Owners of the parent		3,858,971	(518,611)
Non controlling interests		-	-
Total comprehensive income (loss) attributable to:		3,858,971	(518,611)
Total comprehensive income (loss) attributable to:			
Owners of the parent		3,930,308	(1,728,125)
Non controlling interests		-	-
		3,930,308	(1,728,125)
EARNINGS (LOSS) PER SHARE		Cents	Cents
Basic earnings (loss) per share		1.3	(0.17)
Diluted earnings (loss) per share		1.3	(0.17)

Notes to the consolidated financial statements are attached.

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	December 2011 \$	June 2011 \$
CURRENT ASSETS			
Cash and cash equivalents	2	6,957,694	7,018,398
Trade and other receivables		78,464	246,221
Other financial assets - term deposits	2	2,500,000	-
Inventories		19,376	63,398
Other assets		255,250	234,067
TOTAL CURRENT ASSETS		9,810,784	7,562,084
NON-CURRENT ASSETS			
Available-for-sale financial assets		4,377,363	4,139,956
Property, plant and equipment		62,074	84,643
Exploration and evaluation expenditure	4	34,505,386	31,568,569
TOTAL NON-CURRENT ASSETS		38,944,823	35,793,168
TOTAL ASSETS		48,755,607	43,355,252
CURRENT LIABILITIES			
Trade and other payables		1,460,000	1,697,239
Provisions		62,660	46,313
TOTAL CURRENT LIABILITIES		1,522,660	1,743,552
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,854,627	1,256,631
TOTAL NON-CURRENT LIABILITIES		2,854,627	1,256,631
TOTAL LIABILITIES		4,377,287	3,000,183
NET ASSETS		44,378,320	40,355,069
EQUITY			
Contributed equity		65,265,125	65,265,125
Reserves		1,807,138	1,642,858
Accumulated losses		(22,693,943)	(26,552,914)
TOTAL EQUITY		44,378,320	40,355,069

Notes to the consolidated financial statements are attached.

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Contributed Equity \$	Foreign Currency Translation Reserve \$	Available-for- Sale Reserve \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2010	65,265,125	(58,580)	-	1,269,310	(27,788,522)	38,687,333
Loss for the period	-	-	-	-	(518,611)	(518,611)
Other comprehensive loss for the period	-	(1,209,514)	-	-	-	(1,209,514)
Total comprehensive loss for the period	-	(1,209,514)	-	-	(518,611)	(1,728,125)
Transactions with owners in their capacity as owners						
Share based payments	-	-	-	6,170	-	6,170
	-	-	-	6,170	-	6,170
Balance at 31 December 2010	65,265,125	(1,268,094)	-	1,275,480	(28,307,133)	36,965,378
Balance at 1 July 2011	65,265,125	(584,181)	947,973	1,279,066	(26,552,914)	40,355,069
Profit for the period	-	-	-	-	3,858,971	3,858,971
Other comprehensive income for the period	-	71,337	-	-	-	71,337
Total comprehensive income for the period	-	71,337	-	-	3,858,971	3,930,308
Transactions with owners in their capacity as owners						
Share based payments	-	-	-	92,943	-	92,943
	-	-	-	92,943	-	92,943
Balance at 31 December 2011	65,265,125	(512,844)	947,973	1,372,009	(22,693,943)	44,378,320

Notes to the consolidated financial statements are attached.

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	December 2011 \$	December 2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		137,252	255,774
R & D Tax Offset received		424,454	-
Other receipts		49,221	-
Payments to suppliers and employees		(828,567)	(1,340,931)
NET CASH USED IN/PROVIDED BY OPERATING ACTIVITIES		(217,640)	(1,085,157)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation assets		(4,356,354)	(4,051,675)
Proceeds from sale of interest in joint venture		7,000,000	-
Payment for property, plant and equipment		-	(10,906)
Movement in term deposits		(2,500,000)	(85,588)
Repayments from joint venture partner		-	1,289,430
NET CASH USED IN INVESTING ACTIVITIES		143,646	(2,858,739)
CASH FLOWS FROM FINANCING ACTIVITIES			
		-	-
Net decrease in cash held		(73,994)	(3,943,896)
Cash at the beginning of the period		7,018,398	4,815,021
Effects of exchange rate changes on cash		13,290	38,918
CASH AT THE END OF THE PERIOD	2	6,957,694	910,043

Notes to the consolidated financial statements are attached.

COMET RIDGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

Note 1 - Significant accounting policies

Compliance with accounting standards

The half-year financial report is 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 34 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.

Basis of preparation

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.

The accounting policies adopted 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.

Accounting estimates and judgements

Critical estimates and judgements are continually evaluated and are consistent with those disclosed in the previous annual report except for the following:

Exploration and evaluation expenditure

During April 2011, the PEL 427 Joint Venture submitted an application for the renewal of the PEL 427 permit. At 31 December 2011, this application is still under consideration by the NSW Department of Industry & Investment and, while the application has been acknowledged, the renewal has not as yet been granted. Comet Ridge is not aware of any reason why the permit renewal would not be granted and the directors do not believe the carrying value of the exploration and evaluation asset needs to be impaired.

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

The group have adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and effective for the current reporting period. This adoption 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.

	December 2011	June 2011
	\$	\$
Note 2 - Cash and cash equivalents		
Cash at bank and on hand	6,957,694	7,018,398

In addition to the cash and cash equivalents reported above, the group also has term deposits amounting to \$2,500,000 (June 2011: \$nil). These term deposits originally had maturity dates greater than three months and are classified as other financial assets.

Note 3 - Segment information

Identification of reportable segments

The group has identified its operating segments based on 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.

The group is managed primarily on the geographic location of its respective areas of interest (tenements) and the operating segments are determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and meet the other aggregation criteria of AASB 8 Operating Segments.

COMET RIDGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

Note 3 - Segments information (continued)

Activity by segment

Queensland

The group has interests in two key projects in Queensland. These include a 100% interest in two large (~12,991 km²) permits in the eastern part of the Galilee Basin (ATP 743P and ATP 744P) and a 35% interest in the Mahalo Block (ATP 337P) in the Bowen Basin with a joint venture with Santos, APLNG (Origin and Conoco Phillips) and Stanwell Corporation. The vast majority of CSG activity in Queensland to date has occurred in and around the eastern and south-central Queensland basins (the Surat and Bowen), however, recent industry attention has turned to the extensive and largely under-explored Galilee Basin further to the north. Analysis of existing data indicates the existence of a significant coal (and subsequently gas) resource within the Permian Betts Creek Beds and also the early Permian Aramac coals.

Comet Ridge completed a 2D seismic acquisition survey in the Galilee Basin permits in October 2011 which produced a total acquisition of 252 km of 2D seismic data. The seismic programme was designed to define the structural nose observed in the Gunn Project Area, and will enable Comet Ridge to better locate future pilot production and appraisal wells. Processing of the seismic data has been completed and the initial review has shown the data quality to be excellent.

Interpretation of this data commenced subsequent to 31 December 2011 and will be integrated into the current Galilee basin models. Further technical studies will continue in early 2012, and will have a major impact on Comet Ridge's drilling programme in the Galilee Basin in 2012. Comet Ridge is planning to drill up to four core-holes in its Galilee Basin permits after the wet season is concluded (normally April/May). Preliminary planning is now underway including sourcing a suitable drilling rig and associated services.

The interpreted seismic data will enable the surface locations of the upcoming 2012 appraisal core-holes to be fine-tuned. These core-holes will, in turn, allow a pilot scheme to be optimally sited most likely in the Gunn Project Area.

On 28 December 2011, Comet Ridge completed the Sale and Purchase Option Agreement (SPOA) with the Queensland Government owned Stanwell Corporation Limited (Stanwell) for the sale of a 5% interest in the Mahalo JV i.e. 12.5% of Comet Ridge's 40% interest. The JV partners are Santos (exploration operator) and APLNG (development operator) each holding a 30% interest. Stanwell is a major domestic gas consumer, and Queensland's largest electricity generator.

The effective sale date was 1 October 2011. Under the SPOA, Comet Ridge sold a 5% interest in the ATP 337P Mahalo JV to Stanwell in return for a cash payment of \$7 million. Stanwell has also been granted an option to purchase an additional 15% or 35% interest in this asset in exchange for carrying Comet Ridge's expenditure through the upcoming pilot programmes, which are planned for 2012. Stanwell will fund up to \$8 million of ATP 337P Mahalo expenditure commitments until the option exercise date, expected to occur at the end of 2013. At the option exercise date, Stanwell will have the right to purchase the additional interest based on a pre-agreed formula.

The key highlights of the transaction were as follows:

- The sale of an initial 5% interest in ATP 337P Mahalo for \$7 million;
- The grant of an option to acquire either an additional 15% (Option A) or 35% (Option B) interest in ATP 337P Mahalo in exchange for funding up to \$8 million of expenditure commitments associated with the 40% interest held by Comet Ridge and Stanwell in the upcoming ATP 337P Mahalo pilot programmes;
- In order to exercise the Option, Stanwell will be required to pay Comet Ridge consideration based on the ATP 337P Mahalo certified 2P reserves as at 31 December 2013, but this reserves date may be extended to as late as 31 December 2014.

As a result of the sale Comet Ridge now holds a 35% interest in the ATP 337P Mahalo JV.

If Stanwell elects to exercise Option A, Comet Ridge will retain a 20% interest in ATP 337P Mahalo and continue to be exposed to further upside re-rating potential. The exercising of either Option is subject to Stanwell's shareholders' approval.

COMET RIDGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

Note 3 - Segments information (continued)

Activity by segment (continued)

Queensland

Comet Ridge has been working closely with Santos, APLNG and Stanwell Corporation to finalise the planning for a drilling program and a pilot scheme for early to mid 2012. The intention of the appraisal/pilot programme is to quickly mature the 2C and 3C Contingent Resources into 2P and 3P reserves.

The ATP 337P Mahalo Joint Venture has agreed its 2012 Work Programme and Budget and is finalising plans to implement this. The drilling of the first of two pilot wells in the permit was delayed from December 2011 until near the end of the first quarter of 2012 to avoid the potential for bad weather. This first pilot project is planned to be closely followed by the drilling of several additional core holes.

Before the end of the permit term in September 2011, the JV applied for 9 Petroleum Lease Applications (PLAs) which are currently with the Queensland Department of Employment, Economic Development & Innovation (DEEDI).

New Zealand

The New Zealand tenement portfolio consists of 100% interest in one large (~3667 km²) exploration permit (PEP 50280) located in the Waikato area of the North Island, and a 100% interest in a larger (~4779 km²) exploration permit (PEP 50279) in the West Coast Region on the South Island running north from the coastal town of Greymouth up to Westport. The third permit, also 100% interest, is a smaller (~170 km²) CSG mining permit (PMP 50100 – the first of its type in NZ) located immediately south of PEP 50279 just east of the coastal town of Greymouth. All three permits have coal mining activity occurring on them. In the case of PMP 50100, several successful CSG exploration and appraisal wells have already been drilled attesting to the area's CSG prospectivity.

Comet Ridge has completed the processing and interpreting of the data acquired in its recently completed Airborne Gravity Gradiometry (AGG) survey in PMP 50100 and PEP 50279. This is being incorporated into regional geological modelling of the South Island of New Zealand, West Coast region which will help Comet Ridge identify the highest value CSG targets.

Comet Ridge has found the technology associated with the AGG survey, previous airborne magnetic surveys, and the detailed analysis by Canberra based consultancy, FrOGTech, to be very powerful and cost effective tools for improving understanding of regional geology and identifying new CSG plays. Comet Ridge is now evaluating opportunities to apply this technology to its CSG permits in Australia.

Comet Ridge has completed the processing and interpreting of the data acquired in its recently completed Airborne Gravity Gradiometry (AGG) survey program in PEP 50280. This work has provided important insights into the geology and depositional environment of the study area.

Other

Other segments comprise the group's joint venture interests in the Gunnedah Basin in NSW where Comet Ridge Limited holds 25% and 40% in PEL 427 and PEL 428 respectively with Eastern Star Gas Limited (now owned by Santos) as the CSG operator in both blocks and Petrel Energy (formerly Orion Petroleum) operating the conventional exploration. PEL 427 and PEL 428 are located in the Gunnedah Basin immediately north and west of Santos' permit PEL 238, which contains the Narrabri Gas Project and Wilga Park Power Station. The permits cover a total area of 13,028 km² but have had only limited exploration activity completed, compared with other permits in the area.

In November 2010, the PEL 428 block was formally renewed for a further two years with expiry in September 2012. The work commitments are planned for completion by mid 2012.

COMET RIDGE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

Note 3 - Segments information (continued)

Activity by segment (continued)

Other

The three year term for PEL 427 expired on 20 May 2011 without the required work commitment being completed due to both adverse weather conditions and government reviews of the industry including the NSW State Government moratorium on some aspects of CSG exploration and extraction. A "Request for Suspension of Conditions of Petroleum Title" was submitted in April 2011 at the request of the NSW Department of Industry and Innovation (DII) for the purpose of allowing outstanding work commitments to be achieved, even though the permit term had technically expired.

This Renewal Application was lodged requesting a renewal term of three years and proposing a partial relinquishment i.e. 20.6% of the area held, as required in the contract terms. While the renewal has been acknowledged by DII, it has not been formally agreed due to the NSW State Government's review of CSG activities.

The ability to carry out the PEL 427 and PEL 428 work programs continues to be impacted by a combination of land access concerns and an ongoing NSW Government review of CSG activities. The Joint Venture was not able to progress the planned field activities for 2011, but is working towards completing the program during 2012. The planned activities in the 2012 program include the 2D seismic acquisition and a core-hole in each permit.

State Government approval has been received for 2D seismic surveys in PEL 427 and PEL 428. However, while discussions with Local Governments and relevant landowners are progressing, suitable access arrangements have not yet been obtained for the proposed surveys.

Basis of accounting for purposes of reporting operating segments

Accounting policies adopted

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

The 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 consist of incidental revenue including interest and corporate overhead expenditure which are not allocated to the group's operation segments.

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

(a) Segment performance

	Queensland	New Zealand	Other	Total
	\$	\$	\$	\$
31 December 2011				
Segment revenue				
Proceeds from sale of interest in Mahalo JV	7,000,000	-	-	7,000,000
Total segment revenue	7,000,000	-	-	7,000,000
Carrying amount of exploration and evaluation assets sold	(153,394)			(153,394)
Expenses incurred on sale of interest in Mahalo JV	(594,787)	-	-	(594,787)
Segment result before tax	6,251,819	-	-	6,251,819
Reconciliation of segment result to group profit before tax				
Interest revenue				134,018
Research & development tax offset grant				424,454
Other income				3,541
Employee benefits expense				(762,566)
Depreciation and amortisation expense				(22,332)
Professional fees				(213,916)
Corporate expenses				(69,378)
Occupancy costs				(92,908)
Other expenses				(195,765)
Profit before tax				5,456,967

COMET RIDGE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

Note 3 - Segments information (continued)

(a) Segment performance (continued)

	Queensland	New Zealand	Other	Total
	\$	\$	\$	\$
30 December 2010				
Total segment revenue	-	-	-	-
Total segment expenses	-	-	-	-
Segment result before tax	-	-	-	-
Reconciliation of segment result to group loss before tax				
Interest revenue				224,920
Other income				33,584
Employee benefits expense				(738,112)
Depreciation and amortisation expense				(22,736)
Impairment - receivables				(106,753)
Professional fees				(210,199)
Corporate expenses				(64,475)
Occupancy costs				(116,120)
Other expenses				(219,355)
Loss before tax				(1,219,246)

(b) Total segment assets

	Queensland	New Zealand	Other	Total
	\$	\$	\$	\$
31 December 2011	24,118,666	9,652,372	734,348	34,505,386
30 June 2011	21,645,379	9,288,667	634,523	31,568,569

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the physical location of the asset.

	December 2011	June 2011
	\$	\$
Note 4 - Exploration and evaluation expenditure		
Exploration and evaluation expenditure	34,505,386	31,568,569
Movements in exploration and evaluation phase		
	December 2011	December 2010
	\$	\$
Balance at the beginning of period	31,568,569	27,720,217
Exploration and evaluation expenditure during the year	3,238,850	1,704,600
Disposals (refer note 5)	(153,394)	-
Foreign currency translation	(148,639)	(476,214)
Balance at the end of period	34,505,386	28,948,603

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.

COMET RIDGE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

Note 5 - Profit for the half-year

December 2011 December 2010
\$ \$

Profit for the half-year includes the following items that are unusual because of their nature, size or incidence:

(a) Gain on sale of interest in joint venture

6,251,819 -

On 28 December 2011, Comet Ridge completed the sale of a 5% interest in the Mahalo JV (part of ATP 337) i.e. 12.5% of COI's 40% interest to Stanwell Corporation Limited. The gain on sale is calculated as follows:

	December 2011
	\$
Proceeds from sale	7,000,000
Carrying amount of exploration and evaluation assets sold	(153,394)
Costs allocated	(594,787)
	<u>6,251,819</u>

Under the Share Purchase and Option Agreement, further consideration may be received by Comet Ridge but this is contingent on the results of the upcoming exploration program, the extent of reserves booked, if any, and whether Stanwell Corporation Limited exercises its option to acquire a further interest in the joint venture.

December 2011 December 2010
\$ \$

(b) Research & development tax offset

424,454 -

During the half-year Comet Ridge received a Research and Development Tax Offset from the Australian Taxation Office. The research and development application was made in the prior financial year and arose from the drilling program undertaken in the Galilee Basin during the 2010 financial year. As part of the drilling program, Comet Ridge conducted research into the performance of various types of drill bits with a view to using the same drill rig for both drilling and coring operations. The objective of the research program was to save the additional mobilisation and demobilisation costs associated with engaging a specialist coring rig which can be considerable particularly in remote locations.

Note 6 - Share based payments

In addition to the performance rights plan for employees approved in the prior financial year, on 28 September 2011 the directors approved the Comet Ridge Limited Contractor Performance Share Rights Plan. Under the Plan, share based compensation benefits are provided to contractors on terms and conditions as determined by the directors.

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 provide services to the group in the long term;
- (b) recognise the ongoing ability of employees/contractors and their expected efforts and contribution in the long term to the 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.

The performance rights vest subject solely to a service condition relating to the completion of a period of employment/engagement. During the 31 December 2011 half-year, the following performance rights were granted:

	No. of Rights	Service Period		Vesting Date	Grant Date	Fair Value	Exercise Price
Issue 1		From	To				
Tranche 1	730,000	01-Jul-11	01-Jul-12	01-Jul-12	01-04 Oct 2011	13.5 cents	\$0.00
Tranche 2	730,000	01-Jul-11	01-Jul-13	01-Jul-13	01-04 Oct 2011	13.5 cents	\$0.00
Issue 2							
Tranche 1 *	175,000	01-Jul-11	01-Jul-12	01-Jul-12	10-Nov-11	14.5 cents	\$0.00
Tranche 2 *	175,000	01-Jul-11	01-Jul-13	01-Jul-13	10-Nov-11	14.5 cents	\$0.00

* issued to Managing Director, Tor McCaul.

COMET RIDGE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

Note 6 - Share based payments (continued)

The share based payments expense with respect to the issues of performance rights has been included in the half-year financial statements as follows:

	December 2011	December 2010
	\$	\$
Statement of comprehensive income		
Share based payments expense included in employee benefits expense	92,943	6,170
Share based payments reserve		
Balance 1 July 2011	1,279,066	1,269,310
Share based payments during the half year	92,943	6,170
Balance 31 December 2011	1,372,009	1,275,480

Employee Share Options

The following table shows the movements of share options during the 31 December 2011 half-year:

<i>Grant Date</i>	<i>Expiry date</i>	<i>Exercise price</i>	Opening Balance July 2011	Granted During the Year	Exercised During the Year	Expired During the year	Closing Balance December 2011	Vested & Exercisable
01-Aug-07	31-Jul-11	\$0.419	1,900,000	-	-	(1,900,000)	-	-
05-Sep-07	04-Sep-11	\$0.419	30,000	-	-	(30,000)	-	-
03-Dec-07	02-Dec-11	\$0.419	65,000	-	-	(65,000)	-	-
07-Dec-07	06-Dec-11	\$0.419	300,000	-	-	(300,000)	-	-
Total plan options			2,295,000	-	-	(2,295,000)	-	-
22-Sep-08	30-Jun-12	\$0.169	14,677,500	-	-	-	14,677,500	14,677,500
22-Sep-08	30-Jun-12	\$0.269	5,150,000	-	-	-	5,150,000	2,575,000
28-Jan-09	30-Jun-12	\$0.169	515,000	-	-	-	515,000	515,000
03-Mar-09	01-Aug-11	\$0.419	1,900,000	-	-	(1,900,000)	-	-
03-Mar-09	03-Dec-11	\$0.419	65,000	-	-	(65,000)	-	-
Total options on acquisition of subsidiary			22,307,500	-	-	(1,965,000)	20,342,500	17,767,500
16-Apr-09	30-Jun-12	\$0.269	2,000,000	-	-	-	2,000,000	2,000,000
13-Apr 10	30-Nov-13	\$0.500	500,000	-	-	-	500,000	500,000
13-Apr 10	31-Jan-14	\$0.650	500,000	-	-	-	500,000	-
18-Jun-10	28-Feb-14	\$0.500	500,000	-	-	-	500,000	500,000
18-Jun-10	31-Mar-14	\$0.650	1,000,000	-	-	-	1,000,000	-
Total other			4,500,000	-	-	-	4,500,000	3,000,000
Total options			29,102,500	-	-	(4,260,000)	24,842,500	20,767,500

COMET RIDGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

Note 7 - Contingent liabilities

The directors are not aware of any contingent liabilities other than additional success based consulting fees which may be payable to the two advisors engaged to assist with negotiating the sale of the interest in the Mahalo Joint Venture. The payment of any future success fees is contingent upon:

- (a) Stanwell continuing to fund some or all of the upcoming Mahalo JV exploration program up to a limit \$8 million;
- (b) Stanwell Corporation Limited exercising either of the options available to it to acquire an additional interest in the Mahalo JV; and
- (c) The amount ultimately received by Comet Ridge from the sale.

With respect to one of the advisors, the additional success fees will only be payable if the total proceeds from the sale of the interest in the Mahalo JV exceed \$24 million. The proceeds currently included in the calculation of the success fee amount to \$15 million comprising the \$7 million initial cash payment received and \$8 million representing the carry of future exploration and evaluation expenditure.

For this advisor, any future success fees are payable at the rate of 1.25% on any proceeds received from \$24 million up to \$40 million and 1.5% on any amounts received over \$40 million.

For the second advisor, success fees are based on 1% of the proceeds received. Future success fees will be payable on any proceeds received over the \$7 million received on the initial sale.

Note 8 - Commitments

Operating lease

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 2011	June 2011
	\$	\$
- not later than 12 months	206,781	202,857
- between 12 months and 5 years	218,796	323,187
- greater than 5 years	-	-
	<u>425,577</u>	<u>526,044</u>

Bank guarantees

Westpac Banking Corporation have provided bank guarantees totalling \$193,256 (June 2011: \$193,256) as follows:

- \$148,256 (June 2011: \$148,256) to the State of Queensland in respect of the group's exploration permits and environmental guarantees.
- \$45,000 (June 2011: \$45,000) to the landlord of the Brisbane office premises to support the group's obligations under the lease.

The bank guarantees are secured by term deposits.

Exploration expenditure

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

	December 2011	June 2011
	\$	\$
Minimum expenditure requirements		
- not later than 12 months	2,943,215	1,110,925
- between 12 months and 5 years	814,805	1,256,500
	<u>3,758,020</u>	<u>2,367,425</u>

Note 9 - Events occurring after balance date

Other than the matters discussed in this report, 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 2011 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
6 March 2012

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 2011, the consolidated statement of 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 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 2011 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 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

JOHNSTON RORKE
Chartered Accountants



J. J. EVANS
Partner

Brisbane, Queensland
6 March 2012