Comet Ridge

ABN 47 106 092 577

ANNUAL REPORT **2009**

Corporate Directory

Directors

Jeff Schneider
Non-executive Chairman
Tor McCaul
Managing Director
Gillian Swaby
Non-executive Director
James McKay
Non-executive Director
Chris Pieters
Non-executive Director

Company Secretary

Stephen Rodgers

Registered Office

210 Alice Street
Brisbane Queensland 4000

Telephone: +61 7 3221 3661
Facsimile: +61 7 3221 3668
Website: www.cometridge.com.au
Email: stephen.rodgers@cometridge.com.au

Share Registry

Computershare Registry Services Pty Ltd
Level 2, Reserve Bank Building,
45 St Georges Terrace,
Perth, Western Australia 6000

Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

Auditors

Johnston Rorke Chartered Accountants
Level 30, Central Plaza One
345 Queen Street
Brisbane, Queensland, 4000

Telephone: +61 7 3222 8444

Investor Relations

David Waterhouse
Waterhouse IR
Level 2 Bank House
11 – 19 Bank Place
Melbourne, Victoria ,3000

Telephone: +61 3 9639 9099
Mobile: +61 407 880 937
Facsimile: +61 3 9639 3699
Email: dwaterhouse@waterhouseir.com.au

Media Relations

Richard Owen
Associate, Three Plus
15 Cordelia Street
South Brisbane, Queensland, 4101

Telephone: +61 7 3503 5700
Mobile/Cell: +61 412 869 937
Facsimile: +61 7 3503 5799
Email: richard@threeplus.com.au

Securities Exchange Listing

Australian Securities Exchange Ltd
Home Exchange: Perth
ASX Code: COI

Lawyers

Porter Davies Lawyers
Level 5/ 46 Edward Street
Brisbane, Queensland, 4000

Telephone: +61 7 3001 2100
Facsimile: +61 7 3105 7360
Website: www.porterdavies.com

Comet Ridge

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Currency

Any reference to "dollars" and "$" throughout this Annual Report are references to Australian Dollars unless a different currency is nominated.

Chairman's Letter to Shareholders

Dear Shareholders,

Since the Annual General Meeting last year your Company has experienced some very challenging and interesting times.

However, following approval of the merger of Comet Ridge and Chartwell Energy by shareholders on 16 April 2009 your Company was rejuvenated and positioned to embark on an exciting new growth phase.

Comet Ridge now has:

- a new, capable and motivated Brisbane-based management team led by Managing Director, Tor McCaul;
- a re-constituted Board with two new Directors appointed from Chartwell Energy who have a track record of success at Sunshine Gas Limited;
- a strategic focus on coal seam gas (CSG) exploration in Australia and New Zealand;
- an expanded portfolio of prospective tenement acreage;
- a strong financial base supported by the recent capital raising of $21.3 million which also expanded the Company's shareholder base; and
- a strong industry sector underpinned by a number of Queensland-based Liquefied Natural Gas (LNG) projects focused on utilising the State's vast CSG reserves.

Shareholders and investors have embraced these changes and the Company's share price has responded accordingly.

Your Board and management team are clearly focused on translating the Company's strong position into certified CSG reserves and production. In this regard Comet Ridge's priority projects are the Galilee Basin Project (Comet Ridge 100 per cent), the New Zealand PMP50100 Project (Comet Ridge earning 50 per cent) and Mahalo (Comet Ridge 40 per cent). All these projects are considered to have the right geological ingredients for success and positive results will put the Company on a very strong footing.

We are confident that an LNG industry based on CSG will develop in Queensland. Consequently, we believe we have only just seen the beginning and that the Galilee Basin can play a key role in the future expansion of this new industry if the region's potential for substantial CSG reserves and production is realised.

Exploration drilling is expected to get underway soon in our Galilee Basin tenements with Native Title and environmental issues now resolved.

On behalf of all shareholders I would like to express my thanks to the Company's founding Managing Director, Mr Andy Lydyard and Mr Gary Drobnack who both retired from the Board at the time of the merger with Chartwell Energy in April. Both were instrumental in putting in place the foundations from which the Company is now poised to prosper.

Yours faithfully,

Jeff Schneider

Comet Ridge

Managing Director's Report

Comet Ridge Limited is in a strong financial position having successfully completed a merger with Chartwell Energy in April and a $21.3 million capital raising programme in May/June of this year. We have also assembled an experienced team focused on delivering results for the Company.

Our work programme commitments are relatively low, however, given the prospectivity that we see in a number of our blocks, we have decided to explore aggressively as we head towards 2010, particularly in the eastern part of the Galilee Basin.

Following completion of Native Title agreements, and environmental approvals, the recent issue of ATP 743P has enabled us to commit to drilling and service contractors and start final preparations for our eight-well Galilee corehole programme, which we expect to start in November. This programme will last several months and once concluded will provide us with a more detailed view of the potential gas volumes contained in the coals within our permits.

We have been working closely with the relevant Queensland government departments to progress through to the award of the adjoining permit, ATP 744P, which we expect to occur imminently. These two adjoining permits give Comet Ridge a 100 per cent equity position and a large footprint in an exciting area for CSG resources in Queensland. As the only equity holder in these blocks, Comet Ridge has the autonomy to determine how the exploration, appraisal and development effort should proceed, while exposing shareholders to maximum upside for value creation.

The Company will also look to progress its other key project at Greymouth in New Zealand during the year ahead and looks forward to further positive results in the Mahalo block (Comet 40 per cent interest) in the Bowen Basin.

Comet Ridge is strongly positioned in the rapidly expanding CSG sector which has become accepted both internationally and locally as a viable source of enormous quantities of energy. This is evidenced by the strong international investment in Queensland CSG companies over the past 12-to-18 months.

The Company's rejuvenated position with a strong balance sheet and an aggressive exploration programme has been due in large part to the efforts of the Company's Chairman, Jeff Schneider, who stepped down from his executive role in April 2009 after successfully guiding the Company through the merger process.

The past year has been very eventful for Comet Ridge. The Company has made the transition from a small CSG exploration company with a market capitalisation of about $10 million at the end of 2008 to a significant CSG junior with a market capitalisation as at 30 June 2009 of around $90 million. Comet Ridge's Directors and staff will be working to continue to grow that value further through the drill bit in coming months as we pursue our objective to establish certified reserves.

Tor McCaul
Managing Director

Overview of Activities

Introduction and Background

The 2008-09 financial year has been one of pivotal significance for Comet Ridge Limited ("Comet Ridge"). The Board believes we will look back on this period as a defining point in your Company's development as a prominent player within the burgeoning coal seam gas ("CSG") sector. The Company is now well positioned and poised for an exciting, challenging and rewarding year ahead.

With funding fully secured for the US projects for the next 12-to-18 months, the Board refocused on advancing the Company's valuable CSG permits and projects in Australia.

Given the subsequent restrictions on our ability to raise adequate funds to progress CSG exploration, due to the global financial crisis the Board broadened its scope to review other available funding mechanisms and arrangements including seeking merger opportunities with other suitable companies. The priority in the screening process was to identify those companies which not only had the available funds to venture with, but, more importantly, had the necessary managerial and technical expertise to assist in the task of advancing the Company's CSG goals. Unlisted Chartwell Energy Limited ("Chartwell") offered both access to immediate cash reserves ($8 million) and an experienced team with a track record of success at Sunshine Gas Limited. Chartwell also provided exciting "greenfield" acreage exposure to CSG opportunities with three permits in New Zealand.

The proposed merger between Comet Ridge and Chartwell was announced with the signing of the Merger Implementation Agreement (MIA) on 9 February 2009. Overwhelming endorsement of the proposed merger was received from shareholders with the merger being approved in a general meeting in Perth on 16 April 2009. Key elements of the transaction were as follows:

- The merged entity retained the name of Comet Ridge Limited;
- Comet Ridge acquired all of the shares of Chartwell by the issue of 128,750,000 Comet Ridge Limited shares to the shareholders of Chartwell. Unlisted Chartwell options were converted to 20,224,000 unlisted Comet Ridge options. Upon completion, the merged entity had approximately 234 million shares and 32 million unlisted options; and
- On the completion of the merger, the following Chartwell representatives joined the Board of Comet Ridge: Mr James McKay (previously Chairman of Sunshine Gas Limited) as a Non-executive Director; Mr Chris Pieters (previously Chief Commercial Officer of Sunshine Gas Limited) as a Non-executive Director; and Mr Tor McCaul (the existing Chief Executive Officer of Chartwell) was appointed Managing Director. Ms Gillian Swaby and Mr Jeff Schneider who (as Non-executive Chairman) remained on the Board. Mr Andy Lydyard and Mr Gary Drobnack both resigned from the Board on completion of the Merger.

With a much larger and diverse permit portfolio, including CSG acreage in Queensland, New South Wales and New Zealand, the Board of the newly structured Comet Ridge Limited was keen to accelerate the Company's work programme and to ensure this was fully funded for the following 12-to-18 months. A technical review of all the assets was undertaken in order to prioritise

the exploration activities and to rank them on the basis of their commercial attractiveness, commitment obligations and technical risk. The potential for significant gas volumes in the Galilee Basin permits stood out, as did the attractiveness of the Mahalo Block, due to proximity to infrastructure.

In order to fund the exploration activities required in these key projects and the additional exploration blocks, Comet Ridge announced a $21.3 million capital raising in May 2009. The capital raising was achieved through both a placement to institutional and sophisticated investors to raise $7.48 million and a fully underwritten 1-for-5 entitlement issue to shareholders to raise a further $13.8 million. The Directors were very pleased with the high level of support for both the placement and the entitlement issue which left the Company with a cash balance of approximately $26 million and welcomed new shareholders to the register.

By the end of the 2008-2009 financial year, Comet Ridge was preparing to execute its exploration strategy with the prime objective of growing the value of the Company's CSG business over the medium to long-term in its key project areas. Implementation of this strategy was underway at the time of writing, and the Board is looking forward to reporting upon the success of this strategy as exploration and appraisal in our permits progress.

Activities in Australia

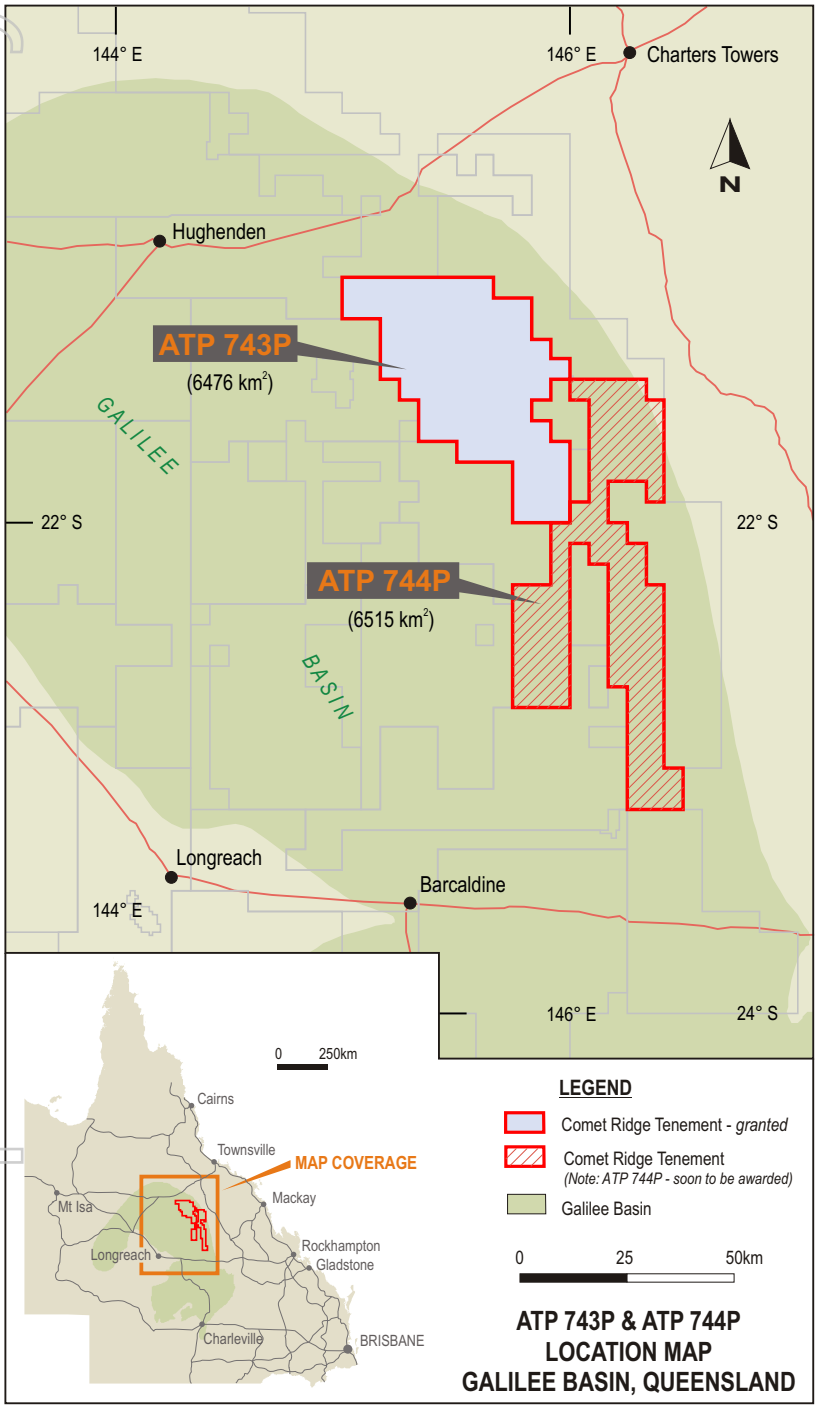
Shareholders will undoubtedly be aware of the substantial developments and changes which have occurred within Queensland's CSG industry in recent times, evidenced by several large company takeovers and mergers. Brisbane is now the Australian CSG base for many of these leading energy companies from around the world including Shell, BG Group, Petronas and Conoco/Phillips as well as a number of large Australian companies. Plans are being rapidly advanced to establish Queensland as a prominent Liquefied Natural Gas (LNG) producer by tapping into the world market with the vast booked gas reserves from the coal seams within the Bowen and Surat Basins and the resource potential of the Galilee Basin, to supply the rapidly expanding Asian LNG market and satisfy growing domestic demand in Queensland and beyond. The Board therefore intends to seize opportunities presented by the current market and progress the Comet Ridge projects within Queensland as a priority to deliver on our strategy for growing our CSG business.

Comet Ridge currently has interests in two key projects in Queensland. These include a 100% interest in two large (~13,000 km2) contiguous permits in the eastern part of the Galilee Basin (ATP 743P and ATP 744P) and a 40% interest in the Mahalo Block (ATP 337P) in the Bowen Basin which we share in joint venture with Santos and Origin. The majority of the CSG activity in Queensland has occurred in and around the eastern and south-central Queensland basins (the Surat and Bowen). However, recently industry attention has turned to the extensive and largely under-explored Galilee Basin further to the north. Analysis of existing data indicates the existence of a significant coal resource within the Permian Betts Creek Beds. The Galilee Basin has already demonstrated coal permeability and gas content within the optimal depth range window of between approximately 300 m and 1200 m.

The attractiveness of both a largely untested CSG province and access to proximal developing LNG infrastructure has attracted several companies to the Galilee Basin. Other recent basin entrants include AGL, Eastern Corporation, Origin, Blue Energy and Queensland Energy Resources. All of these companies have recently begun significant exploration programmes within their permits. It is against this backdrop that the Board of Comet Ridge intends adding significant shareholder value through the activities planned within our key Queensland projects.

ATP's 743P and 744P Galilee Basin

The negotiation of the Native Title Agreements for these permit applications, discussed in last year's report, took longer than anticipated for both permits. At the end of this reporting period the Native Title Agreements and associated ancillary documents had been executed for both permits. Concurrent with the Native Title process, preparation of the Environmental Assessment Application was undertaken in May 2009 and submitted to the Environmental Protection Agency as part of the overall Environmental Authority Application. With all the prerequisite applications submitted to Queensland Mines and Energy (QME) as part of the Department of Employment, Economic Development and Innovation (DEEDI), Comet Ridge was, by the end of the reporting period, awaiting the formal award of the permits.



Subsequent to the end of the reporting period, Comet Ridge is pleased to advise that the ATP 743P permit was awarded on 4 September 2009. Following advice from the Queensland Government, ATP 744P is expected to be awarded shortly.

With the application process well underway for the Galilee permits, Comet Ridge's technical team commenced a detailed review of all available data in order to plan out the first phase of exploration. In total, eight core wells are planned to be drilled in the two permits as part of the initial exploration assessment. The aim of this first round of drilling is to assess not only the areal extent and thickness of the coals, but also the gas content and permeability of the coals across the expected depth range of the main Permian coal measures. This information will then be used to identify areas for a second and more detailed appraisal phase leading to an anticipated pilot scheme.

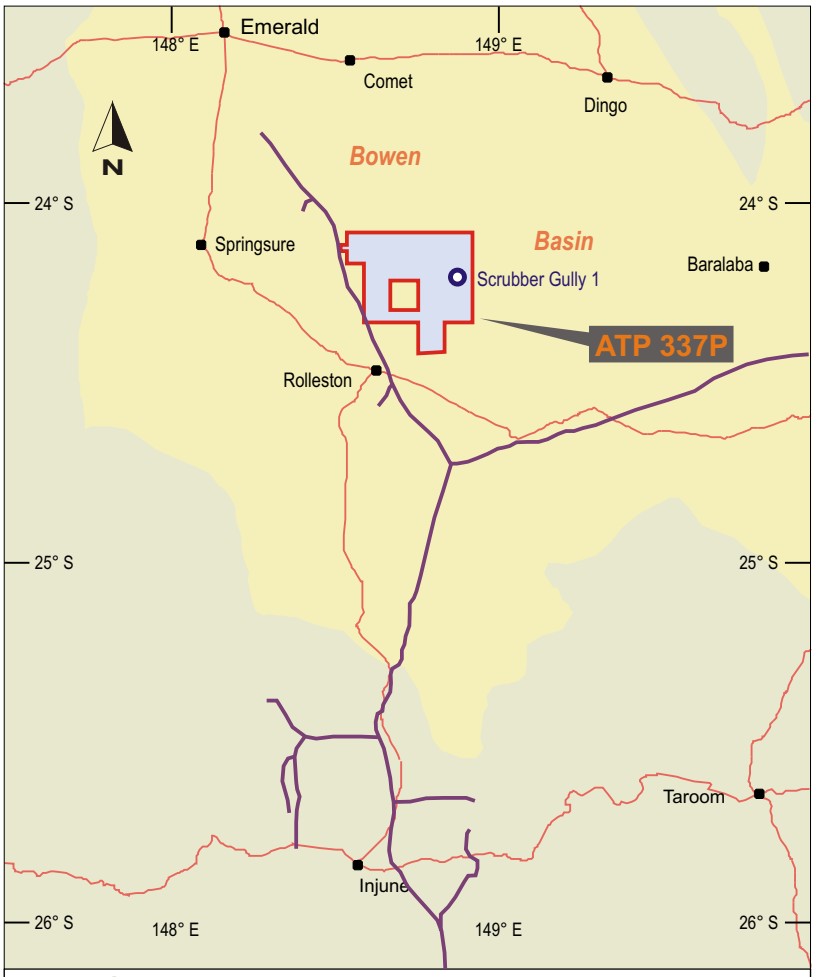
Preparations for the first phase of drilling were well advanced at the time of writing, with tenders submitted for the key services of drilling, core desorption and analysis, drill stem testing and wireline logging services. The drilling programme is scheduled to commence in November 2009 and take approximately four-to-five months.

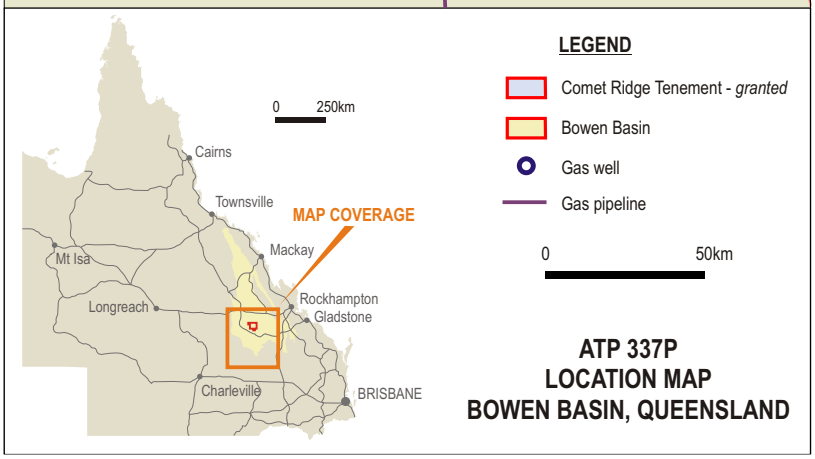
The Board of Comet Ridge will be closely watching developments from this initial round of drilling with great expectation and looks forward to updating shareholders as the programme unfolds.

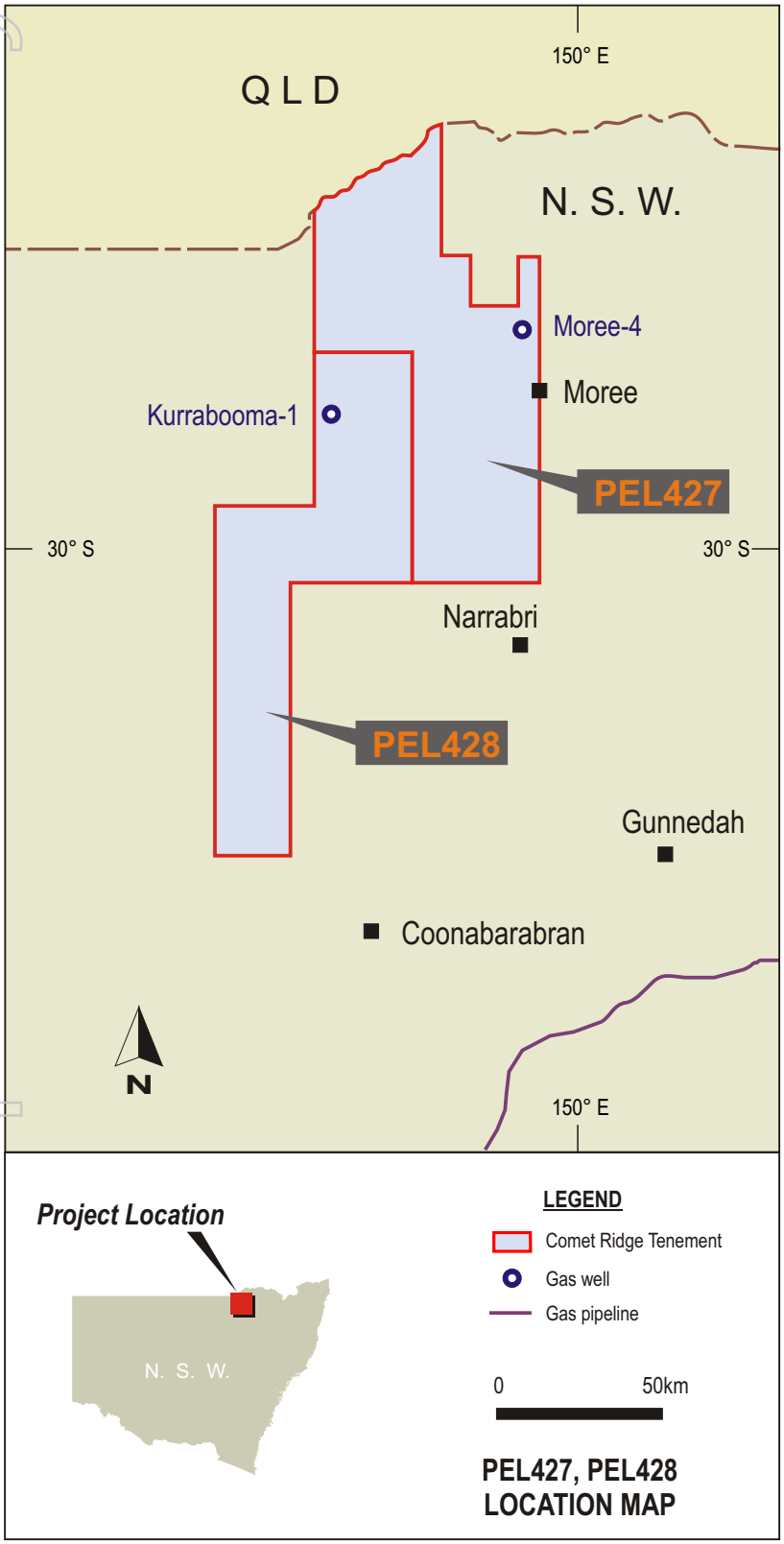
Mahalo (ATP 337P)

Comet Ridge holds a 40% interest in the favourably located Mahalo Block (ATP 337P) with Santos (operator) and Origin each holding a 30% interest.

Following a technical review by Santos the Mahalo Joint Venture undertook to drill one exploration well in the eastern part of the permit area in order to investigate the coal development and permeability within the mapped contingent resource area. The Scrubber Gully 1 well was drilled after the end of this reporting period in July 2009 and Comet Ridge is pleased to report that the well reached a total depth of 486m and intersected approximately 4.5m of net coal within the primary objective Bandanna Formation Coal Measure Sequence. The results were particularly encouraging given the good gas content and fair permeability evident in the coals intersected. Further appraisal drilling is planned for later in 2009-10.







PEL 427 & 428 Gunnedah Basin

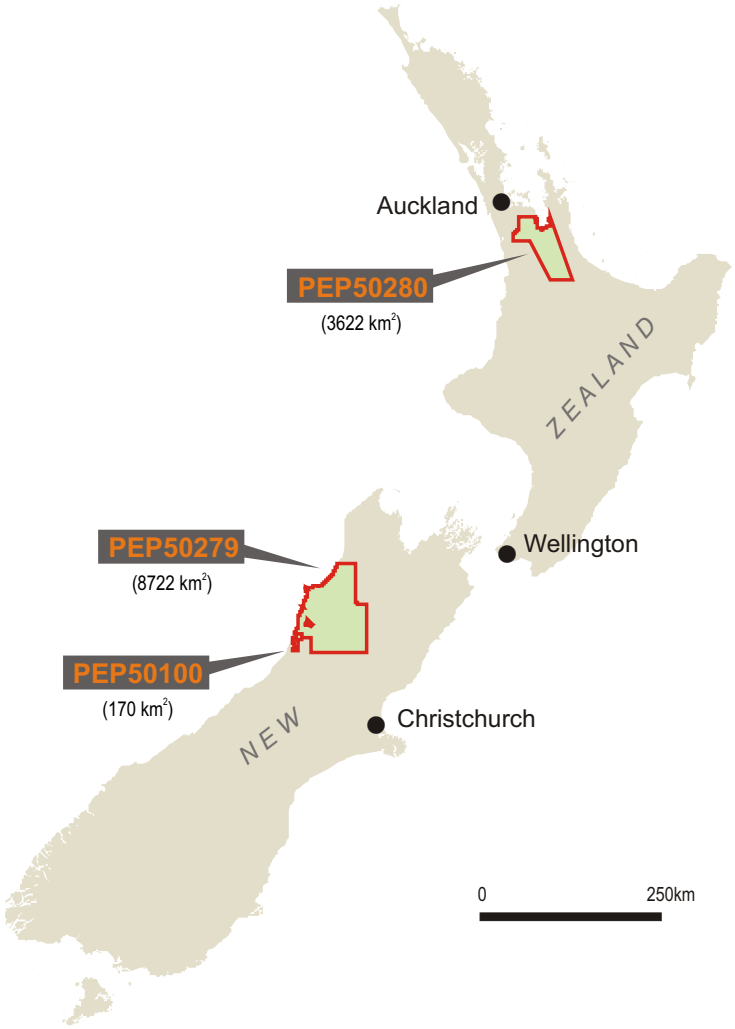
Comet Ridge Limited holds 25% and 20% in PEL 427 and PEL 428 respectively. As previously reported, Orion Petroleum assumed the interests and operatorship in the permits from Eastern Star Gas Limited in August 2008. During March and April of this year, the Moree-4 (PEL427) and Kurrabooma-1 (PEL428) wells were drilled, intersecting 5m and 4m of coal respectively. Technical lab work is continuing on the recovered core and a forward exploration programme for these blocks is being developed.

Activities in New Zealand

The Company's New Zealand activities are undertaken via the wholly-owned subsidiary Chartwell NZ Pty Limited ("Chartwell NZ").

Chartwell's interest in New Zealand was fuelled by the recent success of Australia's CSG industry, particularly in Queensland. The CSG sector was also still in its infancy in New Zealand which has extensive coal fields and a need for further energy to service the domestic market. A niche opportunity has been identified in New Zealand in the expectation that early commercialisation of discoveries will grow shareholder value. The scale of commercialisation of each successful project will be driven by local requirements in each area and may range from operating small scale power generating plants to supplying gas directly to existing power generators or industry.

The New Zealand portfolio of three tenements consists of one large (~3667 km^2) exploration permit (PEP 50280) located in the Waikato area of the North Island and a significantly larger (~8722 km^2) exploration permit (PEP 50279) in the West Coast Region on the South Island near the coastal town of Greymouth. The third permit is a smaller (~170 km^2) CSG mining permit (PMP 50100 – the first of its type in NZ) located immediately south of PEP 50279 just east of the coastal town of Greymouth. All three permits either have coal mining activity occurring on them, or are located adjacent to existing coal mines. In the case of PMP 50100, several successful CSG exploration and appraisal wells have already been drilled attesting to the area's CSG prospectivity.



PMP 50100 – Greymouth, South Island New Zealand

PMP 50100 (previously PEP 38508) located in the West Coast Region of the South Island was granted in July 2007 for a 40-year term and Chartwell NZ farmed into the permit soon afterwards with the option to earn up to 60% by funding three phases of activity. The Phase 1 component, which earned Chartwell NZ a 20% interest on completion in late 2007, included the funding of a 10.8km 2D seismic survey and the drilling of two exploration wells. Chartwell NZ then elected to proceed with Phase 2 of the farm-in to earn a further 30% in the permit. Earning of the Phase 2 interest involves either the completion of the agreed farm-in work programme, including 34.3 km of 2D seismic and drilling two coreholes and three pilot wells, or the cumulative expenditure of NZ$6.2 million.

At the time of the merger between Comet Ridge and Chartwell Energy in early 2009, the Phase 2 work programme had commenced and acquisition of the seismic had been completed. Integration of the newly acquired 2D seismic data with 10.4km of reprocessed existing seismic data was undertaken in early 2009 and a full technical review of the area completed. The results of this work highlighted the Dobson area as showing the greatest potential for a pilot CSG project. Wells immediately to the east (RM1 and Westgas 1, 2 & 3) indicated a coal seam of up to 5 m thickness in the primary Brunner Coal Measure sequence. Correlation with regional data also suggests additional significant coal measures could be present in the lower Paparoa sequence which has yet to be drilled in the Dobson area. All the major coals intersected demonstrated good gas contents,

saturation and permeability consistent with data collected from old coal and mine workings from the Dobson Coal Mine (immediately to the north). Planning for the Phase 2 work programme was well advanced during June 2009 with the locations for the wells being finalised and tendering for the third party services and sourcing of the long lead items for drilling completed.

PEP 50279 – Buller Block, South Island New Zealand

This very large permit of 8722km^2 was granted to the Chartwell NZ-led joint venture in April 2008 for an initial five-year term. The permit is located along the north-west coast of New Zealand's South Island in the West Coast Basin. Several working and abandoned coal mines are located across the entire permit in small localised sub-basins within the north-south elongated Paparoa Trough. The largest include the Charleston, Fox River, Pike River, Reefton and Greymouth coal mines. Limited data of variable quality exists, particularly in a regional sense, to guide exploration activities. The scarcity of reliable data across such a large area presents one of the greatest challenges to exploration within the permit.

The terms of the permit commitment required the joint venture to drill one exploration well within the first 12 months from the award date. Following a technical assessment of the available data, the Painkiller Creek 1 well was drilled in March 2009 in a location proximal to the Reefton Coal Field in the central western area of the permit. Despite the well's proximity to the known existing coal field, the Buller Coal Measures in this location were not developed. The well result highlighted the challenges to be faced in exploring this region due to the inherent rapid and abrupt changes within the coal measures. In early 2009, the joint venture commenced the planning for a detailed regional aeromagnetic survey. The survey has been specifically designed to high-grade the most prospective areas for significant basin/coal deposits. The key areas determined from the regional aeromagnetic survey will then be subject to a second more detailed aeromagnetic and aero gravity survey. Acquisition of the first round of aeromagnetic data is scheduled for late 2009. The second round aeromagnetic and aero gravity survey is planned for the first half of 2010.

In April, Macdonald Investments Limited (MIL) which originally held 40% equity in this permit advised of withdrawal effective 9 April 2009. Subsequently Chartwell NZ holds a 100% interest in the permit.

PEP 50280 – North Waikato Block, North Island New Zealand

The second of the large exploration permits operated by Chartwell NZ is PEP 50280 located in the Waikato Region, north and east of Hamilton. The permit was awarded in April 2008 for an initial 5-year term. Similarly to PEP 50279, this permit is flanked on its western boundary by large scale coal mining activities (Huntly & Rotowaro Coal Fields) operated by the Government owned Solid Energy New Zealand Ltd, the largest coal mining company in New Zealand. Following an initial technical review based on the existing database of coal drillholes, the Matata 1 exploration corehole well was drilled to fulfil the first year permit commitment. Located in the central portion of the permit, within the Whangamarino Coalfield area, the well encountered a thicker-than-expected sedimentary sequence. However the Waikato Coal Measures in this area were not developed sufficiently. The regional aeromagnetic survey discussed for PEP 50279 will also be acquired in PEP 50280 in late 2009 while detailed aeromagnetic and aerogravity survey acquisition is planned for 2010. Once armed with the integrated datasets from the airborne surveys and existing database (wells, seismic, geology etc) Chartwell NZ will be able to more accurately determine areas within the permit with the greatest CSG potential.

In April 2009, MIL which originally held 40% equity in this permit advised of withdrawal effective 9 April 2009. Subsequently Chartwell NZ holds a 100% interest in the permit.

Activities in the United States

Comet Ridge USA Inc, a wholly-owned subsidiary of Comet Ridge Limited, holds a 19.98% interest in Comet Ridge Resources LLC.

Activities in Comet Ridge USA have been discussed by project below. During the year to 30 June 2009, Comet Ridge USA Inc's interest in Comet Ridge Resources LLC was reduced to 20% due to the significant capital investment by Pine Brook Road Partners LLC, in line with the funding agreement between the parties that was executed in June 2008.

ROCKIES, USA

Florence Oil Field – Pine Ridge Oil & Gas, LLC, Operator with 97.25%

Four wells were drilled in the July quarter of 2008 with three of these (Golden, Apache and Rainbow) completed and put on production and the fourth well temporarily abandoned. Pine Ridge has been continuing to expand its acreage position. Additional drilling permits have been received.

New Exploration Project – Pine Ridge Oil & Gas, LLC, Operator with 100%

In May 2009, Pine Ridge successfully acquired leases covering a total of approximately 42,000 acres over a new prospect area in the Rockies. The leases are principally five-year leases and the acreage is considered to be prospective for oil.

PACIFIC NORTHWEST, USA

Grays Harbor – St Helens Energy, LLC, Operator with 100%

3-D and 2-D seismic surveys were acquired over two prospect areas in mid 2008. The data has been processed and is being interpreted to identify possible drilling targets. In June 2009, St Helens exercised a lease option to acquire over 43,000 acres in the Grays Harbor Basin.

Health, Safety and Environment

The Board of Comet Ridge is committed to undertaking all its activities, irrespective of their complexity or location, to the highest level of health and safety standards. This policy will be applied to both the Company's direct employees and contract workforce. Equally so, protection of the environment and respect for indigenous culture existing across the Company's portfolio remain at the forefront of planning and execution of every activity. This philosophy is communicated at all levels of the organisation and every employee is expected to adopt this culture in carrying out their duties for the Company.

No safety incidents (reportable or near misses) occurred during the reporting period.

Community

Comet Ridge is committed to developing and growing its relationships with all stakeholders should they be at a regulatory, joint venture or community level.

Directors

L to R: Tor McCaul, Chris Pieters, Stephen Rodgers (Company Secretary), Jeff Schneider, Gillian Swaby, James McKay

Jeff Schneider

Non-executive Chairman
B. Com

Mr Schneider joined the Comet Ridge Board and was elected Chairman on 28 August 2003. He holds a degree in commerce and has over 30 years of experience in the oil and gas industry, including 23 years with Woodside Petroleum Limited.

Mr Schneider's roles at Woodside included General Manager Commercial, accountable for business and strategic planning, mergers and acquisitions, as well as business performance of Woodside's North West Shelf investment.

In this position he was also responsible for marketing all of the company's products including natural gas, LNG, condensate and oil. Other roles within Woodside included Director Australian Gas where he was responsible for the commercialisation of reserves in the Otway Basin, Timor Sea and Browse Basin.

Tor McCaul

Managing Director
B.E. (Hons/Petroleum), B.Econ, MBA

Mr McCaul has 21 years oil and gas experience. He graduated with honours in Petroleum Engineering from UNSW in 1987 and spent the next 9 years based in Brisbane working for operating companies in technical roles on projects in Queensland, New Zealand and Papua New Guinea.

Mr McCaul spent the following 11 years in Asia (Karachi, Jakarta, Chennai and Delhi) working for British independent companies in technical, finance, commercial and management roles which included 4 years on the 23 million-tonne-per-annum Bontang LNG project in Indonesia -the world's largest – supplying LNG to Japan, South Korea and Taiwan. He joined Chartwell in Brisbane as Chief Executive Officer in 2008.

Mr McCaul is a member of the Society of Petroleum Engineers, having served in several positions, including Chairman, on the executive committee for the Queensland Section. He is also a past member of the UNSW Centre for Petroleum Engineering Advisory Committee.

Comet Ridge Directors and Australian based staff.

Gillian Swaby

Non-executive Director
B. Bus, FAICD, FCIS

Ms Swaby was appointed a Director on 9 January 2004. She has over 28 years experience in the Australian resources industry. She specialises in the areas of corporate secretarial practice, corporate law, accounting, financial management, and control.

Ms Swaby has a Bachelor of Business in Accounting and is a Fellow of the Australian Institute of Company Directors and a Fellow of the Chartered Institute of Secretaries.

Ms Swaby is the principal of a corporate consulting company and past Chair of the Western Australia Council of Chartered Secretaries of Australia and a former Director on their National Board.

James McKay

Non-executive Director
B.Com, LLB

Mr McKay is the former chairman of successful Coal Seam Gas explorer Sunshine Gas Limited, having overseen that company's growth to join the ranks of Australia's Top 150 with a market capitalisation approaching $1 billion prior to its merger with Queensland Gas Company.

Mr McKay brings to Comet Ridge a strong commercial background, with sound finance, business management and legal expertise. He holds degrees in commerce and law, and has been involved in the establishment and development of a number of other businesses.

Mr McKay is a founder of Chartwell and is a shareholder and Director of a privately-owned funeral services Group with interests in two cemeteries and crematoria. He is a past president of the Australasian Cemeteries and Crematoria Association, having served on its board for over 7 years.

Chris Pieters

Non-executive Director
B.Sc (Hons) B.Bus

Mr Pieters is Managing Director and co-founder of Walcot Capital Pty Ltd, a private venture capital business specialising in energy investment. Prior to that he was Chief Commercial Officer of Sunshine Gas Limited where he was a key member of the team that built the company that merged with Queensland Gas Company in 2008. Chris also held other technical and business development roles whilst at Sunshine Gas.

Mr Pieters has a Bachelor of Science (Geology) and a Bachelor of Business from The University of Queensland, and an Honours degree in Petroleum Geology and Geophysics from The Australian School of Petroleum. Chris is a member of the Petroleum Exploration Society of Australia.

Annual Financial Report

2009

Directors' Report

Your Directors present their report on Comet Ridge Limited ('the Company") and the consolidated entity ("the Group") for the financial year ended 30 June 2009. The Company was incorporated on 28 August 2003 and listed on the Australian Securities Exchange on 16 April 2004.

1. Directors

		Appointed	Resigned
Jeff Schneider	Non-executive Chairman	28/08/2003	
Tor McCaul	Managing Director	16/04/2009	
Gillian Swaby	Non-executive Director	09/01/2004	
James McKay	Non-executive Director	16/04/2009	
Chris Pieters	Non-executive Director	16/04/2009	
David Bradshaw	Managing Director	01/09/2008	13/11/2008
	Non-executive Director	07/11/2007	31/08/2008
Gary Drobnack	Non-executive Director	03/10/2006	16/04/2009
Andrew Lydyard	Managing Director	01/10/2003	13/08/2008
	Non-executive Director	01/09/2008	16/04/2009

2. Principal Activities

The principal activities of the Group during the financial year were to carry out coal seam gas (CSG) exploration and appraisal. The Group has tenement interests and a suite of prospective projects in Australia and New Zealand and an investment in a joint venture company based in the United States.

Shareholders approved a change in the scale of activities of the Company at the General Meeting held 16 April 2009. The acquisition of Chartwell Energy Limited constituted a significant change in the scale of the Company's activities and consequently required shareholder approval pursuant to Listing Rule 11.1.

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

3. Review of Results of Operations

The loss after tax of the Group for the financial year ended 30 June 2009 amounted to $21,688,069 (2008: loss of $1,203,811). The largest component of the loss ($18,410,663) results from a goodwill impairment which arises from the reverse acquisition accounting from the April merger of Chartwell Energy Limited and Comet Ridge Limited.

A review of the Group activities is set out in the accompanying Overview of Activities in the Annual Report.

4. Significant Changes in State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

(a) Comet Ridge merged on 16 April 2009 with Chartwell Energy Limited ("Chartwell"). The merger saw the Company reinvigorated with new Board members bringing a wealth of CSG technical and business experience from their involvement in Sunshine Gas Limited, a Brisbane based organisation with highly experienced management and technical staff. Details of the merger were as follows:-

- Chartwell shareholders were issued 128,750,002 Comet Ridge shares in return for their Chartwell shares resulting in the merged entity being owned approximately 55% by Chartwell shareholders and approximately 45% by Comet Ridge shareholders respectively. Pursuant to Australian Accounting Standard AASB 3 'Business Combinations', this transaction represented a reverse acquisition with the result that Chartwell was identified as the acquirer of Comet Ridge Limited (the "acquiree" and "legal parent"). Further to the reverse acquisition, the consolidated financial statements for the year ended 30 June 2009 and 30 June 2008 reflects the assets, liabilities and results of operations of Chartwell, the legal subsidiary prior to the reverse acquisition and the consolidated assets, liabilities and results of operations of Comet Ridge Limited and Chartwell subsequent to the reverse acquisition. The consolidated financial statements are issued under the name of the legal parent (Comet Ridge Limited) but are deemed to be a continuation of the legal subsidiary (Chartwell).

  The Board of the merged entity was constituted by three Chartwell related Directors, and two Comet Ridge Board members who continued after the merger.

- The merged entity resulted in the combination of the assets of the merged entities including:-

  (i) Prospective CSG assets in New Zealand (a total of approximately 12,500km – in the north and south island);

  (ii) Prospective CSG acreage in Australia in the Mahalo project in the Bowen Basin, the Galilee Basin and permits in northern New South Wales;

  (iii) Investment in Comet Ridge Resources, LLC providing exposure to prospective oil and gas exploration and development projects in the United States; and

  (iv) Cash of approximately $8 million.

(b) The Company completed in May 2009 a share placement to sophisticated and institutional investors issuing 22,000,000 ordinary shares at $0.34 per share, raising approximately $7.48 million (less issue costs), primarily to fund the exploration and appraisal of the Company's key CSG projects, being the Galilee Basin and Mahalo Projects in Queensland and the Greymouth Project in New Zealand;

(c) The Company completed in June 2009 a non-renounceable one for five entitlement issue which allowed each shareholder to subscribe for one new share for every five shares held as at the entitlement record date at $0.27 per share. The Company issued 51,225,192 ordinary shares raising approximately $13.8 million (less underwriting costs);

(d) By a Deed of Redemption dated 29 June 2009 the Company redeemed and cancelled 1,000,000 convertible notes of $1 each that were issued in accordance with a Convertible Note Deed dated 9 February 2009 with Chartwell as part of the merger process;

(e) The Queensland Government formally awarded ATP743 in the Galilee Basin to Comet Ridge on 4 September 2009. The Company holds 100% equity in the permit which covers an area of 6,476km^2 in Central Queensland and is situated approximately 500km north-west of Gladstone;

(f) The Company has executed a services contract with Atlas Drilling Co Pty Ltd for the eight well coring campaign to be undertaken by the Company in its permits ATP743 and ATP744 in the Galilee Basin area of central Queensland. Drilling is expected to commence in November 2009; and

(g) A dispute arose during September 2009 in the PMP50100 joint venture in relation to the operatorship of the same. The Company has commenced steps to resolve the dispute in accordance with the terms of the Joint Operating Agreement.

Directors' Report (continued)

5. Dividends Paid or Recommended

The Directors recommend that no dividend be paid or declared at this point in time. No amounts have been paid or declared by way of dividend during the financial year.

6. After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years, except as disclosed in note 31 in the accompanying financial report.

7. Future Developments and Expected Results

The Group proposes to continue its exploration programmes and investment activities. Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Therefore this information has not been presented.

8. Environmental Regulations

The Group's operations are subject to environmental regulation under the laws of Australia, United States and New Zealand where it undertakes its exploration, development and production activities. It is the Group's policy to engage appropriately experienced contractors and consultants to advise on and ensure compliance with its environmental performance obligations.

There have been no reports of breaches of any environmental regulations or obligations in the financial year and at the date of this report.

9. Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2009 has been received and is attached to this report.

10. Auditors

Johnston Rorke was appointed as auditors in accordance with section 327 of the Corporations Act 2001 on 16 April 2009, as approved by shareholders on that date.

11. Information on Directors

The following persons were Directors of Comet Ridge Limited during the financial year. Directors have been in office since the start of the financial year to the date of this report unless otherwise stated:-

Directors

Jeff Schneider	Non-executive Chairman
Qualifications	B. Com
Experience	Mr Schneider joined the Comet Ridge Board and was elected Chairman on 28 August 2003. He holds a degree in commerce and has over 30 years of experience in the oil and gas industry, including 23 years with Woodside Petroleum Limited. Mr Schneider's roles at Woodside included General Manager Commercial, accountable for business and strategic planning, mergers and acquisitions, as well as business performance of Woodside's North West Shelf investment. In this position he was also responsible for marketing all of the company's products including natural gas, LNG, condensate and oil. Other roles within Woodside included Director Australian Gas where he was responsible for the commercialisation of reserves in the Otway Basin, Timor Sea and Browse Basin.
Interest in shares and options	3,398,732 ordinary shares 500,000 unlisted options - exercisable at $0.419 - expiring 31 December 2009 2,000,000 unlisted options - exercisable at $0.269 - expiring 30 June 2012
Age	58
Special Responsibilities	Member of Audit Committee Member of Remuneration Committee
Directorships held in other listed entities.	Strike Oil Limited
Tor McCaul	Managing Director
Qualifications	B.E. (Hons/Petroleum), B.Econ, MBA
Experience	Mr McCaul has 21 years oil and gas experience. He graduated with honours in Petroleum Engineering from UNSW in 1987 and spent the next 9 years based in Brisbane working for operating companies in technical roles on projects in Queensland, New Zealand and Papua New Guinea. Mr McCaul spent the following 11 years in Asia (Karachi, Jakarta, Chennai and Delhi) working for British independent companies in technical, finance, commercial and management roles which included 4 years on the 23 million-tonne-per-annum Bontang LNG project in Indonesia -the world's largest – supplying LNG to Japan, South Korea and Taiwan. He joined Chartwell in Brisbane as Chief Executive Officer in 2008. Mr McCaul is a member of the Society of Petroleum Engineers, having served in several positions, including Chairman, on the executive committee for the Queensland Section. He is also a past member of the UNSW Centre for Petroleum Engineering Advisory Committee.
Interest in Shares and options	5,150,000 unlisted options - exercisable at $0.269 - expiring 30 June 2012
Age	43
Special Responsibilities	Chairman of Risk Committee

Directors' Report (continued)

Gillian Swaby	Non-executive Director
Qualifications	B. Bus, FAICD, FCIS
Experience	Ms Swaby was appointed a Director on 9 January 2004. She has over 28 years experience in the Australian resources industry. She specialises in the areas of corporate secretarial practice, corporate law, accounting, financial management, and control. Ms Swaby has a Bachelor of Business in Accounting and is a Fellow of the Australian Institute of Company Directors and a Fellow of the Chartered Institute of Secretaries. Ms Swaby is the principal of a corporate consulting company and past Chair of the Western Australia Council of Chartered Secretaries of Australia and a former Director on their National Board.
Interest in Shares and options	4,908,000 ordinary shares 500,000 unlisted options - exercisable at $0.419 - expiring 31 December 2009
Age	49
Special Responsibilities	Chairperson of the Audit Committee
Directorships held in other listed entities.	Non-executive Director Deep Yellow Limited

James McKay	Non-executive Director
Qualifications	B.Com, LLB
Experience	Mr McKay is the former chairman of successful Coal Seam Gas explorer Sunshine Gas Limited, having overseen that company's growth to join the ranks of Australia's Top 150 with a market capitalisation approaching $1 billion prior to its merger with Queensland Gas Company. Mr McKay brings to Comet Ridge a strong commercial background, with sound finance, business management and legal expertise. He holds degrees in commerce and law, and has been involved in the establishment and development of a number of other businesses. Mr McKay is a founder of Chartwell and is a shareholder and Director of a privately-owned funeral services Group with interests in two cemeteries and crematoria. He is a past president of the Australasian Cemeteries and Crematoria Association, having served on its board for over 7 years.
Interest in Shares and options	29,795,434 ordinary shares 5,150,000 unlisted options - exercisable at $0.169 - expiring 30 June 2012
Age	42
Special Responsibilities	Member of Audit Committee Chairperson of the Remuneration Committee
Former listed company Directorships in last 3 years	Sunshine Gas Limited (from 17 February 2004 to 15 December 2008)

Chris Pieters	Non-executive Director
Qualifications	B.Sc (Hons) B.Bus
Experience	Mr Pieters is Managing Director and co-founder of Walcot Capital Pty Ltd, a private venture capital business specialising in energy investment. Prior to that he was Chief Commercial Officer of Sunshine Gas Limited where he was a key member of the team that built the company that merged with Queensland Gas Company in 2008. Chris also held other technical and business development roles whilst at Sunshine Gas. Mr Pieters has a Bachelor of Science (Geology) and a Bachelor of Business from The University of Queensland, and an Honours degree in Petroleum Geology and Geophysics from The Australian School of Petroleum. Chris is a member of the Petroleum Exploration Society of Australia.
Interest in Shares and options	1,000,000 ordinary shares 1,287,500 unlisted options - exercisable at $0.169 - expiring 30 June 2012
Age	27
Special Responsibilities	Member of Risk Committee Member of Audit Committee Member of Remuneration Committee
David Bradshaw	Former Managing Director from 1 September 2008 to 13 November 2008 Director (Non-executive) 7 November 2007 to 31 August 2008
Qualifications	BBA Accounting, MBA, CPA
Experience	Mr Bradshaw joined Comet Ridge on 7 November 2007. He has a broad based and successful industry background in accounting, oil and gas financing and executive management, including the position of CEO and Chairman of the Board for Tipperary Corporation from 1997 through to 2005. Tipperary was majority owner of the very significant Fairview coal seam gas field in eastern Queensland. During his tenure as CEO and Chairman of Tipperary, the company's proved gas reserves grew from 37 BCF to 581 BCF. In 2005, when the company was sold to Santos Limited in a transaction valued at approximately $600 million, the company had proved plus probable gas reserves in excess of 1.3 TCF.
Age	54
Gary Drobnack	Non-executive Director (Resigned 16 April 2009)
Qualifications	B.S. (Forest Science) M.F. (Forest Management) (Yale University)
Experience	Mr Drobnack joined Comet Ridge on 3 October 2006. He has over 34 years of business management and commercial experience, primarily in the timberlands and forest products businesses, where he was a senior executive with Weyerhaeuser company. He has extensive U.S. and international experience including periods of residence in Indonesia, Hong Kong, Australia, and South Africa. At the time of his retirement from Weyerhaeuser, he headed Weyerhaeuser's international forest products/timberlands business in South America and Australasia.
Interest in Shares and options	500,000 unlisted options - exercisable at $0.419 - expiring 31 December 2009
Age	64
Special Responsibilities	Mr Drobnack was a member of the Audit Committee and Remuneration Committee.

Directors' Report (continued)

Andrew Lydyard	Former Managing Director to 31 August 2008 Non-executive Director from 31 August 2008 to 16 April 2009
Qualifications	B.AppSc (Applied Geology)
Experience	Mr Lydyard joined Comet Ridge on 1 October 2003. He has 26 years technical and managerial experience in the global oil and gas industry. He has extensive experience in the development and production of coal seam gas (CSG) operations, particularly in the San Juan and Powder River basins, in the USA. He was instrumental in building a substantial CSG business for J M Huber Corporation, as the company's Vice President, CSG. In 2001 he joined Strike Oil Limited to build the company's CSG business, before moving to Comet Ridge in 2003. In recognition of the increased emphasis on the United States, he relocated to Denver, Colorado in December 2005. Mr Lydyard accepted the position of President & CEO of Comet Ridge Resources, LLC in 2008 and as a consequence resigned as Managing Director.
Interest in Shares and options	1,011,286 ordinary shares in Comet Ridge Limited 1,500,000 unlisted options - exercisable at $0.419 – expiring 31 December 2009
Age	52

12. Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board committee held during the financial year ended 30 June 2009 and the number of meetings attended by each Director were:-

	Board		Audit Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
J Schneider	11	11	2	2	2	2
T McCaul	3	3	*	*	*	*
G Swaby	11	9	2	2	*	*
J McKay	3	3	0	0	0	0
C Pieters	3	2	0	0	0	0
D Bradshaw	5	5	*	*	*	*
G Drobnack	8	7	2	2	2	2
A Lydyard	8	8	*	*	*	*

* = Not a member of the relevant committee

Remuneration Report – audited

13. Remuneration Policy

The remuneration policy of Comet Ridge Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial and/or operational results. The Board of Comet Ridge Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Group, as well as create goal congruence between Directors, executives and shareholders.

The Board's policy for determining the nature and amount or remuneration for the board members and senior executives of the Group is as follows:-

- The remuneration policy is to be developed by the Remuneration Committee and approved by the Board after seeking, if appropriate, professional advice from independent external consultants.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- Performance incentives are generally only paid once predetermined key performance indicators have been met.
- Incentives paid in the form of options or rights are intended to align the interests of management, the Directors and company with those of the shareholders. In this regard, key management personnel are prohibited from limiting risk attached to those instruments by use of derivatives or other means.

The Remuneration Committee reviews key management personnel packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

Key management personnel and Non-executive Directors receive the superannuation guarantee contribution required by the Commonwealth Government, which is currently 9% (to a maximum of $13,745), and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

Non-executive Director Remuneration

The Board's policy is to remunerate Non-executive Directors at market rates for time, commitment and responsibilities. The Remuneration Committee determines payments to the Non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to Non-executive Directors is subject to approval by shareholders at the Annual General Meeting. The latest determination was at the Annual General Meeting held on 29 November 2006 when shareholders approved an aggregate remuneration of AU$200,000 per year. The Board is seeking to increase this amount at this year's Annual General Meeting.

Fees for Non-executive Directors are not linked to the performance of the Group, however, to align Directors interests with shareholder interests, the Directors are encouraged to hold shares in the Company. There is no minimum holding prescribed in the Constitution.

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed.

Directors' Report (continued)

Performance Conditions Linked to Remuneration

The Board has established a Remuneration Committee which provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for Executive Directors, other senior executives and Non-executive Directors.

The Corporate Governance Statement provides further information on the role of this Committee.

Remuneration and the terms and conditions of Employment for Executive Directors and company executives are reviewed annually having regard to performance and relative comparative information, and are approved by the Board after the Remuneration Committee has sought independent professional advice, as required. In this respect, consideration is given to normal commercial rates of remuneration for similar levels of responsibility.

A bonus element of remuneration for the Managing Director is determined in relation to the achievement of established goals in certified reserves.

Details of Remuneration

Directors

Current Directors			
Jeff Schneider	Non-executive Chairman	-	Appointed 28 August 2003
Tor McCaul	Managing Director	-	Appointed 16 April 2009
Gillian Swaby	Non-executive Director	-	Appointed 9 April 2004
James McKay *	Non-executive Director	-	Appointed 16 April 2009
Chris Pieters	Non-executive Director	-	Appointed 16 April 2009
Former Directors			
David Bradshaw	Managing Director	-	Appointed 1 September 2008
		-	Resigned 13 November 2008
Gary Drobnack	Non-executive Director	-	Resigned 16 April 2009
Andrew Lydyard	Non-executive Director	-	Appointed 1 September 2008
		-	Resigned 16 April 2009
	Managing Director	-	Appointed as MD 1 October 2003
		-	Resigned as MD 31 August 2008
Anthony Gilby *	Executive Director		
Ian Galloway *	Non-executive Director		

* James McKay, Anthony Gilby and Ian Galloway are former Directors of Chartwell Energy Limited. As a consequence of the reverse acquisition, the remuneration of all former Directors and other former key management personnel of Chartwell Energy Limited are reflected in the remuneration table below.

Other key management personnel

Current Senior Executives			
Stephen Rodgers	Company Secretary	-	Appointed 16 April 2009

Table of Benefits and Payments for the Year Ended 30 June 2009

Details of financial remuneration of each Director of Comet Ridge Limited and each of the other key management personnel of the Group during the year are set out in the following table:

		Short-term benefits		Post-Employment		Share-based payments		Proportion of remuneration performance related
		Cash Salary and Fees $	Cash Bonus $	Super-annuation $	Termination Benefits $	Options $	Total $	%
Current Directors & Executives								
J Schneider	2009	**52,704**	**-**	**4,743**	**-**	**299,986**	**357,433**	**0%**
	2008	38,797	-	-	-	28,046	66,843	0%
T McCaul	2009	**252,723**	**-**	**50,000**	**-**	**94,133**	**396,856**	**0%**
	2008	-	-	-	-	-	-	-
G Swaby	2009	**59,838**	**-**	**3,945**	**-**	**-**	**63,783**	**0%**
	2008	84,361	-	3,205	-	28,046	115,612	0%
J McKay	2009	**144,542**	**-**	**1,759**	**25,000**	**119,895**	**291,196**	**11%**
	2008	168,367	-	1,309	-	35,795	205,471	0%
C Pieters	2009	**7,292**	**-**	**656**	**-**	**29,974**	**37,922**	**0%**
	2008	-	-	-	-	-	-	-
S Rodgers	2009	**171,252**	**25,000**	**-**	**-**	**29,974**	**226,226**	**0%**
	2008	-	-	-	-	-	-	-
Total Current Directors and Executives	2009	**688,351**	**25,000**	**61,103**	**25,000**	**573,962**	**1,373,416**	
	2008	291,525	-	4,514	-	91,887	387,926	
Former Directors & Executives								
D Bradshaw	2009	**120,474**	**-**	**-**	**-**	**-**	**120,474**	**0%**
	2008	25,727	-	-	-	25,727	51,454	0%
G Drobnack	2009	**30,298**	**-**	**-**	**-**	**-**	**30,298**	**0%**
	2008	38,797	-	-	-	28,046	66,843	0%
A Lydyard	2009	**23,870**	**-**	**-**	**-**	**-**	**23,870**	**0%**
	2008	289,513	30,418	19,143	-	84,137	423,211	0%
I Galloway	2009	**12,250**	**-**	**1,103**	**-**	**29,974**	**43,327**	**0%**
	2008	14,544	-	1,309	-	12,500	28,353	0%
A Gilby	2009	**137,250**	**-**	**1,103**	**25,000**	**119,895**	**283,248**	**0%**
	2008	164,644	-	1,309	-	35,795	201,748	0%
Former Directors & Executives	2009	**324,142**	**-**	**2,206**	**25,000**	**149,869**	**501,217**	
Total	2008	533,225	30,418	21,761	-	186,205	771,609	

There were no other executives of the parent entity or the Group.

Directors' Report (continued)

Service Contracts

The following outlines the remuneration and other terms of employment for the following personnel which are formalised in employment contracts for services.

Tor McCaul	Managing Director (Appointed 16 April 2009)
Term of Agreement:	No fixed term
Base Salary:	$305,000 (Inclusive of superannuation)
Termination Benefit:	Three (3) months base salary is to be paid in lieu of notice of termination. Six (6) months is payable if services are terminated due to change of control event.
Termination Notice:	The Company or Mr McCaul may terminate the Agreement at any time providing each other a minimum of 3 months notice. No termination benefit is required if terminated for cause.
Stephen Rodgers	Company Secretary (Appointed 16 April 2009)
Term of Agreement:	No Fixed Term
Base Salary:	$141,792 (Based on 28 hours per week and a 48 week year)
Termination Benefit:	No termination benefit is payable if terminated for cause. If the Company terminates the services of Cuirass Pty Ltd, the consulting entity through which Mr Rodgers provides his services to the Company, at any time on or before 30 April 2010 (except when the termination is with cause) the consulting entity shall be entitled to receive a termination payment of up to twenty-six (26) weeks of the consultancy fees where one (1) week of consultancy fees shall be equal to 28 hours calculated at the hourly rate applicable.
Termination Notice:	The Company may give the Company Secretary's consulting entity, Cuirass Pty Ltd, thirty (30) days notice of its intention to terminate the Agreement.
David Bradshaw	Former Managing Director (Appointed 1 September 2008, Resigned 13 November 2008)
Term of Agreement:	1 September 2008 to 31 December 2010
Base Salary:	US$320,000
Termination Benefit:	Base salary is to be paid through the remainder of the contract if terminated without cause, limited to one year's base salary. On resignation Mr Bradshaw was, by agreement, paid to the date of resignation only.
Termination Notice:	The Company or Mr Bradshaw may terminate the agreement at anytime. No termination benefit is required if terminated for cause.
Andrew Lydyard	Former Managing Director (Resigned 31 August 2008)
Term of Agreement:	Three years commencing on 1 January 2006
Base Salary:	US$264,000 as at 1 September 2007
Termination Benefit:	Base salary is to be paid through the remainder of the contract if terminated without cause.

Changes in Key Management Personnel Subsequent to Year-end

Christopher Palin was appointed as Chief Financial Officer effective 20 July 2009. Mr Palin is a qualified accountant of 23 years experience. He holds a Graduate Certificate in Professional Accounting and is currently completing a Masters of Commerce degree. He has had extensive experience in senior financial roles, most notably as Financial Controller of Jupiters Ltd from 2001 to 2003 and as Chief Financial Officer of Bridgeworks Personnel Ltd from 2005 to 2006.

Details of his employment are as follows:-

Chris Palin	Chief Financial Officer (Appointed 20 July 2009)
Term of Agreement:	No fixed term
Base Salary:	$205,000 per annum (inclusive of superannuation)
Termination Benefit:	No termination benefit is payable if terminated for cause
Termination Notice:	At any time up to 20 September 2010, Comet Ridge may terminate Mr Palin's employment by giving him three (3) months notice, or paying him in lieu thereof three (3) months of the base salary or the balance of the initial term ending 20 October 2010, whichever is the greater amount. After the initial te rm, which expires on 20 October 2010, Comet Ridge may terminate the employment of Mr Palin on the giving of three (3) months notice for the payment of the equivalent of three (3) months of the base salary in lieu of some or all of such notice period.

Securities Received that are not Performance Related

No members of key management personnel are entitled to receive securities which were not performance-based as part of their remuneration package.

Cash Bonuses, Performance-related Bonuses and Share-based Payments

The terms and conditions relating to options and bonuses granted as remuneration during the year to key management personnel and other executives during the year are as follows:

Tor McCaul (Managing Director)

Upon the merger of the Company and Chartwell Energy Limited it was a condition of the Merger Implementation Deed that Mr McCaul was issued 5,150,000 options for the purchase of ordinary shares in the Company. These options are exercisable at $0.269 each and expire on 30 June 2012 in exchange for which he transferred to the Company the options held by him in Chartwell.

The options were issued in two tranches of 2,575,000 each. The first tranche vested immediately while the second tranche remains subject to and will vest upon the receipt by the Company of an independent certification of 100PJ Proved and Probable Gas reserves.

Options and Rights Granted

There were no options exercised during the financial year by any key management personnel.

Description of Options / Rights Issued as Remuneration

The terms and conditions relating to options and bonuses granted as remuneration during the year to key management personnel and other executives during the year are as follows:-

	Number Granted	Options Granted as part of Remuneration (Total Value)	Value of Options Granted During Year (Vesting Portion to 30 June 2009)	Total Remuneration Represented by Options %
Current Directors and Executives				
J Schneider	2,000,000	299,986	299,986	84%
T McCaul	5,150,000	94,133	94,133	24%
J McKay	5,150,000	119,895	119,895	41%
C Pieters	1,287,500	29,974	29,974	79%
S Rodgers	1,287,500	29,974	29,974	13%
Former Directors and Executives				
A Gilby	5,150,000	119,895	119,895	42%
I Galloway	1,287,500	29,974	29,974	69%
	21,312,500	**723,831**	**723,831**	

Option values at grant date were determined using the Black-Scholes method. Details relating to service and performance criteria required for vesting have been provided in the previous table.

No ordinary shares were issued during the financial year as a result of the exercise of options by key management personnel.

Performance-related Bonuses and Share-based Payments made subsequent to Year End

Details of the options granted as remuneration to those key management personnel and executives during and since the end of the financial year were as follows:-

- The Company has agreed to grant to Christopher Palin, the Chief Financial Officer, two (2) tranches of 500,000 options each both of which are linked to the continuity and length of his employment.
- The first tranche of 500,000 options will vest on 21 October 2010 and are exercisable at $0.55 per share. The second tranche of 500,000 options will vest on 21 July 2011 and are exercisable at $0.70 per share.

Details of unissued ordinary shares under options held by Directors and executives are as follows:-

	Vested No.	Granted No.	Grant Date	Fair Value per option at grant date $	Exercise price per option $	First Exercise Date	Last Exercise Date
Directors							
J Schneider	500,000	500,000	31/12/06	0.110	0.419	31/12/07	31/12/09
	2,000,000	2,000,000	16/04/09	0.150	0.419	16/04/09	30/06/12
T McCaul	2,575,000	5,150,000	16/04/09	0.018	0.269	16/04/09	30/06/12
G Swaby	500,000	500,000	31/12/06	0.110	0.419	31/12/07	31/12/09
J McKay	5,150,000	5,150,000	16/04/09	0.023	0.169	16/04/09	30/06/12
C Pieters	1,287,500	1,287,500	16/04/09	0.170	0.169	16/04/09	30/06/12
G Drobnack	500,000	500,000	31/12/06	0.110	0.419	31/12/07	31/12/09
A Lydyard	1,500,000	1,500,000	31/12/06	0.110	0.419	31/12/07	31/12/09
Current Executives							
S Rodgers	1,287,500	1,287,500	16/04/09	0.023	0.169	16/04/09	30/06/12
Former Chartwell Directors							
A Gilby	5,150,000	5,150,000	16/04/09	0.023	0.169	16/04/09	30/06/12
I Galloway	1,287,500	1,287,500	16/04/09	0.023	0.169	16/04/09	30/06/12
TOTAL	**21,737,500**	**24,312,500**					

Other Equity Share based Payment Information

A. Exercise Price of Unlisted Options

During the financial year the Company gave all eligible shareholders the opportunity to participate in a non-renounceable entitlement offer to acquire 1 new share for every 5 shares held as at 27 May 2009. As at 26 June 2009, the Company had 32,785,000 unlisted options on issue which were granted pursuant to the Company's Option Plan Rules.

Pursuant to the Option Plan Rules option holders did not have the right to participate in the entitlement offer without exercising their options. No option holders exercised their options prior to the record date and accordingly did not participate in the entitlement offer.

Directors' Report (continued)

As a result of the entitlement offer and the effective dilution of the options, the Directors exercised their discretion to re-calculate the exercise price of the options downward pursuant to Listing Rule 6.22.2. All other terms of the options as set out in the Plan Rules remained unaltered.

	Number of Options	Original Exercise Price	Date of Variation	Revised Exercise Price	Date of Expiry
Tranche 1	1,250,000	$0.45	26/06/2009	$0.419	31/07/2009
Tranche 2	1,432,500	$0.45	26/06/2009	$0.419	10/11/2009
Tranche 3	3,500,000	$0.45	26/06/2009	$0.419	31/12/2009
Tranche 4	3,800,000	$0.45	26/06/2009	$0.419	01/08/2011
Tranche 5	30,000	$0.45	26/06/2009	$0.419	04/09/2011
Tranche 6	130,000	$0.45	26/06/2009	$0.419	03/12/2011
Tranche 7	300,000	$0.45	26/06/2009	$0.419	06/12/2011
Tranche 8	15,192,500	$0.20	26/06/2009	$0.169	30/06/2012
Tranche 9	7,150,000	$0.30	26/06/2009	$0.269	30/06/2012
TOTAL	**32,785,000**				

B. Issue of Options on Merger to Chartwell Option holders

Pursuant to the terms of the merger between the Company and Chartwell, the Company was required to offer to each option holder of Chartwell Energy Limited (Chartwell) 5.15 Company Options for every 1 Chartwell option as per the table below:-

	Chartwell Options	New Comet Options	Chartwell Options exercise price	New Comet Options exercise price*	New Comet Options date expiration
Current Directors					
T McCaul	500,000	2,575,000	$1.50	$0.30	30/06/2012
	500,000	2,575,000	$1.50	$0.30	30/06/2012
J McKay	1,000,000	5,150,000	$1.00	$0.20	30/06/2012
C Pieters	250,000	1,287,500	$1.00	$0.20	30/06/2012
Current Executives and Employees					
S Rodgers	250,000	1,287,500	$1.00	$0.20	30/06/2012
J Weir	100,000	515,000	$1.00	$0.20	30/06/2012
A Magee	100,000	515,000	$1.00	$0.20	30/06/2012
Former Directors					
A Gilby	1,000,000	5,150,000	$1.00	$0.20	30/06/2012
I Galloway	250,000	1,287,500	$1.00	$0.20	30/06/2012
Total	**3,950,000**	**20,342,500**			

* These exercise prices were subsequently reduced by the option repricing.

The effect of the merger on the option structure of the Company was as follows:-

Options on issue prior to merger	11,005,000
Options issued to Jeffrey Schneider pursuant to General Meeting 16 April 2009	2,000,000
Options issued to Chartwell option holders	20,342,500
Total options	**33,347,500**

C. Replacement Issue of Unlisted Options to Former Employees

In mid 2008, the Company vended its US assets into a joint venture entity, Comet Ridge Resources, LLC. As a consequence, the then US based employees no longer qualified under the Comet Ridge Employee Share Incentive Option Plan for 2,730,000 options which at the time remained unvested.

In order to equitably deal with these former employees, the Directors agreed to issue 2,730,000 vested unlisted options on the same terms and conditions to the former Comet Ridge Limited employees, who were then employed by Comet Ridge Resources, LLC. The parties agreed not to exercise the earlier options as a condition of receiving the replacement options. The details of the options that were issued are as follows:

	Previous Number of Options	Replacement Options	Exercise Price	Date of Expiry
Tranche 1	890,000	250,000	$0.45	31/07/2009
Tranche 2	75,000	37,500	$0.45	26/06/2009
Tranche 3	1,300,000	477,500	$0.45	10/11/2009
Tranche 4	400,000	1,900,000	$0.45	01/08/2011
Tranche 5	65,000	65,000	$0.45	03/12/2011
TOTAL	**2,730,000**	**2,730,000**		

14. Insurance of Officers

During the year the Company insured Directors and certain officers of the Company and related bodies corporate. The officers of the Company covered by the insurance policy include some of the Directors named in this report. The Directors' and Officers' Liability Insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers of the Company or a related body corporate. The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. Disclosure of the nature of the liability cover is subject to a confidentiality clause under the insurance policy.

15. Proceedings on Behalf of Company

No person has applied for leave of Court under section 237 of the *Corporations Act 2001* to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Directors' Report (continued)

16. Company Secretary

Ms Gillian Swaby was Company Secretary from the beginning of the period until her resignation on 16 April 2009 as Company Secretary.

Mr Stephen Rodgers was appointed Company Secretary on 16 April 2009 and continues in office at the date of this report.

Stephen Rodgers is a lawyer with 20 years experience and holds a Bachelor of Laws degree from QUT. After practicing law with several firms in Brisbane over a 12 year period he then operated his own specialist commercial and property law practice for 7 years. Stephen then joined the successful team at Sunshine Gas Limited, where he was the in-house Legal and Commercial Counsel, a broad role which also included assisting the Company Secretary with many of the facets of that position. Since 2007, Stephen has been the Company Secretary of Chartwell Energy Limited (now a subsidiary of Comet Ridge Limited), a position which he continues to hold. He is also Company Secretary of Tlou Energy Pty Ltd and Walcot Capital Pty Ltd.

17. Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

The Board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:-

- all non-audit services have been reviewed to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

Details of the amounts paid or payable to the auditor for audit services provided during the year are set out in the financial report.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:-

	Consolidated	
	2009	**2008**
Johnston Rorke	**$**	**$**
Accounting advice	**35,000**	-
Tax consulting and compliance services	**26,900**	7,150
Total remuneration for non-audit services	**61,900**	7,150

This report is made in accordance with a resolution of the Board of Directors.

Tor McCaul
Managing Director

30 September 2009

JOHNSTON RORKE
CHARTERED ACCOUNTANTS
JR

Level 30, Central Plaza One
345 Queen Street Brisbane Q 4000
GPO Box 1144 Brisbane Q 4001
Ph 07 3222 8444 / Fax 07 3222 8300
Website www.jr.com.au
Email jr@jr.com.au

Auditor's Independence Declaration

The Directors
Comet Ridge Limited
210 Alice Street
BRISBANE QLD 4000

Auditor's Independence Declaration

As lead engagement partner for the audit of the financial report of Comet Ridge Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

JOHNSTON RORKE
Chartered Accountants

W. R. FACE
Partner

Brisbane, Queensland
30 September 2009

Liability limited by a scheme approved under Professional Standards Legislation

Income Statements

For the Year Ended 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Revenue	3	**806,057**	721,714	**64,842**	77,936
Other income	3	**-**	-	**164,978**	-
Employee benefits expense		**(1,254,540)**	(50,409)	**(686,616)**	(784,150)
Consultancy costs		**(498,769)**	(863,420)	**(164,723)**	(1,970)
Depreciation and amortisation expense		**(10,296)**	(103)	**-**	(10,480)
Finance costs		**(3,684)**	(239)	**(51,103)**	-
Impairment – goodwill	2	**(18,410,663)**	-	**-**	-
– loans to subsidiaries	8	**-**	-	**(3,394,378)**	(3,759,260)
– investment in subsidiaries	11	**-**	-	**(31,902,931)**	(2,968,835)
– financial asset	12	**(664,475)**	-	**-**	-
– exploration expenditure	15	**(621,363)**	(749,330)	**-**	(7,249)
Other expenses		**(1,130,429)**	(262,024)	**(744,209)**	(665,850)
Loss before income tax	4	**(21,788,162)**	(1,203,811)	**(36,714,140)**	(8,119,858)
Income tax credit	5	**100,093**	-	**-**	-
Loss attributable to members		**(21,688,069)**	(1,203,811)	**(36,714,140)**	(8,119,858)

		Cents	Cents
Basic loss per share (cents per share)	6	**(14.1)**	(1.4)
Diluted loss per share (cents per share)	6	**(14.1)**	(1.4)

The above income statements should be read in conjunction with the accompanying notes.

Balance Sheets

As at 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
ASSETS					
Current assets					
Cash and cash equivalents	7	**22,078,774**	8,950,892	**20,489,039**	185,886
Trade and other receivables	8	**1,134,667**	39,386	**373,458**	313,594
Inventories	9	**108,877**	-	**-**	-
Other assets	10	**3,726,434**	4,816	**195,597**	41,255
Total current assets		**27,048,752**	8,995,094	**21,058,094**	540,735
Non-current assets					
Trade and other receivables	8	**-**	-	**4,295,980**	8,025,432
Other financial assets	11	**-**	-	**12,178,449**	-
Available-for-sale financial assets	12	**4,402,177**	-	**-**	-
Property, plant and equipment	14	**60,432**	5,413	**-**	-
Exploration and evaluation expenditure	15	**17,728,470**	1,704,950	**2,710,215**	2,240,026
Total non-current assets		**22,191,079**	1,710,363	**19,184,644**	10,265,458
TOTAL ASSETS		**49,239,831**	10,705,457	**40,242,738**	10,806,193
LIABILITIES					
Current liabilities					
Trade and other payables	16	**1,779,104**	311,889	**1,316,056**	496,279
Provisions	18	**31,687**	1,128	**1,475**	-
Borrowings	17	**-**	-	**1,051,103**	-
Total current liabilities		**1,810,791**	313,017	**2,368,634**	496,279
Non-Current liabilities					
Trade and other payables	16	**869,217**	-	**869,217**	1,172,933
Deferred tax liabilities	5	**2,857,906**	-	**-**	-
Total non-current liabilities		**3,727,123**	-	**869,217**	1,172,933
TOTAL LIABILITIES		**5,537,914**	313,017	**3,237,851**	1,669,212
NET ASSETS		**43,701,917**	10,392,440	**37,004,887**	9,136,981
EQUITY					
Contributed equity	19	**65,265,125**	11,922,794	**79,875,236**	19,170,079
Reserves	20	**1,328,672**	(326,543)	**5,009,981**	1,133,092
Accumulated losses		**(22,891,880)**	(1,203,811)	**(47,880,330)**	(11,166,190)
TOTAL EQUITY		**43,701,917**	10,392,440	**37,004,887**	9,136,981

The above balance sheets should be read in conjuntion with the accompanying notes.

Statements of Changes in Equity

For the Year Ended 30 June 2009

Parent	Contributed Equity $	Accumulated Losses $	Foreign Currency Translation Reserve $	Option Reserve $	Total $
Balance at 1 July 2007	19,069,679	(3,046,332)	-	575,889	16,599,236
Shares issued during the year	100,400	-	-	-	100,400
Share options vested	-	-	-	557,203	557,203
Loss for the year	-	(8,119,858)	-	-	(8,119,858)
Balance at 30 June 2008	19,170,079	(11,166,190)	-	1,133,092	9,136,981
Balance at 1 July 2008	19,170,079	(11,166,190)	-	1,133,092	**9,136,981**
Shares issued on acquisition of controlled entity	40,556,250	-	-	-	**40,556,250**
Share options issued on acquisition of controlled entity	-	-	-	3,338,043	**3,338,043**
Placement shares	7,480,000	-	-	-	**7,480,000**
Renounceable entitlement offer	13,830,802	-	-	-	**13,830,802**
Transaction costs	(1,161,895)	-	-	-	**(1,161,895)**
Share options vested	-	-	-	538,846	**538,846**
Loss for the year	-	(36,714,140)	-	-	**(36,714,140)**
Balance at 30 June 2009	**79,875,236**	**(47,880,330)**	-	**5,009,981**	**(37,004,887)**

Consolidated					
Balance at 15 January 2007	-	-	-	-	-
Shares issued during the year	11,922,794	-	-	-	**11,922,794**
Exchange differences on translation of foreign operations	-	-	(326,543)	-	**(326,543)**
Loss for the period	-	(1,203,811)	-	-	**(1,203,811)**
Balance at 30 June 2008	11,922,794	(1,203,811)	(326,543)	-	**10,392,440**
Balance at 1 July 2008	11,922,794	(1,203,811)	(326,543)	-	**10,392,440**
Share options vested	-	-	-	447,557	**447,557**
Deemed cost of business acquisition	33,193,424	-	-	798,659	**33,992,083**
Placement shares	7,480,000	-	-	-	**7,480,000**
Renounceable entitlement offer	13,830,802	-	-	-	**13,830,802**
Transaction costs	(1,161,895)	-	-	-	**(1,161,895)**
Exchange differences on translation of foreign operations	-	-	408,999	-	**408,999**
Loss for the year	-	(21,688,069)	-	-	**(21,688,069)**
Balance at 30 June 2009	**65,265,125**	**(22,891,880)**	**82,456**	**1,246,216**	**43,701,917**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Cash Flow Statements

For the Year Ended 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Cash flows from operating activities					
Interest received		**509,062**	698,736	**50,217**	77,936
Payments to suppliers and employees		**(2,651,101)**	(759,060)	**(574,968)**	(590,567)
Interest paid		**(3,684)**	(239)	**-**	-
Net cash used in operating activities	28	**(2,145,723)**	(60,563)	**(524,751)**	(512,631)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment	14	**6,345**	-	**-**	-
Proceeds from sale of investments		**-**	-	**-**	2,718,540
Investments in subsidiaries		**-**	-	**-**	(2,968,835)
Restricted cash	10	**(3,657,694)**	-	**-**	-
Investment in available for sale financial asset		**(183,890)**	-	**-**	-
Transaction costs acquisition of subsidiary		**-**	-	**(185,888)**	-
Acquisition of property, plant and equipment	14	**(71,610)**	(5,512)	**-**	-
Convertible note advanced		**(1,000,000)**	-	**-**	-
Payments for exploration and evaluation assets	15	**(1,061,934)**	(2,454,280)	**(470,189)**	(161,892)
Acquisition of subsidiary, net of cash acquired	2	**1,003,356**	-	**-**	-
Repayments from/(advances) to subsidiaries		**-**	-	**335,074**	(1,056,776)
Net cash used in investing activities		**(4,965,427)**	(2,459,792)	**(321,003)**	(1,468,963)
Cash flows from financing activities					
Proceeds from issue of shares	19	**21,310,802**	13,168,800	**21,310,802**	100,400
Refund of oversubscriptions	19	**-**	(366,000)	**-**	-
Payment to founder shareholders for relinquishment of entitlements over ordinary shares	19	**-**	(302,800)	**-**	-
Share issue costs	19	**(1,161,895)**	(702,206)	**(1,161,895)**	-
Proceeds from borrowings - convertible note		**-**	-	**1,000,000**	-
Net cash provided by financing activities		**20,148,907**	11,797,794	**21,148,907**	100,400
Net increase (decreases) in cash held		**13,037,757**	9,277,439	**20,303,153**	(1,881,194)
Cash at beginning of financial period		**8,950,892**	-	**185,886**	2,067,080
Effects of exchange rate changes on cash		**90,125**	(326,547)	**-**	-
Cash at end of financial period	7	**22,078,774**	8,950,892	**20,489,039**	185,886

The above cash flow statements should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1 Summary of Significant Accounting Policies

(a) General information

This financial report includes the consolidated financial statements and notes of Comet Ridge Limited and its controlled entities (the Group), and the separate financial statements and notes of Comet Ridge Limited as an individual parent entity.

Comet Ridge Limited is a public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

210 Alice Street
BRISBANE QLD 4000

(b) Basis of preparation

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

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

In April 2009 Comet Ridge Limited acquired Chartwell Energy Limited resulting in Chartwell Energy Limited legally becoming a wholly owned subsidiary. Pursuant to Australian Accounting Standard AASB 3 Business Combinations this transaction represented a reverse acquisition with the result that Chartwell Energy Limited was identified as the accounting acquirer of Comet Ridge Limited (the "acquiree" and "legal parent").

Further to the reverse acquisition described above, the consolidated financial statements for the year ended 30 June 2009 and the period ended from in-corporation of 15 January 2007 to 30 June 2008 reflect the consolidated assets, liabilities and results of operations of Chartwell Energy Limited, the legal subsidiary, prior to the reverse acquisition and the consolidated assets, liabilities and results of operations of Comet Ridge Limited and Chartwell Energy Limited subsequent to the reverse acquisition.

The consolidated financial statements are issued under the name of the legal parent (Comet Ridge Limited) but are deemed to be a continuation of the financial statements of the legal subsidiary (Chartwell Energy Limited).

(c) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries as at 30 June 2009 and the results of the subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Comet Ridge Limited.

(ii) Jointly controlled assets

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of the joint ventures are set out in note 13.

(d) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Comet Ridge Limited's functional and presentation currency.

In prior years, Comet Ridge Limited's functional currency was also Australian dollars. However, its presentation currency was US dollars. Following disposal of the US assets by its US subsidiary in June 2008, and the business combination with Chartwell Energy Limited in April 2009, the appropriate presentation currency is now Australian dollars.

(d) Foreign currency (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Income tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax consolidation

Comet Ridge Limited has not implemented the tax consolidation legislation.

Notes to the Financial Statements (continued)

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(g) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on the basis of weighted average costs.

(i) Property, plant and equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

The depreciable amount of all plant and equipment is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use.

The depreciation rates used are:

Class of Fixed Asset	
Plant and equipment	5 - 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(j) Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(k) Exploration and evaluation expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights to the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest or by its sale; or

(ii) activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation assets to property and development assets within property, plant and equipment.

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration and evaluation activity that gives rise to the need for restoration. Accordingly, these costs will be recognised gradually over the life of the project as the activities occur.

(l) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(l) Financial instruments (continued)

(i) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

(iv) Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are subsequently measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Notes to the Financial Statements (continued)

(m) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of impairment at each reporting date.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or redemption of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(p) Employee benefits (continued)

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match as closely as possible the estimated future cash outflows.

(iii) Superannuation

The Group makes contributions to defined contribution superannuation funds. Contributions are recognised as an expense as they become payable.

(iv) Share-based payments

Share-based compensation benefits are provided to employees. The fair value of options granted for services rendered is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the options.

The fair value at grant date is determined using an option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets and performance and service criteria). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

(q) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(r) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Financial Statements (continued)

(s) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(t) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(v) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those segments operating in other economic environments.

(w) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(x) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired, is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Reverse acquisitions

In some business combinations, commonly referred to as reverse acquisitions, the acquirer is the entity whose equity interests have been acquired (the legal subsidiary) and the issuing entity is the acquiree (the legal parent). The legal subsidiary is the acquirer if it has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities.

(x) Business combinations (continued)

In a reverse acquisition, the cost of the business combination is deemed to have been incurred by the legal subsidiary (i.e. the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent (i.e. the acquiree for accounting purposes). If the published price of the equity instruments of the legal subsidiary is used to determine the cost of the combination, a calculation is made to determine the number of equity instruments the legal subsidiary would have had to issue to provide the same percentage ownership interest of the combined entity to the owners of the legal parent as they have in the combined entity as a result of the reverse acquisition. The fair value of the number of equity instruments so calculated is used as the cost of the combination.

If the fair value of the equity instruments of the legal subsidiary is not otherwise clearly evident, the total fair value of all the issued equity instruments of the legal parent before the business combination is used as the basis for determining the cost of the combination.

Consolidated financial statements prepared following a reverse acquisition are issued under the name of the legal parent, but represent a continuation of the financial statements of the legal subsidiary (i.e. the acquirer for accounting purposes).

Reverse acquisition accounting determines the allocation of the cost of the business combination as at the acquisition date but does not apply to transactions after the combination.

(y) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less any cumulative amortisation.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(z) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Consolidated financial statements

As noted in (b) above, the consolidated financial statements are a continuation of the financial statements of the legal subsidiary, Chartwell Energy Limited. As such, the consolidated financial statement comparatives are those of Chartwell Energy Limited for the financial period ended 30 June 2008. These comparatives cover the period from Chartwell Energy Limited's incorporation on 15 January 2007 to 30 June 2008.

Parent entity financial statements

As noted in (d) above, the presentation currency is now Australian dollars. Accordingly, the comparatives are also presented in Australian dollars (in 2008 they were presented in US dollars).

(aa) New accounting standards for application in future periods

Relevant accounting standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted for the year are as follows;

Standard/Interpretation	Application date*	Application date for the Group *
AASB 3 Business Combinations – revised and consequential amendments to other accounting standards resulting from its issue	1 Jul 2009	1 Jul 2009
AASB 8 Operating Segments and consequential amendments to other accounting standards resulting from its issue	1 Jan 2009	1 Jul 2009
AASB 101 Presentation of Financial Statements – revised and consequential amendments to other accounting standards resulting from its issue	1 Jan 2009	1 Jul 2009
AASB 123 Borrowing Costs – revised and consequential amendments to other accounting standards resulting from its issue	1 Jan 2009	1 Jul 2009
AASB 127 Consolidated and Separate Financial Statements – revised and consequential amendments to other accounting standards resulting from its issue	1 Jul 2009	1 Jul 2009
AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	1 Jan 2009	1 Jul 2009
AASB 2008-2 Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	1 Jan 2009	1 Jul 2009
AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 Jan 2009	1 Jul 2009

Notes to the Financial Statements (continued)

(aa) New accounting standards for application in future periods (continued)

Standard/Interpretation	Application date*	Application date for the Group *
AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 Jul 2009	1 Jul 2009
AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 Jan 2009	1 Jul 2009
AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments	1 Jan 2009	1 Jul 2009
AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 Jul 2009	1 Jul 2009
AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 Jan 2010	1 Jul 2010
AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions	1 Jan 2010	1 Jul 2010
Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 Oct 2008	1 Jul 2009
Interpretation 17 Distributions of Non-cash Assets to Owners	1 Jul 2009	1 Jul 2009

* Application date is for annual reporting periods beginning on or after the date shown in the table above.

- The Directors anticipate that the adoption of these Standards and Interpretations in future years may have the following impacts:

- The revised AASB 3 applies prospectively for all business combinations after it becomes effective. It introduces a number of changes which may have a significant impact on accounting for future business combinations. For example, it allows a choice for measuring non-controlling interests (minority interest) in an acquiree – either fair value or at the proportionate share of the acquiree's net identifiable assets. It also requires acquisition related costs to be accounted for separately from the business combination – which will usually mean they will be expensed. The Directors have not yet assessed the impact the revised standard will have in future periods.

- AASB 8 may impact segment disclosures. It is not expected to impact the amounts included in the financial statements except that it may impact the level at which goodwill, if any, is tested for impairment.

- The revised AASB 101 is only expected to affect the presentation and disclosure of the financial report.

- The revised AASB 123 will require that borrowing costs associated with qualifying assets be capitalised. The Directors do not expect the revised standard will have a material impact as the Group has already adopted the allowed alternative treatment of capitalising borrowing costs attributable to qualifying assets.

(aa) New accounting standards for application in future periods (continued)

- The revised AASB 127 introduces a number of changes including requiring that changes in an ownership interest in a subsidiary that do not result in a loss of control be accounted for as equity transactions and net income being attributed to the parent and the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The Directors have not yet assessed the impact the revised standard will have in future periods.

- AASB 2008-1 introduces a number of amendments in accounting for share-based payments including clarifying that vesting conditions comprise service conditions and performance conditions only. The Group may have or enter into share-based payment arrangements that could be affected by these amendments. However, the Directors have not yet assessed the impact, if any.

- AASB 2008-2 introduces amendments that allow an entity that issues certain puttable financial instruments to classify them as equity rather than financial liabilities. As the Group does not have any such financial instruments, these amendments are not expected to have an impact on the financial report in future years.

- AASB 2008-5 and AASB 2008-6 – These amendments introduce various changes to IFRSs. The Directors have not yet assessed the further impact of the amendments, if any.

- AASB 2008-7 introduces amendments that result in all dividends from a subsidiary, jointly controlled entity or associate being recognised in the separate financial statements of an investor as income.

- AASB 2009-2 amends AASB 7 to require enhanced disclosures about fair value measurements and liquidity risk. The amendment is only expected to affect disclosure of the financial report in future periods.

- AASB 2009-4 and AASB 2009-5 – These amendments introduce various changes to IFRSs. The Directors have not yet assessed the further impact of the amendments, if any.

- AASB 2009-8 introduces amendments to incorporate the requirements previously included in Interpretation 8 and Interpretation 11. The amendments require an entity that receives goods and services in share-based payment arrangements to account for those goods or services no matter which entity in the Group settles the transaction, and no matter whether the transaction is settled in shares or cash. The Directors have not yet assessed the further impact of the amendments, if any.

- Interpretation 16 – This interpretation provides guidance on accounting for the hedge of a net investment in a foreign operation in an entity's consolidated financial statements. The Directors have not yet assessed the impact of the interpretation, if any.

- Interpretation 17 – This interpretation provides guidance on how an entity should measure distributions of assets other than cash when it pays dividends to owners, except for common control transactions. The Group does not make non-cash distributions of assets and therefore the interpretation is not expected to have an impact in future periods unless this situation changes.

(ab) Critical accounting estimates and judgments

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 parent entity and that are believed to be reasonable under the circumstances.

Critical estimates and judgements are as follows:

Business combination

(i) Acquirer

As disclosed in note 2, during the 2009 year Comet Ridge Limited legally acquired 100% of the equity instruments of Chartwell Energy Limited. In accordance with the requirements of AASB 3 Business Combinations, the Directors have concluded that the business combination was a reverse acquisition. The Directors formed this view on the basis the management of Chartwell dominated the selection of the management team of the combined entity and the former equity holders of Chartwell control greater than 50% of the voting rights of the combined entity.

(ii) Purchase consideration

- With regard to the abovementioned business combination, as disclosed in note 1(x) the deemed cost can be either:
- the fair value of the number of equity instruments of the legal subsidiary that would need to be issued to provide the same percentage ownership interest of the combined entity to the owners of the legal parent as they have in the combined entity as a result of the reverse acquisition multiplied by the published price of the equity instruments of the legal subsidiary; or
- if the fair value of the equity instruments of the legal subsidiary is not otherwise clearly evident, the total fair value of all the issued equity instruments of the legal parent before the business combination.

The Directors have concluded that the fair value of the equity instruments of Chartwell Energy Limited was not otherwise clearly evident and, as such, have used the second of the above alternative methods to determine the deemed cost of the business combination (as described further in note 2). In forming their conclusion, the Directors considered the fact that Chartwell's equity instruments were unquoted and relatively closely held. Comet's shares, on the other hand, were listed and actively traded.

(ab) Critical accounting estimates and judgments (continued)

(iii) Goodwill

As a result of applying the requirements of AASB 3 Business Combinations, in particular the use of the published price of Comet's shares at acquisition date (the date of exchange), the Group initially calculated the amount of goodwill paid on acquisition to be $18,410,663. As disclosed in note 2, this amount has been recognised as an impairment loss (for the reasons disclosed in that note).

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 have not 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.

Loans to subsidiaries and investments in subsidiaries

The parent entity has recorded investments in subsidiaries at cost of $48,119,411 (2008: $4,038,031) less provisions for impairment $35,940,962 (2008: $4,038,031). The parent entity has also loaned funds to its subsidiaries of $12,932,689 (2008: $13,267,763) primarily to undertake exploration expenditure. The parent entity has reduced the carrying amount of the loans by $8,636,709 (2008: $5,242,331). The impairment of the investments and loans has been based on the underlying net assets of the subsidiaries. In future periods, as the underlying exploration and evaluation activities progress on various tenements, and with changes in other market conditions, the carrying amounts of the investments and loans may need to be reassessed in line with the net asset position of the subsidiaries or as otherwise appropriate.

Fair value of available-for-sale financial assets

The Group has a 19.98% interest in the equity of Comet Ridge Resources LLC (CRR), an unlisted US oil and gas explorer. The majority of the equity in CRR is held by a US private equity firm.

The Group has classified its interest in CRR as an available-for-sale financial asset and, in accordance with AASB 139 Financial Instruments: Recognition and Measurement, values the investment at fair value. In estimating fair value, the Group calculates its total equity contributions and deducts its share of CRR's losses and also deducts an allowance for a minority discount (25%) and a liquidity discount (25%). This is considered the most reliable valuation method given:

- the Group has a minority equity interest in an unlisted company (CRR);
- the nature of CRR's activities, being oil and gas exploration;

Notes to the Financial Statements (continued)

(ab) Critical accounting estimates and judgments (continued)

- the oil and gas reserves and resources interests of CRR have not yet reached a stage of being quantified;
- the contributions by a Comet Ridge Limited subsidiary, pre-merger, initially occurred in June 2008 with further contributions thereafter; and
- the continued contributions to CRR by its US private equity firm parent.

(ac) Restatements of comparatives (parent entity)

(i) Impairment of loan to subsidiary

As at 30 June 2008, the parent entity had recorded a loan to its subsidiary, Comet Ridge USA Inc. of $11,987,227, net of a provision for impairment of $1,483,070. During the current financial year, it was determined that the net carrying amount of the loan exceeded the recoverable amount of the underlying subsidiary net assets by $2,478,725. This error had the effect of overstating the parent entity's trade and other receivables as at 30 June 2008 and understating the parent entity's impairment expense for the year ended 30 June 2008 by $2,478,725.

The error has been corrected by restating each of the affected financial statement line items for the prior year, as described above.

(ii) Accrual of brokerage fee

On 2 October 2007, the parent entity entered into a funding agreement with a US based private equity firm, Plexus Capital, LLC ("Plexus") to raise up to US$100 million for US exploration and development activities. As part of the arrangement, the parent entity agreed to pay a brokerage fee on a sliding scale starting at 3% (and reducing thereafter) of the private equity funding. Based on committed funding as advised by Plexus prior to 30 June 2008, a liability for brokerage of $1,280,536 existed as at that date, which was not recorded by the parent entity (instead this item was disclosed as a contingent liability in 2008). This error had the effect of understating the parent entity's loss for the year ended 30 June 2008 and understating trade and other payables by $1,280,536.

The error has been corrected by restating each of the affected financial statement line items for the prior year, as described above.

2 Acquisition of Subsidiaries

Comet Ridge Limited legally acquired 100% of the issued capital of Chartwell Energy Limited and its controlled entity on 16 April 2009. In accordance with Australian Accounting Standard AASB 3 Business Combinations, this acquisition was determined to be a "reverse acquisition". In a reverse acquisition, the legal acquirer becomes the accounting subsidiary and the legal acquiree becomes the accounting parent.

The acquired business contributed $49,090 revenue and a net loss of $19,648,246 to the Group for the period from 16 April 2009 to 30 June 2009. If the acquisition had occurred on 1 July 2008, consolidated revenue and consolidated result for the year ended 30 June 2009 would have been $68,369 and a net loss of $21,501,200 respectively. These amounts have been calculated using the Group's accounting policies.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

Purchase consideration	**$**
Shares	33,193,424
Options	798,659
Total purchase consideration	33,992,083

The value of the purchase consideration has been assessed on the basis of the total fair value of all the issued equity instruments of Comet Ridge Limited before the business combination in accordance with AASB 3 (as the fair value of the equity instruments of Chartwell Energy Limited was not clearly evident, in particular, as they were not quoted on an exchange).

The value attributed to Comet's shares was the number of shares on issue immediately prior to the business combination (105,375,950) valued at the published market price at acquisition date (31.5 cents). The value attributed to Comet's options was assessed using an option pricing model.

The reverse acquisition had the following effect on the consolidated entity's assets and liabilities on acquisition date:

	Pre-acquisition carrying amounts	**Recognised values on acquisition**
	$	**$**
Cash and cash equivalents	1,003,356	1,003,356
Other receivables	300,078	300,078
Other assets	19,645	19,645
Available for sale financial assets	4,772,234	4,772,234
Exploration assets	2,618,741	15,550,000
Trade and other payables	(419,471)	(419,471)
Other liabilities	(1,686,423)	(1,686,423)
Convertible note loan	(1,000,000)	(1,000,000)
Deferred tax liability, net	-	(2,957,999)
Net identifiable assets and liabilities	5,608,160	15,581,420
Goodwill on acquisition		18,410,663
Consideration paid		33,992,083

Reconciliation of cash movement	**$**
Cash consideration	-
Less cash acquired	1,003,356
Net cash inflow	1,003,356

Notes to the Financial Statements (continued)

2 Acquisition of Subsidiaries (continued)

The carrying amount of goodwill at the balance sheet date was $nil (2008: $nil) after an impairment charge of $18,410,663 was recognised during the current financial year following the acquisition of Comet in April 2009. It is noted that this impairment loss is an estimate and that a number of assumptions were used to determine the amount of goodwill actually purchased and impaired. In particular, the valuation assigned to the Comet exploration assets of $15,550,000 is based on an independent expert's valuation that was included in the Explanatory Memorandum in relation to the merger. Also, the goodwill arose due to accounting standard requirements to use the published market price of Comet Ridge Limited's shares at acquisition date (31.5 cents). This share price rose significantly after the business combination was announced. If this had not occurred the goodwill would not have been recognised. Furthermore, the Directors are unable to support the carrying value of the goodwill using a value in use basis.

3 Revenue and Other Income

	Consolidated		Parent	
	2009	2008	2009	2008
	$	$	$	$
Revenue				
- Interest	**486,084**	721,714	**50,217**	77,936
- Other	**319,973**	-	**14,625**	-
	806,057	721,714	**64,842**	77,936
Other income				
- Foreign exchange gains	-	-	**164,978**	-

4 Loss Before Income Tax

Loss before income tax included the following specific expenses:

Rental expense relating to operating leases - minimum lease rentals	**73,002**	23,100	**18,727**	3,600
Foreign exchange losses	**12,314**	18,769	**-**	-
Defined contribution superannuation expense	**33,247**	3,927	**9,043**	1,827

5 Income Tax Expense

	Consolidated		Parent	
Recognised in the income statement	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Current income tax expense	**-**	-	-	-
Deferred tax credit relating to the origination and reversal of temporary differences	**(100,093)**	-	-	-
Income tax credit	**(100,093)**	-	-	-
Numerical reconciliation of income tax expense to prima facie tax				
Loss before income tax	**(21,788,162)**	(1,203,811)	**(36,714,140)**	(8,119,858)
Tax at the Australian tax rate of 30% (2008:30%)	**(6,536,449)**	(361,143)	**(11,014,242)**	(2,435,957)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
- Share options expensed	**133,907**	-	**161,654**	139,277
- Impairment – goodwill	**5,523,199**	-	**-**	-
- Impairment – investment in subsidiaries	**-**	-	**9,570,879**	2,018,427
- Impairment – loans to subsidiaries	**-**	-	**1,018,313**	-
- Other non-deductible items	**217,772**	42,000	**1,425**	10,420
- Other items	**-**	-	**-**	(121,679)
Deferred tax asset not recognised	**561,478**	319,143	**261,971**	389,512
Income tax credit	**(100,093)**	-	**-**	-

Notes to the Financial Statements (continued)

5 Income Tax Expense (continued)

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Deferred tax liability				
The balance of deferred tax liability comprises:				
Deferred tax assets				
Tax losses	**2,125,150**	467,104	**478,305**	664,868
Capital expenditure	**318,920**	12,051	**318,920**	-
Provisions	**66,059**	9,338	**65,333**	7,140
	2,510,129	488,493	**862,558**	672,008
Deferred tax liabilities				
Exploration and evaluation expenditure	**(5,318,541)**	(488,493)	**(813,065)**	(672,008)
Unrealised foreign exchange gain	**(49,492)**	-	**(49,493)**	-
	(5,368,033)	(488,493)	**(862,558)**	(672,008)
Net deferred tax liability	**(2,857,906)**	-	**-**	-
Unrecognised deferred tax assets				
Deferred tax assets have not been recognised in respect of the following items:				
Temporary differences and tax losses (gross)	**14,985,260**	529,805	**3,404,907**	1,153,350

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits from the deferred tax assets.

Franking credits

Franking credits available for subsequent financial years based on a tax rate of 30% (2008: 30%)			-	-

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(i) franking credits that will arise from the payment of the amount of the provision for income tax;
(ii) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
(iii) franking credits that will arise from the receipt of dividends recognised as receivable at the reporting date.

6 Earnings Per Share

(a) Reconciliation of earnings used in calculating basic and diluted loss per share

	Consolidated	
	2009	2008
	$	$
Net loss for the year	**(21,688,069)**	(1,203,811)
Loss used in the calculation of the basic and diluted loss per share	**(21,688,069)**	(1,203,811)

(b) Weighted average number of ordinary shares used as the denominator

	Number	Number
Number used in calculating basic and diluted loss per share	**153,314,651**	88,092,268

The weighted average number of ordinary shares has been determined in accordance with AASB 3 Business Combinations which requires that for the purpose of calculating the weighted average number of ordinary shares outstanding (the denominator) during a period in which a reverse acquisition occurs:

(i) the number of ordinary shares outstanding from the beginning of that period to the acquisition date to be deemed to be the number of ordinary shares issued by the legal parent to the owners of the legal subsidiary; and

(ii) the number of ordinary shares outstanding from the acquisition date to the end of that period to be the actual number of ordinary shares of the legal parent outstanding during that period.

The basic earnings per share disclosed for the comparative period before the acquisition date that is presented in the consolidated financial statements following a reverse acquisition is calculated by dividing the profit or loss of the legal subsidiary attributable to ordinary shareholders in the comparative period by the number of ordinary shares issued by the legal parent to the owners of the legal subsidiary in the reverse acquisition.

The calculations outlined above assume that there were no changes in the number of the legal subsidiary's issued ordinary shares during the comparative period and during the period from the beginning of the period in which the reverse acquisition occurred to the acquisition date. The calculation of earnings per share is adjusted to take into account the effect of a change in the number of the legal subsidiary's issued ordinary shares during those periods.

(c) Options are considered to be "potential ordinary shares" but were anti-dilutive in nature and therefore the diluted loss per share is the same as the basic loss per share. Details relating to options are set out in note 21.

Notes to the Financial Statements (continued)

7 Cash and Cash Equivalents

	Consolidated		Parent	
	2009	2008	2009	2008
	$	$	$	$
Cash at bank and on hand	**22,078,774**	8,950,892	**20,489,039**	185,886

8 Trade and Other Receivables

Current				
Other receivables	**1,134,667**	39,386	**371,097**	313,594
Loans to subsidiaries	**-**	-	**2,361**	-
	1,134,667	39,386	**373,458**	313,594
Non-current				
Loans to subsidiaries	-	-	**12,932,689**	13,267,763
Less: provision for impairment	-	-	**(8,636,709)**	(5,242,331)
	-	-	**4,295,980**	8,025,432

There are no balances within current receivables that contain assets that are impaired or are past due. It is expected these balances will be received when due.

Reconciliation of provision for impairment

Loans to subsidiaries				
Opening balance	-	-	**(5,242,331)**	(1,483,071)
Impairment charge	-	-	**(3,394,378)**	(3,759,260)
Closing balance	-	-	**(8,636,709)**	(5,242,331)

The provision for impairment has been recognised on the basis of the underlying net assets of the subsidiaries.

9 Inventories

Consumables - at cost	**108,877**	-	-	-

10 Other Assets

	Consolidated		Parent	
	2009	2008	2009	2008
	$	$	$	$
Prepayments	**48,840**	-	**45,597**	41,255
Deposits	**19,900**	4,816	**-**	-
Restricted cash	**3,657,694**	-	**150,000**	-
	3,726,434	4,816	**195,597**	41,255

Restricted cash

The Farmin agreement dated 10 July 2007, between Chartwell NZ Pty Ltd (CNZ) and Macdonald Investments Limited (MIL) required CNZ to provide MIL with an undertaking that until the Phase 1 Farmin obligations and Phase 2 Farmin obligations have been satisfied, CNZ will ensure that there are funds in the joint venture's New Zealand bank accounts sufficient for the completion of all remaining Phase 1 and Phase 2 Farmin work obligations, as defined in the Farmin agreement (as amended) to the extent of the amount of the Farmin obligations not yet spent by CNZ. This undertaking was varied by an agreement on 9 April 2009 under which CNZ and MIL agreed that the funds necessary to complete the Phase1 and Phase 2 work obligations were to be held in specified ANZ National Bank accounts with any withdrawals which were to be made from the accounts to be approved by both parties and only on account of cash calls made in accordance with approved work programmes. Accordingly, the Group's share of the funds so held are now disclosed as restricted cash.

11 Other Financial Assets

Investments in subsidiaries	-	-	**12,178,449**	-
Reconciliation of investments in subsidiaries				
Investment in Comet Ridge USA Inc.	-	-	**4,038,031**	4,038,031
Less: provision for impairment	-	-	**(4,038,031)**	(4,038,031)
	-	-	**-**	-
Investment in Chartwell Energy Limited	-	-	**44,081,380**	-
Less: provision for impairment	-	-	**(31,902,931)**	-
	-	-	**12,178,449**	-
	-	-	**12,178,449**	-

Notes to the Financial Statements (continued)

11 Other Financial Assets (continued)

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Reconciliation of provisions for impairment				
Comet Ridge USA Inc.				
Opening balance	-	-	**(4,038,031)**	(1,069,196)
Impairment charge	-	-	**-**	(2,968,835)
Closing balance	-	-	**(4,038,031)**	(4,038,031)
Chartwell Energy Limited				
Opening balance	-	-	**-**	-
Impairment charge	-	-	**(31,902,931)**	-
Closing balance	-	-	**(31,902,931)**	-

The provisions for impairment have been recognised on the basis of the underlying net assets of the subsidiaries.

12 Available-for-sale Financial Assets

Investment in Comet Ridge Resources, LLC at fair value	**4,402,177**	-	-	-
Movement in carrying amount				
Balance at the beginning of year	**-**	-	-	-
Acquired through business combination	**4,772,234**	-	-	-
Additional contributions	**183,890**	-	-	-
Fair value adjustment*	**(664,475)**	-	-	-
Other	**110,528**	-	-	-
Balance at the end of year	**4,402,177**	-	-	-

* Recognised as an impairment loss in the income statement.

Effective 26 June 2008, Comet Ridge USA Inc., a wholly owned subsidiary of Comet Ridge Limited, contributed all of its USA based oil and gas assets and employees to a new USA based company, Comet Ridge Resources, LLC ("CRR"), in exchange for a 43.59% equity interest. A private equity firm based in New York City, USA owns the majority of the shares. The private equity firm subsequently increased its investment in CRR to approximately 80%.

The Group may retain its minority 19.98% interest in CRR by contributing cash to CRR as and when requested to fund CRR's ongoing exploration and evaluation programme. Should the Group not contribute, its interest will decline to no less than 5% under the arrangements with the private equity fund.

13 Interest in Unincorporated Joint Operating Arrangements

The principal activity of all the joint operating arrangements is oil and gas exploration. The consolidated entity's and parent's share of assets employed in the joint operating arrangements is as follows:

			Consolidated		Parent	
	2009 Interest Held %	2008 Interest Held %	2009 $	2008 $	2009 $	2008 $
Exploration & evaluation expenditure						
Mahalo (farm-in ATP337P)	40%	40%	**413,173**	-	**2,151,319**	1,980,638
PEL 427*	25%	70%	**307,964**	-	**67,137**	44,743
PEL 428*	20%	60%	**100,337**	-	**77,016**	47,795
ATP 743P	100%	100%	**6,590,000**	-	**198,947**	80,525
ATP 744P	100%	100%	**8,230,000**	-	**215,796**	86,325
PMP50100	20%	20%	**1,997,269**	1,628,311	**-**	-
PEP50279	100%	60%	**37,665**	39,522	**-**	-
PEP50280	100%	60%	**52,062**	37,117	**-**	-
			17,728,470	1,704,950	**2,710,215**	2,240,026

* The Company farmed out its interest in both permits that will see the Company carried through a seismic and drilling program. The farminee fulfilled its initial earning obligation during the financial year ended 30 June 2008 by acquiring 103km of seismic over both permits.

14 Property, Plant and Equipment

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Plant and equipment				
Cost	**69,690**	5,512	-	-
Accumulated depreciation	**(9,258)**	(99)	-	-
	60,432	5,413	-	-

Movements in Carrying Amounts

Movement in the carrying amount for plant and equipment between the beginning and the end of the financial year:

Balance at the beginning of year	**5,413**	-	-	10,480
Additions	**71,610**	5,512	-	-
Disposals	**(6,345)**	-	-	-
Depreciation	**(10,296)**	(103)	-	(10,480)
Foreign exchange movements	**50**	4	-	-
Balance at the end of year	**60,432**	5,413	-	-

15 Exploration and Evaluation Expenditure

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Exploration and evaluation phase				
Balance at the beginning of year	**1,704,950**	-	**2,240,026**	2,085,381
Additions	**1,061,934**	2,454,280	**470,189**	161,894
Impairment expense	**(621,363)**	(749,330)	**-**	(7,249)
Acquired through business combination	**15,550,000**	-	**-**	-
Foreign currency translation	**32,949**	-	**-**	-
Balance at the end of year	**17,728,470**	1,704,950	**2,710,215**	2,240,026

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

16 Trade and Other Payables

Current				
Trade payables	**688,563**	195,258	**240,423**	388,676
Other payables and accruals	**1,090,541**	116,631	**1,075,633**	107,603
	1,779,104	311,889	**1,316,056**	496,279
Non-Current				
Other payables and accruals	**869,217**	-	**869,217**	1,172,933

17 Borrowings

Loan from Chartwell Energy Limited	-	-	**1,051,103**	-

The loan from Chartwell Energy Limited to Comet Ridge Limited accrues interest at 6% per annum, is repayable on 16 February 2010 and is unsecured.

18 Provisions

Employee benefits	**31,687**	1,128	**1,475**	-

Notes to the Financial Statements (continued)

19 Contributed Equity

	Consolidated		Parent	
	2009	2008	2009	2008
	$	$	$	$
Ordinary shares - fully paid	**65,265,125**	11,922,794	**79,875,236**	19,170,079

Movements in ordinary shares

	Note	Number of Shares	Consideration $
Consolidated			
Shares issued to founders on incorporation		100	-
Share entitlements granted to founders	(i)	-	125,000
Shares issued to founders in connection with entitlements	(ii)	12,197,100	-
Shares issued pursuant to Excluded Offer Document	(iii)	12,802,800	12,802,800
Relinquishment and redemption of share entitlements of founders	(iv)	-	(302,800)
Less transaction costs arising on share issues			(702,206)
Balance at 30 June 2008		25,000,000	11,922,794
Share conversion at date of acquisition	(v)	128,750,002	-
Comet Ridge Limited shares at date of acquisition		105,375,950	-
Deemed cost of business combination	(vi)	-	33,193,424
Placement shares issued to sophisticated and professional investors	(vii)	22,000,000	7,480,000
Shares issued for 1 for 5 non-renounceable entitlement offer	(viii)	51,225,192	13,830,802
Less transaction costs arising on share issues			(1,161,895)
Closing balance at 30 June 2009		307,351,144	65,265,125
Parent			
Opening balance as at 1 July 2007		104,874,950	19,069,679
Shares issued through exercising share options	(ix)	1,000	400
Shares issued through exercising share options	(x)	500,000	100,000
Balance at 30 June 2008		105,375,950	19,170,079
Shares issued to Chartwell Energy shareholders *	(xi)	128,750,002	40,556,250
Placement shares issued to sophisticated and professional investors	(vii)	22,000,000	7,480,000
Shares issued for 1 for 5 non-renounceable entitlement offer	(viii)	51,225,192	13,830,802
Less transaction costs arising on share issues			(1,161,895)
Closing balance at 30 June 2009		307,351,144	79,875,236

* 51,500,000 shares are subject to ASX restriction until 29 April 2010 and remain unquoted. These securities rank equally with the existing securities of the Company.

19 Contributed Equity (continued)

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the parent does not have authorised capital nor par value in respect of its issued shares.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll, each share is entitled to one vote.

Notes

(i) The founding shareholders were granted an entitlement to subscribe for ordinary shares. The entitlement was granted in exchange for consulting services to the value of $125,000.

(ii) On 3 July 2007, 12,197,100 shares were issued to the founding shareholders in connection with the above mentioned entitlements for no further consideration.

(iii) Under an Excluded Offer Document, $13,168,800 was received of which $366,000 was refunded as a result of oversubscriptions resulting in net cash receipts of $12,802,800 for which 12,802,800 shares were issued on 3 July 2007.

(iv) A founding shareholder, Palliard Energy Pty Ltd (PEL) had an entitlement to subscribe for 5% of ordinary shares for $nil consideration. One per cent of PEL's entitlement was relinquished by PEL and redeemed for $249,800 cash.

A founding shareholder, Matopos Holding Limited (Matopos) had an entitlement to subscribe for 16.4% of ordinary shares for $nil consideration. 0.2% of Matopos's entitlement was relinquished by Matopos and redeemed for $53,000 cash.

(v) Comet Ridge Limited issued 5.15 shares for each Chartwell Energy Limited share on acquisition on 16 April 2009 (the movement in the number of shares up to the date of acquisition shown is the movement in the number of Chartwell Energy Limited shares with 25,000,000 thereof on issue at acquisition date).

(vi) The deemed cost of the business combination as per note 2.

(vii) On 22 May 2009, 22,000,000 shares were issued to sophisticated and professional investors at 34 cents per share raising $7,480,000 cash.

(viii) On 26 June 2009, 51,225,192 shares were issued as a result of a 1 for 5 non-renounceable entitlement offer at 27 cents per share raising $13,830,802 cash.

(ix) On 1 July 2007, 1,000 shares were issued as a result of the exercise of options at 40 cents per share raising $400 cash.

(x) On 26 June 2008, 500,000 shares were issued as a result of the exercise of options at 20 cents per share raising $100,000 cash.

(xi) On 16 April 2009, 128,750,002 shares were issued to Chartwell Energy Limited shareholders on acquisition (refer note 2). These shares have been recorded by the parent at 31.5 cents per share being the market value of Comet Ridge Limited's shares at that date.

19 Contributed Equity (continued)

Options

At 30 June 2009, the following options for ordinary shares in Comet Ridge Limited were on issue:

Number	Exercise Price	Expiry Date
1,250,000	$0.419	31/07/2009
1,432,500	$0.419	10/11/2009
3,500,000	$0.419	31/12/2009
3,800,000	$0.419	01/08/2011
30,000	$0.419	04/09/2011
130,000	$0.419	03/12/2011
300,000	$0.419	06/12/2011
15,192,500	$0.169	30/06/2012
7,150,000	$0.269	30/06/2012
32,785,000		

The exercise prices of the options were changed on 26 June 2009 as a result of the pro-rata entitlement offer to all shareholders. The change was made in accordance with the terms and conditions of the option plan rules and ASX Listing Rule 6.22.2 and was made as a result of the effective dilution of the options as a result of the pro-rata entitlement offer.

The reduction was as follows:

Original Exercise Price	Revised Exercise Price
$0.20	$0.169
$0.30	$0.269
$0.45	$0.419

Capital Management

When managing capital, management's objective is to ensure the Group continues as a going concern and to maintain a structure that ensures the lowest cost of capital available and to ensure adequate capital is available for exploration and evaluation of tenements. In order to maintain or adjust the capital structure, the Group may seek to issue new shares.

Consistent with others in the industry, the Group and the Parent Entity monitor capital on the basis of forecast exploration and exploration expenditure required to reach a stage which permits a reasonable assessment of the existence or otherwise of an economically recoverable reserve. Total capital is calculated as 'equity' as shown in the balance sheets.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

20 Reserves

	Consolidated		Parent	
	2009	2008	2009	2008
	$	$	$	$
Foreign currency translation reserve	**82,456**	(326,543)	**-**	-
Option reserve	**1,246,216**	-	**5,009,981**	1,133,092
	1,328,672	(326,543)	**5,009,981**	1,133,092

Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled entities.

Option Reserve

The option reserve is used to record the expense associated with options granted to employees under equity-settled share based payment arrangements. It is also used to record fair value of options granted for other goods and services as well as acquisition of other assets.

21 Share-based Payments

Employee Share Option Plan

Options are granted under the Company Employee Share Option Plan for no consideration. Options are granted for a three to four year period and entitlements to the options are vested on a time basis and do not reflect the performance conditions.

Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

The expense recognised in the income statement in relation to share based payments amounts to $488,964. The amount assessed at fair value at grant date of the options is allocated equally over the period from grant date to vesting date. Fair values at grant date are independently determined using the Black-Scholes method of valuation that takes into account the exercise price, the terms of the option, the vesting and market related criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and the risk of the underlying share and the risk free interest rate for the term of the option.

21 Share-based Payments (continued)

The following table illustrates the number and weighted average exercise price of, and movements in, share options issued during the year:

	2009		2008	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	9,775,000	0.380*	8,080,000	0.390
Granted during the year	25,072,500	0.224	2,295,000	0.450
Exercised	-	-	(500,000)	0.200
Expired	(2,062,500)	0.223	(100,000)	0.500
Outstanding at year-end	32,785,000	0.270	9,775,000	0.409

* restated to reflect the option re-pricing

The options outstanding at 30 June 2009 are represented by:

Number of Options	Price $	Exercisable	Percent Exercisable	Vesting Date	Expiration Date
1,250,000	0.419	1,250,000	100%	N/A	31/07/09
1,432,500	0.419	1,432,500	100%	N/A	10/11/09
3,500,000	0.419	3,500,000	100%	N/A	31/12/09
3,800,000	0.419	3,800,000	54%	01/08/09	01/08/11
30,000	0.419	30,000	100%	N/A	04/09/11
130,000	0.419	130,000	50%	03/12/09	03/12/11
300,000	0.419	300,000	50%	06/12/09	06/12/11
4,575,000	0.269	4,575,000	100%	N/A	30/06/12
2,575,000	0.269	2,575,000	0%	N/A	30/06/12
15,192,500	0.169	15,192,500	100%	N/A	30/06/12
32,785,000	0.270	32,785,000			

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.4 years (2008: 2.1 years).

21 Share-based Payments (continued)

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2009 were as follows:

Number of Options	Grant Date	Exercise Price $	Expiration Date	Value $
14,677,500	22/09/08	0.169	30/06/12	0.023
5,150,000	22/09/08	0.269	30/06/12	0.018
515,000	28/01/09	0.169	30/06/12	0.020
2,730,000	03/03/09	0.419	01/08/11	0.079
2,000,000	16/04/09	0.269	30/06/12	0.150
25,075,500				

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option.

The following table lists the inputs to the model used for the years ended 30 June 2009 and 30 June 2008:

	2009 $	2008 $
Volatility (%)	80% - 95%	75% to 77%
Risk-free interest rate (%)	4.00% - 5.80%	5.92% to 6.05%
Expected life of option (years)	3.5 years	4 years
Exercise price	0.224	0.45
Weighted average share price at grant date	0.114	0.25

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transaction recognised during the period as part of employee benefit expense were as follows:

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Options expensed	**447,557**	125,000	538,846	464,256

Notes to the Financial Statements (continued)

22 Commitments

(a) Operating lease commitments

Non-cancellable operating leases for offices and equipment contracted for but not capitalised in the financial statements.

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Payable - minimum lease payments				
- not later than 12 months	**19,551**	67,441	-	-
- between 12 months and 5 years	**6,504**	5,913	-	-
- greater than 5 years	**-**	-	-	-
	26,055	73,354	-	-

(b) Bank guarantees

Westpac Banking Corporation have provided bank guarantees totalling $160,256 (2008: $nil) to the State of Queensland in respect of Comet Ridge Limited's exploration permits and environmental guarantees. The bank guarantees are secured by term deposits.

(c) Exploration expenditure

In order to maintain an interest in the exploration tenements in which the Group is involved, the Group is committed to meet the conditions under agreements. The timing and amount of exploration expenditure and obligations of the Group are subject to the minimum expenditure requirements of the Joint Venture Agreements 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.

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Minimum expenditure requirements				
- not later than 12 months	**11,577,600**	6,996,000	**7,035,804**	525,000
- between 12 months and 5 years	**8,423,200**	3,820,000	**4,181,577**	-
	20,000,800	10,816,000	**11,217,381**	525,000

23 Financial Instruments

Overview

The Group's principal financial instruments comprise receivables, payables, available for sale assets, cash and cash equivalents. The main risks arising from the Group's financial assets are interest rate risk, foreign currency risk, credit risk and liquidity risk.

This note presents information about the Group's exposure to each of the above risks and its objectives, policies and processes for measuring and managing risk. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks.

Key risks are monitored and reviewed as circumstances change (e.g. acquisition of a new entity or project) and policies are created or revised as required. The overall objective of the Group's financial risk management policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purpose of making speculative gains. As the Group's operations change, the Directors will review this policy periodically going forward.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the Group's financial risks as summarised below.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
	$	$	$	$
Financial Assets				
Cash and cash equivalents*	**22,078,774**	8,950,892	**20,489,039**	185,886
Trade and other receivables*	**1,134,667**	39,386	**4,669,438**	8,339,026
Restricted cash*	**3,657,694**	-	**150,000**	-
Available-for-sale financial assets	**4,402,177**	-	**-**	-
	31,273,312	8,990,278	**25,308,477**	8,524,912
Financial Liabilities				
Trade and other payables**	**2,648,321**	311,889	**2,185,273**	1,669,212
Borrowings**	**-**	-	**1,051,103**	-
	2,648,321	311,889	**3,236,376**	1,669,212

* Loans and receivables category
** Financial liabilities at amortised cost category

23 Financial Instruments (continued

(a) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

A forward business cash requirement estimate is made, identifying cash requirements for the following period (generally up to one year) and interest rate term deposit information is obtained from a variety of banks over a variety of periods (usually one month up to six month term deposits) accordingly. The funds to invest are then scheduled in an optimised fashion to maximise interest returns.

Interest rate sensitivity

A sensitivity of 1% interest rate has been selected as this is considered reasonable given the current market conditions. A 1% movement in interest rates at the reporting date would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit or loss		Equity	
	1% rate increase $	1% rate decrease $	1% rate increase $	1% rate decrease $
2009 - Group				
Cash and cash equivalents and restricted cash	**257,365**	(257,365)	**257,365**	(257,365)
2008 - Group				
Cash and cash equivalents and restricted cash	**89,509**	(89,509)	**89,509**	(89,509)
2009 - Company				
Cash and cash equivalents and restricted cash	**206,390**	(206,390)	**206,390**	(206,390)
2008 - Company				
Cash and cash equivalents and restricted cash	**1,859**	(1,859)	**1,859**	(1,859)

Interest rate risk on other financial instruments is immaterial.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its obligations when due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The following table details the remaining contractual maturity for non-derivative financial liabilities. This is based on the undiscounted cash flows of the financial liabilities based on the earliest date on which they are required to be paid.

23 Financial Instruments (continued

	Within 1 year	Between 1 and 2 years	Total contractual cash flows	Carrying Amount
Group at 30 June 2009	$	$	$	$
Trade and other payables	1,779,104	869,217	2,648,321	2,648,321
Borrowings	-	-	-	-
	1,779,104	869,217	2,648,321	2,648,321
Group at 30 June 2008				
Trade and other payables	311,889	-	311,889	311,889
Borrowings	-	-	-	-
	311,889	-	311,889	311,889
Company at 30 June 2009				
Trade and other payables	1,316,056	869,217	2,185,273	2,185,273
Borrowings	1,051,103	-	1,051,103	1,051,103
	2,367,159	869,217	3,236,376	3,236,376
Company at 30 June 2008				
Trade and other payables	496,279	1,172,933	1,669,212	1,669,212
Borrowings	-	-	-	-
	496,279	1,172,933	1,669,212	1,669,212

At 30 June 2009 and 2008, the Group had sufficient liquid assets to meet its financial obligations.

(c) Foreign exchange risk

As a result of activities overseas, the Group's balance sheet can be affected by movements in exchange rates.

The Group also has transactional currency exposures. Such exposures arise from transactions denominated in currencies other than the functional currency of the Group.

The Group's exposure to foreign currency risk primarily arises from the Group's operations overseas, namely in the United States and New Zealand.

The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk. The Group's policy is to generally convert its local currency to US or NZ dollars at the time of transaction. The Group, has on rare occasions, taken the opportunity to move Australian dollars into foreign currency (ahead of a planned requirement for those foreign funds) when exchange rate movements have moved significantly in favour of the Australian dollar, and management considers that the currency movement is extremely likely to move back in subsequent weeks or months. Therefore, the opportunity has been taken to lock in currency at a favourable rate to the Group. This practice is expected to be the exception, rather than the normal practice.

23 Financial Instruments (continued

The Group's exposure to foreign currency risk at the reporting date, expressed in Australian dollars, was as follows:

	30 June 2009		30 June 2008	
	USD $	NZD $	USD $	NZD $
Financial Assets				
- Cash and cash equivalents	50,292	1,319,825	-	5,809,928
- Trade and other receivables	71	715,695	-	20,628
- Available-for-sale financial assets	4,402,177	-	-	-
Financial Liabilities				
- Trade and other payables	(28,325)	(35,015)	-	(318,769)

The carrying amounts of the parent entity's financial assets and liabilities are denominated in Australian dollars except as set out below (expressed in Australian dollars):

	30 June 2009		30 June 2008	
	USD $	NZD $	USD $	NZD $
Financial Liabilities				
Other payables and accruals	(1,397,180)	-	(1,280,536)	-

Group sensitivity

Based on financial instruments held at 30 June 2009, had the Australian dollar strengthened/weakened by 10% the Group's profit or loss and equity would be impacted as follows:

	Profit or loss		Equity	
	10% Increase	10% Decrease	10% Increase	10% Decrease
2009				
US dollar	356,315	(356,315)	356,315	(356,315)
NZ dollar	248,633	(248,633)	248,633	(248,633)
2008				
US dollar	-	-	-	-
NZ dollar	694,967	(694,967)	694,967	(694,967)

23 Financial Instruments (continued)

Parent entity sensitivity

Based on financial instruments held at 30 June 2009, had the Australian dollar strengthened/weakened by 10% the parent entity's profit or loss and equity would be impacted as follows:

	Profit or loss		Equity	
2009	**10% Increase**	**10% Decrease**	**10% Increase**	**10% Decrease**
US dollar	112,449	(112,449)	112,449	(112,449)
NZ dollar	-	-	-	-
2008				
US dollar	123,264	(123,264)	123,264	(123,264)
NZ dollar	-	-	-	-

(d) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents, restricted cash and trade and other receivables. The Group exposure and the credit ratings of its counterparties are continuously monitored by the Board of Directors.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in the table above.

Credit Risk Exposures

Trade and other receivables

Trade and other receivables comprise primarily of GST refunds due. Where possible the Group trades with recognised, creditworthy third parties. The receivable balances are monitored on an ongoing basis. The Group's exposure to bad debts is not significant. At 30 June 2009, none (2008: none) of the Group's receivables were past due. No impairment losses have been recognised on third party receivables. The Group has no significant concentration of credit risk.

The parent entity has a concentration arising from loans to subsidiaries. An impairment loss has been recognised in respect of these loans – refer note 8.

Cash and cash equivalents and restricted cash

The Group and parent entity have a significant concentration of credit risk with respect to cash deposits with banks. However, significant cash deposits are invested across three to four banks to mitigate credit risk exposure to a particular bank. AAA rated banks are mostly used and non AAA banks are utilised where commercially attractive returns are available.

23 Financial Instruments (continued)

(e) Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Group is exposed to commodity price risk. Commodity prices can be volatile and are influenced by factors beyond the Group's control. As the Group is currently engaged in exploration, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

Net Fair Values

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values. The methods for estimating fair value are outlined in relevant notes to the financial statements.

24 Key Management Personnel

Key management personnel compensation

	Consolidated		Parent	
	2009	2008	2009	2008
	$	$	$	$
Short-term employee benefits	**1,073,747**	347,555	**301,767**	201,624
Post-employment benefits	**27,054**	3,927	**10,001**	5,273
Other long-term benefits	**-**	-	**-**	-
Termination benefits	**50,000**	-	**-**	-
Share-based payments	**723,831**	84,091	**449,855**	112,163
	1,874,632	435,573	**761,623**	319,060

24 Key Management Personnel (continued)

Key Management Personnel Shareholdings

The number of ordinary shares in Comet Ridge Limited held by each key management person of the Group during the financial year is as follows:

	Balance at beginning of year	Granted as remuneration during the year	Other	Balance at date of resignation	Balance at end of year
30 June 2009					
Current Directors and Executives					
J Schneider	2,132,276	-	1,266,456	-	3,398,732
T McCaul	-	-	-	-	-
G Swaby	4,089,999	-	818,001	-	4,908,000
J McKay ^	-	-	29,424,551	-	29,424,551
C Pieters ^	-	-	1,000,000	-	1,000,000
S Rodgers ^	-	-	229,532	-	229,532
	6,222,275	-	32,738,540	-	38,960,815
Former Directors and Executives					
A Lydyard	4,125,000	-	(2,993,714)	(1,131,286)	-
D Bradshaw	-	-	-		-
G Drobnack	-	-	-		-
I Galloway ^	-	-	1,509,063	(1,509,063)	-
A Gilby ^	-	-	29,579,083	(29,579,083)	-
	4,125,000	-	28,094,432	(32,219,432)	-
Total	10,347,275	-	60,832,972	(32,219,432)	38,960,815
30 June 2008					
Current and former Directors and Executives					
J Schneider	2,132,276	-	-	-	2,132,276
A Lydyard	4,125,000	-	-	-	4,125,000
S Ashton	2,639,996	-	-	(2,639,996)	-
G Swaby	4,089,999	-	-	-	4,089,999
M Cuba	50,000	-	100,000	(150,000)	-
J Knox	-	-	50,000	(50,000)	-
Total	13,037,271	-	150,000	(2,839,996)	10,347,275
Chartwell Energy Limited					
J McKay	-	-	3,579,545	-	3,579,545
I Galloway	-	-	1,000,200	-	1,000,200
A Gilby	-	-	3,579,545	-	3,579,545
	-	-	8,159,290	-	8,159,290

^ Includes shares issued on acquisition of Chartwell Energy Ltd

24 Key Management Personnel (continued)

Option Holdings

The number of options over ordinary shares held by each key management person of the Group during the financial year is as follows:

	Balance at beginning of year	Granted as remuneration during the year	Options granted / (expired)	Balance at date of resignation	Balance at end of year	Vested during the year	Vested and unexercisable
30 June 2009							
Current Directors and Executives							
J Schneider	500,000	2,000,000	-	-	2,500,000	2,000,000	-
T McCaul	-	-	5,150,000	-	5,150,000	2,575,000	-
G Swaby	500,000	-	-	-	500,000	-	-
J McKay ^	-	-	5,150,000	-	5,150,000	5,150,000	-
C Pieters ^	-	-	1,287,500	-	1,287,500	1,287,500	-
S Rodgers	-	-	1,287,500	-	1,287,500	1,287,500	-
	1,000,000	2,000,000	12,875,000	-	15,875,000	12,300,000	-
Former Directors and Executives							
A Lydyard	3,000,000	-	(1,500,000)	(1,500,000)	-	-	-
D Bradshaw	-	-	-	-	-	-	-
G Drobnack	500,000	-	-	(500,000)	-	-	-
I Galloway ^	-	-	1,287,500	(1,287,500)	-	1,287,500	-
A Gilby ^	-	-	5,150,000	(5,150,000)	-	5,150,000	-
Total	3,500,000	-	4,937,500	(8,437,500)	-	6,437,500	-

^ Includes options issued on acquisition of Chartwell Energy Ltd

Other Transactions with Key Management Personnel

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with key management personnel, refer to Note 27: Related Party Transactions.

For details of loans to key management personnel, refer to Note 8: Trade and Other Receivables.

25 Auditors' Remuneration

During the year the following fees were paid or payable for services provided by the auditor of the Parent Entity:

	Consolidated		Parent	
	2009	2008	2009	2008
Johnston Rorke	$	$	$	$
Audit services				
- Auditing or reviewing the financial report	**90,000**	25,000	**90,000**	-
Non-audit services				
- Accounting advice	**35,000**	-	**35,000**	-
- Tax consulting and compliance services	**26,900**	7,150	**16,300**	-
	61,900	7,150	**51,300**	-
	151,900	32,150	**141,300**	-
HLB Mann Judd				
Audit services				
- Auditing or reviewing the financial report	**-**	-	**16,750**	28,000

26 Contingent Liabilities

The Directors are not aware of any contingent liabilities.

27 Related Party Transactions

Parent entity

The legal parent entity is Comet Ridge Limited. As discussed in note 2, Chartwell Energy Limited was identified as the accounting acquirer in accordance with AASB 3 Business Combinations.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Key management personnel

Disclosures relating to key management personnel are set out in note 24.

27 Related Party Transactions (continued)

Transactions with subsidiaries

Transactions between Comet Ridge Limited and its subsidiaries during the year included:

- loans advanced to/repayments from subsidiaries (refer cash flow statement); and
- investments in subsidiaries (refer cash flow statement).

The loans and investments have been impaired as noted in notes 8 and 11. The loans to subsidiaries are interest free, repayable in cash at call and are unsecured.

Other related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

(a) Lease of premises

The parent entity paid rent of $2,090 (2008: $nil) for the lease of premises situated at 210 Alice Street, Brisbane. The lease is between Comet Ridge Limited and Gilby Alice Street Pty Ltd which is a substantial shareholder of the Company and McKay Alice Street Pty Ltd which is a related party of James McKay, a non-executive Director.

(b) Company secretary services

The parent entity paid $16,000 (2008: $44,000) for company secretarial services. Through her consultancy company, Strategic Consultants Pty Ltd, Ms Swaby, a non-executive Director, provided these services up until 16 April 2009.

(c) Administration services -Comet Ridge Group

A subsidiary paid fees of $nil (2008: $26,106) for administration services provided by a related party of A Lydyard. Mr Lydyard was the former managing Director of Comet Ridge Limited until 31 August 2008, and non-executive Director from 31 August 2008 until 16 April 2009.

(d) Administration services -Chartwell Energy Group

A subsidiary paid fees of $177,720 (2008: $191,613) for administration and management services to Waterford Pacific Pty Ltd and TimberTex Pty Ltd. Waterford Pacific Pty Ltd and TimberTex Pty Ltd are related to James McKay, a non-executive Director, and provided these services to Chartwell Energy Limited during the year.

A subsidiary paid fees of $150,000 (2008: $137,600) for strategic guidance and management services by Gilby Resources Pty Ltd. Gilby Resources Pty Ltd is a substantial shareholder of the Company and provided these services to Chartwell Energy Limited during the year.

28 Cash Flow Information

Reconciliation of cash flow from operations

	Consolidated		Parent	
	2009	2008	2009	2008
	$	$	$	$
Net loss for the period	**(21,688,069)**	(1,203,811)	**(36,714,140)**	(8,119,858)
Depreciation	**10,296**	103	**-**	10,480
Share-based payments	**446,358**	125,000	**538,846**	464,256
Finance costs credited to convertible note	**-**	-	**51,103**	-
Impairment – goodwill	**18,410,663**	-	**-**	-
– loans to subsidiaries	**-**	-	**3,394,378**	3,759,260
– investment in subsidiaries	**-**	-	**31,902,931**	2,968,835
– available for sale financial asset	**664,475**	-	**-**	-
– exploration and evaluation expenditure	**621,363**	749,330	**-**	7,247
Net exchange differences	**176,549**	-	**(1,199)**	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
Increase in trade and other receivables	**(795,203)**	(39,386)	**(59,864)**	310,377
Increase in inventories	**(108,877)**	-	**-**	-
Increase in trade payables and accruals	**230,538**	311,889	**516,061**	84,452
(Increase)/decrease prepayments and deposits	**(44,279)**	(4,816)	**(154,342)**	2,320
Increase in provisions	**30,559**	1,128	**1,475**	-
	(2,145,723)	(60,563)	**(524,751)**	(512,631)

29 Segment Information

Primary reporting format - business segments

The Group operates in one business segment, being oil and gas exploration.

Secondary reporting format – geographical segments

	Segment revenues from sales to external customers		Segment assets		Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	
	2009	2008	2009	2008	2009	2008
	$	$	$	$	$	$
Australia	-	-	**37,039,346**	3,173,105	**15,713,084**	4,334
New Zealand	-	-	**7,747,945**	7,532,352	**970,460**	2,455,458
USA	-	-	**4,452,540**	-	**4,956,124**	-
	-	-	**49,239,831**	10,705,457	**21,639,668**	2,459,792
Unallocated assets			**-**	-		
Total assets			**49,239,831**	10,705,457		

Notes to and forming part of the segment information

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and Accounting Standard AASB 114 *Segment Reporting*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, property, plant and equipment and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee benefits and provision for restoration. Segment assets and liabilities do not include income taxes.

30 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(c):

Name of entity	Country of incorporation	Class of shares	Equity holding 2009 %	Equity holding 2008 %
Chartwell Energy Limited (accounting parent)	Australia	Ordinary	100	100
Comet Ridge Limited (legal parent)	Australia	Ordinary	100	-
Chartwell NZ Pty Ltd	Australia	Ordinary	100	100
Comet Ridge USA Inc.	USA	Ordinary	100	-

31 Subsequent Events

Since 30 June 2009, the Group has been awarded exploration rights with regards to ATP 743 in the Galilee Basin. In respect of this exploration property, the Group has certain minimum expenditure requirements. A minimum expenditure of $1.5 million over the initial four year period is required, with no specific requirement to meet minimum expenditure in any one year.

Comet Ridge

Directors' Declaration

In the Directors' opinion:-

1. the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:

   (a) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

   (b) giving a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the Company and the consolidated entity;

2. the financial report also complies with International Financial Reporting Standards; and

3. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Chairman and Managing Director acting in the capacities of Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors.

Tor McCaul
Managing Director

30 September 2009

JOHNSTON RORKE
CHARTERED ACCOUNTANTS

Level 30, Central Plaza One
345 Queen Street Brisbane Q 4000
GPO Box 1144 Brisbane Q 4001
Ph 07 3222 8444 / Fax 07 3222 8300
Website www.jr.com.au
Email jr@jr.com.au

Independent Auditor's Report To the members of Comet Ridge Limited

Report on the Financial Report

We have audited the accompanying financial report of Comet Ridge Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration for both Comet Ridge Limited (the Company) and the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Liability limited by a scheme approved under Professional Standards Legislation

Auditor's opinion

In our opinion:

(a) the financial report of Comet Ridge Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in section 13 of the Directors' report for the year ended 30 June 2009. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the Remuneration Report of Comet Ridge Limited for the year ended 30 June 2009 complies with Section 300A of the *Corporations Act 2001.*

JOHNSTON RORKE

W. R. FACE
Partner

Brisbane, Queensland

30 September 2009

Corporate Governance Statement

Introduction

The Directors of Comet Ridge Limited (the Board) are committed to implementing the highest standards of corporate governance. In determining what these high standards should be the Board has turned to the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (2nd Edition) which they are committed to following for the purposes of implementing, a comprehensive system of control and accountability as the basis for the administration of corporate governance.

The Company is pleased to advise that its practices are largely consistent with those of the ASX Guidelines and continues to review and update policies and practices in order that these keep abreast of the growth of the Company and broadening of its activities.

The recommendations are not prescriptive and, if certain recommendations are not appropriate for the Company given its circumstances, the Company may choose not to adopt that particular practice in limited circumstances. Where the Company's Corporate Governance practices do not correlate with the practices recommended by the ASX Corporate Governance Council (the Council), the Company does not consider that the practices are appropriate for the Company due to the size of the Board or due to the current activities and operations being carried on by and within the Company.

The following additional information about the Company's corporate governance practices is set out on the Company's website at www.cometridge.com.au :

a) Audit Committee Charter
b) Board Charter
c) Code of Conduct for Directors and Key Executives
d) Arrangements regarding Communication with and Participation of Shareholders
e) Policy and Procedure for Compliance with Continuous Disclosure Requirements
f) Corporate Code of Conduct
g) Nomination Committee Charter
h) Process for Performance Evaluation of the Board, Board Committee, Individual Directors and Key Executives
i) Remuneration Committee Charter
j) Risk Committee Charter
k) Company's Risk Management Policy & Internal Compliance and Control System
l) Policy and Procedure for Selection and Appointment of New Directors
m) Policy and Procedure for Selection of External Auditor and Rotation of Audit Engagement Partners
n) Policy for Trading in Company Securities

This statement articulates eight core principles that the Council believes underlie good corporate governance, together with best practice recommendations. To illustrate where the Company has addressed each of the Council's recommendations the following information cross references each recommendation with sections of this report. Details of all the recommendations can be found on the ASX Corporate Governance Council's website at:

http://www.asx.com.au/supervision/governance/revisedcorporate_governance_principles_recommendations.htm

Corporate Governance Statement (continued)

Principle 1 – Lay solid foundations for management and oversight

1.1 Lay Solid Foundations for Management and Oversight

The Board guides and monitors the business of Comet Ridge on behalf of shareholders, by whom they are elected and to whom they are accountable. The Board is responsible for setting corporate direction, defining policies, and monitoring the business of the Company, to ensure it is conducted appropriately and in the best interests of shareholders.

The role of the Board is to oversee and guide the management of the Company with the aim of protecting and enhancing the interests of its shareholders, taking into account the interests of other stakeholders including employees, customers, suppliers and the wider community.

The Board operates under a Charter which has recently been revised that sets out the matters, functions and responsibilities that the Board has reserved for itself. It has also adopted a written Code of Conduct which establishes guidelines for its conduct. The purpose of the Code is to ensure that Directors and executives act honestly, responsibly, legally and ethically and in the best interests of the Company.

The Board is responsible for setting the strategic direction and establishing goals for management and the monitoring of the achievements against these goals.
(ASX Recommendation 1.1)

The Board delegates specific responsibilities to various Board Sub-Committees. The Board has established:

- An Audit Committee, which is responsible for overseeing the external and internal auditing functions of the Company's activities;
- A Risk Committee, which comprises representatives of the Board and staff to advise and assist the Board in assessing risk factors associated with the operation of the Company; and
- A Remuneration Committee, which is responsible for making recommendations to the Board on remuneration packages for executives.

1.2 Process for Evaluating the Performance of Key Executives

The performance of the Group's executives was not formally assessed this year as the circumstances of the Company saw a situation where the current Managing Director was only appointed on the 16 April 2009 after the merger of the Company and Chartwell Energy Limited.

The Board intends, going forward, to assess annually the performance of the Managing Director benchmarking his performance against the role description in the employment contract and general industry standards expected of a Managing Director carrying on that role.

The Managing Director will assess, at least annually, the performance of all senior executives. Both qualitative and quantitative measures will be used consistent with performance targets set annually by the Managing Director in consultation with those executives. The Managing Director will report to the Remuneration Committee on their performance and the Remuneration Committee will then consider any changes to remuneration and the establishment of new performance targets.
(ASX Recommendation 1.2)

Principle 2 – Structure the Board to Add Value

2.1 A Majority of the Directors should be Independent Directors

The names of the Directors of the Company in office at the date of this report, specifying which are independent, are set out below.

Under the Constitution, the maximum number of Directors is nine. Further, the Constitution mandates that there be a minimum of three Directors, at least two of whom must reside in Australia. The Board considers that, fundamentally, the independence of Directors is based on their capacity to put the best interests of the Company and its shareholders ahead of all other interests, so that Directors are capable of exercising objective independent judgment.

When evaluating candidates, the Board will have regard to the potential for conflicts of interest, whether actual or perceived, and the extent or materiality of these in the ongoing assessment of Director Independence. In this respect the Board has regard to the definition of "independence" in the ASX Guidelines. The Board does not believe that the existence of one or more of the relationships in the definition will necessarily result in the relevant Director not being classified as independent, particularly given the criteria outlined above, and that the Company will seek to implement additional safeguards to ensure independence. An overall review of these considerations is conducted by the Board to determine whether individual Directors are independent.

Additional policies, such as Directors not being present during discussions or decision making on matters in which they have or could be seen to potentially have a material conflict of interest, as well as Directors being excluded from taking part in the appointment of third party service providers where the Director has an interest, provide further separation and safeguards to independence. The Board has considered materiality thresholds in relation to independence, but has determined not to establish fixed thresholds, believing that, if taken in isolation and out of context, these can be misleading and inconclusive.

If a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a Director then, provided the Director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

A Director is regarded as independent if that Director is a Non-executive Director who is not a member of management and who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement. When determining the independent status of a Director, the Board has considered whether the Director:

a) is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;

b) within the last three years has been employed or has previously been employed in an executive capacity by the Company or another Group member;

c) within the last three years has been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;

d) is a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and

e) Has a material contractual relationship with the Company or another Group member other than as a Director of the Company.

Corporate Governance Statement (continued)

Current Board Composition

Director	Board membership	Date of appointment
Jeff Schneider	Non-executive Chairman	28 August 2003
Tor McCaul	Managing Director	16 April 2009
Gillian Swaby	Non-executive Director	9 January 2004
James McKay	Non-executive Director	16 April 2009
Chris Pieters	Non-executive Director	16 April 2009

The relevant details for each Director are contained in the profile for each Director in the Directors' Report.

The Board notes that Mr Schneider (Non-executive Chairman) and Ms Swaby (Non-executive Director) do not strictly satisfy the test of independence as set out in the recommendations, however, the Board's reasons for considering the two Directors to be independent are set out below under the heading "Identification of Independent Directors". The Board considers that its current structure is appropriate to efficiently and independently carry out its functions, given the size and level of its current activities. Independent Directors form the Audit Committee and the Remuneration Committee.

Identification of Independent Directors

Mr Schneider is on the Board of Directors of Strike Oil Limited, which until mid 2009 was a major shareholder of the Company. He also for a period last year and early this year when the Company had no executives or employees held the position of Executive Chairman. As a result he does not fall within the criteria as published by the ASX Corporate Governance Council ("Independence Criteria"); however, he fulfils the other Independence Criteria. The Board of Comet Ridge (in the absence of Mr Schneider) considers he is capable of making decisions and taking actions which are designed to be in the best interests of the Company, and therefore considers him to be independent. The Board notes the potential for conflict in matters where Strike Oil Limited is involved and recognises that in such circumstances Mr Schneider would declare such interest and not participate in the decision making process unless otherwise sanctioned by the Board, as is required under the Corporations Act.

Through her consultancy company, Strategic Consultants Pty Ltd, Ms Swaby provided up until 16 April 2009 company secretarial services. In this regard, Ms Swaby fulfilled a quasi-executive role. Ms Swaby is not a substantial shareholder of the Company and meets all of the other independence criteria. Having regard to issues of materiality, the Board, in the absence of Ms Swaby, considers that Ms Swaby's former consultancy relationship with the Company does not impede her ability to act in the best interests of the Company. Therefore, the Board considers Ms Swaby to be independent.

In addition Mr. Christopher Pieters meets the criteria for independence listed above and is considered by the Board as independent.

The Board is made up of five Directors, a majority of whom are considered to be independent. *(ASX Recommendation 2.1)*. The criteria used to assess independence are reviewed from time to time.

The Non-executive Directors understand the benefits of conferring regularly without management present, and do so. The Board is also committed to ensuring that all Directors, whether independent or not, bring an independent judgment to bear on Board decisions. To facilitate this, the Board has agreed on a procedure for Directors to have access, in appropriate circumstances, to independent professional advice at the Company's expense.

The Board is committed to ensuring that its members have a broad range of skills, experience and expertise. This will assist the Board to maximise performance and ensure appropriate levels of shareholder return.

2.2 The Chairperson should be an Independent Director

The Chairperson (Jeff Schneider) is an independent Director as detailed above.
(ASX Recommendation 2.2)

2.3 The Roles of Chairperson and Chief Executive Officer should not be shared by the same person

While the role of Managing Director and Chairperson was carried out by Jeff Schneider for a short period, this was necessitated by the Company's circumstances and his principal task during this period was the stewardship of the Company during the merger with Chartwell Energy Limited. The roles of the Chairperson and the Managing Director are no longer shared by the same person which has been the case since the merger. The Chairperson is Jeff Schneider and the Managing Director is Tor McCaul. The roles of the Chairperson and the Managing Director are set out in the Board Charter.
(ASX Recommendation 2.3)

Board Should Establish a Nomination Committee

There is no formal Nomination Committee and the full Board considers those matters and issues arising that would usually fall to a Nomination Committee. The Board has in place processes which raise the issues that would otherwise be considered by a Nomination Committee.

The Board considers that no efficiencies or other benefits would be gained by establishing a separate Nomination Committee at this time due to the size of the Company and its current activities.
(ASX Recommendation 2.4)

Disclose Process for Evaluating the Performance of the Board, its Committees and Individual Directors

Improvement in Board effectiveness is a continuing obligation of the Board. The Board believes that regular assessment of the Board's effectiveness and the contribution of individual Directors are essential to improve the governance and guidance of the Company.

A review should focus on matters such as the structure, the effectiveness and contributions made by each Director and the progress towards the strategic objectives of the Company. The Chairman is responsible for conducting an annual review of the Board's Performance.

An evaluation of Board performance was not carried out this financial year as the composition of the Board changed substantially with the majority of the current Board only being appointed in April. A review of Board and Board Committee performance will be completed before the end of the current financial period which will include the completion of a questionnaire focused on process structure, effectiveness and contributions.
(ASX Recommendation 2.5)

Company Statement in Relation to Principle 2

The skills, experience and length of appointment relevant to each Director are set out in the Directors' Report.

The names of each of the Directors that are considered to be independent and the materiality thresholds are set out in this Statement under 2.1. The relevant transactions with independent Directors are set out in notes to the financial statements. The Board considers that the transactions are not material.

Principle 3: Promote Ethical and Responsible Decision-Making

3.1 Establish a Code of Conduct and Disclose a Summary

The Company has established a Code of Conduct which sets out ethical standards and a Code of Conduct to which all Directors, executives and employees will adhere whilst conducting their duties.
(ASX Recommendation 3.1)

The Code of Conduct for Executives forms part of this Corporate Code of Conduct. It provides as follows:-

Corporate Governance Statement (continued)

All Executives will:

1. Actively promote the highest standards of ethics and integrity in carrying out their duties for the Company;
2. Disclose any actual or perceived conflicts of interest of a direct or indirect nature of which they become aware and which they believe could compromise in any way the reputation or performance of the Company;
3. Respect confidentiality of all information of a confidential nature which is acquired in the course of the Company's business and not disclose or make improper use of such confidential information to any person unless specific authorisation is given for disclosure or disclosure is legally mandated;
4. Deal with the Company's customers, suppliers, competitors and each other with the highest level of honesty, fairness and integrity and to observe the rule and spirit of the legal and regulatory environment in which the Company operates;
5. Protect the assets of the Company to ensure availability for legitimate business purposes and ensure all corporate opportunities are enjoyed by the Company and that no property, information or position belonging to the Company or opportunity arising from these are used for personal gain or to compete with the Company;
6. Report any breach of this code of conduct to the Chairman, who will treat reports made in good faith of such violations with respect and in confidence; and
7. This Code of Conduct is in addition to the Corporate Code of Conduct which has been adopted by the Board of the Company.

The Group is committed to increasing shareholder value and aims to ensure its shareholders are fully informed as to the true financial position and performance of the Group through timely and accurate disclosure of information and risk management practices and exemplary compliance with the continuous disclosure regime.
(ASX Recommendation 3.1)

3.2 Establish a Securities Trading Policy and Disclose a Summary

The Company has a Policy for Trading in Company Securities which is binding on all Directors and employees. The purpose of this policy is to provide a brief summary of the law on insider trading and other relevant laws, set out the restrictions on dealing in securities by people who work for or are associated with Comet Ridge and assist in maintaining market confidence in the integrity of dealings in Comet Ridge securities. The Policy has been posted on the Company's website to ensure that there is public confidence and understanding of the Company's policies governing trading by "potential insiders". The Policy stipulates compliance is required with the Corporations Act with respect to insider trading and also the ASX Listing Rules to ensure timely disclosure of any trading undertaken by Directors or their related entities in the Company's securities.

All persons covered by the Policy may not deal in the securities in the Company without first seeking and obtaining a written acknowledgement from the Chairman of the Company (or in his absence the Company Secretary) prior to any trade, at which time they must confirm that they are not in possession of any unpublished price-sensitive information. The Company Secretary maintains a register of notifications and acknowledgements given in relation to trading in the Company's securities.
(ASX Recommendation 3.2)

Principle 4: Safeguard Integrity in Financial Reporting

4.1 Establish an Audit Committee

The Board has had established an Audit Committee which was constituted throughout the whole of the financial year.
(*ASX Recommendation 4.1)*

The primary objective of the Committee is to assist the Board to discharge its responsibilities with regard to:

- Monitoring the integrity of the financial statements of the Company, reviewing significant financial reporting judgements;
- Reviewing the Company's internal financial control system;
- Monitoring and review the effectiveness of the Company's internal audit function (if any);
- Monitoring and review the external audit function including matters concerning appointment and remuneration, independence and non-audit services; *and*
- Performing such other functions as assigned by law, the Company's constitution, or the Board.

4.2 Structure of the Audit Committee

The Committee has been appointed by the Board and comprises three (3) Non-executive Directors of which two are independent.

The members of the Audit Committee during the year were as follows, including the dates Members resigned from or were appointed to the Committee:-

Gillian Swaby:	Chairman of the Committee and Non-executive Director/Company Secretary	
Gary Drobnack:	Non-executive Director	(resigned 16.04.2009)
Jeff Schneider:	Non-executive Director	(resigned 21.04.2009)
James McKay:	Non-executive Director	(appointed 21.04.2009)
Christopher Pieters:	Non-executive Director	(appointed 21.04.2009)

The Chairperson of the Committee is Gillian Swaby who is independent and not the chairperson of the Board.

Each member of the Audit Committee has an appropriate knowledge of the Company's affairs and has the financial and business expertise to effectively discharge the duties of the Committee. The members of the Audit Committee by virtue of their professional background experience and personal qualities are well qualified to carry out the functions of the Audit Committee. At least one member has significant, recent and relevant financial experience.
(*ASX Recommendations 4.2)*

4.3 Audit Committee to have a Documented Charter

The Committee has a documented charter approved by the Board on 21 August 2004 which sets out the specific responsibilities delegated to the Committee by the Board.

The members of the Committee have direct access to any employee, the auditors and financial and legal advisers without management present.

The Committee meets as often as is required but no less than twice a year.

Corporate Governance Statement (continued)

The Committee reports to the Board on the following:-

a) Assessment of whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs;

b) Assessment of the management processes supporting external reporting;

c) Procedures for the selection and appointment of the external auditor, rotation of external audit engagement partners, appointment and removal of the external auditors, review of the terms of engagement;

d) Approving the audit plan of the external auditors, monitoring the effectiveness and independence of the external auditor, obtaining assurances that the audit is conducted in accordance with the Auditing Standards and all other relevant accounting policies and standards;

e) Providing recommendations to the Board as to the role of the internal auditor/internal audit function, if any and recommendations for the appointment or, if necessary, the dismissal of the head of internal audit;

f) Evaluating the adequacy, effectiveness and appropriateness of the Company's administrative, operating and accounting control systems and policies;

g) Reviewing and evaluating controls and processes in place to ensure compliance with the approved policies, controls, and with applicable accounting standards and other requirements relating to the preparation and presentation of financial results;

h) Overseeing the Company's financial reporting and disclosure processes and the outputs of that process;

i) Determining the reliability, integrity and effectiveness of accounting policies and financial reporting and disclosure practices; *and*

j) Reviewing the appropriateness of the accounting principles adopted by management in the composition and presentation of financial reports and approving all significant accounting policies.

(ASX Recommendation 4.3)

4.4 Company Statement in Relation to Principle 4

Ms Gillian Swaby has over 26 years experience in the Australian mining and exploration industry. Further, she has gained financial expertise through her academic qualifications and practical experience in management accounting and corporate financial management.

Mr James McKay has over 21 years of business management and commercial experience in both the private and public corporate arenas. He has been involved in the establishment and development of a number of companies in the energy, services and wholesale sectors. He has previously been both a member and Chairman of the Audit Committee of a public company.

Mr McKay holds degrees in Commerce and Law from the University of Queensland.

Mr Christopher Pieters has a Bachelor of Science (Geology) and a Bachelor of Business from the University of Queensland and an Honours degree in Petroleum and Geophysics from the Australian School of Petroleum.

Mr Pieters was the Chief Commercial Officer of Sunshine Gas Ltd where he was a key member of the team that built the company that was taken over by Queensland Gas Company in 2008. Chris also held other technical and business roles whilst at Sunshine Gas. Mr Pieters is also the Managing Director and founding member of Walcot Capital Pty Ltd, a private venture capital business specialising in energy investment.

Mr Jeff Schneider (member of Committee to 21.04.09) has over 30 years of experience in various management and executive roles in the resource industry, and is therefore well qualified by his industry knowledge to sit on the Audit Committee. In addition, Mr Schneider has acquired financial literacy through his relevant academic qualifications.

Mr Gary Drobnack (member of Committee to 16.04.09) has over 34 years of business management and commercial experience in the timberlands and forest products businesses and, as a senior executive with a major US corporation, Weyerhaeuser, has worked extensively with the interpretation and evaluation of financial information. Mr Drobnack also provided, during his time as a member of the Audit Committee, a US perspective to the Audit Committee.

The Audit Committee members' attendance at meetings as compared to total meetings held is set out in the Directors' Report. The external auditors attend the meetings at least twice a year and on other occasions where circumstances warrant. The Audit Committee keeps minutes of its meetings and includes them for review at the following Board Meeting.

Principle 5: Make Timely and Balanced Disclosure

5.1 Establish Written Policies to Ensure Compliance with ASX Listing Rule Disclosure Requirements

Detailed compliance procedures for ASX Listing Rule disclosure requirements have been adopted by the Company.
(*ASX Recommendation 5.1)*

The Board is committed to ensuring that:

- All shareholders have equal access to material information concerning the Company; and
- All Company announcements are factual and presented in a clear and balanced way.

The Company Secretary has primary responsibility for discharging the Company's continuous disclosure obligations to the ASX. All officers and employees must immediately notify the Company Secretary of any material information which may need to be disclosed under Listing Rule 3.1.

The Officers of the Company are committed to:

- Encouraging prompt disclosure of any material information which may need to be disclosed under Listing Rule 3.1; and
- Promoting an understanding of the importance of the continuous disclosure regime throughout the Company.

In addition the website contains a facility to allow interested parties to subscribe to receive, electronic notification of public releases and other relevant material concerning the Company.

Principle 6: Respect the Rights of Shareholders

6.1 Design a Communications Policy for Effective Shareholder Communication

The Company places a high priority on communications with and accountability to shareholders. The Board recognises that shareholders, as the ultimate owners of the Company, are entitled to receive timely and relevant high quality information about their investment. Similarly, prospective investors should be able to make an informed decision when considering the purchase of shares in Comet Ridge. To safeguard the effective dissemination of information, the Board has implemented procedures for compliance with continuous disclosure requirements and adopted a Shareholder Communications Policy. These reinforce the Company's commitment to its continuous disclosure obligations imposed by law.

Corporate Governance Statement (continued)

Information will be communicated to shareholders by:

- Ensuring that published financial and other statutory reports are prepared in accordance with applicable laws and industry best practice;
- Ensuring the disclosure of full and timely information about the Company's activities in accordance with the general and continuous disclosure principles in the ASX Listing Rules, the Corporations Act in Australia and any other relevant legislation;
- Providing detailed reports from the Chairman and/or the Managing Director at the Annual General Meeting;
- Placing all material information released to the market (including Notices of Meeting and explanatory materials) on the Company's website as soon as practical following release; *and*
- Placing all of the Company's press releases and market announcements for the last three years plus at least the last three years of financial data on its website.

In addition, the website includes a facility to allow interested parties to subscribe to receive, electronically, public releases and other relevant material concerning the Company.

Shareholders are encouraged to attend General Meetings, and particularly the Annual General Meeting, and ask questions of Directors and senior management and also the Company's external auditors, who are required to be in attendance. In the event that shareholders are unable to attend meetings, they are encouraged to lodge proxies signifying their approval or otherwise of the business to be considered.
(ASX Recommendation 6.1)

Principle 7: Recognise and Manage Risk

7.1 Company to Establish Policies for the Oversight and Management of Material Business Risks

The Company has developed a strategy for risk management and internal compliance and control systems which covers organisational, financial and operational aspects of the Company's affairs. It appoints the Managing Director as being responsible for ensuring the systems are maintained and complied with.
(ASX Recommendation 7.1)

The Board has formed a Risk Committee which has the responsibility for identifying assessing, treating, monitoring and reporting in respect of identified risks and the management of these to the Board. The Committee shall comprise at least two members in total, one of which must be the Managing Director who also chairs the Committee.

The members of the Risk Committee are appointed by the Board and Company personnel are required to attend Risk Committee meetings as and when requested.

Specific functions with respect to risk management are to review and report to the Board that:-

a. the Group's ongoing risk management programme effectively identifies all areas of potential risk;

b. adequate policies and procedures have been designed and implemented to manage identified risks;

c. a regular programme of audits is undertaken to test the adequacy of and compliance with prescribed policies; and

d. proper remedial action is undertaken to redress areas of weakness.

The following form part of the normal procedures for the responsibility:-

a. evaluating the adequacy and effectiveness of the management reporting and control systems used to monitor adherence to policies and guidelines and limits approved by the Board for management of balance sheet risks;

b. evaluating the adequacy and effectiveness of the Group's financial and operational risk management control systems by reviewing risk registers and reports from management and external auditors;

c. evaluating the structure and adequacy of the Group's own insurances on an annual basis;

d. reviewing and making recommendations on the strategic direction, objectives and effectiveness of the Group's financial and operational risk management policies;

e. overseeing the establishment and maintenance of processes to ensure that there is:

(i) an adequate system of internal control, management of business risks and safeguard of assets; and

(ii) a review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control;

f. evaluating the Group's exposure to fraud and overseeing investigations of allegations of fraud or malfeasance;

g. reviewing the Group's main corporate governance practices for completeness and accuracy;

h. overseeing the proper evaluation of the adequacy and effectiveness of the Group's legal compliance control systems; and

i. providing recommendations as to the propriety of related party transactions.

(ASX Recommendation 7.1)

The Risk Committee keeps minutes of its meetings and includes them for review at the following Board Meeting.

7.2 Board Should Require Management to Design and Implement the Risk Management and Internal Control System and Report to It

Management has implemented a Risk Management Policy. The policy requires the Managing Director's Reports to the Board to provide an exception report outlining the relevant risks for the attention of the Board. Areas of risk that are covered include:-

- Strategic – impacts on the ability to achieve Company strategy/goals;
- Operational – impacts on the operational aspects of the Company's operations; *and*
- Personnel – impacts on individual employees.

The Board also receives a Risk Management report from the Managing Director at every Board meeting along with a copy of the minutes of the Committee meetings.

(ASX Recommendation 7.2)

Corporate Governance Statement (continued)

Environment

The Company is committed to sustainable development of energy resources in an environmentally and socially responsible manner. All operational activities are conducted in strict compliance with the terms of relevant surface use agreements. Surface disturbances, critical wildlife habitat, view-sheds, noise levels, air quality and water quality impacts to the environment will, at a minimum, comply with all applicable legal and regulatory thresholds and otherwise be managed for minimal impact. The Company employs technology and best environmental practices to achieve this objective.

Safety

The Company believes that all injuries and industry related diseases are preventable. The Company's safety policy focuses on assessing, mitigating, or where possible, eliminating, potential risk associated with any activity.

Responsibility for an individual's safety starts with the individual but the Company is committed to the creation and maintenance of a work environment and culture where we all think about safety as a first step. To meet these commitments, the Company has established a Health Safety Environment and Security (HSES) team which meets at least once a month and is presently reviewing the Company's health and safety policy as well as developing a Safety Management Plan, Emergency Response Plan and Environmental Plan ahead of the upcoming drilling programme in the Galilee Basin. Contractors are also required to manage health and safety in line with these plans and policy.

Each person involved in our business has the authority and responsibility to delay or immediately stop activities where effective mitigation controls are not in place to manage identified hazards.

7.3 Board to Disclose Extent of CEO/CFO Assurances under s295A of Corporations Law

The Board has received declarations from the Chairman and Managing Director acting in the capacities of CEO and CFO pursuant to s295A of the Corporations Act which state that the financial statements are founded on sound risk management and internal controls and that the system is operating effectively in all material respects in relation to financial reporting risks.
(ASX Recommendation 7.3)

Principle 8: Remunerate Fairly and Responsibly

8.1 Board to Establish a Remuneration Committee

Comet Ridge has established a Remuneration Committee. The role of the Committee, in accordance with the Remuneration Committee Charter, is to assist the Board with respect to remuneration by reviewing and making appropriate recommendations on:

a) Remuneration packages of Executive Directors, Non-executive Directors and senior executives; *and*

b) Employee incentive and equity based plans including the appropriateness of performance hurdles and total payments proposed.
(ASX Recommendation 8.1)

Mr James McKay is the Chairman of the Remuneration Committee and the Committee shall meet at least twice a year and otherwise as required. The current members of the Remuneration Committee are as follows, including dates of appointment to the Committee:-

- James McKay: Chairman of the Committee and Non-executive Director (appointed 21.04.2009)
- Jeff Schneider: Non-executive Director
- Christopher Pieters: Non-executive Director (appointed 21.04.2009)

The number of meetings of the Remuneration Committee during the reporting period and the attendance record of members is set out in the Directors' Report.
(ASX Recommendation 8.1)

8.2 Distinguish the Structure of Non-executive Directors' Remuneration from that of Executive Directors and Senior Executives

The ASX Listing Rules and the Constitution require that the maximum aggregate amount of remuneration to be allocated among the Non-executive Directors be approved by the shareholders in a general meeting. In proposing the maximum amount of consideration by shareholders, and in determining the allocation, the Remuneration Committee will take into account the time demands made on Directors and such factors as fees paid to Non-executive Directors in comparable Australian companies.

The remuneration paid to Directors and senior executives is shown in the Remuneration Report contained in the Directors' Report, which includes details on the Company's remuneration policies.

There are no termination and retirement benefits for Non-executive Directors other than statutory superannuation.

Additional Information

The additional information set out below was applicable at 25 September 2009:-

1. Number of Equity Holders

Ordinary Share Capital

307,351,144 fully paid ordinary shares are held by 1778 individual shareholders.

2. Voting Rights

In accordance with the Company's constitution, on a show of hands every shareholder present in person or by a proxy, attorney or representative of a shareholder has one vote and on a poll every shareholder present in person or by a proxy, attorney or representative has in respect of fully paid shares, one vote for every share held. No class of option holder has a right to vote, however the shares issued upon exercise of options will rank pari passu with the then existing issued fully paid ordinary shares.

3. Distribution of Shareholdings

Holdings		No. of Holders	Units	Percentage of Issued Capital
1	- 1,000	48	6,136	0.00
1,001	- 5,000	239	763,573	0.25
5,001	- 10,000	263	2,222,514	0.70
10,001	- 100,000	975	65,367,052	11.59
100,001	- maximum	253	268,991,869	87.46
		1,778	307,351,144	**100.00**

The number of shareholders holding less than a marketable parcel:-
52 Holders (10,606 Shares)

4. Substantial shareholders

The following information is extracted from the Company's Register of Substantial shareholder:

Name	Number of Shares Held	Percentage of Issued Capital
Citicorp Nominees Pty Limited	51,500,000	16.76%
Waterford Pacific Pty Ltd & McKay Super Pty Ltd	29,795,434	9.62%
Gilby Resources Pty Ltd & Anthony Rechka Gilby	29,579,083	9.57%
ANZ Nominees Limited	20,476,992	6.66%

The above shareholdings are disclosed pursuant to section 671B(3) of the Corporations Act 2001 but the relevant interests shown do not necessarily represent the beneficial interest in the share capital of the Company or the parties concerned.

5. The 20 Largest Holders of Ordinary Shares

	Number of Ordinary Fully Paid Shares Held	Percentage of Issued Capital %
CITICORP NOMINEES PTY LIMITED <AWAL BANK BSC>	51,500,000	16.76 %
GILBY RESOURCES PTY LTD <THE GILBY INVESTMENT A/C>	25,566,380	8.32 %
WATERFORD PACIFIC PTY LTD	24,843,144	8.08 %
ANZ NOMINEES LIMITED <CASH INCOME A/C>	20,476,992	6.66 %
MATOPOS HOLDINGS LIMITED	9,703,679	3.15 %
CITICORP NOMINEES PTY LIMITED	7,792,923	2.54 %
J P MORGAN NOMINEES AUSTRALIA LIMITED	7,345,470	2.39 %
MS GILLIAN SWABY	4,552,666	1.48 %
MCKAY SUPER PTY LTD <MCKAY SUPER FUND A/C>	4,521,407	1.47 %
GILBY RESOURCES PTY LTD <GILBY SUPER FUND A/C>	3,703,703	1.21 %
KABILA INVESTMENTS PTY LTD	3,665,758	1.19%
STRIKE OIL LTD	3,600,000	1.17 %
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,437,109	1.12%
MR JEFFREY WARRINGTON SCHNEIDER	3,398,732	1.11%
NATIONAL NOMINEES LIMITED	3,437,109	1.12 %
POWER INDUSTRIES PTY LTD <THE POWER PROPERTY A/C>	2,720,000	0.88 %
ENAN PTY LTD	2,472,000	0.80 %
JTC TRUSTEES LIMITED <THE MING A/C IIP>	2,472,000	0.80 %
CALM HOLDINGS PTY LTD <CLIFTON SUPER FUND A/C>	2,200,000	0.72 %
MR CHRISTOPHER JOHN BLAMEY & MRS ANNE MARGARET BLAMEY <ACB SUPER FUND A/C>	2,000,000	0.65 %
TOTAL	189,409,072	61.62 %

6. Restricted Securities

Citicorp Nominees Pty Limited holds 51,500,000 ordinary shares for the benefit of AWAL Bank BSC. As a condition of the merger between the Company and Chartwell Energy Limited these shares are held subject to a Restriction Agreement which was executed in accordance with Appendix 9B.6 of the Listing Rules for a period of 12 months expiring 29 April 2010.

This shareholding presently represents 16.76% of voting rights of the Company.

7. Interest in Petroleum Tenements

Authority to Prospect, Joint Venture and Petroleum Lease Interests

ATP / PL / PEL / PMP	Location	*Interest %	Operator
ATP337 Mahalo	Bowen Basin	40	Santos
PEL427	Gunnedah Basin	25	Orion Petroleum (Conventional) Eastern Star Gas (CSG)
PEL428	Gunnedah Basin	20	Orion Petroleum (Conventional) Eastern Star Gas (CSG)
ATP743	Galilee Basin	100	Comet Ridge Limited
ATP744	Galilee Basin	100	Comet Ridge Limited
PMP50100	South Island, New Zealand	20	Chartwell NZ Pty Limited
PMP50279	South Island, New Zealand	100	Chartwell NZ Pty Limited
PMP50280	North Island, New Zealand	100	Chartwell NZ Pty Limited

* The interest is held either by Comet Ridge Limited or one of its wholly owned subsidiaries.

Interests in ATP337, PEL427, PEL428 and PMP50100 are all held subject to the terms of Farm-in Agreements

Comet Ridge

Comet Ridge

Brisbane Office:
210 Alice Street
Brisbane QLD 4000
Telephone: +61 7 3221 3661
Facsimile: +61 7 3221 3668
www.cometridge.com.au