CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER **2020**

Comet Ridge

Contents

Corporate Directory

Directors

James McKay	Non-executive Chairman
Tor McCaul	Managing Director
Gillian Swaby	Non-executive Director
Christopher Pieters	Executive Director
Martin Riley	Non-executive Director
Shaun Scott	Non- Executive Director

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ASX Code: COI

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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 2020.

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
Martin Riley	Non-executive Director
Shaun Scott	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 gas exploration and appraisal. The Group has tenement interests and a suite of prospective projects in eastern Australia.

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 $2.960 million (December 2019: loss $2.595 million).

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

OPERATING ACTIVITIES

During the half-year Comet Ridge focused its technical studies and evaluation activities on its Mahalo Gas Hub assets in the Southern Bowen Basin which the Company believes will be the key to developing significant short to medium term gas supply. During the period, a double block win at the Mahalo Gas Hub, in a Queensland Government bidding round, was a very positive outcome for the Company.

Detailed in the table below is Comet Ridge's current (net recoverable) reserve and resource position for its permits. Note that the three 100% held Mahalo Gas Hub blocks are yet to have Contingent Resources attributed and independently certified. Mahalo Far East is yet to be formally issued as an Authority to Prospect (ATP) by the Queensland Government, however this is expected to occur during 2Q 2021 following Native Title and Environmental Approvals.

Comet Ridge Limited – Net Recoverable Reserves and Resources									
Location	Project	COI Interest	Reserve (PJ) [1]			Contingent Resource (PJ)			Prospective Resource (PJ) [2]
			1P[4]	2P	3P	1C	2C	3C	
Bowen Basin, QLD	Mahalo Gas Project (PL 1082, 1083) (PCA 302, 303, 304)	40%	-	106	183	53	89	154	-
Galilee Basin, QLD	Gunn Project Area (ATP 744P)	100%	-	-	-	-	67	1,870	597
Galilee Basin, QLD	Albany Structure (ATP 744P)	70%	-	-	-	39	107	292	-
Gunnedah Basin, NSW	PEL 6 PEL 427 PEL 428	29.55% 59.09% 68.42%	-	-	-	-	-	562	2,101
Total			**-**	**106**	**183**	**92**	**263**	**2,878**	**2,698**

Table 1 – Net recoverable Reserves and Resources

See Notes to Net Recoverable Reserves and Resources Table on page 8.

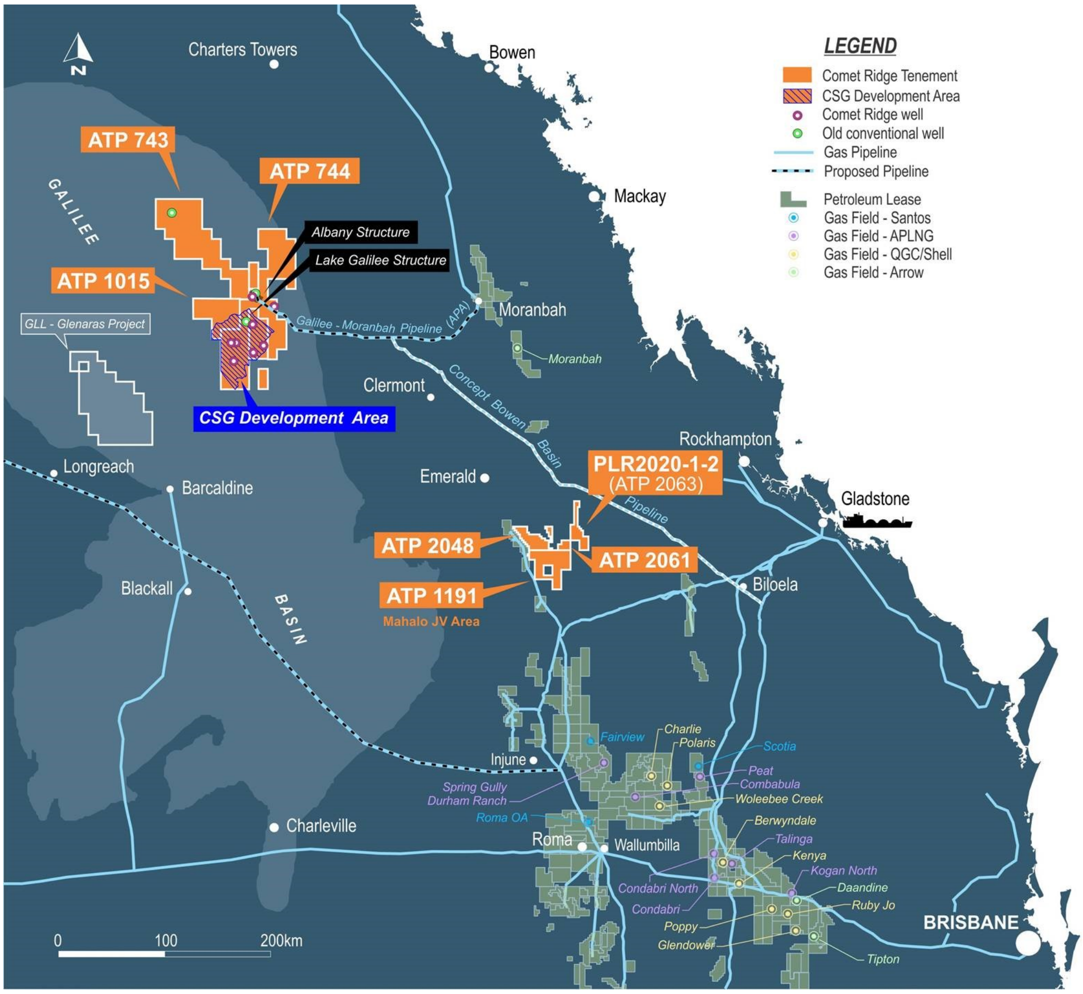

Figure 1 – Locations of Comet Ridge's Queensland assets

1. Mahalo Gas Hub Area (comprising Mahalo Gas Project (40%), Mahalo North (100%), Mahalo East (100%) and Mahalo Far East (100%)

Comet Ridge's Mahalo Gas Hub Area includes a number of large, high quality gas blocks, covering a significant area located approximately 240 km west of Gladstone in central Queensland.

Comet Ridge announced during the half-year that the Company was awarded two additional gas blocks by the Queensland Government in the Company's emerging Mahalo Gas Hub area, in addition to the Mahalo North project (ATP 2048) which had been awarded in an earlier bidding round approximately 11 months prior.

When combined with the Mahalo Gas Project (Comet Ridge 40% and in joint venture with Santos and Australia Pacific LNG) and the 100% owned Mahalo North project (ATP 2048), these two new 100% awarded blocks provide Comet Ridge with a large and dominant position in this emerging Mahalo Gas Hub area (refer Figure 2 below).

A summary of each of the permits in the Mahalo Gas Hub and their current status is shown in the table below.

Project name	Permit	COI % interest	Area (km^2)	Status
Mahalo Gas Project (CSG)	PL 1082, 1083; PCA 302, 303, 304	40%	911	Development ready, Government approved, pending JV FID pathway
Mahalo North (CSG)	ATP 2048	100%	450	Gas resources and appraisal program being finalised, funding to be secured
Mahalo East (CSG)	ATP 2061	100%	97	ATP awarded during the half-year; gas resources and appraisal program being finalised
Mahalo Far East (CSG and conventional gas)	PLR 2020-1-2 (to become ATP 2063)	100%	338	Native title agreement expected 2Q 2021, followed by ATP award

2. Mahalo Gas Project (PL 1082, 1083 and PCA 302, 303, 304) – Bowen Basin, Qld (Comet Ridge 40%, Santos 30%, APLNG 30%)

The Mahalo Gas Project is now government approved to proceed to development via the grant of Queensland Petroleum Leases (PLs) 1082 ("Humboldt") and 1083 ("Mahalo") for a term of 30 years (refer Figure 2 below) during 2020. These Petroleum Lease awards are the final government regulatory approval required for the project to move forward to production.

The Mahalo Gas Project is held 40% by Comet Ridge Limited, 30% by Santos (ASX:STO) and 30% by APLNG (where Origin Energy (ASX:ORG) is the development Operator). Mahalo is now a valuable, development-ready gas project. The joint venture has been making progress in discussions around how best to take the Mahalo Gas Project forward.

During the half-year, Petroleum Survey Licence (PSL) 2048 was issued to Comet Ridge over a wide area of 1962 km^2 for a period of two years, covering a large part of the Mahalo Gas Hub area (refer Figure 2 below). A PSL gives the holder (Comet Ridge) the right to enter land to survey the proposed route for a pipeline or the suitability of land for a petroleum facility licence. The PSL area awarded to Comet Ridge importantly includes the export route from the Mahalo Gas Hub area to the south where there are two existing large diameter pipelines running into Gladstone (Jemena Queensland Gas Pipeline for domestic gas and Santos GLNG pipeline for LNG).

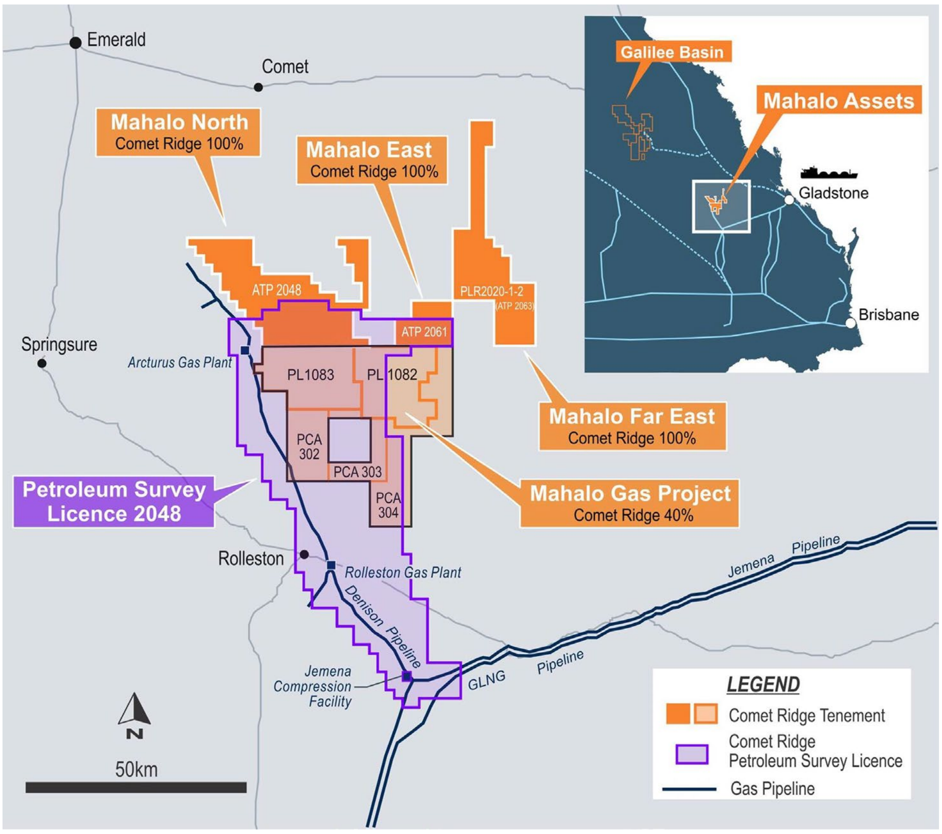

Figure 2 - Petroleum Lease areas called "Mahalo" and "Humboldt" numbered PL1083 and PL1082 respectively and Petroleum Survey Licence 2048 (marked in purple shading)

**3. Mahalo North (ATP 2048), Bowen Basin, QLD (Comet Ridge 100%)
Mahalo East (ATP 2061), Bowen Basin, QLD (Comet Ridge 100%)**

During the half-year, Comet Ridge was awarded ATP 2061 (Mahalo East) to further complement the Mahalo Gas Hub position to the east of Mahalo North (ATP 2048) and northeast of the Mahalo Gas Project.

Comet Ridge holds a 100% interest in, and is the operator of, the 450 km^2 Mahalo North and 97 km^2 Mahalo East blocks. Mahalo North and Mahalo East are both subject to a domestic market requirement for gas sales.

Comet Ridge entered into a data sharing arrangement with an overlapping coal tenement holder which has resulted in the Company securing access to a significant dataset of seismic data and core wells which was not available at the time Comet Ridge initially bid on the blocks. During the past six months, Comet Ridge has undertaken a significant amount of subsurface analysis of this dataset for the Mahalo North and Mahalo East blocks.

This analysis has been initially focused on the high productivity fairway areas of Mahalo North and Mahalo East (refer Figure 3 below) which extend north from the Mahalo Gas Project PL areas (comprising PL 1082 and PL 1083 - Comet Ridge 40% equity interest), where pilot production data from the Mahalo Gas Project has demonstrated economically developable gas and achieved independent certification of meaningful 2P and 3P Gas Reserves.

The high quality of this newly obtained seismic data means it is likely that a previously contemplated seismic survey (to be carried out by Comet Ridge) will not be necessary and that core wells and pilot well locations (for Gas Reserve certification) can be optimised based on the large amount of data already available.

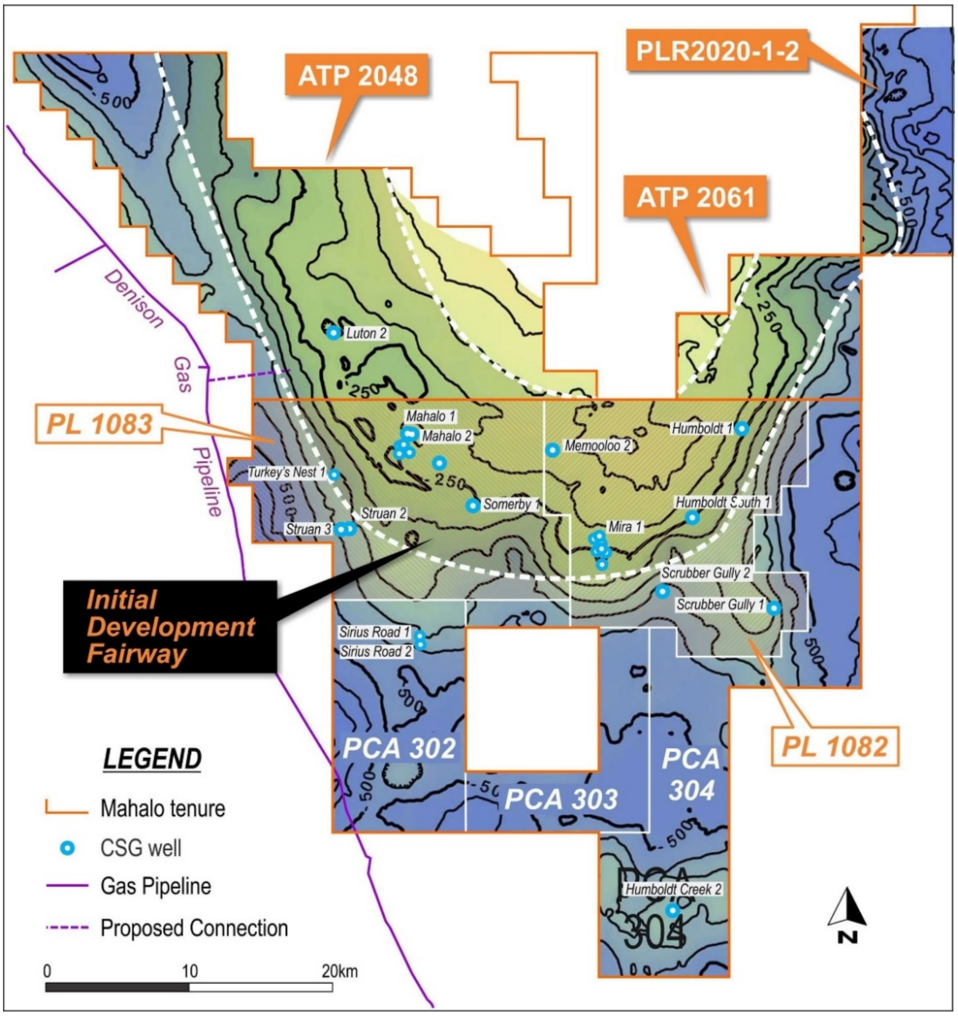

Figure 3 – Regional map showing high production fairway in Mahalo, Mahalo North (ATP 2048) and Mahalo East (ATP 2061) blocks

In conjunction with the geological review detailed above, the Company has progressed drilling plans for Mahalo North and Mahalo East. Comet Ridge believes that, a single core hole drilled in the Mahalo North block will be sufficient to achieve meaningful 2P and 3P reserves in the high productivity fairway area of this block, given the similar geological properties extending along the fairway from the Mahalo Gas Project.

Well locations for a more detailed work program comprising several core holes and lateral pilot production wells have been scouted and landholder access agreements are being progressed. The full work program will be subject to project funding and is targeted to commence later in 2021 following the completion of the wet season and assuming the continued easing of COVID-19 related travel restrictions.

4. Mahalo Far East (to become ATP 2063), Bowen Basin, QLD (Comet Ridge 100%)

During the half-year, Comet Ridge was notified by the Queensland Government that it was the preferred tenderer for an additional block in the Mahalo Gas Hub area, known as Mahalo Far East. This block is still undergoing the native title negotiation process as a precursor for the ATP to be awarded, which is expected to become ATP 2063. Comet Ridge estimates the native title negotiations and ATP award will occur during the half-year period ending June 2021.

Mahalo Far East is a very large block covering an area of 338 km^2 and is located northeast of the Mahalo East block. The block is prospective for both CSG and conventional natural gas.

5. ATP 743, ATP 744, and ATP 1015 – Galilee Basin, Qld
(Sandstone "Deeps" - Comet Ridge 70%, Vintage Energy 30%, CSG – Comet Ridge 100%)

Activities in the Galilee Basin projects during the half-year have focused on technical work that will underpin securing the large prospective CSG and conventional resource areas (see Figure 4 below) with Potential Commercial Area (PCA) tenure applications to the Queensland Government.

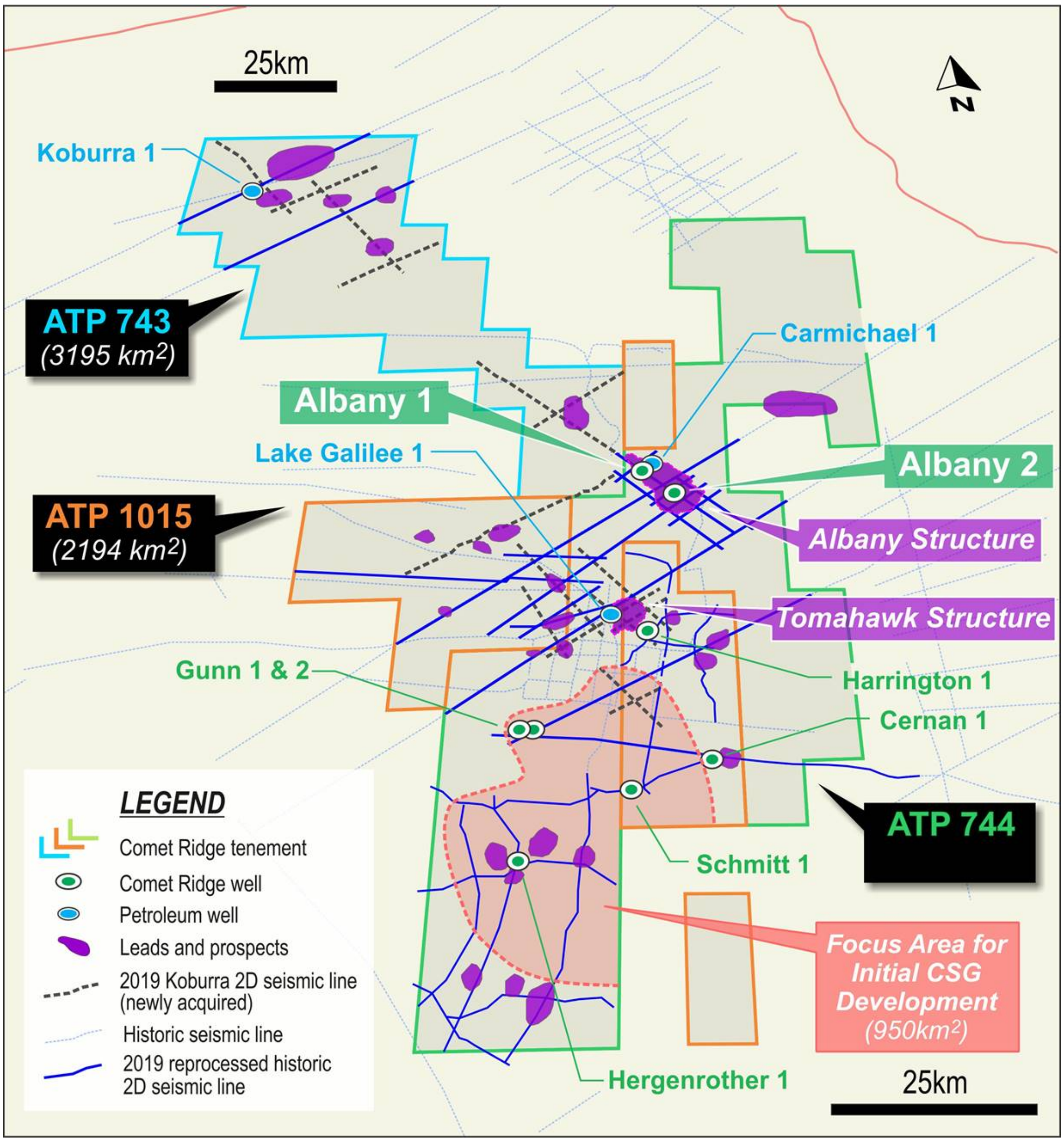

Figure 4 – Regional map of the Galilee Permits, showing the location of the Albany and Tomahawk Structures and the CSG Focus Area for CSG Development

Detailed geological and geophysical work is progressing to refine the geological model for the Gunn CSG Project Area across ATP 744 and ATP 1015. This area is in excess of 2100 km^2 in total, with an initial CSG focus area of approximately 950 km^2.

This upgraded model will be used to identify development options using geological characteristics and concept well designs. The geological model will also underpin a revised CSG resource assessment for the Gunn CSG Project area.

During the half-year, the Queensland Department of Environment and Science (DES) approved the amalgamation of the Environmental Authority's (EA) for ATP 743, ATP 744 & ATP 1015 into a single EA across the very large Galilee Project Area. The amalgamation of the three Galilee permits under one single EA will aid efficient, cost effective operations and management of the permits into the future.

6. 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%

The New South Wales Government released a report in November 2020 titled "Strategic Opportunities for Gas in Regional NSW" stating the Government is committed to ensuring NSW industries are supported by a diverse energy mix as we transition toward lower–emission energy sources. Alongside other energy sources, gas will play an important role in maintaining downward price pressure on energy costs and ensuring security of supply and job creation for many decades.

Comet Ridge's equity position in three large regional NSW exploration blocks is shown in Figure 5 below. Technical work continues to relinquish part of the total permit area and to extend permit terms via renewal applications.

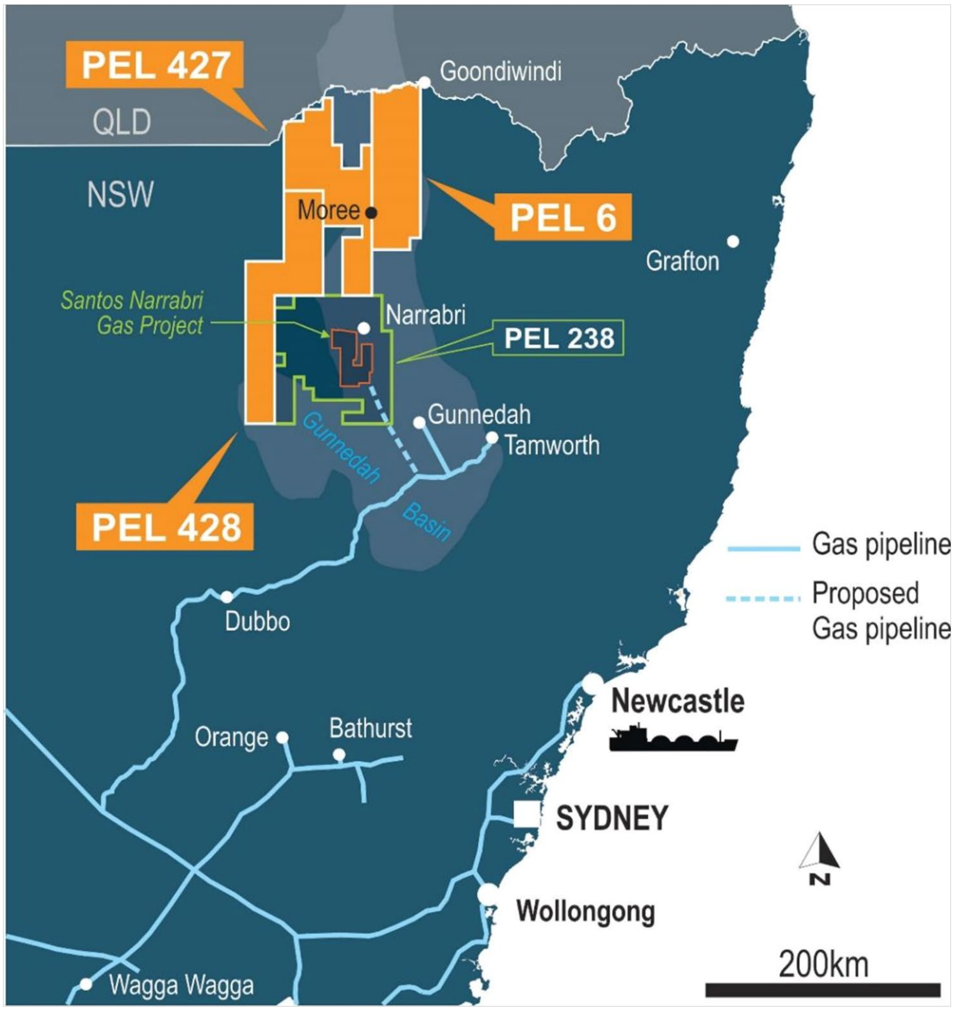

Figure 5 – Regional map of the Gunnedah permits

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
A copy of the Auditor's Independence Declaration, as required under Section 307C of the *Corporations Act 2001,* accompanies this report.

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

Tor McCaul
Managing Director

Brisbane, Queensland, 12 March 2021

Notes to Net Recoverable Reserves and Resources Table (Table):

1) Comet Ridge'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) 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.
4) 1P Reserves have been determined on the basis of the development of a 10 TJ/d field development centred in the areas around the Mahalo and Mira pilot schemes, based on the positive horizontal well performance demonstrated in both of those locations in 2016 (Mahalo 7) and 2018 (Mira 6). There is significant water storage (approximately 15 ML at each pilot) already installed and gas processing (given the high-quality gas in the reservoir) would be limited to compression and dehydration with a short 14km tie-in to the nearest available infrastructure. This development scenario was viable at gas prices below those observed in the existing market.
5) Contingent Resource adjusted to reflect the interest earnt by Vintage Energy Limited in the Galilee Deeps Joint Venture (GDJV).

ASX Listing Rule 5.42 - Reporting on Oil and Gas Activities
The Contingent Resource for the Albany Structure referred to in the Table is 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 (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 The estimates have been calculated in accordance with the Society of Petroleum Engineers (SPE) 2007 Petroleum Resource Management System guidelines (PRMS) as well as the 2011 Guidelines for Application of the PRMS approved by the SPE. MHA have updated the Reserves and Resources to Comet Ridge's net equity interest in the Mahalo Gas Project using the deterministic method of petroleum reserves estimation. The updated reserves and resources estimates included in the Table were originally announced to the market in the Company's announcement of 30 October 2019.

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 Contingent Resource estimates for PEL 6, PEL 427 and PEL 428 were also determined by Mr Timothy L. Hower of MHA Petroleum Consultants LLC. Mr Hower consented to the publication of the resource figures which appeared in the announcement of 7 March 2011 made by Eastern Star Gas Limited (ASX:ESG) and any reference and reliance on the resource figures for PEL 6, PEL 427 & PEL 428 in the table is only a restatement of the information contained in the ESG announcement.

The Company confirms that it is not aware of any new information or data that materially affects the information in this financial report 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.

Auditor's Independence Declaration

As lead auditor for the review of Comet Ridge Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Comet Ridge Limited and the entities it controlled during the period.

Michael Shewan
Partner
PricewaterhouseCoopers

Brisbane
12 March 2021

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COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	December 2020 $000's	December 2019 $000's
Revenue and other income			
Interest received		**14**	42
Other income		**4**	2
Expenses			
Employee benefits' expense		**(851)**	(517)
Contractors' & consultancy costs		**(279)**	(80)
Exploration and Evaluation expense written off		**(51)**	(326)
Professional fees		**(58)**	(151)
Corporate expenses		**(106)**	(117)
Occupancy costs		**(77)**	(72)
Fair value movement of financial liability at fair value	7	**(1,312)**	(1,109)
Finance (costs)/income		**(15)**	49
Other expenses		**(196)**	(283)
Depreciation		**(33)**	(33)
LOSS BEFORE INCOME TAX		**(2,960)**	(2,595)
Income tax credit		**-**	-
LOSS FOR THE PERIOD		**(2,960)**	(2,595)
Other comprehensive loss, net of income tax			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		**(0)**	(1)
TOTAL OTHER COMPREHENSIVE LOSS, NET OF INCOME TAX		**(0)**	(1)
TOTAL COMPREHENSIVE LOSS		**(2,960)**	(2,596)
Loss attributable to:			
Owners of the parent		**(2,960)**	(2,595)
Non-controlling interests		**-**	-
		(2,960)	(2,595)
Total comprehensive loss attributable to:			
Owners of the parent		**(2,960)**	(2,596)
Non-controlling interests		**-**	-
		(2,960)	(2,596)
LOSS PER SHARE		**Cents**	Cents
Basic loss per share		**(0.375)**	(0.352)
Diluted loss per share		**(0.375)**	(0.352)

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
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	December 2020 $000's	June 2020 $000's
CURRENT ASSETS			
Cash and cash equivalents		**3,180**	4,636
Trade and other receivables		**2,022**	1,384
Inventories		**4**	4
Other assets		**952**	752
TOTAL CURRENT ASSETS		**6,158**	6,776
NON-CURRENT ASSETS			
Property, plant and equipment		**66**	97
Exploration and evaluation expenditure	6	**71,409**	72,738
TOTAL NON-CURRENT ASSETS		**71,475**	72,835
TOTAL ASSETS		**77,633**	79,611
CURRENT LIABILITIES			
Trade and other payables		**540**	1,398
Financial liability at fair value	7	**20,518**	-
Provisions		**1,145**	538
TOTAL CURRENT LIABILITIES		**22,203**	1,936
NON-CURRENT LIABILITIES			
Financial liability at fair value	7	**-**	19,206
Provisions		**1,141**	1,711
TOTAL NON-CURRENT LIABILITIES		**1,141**	20,917
TOTAL LIABILITIES		**23,344**	22,853
NET ASSETS		**54,289**	56,758
EQUITY			
Contributed equity	8	**140,379**	140,200
Reserves		**1,513**	1,201
Accumulated losses		**(87,603)**	(84,643)
TOTAL EQUITY		**54,289**	56,758

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 2020

	Contributed Equity $000's	Foreign Currency Translation Reserve $000's	Share Based Payments' Reserve $000's	Accumulated Losses $000's	Total $000's
Balance at 1 July 2019	129,110	1,248	65	(74,246)	56,177
Loss for the period	-	-	-	(2,595)	(2,595)
Other comprehensive loss for the period	-	(1)	-	-	(1)
Total comprehensive loss for the period	-	(1)	-	(2,595)	(2,596)
Transactions with owners in their capacity as owners					
Contributions of equity net of transaction costs	11,093	-	-	-	11,093
Share-based payments	-	-	(25)	-	(25)
	11,093	-	(25)	-	11,068
Balance at 31 December 2019	140,203	1,247	40	(76,841)	64,649
Balance at 1 July 2020	**140,200**	**1,251**	**(50)**	**(84,643)**	**56,758**
Loss for the period	**-**	**-**	**-**	**(2,960)**	**(2,960)**
Other comprehensive loss for the period	**-**	**(0)**	**-**	**-**	**(0)**
Total comprehensive loss for the period	**-**	**(0)**	**-**	**(2,960)**	**(2,960)**
Transactions with owners in their capacity as owners					
Contributions of equity net of transaction costs	**179**	**-**	**-**	**-**	**179**
Share-based payments	**-**	**-**	**312**	**-**	**312**
	179	**-**	**312**	**-**	**491**
Balance at 31 December 2020	**140,379**	**1,251**	**262**	**(87,603)**	**54,289**

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 2020

	December 2020 $000's	December 2019 $000's
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	**16**	73
Payments to suppliers and employees	**(1,189)**	(2,091)
NET CASH USED IN OPERATING ACTIVITIES	**(1,173)**	(2,018)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation assets	**(1,401)**	(9,687)
Research and development tax offset received	**1,293**	-
Payment for property, plant and equipment	**(1)**	(6)
Movement in restricted cash	**(172)**	8
NET CASH USED IN INVESTING ACTIVITIES	**(281)**	(9,685)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**-**	11,614
Share issue costs	**(2)**	(471)
NET CASH FROM FINANCING ACTIVITIES	**(2)**	11,143
Net decrease in cash held	**(1,456)**	(560)
Cash at the beginning of the period	**4,636**	12,997
CASH AT THE END OF THE PERIOD	**3,180**	12,437

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 gas exploration and appraisal. The Group has permit interests and exploration and evaluation activities in Australia and New Zealand.

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 2020 and are presented in Australian Dollars ($AUD) which is the functional currency of the Parent Company. The interim financial statements are prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

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

New and amended standards adopted by the Company
There are no new or amended accounting standards effective in the reporting period commencing 1 July 2020 that are relevant to the Group's operations.

New standards and interpretations not yet adopted
There are no accounting standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting year/periods and on foreseeable future transactions.

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.

At 31 December 2020, the Group had $3.2 million in cash on hand, receivables of $2.0 million for an R&D tax incentive refund which was received in cash on 12 January 2021 and net current liabilities of $16.0 million (which includes the Stanwell financial liability disclosed as a current obligation for the first time this reporting period).

Through interaction with the Department of Natural Resources, Mines and Energy and the Company's joint venture partners, there are a number of commitments to continue to progress the Company's primary assets comprising the Mahalo Gas Project (40% equity), the 100% owned Mahalo North and Mahalo East permits and the Galilee Basin permits. These commitments are made over various timeframes, with funding raised as appropriate to meet these commitments. Exploration commitments at 31 December 2020 totalled $22.7 million as disclosed in Note 10.

By entering into the 2019 Agreement with Stanwell (refer Note 5 and 7 for further details), Comet Ridge can at its election initiate negotiations on a GSA up to 29 September 2021. Stanwell has transferred the 2019 Agreement to CleanCo Queensland Limited (CleanCo). If Comet Ridge does not initiate negotiations, then CleanCo can initiate negotiations before 8 October 2021. If neither party commences negotiations or the negotiations commence but a GSA cannot be agreed, then a cash payment of approximately $22.6 million based on current estimates ($20 million indexed for CPI), would be required within 30 days. If negotiations do not commence, then the earliest date at which the cash payment is due is 8 November 2021. Based on the tightening in the East Coast gas market that is currently unfolding, and its longstanding relationship with Stanwell/CleanCo, Comet Ridge is confident of securing a market-based gas supply agreement with CleanCo that will be beneficial to both parties.

The ability of the Group to continue to adopt the going concern assumption will depend upon a number of matters including securing a market-based gas supply agreement with CleanCo and the successful raising of necessary funding through debt, equity, selldown or farm-out of assets, or the successful exploration and subsequent exploitation of the Group's tenements to meet these commitments as they arise.

The exploration commitments and the existence of the Stanwell/CleanCo Arrangement creates a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern in the absence of being successful in relation to one of the above financing strategies. In the absence of this the Group may have to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts different from those stated in the financial statements. No adjustments for such circumstances have been made in the financial statements.

Comet Ridge is actively pursuing a number of potential funding transactions to progress the appraisal and development of the Company's projects including selldown, farmout and gas prepay arrangements. At the date of this financial report, the Directors have a reasonable expectation that the Group will be successful with its future funding initiatives and, as a result, 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.

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 2020 to fully impair the expenditure with respect to these permits. In addition, 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) Provision for restoration and rehabilitation

The Group estimates the future rehabilitation costs of gas wells and associated infrastructure at the time of installation. In most instances, rehabilitation of assets occurs many years into the future. This requires assumptions to be made on the rehabilitation date, the extent of rehabilitation activities required, requirements of future environmental legislation, methodology and technologies used to determine the future rehabilitation cost.

The rehabilitation obligation is discounted to present value using a ten-year government bond discount rate as this is reflective of the risk-free rate over the period to rehabilitation of the assets. These estimates require significant management judgement and are subject to risk and uncertainty that may be beyond the control of the Group; hence, there is a possibility that changes in circumstances will materially alter projections, which may impact the recoverable amount of assets and the value of rehabilitation obligations at each reporting date.

(c) Financial liability at fair value

On 17 June 2019, Comet Ridge executed an agreement with Stanwell Corporation Limited (Stanwell), which amended the 2014 Deed of Option between the parties, extending the Final Option Date under the Deed to 30 September 2022. The 2019 Agreement has removed Stanwell's option to select either a Gas Sales Agreement (GSA) or a cash settlement from the 2014 Agreement as well as terminating the 2018 Agreement. This option has now been replaced with the ability for Comet Ridge Mahalo Pty Ltd (CML) to commence negotiations on a GSA by 29 September 2021, or if CML does not commence negotiations, Stanwell may commence negotiations for a GSA by 8 October 2021. Stanwell has transferred the 2019 Agreement to CleanCo.

If CML and CleanCo are unable to come to an agreement on a GSA or neither party commence negotiations for a GSA, then a cash settlement of approximately $22.6 million based on current estimates ($20 million indexed for CPI from March 2014), would be triggered on or before 8 November 2021 (Payment Amount). Upon payment by Comet Ridge of the Payment Amount, the obligations under the 2014 Agreement and the 2019 Agreement will have been fully discharged as between the parties. The 2019 Agreement allows for CML and CleanCo to negotiate a market priced GSA and fixed gas volumes between 20 to 30 PJ, depending on the final development of the Mahalo Gas Project.

Refer Note 7 for further information.

6. Exploration and evaluation expenditure

	December 2020 $000's	June 2020 $000's
Exploration and evaluation expenditure	**95,017**	96,295
Less provision for impairment	**(23,608)**	(23,557)
	71,409	72,738

Movements in exploration and evaluation phase	December 2020 $000's	December 2019 $000's
Balance at the beginning of period	**72,738**	63,141
Exploration and evaluation expenditure during the period	**683**	13,384
Research and development tax offset	**(1,961)**	-
Restoration and rehabilitation asset	**-**	108
Exploration and evaluation expenditure written off	**(51)**	2
Balance at the end of period	**71,409**	76,635

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.

7. Financial liability at fair value

	December 2020 $000's	June 2020 $000's
Current		
Financial liability at fair value – Stanwell Corporation Limited	**20,518**	-
Non-current		
Financial liability at fair value - Stanwell Corporation Limited	**-**	19,206
	20,518	19,206

Movements in financial liability at fair value	December 2020 $000's	December 2019 $000's
Balance at the beginning of the period	**19,206**	17,191
Movement in financial liability at fair value	**1,312**	1,109
Balance at the end of the period	**20,518**	18,300

Fair value measurement

In 2019 Comet Ridge revisited the assumptions of the transaction and in particular who is the potential market participant and what they would seek as compensation for taking on the financial obligations now included in the 2019 Agreement.

In this instance, the liability is the obligation to either 1) provide a discount to the price that would be applied to a GSA to supply gas from the Mahalo Gas Project; or 2) to provide cash consideration. The principal market and market participant could essentially include any producer or trader. It would be expected that any market participant would take a conservative view on the liability and therefore want to be compensated for the present value of the greatest liability.

In considering the options, Comet Ridge has determined that a cash settlement represents the maximum liability under the 2019 Agreement. An expense of $1.312 million has been recorded in the six months period to 31 December 2020 as shown in the Movement in financial liability at fair value above.

Valuation techniques and process used to determine fair values

The fair value of the SCL liability is based on the anticipated financial liability arising from the 2019 Agreement. The SCL liability 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 are as follows:

1. The option with the greatest liability that a market participant would want to be compensated for is a cash settlement based on neither party commencing negotiations representing the maximum liability under the 2019 Agreement. As a result, approximately $22.6 million based on current estimates ($20 million indexed for CPI), is used as the basis for determining the present value of the liability as at 31 December 2020.
2. The earliest date for the cash payment under 1. above is 8 November 2021, giving a period of indexation of 7.7 years from March 2014.
3. The CPI rate used to index the $20 million cash payment from March 2014 is based on actual quarterly CPI rates from March 2014 to 31 December 2020 and forecast at 1.13% per annum for the remaining period to 8 November 2021.
4. The pre-tax discount rate applied is also 12%.

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**
Agreement term	If Comet Ridge begins negotiations with Stanwell that are unsuccessful, the cash payment would be payable earlier than 8 November 2021, and the carrying amount of the financial liability at fair value will increase.
CPI rate	If the 1.13% pa forecast CPI rate reduces/increases to a low of 0.5% pa or a high of 2.5% pa, the indexed liability will reduce by approximately 0.6% or $135,000; or increase by approximately 0.6% or $136,000.
Pre-tax discount rate	If the 12% pre-tax discount rate reduces/increases by 2% i.e. to a low of 10% and/or a high of 14% the NPV of the indexed liability will increase by approximately 1.4% or $317,000 or decrease by approximately 1.4% or $307,000, with a resulting reduction/increase in the total fair value movement to be expensed over the term of the agreement.

8. Contributed equity

	December 2020	**June 2020**
	$000's	**$000's**
Ordinary shares - fully paid	**140,379**	140,200

Movements in ordinary shares	**December 2020**	**December 2019**	**December 2020**	**December 2019**
	Number of Shares		**$000's**	**$000's**
Balance at the beginning of the period	**789,000,030**	727,876,423	**140,200**	129,110
Share placement @ 19 cents per share		52,631,579		10,000
Share Purchase Plan @ 19 cents per share		8,492,028		1,613
Share issue to Directors in lieu of fees	**2,211,689**		**181**	-
Share issue costs		-	**(2)**	(520)
Balance at the end of the period	**791,211,719**	789,000,030	**140,379**	140,203

9. Share-based payments

The share-based payment 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 2020 $000's	December 2019 $000's
Statement of Comprehensive Income		
Share-based payments expense included in employee benefits' expense	**312**	(25)

Share-based payments' reserve	December 2020 $000's	December 2019 $000's
Balance at the beginning of the period	**(50)**	65
Share-based payments expense during the half year	**312**	(25)
Performance rights expired during the half year	**-**	-
Balance at the end of the period	**262**	40

The object of the plan 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 are subject to a performance condition and the completion of a specified period of employment/engagement. Since 1 July 2020, a total of 7,730,000 Performance Rights have been issued to employees and long-term contractors. No Performance Rights were issued to KMP as part of this issue of Performance Rights. The details of these performance rights are show in the following table.

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

Grant date	Expiry date	Share price at grant date (cents)	No. of rights 30 June 2020	Granted during the half-year	Vested during the half-year	Cancelled during the half-year	No. of rights 31 December 2020
23-Nov-17	31-Jan-21	26.5	1,000,000	-	-	-	1,000,000
21-May-18	31-Jan-21	36.5	250,000	-	-	(250,000)	-
31-Dec-18	31-Jan-21	32.5	150,000	-	-	-	150,000
31-Dec-18	31-Jan-21	32.5	200,000	-	-	-	200,000
31-Dec-19	31-Dec-21	19.0	750,000	-	-	-	750,000
31-Dec-19	31-Dec-22	19.0	750,000	-	-	-	750,000
31-Dec-19	30-Jun-23	19.0	1,000,000	-	-	-	1,000,000
7-Aug-20	1-Jul-21	7.9	-	5,220,000	-	-	5,220,000
7-Aug-20	1-Jul-22	7.9	-	2,510,000	-	-	2,510,000
			4,100,000	**7,730,000**	**-**	**(250,000)**	**11,580,000**

The fair value of performance rights is determined at grant date. The value of performance rights that are issued subject only to a service condition or subject to a service condition and a non-market performance condition e.g. reserves certification, is determined by reference to the quoted price of the Company's shares on the ASX and an appropriate probability weighting to factor the likelihood of the satisfaction of these conditions. The fair value of performance rights at grant date issued subject to a market condition e.g. Total Shareholder Return performance, is determined using generally accepted valuation techniques including Black-Scholes option pricing model and Monte Carlo simulation that take into account the term of the performance right, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the performance right.

10. Commitments

Exploration expenditure commitments

	December 2020	June 2020
Detailed Exploration and Evaluation	**$000's**	**$000's**
- not later than 12 months	**1,550**	1,056
- between 12 months and 5 years	**21,133**	13,683
	22,683	14,739

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.

Bank guarantees

Westpac Banking Corporation have provided bank guarantees totalling $600,010 (June 2020: $452,000) as follows:

- $400,010 (June 2020: $252,000) to the State of Queensland in respect of the Group's exploration permits and environmental guarantees; and
- $200,000 (June 2020: $200,000) to the State of NSW in respect of the Group’s exploration permits and environmental guarantees.

The bank guarantees are secured by term deposits.

11. Events occurring after balance date

On 31 January 2021, 1,350,000 performance rights lapsed.

The Company received an R&D tax incentive refund totalling $1.96 million in January 2021 relating to eligible expenditure incurred in the Galilee Basin during FY2020.

Apart from the above, no other item, transaction or event of a material and unusual nature has arisen between the end of the half-year and the date of this report 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 2019 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 2021

Independent auditor's review report to the members of Comet Ridge Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Comet Ridge Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Comet Ridge Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date

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

Material uncertainty related to going concern

We draw attention to Note 4 in the half-year financial report, which indicates that the Group has ongoing commitments to continue its normal business operations, including the progression of its Mahalo Gas Project, Mahalo North, Mahalo East and the Galilee Basin permits. In addition, under an agreement with CleanCo, contract terms exist whereby a cash payment of approximately $22.6 million based on current estimates ($20 million indexed for CPI from March 2014) may become payable on 8 November 2021.

The ability of the Group to continue to adopt the going concern assumption will depend upon a number of matters including securing a market based gas supply agreement with CleanCo and the successful raising of necessary funding through debt, equity, selldown or farm-out of the Group's tenements to meet these commitments as they arise. These conditions, along with other matters set forth in Note 4, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors 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 for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 December 2020 and of 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*.

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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Michael Shewan
Partner

Brisbane
12 March 2021