Comet Ridge Limited

A.B.N. 47 106 092 577

CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Contents

Corporate Directory

Directors

James McKay	Non-executive Chairman
Tor McCaul	Managing Director
Gillian Swaby	Non-executive Director
Christopher Pieters	Executive Director
Mike Dart	Non-executive Director

Company Secretary
Stephen Rodgers

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

COMET RIDGE LIMITED
DIRECTORS' REPORT

The Directors present their report on the consolidated group ("the Group") consisting of Comet Ridge Limited ("Comet Ridge" or "Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

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
Gillian Swaby	Non-Executive Director
Christopher Pieters	Executive Director
Michael Dart	Non-Executive Director (appointed 14 October 2016)

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

PRINCIPAL ACTIVITIES

The principal activities of the Group during the half-year were to carry out coal seam gas (CSG) exploration and appraisal. The Group has permit 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 $2.033 million (December 2015: loss $1.759 million).

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

EXPLORATION ACTIVITIES

During the half-year Comet Ridge has focussed its exploration activities on its central Queensland Permits (Galilee and Southern Bowen Basins) which the Company believes will be the key to developing short to medium term gas supply. Detailed in the table below, is Comet Ridge's current (net recoverable) reserve and resource position for its Queensland tenures. The Company continues its dialogue with a number of parties in relation to gas supply from the Southern Bowen and Galilee Basins and the provision of infrastructure around that gas supply.

Comet Ridge Limited – Queensland Net Recoverable Reserves and Resources

Location	Project	COI Interest	Reserve (PJ) [1]			Contingent Resource (PJ)			Prospective Resource (PJ) [2]
			1P[3]	2P	3P	1C	2C	3C	
Southern Bowen Basin, QLD	Mahalo Gas Project (ATP 1191)	40%	-	30	219	112	232	372	-
Galilee Basin, QLD	Gunn Project Area [4] (ATP 744P)	100%	-	-	-	-	67	1,870	597 [4]
Galilee Basin, QLD	Albany Structure (ATP 744P)	100%	-	-	-	56	153	417	-
Total			-	**30**	**219**	**168**	**452**	**2,659**	**597**

See Notes to Net Recoverable Reserves and Resources Table on page 3:

1. ATP 1191 Mahalo – Bowen Basin, Qld (Comet Ridge 40%), Santos (30%), APLNG (30%)

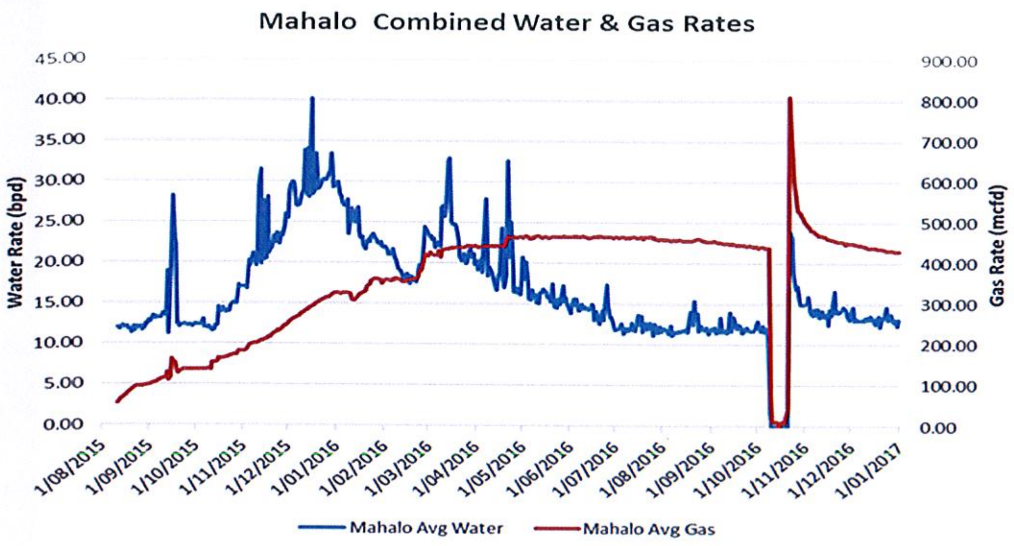
Mahalo Pilot

Throughout the half-year the Mahalo Pilot Scheme continued to operate with one horizontal well and two vertical wells on line and one vertical well shut-in. Over this period the pilot maintained its strong gas production performance (see chart below) with low to negligible water rates. The Mahalo pilot is 14km from a pipeline connection.

EXPLORATION ACTIVITIES (continued)

1. ATP 1191 Mahalo – Bowen Basin, Qld (Comet Ridge 40%), Santos (30%), APLNG (30%) (continued)

Mahalo Pilot (continued)



Mahalo Development Plan

Also during the half-year, Comet Ridge finalised its development analysis work to examine the most efficient and cost effective way to move the northern pilot schemes in the block into production via available export pipeline capacity and field infrastructure. These studies focussed on utilising existing infrastructure wherever possible in order to minimise capital spend and optimise the time required to bring the northern part of the Mahalo block into production.

2. ATP 743, ATP 744, and ATP 1015 – Galilee Basin, Qld (Comet Ridge 100%)

Comet Ridge has a very large acreage position in the eastern part of the Galilee Basin which is prospective for both sandstone gas and CSG development, including 100% interests in ATP 743 and ATP 744. In addition, the Company is increasing its interest in ATP 1015 from 20% to 100%. The Company holds an acreage position in excess of 9685 km^2 at the 100% equity level.

During the half-year, Comet Ridge continued to work with a number of parties (industrials and LNG operators) in relation to the supply of gas from the Galilee Basin (both sandstone gas and CSG) and the associated infrastructure. There are several connection points and supply options available and the Company continues to evaluate the commercial inputs that provide the greatest value to the Company. The LNG supply, industrial and domestic demand, and power generation sectors each have requirements for gas and the volume of gas resources in the Galilee Basin is such that multiple requirements may be able to be met concurrently. Evaluation work continues on each of the options.

Also, during the half-year Comet Ridge continued to work with APA Group around pipeline export options to connect its Galilee Basin contingent resource base (both Sandstone gas and CSG) into the east coast market.

With respect to its interest in ATP 1015, during the half-year Comet Ridge provided the final transfer documentation to the Queensland Government Department of Natural Resources and Mines (DNRM) to take its equity in the permit from 20% to 100%.

3. Gunnedah Basin, NSW
Comet Ridge CSG equity: PEL 427: 59.09%, PEL 428: 68.42%, PEL 6: 29.55%
Comet Ridge Conventional equity: PEL 427: 100%, PEL 428: 100%, PEL 6: 99.7%

With respect to the NSW permits, the formal approval of the renewals for PEL 6, PEL 427 and PEL 428 have still not been received. It is unclear when these approvals will be granted although it is understood that they are currently being progressed. In keeping with the delay on the approval applications by the NSW government, no exploration activities have been undertaken and the current spend on the permits is very low.

CAPITAL RAISING

During the half-year, the Company completed a successful $1.4m Placement and a 1 for 25 Entitlement Offer to shareholders raising a further $1.05m. Both the Placement and the Entitlement Offer were offered at 5c per share. Demand for the stock saw the Placement strongly supported and the Rights issue heavily oversubscribed.

ROUNDING OF AMOUNTS

Pursuant to ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 the amounts in the directors' report and financial report, have been rounded off to the nearest thousand dollars, unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the half-year ended 31 December 2016 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, 13 March 2017

Notes to Net Recoverable Reserves and Resources Table:

1) COI's net Reserves have not been adjusted for fuel or shrinkage (estimated at approximately 3%) and have been calculated at the wellhead (which is the reference point for the purposes of Listing Rule 5.26.5).
2) ASX Listing Rule 5.28.2 Statement relating to Prospective Resources: The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.
3) 1P Reserves have not been attributed to Mahalo under SPE 2007 PRM Guidelines as the field is not yet at development stage with an approved development plan. Further detail is provided in Appendix 1.
4) Where the auditor has detailed Prospective Resources in a range in the Galilee Basin, the best estimate case has been reported in the table above.

ASX Listing Rule 5.42 - Reporting on Oil and Gas Activities

The Contingent Resource for the Albany Structure referred to in the Table are taken from an independent report by Dr Bruce McConachie of SRK Consulting (Australasia) Pty Ltd, originally released to the Market in the Company's announcement of 6 August 2015.

The estimate of Reserves and Contingent Resources for the Mahalo Gas Project as part of ATP 1191 provided in the Table is based on, and fairly represents, information and supporting documentation determined by Mr Timothy L. Hower of MHA Petroleum Consultants LLC Inc in accordance with Petroleum Resource Management System guidelines. The reserve and contingent gas resource estimates for ATP 1191 provided in this presentation were originally released to the Market in the Company's announcement of 28 August 2014.

The contingent gas resource estimates for ATP 744 provided in this statement were originally released to the Market in the Company's announcement of 25 November 2010, and were estimated using the deterministic method with the estimate of contingent resources for ATP 744P not having been adjusted for commercial risk.

The Company confirms that it is not aware of any new information or data that materially affects the information in this announcement to the market of the Net Recoverable Reserves and Resources announced as detailed above and that all of the material assumptions and technical parameters underpinning the estimates in those announcements continue to apply and have not materially changed.

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Auditor's Independence Declaration

As lead auditor for the review of the financial statements of Comet Ridge Limited for the half-year ended 31 December 2016, 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

N Batters
Partner

Brisbane, Queensland
13 March 2017

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	December 2016 $000's	December 2015 $000's
Revenue and other income			
Interest received		**12**	37
Other income		**2**	35
Expenses			
Employee benefit's expense		**(379)**	(208)
Contractors' & consultancy costs		**(240)**	(176)
Exploration permit expenditure		**(8)**	-
Professional fees		**(89)**	(78)
Corporate expenses		**(113)**	(71)
Occupancy costs		**(56)**	(91)
Fair value movement of financial liability at fair value	8	**(945)**	(824)
Finance costs		**(12)**	(32)
Other expenses		**(97)**	(136)
Depreciation		**(8)**	(10)
Impairment - exploration and evaluation expenditure		**(100)**	(205)
LOSS BEFORE INCOME TAX		**(2,033)**	(1,759)
Income tax credit		**-**	-
LOSS FOR THE PERIOD		**(2,033)**	(1,759)
Other Comprehensive Loss, Net of Income Tax			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		**(6)**	(28)
TOTAL OTHER COMPREHENSIVE LOSS, NET OF INCOME TAX		**(6)**	(28)
TOTAL COMPREHENSIVE LOSS		**(2,039)**	(1,787)
Loss attributable to:			
Owners of the parent		**(2,033)**	(1,759)
Non-controlling interests		**-**	-
		(2,033)	(1,759)
Total comprehensive loss attributable to:			
Owners of the parent		**(2,039)**	(1,787)
Non-controlling interests		**-**	-
		(2,039)	(1,787)
LOSS PER SHARE		**Cents**	**Cents**
Basic loss per share		**(0.4)**	(0.3)
Diluted loss per share		**(0.4)**	(0.3)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanied notes.

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	December 2016 $000's	June 2016 $000's
CURRENT ASSETS			
Cash and cash equivalents		**2,549**	1,625
Trade and other receivables		**210**	147
Inventories		**76**	76
Other assets		**450**	457
TOTAL CURRENT ASSETS		**3,285**	2,305
NON-CURRENT ASSETS			
Property, plant and equipment		**54**	62
Exploration and evaluation expenditure	7	**41,765**	41,243
TOTAL NON-CURRENT ASSETS		**41,819**	41,305
TOTAL ASSETS		**45,104**	43,610
CURRENT LIABILITIES			
Trade and other payables		**228**	412
Provisions		**696**	659
TOTAL CURRENT LIABILITIES		**924**	1,071
NON-CURRENT LIABILITIES			
Financial liability at fair value	8	**14,215**	13,270
Provisions		**563**	241
TOTAL NON-CURRENT LIABILITIES		**14,778**	13,511
TOTAL LIABILITIES		**15,702**	14,582
NET ASSETS		**29,402**	29,028
EQUITY			
Contributed equity	9	**94,425**	92,022
Reserves		**1,421**	1,417
Accumulated losses		**(66,444)**	(64,411)
TOTAL EQUITY		**29,402**	29,028

The above consolidated statement of financial position should be read in conjunction with the accompanied notes.

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Contributed Equity	Foreign Currency Translation Reserve	Share Based Payments Reserve	Accumulated Losses	Total
	$000's	$000's	$000's	$000's	$000's
Balance at 1 July 2015	92,099	1,398	1,246	(62,026)	32,717
Loss for the period	-	-	-	(1,759)	(1,759)
Other comprehensive loss for the period	-	(28)	-	-	(28)
Total comprehensive loss for the period	-	(28)	-	(1,759)	(1,787)
Transactions with owners in their capacity as owners					
Shares issued on vesting of performance rights	10	-	(10)	-	-
Share based payments	(86)	-	(12)	-	(98)
	(76)	-	(22)	-	(98)
Balance at 31 December 2015	92,023	1,370	1,224	(63,785)	30,832
Balance at 1 July 2016	**92,022**	**1,361**	**56**	**(64,411)**	**29,028**
Loss for the period	-	-	-	**(2,033)**	**(2,033)**
Other comprehensive loss for the period	-	**(6)**	-	-	**(6)**
Total comprehensive loss for the period	-	**(6)**	-	**(2,033)**	**(2,039)**
Transactions with owners in their capacity as owners					
Contributions of equity net of transaction costs	**2,403**	-	-	-	**2,403**
Share based payments	-	-	**10**	-	**10**
	2,403	-	**10**	-	**2,413**
Balance at 31 December 2016	**94,425**	**1,355**	**66**	**(66,444)**	**29,402**

The above consolidated statement of changes in equity should be read in conjunction with the accompanied notes.

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	December 2016	December 2015
	$000's	$000's
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	**11**	32
Payments to suppliers and employees	**(954)**	(998)
NET CASH USED IN OPERATING ACTIVITIES	**(943)**	(966)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation assets	**(536)**	(1,634)
Payment for property, plant and equipment	**-**	(6)
NET CASH USED IN INVESTING ACTIVITIES	**(536)**	(1,640)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**2,455**	-
Share issue costs	**(52)**	-
NET CASH FROM FINANCING ACTIVITIES	**2,403**	-
Net increase/(decrease) in cash held	**924**	(2,606)
Cash at the beginning of the period	**1,625**	5,827
Effects of exchange rate changes on cash	**-**	2
CASH AT THE END OF THE PERIOD	**2,549**	3,223

The above consolidated statement of cash flows should be read in conjunction with the accompanied notes.

1. Principal Activities

Comet Ridge Limited and Subsidiaries (the Group) principal activities are to carry out coal seam gas (CSG) exploration and appraisal. The Group has permit interests and exploration and evaluation activities in Australia and New Zealand and an investment in a limited liability company based in the United States.

There have been no significant changes in the nature of the Group's principal activities during the half-year.

2. Basis of preparation

The condensed interim consolidated financial statements (the interim financial statements) are for the six months ended 31 December 2016 and are presented in Australian Dollar ($AUD) which is the functional currency of the Parent Company. The interim financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 "Interim Financial Reporting".

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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

Pursuant to ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 the amounts in the directors' report and financial report, have been rounded off to the nearest thousand dollars, unless otherwise indicated.

3. Significant accounting policies

The accounting policies adopted in the preparation of this interim financial report are consistent with those of the previous financial year and corresponding interim reporting period except for the impact of the Standards and Interpretations described below. Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

The Group has adopted all the mandatory new and amended Accounting Standards issued that are relevant to its operations and effective for the reporting period. There was no material impact on the financial report as a result of the adoption of these standards.

The accounting policies have been applied consistently throughout the Group for the purpose of preparation of the interim financial statements.

4. Going Concern

The consolidated financial statements have been prepared on a going concern basis which contemplates that the Group will continue to meet its commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Because of the nature of their operations, exploration companies, such as Comet Ridge Limited, find it necessary on a regular basis to raise additional cash funds to fund future exploration activity and meet other necessary corporate expenditure. At the date of this financial report, the ability of the Group to execute its currently planned exploration and evaluation activities may require the Group to raise additional capital within the next 12 months. Accordingly, when it is necessary to raise additional capital, the Group will investigate the various options for the raising of additional funds which may include but is not limited to an issue of shares, a farm-out of an interest in one or more exploration permits or the sale of exploration assets where increased value has been created through previous exploration activity.

At the date of this financial report, no guarantee can be given that a successful outcome will eventuate from the future capital raising activities noted above. 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, based on the potential of the Group's existing exploration and evaluation assets, the Directors have a reasonable expectation that the Group and the Company will have access to adequate resources to fund its future operational requirements and for these reasons they continue to adopt the going concern basis in preparing the financial report.

The financial report does not include adjustments relating to the recoverability or classification of recorded assets amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

5. Accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement when applying the Group's accounting policies. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The critical estimates and judgements applied in the preparation of the financial statements are as follows:

(a) Recoverability of exploration and evaluation expenditure

The Group assesses the recoverability of the carrying value of capitalised exploration and evaluation expenditure at each reporting date (or during the year should the need arise). In completing this assessment, regard is given to the Group's intentions with respect to proposed future exploration and development plans for individual areas, to the success or otherwise of activities undertaken in individual areas, to the likely success of future planned exploration activities, and to any potential plans for divestment of individual areas. Any required impairment of capitalised exploration and evaluation expenditure is completed based on the results of the assessment. Furthermore, for various areas of interest, exploration and evaluation activities may not have reached a stage to allow a reasonable assessment to be made regarding the existence of economically recoverable reserves. Accordingly, exploration and evaluation assets may be subject to further impairment in the future.

During the half-year, all exploration expenditure incurred on the Gunnedah Basin permits was impaired. This is consistent with the policy adopted at 30 June 2016 to fully impair the expenditure with respect to these permits. The impairment expense amounted to $100,000 (December 2015: $205,000). Because the New Zealand permits are to be relinquished, any expenditure in New Zealand during the half-year has been expensed to exploration permit expenditure.

(b) Renegotiated Mahalo Option Agreement

At each reporting date, the Group reviews the underlying assumptions previously used to account for the repurchase of the 5% interest in the Mahalo Gas Project which was originally sold to Stanwell Corporation Limited (SCL) under the September 2011 Sale and Purchase Option Agreement. In accordance with the Renegotiated Mahalo Option Agreement the nature of the consideration payable by Comet Ridge is at the option of SCL and is either by way of:

1. The discount under the Gas Supply Agreement (Option A). Under this option, the consideration is paid by Comet Ridge foregoing a portion of its future revenue from the Mahalo Gas Project over the life of the Gas Supply Agreement. The revenue foregone by Comet Ridge is the $15m discount expressed in 1 July 2013 dollar terms and indexed by CPI up to the date the Gas Supply Agreement is signed; or

2. A cash payment of $20m indexed by CPI from 1 July 2014. This is the amount which will be payable if SCL decides not to exercise Option A or an acceptable gas supply agreement cannot be agreed.

Of the two options available, it was originally considered reasonable to assume that SCL will choose the option that provides the greatest benefit. If the Mahalo field proves up with significant reserves, SCL would be expected to proceed with Option A. If the field proves up with low gas volumes then SCL would be expected to opt for Option B. Obviously, there is a midway point where SCL will be ambivalent as to whether it chooses Option A or Option B. As a result, at 31 December 2016 it is necessary to consider whether there has been any technical or economic changes since the last reporting date that would now cause SCL to choose Option B rather than Option A.

The two critical assumptions that could potentially change the initial conclusion are:

1. The potential of the Mahalo/Mira Gas Project to supply the agreed quantities of gas; and

2. Gas price under the Gas Pricing Mechanism compared to the current market gas price.

The initial accounting treatment was based on the expectation that SCL was interested in securing future gas supplies and, provided the Mahalo/Mira field was able to supply the agreed gas quantities it would proceed with Option A. Since 30 June 2016, the Mahalo Pilot Scheme has seen significant progress with strong and increasing gas production performance from the Mahalo 6 / 7 Vertical-Horizontal well combinations. This strong gas production performance suggests that Mahalo Field has the potential for a significant gas resource. As a result the initial opinion on the potential of the field has not changed.

With respect to the Gas Pricing Mechanism, the gas price under the Gas Supply Agreement will be calculated on an ex-field basis using a formula which reflects the Oil Linked Gas Price (OLP), the field cost to produce plus a rate of return referred to as the Field Cost Plus Return (FCR) and with a specified Floor and Ceiling Price range.

5. Accounting estimates and judgements (continued)

(b) Renegotiated Mahalo Option Agreement (continued)

The pricing mechanism will operate as follows:

(a) If the price of oil is low (i.e. below the Floor Price of USD96.75/bbl), the gas price will be calculated based on the field cost to produce plus a rate of return;

(b) If the oil price is high (i.e. above USD134/bbl) then the ceiling gas price will be a specified maximum currently estimated at Au$9.51 per GJ;

(c) If the oil price lies between the prices mentioned in (a) and (b) above, the contracted gas price will be 50% based on OLP and 50% based on FCR; and

(d) With respect to both (a) and (b) above a discount calculated at the date of the Gas Supply Agreement will apply and will reduce the gas price calculated above on a $/GJ basis over the life of the Gas Supply Agreement.

Based on the oil price at inception of the agreement, it was concluded that the market gas price would be greater than the gas price calculated using the Gas Pricing Mechanism. As a result, it was considered that SCL would choose Option A. The critical issue at reporting date is whether the available market gas price is lower than the minimum price using the Gas Pricing Mechanism.

However, the oil price at 31 December 2016 was below the floor price. As a result, if the gas price for the Gas Sale Agreement was determined at balance date it would be based on field cost to produce plus a rate of return. An analysis of the Mahalo Gas Project was undertaken in August 2016. The break- even gas price determined by the analysis was in the range $3.82GJ to $4.51GJ which is well below the current spot market price of in excess of $10.00/GJ. The FCR price would also be reduced by the SCL discount, as a result, it is still considered reasonable to assume that Option A would still be attractive to Stanwell.

After initial recognition, at each subsequent reporting date, the assumptions underlying the calculation of the liability to SCL are reviewed and amended so that at the anticipated date of the Gas Supply Agreement the full liability for the consideration payable to SCL will be recognised. At 31 December 2016, it was determined that the initial assumptions used to recognise the SCL liability were still appropriate. Based on these inputs, the increase in the fair value of the SCL liability was $945,000 and a corresponding amount is recognised as an expense in the profit and loss.

(c) Financial Guarantee Contract

One of the terms of the renegotiated Mahalo Option Agreement is that the parent entity (Comet Ridge Limited) guarantees the indexed $20m consideration payable by Comet Ridge Mahalo Pty Ltd (CRM) under Option B. In accordance with AASB 139 Financial Instruments, Recognition and Measurement, at each balance date to the extent that a liability/asset exists, Comet Ridge Limited will need to recognise a Financial Guarantee Contract liability and CRM will record a Financial Guarantee Contract asset.

Comet Ridge Limited's exposure to a financial guarantee liability arises from the risk that at any point in time the fair value of CRM's interest in the Mahalo Gas Project is less than the indexed liability. The analysis of the Mahalo Gas Project undertaken in August 2016 estimated cash flows from the development of the Mahalo Gas Project for eight years commencing from June 2018 using a range of gas prices from $6.00GJ to $8.00GJ. The ranges of values for Comet Ridge's 40% interest in the Mahalo Gas Project were significantly above the value of the financial guarantee i.e. $20 million. As a result, based on these valuations, at 31 December 2016 CRM's Financial Guarantee Asset would have a zero value as the underlying asset supporting the financial guarantee is significantly above the value of the guarantee. As a result, Comet Ridge Limited's financial guarantee liability at 31 December 2016 is also nil.

6. Segment information

Identification of reportable segments

The Group has identified its operating segments based on the geographic location of its respective areas of interest (permits). The internal reports that are reviewed and used by the board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources are prepared on the same basis.

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

6. Segment information (continued)

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

The following tables show the financial performance and financial position information regarding the Group's operating segments.

(a) Segment performance	**Queensland**		**New Zealand**	**New South Wales**	**Total**
	Galilee	**Bowen**	**South Island**	**Gunnedah**	
31 December 2016	**$000's**	**$000's**	**$000's**	**$000's**	**$000's**
Segment revenue	-	-	-	-	-
Exploration and evaluation expenditure impaired	-	-	-	**(100)**	**(100)**
Exploration and evaluation expense	-	-	**(8)**	-	**(8)**
Segment result before tax	-	-	**(8)**	**(100)**	**(108)**
Reconciliation of segment result to Group loss before tax					
Interest revenue					**12**
Other income					**2**
Employee benefits expense					**(379)**
Contractors and consultants costs					**(240)**
Professional fees					**(89)**
Corporate expenses					**(113)**
Occupancy costs					**(56)**
Fair value movement of financial liability at fair value					**(945)**
Finance charges					**(12)**
Other expenses					**(97)**
Depreciation and amortisation expense					**(8)**
Loss before tax					**(2,033)**
31 December 2015					
Segment revenue	-	-	-	-	-
Exploration and evaluation costs written off	-	-	(100)	(105)	(205)
Segment result before tax	-	-	(100)	(105)	(205)
Reconciliation of segment result to Group loss before tax					
Interest revenue					37
Other income					35
Employee benefits expense					(208)
Contractors and consultants costs					(176)
Professional fees					(78)
Corporate expenses					(71)
Occupancy costs					(91)
Fair value movement of financial liability at fair value					(824)
Finance charges					(32)
Other expenses					(136)
Depreciation and amortisation expense					(10)
Loss before tax					(1,759)

6. Segment information (continued)

		Queensland	New Zealand	New South Wales	Total
(b) Segment performance	**Galilee**	**Bowen**	**South Island**	**Gunnedah**	
31 December 2016	**$000's**	**$000's**	**$000's**	**$000's**	**$000's**
Segment assets	**21,542**	**20,223**	**-**	**-**	**41,765**
Segment liabilities	**-**	**(14,215)**	**-**	**-**	**(14,215)**
	21,542	**6,008**	**-**	**-**	**27,550**
Reconciliation of segment assets to group assets					
Unallocated assets					
Current assets					**3,285**
Non-current assets					**54**
Current liabilities					**(924)**
Non-current liabilities					**(563)**
Total group net assets					**29,402**
Segment asset movement for the year					
Balance at 1 July 2016	**21,246**	**19,997**	**-**	**-**	**41,243**
Exploration and evaluation expenditure	**296**	**226**	**-**	**100**	**622**
Impairment expense	**-**	**-**	**-**	**(100)**	**(100)**
	296	**226**	**-**	**-**	**522**
Balance at 31 December 2016	**21,542**	**20,223**	**-**	**-**	**41,765**
30 June 2016					
Segment assets	21,246	19,997	-	-	41,243
Segment liabilities	-	(13,270)	-	-	(13,270)
	21,246	6,727	-	-	27,973
Reconciliation of segment assets to group assets					
Unallocated assets					
Current assets					2,305
Non-current assets					62
Current liabilities					(1,071)
Non-current liabilities					(241)
Total group net assets					29,028
Segment asset movement for the year					
Balance at 1 July 2015	20,425	19,126	-	-	39,551
Exploration and evaluation expenditure	821	871	111	204	2,007
Impairment - exploration expenditure	-	-	(111)	(204)	(315)
	821	871	-	-	1,692
Balance at 30 June 2016	21,246	19,997	-	-	41,243

7. Exploration and evaluation expenditure

	December 2016	June 2016
	$000's	$000's
Exploration and evaluation expenditure	59,298	72,169
Less provision for impairment	(17,533)	(30,926)
	41,765	41,243

Movements in exploration and evaluation phase	December 2016	December 2015
	$000's	$000's
Balance at the beginning of period	41,243	39,551
Exploration and evaluation expenditure during the period	622	951
Impairment expense	(100)	(205)
Restoration and rehabilitation	-	88
Balance at the end of period	41,765	40,385

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phase is dependent on successful development and commercial exploitation, or alternatively, the sale of the respective areas of interest.

8. Financial Liability at Fair Value

	December 2016	June 2016
Non-current	$000's	$000's
Financial liability at fair value - Stanwell Corporation Limited	14,215	13,270

Movements in financial liability at fair value	December 2016	December 2015
	$000's	$000's
Balance at the beginning of the period	13,270	11,564
Movement in fair value of financial liability at fair value	945	824
Balance at the end of the period	14,215	12,388

Fair value measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes at each reporting date. AASB 13 Fair Value requires disclosure of fair value measurements by level as determined by the following fair value measurement hierarchy:

a. Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

b. Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

c. Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of the liability owed to Stanwell Corporation Limited (SCL) is based on the anticipated discounted cash flows arising from the renegotiated Mahalo Option Agreement. It is classified as level 3 in the fair value hierarchy due to the use of unobservable inputs. The inputs used in the calculation of the fair value of the Financial Liability at Fair Value at 31 December 2016 have not changed from those used at 30 June 2016 and are as follows:

1 The most likely outcome under the Mahalo Option Agreement is SCL will opt for the Gas Sale Agreement as a result the $15m discount will be the basis for determining the liability calculations.

2 The agreement term for the initial calculations will be the maximum four years.

3 The CPI rate used to index the $15m gas supply discount from 1 August 2014 will be 3% pa based on upper level of RBA target for inflation.

4 The fair value of the 5% Mahalo Gas Project interest re-acquired will be the net present value (NPV) of the SCL liability discounted at a pre-tax rate based on Comet Ridge's cost of capital.

5 The Comet Ridge's cost of capital is 14.75% per annum. The pre-tax discount rate is also 14.75% per annum as the cost of debt is nil.

8. Financial liability at fair value (continued)

Fair value measurement (continued)

The relationships between the unobservable inputs and the fair value of the financial liability at fair value are as follows:

Unobservable input	Relationship to fair value
Likely outcome	If SCL opts for Option B the financial liability at fair value will increase.
Agreement term	If the Final Investment Decision (FID) is reached earlier than the 4 year limit the carrying amount of the financial liability at fair value will increase while the estimated total fair value movements over the new term will reduce.
CPI rate	If the 3% pa CPI rate reduces/increases to a low of 2% pa or a high of 4% pa the indexed liability will reduce/increase by approximately 3.9% or $650,000.
Pre-tax discount rate	If the 14.75% pa pre-tax discount rate reduces/increases by 2.25% pa i.e. to a low of 12.5% pa or a high of 17.0% pa the NPV of the indexed liability will increase/reduce by approximately 8.0% or $750,000 with a resulting reduction/increase in the total fair value movement to be expensed over the term of the agreement.

9. Contributed equity

	December 2016 $000's	June 2016 $000's
Ordinary shares - fully paid	**94,425**	92,022

Movements in ordinary shares	December 2016	December 2015	December 2016	December 2015
	Number of Shares		$000's	$000's
Balance at the beginning of the period	**526,250,547**	526,200,547	**92,022**	92,099
Performance rights vested during the period	**-**	50,000	**-**	(76)
Share placement @ 5 cents per share	**28,041,306**	-	**1,402**	-
Share rights issue @ 5 cents per share	**21,050,301**	-	**1,053**	
Share issue costs	**-**	-	**(52)**	-
Balance at the end of the period	**575,342,154**	526,250,547	**94,425**	92,023

10. Share based payments

The share-based payments' expense included in the financial statements with respect to Performance Rights issued during the half-year and already issued in prior years and the movements in the share-based Payments Reserve during the half-year are as follows:

	December 2016 $000's	December 2015 $000's
Statement of comprehensive income		
Share based payments expense included in employee benefits expense	**10**	(98)

Share based payments reserve	December 2016 $000's	December 2015 $000's
Balance at the beginning of the period	**56**	1,246
Shares issued on vesting of performance rights	**-**	76
Share based payments during the half year	**10**	(98)
Balance at the end of the period	**66**	1,224

10. Share based payments (continued)

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

(a) provide an incentive for employees/contractors to remain in their employment and continue to provide services to the Group in the long term;
(b) recognise the ongoing efforts and contributions of employees/contractors to the long term performance and success of the Group; and
(c) provide employee/contractors with the opportunity to acquire performance rights, and ultimately shares in Comet Ridge Limited.

All performance rights granted during the half-year vest subject to a performance condition in addition to the director satisfying a service condition relating to the completion of a specified period of employment/engagement. Details of the performance rights granted during the 31 December 2016 half-year together with their terms and conditions are as follows:

Grant Date	No. of Rights	Vesting Date	Expiry Date	Fair Value	Service Period From	Service Period To	Performance Condition
1-Dec-16	625,000	31-Dec-19	31-Dec-19	7 cents	1-Dec-16	31-Dec-19	75PJ 2P Reserves hurdle
1-Dec-16	625,000	31-Dec-19	31-Dec-19	7 cents	1-Dec-16	31-Dec-19	150PJ 2P Reserves hurdle
1-Dec-16	625,000	31-Dec-19	31-Dec-19	7 cents	1-Dec-16	31-Dec-19	225PJ 2P Reserves hurdle
1-Dec-16	625,000	31-Dec-19	31-Dec-19	7 cents	1-Dec-16	31-Dec-19	300PJ 2P Reserves hurdle
	2,500,000						

The following table shows the movements of performance rights during the half-year:

Vesting Date	Share Price at Grant Date (cents)	No. of Rights 30 June 2016	Granted during the half year	Vested During the half year	Expired During the half year	No. of Rights 31 Dec 2016
31-Dec-16	6.00	500,000	-	-	(500,000)	-
31-Dec-16	6.00	1,000,000	-	-	(1,000,000)	-
31-Dec-17	9.00	1,260,000	-	-	-	1,260,000
31-Dec-17	9.00	1,260,000	-	-	-	1,260,000
31-Dec-19	7.00	-	2,500,000	-	-	2,500,000
		4,020,000	2,500,000	-	(1,500,000)	5,020,000

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

Where the performance rights are granted subject only to service conditions and non-market performance conditions, in accordance with the relevant accounting standard, it is assumed that the service condition will be met and the Comet Ridge Limited share price at grant date is used to determine the fair value of the performance rights issued. The non-market performance conditions are taken into account based on the number of performance rights that actually vest. Where the performance rights are granted subject to a market condition in addition to the service condition, the pricing model also takes into account the probability that the market condition will be satisfied/not satisfied during the term of the performance rights e.g. "monte carlo" simulation technique.

11. Contingent liabilities

The Directors are not aware of any contingent liabilities other than the Financial Guarantee Contract which is one of the terms of the renegotiated Mahalo Option Agreement. Under the renegotiated agreement Comet Ridge Limited guarantees the indexed $20m consideration payable by Comet Ridge Mahalo Pty Ltd (CRM) under Option B. Option B is exercisable by Stanwell Corporation Limited (SCL) upon the earlier of FID for any development of the Mahalo Gas Project permit area or on the 4th anniversary date of the execution of the new agreement.

If SCL elects to exercise Option B, it will receive a cash payment of A$20m escalated in accordance with CPI for the period from 1 July 2014 to 1 August 2015 and then annually thereafter (or part thereof) up to the payment date which is 60 days after the election notice under Option B is received.

12. Commitments

Operating lease commitments

Commitments for minimum lease payments for non-cancellable operating leases for offices and equipment contracted for but not recognised in the financial statements.

	December 2016 $000's	June 2016 $000's
Payable - minimum lease payments		
- not later than 12 months	**93**	83
- between 12 months and 5 years	**154**	201
	247	284

Bank guarantees

Westpac Banking Corporation have provided bank guarantees totalling $403,000 (June 2016: $403,000) as follows:

- $150,000 (June 2016: $150,000) to the State of Queensland in respect of the Group's exploration permits and environmental guarantees;
- $200,000 (June 2016: $200,000) to the State of NSW to supports the Group's exploration permits and environmental guarantees; and
- $53,000 (June 2016: $53,000) 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 permits 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 2016 $000's	June 2016 $000's
Minimum expenditure requirements		
- not later than 12 months	**159**	244
- between 12 months and 5 years	**5,747**	832
	5,906	1,076

13. Events occurring after balance date

There has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

COMET RIDGE LIMITED
DIRECTORS' DECLARATION

The Directors declare that:

(a) the attached financial statements and notes are in accordance with the *Corporations Act 2001* including:

I. complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*; and

II. giving a true and fair view of the Group's financial position as at 31 December 2016 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, 13 March 2017

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ACCOUNTANTS • AUDITORS • ADVISORS

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Comet Ridge Limited,

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Comet Ridge Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the period's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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*.

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ACCOUNTANTS • AUDITORS • ADVISORS

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 2016 and of their performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 4 in the financial report which states that the consolidated entity's ability to execute its planned exploration and evaluation activity and meet other necessary corporate expenditure is dependent on the consolidated entity's ability to raise additional funds. The matters set forth in Note 4 indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Pitcher Partners

PITCHER PARTNERS

N Batters
Partner

Brisbane, Queensland
13 March 2017