Comet Ridge Limited

A.B.N. 47 106 092 577

CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Contents

Corporate Directory

Directors
James McKay – Non-executive Chairman
Tor McCaul – Managing Director
Gillian Swaby – Non-executive Director
Jefferey Schneider – Non-executive Director
Christopher Pieters – Non-executive Director
Anthony Gilby – Non-executive Director
Stephen Rodgers – Company Secretary

Registered Office
Level 1
283 Elizabeth Street
Brisbane Queensland 4000
Telephone: +61 7 3221 3661
Facsimile: +61 7 3221 3668
Website: www.cometridge.com.au
Email: info@cometridge.com.au

Share Registry
Computershare Registry Services Pty Ltd
117 Victoria Street
West End Queensland 4101
Telephone: +61 7 3237 2100
Facsimile: +61 7 3229 9860

Auditors
Pitcher Partners
Level 30, Central Plaza One
345 Queen Street
Brisbane Queensland 4000
Telephone: +61 7 3222 8444
Facsimile: +61 7 3221 7779

Media Relations
Dianne Monopoli
Principal Consultant, Three Plus
15 Cordelia Street
South Brisbane Queensland 4101
Telephone: +61 7 3503 5700
Facsimile: +61 7 3503 5799
Mobile: +61 417 708 093
Email: dianne@threeplus.com.au

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

Lawyers
Porter Davies Lawyers
Level 5/46 Edward Street
Brisbane Queensland 4000
Telephone: +61 7 3001 2100
Facsimile: +61 7 3105 7360
Website: www.porterdavies.com

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 2012.

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

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 $2,313,404 (December 2011: profit $3,858,971).

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

(a) Capital Raising Successfully Completed

In August and early September 2012, the group completed a 1 for 4 accelerated non-renounceable entitlement offer. The offer price was $0.10 per share, a 16.7 per cent discount to the Theoretical Ex-Rights Price at the time of the announcement of the capital raising. Due to strong demand from investors, a placement of $2.5 million was also undertaken at the same time.

The net proceeds from the entitlement offer and placement were approximately $8.9 million which will be used to fund exploration and appraisal activities for 2012/13 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%)

A four-well pilot scheme commenced in mid-July with the drilling of the Mahalo 3, 4, 5 and 6 wells, located north of Rolleston in the Bowen Basin, in central Queensland. Drilling was completed at the end of July. Each of the wells intersected approximately seven metres of net coal in the main Castor-Pollux seam. The Castor-Pollux is the target of the reserves booking plan that is currently being executed by the Joint Venture. This area of the block has shown good continuity and thickness of coal with very good to excellent productivity across the main reservoir section.

Completion operations were undertaken on the four Mahalo field pilot wells during the period with these wells set up for production with tubing and pumps installed. Some of the wells flowed gas and water to surface during short production tests at the time of completion, giving encouragement that the wells are likely to flow gas quickly during pilot testing operations.

Towards the end of the half-year, the joint venture commenced drilling four pilot wells at the Mira field. Mira is the second pilot scheme for the Mahalo block and is expected to come on line soon after the Mahalo field pilot scheme. Each of the wells intersected approximately eight and a half to nine metres of net coal. Like the Mahalo field 13km to the northwest, Mira continued to demonstrate excellent coal productivity, now evident over a wide area of the block, leading to confidence in the reserves booking plan currently underway by the joint venture.

Construction of pilot facilities at the Mahalo field commenced during the half-year with the building of a construction camp and commencement of installation of water storage tanks late in 2012.

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% earned after Phase 1)

(i) *ATP 1015P Farm-in*

In July, Comet Ridge announced that it had signed a three-stage farm-in agreement with Queensland Energy Resources Pty Limited (QER) to earn up to 75 per cent of a farm-in area, located in the south east of permit ATP 1015P, adjacent to the Company's 100 per cent held Gunn project area in ATP 744P. On completion of each stage of the farm-in, Comet Ridge has the option to proceed with the subsequent stage. The farm-in area consists of two separate areas totalling approximately 825 km^2. These areas represent 21 per cent of the total permit area in ATP 1015P. QER will retain a 100 per cent interest in the remaining area of ATP 1015P. Comet Ridge is operator of the farm-in area.

This transaction creates a continuous acreage position across a key area in the Galilee Basin, expanding the Gunn project area to the east and allowing it to be appraised as a single project.

The keys terms of the three-stage Farm-in Agreement are:

Step	Interest	Work Programme
Stage 1	20%	Drill two wells by 30 Nov 2012
Stage 2	30%	Drill additional three wells by 30 Nov 2013
Stage 3	25%	Drill additional four wells and develop pilot by 30 Nov 2014
Total	**75%**	**9 wells including pilot**

Two of the three Galilee Basin drilling campaign wells drilled in late 2012 were located in the farm-in area to meet farm-in requirements with the objective of confirming the extension of the Gunn project area to the east.

(ii) *Galilee Basin Drilling Campaign*

A three-well exploration and appraisal drilling programme was undertaken in the Galilee Basin pemits during the half-year. The first well was located in the company's 100% held ATP 744P and the following two wells were in the farm-in area, part of ATP 1015P.

The first well, Gunn 2, reached a total depth of 1,050 metres and intersected 16.2 metres of net coal in the Betts Creek Beds. Wireline conveyed testing tools were used to flow test four separate coal intervals in the Betts Creek Beds, including two coal intervals in the base of the section that had not been previously tested in the Gunn project area. All four coal intervals demonstrated good to excellent productivity.

The Schmitt 1 well, located in the ATP 1015P farm-in area 17km to the southeast of Gunn 2, was fully cored through the Betts Creek Beds to determine key coal properties and reached a depth of 1,005 metres, intersecting 22 metres of net coal. Cernan 1, the final well in the programme and also in the ATP 1015P Farm-in Area, was located 13km further east of Schmitt 1 and intersected 20.6 metres of net coal. These wells have shown the extension of the Gunn project area to the east into the farm-in area. Analysis of all available data to date indicates that the Gunn project area and farm-in area coals contain recoverable gas, over an estimated area of approximately 1,865 km^2.

The Schmitt 1 and Cernan 1 wells earned Comet Ridge a 20 per cent equity interest in the ATP 1015P farm-in area.

(iii) *Gunn 2 Well Extended Production Test*

In parallel with the drilling programme, the Gunn 2 well was completed for production in November, with tubing and a downhole pump installed to enable water to be produced. This operation involved perforating the casing into one of the previously tested coal intervals - a four metre thick interval from 952.5 to 956.5 metres which is bounded above and below by impermeable mudstone. The extended production test (EPT) is designed to ensure produced water would only come from the Betts Creek reservoir coal. Additionally, by excluding water from other zones in the well, surface water handling requirements could be optimised and dewatering time could also be minimised.

During December, surface facilities were installed which included water storage tanks, flowlines, metering facilities and power generation.

In late December, and into the first half of January, the surface facilities were commissioned and the well was brought on line to commence the EPT. The objective of the EPT is to obtain water quality data and to enable critical assessment of the completion methodology. These will be key design inputs for a subsequent pilot production scheme.

There are a number of commercial options available for gas from the eastern Galilee Basin. Comet Ridge is progressing these commercial options in an environment where the market for gas continues to tighten in eastern Australia. The company has a material volume of gas resource already independently certified.

Review of Operations and Results (continued)

(b) Exploration Activities (continued)

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

Following the release by the NSW Government in September 2012 of its Strategic Regional Land Use Policy (SRLUP), Comet Ridge has been working with its joint venture partner and coal seam gas operator, Santos, to renew its Gunnedah Basin permits and plan the work programme for 2013 and beyond. Whilst seismic surveys and drilling are planned, field work is not anticipated to commence until second or third quarter 2013.

Comet Ridge has previously announced that it had signed an Asset Sale Agreement to acquire Petrel Energy Limited's interests in PEL 6, PEL 427 and PEL 428 in the Gunnedah Basin in northern New South Wales for $750,000 cash. This transaction further consolidates Comet Ridge's position in the northern Gunnedah Basin. The transaction is subject to joint venture and NSW Government consents which were further progressed during the half-year.

The three contiguous Petrel licences are located in the northern Gunnedah Basin, immediately north and west of Santos' Narrabri CSG Project, and cover a total area of approximately 18,000 km^2. Following completion of the acquisition of the Petrel permits, Comet Ridge will hold a 22.5 per cent CSG interest in PEL 6 and increase its interest in PEL 427 from 25 per cent to 50 per cent and its interest in PEL 428 from 40 per cent to 60 per cent.

New Zealand

PMP 50100 Greymouth Block – West Coast, PEP 50279 Buller Block – West Coast, PEP 50280 North Waikato – Waikato (all Comet Ridge 100%)

During the year ended 30 June 2012, Comet Ridge made an application to NZ Petroleum and Minerals (NZP&M) to extend the five year licence term for a further five years on both exploration blocks i.e. PEP 50279 and PEP 50280 and to vary the work commitments on all three blocks. The requests for variation of the work commitments were based on the extensive technical analysis undertaken by the group which had identified the most prospective areas for gas. The aim of the variation of the work commitments was to ensure that the nature and extent of exploration activity was consistent with the technical analysis undertaken to date.

Since 31 December 2012, Comet Ridge has received a response from NZP&M advising that Comet Ridge's proposed work programme for the exploration block PEP 50280 is unlikely to be suitable to meet NZP&M's expectations. NZP&M have also advised that approvals for any drilling activity in the wetlands areas of the exploration permit may be very difficult to obtain. This would remove a significant area of the permit considered most prospective for gas. On the basis of the response from NZP&M, and after further detailed discussions, Comet Ridge has now determined that the costs of the exploration programme required, and the possible restrictions placed on exploration activity, are likely to render the block non-commercial. As a result, the group is taking the necessary steps to surrender the permit and has written off all exploration expenditure on PEP 50280 as at 31 December 2012.

No formal correspondence has been received from NZP&M in terms of the two other Comet Ridge NZ blocks, however discussions indicate that the applications that were made in 2012 by Comet Ridge are being reviewed in a favourable manner. A formal response is expected to be received shortly. Consequently, there has been no move to impair PEP 50279 and PMP 50100.

(c) Other Activities

USA Interest - Comet Ridge Resources LLC (Comet Ridge 13.7%)

In August and October 2012, Comet Ridge Resources LLC (CRR) issued cash calls. Under the shareholders' agreement, Comet Ridge can elect to not pay cash calls and have its interest in CRR diluted. Given the strong focus that the group has on booking gas reserves for the eastern Australian market, Comet Ridge elected not to pay the US cash calls and consequently its interest in CRR has been reduced by approximately 3.7 per cent.

Also during the period, CRR (through its subsidiary Pine Ridge Oil and Gas, LLC) completed the sale of the Florence oil field for US$12.25 million and commenced its exploration programme on its large acreage positions in the Rockies including the acquisition of 3D seismic and preparations to drill exploratory wells.

In the Pacific Northwest, the Yeti 1 well at Grays Harbor was drilled to a total depth of 1,381 metres in September and was plugged and abandoned following logging. Following evaluation of the technical data from this well and assessing the merits of further drilling on its large acreage position in the Grays Harbor area, CRR has impaired its exploration and evaluation expenditure incurred on the Yeti well and on the Grays Harbour acreage. The impairment expense amounted to US$16,539,811 and has substantially reduced the net assets of CRR and, as a result, the value of Comet's investment in the limited partnership.

(c) Other Activities (continued)

USA Interest - Comet Ridge Resources LLC (Comet Ridge 13.7%) (continued)

As a result of the dilution of its interest in CRR, the impairment of the Yeti well and Grays Harbour acreage and foreign currency losses arising from movements in the $AU/$US exchange rate, the group has impaired its investment in CRR by $1,461,130. Of this amount, $947,973 has been applied to reverse the previously recognised increase in fair value reflected in the "Available-for Sale" reserve and $32,473 reflected in the Foreign Currency Translation Reserve. With respect to the remaining balance, as the impairment is considered to be a permanent reduction in value of CRR, $480,684 has been expensed.

Auditor's Independence Declaration

The lead auditor's independence declaration for the half-year ended 31 December 2012 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
12 March 2013

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

Level 30
345 Queen Street
Brisbane
Queensland 4000

Tel: 07 3222 8444
Fax: 07 3221 7779

Postal Address:
GPO Box 1144
Brisbane
Queensland 4001

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

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

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 2012, 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

J. Evans

J.J. Evans
Partner

Brisbane, Queensland
12 March 2013

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	December 2012 $	December 2011 $
Revenue and other income			
Interest received		214,283	134,018
Gain on sale of interest in joint venture		-	6,251,819
Research & development tax offset received		182,045	424,454
Other income		495	3,541
Expenses			
Employee benefits expense		(567,431)	(509,699)
Contractors' & consultancy costs		(221,014)	(252,867)
Professional fees		(168,382)	(213,916)
Corporate expenses		(196,405)	(69,378)
Occupancy costs		(109,139)	(92,908)
Other expenses		(141,045)	(195,765)
Depreciation		(16,782)	(22,332)
Impairment - available-for-sale financial asset	3	(480,684)	-
Exploration and evaluation expenditure written off	4	(1,340,134)	-
(LOSS)/PROFIT BEFORE INCOME TAX		(2,844,193)	5,456,967
Income tax credit/(expense)	5	530,789	(1,597,996)
(LOSS)/PROFIT FOR THE PERIOD		(2,313,404)	3,858,971
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		16,057	71,337
Net fair value loss on available-for-sale financial assets		(947,973)	-
TOTAL OTHER COMPREHENSIVE (LOSS)/INCOME, NET OF INCOME TAX		(931,916)	71,337
TOTAL COMPREHENSIVE (LOSS)/INCOME		(3,245,320)	3,930,308
(Loss)/profit attributable to:			
Owners of the parent		(2,313,404)	3,858,971
Non controlling interests		-	-
		(2,313,404)	3,858,971
Total comprehensive (loss)/income attributable to:			
Owners of the parent		(3,245,320)	3,930,308
Non controlling interests		-	-
		(3,245,320)	3,930,308
(LOSS)/EARNINGS PER SHARE		**Cents**	**Cents**
Basic (loss)/earnings per share		(0.6)	1.3
Diluted (loss)/earnings per share		(0.6)	1.3

Notes to the consolidated financial statements are attached.

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	December 2012	June 2012
		$	$
CURRENT ASSETS			
Cash and cash equivalents		9,619,995	6,081,148
Trade and other receivables		748,064	150,203
Inventories		108,316	100,882
Other assets		377,785	328,734
TOTAL CURRENT ASSETS		10,854,160	6,660,967
NON-CURRENT ASSETS			
Available-for-sale financial assets	3	2,820,292	4,362,692
Property, plant and equipment		117,305	73,816
Exploration and evaluation expenditure	4	43,475,493	36,532,267
TOTAL NON-CURRENT ASSETS		46,413,090	40,968,775
TOTAL ASSETS		57,267,250	47,629,742
CURRENT LIABILITIES			
Trade and other payables		4,935,843	573,547
Current tax liabilities	5	218,826	-
Provisions		48,383	54,359
TOTAL CURRENT LIABILITIES		5,203,052	627,906
NON-CURRENT LIABILITIES			
Provisions		13,716	14,386
Deferred tax liabilities	5	1,602,745	2,352,360
TOTAL NON-CURRENT LIABILITIES		1,616,461	2,366,746
TOTAL LIABILITIES		6,819,513	2,994,652
NET ASSETS		50,447,737	44,635,090
EQUITY			
Contributed equity	6	74,263,825	65,265,125
Reserves		1,367,468	2,240,117
Accumulated losses		(25,183,556)	(22,870,152)
TOTAL EQUITY		50,447,737	44,635,090

Notes to the consolidated financial statements are attached.

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Contributed Equity	Foreign Currency Translation Reserve	Available-for-Sale Reserve	Share Based Payments Reserve	Accumulated Losses	Total
	$	$	$	$	$	$
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
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 loss for the period	-	16,057	(947,973)	-	-	(931,916)
Total comprehensive 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

Notes to the consolidated financial statements are attached.

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	December 2012	December 2011
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	249,709	137,252
Research & development tax offset received	182,045	424,454
Other receipts	-	49,221
Payments to suppliers and employees	(1,868,117)	(828,567)
NET CASH USED IN BY OPERATING ACTIVITIES	(1,436,363)	(217,640)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation assets	(3,830,985)	(4,356,354)
Proceeds from sale of interest in joint venture	-	7,000,000
Payment for property, plant and equipment	(60,078)	-
Movement in term deposits	-	(2,500,000)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(3,891,063)	143,646
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	9,392,760	-
Share issue costs	(515,625)	-
NET CASH FROM FINANCING ACTIVITIES	8,877,135	-
Net decrease in cash held	3,549,709	(73,994)
Cash at the beginning of the period	6,081,148	7,018,398
Effects of exchange rate changes on cash	(10,862)	13,290
CASH AT THE END OF THE PERIOD	9,619,995	6,957,694

Notes to the consolidated financial statements are attached.

Note 1 - Significant accounting policies

Basis of preparation of half-year report

(a) Compliance with accounting standards

This half-year financial report has been 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.

This 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 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.

(b) 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. 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.

(c) 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.

(d) 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 six 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 1 - Significant accounting policies

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:

(a) 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 2012, 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.

(b) Investment in Comet Ridge Resources LLC

Comet Ridge USA Inc. (CRUSA), a wholly owned subsidiary of Comet Ridge Limited, owns a 13.66 per cent (June 2012: 17.26 per cent) 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 85.7 per cent (June 2012: 82.5 per cent).

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 7 Financial Instruments: Disclosures. This is considered the most reliable valuation method given:

- the group has a minority equity interest in an unlisted company (CRR);
- the nature of CRR's activities, being oil and gas production and exploration;
- 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
- the continued contributions to CRR by Pine Brook.

During the year, Comet Ridge Resources LLC (CRR) impaired the carrying amount of its exploration and evaluation expenditure with respect of the Yeti well and all of the Grays Harbour acreage. The impairment expense amounted to US$16,539,811 and has substantially reduced the net assets of CRR and, as a result, the value of Comet Ridge's investment in the limited partnership. 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 17.26 per cent to 13.66 per cent.

As a result, the value of the investment in CRR has been reduced by $1,461,130. Of this amount, $947,973 has been applied to reverse the previously recognised increase in fair value reflected in the "Available-for Sale" reserve and $32,473 reflected in the Foreign Currency Translation Reserve. With respect to the remaining balance, as the impairment is considered to be a permanent reduction in value of CRR, $480,684 has been expensed.

Note 2 - 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 and prepared on the same basis.

The principal operating activities of the group are the exploration and evaluation of its tenements for oil and gas reserves. Other than impairment losses and stand-by costs in relation to exploration and evaluation expenditure, income and expenditure as per the statement of comprehensive income consists of incidental revenue including interest and corporate overhead expenditure which are not allocated to the group's operation segments.

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 2 - Segments information (continued)

Segment performance

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

	Queensland	New Zealand	Other	Total
31 December 2012	**$**	**$**	**$**	**$**
Segment 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				182,045
Other income				495
Employee benefits expense				(567,431)
Contractors' & consultancy costs				(221,014)
Impairment - available-for-sale				(480,684)
Depreciation and amortisation expense				(16,782)
Professional fees				(168,382)
Corporate expenses				(196,405)
Occupancy costs				(109,139)
Other expenses				(141,045)
Loss before tax				(2,844,193)

	Queensland	New Zealand	Other	Total
31 December 2011	**$**	**$**	**$**	**$**
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				424,454
Other income				3,541
Employee benefits expense				(509,699)
Contractors' & consultancy costs				(252,867)
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

Note 2 - Segments information (continued)

Total segment assets

The following table shows segment assets of the group's operating segments

	Queensland	New Zealand	Other	Total
	$	$	$	$
31 December 2012	33,128,434	9,024,298	1,322,761	43,475,493
30 June 2012	25,286,190	10,155,092	1,090,985	36,532,267

Only exploration and evaluation expenditure assets are allocated to the group's operating segments. All other assets and liabilities relate to corporate activities and are not allocated to operating segments.

Note 3 - Available-for-sale financials assets	**December 2012** $	**June 2012** $
Investment in Comet Ridge Resources LLC	2,820,292	4,362,692
Movement in carrying amount		
Balance at the beginning of year	4,362,692	4,139,956
Fair value adjustment	(1,461,130)	-
Foreign exchange movements	(81,270)	222,736
Balance at the end of year	2,820,292	4,362,692

Comet Ridge USA Inc., a wholly owned subsidiary of Comet Ridge Limited, owns a 13.66% (2012: 17.26%) minority interest in Comet Ridge Resources, LLC ("CRR"). CRR is not a controlled entity of Comet Ridge Limited as Comet Ridge Limited is not able to govern the activities of the entity so as to obtain benefits from it. 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 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 17.26 per cent to 13.66 per cent.

Also, during the half-year, Comet Ridge Resources LLC (CRR) impaired the carrying amount of its exploration and evaluation expenditure with respect of the Yeti well and all of the Grays Harbour acreage. The impairment expense amounted to US$16,539,811 and has substantially reduced the net assets of CRR and, consequently, the value of Comet's investment.

As a result, the value of the investment in CRR has been reduced by $1,461,130. Of this amount, $947,973 has been applied to reverse the previously recognised increase in fair value reflected in the "Available-for Sale" reserve. With respect to the remaining balance, as the impairment is considered to be a permanent reduction in value of CRR, $480,684 has been expensed in to P&L and $32,473 reflected in the Foreign Currency Translation Reserve.

Note 4 - Exploration and evaluation expenditure	**December 2012** $	**June 2012** $
Exploration and evaluation expenditure	43,475,493	36,532,267

Movements in exploration and evaluation phase	**December 2012** $	**December 2011** $
Balance at the beginning of period	36,532,267	31,568,569
Exploration and evaluation expenditure during the year	8,164,099	3,238,850
Exploration and evaluation expenditure written off *	(1,340,134)	-
Disposals	-	(153,394)
Foreign currency translation	119,261	(148,639)
Balance at the end of period	43,475,493	34,505,386

Note 4 - Exploration and evaluation expenditure continued)

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.

* Since 31 December 2012, Comet Ridge has received a response from NZP&M advising that Comet Ridge's proposed work programme for the exploration block PEP 50280 is unlikely to be suitable to meet NZP&M's expectations. NZP&M have also advised that approvals for any drilling activity in the wetlands areas of the exploration permit may be very difficult to obtain. This would remove a significant area of the permit considered most prospective for gas. On the basis of the response from NZP&M, and after further detailed discussions, Comet Ridge has now determined that the costs of the exploration programme required, and the possible restrictions placed on exploration activity, are likely to render the block non-commercial. As a result, the group is taking the necessary steps to surrender the permit and has written off all exploration expenditure on PEP 50280 as at 31 December 2012.

Note 5 - Income tax credit/(expense)	**December 2012** **$**	**December 2011** **$**
Income tax credit comprises the following components		
Current income tax expense - refer (a) below	(218,826)	-
Deferred income tax credit - refer (b) below	749,615	(1,597,996)
	530,789	(1,597,996)

(a) In June 2011, the group's wholly owned subsidiary Comet Ridge USA Inc (CRUSA) received a distribution 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. Tax advice obtained at the time concluded that sufficient carry forward tax losses were available to offset the profit and no US tax (federal or state) would be payable. CRUSA has now been advised that sometime in 2011, Colorado state tax legislation was amended (with the amendment applicable for the calendar years 2011 to 2013 inclusive) to limit the amount of tax losses able to be claimed against capital profits. As CRUSA's substituted tax year is 30 June 2012 for 31 December 2011, the group has only now been made aware of the amendments to the Colorado tax legislation and the existence of the tax liability.

(b) Activity during the half-year resulted in the recognition of additional tax losses which are available for offset against the net deferred tax liability. This has resulted in a reduction in the net deferred tax liability of $749,615 during the period.

Note 6 - Contributed equity	**December 2012** **$**	**June 2012** **$**
Ordinary shares - fully paid	**74,263,825**	65,265,125

Movements in ordinary shares	**December 2012**	**December 2011**	**December 2012**	**December 2011**
	Number of Shares		**$**	**$**
Balance at the beginning of the period	307,351,144	307,351,144	65,265,125	65,265,125
Performance rights vested during the period	870,000	-	121,565	-
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	-	-	(515,625)	-
Balance at the end of the period	**402,148,746**	**307,351,144**	**74,263,825**	65,265,125

Note 7 - Share based payments

During the half-year, performance rights were granted to certain employees and contractors in accordance with the Comet Ridge Limited Performance Rights Plans for employees and contractors. The object of the plans is to:

(a) provide an incentive for employees/contractors to remain in their employment and 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 31 December 2012 half-year are as as follows:

	No. of Rights	Service Period		Vesting Date	Grant Date	Fair Value	Exercise Price
Issue No		From	To				
Tranche 5	2,850,000	01-Jul-12	30-Jun-16	VWAP	01-Jul-12	8 cents	$0.00
Tranche 5 *	1,000,000	01-Jul-12	30-Jun-16	VWAP	15-Nov-12	8 cents	$0.00
Tranche 6	605,000	01-Jul-12	30-Jun-13	01-Jul-13	01-04-Oct-12	11 cents	$0.00
Tranche 7	605,000	01-Jul-12	30-Jun-14	01-Jul-12	01-04-Oct-12	11 cents	$0.00
Tranche 8	500,000	01-Jul-12	30-Jun-15	01-Jul-13	01-04-Oct-12	11 cents	$0.00
Tranche 9 *	800,000	01-Jul-12	30-Jun-13	VWAP	15-Nov-12	6 cents	$0.00

* issued to Managing Director, Tor McCaul.

The fair value of performance rights is measured at grant date and is determined using a binomial or Black-Scholes pricing model that takes into account the term of the performance right, the underlying share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the performance right.

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

The following table lists the inputs to the model used to value the performance rights granted during the half-year ended 31 December 2012:

	Tranche 5	Tranche 9
Volatility (%)	90.00%	90.00%
Risk free interest rate (%)	2.74%	2.68%
Expected life of of performance right (years)	4.0 years	0.62 years
Expected dividend yield	0.00%	0.00%
Share price at grant date ($)	0.11	0.16
Share price (VWAP) target ($)	0.25	0.25
Simulation iterations	5,000	5,000

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 2012	December 2011
Statement of comprehensive income	**$**	**$**
Share based payments expense included in employee benefits expense	180,832	92,943
Share based payments reserve		
Balance 1 July 2012	1,508,283	1,279,066
Shares issued on vesting of performance rights	(121,565)	-
Share based payments during the half year	180,832	92,943
Balance 31 December 2012	1,567,550	1,372,009

Note 7 - Share based payments (continued)

Employee Share Options

The following table shows the movements of share options during the 31 December 2012 half-year:

Grant Date	*Expiry date*	*Exercise price*	**Opening Balance July 2012**	**Granted During the Year**	**Exercised During the Year**	**Expired During the year**	**Closing Balance December 2012**	**Vested & Exercisable**
13-Apr 10	30-Nov-13	$0.50	500,000	-	-	-	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	-	-	-	2,500,000	1,000,000

Note 8 - 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 per cent on any proceeds received from $24 million up to $40 million and 1.5 per cent on any amounts received over $40 million.

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

Note 9 - Commitments	**December 2012**	**June 2012**
	$	**$**
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		
- not later than 12 months	214,886	210,783
- between 12 months and 5 years	3,930	112,404
- greater than 5 years	-	-
	218,816	323,187

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.

Note 9 - Commitments (continued)

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 2012	June 2012
Minimum expenditure requirements	**$**	**$**
- not later than 12 months	13,204,391	5,219,602
- between 12 months and 5 years	438,165	6,971,350
	13,642,556	12,190,952

Note 10 - Events occurring after balance date

Other than the matters discussed in Note 4 regarding the exploration and evaluation write off of $1,340,134 arising from the surrender of New Zealand exploration permit PEP 50280 subsequent to 31 December 2012, 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 2012 and of its performance for the half-year ended on that date;

(b) in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Tor McCaul
Managing Director

Brisbane, Queensland
12 March 2013

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

Level 30
345 Queen Street
Brisbane
Queensland 4000

Postal Address:
GPO Box 1144
Brisbane
Queensland 4001

Tel: 07 3222 8444
Fax: 07 3221 7779

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

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NIGEL BATTERS

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 2012, 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 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 2012 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.

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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 2012 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 in the financial report. The matters set forth in Note 1, 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.

PITCHER PARTNERS
CHARTERED ACCOUNTANTS

J. Evans

J.J. Evans
Partner

Brisbane, Queensland
12 March 2013