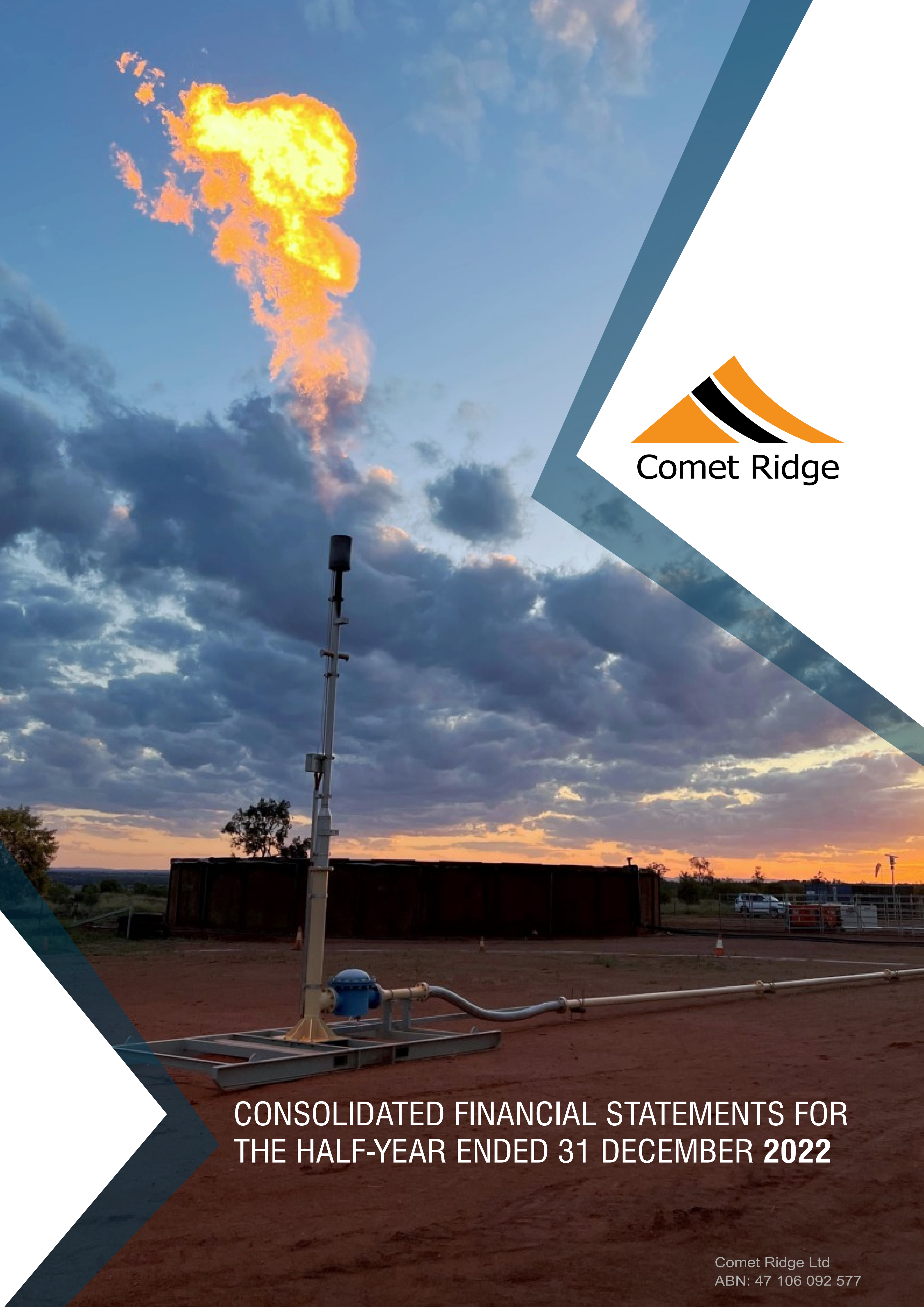

Comet Ridge

CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER **2022**

Comet Ridge Ltd
ABN: 47 106 092 577

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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Company Secretary
Stephen Rodgers

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

Auditors
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480 Queen Street
Brisbane QLD 4000
Telephone: +61 7 3257 8375
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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 2022.

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 exploration and appraisal activities for natural gas. The Group has tenement interests and a suite of prospective projects in Queensland.

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 \$3.67 million (December 2021: loss \$2.49 million). The increased loss was due to higher finance costs in the half-year.

OPERATING ACTIVITIES

Highlights – First half FY23

- **Comet Ridge's share of Mahalo Gas Hub** (comprising 57.14% equity in the Mahalo Joint Venture and 100% equity in each of Mahalo North, Mahalo East and Mahalo Far East) **2P Gas Reserves + 2C Contingent Gas Resources stands at 406 Petajoules.**
- **Mahalo North 1 production test** reached 1.75 MMcfd (million standard cubic feet per day), a world class result for a single pilot well.
- **Mahalo North initial Gas Reserves certification** completed adding 43 Petajoules (28% increase) of 2P and 110 Petajoules (42% increase) of 3P Gas Reserves to the Company's portfolio.
- **Mahalo North development activities** included environmental studies to support a Petroleum Lease application, engineering of gas processing requirements and progressing infrastructure access via nearby Denison Gas Limited (Denison) facilities to facilitate early gas production of up to 10 Terajoules per day.
- **Mahalo JV simplified** with Comet Ridge's acquisition of APLNG's 30% interest in June 2022, followed by Santos exercising the option to increase its equity to 42.86% in September 2022, with Comet Ridge retaining 57.14%.
- **Mahalo East Contingent Gas Resource certification completed,** totalling 31 Petajoules of 2C and 122 Petajoules of 3C Gas Resources.
- **Recent gas market 'reasonable price' policy announced by the Federal Government** is likely to have a negative impact on new gas supply, thereby having the reverse impact of what the measures were stated to do i.e., to ensure adequate domestic supply of gas at reasonable prices.
- **GSA negotiations with CleanCo** were significantly progressed during the half-year and have now been extended to 30 June 2023 pending clarity on Federal Government gas policy.
- **\$24 million placement** completed in September 2022.
- **Strong cash position** at end of December 2022 of \$16.3 million. Comet Ridge will prioritise its available cash towards development of existing gas reserves whilst gas policy uncertainty continues.

Development activities

During the half-year Comet Ridge continued the appraisal and ongoing development of 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 supplies that are vital for Australia's east coast energy needs.

Mahalo Gas Hub overview

Comet Ridge has established a significant coal seam gas asset position (see Figure 1 below) in the Mahalo Gas Hub area, comprising:

- Mahalo Joint Venture Project (PLs 1082 and 1083; PCAs 302, 303 and 304) – Comet Ridge 57.14% equity interest (Santos 42.86% and Operator);
- Mahalo North (ATP 2048) – Comet Ridge 100% equity interest and Operator;
- Mahalo East (ATP 2061) – Comet Ridge 100% equity interest and Operator; and
- Mahalo Far East (ATP 2063) – Comet Ridge 100% equity interest and Operator.

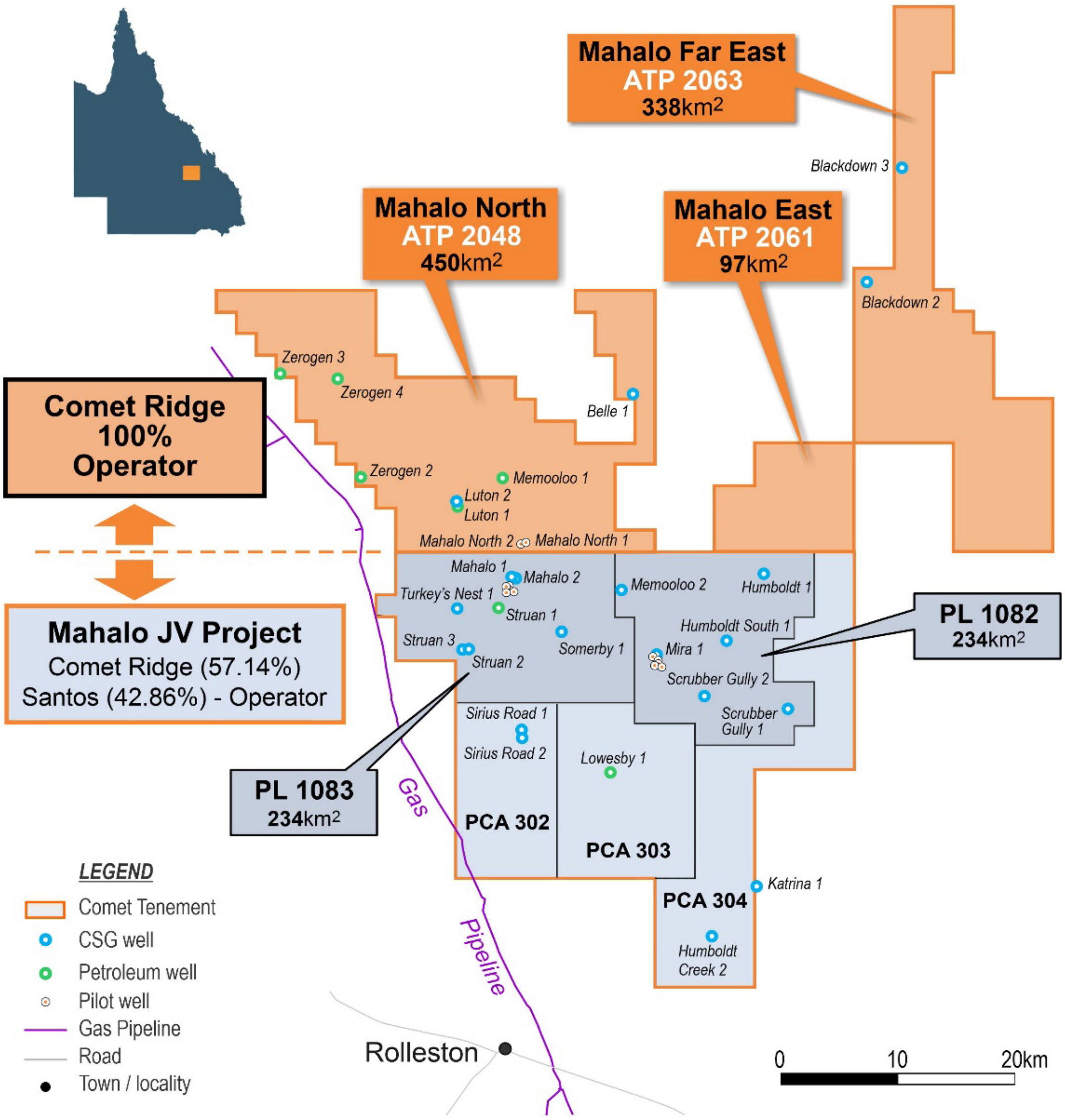

Figure 1: Mahalo Gas Hub assets (Mahalo Joint Venture in grey and Comet Ridge 100% assets in orange)

Comet Ridge's share of 2P Gas Reserves (2P) and 2C Contingent Gas Resources (2C) at the Mahalo Gas Hub is a very material 406 Petajoules (see Figure 2 below). Our Gas Reserves and Resources have the potential to supply 10% of Queensland's current domestic gas usage of 280 Petajoules per annum for up to 15 years.

Gas Reserves and Resources with a clear pathway to development are keenly sought after in Australia in the current environment. Recent corporate takeover activity for Warrego Energy Limited (ASX:WGO) in the Perth Basin (where the gas market has a domestic reservation policy with gas prices typically lower than the east coast gas market) implied a purchase price of $1.98/GJ[1] for 2P + 2C gas in the ground (refer to Strike Energy Limited's (ASX:STX) Seventh Supplementary Bidder's Statement announced to the ASX on 8 February 2023). This demonstrates the value of certified gas reserves and resources as a valuable feed source for domestic manufacturing and mining, power generation and export LNG uses.

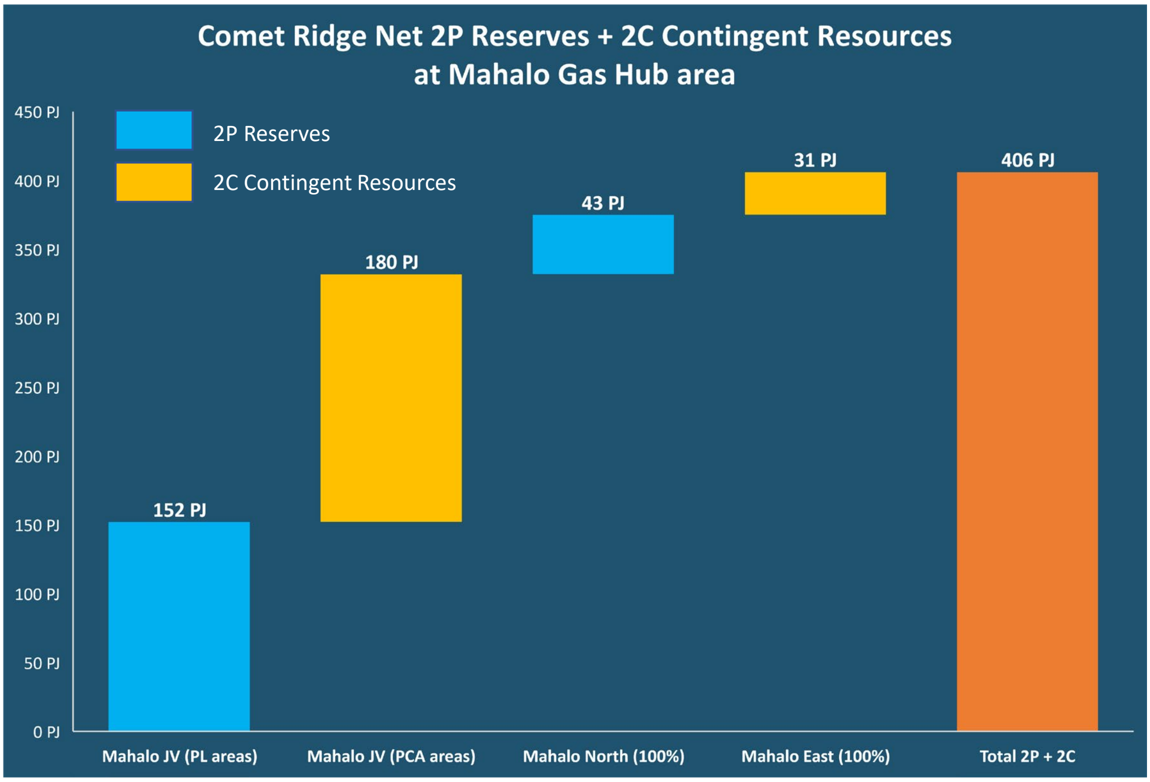

Figure 2: Comet Ridge share of 2P Gas Reserves + 2C Contingent Resources at Mahalo Gas Hub

Mahalo Joint Venture Project has been streamlined (PLs 1082 and 1083; PCAs 302, 303 and 304)

The Mahalo Joint Venture Project is permitted to commence development, with both Queensland and Federal environmental approvals and two Petroleum Leases (PL) awarded. The Joint Venture has been streamlined following Comet Ridge's acquisition of Australia Pacific LNG Pty Limited's (APLNG) 30% interest and subsequent option exercise by Santos of a 12.86% interest. The Joint Venture now comprises Comet Ridge with a 57.14% equity interest and Santos (Operator) with a 42.86% equity interest.

Comet Ridge's share of independently certified Gas Reserves and Contingent Resources for the Mahalo Joint Venture Project (after the option exercise by Santos) is set out in the table below.

Comet Ridge Limited	Gas Reserves (PJ)			Contingent Gas Resources (PJ)		
Mahalo Joint Venture Project	1P	2P	3P	1C	2C	3C
Comet Ridge – 57.14% interest	0	152	262	109	180	294

Notes:

- *1P Reserves = Proved Reserves; 2P Reserves = Proved + Probable Reserves; 3P Reserves = Proved + Probable + Possible Reserves.*
- *Refer to Comet Ridge's ASX announcement dated 26 September 2022 for additional information on this independent Reserves certification required by ASX Listing Rules.*
- *Gas Reserves stated in the table above assume no fuel or shrinkage losses as production activities such as wellsite pumping, compression and water treatment are planned to be powered using electricity from the local grid and have been calculated at the wellhead (which is the reference point for the purposes of Listing Rule 5.26.5).*

[1] 1 Petajoule (PJ) = 1,000 Terajoules (TJ) = 1,000,000 Gigajoules (GJ)

During the half-year, Comet Ridge and Santos continued technical and commercial discussions relating to FEED and pipeline route activities required to sanction this material new source of gas for the east coast market.

Mahalo North (ATP 2048) initial Gas Reserves certified and progressing towards development and early gas production

During the half-year, Comet Ridge significantly progressed the Mahalo North Project towards first gas production, including:

- Achieving gas production of 1.75 MMcfd (million standard cubic feet per day) from the Mahalo North 1 pilot, a world class result for a single pilot well;
- Certified initial Gas Reserves of 43 PJ of 2P and 110 PJ of 3P Gas Reserves;
- Progressed the environmental field work and studies as a precursor for environmental approvals (State and Federal) to enable a Petroleum Lease application to be submitted and awarded; and
- Entered into arrangements with nearby gas operator, Denison Gas Limited, to finalise an agreement for Comet Ridge to process and transport up to 10 TJ/d of Mahalo North gas via the Denison gas processing facilities approximately 14 km to the west.

Sproule Incorporated, a global energy consulting and advisory firm, provided the following independent certification of Gas Reserves for the Mahalo North Project (ATP 2048) at 31 October 2022.

Comet Ridge Limited	Independently Certified Gas Reserves (PJ)		
31 October 2022	**1P**	**2P**	**3P**
Mahalo North (ATP 2048) – 100% equity interest	11.9	42.9	110.2

Notes:

- *1P Reserves = Proved Reserves; 2P Reserves = Proved + Probable Reserves; 3P Reserves = Proved + Probable + Possible Reserves.*
- *Refer to Comet Ridge's ASX announcement dated 2 November 2022 for additional information on this independent Reserves certification required by ASX Listing Rules.*
- *Gas Reserves stated in the table above assume no fuel or shrinkage losses as production activities such as wellsite pumping, compression and water treatment are planned to be powered using electricity from the local grid and have been calculated at the wellhead (which is the reference point for the purposes of Listing Rule 5.26.5).*
- *1P Gas Reserves for Mahalo North has been included in this Reserves certification on the basis that a development decision by Comet Ridge (as 100% owner and operator of the project) is planned as soon as transport arrangements and Petroleum Lease applications are concluded.*

Mahalo East (ATP 2061) potential on the high quality, shallow fairway within the Mahalo Gas Hub confirmed via Contingent Gas Resource certification

Sproule Incorporated provided the following independent certification of Contingent Gas Resources for the Mahalo East Project (ATP 2061) at 19 December 2022.

Comet Ridge Limited	Independently Certified Contingent Gas Resources (PJ)		
19 December 2022	**1C**	**2C**	**3C**
Mahalo East (ATP 2061) – 100% equity interest	8.4	30.9	122.3

Notes:

- *1C = Low estimate of Contingent Resources; 2C = Best estimate of Contingent Resources; 3C = High Estimate of Contingent Resources.*
- *Refer to Comet Ridge's ASX announcement dated 2 November 2022 for additional information on this independent Reserves certification required by ASX Listing Rules.*
- *There are no estimated Petroleum Reserves or Prospective Resources recorded (Listing Rule 5.25.4).*
- *Gas Resources stated in the table above assume no fuel or shrinkage losses as production activities such as wellsite pumping, compression and water treatment are planned to be powered using electricity from the local grid and have been calculated at the wellhead (which is the reference point for the purposes of Listing Rule 5.26.5).*
- *Conversion factor = 1.06 PJ per billion cubic feet of gas.*

The independent Contingent Resources certification for Mahalo East builds on the recent Mahalo North initial Gas Reserves booking, as noted above, and the updated Gas Reserves and Contingent Resources for the Mahalo Joint Venture Project, originally announced to the ASX on 20 October 2019 and updated on 26 September 2022 following the option exercise by Santos.

This material volume of Contingent Gas Resources (2C = 31 PJ & 3C = 122 PJ) will underpin further appraisal investment in Mahalo East to convert these Contingent Resources to Gas Reserves.

Galilee Basin (ATP 743, 744 and 1015) permits renewed

During the half-year, Comet Ridge was awarded six Potential Commercial Areas (PCA), numbered PCA 319 to 324 (see Figure 3 below), by the Queensland Department of Resources (Department) for a term of 15 years ending September 2037. The underlying permits, ATPs 743 and 744, have also been renewed for a further term of 12 years, ending September 2033 and October 2033 respectively. ATP 1015 expired in November 2022 and an application for tenure renewal was lodged with the Department during the December quarter. Two PCAs (PCA 323 and 324) have already been awarded in this permit area as noted above. The ATP 1015 tenure renewal application is currently being progressed with the Department.

The Galilee Basin permits contain two play types:

- A sandstone or "Deeps" project comprising a joint venture between Comet Ridge (70% equity interest and Operator) and Vintage Energy Limited (30% equity interest) centred from the Albany Structure across ATPs 744 and 1015; and
- A coal seam gas or "Shallows" project held 100% by Comet Ridge and focused on the Gunn CSG Project Area.

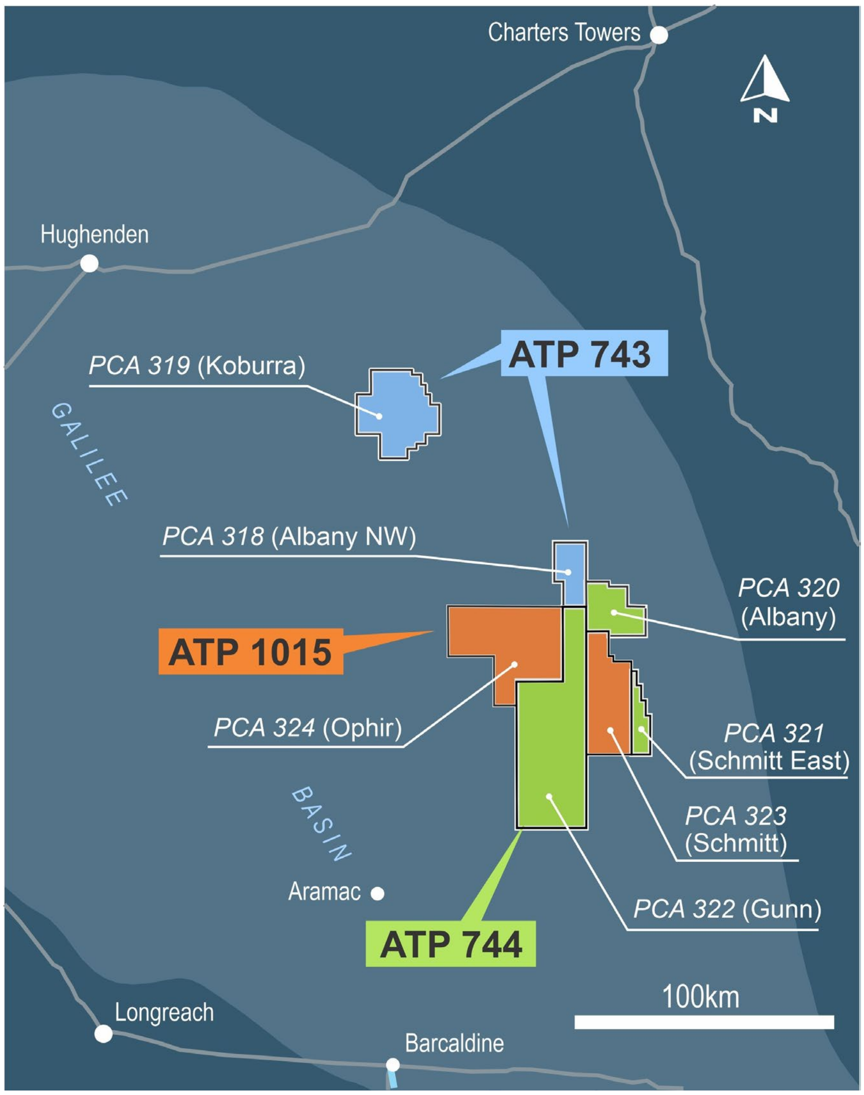

Figure 3 – Galilee permits showing the recently awarded PCAs within permit blocks ATP 743, ATP 744 and ATP 1015 (subject to renewal)

People, environment and community

In respect to safety of people, Comet Ridge has undertaken all of the Company's activities during the half-year incident and accident free. Our strong corporate and team focus on health, safety, environment, security and indigenous outcomes continued through executive staff site visits and forums, and via our formal Risk Committee processes. This includes close supervision and support of all contractor activities. Strict COVID-19 protocols and business continuity measures remain a critical priority towards keeping our people and communities safe.

Comet Ridge continued our commitment to high standards of environmental performance during the half-year, with no incidents occurring or reported. Comet Ridge is committed to high-quality engagement with our landholders, Traditional Owners and the local community, using local contractors and services wherever we can to support the areas where we operate.

Corporate activities

Federal Government Gas Policy
In December 2022, the Federal Government announced new policy measures that have impacted the east coast gas industry. The two key measures are:

1. An emergency cap on wholesale gas prices at $12 per gigajoule for twelve months effective from 23 December 2022; and
2. A proposed mandatory code of conduct to come into effect in early 2023, to guide gas contracting behaviour, which includes a 'reasonable price' provision.

The first initiative above does not apply to Comet Ridge as the Company will not be supplying gas in the twelve-month period from 23 December 2022. The second may have an impact on Comet Ridge if the proposed code of conduct is legislated. Comet Ridge has been a part of Government consultations on these policy changes and has provided submissions to the Government as part of that consultation process. No updates have been released by the Federal Government following the submission process. Many gas producers and industry bodies have provided submissions in relation to the proposed code of conduct and reasonable pricing provisions. The common feedback from the gas industry is that the measures being promoted by the Federal Government will have a negative impact on investment in new gas supply, thereby having the reverse impact of what the measures are intended to have i.e., to ensure adequate domestic supply of gas at reasonable prices.

Whilst the reasonable pricing policy measures remain unclear until an update is provided by the Federal Government, Comet Ridge's short-term plan will be to defer expenditure on appraisal of new projects and to prioritise the development of its gas projects that have existing certified Gas Reserves. The Company will continue to monitor this situation as more information is provided.

CleanCo GSA
On 21 December 2022, Comet Ridge announced the negotiating period for a Gas Sales Agreement (GSA) being progressed between Comet Ridge and CleanCo Queensland Limited had been extended to 31 March 2023 and further extended on 13 March 2023 to 30 June 2023. The GSA terms and documentation were significantly progressed during the half-year, however the extensions were required pending clarification of the Federal Government's code of conduct which has not been released at the date of this Report.

Santos loan repayment
On 28 June 2022 Comet Ridge accessed $13.15 million of debt funding from Santos QNT Pty Ltd (Santos) to fund the upfront acquisition of APLNG's 30% interest in the Mahalo Joint Venture Project and associated costs. In exchange for receiving the funding, Comet Ridge provided Santos with a six-month option (expiring 28 December 2022) to acquire a 12.86% interest in the Mahalo Joint Venture Project from Comet Ridge.

Santos gave notice to exercise this option on 23 September 2022, reducing Comet Ridge's interest in the Mahalo Joint Venture Project to 57.14% and reducing the loan repayable to Santos to $8.01 million (plus interest accrued at 5.125% per annum). The $5.14 million reduction in the loan amount payable reflected Santos's share of the $12 million upfront cash consideration paid to APLNG for the Mahalo Joint Venture Project acquisition. Comet Ridge repaid $8.01 million to Santos on 28 September 2022, fully extinguishing the loan.

Placement of new shares
On 8 September 2022, Comet Ridge announced a placement of new shares to institutional and sophisticated investors to raise $24 million (before offer costs). The placement comprised the issue of approximately 137 million new shares at an issue price of $0.175 per share. The placement shares were allotted to investors on 15 September 2022.

Performance Rights

The Company issued 7,600,000 performance rights in December 2022 to staff and long-term contractors, including 1,320,000 performance rights to Mr Tor McCaul (Managing Director). During the half-year 13,195,782 performance rights vested and 30,468 were cancelled, taking the balance at 31 December 2022 to 10,768,750.

Cash position

At 31 December 2022, Comet Ridge had $16.3 million cash on hand.

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, 14 March 2023

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Auditor's Independence Declaration

As lead auditor for the review of Comet Ridge Limited for the half-year ended 31 December 2022, 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
14 March 2023

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COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Note	December 2022 $000's	December 2021 $000's
Revenue and other income			
Interest received		**55**	2
Expenses			
Employee benefits' expense		**(919)**	(509)
Contractors' & consultancy costs		**(222)**	(233)
Exploration and Evaluation expense written off		**(3)**	(64)
Professional fees		**(121)**	(180)
Corporate expenses		**(133)**	(125)
Occupancy costs		**(7)**	(68)
Fair value movement of financial liability at fair value	10	**(382)**	(575)
Finance costs	6	**(1,568)**	(485)
Other expenses		**(302)**	(235)
Depreciation		**(61)**	(19)
LOSS BEFORE INCOME TAX		**(3,663)**	(2,491)
Income tax credit		**-**	-
LOSS FOR THE PERIOD		**(3,663)**	(2,491)
Other comprehensive loss, net of income tax			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		**(5)**	(1)
TOTAL OTHER COMPREHENSIVE LOSS, NET OF INCOME TAX		**(5)**	(1)
TOTAL COMPREHENSIVE LOSS		**(3,668)**	(2,492)
Loss attributable to:			
Owners of the parent		**(3,663)**	(2,491)
Non-controlling interests		**-**	-
		(3,663)	(2,491)
Total comprehensive loss attributable to:			
Owners of the parent		**(3,668)**	(2,492)
Non-controlling interests		**-**	-
		(3,668)	(2,492)
LOSS PER SHARE		**Cents**	Cents
Basic loss per share		**(0.384)**	(0.299)
Diluted loss per share		**(0.384)**	(0.299)

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 2022

	Note	December 2022 $000's	June 2022 $000's
CURRENT ASSETS			
Cash and cash equivalents		**16,337**	7,423
Trade and other receivables		**103**	140
Financial asset at fair value	7	**833**	-
Other financial assets		**129**	59
Other assets		**834**	798
TOTAL CURRENT ASSETS		**18,236**	8,420
NON-CURRENT ASSETS			
Property, plant and equipment		**13**	4
Right-of-use assets	9	**58**	116
Financial asset at fair value	7	**2,226**	-
Exploration and evaluation expenditure	8	**94,272**	100,816
TOTAL NON-CURRENT ASSETS		**96,569**	100,936
TOTAL ASSETS		**114,805**	109,356
CURRENT LIABILITIES			
Trade and other payables		**1,226**	2,568
Borrowings	13	**-**	13,150
Financial liability at fair value	10	**32,387**	31,921
Provisions		**683**	649
TOTAL CURRENT LIABILITIES		**34,296**	48,288
NON-CURRENT LIABILITIES			
Borrowings	13	**6,598**	6,170
Lease liabilities	9	**50**	118
Financial liability at fair value	10	**4,288**	4,289
Provisions		**2,748**	2,946
TOTAL NON-CURRENT LIABILITIES		**13,684**	13,523
TOTAL LIABILITIES		**47,980**	61,811
NET ASSETS		**66,825**	47,545
EQUITY			
Contributed equity	11	**169,542**	145,693
Reserves		**1,183**	2,089
Accumulated losses		**(103,900)**	(100,237)
TOTAL EQUITY		**66,825**	47,545

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 2022

	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 2021	140,379	1,251	382	(91,603)	50,409
Loss for the period	-	-	-	(2,491)	(2,491)
Other comprehensive loss for the period	-	(1)	-	-	(1)
Total comprehensive loss for the period	-	(1)	-	(2,491)	(2,492)
Transactions with owners in their capacity as owners					
Contributions of equity net of transaction costs	4,969	-	-	-	4,969
Shares issued on vesting of performance rights	345	-	(345)	-	-
Share-based payments' expense	-	-	(1)	-	(1)
	5,314	-	(346)	-	4,968
Balance at 31 December 2021	145,693	1,250	36	(94,094)	52,885
Balance at 1 July 2022	**145,693**	**1,254**	**835**	**(100,237)**	**47,545**
Loss for the period	**-**	**-**	**-**	**(3,663)**	**(3,663)**
Other comprehensive loss for the period	**-**	**(5)**	**-**	**-**	**(5)**
Total comprehensive loss for the period	**-**	**(5)**	**-**	**(3,663)**	**(3,668)**
Transactions with owners in their capacity as owners					
Contributions of equity net of transaction costs	**22,746**	**-**	**-**	**-**	**22,746**
Shares issued on vesting of performance rights	**1,103**	**-**	**(1,103)**	**-**	**-**
Share-based payments' expense	**-**	**-**	**202**	**-**	**202**
	23,849	**-**	**(901)**	**-**	**22,948**
Balance at 31 December 2022	**169,542**	**1,249**	**(66)**	**(103,900)**	**66,825**

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 2022

	December 2022 $000's	December 2021 $000's
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	**54**	1
Interest and borrowing costs	**(418)**	(428)
Payments to suppliers and employees	**(1,550)**	(1,887)
NET CASH USED IN OPERATING ACTIVITIES	**(1,914)**	(2,314)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation assets	**(3,743)**	(4,375)
Payment for property, plant and equipment	**(11)**	(1)
Movement in restricted cash and deposits paid	**(90)**	(1,000)
NET CASH USED IN INVESTING ACTIVITIES	**(3,844)**	(5,376)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	**-**	6,500
Repayment of borrowings	**(8,006)**	-
Proceeds from issue of shares	**24,000**	5,319
Share issue costs	**(1,254)**	(349)
Payment of principle portion of lease liabilities	**(68)**	-
NET CASH FROM FINANCING ACTIVITIES	**14,672**	11,470
Net increase in cash held	**8,914**	3,780
Cash at the beginning of the period	**7,423**	3,390
CASH AT THE END OF THE PERIOD	**16,337**	7,170

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 eastern Australia.

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 2022 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 2022 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 Group in the current or future reporting year/periods and on foreseeable future transactions.

4. Going concern

The interim 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 2022, the Group had $16.3 million in cash on hand and net current liabilities of $16.1 million (which includes the CleanCo Queensland Limited (CleanCo) financial liability of $25.2 million, PURE warrant financial liability of $5.3 million and APLNG deferred consideration payable of $1.9 million disclosed as current obligations).

On 12 September 2021, Comet Ridge sent a notice to CleanCo to commence GSA negotiations and on 15 December 2021 the parties agreed to extend the GSA negotiation period to 30 June 2022. This date was further extended to 31 December 2022 on 21 June 2022. The parties made significant progress on agreeing the terms and documentation of a GSA during the half year, however approval of the GSA was deferred pending further clarity on the Federal Government's code of conduct that was first announced in December 2022. At that point, the parties agreed an extension of the GSA negotiation period to 31 March 2023 so that these policy measures can be properly considered and documented into the GSA. Comet Ridge announced on 14 March 2023 that the parties have agreed to a further extension of the GSA negotiation period to 30 June 2023. If a GSA cannot be negotiated by 30 June 2023 (or further extended) then a cash payment of approximately $25.4 million based on current estimates ($20 million, indexed for CPI), would be due within 30 days.

On 23 September 2022, Santos gave a notice to Comet Ridge to exercise its firm option to acquire the 12.86% Mahalo Joint Venture Project interest. Following completion of the APLNG acquisition and Santos firm option exercise, Comet Ridge settled the outstanding Santos loan of $13.15 million, and Comet Ridge and Santos must pay their proportional share of the $8.0 million deferred consideration payable to APLNG (either in four annual instalments post completion of $2.0 million each or earlier upon a trigger event occurring).

The Group has a number of commitments to continue to progress the Mahalo Gas Hub permits and Galilee permits. These commitments are made over various timeframes with exploration commitments required to be spent by 31 December 2023 amounting to $2.2 million as disclosed in Note 14.

The ability of the Group to continue to adopt the going concern basis of preparation will depend upon a number of matters including the successful raising in the future of necessary funding through debt, equity, selldown or farm-out of assets, negotiating a GSA with CleanCo and/or the successful exploration and subsequent exploitation of the Group's tenements to meet these commitments as they arise.

The existence of the CleanCo Agreement, as well as exploration expenditure and deferred acquisition commitments beyond the next 12 months, 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 continues to actively pursue a number of potential funding transactions to progress the appraisal and development of the Group's projects including selldown, farmout and gas prepay arrangements. At the date of this financial report, given the high demand for natural gas on the east coast and the significant acreage, equity and 2P+2C reserves and resources position that the Group has established in the Mahalo Gas Hub area, 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 interim 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 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 2022 to fully impair the expenditure with respect to these permits. In addition, because the New Zealand permit is to be relinquished, any expenditure in New Zealand during the half-year has been expensed to exploration permit expenditure (see Note 8).

Given the Conventional Deeps evaluation is ongoing and the upside potential of the CSG Resources along with long-term extension of the underlying permits, Comet Ridge is comfortable with the recoverability of exploration and evaluation expenditure for the Galilee permits and therefore no impairment has been made during the half-year. The Mahalo Joint Venture Project has Petroleum Leases awarded and upon the completion of the acquisition of APLNG's 30% interest in the project, the continuing joint ventures partners, Comet Ridge and Santos, will be focused on moving the project into development. The Mahalo North Project has recently been awarded certified Gas Reserves and the Company is progressing a Petroleum Lease application to enable development of a 10 Terajoule/day gas project to commence. For the other two 100% owned Mahalo permits (Mahalo East and Mahalo Far East), Comet Ridge is still in the exploration and appraisal phase for these projects with the aim of certifying contingent resources and converting those to Gas Reserves via pilot production tests. For these reasons Comet Ridge is comfortable with the recoverability of exploration and evaluation expenditure for the Mahalo Gas Hub permits. In forming its views on the recoverability of exploration and evaluation expenditure at 31 December 2022, Comet Ridge has also considered the reasonable gas pricing measures which the Federal Government announced in December 2022. Submissions have been provided by many gas producers, including Comet Ridge, as part of the consultation process and at the date of this Report, no further clarity has been provided by the Federal Government on the application of such measures. Comet Ridge will continue to monitor this issue and factor in any applicable policy into its future assessment of recoverability.

(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 asset at fair value

Santos deferred consideration receivable

Comet Ridge entered into a binding agreement to acquire Australia Pacific LNG Pty Limited's (APLNG) 30% interest in the Mahalo Joint Venture Project, announced on 3 August 2021, for initial consideration of $12 million and deferred consideration of $8 million payable over 4 equal annual instalments. At the same time, Comet Ridge executed funding and option agreements with Santos QNT Limited (Santos) to provide loan funding to fund the initial consideration payable to APLNG and stamp duty costs. In exchange, Santos was given an option to acquire 12.86% of the APLNG interest at transaction value ($5.14 million of the initial consideration).

The option was exercised by Santos on 23 September 2022 with one of the effects being Santos assuming liability for its pro-rata share of the $8 million deferred consideration payable to APLNG, being $3.43 million. Refer to Note 7 for further information.

(d) Financial liability at fair value

CleanCo liability

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 was 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 transferred the 2019 Agreement to CleanCo Queensland Limited (CleanCo).

On 21 September 2021, Comet Ridge issued a notice to CleanCo to commence GSA negotiations and on 15 December 2021 both parties agreed to extend the negotiation period to 30 June 2022. The 2019 Agreement allows for CML and CleanCo to negotiate a market priced GSA and fixed gas volumes, conditional on the development of the Mahalo Joint Venture Project.

If CML and CleanCo are unable to come to an agreement on a GSA by 31 March 2023 or further extend the GSA negotiation period, then a cash settlement of approximately $25.2 million based on current estimates ($20 million indexed for CPI from March 2014), would be triggered on or before 29 April 2023 (Payment Amount). Upon payment by Comet Ridge of the Payment Amount, if required to do so, the obligations under the 2014 Agreement and the 2019 Agreement will have been fully discharged as between the parties. Refer Note 9(a) for further information.

On 14 March 2023, Comet Ridge announced a further extension to the GSA negotiation period to 30 June 2023 – refer to Note 15 Events occurring after balance date.

APLNG deferred consideration payable

Comet Ridge entered into a binding agreement to acquire Australia Pacific LNG Pty Limited's (APLNG) 30% interest in the Mahalo Joint Venture Project, announced on 3 August 2021, for initial consideration of $12 million and deferred consideration of $8 million payable over 4 equal annual instalments. Refer to Note 10(b) for further information.

PURE warrant shares

Comet Ridge entered into a binding facility agreement with PURE Asset Management Pty Ltd to provide the Company access to a term loan facility for up to $10 million provided in two tranches of $6.5 million and $3.5 million respectively. The facility provides funding to progress appraisal activities for the Mahalo Gas Hub area and other corporate activities. Both tranches have been drawn with a maturity date of September 2025.

On drawdown of the respective tranches, Comet Ridge issued 65,909,091 warrant shares that entitle PURE to acquire one Comet Ridge share per warrant at an average exercise price of $0.152. The warrants are exercisable by PURE at any point in time prior to the maturity date of the loan facilities. Refer to Note 10(c) for the key judgements used in determining the fair value of the warrant liability.

6. Finance Costs

	December 2022 $000's	December 2021 $000's
Interest expense and fees on borrowings	**(1,026)**	(460)
Amortisation of fair value adjustment and establishment costs capitalised on PURE loan	**(427)**	-
Unwinding of discount on rehabilitation and restoration provision	**(110)**	(25)
Lease liability expense	**(5)**	-
	(1,568)	(485)

7. Financial asset at fair value

	December 2022 $000's	June 2022 $000's
Current		
Santos – deferred consideration receivable	**833**	-
	833	-
Non-current		
Santos – deferred consideration receivable	**2,226**	-
	2,226	-
	3,059	-

Movements in financial asset at fair value	December 2022 $000's	December 2021 $000's
Balance at the beginning of the period	**-**	-
Movement in financial asset at fair value	**3,059**	-
Balance at the end of the period	**3,059**	-

Santos deferred consideration

On 28 June 2022, Comet Ridge acquired Australia Pacific LNG Pty Ltd's (APLNG) 30% interest in the Mahalo Joint Venture Project for a total consideration of $20 million payable in staged payments. Comet Ridge paid a $1 million deposit in August 2021 and the upfront payment balance of $11 million to APLNG on 28 June 2022. The remaining $8 million of deferred consideration is payable in four annual instalments of $2 million each commencing from June 2023, unless a post completion trigger event occurs requiring earlier payment. The trigger events that require earlier repayment are any of the following:

a) a final investment decision is made for development of gas from the Mahalo Joint Venture Project;
b) gas production from the Mahalo Joint Venture Project equalling or exceeding 10 Terajoules per day;
c) a change in control of the Group;
d) Comet Ridge disposing of more than a 15% interest in the Mahalo Joint Venture Project; or
e) Comet Ridge is subject to an insolvency event.

At the same time as entering the agreement with APLNG, Comet Ridge executed funding and option agreements with Santos QNT limited (Santos) to provide loan funding of $13.15 million to fund the initial consideration payable to APLNG and stamp duty costs. In exchange, Santos was given an option to purchase 12.86% of the APLNG interest acquired by Comet Ridge at proportional acquisition value of $8.57 million.

Comet Ridge received a notice from Santos to exercise their option on 23 September 2022, and the sale agreement was executed by both parties on 26 September 2022. At that date, the $13.15 million loan owing to Santos was fully repaid via a reduction of $5.14 million (being Santos' share of the $12 million initial consideration paid to APLNG) and cash repayment of $8.01 million by Comet Ridge. Santos also assumes liability for its pro-rata share of the $8 million deferred consideration payable to APLNG, being $3.43 million.

Accordingly, the fair value liability recognised by Comet Ridge against the Mahalo Joint Venture Project exploration and evaluation asset has been offset by $2.97 million to reflect Santos' share of the deferred consideration payable and interest receivable of $88,558 has been recorded for the six-month period to 31 December 2022.

Fair value measurement

The fair value of the deferred consideration is recognised as the present value of the $3.43 million receivable in 4 equal annual instalments and the unwinding of the applied discount credited to profit and loss.

The Santos deferred consideration asset 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 financial asset at fair value are as follows:

1. The agreed cash settlement of $3.43 million receivable in equal instalments over 4 years commencing June 2023; and
2. The pre-tax discount rate applied being 6%.

Unobservable input	Relationship to fair value
Risk-adjusted discount rate	The discount rate used reflects Santos' credit risk. A change in the discount rate by 100 basis points would decrease/increase the fair value by $69,312 and $66,780 respectively.

8. Exploration and evaluation expenditure

	December 2022 $000's	June 2022 $000's
Exploration and evaluation expenditure	**118,974**	125,521
Less provision for impairment	**(24,702)**	(24,705)
	94,272	100,816

Movements in exploration and evaluation phase	December 2022 $000's	December 2021 $000's
Balance at the beginning of period	**100,816**	71,848
Reduction in up-front APLNG Mahalo JV acquisition cost upon Santos option exercise	**(5,144)**	-
Deferred consideration receivable upon Santos option exercise	**(2,971)**	-
Movement in deferred consideration payable to APLNG	**(330)**	-
Exploration and evaluation expenditure during the period	**1,904**	6,031
Exploration and evaluation expenditure written off	**(3)**	(64)
Balance at the end of period	**94,272**	77,815

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.

9. Leases

	December 2022 $000's	June 2022 $000's
(a) Amounts recognised in the Statement of Financial Position		
Right-of-use assets		
Office premises	**164**	164
Less: Accumulated depreciation	**(106)**	(48)
	58	116
Lease liabilities		
Initial measurement of lease liability	**164**	164
Repayments	**(125)**	(52)
Accretion of interest	**11**	6
	50	118
(b) Amounts recognised in the Statement of Profit or Loss		
Depreciation on right-of-use assets	**58**	48
Interest expense (included in finance cost)	**5**	6
	63	54

10. Financial liability at fair value

	December 2022 $000's	June 2022 $000's
Current		
CleanCo Queensland Limited – financial liability	**25,194**	24,594
PURE Asset Management – warrant shares	**5,320**	5,538
APLNG – deferred consideration payable	**1,872**	1,789
	32,386	31,921
Non-current		
APLNG – deferred consideration payable	**4,288**	4,289
	4,288	4,289
	36,674	36,210

Movements in financial liability at fair value	December 2022 $000's	December 2021 $000's
Balance at the beginning of the period	**36,210**	22,662
Movement in financial liability at fair value	**464**	575
Balance at the end of the period	**36,674**	23,237

Fair value measurement

(a) CleanCo liability

The liability to CleanCo Queensland Limited (CleanCo) arising from the renegotiated agreements is recognised as a 'financial liability at fair value through profit or loss'.

On 21 September 2021, Comet Ridge issued a notice to CleanCo to commence GSA negotiations and on 15 December 2021 both parties agreed to extend the negotiation period to 30 June 2022. On 21 June 2022, both parties agreed to further extend the negotiation period to 31 December. The parties made significant progress on agreeing the terms and documentation of a GSA during the half year, however approval of the GSA was deferred pending further clarity on Federal Government gas policy measures that were announced in December 2022. At that point, the parties agreed an extension of the GSA negotiation period to 31 March 2023 so that these policy measures can be properly considered and documented into the GSA.

If CML and CleanCo are unable to reach an agreement on a GSA by 31 March 2023, or further extend the GSA negotiation period as required, then a cash settlement would be triggered on or before 29 April 2023. In considering the above, Comet Ridge has determined that a cash settlement continues to represent the maximum liability under the 2019 Agreement.

An expense of $599,655, being the movement in the financial liability at fair value, has been recorded in the six-month period to 31 December 2022.

On 14 March 2023, Comet Ridge announced a further extension to the GSA negotiation period to 30 June 2023 – refer to Note 15 Events occurring after balance date.

Valuation techniques and process used to determine fair value

The fair value of the CleanCo liability is based on the anticipated financial liability arising from the 2019 Agreement. The CleanCo 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 a GSA not being negotiated or executed, representing the maximum liability under the 2019 Agreement. As a result, approximately $25.2 million based on current estimates ($20 million indexed for CPI), is used as the basis for determining the present value of the liability at 31 December 2022.
2. The earliest date for the cash payment under point 1 above is 29 April 2023, giving a period of indexation of 9.1 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 2022 and forecast at 1.26% per quarter for the remaining period to 29 April 2023.

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's negotiations with CleanCo are unsuccessful by the extended GSA negotiation period of 31 March 2023, the cash payment would be payable no earlier than 29 April 2023.
CPI rate	If the 1.26% per quarter forecast CPI rate reduces/increases to a low of 0.76% pa or a high of 1.76% pa, the indexed liability will reduce or increase by approximately 0.6% or $148,000 respectively.

(b) Deferred Consideration – APLNG

On 28 June 2022, Comet Ridge acquired Australia Pacific LNG Pty Ltd's (APLNG) 30% interest in the Mahalo Joint Venture Project for a total consideration of $20 million payable in staged payments. Comet Ridge paid a $1 million deposit in August 2021 and the upfront payment balance of $11 million to APLNG on 28 June 2022. The remaining $8 million of deferred consideration is payable in four annual instalments of $2 million each commencing from June 2023, unless a post completion trigger event occurs requiring earlier payment. The trigger events that require earlier repayment are any of the following:

a) a final investment decision is made for development of gas from the Mahalo Joint Venture Project;
b) gas production from the Mahalo Joint Venture Project equalling or exceeding 10 Terajoules per day;
c) a change in control of the Group;
d) Comet Ridge disposing of more than a 15% interest in the Mahalo Joint Venture Project; or
e) Comet Ridge is subject to an insolvency event.

Fair value measurement

The fair value of the deferred consideration is recognised as the present value of the $8 million liability payable in 4 equal annual instalments and the unwinding of the applied discount expensed to profit and loss.

The APLNG 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 financial liability at fair value are as follows:

1. The agreed cash settlement of $8 million payable in equal instalments over 4 years commencing June 2023; and
2. The pre-tax discount rate applied being 14.7%.

Unobservable input	**Relationship to fair value**
Risk-adjusted discount rate	The discount rate used is adjusted for the Group's own credit risk. A change in the discount rate by 200 basis points would increase/decrease the fair value by $241,431 and $225,727 respectively.

(c) Warrant shares – PURE Asset Management Pty Ltd

On 9 September 2021, Comet Ridge executed a binding agreement with PURE Asset Management Pty Ltd (PURE) to provide Comet Ridge access to a secured term loan facility of up to $10 million. The facility was fully drawn in two tranches of $6.5 million and $3.5 million respectively prior to the 30 June 2022.

The loan agreement with PURE also contains detached warrant shares, with Comet Ridge issuing a total of 65,909,091 warrant shares in two tranches (as per below) exercisable for a period of 48 months from utilisation of the Tranche 1 loan on 17 September 2021.

- Tranche 1: 39,393,939 warrant shares issued on 12 August 2021 exercisable at $0.165 per share; and
- Tranche 2: 26,515,152 warrant shares issued on 31 March 2022 exercisable at $0.132 per share.

Fair value measurement

The fair value of the warrant share financial liability is calculated using a Black Scholes option valuation methodology. The key inputs into the fair value calculation are:

a) Exercise price of each tranche of warrants;
b) Expected volatility (expressed in percentage terms) of the Company's share price, reflecting the assumption that historical volatility is indicative of future trends (which may not necessarily be the actual outcome);
c) Share price of the Company on the reporting date (noting that no allowance has been made for discounting the share price to reflect the issue price of an alternative equity raising if the warrants had not been issued);
d) The risk-free rate of 3-year Australian Government bonds at 31 December 2022;
e) Annual dividend yield for Comet Ridge assumed to be nil; and
f) Expected remaining term of the warrants (expressed in years).

The warrant share financial liability has been classified as Level 3 in the fair value hierarchy and is recognised as a "financial liability at fair value through profit or loss". An adjustment of ($217,438) has been recorded in the six-month period to 31 December 2022 to reflect the reduction in the fair value of the warrant shares due to share price fluctuations since 30 June 2022.

11. Contributed equity

	December 2022 $000's	**June 2022 $000's**
Ordinary shares – fully paid	**169,542**	145,693

Movements in ordinary shares	**December 2022**	**December 2021**	**December 2022**	**December 2021**
	Number of Shares		**$000's**	**$000's**
Balance at the beginning of the period	**860,034,445**	791,211,719	**145,693**	140,379
Share placement @ 8.25 cents per share		64,472,726	**-**	5,318
Share placement @ 17.5 cents per share[1]	**137,142,858**	-	**24,000**	-
Performance rights vested	**13,195,782**	4,350,000	**1,103**	345
Share issue costs[1]	-	-	**(1,254)**	(349)
Balance at the end of the period	**1,010,373,085**	860,034,445	**169,542**	145,693

[1] On 8 September 2022, Comet Ridge announced a placement of new shares to institutional and sophisticated investors to raise $24.0 million (before share issue costs). The placement comprised the issue of 137,142,858 new shares at an issue price of $0.175 per share. The placement shares were allotted to investors on 15 September 2022. Share issue costs of $1.25 million were payable by Comet Ridge in relation to the placement.

12. 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 2022 $000's	December 2021 $000's
Statement of Comprehensive Income		
Share-based payments' expense included in employee benefits' expense	**202**	(1)

Share-based payments' reserve	December 2022 $000's	December 2021 $000's
Balance at the beginning of the period	**835**	382
Share-based payments' expense during the half-year	**202**	(1)
Performance rights vested during the half-year	**(1,103)**	(345)
Balance at the end of the period	**(66)**	36

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 performance conditions and the completion of a specified period of employment/engagement. Since 1 July 2022, a total of 7,600,000 performance rights have been issued to employees and long-term contractors, including the issue of 1,320,000 performance rights to the Comet Ridge Managing Director, Tor McCaul (approved at the Annual General Meeting held on 25 November 2022). These performance rights are included 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 2022	Granted during the half-year	Vested during the half-year	Cancelled during the half-year	No. of rights 31 December 2022
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
07-Aug-20	01-Jul-22	7.9	2,510,000	-	(2,510,000)	-	-
16-Nov-21	31-Dec-22	12.5	2,580,000	-	(2,260,000)	-	320,000
16-Dec-21	31-Dec-23	10.0	9,555,000	-	(8,425,782)	(30,468)	1,098,750
25-Nov-22	31-Dec-25	18.0	-	1,320,000	-	-	1,320,000
22-Dec-22	31-Dec-25	16.5	-	6,280,000	-	-	6,280,000
			16,395,000	**7,600,000**	**(13,195,782)**	**(30,468)**	**10,768,750**

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/or 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.

13. Borrowings

	December 2022 $000's	June 2022 $000's
Current		
Loan payable to Santos QNT Pty Ltd (a)	-	13,150
Non-current		
Loan payable to PURE Asset Management Pty Ltd (b)	**6,598**	6,170
	6,598	19,320

(a) Santos loan

On 28 June 2022 Comet Ridge accessed $13.15 million of debt funding from Santos QNT Pty Ltd (Santos) to fully fund the upfront acquisition of APLNG's 30% interest in the Mahalo Joint Venture Project and associated costs. In exchange for receiving the funding, Comet Ridge provided Santos with a six-month option (expiring 28 December 2022) to acquire a 12.86% interest in the Mahalo Joint Venture Project from Comet Ridge.

Santos gave notice to exercise this option on 23 September 2022, reducing Comet Ridge's interest in the Mahalo Joint Venture Project to 57.14% and reducing the loan repayable to Santos to $8.01 million (plus interest accrued at 5.125% per annum). The $5.14 million reduction in the loan amount payable reflected Santos's share of the $12 million upfront cash consideration paid to APLNG for the Mahalo Joint Venture Project acquisition. Comet Ridge repaid the $8.01 million to Santos on 28 September 2022, fully extinguishing the loan.

(b) PURE Asset Management loan

Comet Ridge entered into a binding facility agreement with PURE Asset Management Pty Ltd to provide the Company access to a term loan facility of $10 million provided in two tranches of $6.5 million and $3.5 million respectively. The facility provides funding to progress appraisal activities for the Mahalo Gas Hub area and other corporate activities. Both tranches have been drawn with a maturity date of September 2025.

On drawdown of the respective tranches, Comet Ridge issued warrant shares that entitle PURE to acquire one Comet Ridge share per warrant at the exercise prices outlined in the facility terms below. The warrants are exercisable by PURE at any point in time prior to the maturity date of the loan facilities. The fair value of the warrants has been deducted from the gross proceeds of the loan on the date of drawdown reflecting the fair value of the loan on that date as set out in the table below.

	December 2022 $000's	June 2022 $000's
PURE loan payable	**10,000**	10,000
Loan establishment costs capitalised	**(297)**	(353)
Fair value of warrants at issue date separately recognised	**(3,833)**	(3,833)
Interest charge on financial liability	**728**	356
Fair value of loan payable	**6,598**	6,170

The warrants are separately recognised as a financial liability at fair value through the income statement as disclosed in Note 10. In line with the accounting policy, the difference between the face value of the loan (repayment amount) and determined fair value on issuance is recognised in the profit and loss over the loan period utilising the effective interest rate method.

Should PURE exercise all of their warrants on issue (65,909,091 warrants), Comet Ridge would receive $10 million of cash which can be used to repay the loan amount.

The key terms of the loan are:

Lender:	PURE Asset Management Pty Ltd
Structure:	Term loan with detached warrants
Interest:	Prior to Mahalo Joint Venture Project FID: 12% Post Mahalo Joint Venture Project FID: 10% Interest-only payment in quarterly instalments
Term:	48 months from utilisation

Repayment:	Non-amortising bullet repayment Voluntary repayment(s) subject to cascading fees
Warrants:	39,393,939 warrant shares issued on 12 August 2021 with an exercise price of 16.5 cents per warrant share 26,515,152 warrant shares issued on 31 March 2022 with an exercise price of 13.2 cents per warrant share
Financial Covenant:	Minimum $1.5 million cash balance
Security:	First ranking general security over all present and after-acquired property of the Company and subsidiaries

14. Commitments

Exploration expenditure commitments

Detailed Exploration and Evaluation	December 2022 $000's	June 2022 $000's
- not later than 12 months	**2,178**	3,327
- between 12 months and 5 years	**14,088**	16,413
	16,266	19,740

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 $598,700 (June 2022: $579,000) as follows:

- $398,700 (June 2022: $379,000) to the State of Queensland in respect of the Group's exploration permits and environmental guarantees; and
- $200,000 (June 2022: $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.

15. Events occurring after balance date

CleanCo GSA Negotiation Period extended to 30 June 2023

Comet Ridge announced on 14 March 2023 that the negotiation period for the Gas Sales Agreement (GSA) currently being discussed between Comet Ridge and CleanCo has been further extended to 30 June 2023. The parties agreed to the further three-month extension to consider the impact of the Federal Government’s code of conduct on the GSA.

The effect of the extension defers the earliest possible date by which a cash payment may become payable to 28 July 2023, should a GSA not be agreed or the sunset date and negotiation period not be extended beyond 30 June 2023.

Except for the matter noted above, no 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.

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 2022 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, 14 March 2023

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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 2022, 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 2022 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*.

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.

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 the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty relating to going concern

We draw attention to Note 4 in the half-year financial report, which indicates that under an agreement with CleanCo Queensland Limited (CleanCo), contract terms exist whereby a cash payment of approximately $25.4 million based on current estimates may become payable and the Group has other deferred consideration and exploration commitments to continue its normal business operations. The Group is dependent upon successfully raising necessary funding through debt, equity, selldown or farm-out of assets, negotiating a Gas Supply Agreement with CleanCo and/or the successful exploration and subsequent exploitation of the Group's tenements. 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.

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Responsibilities 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 responsibilities 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 2022 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
14 March 2023