Comet Ridge Limited

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Date: 20 September 2010

Company Announcements Office
Australian Securities Exchange Limited
20 Bridge Street
Sydney NSW 2000

Dear Sir /Madam

Re: Comet Ridge Limited: 2010 Annual Report

Attached please find the 2010 Annual Report for Comet Ridge Limited. The printed version is expected to be released mid October.

Yours faithfully
Comet Ridge Limited

Stephen Rodgers
Company Secretary

Comet Ridge Limited

A.B.N. 47 106 092 577

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010

Comet Ridge Limited

Comet Ridge Limited
Annual Report
For the year ended 30 June 2010

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Comet Ridge Limited

Dear Shareholders,

Despite the coal seam gas industry making substantial progress towards exporting LNG, significant challenges, including the continuing global financial crisis, delays in the financial investment decisions for LNG projects, environmental challenges and the proposed introduction of the mining tax dramatically reduced confidence in the sector.

For Comet Ridge Limited it has been a year of consolidation with the Company well positioned for the future. Despite operating in such a volatile environment, the Company has had a number of notable achievements, including:-

- Successful drilling of nine wells across our eight permit areas;
- Identifying high graded fairway in our Galilee project;
- Securing post balance date, 100% of PMP50100 in New Zealand; and
- Substantially strengthening our management team with the appointment of Martin Lee as Chief Commercial Officer, Don Langton as Chief Financial Officer and Dale Aaskow as Engineering and Operations Manager.

The Company's founding Chairman Jeff Schneider decided to stand down as Chairman following the relocation of the Company's management to Brisbane. Jeff's tireless efforts and sound judgment in difficult times has been critical for the Company. I was very pleased that Jeff decided to continue on as a Director and that his experience and counsel was not lost to the Company. Ex-Sunshine Gas Managing Director, Tony Gilby, joined the Board in October last year, further strengthening the Board with his considerable experience in the sector.

Comet Ridge is strongly placed to move ahead during the current financial year, being well funded, having built a world class team and with a number of exciting projects. The Board's focus over the next year is to transfer this strong position into value for all shareholders.

Yours faithfully

JAMES McKAY
Chairman
Comet Ridge Limited

Managing Director's Report

It's been a very busy year at Comet Ridge Limited ("Comet Ridge") and significant work has been undertaken across our portfolio of assets.

At last year's Annual General Meeting the Company outlined its priorities for the coming year. Key amongst these were to better understand the Coal Seam Gas ("CSG") potential in our very extensive Galilee Basin acreage in Queensland; to progress our New Zealand acreage through to pilot well stage; and, to maintain the high Health, Safety and Environmental performance standards we have set for ourselves. How did we perform against the objectives we set?

In Australia and New Zealand, we participated in a total of nine exploration and appraisal wells, eight of which our newly formed team operated and managed. A heavy focus on health and safety management and environmental management, and strong day-to-day focus on health and safety from our operations team and all of our contractors, has meant we were able to drill these wells without a Lost Time Incident or any environmental issues. This is a solid achievement and something that we will continue to build on during the coming year.

Despite considerable frustration due to near record wet weather across the Galilee Basin permits, between November 2009 and June 2010 we successfully drilled a total of five core holes in our substantial exploration blocks (ATP 743P and 744P totalling 13,000 km^2). We were able to confirm continuity of coal measures across our blocks over a very large area, to gather gas content information that was consistent with our expectations for the Galilee Basin (in particular at our Hergenrother 1 and Gunn 1 wells) and to also measure the permeability of the Betts Creek Beds coals. Our current focus is to process and evaluate all the acquired data and to consider the location and timing for a possible pilot scheme in the block. Our work to date has confirmed that our Galilee blocks have very considerable resource potential.

In New Zealand, we undertook what we believe to be the first CSG targeted aerial magnetic survey in that country. This was conducted across all three of our blocks, where we have an acreage position in excess of 8,600 km^2. This survey has enabled us to image our blocks on a scale not possible previously and will lead on to aerial gravity surveying over a tighter spacing on more selected targets late in 2010 or early 2011. We expect these targets to then be matured for drilling in late 2011 or early 2012 and are pleased with the early data definition we have been able to achieve on this first round of aerial surveying. In terms of drilling in PMP 50100 in the Greymouth area, we had mixed results. Our second pilot well encountered coals deeper than expected and when tested, showed poor coal productivity, so the well was plugged and abandoned. On the positive side, our first pilot well encountered significant coals in the Paparoa Formation (13 metres) and we believe there was more coal below the point where the joint venture called "total depth" and stopped drilling. This means that the in-place gas in the block may be significantly upgraded and our exploration strategy is likely to focus now extensively on the Paparoa Formation in addition to targeting the shallower Brunner Formation. In July 2010, our joint venture partner in PMP 50100 exited the block, moving the Comet Ridge Group's equity up to 100%. We now hold all our New Zealand blocks at 100% equity and are quite pleased with the focus, efficiency, flexibility and opportunity 100% equity brings us in our New Zealand and Galilee Basin operated blocks.

In our non-operated Australian blocks (PEL 427 & 428 in NSW and ATP 337P Mahalo in Queensland) we have been working with the operators to continue the technical effort across these large areas. We believe all three blocks have substantial resource potential and we are supportive of increased activity in these blocks during 2011. In PEL 427 in NSW, 2011 will commence with seismic and drilling in the Bellata Trough, an area where we feel there is significant upside for gas resources. The programme for 2011 for the Mahalo Block is currently being reviewed by the joint venture and Comet Ridge believes Mahalo holds substantial future value for the Company, given the drilling results to date and its proximity to present and planned infrastructure, leading to Gladstone.

In the USA business based in Denver (Comet Ridge 17.26%), we have been very pleased with the increasing success rate for oil exploration wells with 10 wells now on line as oil producers and production recently averaging 900 barrels of oil per day and expected to go higher as production testing is finalised.

During the year we have recruited four key senior staff - Kerry Freeburn as Financial Controller, Don Langdon as Chief Financial Officer, Dale Aaskow as Engineering & Operations Manager and Martin Lee as Chief Commercial Officer. I have been very pleased that we were able to fill these positions with a team who have substantial oil and gas & CSG experience and bring a high degree of energy to their respective roles.

The 2010 financial year has been very challenging for all companies in the resources sector due to factors including continuing volatility in world financial markets and concerns over the structure of the Federal Government's new Mineral Resources Rent Tax (MRRT). Smaller entities were also impacted by an investor focus on corporate activity among larger players in Queensland's resources sector and major projects such as the proposed large-scale Liquified Natural Gas ("LNG") plants at Gladstone on the central Queensland coast. The delays in Federal environmental approval processes for these proposed projects meant FID (final investment decision) has not yet been achieved, resulting in some disappointment which was felt throughout the sector.

Speculation on exactly which LNG projects will be built, and by when has also added to the uncertainty and this is partly related to some Asian LNG buyers taking a wait-and-see approach before committing to LNG volumes.

Managing Director's Report (continued)

We continue to believe that there are significant economies of scale in LNG manufacturing and subsequently the consolidation in the Gladstone-located LNG industry will continue. We also believe that the true value in LNG projects comes from expansion away from a one or two train operation into something much larger. Whilst the major LNG proponents have sufficient volume to initiate their projects, in the medium term there will be opportunities for third party gas sales into the LNG system in addition to a developing domestic gas market where gas-fired power will play a greater and greater role in eastern Australia. Subsequently our view of the value of CSG reserves for both overseas gas buyers and domestic gas buyers is unchanged.

We are currently working towards contingent resources bookings to quantify the gas resource potential in our major projects and hope to have this review completed by the end of the calendar year. Our effort during 2011 will be to build on these gas resources and move as much volume as possible into the reserves categories via our work programme. We expect this process to fundamentally grow the value of the Company.

TOR McCAUL
Managing Director
Comet Ridge Limited

Activities in Australia

Shareholders will undoubtedly be aware of the ongoing developments and changes that continue to evolve in Australia's Coal Seam Gas ("CSG") industry. Brisbane has continued to secure its place as the Australian CSG capital for the majority of the companies involved in the CSG sector. Plans are progressing for Queensland to begin exporting Liquefied Natural Gas (LNG) by 2014 with several companies announcing gas sales agreements in the expanding Asian LNG market even if there is more volume to be sold. This gas will initially be sourced from the rich CSG reserves in the Surat and Bowen Basins with the potential for additional gas to be sourced for future LNG trains from frontier areas including the Galilee Basin in Central Queensland and the possibility of gas supply from NSW. The Board therefore intends to capitalise on opportunities presented by the current market and continue to progress the Comet Ridge projects within Queensland and NSW as a priority, to deliver on our strategy of 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 km^2) 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 with a joint venture with Santos and Australia Pacific LNG Pty Limited ("APLNG") which is the joint venture vehicle for Origin and Conoco Phillips. The vast majority of CSG activity in Queensland to date has occurred in and around the eastern and south-central Queensland basins (the Surat and Bowen), however, recent 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 (and subsequently gas) resource within the Permian Betts Creek Beds and also the early Permian Aramac coals.

The attractiveness of both a largely untested CSG province and access to proximal developing LNG infrastructure has attracted several companies to the Galilee Basin, a number of which 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

At the time of last year's report, Comet Ridge had not been formally awarded ATP 743P and ATP 744P in the Galilee Basin. Following native title and environmental approvals, these blocks were awarded in September and October 2009 respectively. Plans were quickly formulated for a comprehensive exploration drilling program over the two blocks with the main focus of determining aerial extent, thickness, gas content and permeability of the Permian Betts Creek Beds coal measures.

A total of five wells were drilled in the 2009/2010 exploration core program. One well was drilled in ATP 743P with the remaining four drilled in ATP 744P. Drilling began in late November, 2009 with the fifth and last well finishing in the latter part of June 2010. Poor weather due to the influence of Cyclone Olga and general heavy widespread rainfall in central and north Queensland led to significant delays in drilling, resulting in almost a three month delay between the second and third well from late January to mid April 2010.

Each of the five wells intersected a significant section of Betts Creek Beds coal and shale with a large volume of core recovered for laboratory analysis and a total of 10 drillstem tests (DST) conducted. The table below summarises key results from the five wells:

Well	Net Coal (metres)	Shale (metres)	Drillstem Tests	Total Depth (metres)
Skiff 1	10*	-	-	1414
Shoemaker 1	20	18	2	698
Montani 1	24	22	1	938
Hergenrother 1	16	12	4	929
Gunn 1	17	10	3	1031

*Coal thickness reported is only from the upper section of the formation. Due to technical issues, the well was abandoned prior to reaching the base of the Betts Creek Beds.

In addition to the data gained by Comet Ridge Limited through its own drilling programme, the Company is presently trading well data with other operators in the Galilee Basin. This will enable the Company to significantly leverage up the companies' database and add significantly to our geological knowledge with no incremental cost to the Company.

Overview of Activities (continued)

With the completion of the core well drilling campaign, Comet Ridge is now moving from a data acquisition phase to an evaluation phase which will include data analysis, interpretation and integration. This will take a number of months to complete. In the Galilee Basin core well drilling programme more than 1000 metres of core was cut. Integration of the complete set of acquired data will include an update to Comet Ridge's geologic model for the Galilee Basin and a general assessment of the resource potential. A decision on whether to proceed to a pilot scheme, and where that scheme should be located, will be made when the integration work is complete.

The area around the Gunn 1 and Hergenrother 1 wells is currently thought to be the area most likely to be targeted in a pilot scheme. Analysis of all the DSTs is currently underway, and will require detailed core analysis to be completed before the DST analysis can be finalised. Several of the intervals tested indicate moderate to good permeability from the Betts Creek Beds coal seams. Final desorbed gas levels as high as 7.3 m3/tonne have been recorded (with an average value in the range of 4.0 to 4.5 m3/tonne). At the time of writing, isotherm testing is currently being undertaken in the USA and will provide insight into the gas saturation levels.

Although there is still a limited industry dataset for CSG across the entire Galilee Basin, gas contents in the Galilee Basin to date are not particularly high when compared to the Surat and Bowen Basins in Queensland. Given the coal thicknesses measured in the Galilee Basin, the Company expects that gas resource per square-km is likely to be sufficiently attractive to allow further consideration of a pilot scheme. In terms of coal permeability, a number of operating companies have reported that permeability results in the Galilee Basin are moderate to good, which when combined with gas contents and saturations, are key determinants in the ultimate commercial attractiveness of the Galilee.

The Galilee Basin is an enormous area containing significant resource potential and the Company expects there to be variation in key parameters, like gas content, across the basin. At this point the Company considers the southern central to south-eastern portion of the basin to be most prospective for CSG and this is evidenced by the results to date from the Gunn 1 and Hergenrother 1 wells, which will continue to be our area of focus over the coming year.

Mahalo (ATP 337P)

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

The Scrubber Gully 1 well was drilled in July 2009, reaching a total depth of 486 m and intersecting approximately 4.5 m of net coal within the primary objective Bandanna Formation Coal Measure Sequence. Gas contents of 7 to 10 m3/tonne were reported with moderate permeability. Seismic data has recently been traded with a neighbouring resources Company, and interpretation and integration of this new seismic data has commenced. This data is expected to be useful in assisting to locate a pilot scheme for the Mahalo block, which has yet to be approved by the joint venture, but is likely to be scheduled for the first part of 2011.

Comet Ridge continues to see the Mahalo Block as having significant resource potential and is located favourably in terms of production infrastructure.

PEL 427 & 428 Gunnedah Basin

Comet Ridge Limited holds 25% and 20% in PEL 427 and PEL 428 respectively with Eastern Star Gas as the CSG operator in both blocks and Orion Petroleum operating the conventional exploration. Commitments for PEL 428 have been met and discussions are currently underway with the NSW Government in respect of extending the permit.

In PEL 427, the operator is proposing acquisition of 75km of 2D seismic and a well in the Bellata Trough in early 2011. Comet Ridge believes this area of PEL 427 may contain significant CSG reserves and is highly supportive of the proposed work programme.

Activities in New Zealand

The New Zealand activities of the Group 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 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 generation or to supplying gas directly to existing power generators or industry.

The New Zealand tenement portfolio consists of one large (~3667 km^2) exploration permit (PEP 50280) located in the Waikato area of the North Island, and a larger (~4779 km^2) exploration permit (PEP 50279) in the West Coast Region on the South Island running north from the coastal town of Greymouth up to a point north of Westport. 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 have coal mining activity occurring on them. In the case of PMP 50100, several successful CSG exploration and appraisal wells have already been drilled attesting to the area's CSG prospectivity.

Of exploration significance, was the large aerial geophysical magnetic surveying that the Company conducted in November and December 2009 across all three of our NZ blocks, which we believe to be the first ever aerial surveying conducted for CSG in NZ. The data from this survey is currently being integrated into our models and has already shown that it will significantly add to our general depositional and structural knowledge of these blocks, which will enhance our ability to define significant sections of coal, and subsequently CSG.

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% through funding three phases of activity. The Phase 1 component of the farmin was completed in late 2007, which earned Chartwell NZ a 20% interest on completion. 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 involved the completion of the agreed farm-in work programme including 34.3 km of 2D seismic and drilling one corehole and two pilot wells and the cumulative expenditure of NZ$6.2 million.

As reported in last years' report, Phase 2 had started with seismic acquisition and integration of new and old seismic data with plans for drilling in the Dobson area well advanced. In late 2009 the Macdonald 5C exploration well was successfully drilled and tested with the well completed with a tubing string as a pressure observation well. Permeable coals were intersected in the Brunner Coal Measures with results from this well enabling design and planning for the first two pilot wells, Macdonald 4P and Macdonald 6P.

Macdonald 4P was drilled to initially target the shallower Brunner Formation coals, and this well also had a significant exploration component as it was designed to drill onwards to the deeper Paparoa Formation coals. The Paparoa Formation coals had not previously been intersected in this area of the block. The Macdonald 4P well intersected 5 m of coal in the Brunner Formation and a significant 13 m of coal in the Paparoa Formation before TD was called by the joint venture at 1263 m. At that point, basement had not been reached and Comet Ridge expects, that based on correlation with other areas of the block, more Paparoa Formation coal is likely to have been encountered before basement.

Testing of the deep Paparoa coals in Macdonald 4P was undertaken, indicating poor permeability at depth and the well was completed in the Brunner Formation with a pump for future dewatering.

The Macdonald 6P well was then drilled to a total depth of 822 m and was tested in the Brunner Formation where 5.4 m of coal was encountered, confirming lateral continuity of the Brunner Formation coals. Unfortunately the Brunner Formation coals in this location exhibited low permeability and the joint venture decided not to run tubing in this well and to plug and abandon.

Both Brunner and Paparoa Formation coals in Macdonald 4P and 6P were encountered at deeper levels than originally prognosed. This increased depth has contributed to the poorer than expected permeability in the Brunner Formation coals and future wells may need to focus on coals at shallower levels.

Of significance, however, in assessing the CSG potential of the Greymouth Block is the significant section of Paparoa coal that was intersected in the Macdonald 4P well, giving an indication that the Paparoa Formation coal may be more extensive across the block than previously modelled. Data integration and mapping work is currently being undertaken to identify drilling targets where the Paparoa Formation coals section is likely to be at a substantially shallower depth.

In June, Chartwell NZ had completed the requirements of Phase 2 of the Farm-in Agreement and subsequently earned a further 30% equity in the permit to take the Chartwell NZ equity in PMP 50100 to 50%.

In July 2010, Macdonald Investments Limited advised it would withdraw from the permit effective 26 July. Subsequently, Chartwell NZ now holds a 100% interest in this permit.

PEP50279 (Buller Block) and PEP50280 (North Waikato)

As mentioned in last years' report, planning for a detailed regional aeromagnetic survey was well advanced. Fugro Airborne Surveys commenced the regional aeromagnetic surveys in mid November within PEP 50280. After completing the surveying in PEP 50280, the aircraft moved to the south island and completed the surveys over PEP 50279 and PMP 50100.

Interpretation of the approximately 7,000 km^2 of airborne magnetic and radiometric data is now complete. This information is being integrated with the existing dataset to aid in the definition of the regional coal basins. The results of this work are positive with confirmation and further refinement of areas within the North Waikato, and the imaging of major sub-basins within the West Coast. Planning is currently underway for the airborne gravity surveying which is scheduled to be acquired during the 2010/11 summer season.

Approximately 40 km of seismic data across PEP 50279 (Buller block) has been received as part of a data trading exercise with a neighbouring resources Company. The data is of good quality and over areas of interest for the Comet Ridge Group. Interpretation of the data is underway and to date, the new data has helped a great deal with the understanding of the Reefton coalfield. Further work is underway to integrate this data with the existing knowledge of the wider West Coast coal basins. These lines will be integrated with the recently acquired airborne geophysical data and will ultimately be useful in selecting drilling locations.

Part of the area covered by the permit on PEP 50279 was relinquished in October 2009, retaining that part of the area that was considered to be the most prospective.

Activities in the United States

Comet Ridge USA Inc, a wholly-owned subsidiary of Comet Ridge, holds a 17.26 % interest in Comet Ridge Resources LLC.

Activities in Comet Ridge USA have been discussed by project below. During the year to 30 June 2010, Comet Ridge USA Inc's interest in Comet Ridge Resources, LLC was reduced from 20% to 17.257% due to the continuing and 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%

Two wells were drilled in the third quarter of 2009 with a further seven wells drilled in the first half of 2010. Towards the end of 2009, proprietary 3D seismic was acquired and interpreted to assist in defining these drilling targets. Almost all of these 2009 and 2010 wells were successfully completed as oil producers and put onto production.

10 wells are currently producing a total of approximately 900 barrels of oil per day with scope to increase this further over the coming months after production testing is completed. 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%

The five year leases acquired in early 2009 are considered to be prospective for oil. Technical work is continuing with potential drilling targets being identified.

PACIFIC NORTHWEST, USA

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

The Company maintains a substantial acreage position in the Grays Harbor area in the Pacific Northwest. Prospect mapping from the earlier 2D and 3D seismic surveys has continued throughout the year, with prospects now being sufficiently matured and are being considered for drilling in the summer of 2011.

Overview of Activities (continued)

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 lost time incidents 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.

Your Directors present their report on Comet Ridge Limited ("the Company") and the consolidated entity ("the Group") for the financial year ended 30 June 2010. The Company was incorporated on 23 August 2003 and listed on the Australian Securities Exchange on 19 April 2004.

1. Directors

The names of the Directors who held office at any time during the year and up to the date of this Report are:

James McKay	Non-executive Director	Appointed 16/04/2009
	Non-executive Chairman	Appointed 11/11/2009
Tor McCaul	Managing Director	Appointed 16/04/2009
Jeffrey Schneider *	Non-executive Director	Appointed 28/08/2003
Gillian Swaby	Non-executive Director	Appointed 09/01/2004
Christopher Pieters	Non-executive Director	Appointed 16/04/2009
Anthony Gilby	Non-executive Director	Appointed 06/10/2009

* Mr Jeffrey Schneider held the position of Chairman up until he resigned as Chairman on 11 November 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.

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

3. Review of Operations and Results

The loss after tax of the Group for the financial year ended 30 June 2010 amounted to $4,896,642 (2009: loss of $21,688,069). The largest component of the loss is the impairment of exploration and evaluation expenditure of $2,566,781 (2009: $621,363) where recovery through sale or development is considered unlikely and the write off of rig stand-by costs amounting to $1,488,084 (2009: $nil). The prior year loss included goodwill impairment of $18,410,663.

4. Significant Changes in State of Affairs

The following significant changes in the state of affairs of the Group occurred during the financial year ended 30 June 2010:

(a) On 14 April 2010 the 51,500,000 ordinary fully paid shares which had been held in escrow subsequent to the merger of Comet Ridge Limited and Chartwell Energy Limited which occurred in April 2009, were released as restricted securities with the Company applying for official quotation of the 51,500,000 ordinary shares on 4 May 2010 resulting in the Company having a total of 307,351,144 ordinary fully paid shares quoted on ASX;

(b) ATP 743P covering an area of approximately 6,476 km^2 in central Queensland and situated approximately 500 km north-west of Gladstone was formally awarded to the Company on 4 September 2009; and

(c) ATP 744P covering an area of approximately 6,515 km^2 increasing the Company's total holding in the Galilee Basin to approximately 12,991 km^2 was formally awarded to the Company on 20 October 2009.

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 for:

(a) The announcement of the Group's Joint Venture Partner in the New Zealand Petroleum Mining Permit 50100 decision to withdraw from the permit and effective assignment to the Company of its remaining 50% interest in the permit which is held by the subsidiary, Chartwell NZ Pty Ltd; and

(b) As a result of the withdrawal by the New Zealand Joint Venture Partner disclosed above, on 1 September 2010, the Company agreed to the terms of a settlement with respect to all amounts owing by the New Zealand Joint Venture Partner arising from its involvement in the New Zealand joint ventures. At 30 June 2010 the Group has impaired its interest in joint venture receivables by $145,145.

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 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 as at the date of this report.

9. **Auditor's Independence Declaration**

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and is attached to this report.

10. **Information on Directors**

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

Name and Qualifications
James McKay B.Com, LLB, Non-executive Chairman

Special Responsibilities
Chairman
Member of Audit Committee

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 businesses.

He is a Director of Walcot Capital, a private venture capital business specialising in energy investment. He is also a past president of the Australasian Cemeteries and Crematoria Association, having served on its board for over 7 years.

Interest in Shares and options
29,424,551 ordinary shares
5,150,000 unlisted options exercisable at $0.169 expiring 30 June 2012

Directorships held in other listed entities in last 3 years
Sunshine Gas Limited (from 17 February 2004 to 15 December 2008)

Name and Qualifications
Tor McCaul B.E. (Hons/Petroleum), B.Econ, MBA, Managing Director

Special Responsibilities
Managing Director
Chairperson of Risk Committee

Experience
Tor McCaul has 22 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 Energy Limited in Brisbane as Chief Executive Officer in 2008 and became Managing Director of Comet Ridge Limited in April 2009 upon the merger with Chartwell Energy Limited.

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

Directorships held in other listed entities in last 3 years
Nil

10. Information on Directors (continued)

Name and Qualifications
Gillian Swaby B. Bus, FAICD, FCIS, Non-executive Director

Special Responsibilities

Chairperson of the Audit Committee

Experience
Gillian Swaby was appointed a Director on 9 January 2004. She has over 29 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

Directorships held in other listed entities in last 3 years

Non-executive Director Deep Yellow Limited

Name and Qualifications
Chris Pieters B.Sc (Hons) B.Bus, Non-executive Director

Special Responsibilities
Member of Risk Committee
Member of Remuneration Committee
Member of Audit Committee

Experience
Chris Pieters is Managing Director and co-founder of Walcot Capital, a private venture capital business specialising in energy investment and Managing Director of Tlou Energy Limited. 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. Mr Pieters 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. Mr Pieters 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

Directorships held in other listed entities in last 3 years

Nil

10. Information on Directors (continued)

Name and Qualifications

Jeff Schneider B. Com, Non-executive Director

Special Responsibilities

Member of Remuneration Committee

Experience

Mr Schneider joined the Comet Ridge Board and was elected Chairman on 28 August 2003. He resigned as Chairman on 11 November 2009. He holds a degree in commerce and has over 30 years 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

2,000,000 unlisted options exercisable at $0.269 expiring 30 June 2012

Directorships held in other listed entities in last 3 years

Strike Energy Limited (resigned 19 August 2010)

Green Rock Energy Limited

Name and Qualifications

Anthony Gilby B.Sc. (First Class Honours), Non-executive Director (appointed 6 October 2009)

Special Responsibilities

Chairperson of Remuneration Committee

Experience

Tony Gilby was awarded a Bachelor of Science (First Class Honours) degree in Geology from the University of Adelaide in 1984, also winning the University Medal in Geology. He began his career as a geologist for Delhi Petroleum in the Cooper Basin. Subsequent positions were held with Delhi Petroleum and then ESSO (post the Delhi acquisitions). These positions included roles in exploration geology and geophysics as well as petrophysics. He then spent most of 1991 working in the Exxon Production Research Centre in Houston.

On return to Australia, he briefly remained with ESSO prior to relocating to Brisbane where he worked for MIM Petroleum and the Louisiana Land and Exploration Company (LL&E). In 1996 he left LL&E to take on a variety of consulting roles as well as the acquisition of prospective Queensland acreage in a private capacity. This work culminated with the founding of Sunshine Gas of which he was Managing Director.

Mr Gilby is a member of the Petroleum Exploration Society of Australia and the American Association of Petroleum Geologists.

Interest in Shares and options

29,579,083 ordinary shares

5,150,000 unlisted options exercisable at $0.169 expiring 30 June 2012

Directorships held in other listed entities in last 3 years

Sunshine Gas Limited (from 17 February 2004 to 15 December 2008)

11. 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 2010 and the number of meetings attended by each Director were:-

	Board		Audit Committee		Remuneration Committee		Risk Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
J McKay	9	9	3	3	1	1	*	*
T McCaul	9	9	*	*	*	*	4	4
J Schneider	9	9	*	*	1	1	*	*
G Swaby	9	9	3	3	*	*	*	*
C Pieters	9	9	3	3	*	*	4	4
A Gilby	5	4	*	*	1	1	*	*

* = Not a member of the relevant committee

12. Remuneration Report - audited

This report outlines the remuneration arrangements in place for the key management personnel and executives of the Company.

Remuneration policy

The Remuneration Policy of Comet Ridge has been designed to align the objectives of key management personnel and executives 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 and executives to run and manage the Group, as well as create goal congruence between key management personnel, executives and shareholders.

The Board's policy for determining the nature and amount or remuneration for the executive Directors and senior executives of the Group is as

- 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.
- Executives employed by the Group receive a base salary (which is based on factors such as length of service and experience), inclusive of superannuation, fringe benefits, options and performance incentives. Performance incentives are generally only paid once predetermined key performance indicators have been met.
- Executives engaged through professional service entities are paid fees based on an agreed market based hourly rate for the services provided and may also be entitled to options and performance based incentives. Performance incentives are generally only paid once predetermined key performance indicators have been met.
- Incentives paid in the form of options or performance rights are intended to align the interests of management, the Directors and Company with those of the shareholders. In this regard, executives are prohibited from limiting risk attached to those instruments by use of derivatives or other means.

The Remuneration Committee reviews executive remuneration arrangements annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

Key management personnel including Non-executive Directors and employed executives receive the superannuation guarantee contribution required by the Commonwealth Government, which is currently 9% (to a maximum of $14,461), 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 11 November 2009 when shareholders approved an aggregate remuneration of AU$500,000 per year.

12. Remuneration Report - audited (continued)

Non-executive Director Remuneration (continued)

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 key management personnel and executives is valued at either cost or the fair value to the Company and expensed.

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.

Key management personnel

Key management personnel comprise all of the Directors of the Company.

James McKay	Non-executive Director
Tor McCaul	Managing Director
Jeffrey Schneider *	Non-executive Director
Gillian Swaby	Non-executive Director
Christopher Pieters	Non-executive Director
Anthony Gilby	Non-executive Director

* Mr Jeffrey Schneider held the position of Chairman until his resignation as Chairman on 11 November 2009

There are no other key management personnel of the Group.

Executives

Stephen Rodgers **	Company Secretary	Appointed 16 April 2009
Chris Palin	Chief Financial Officer	Appointed 20 July 2009 - Resigned 20 November 2009

** Stephen Rodgers was listed as key management personnel in 2009.

There were no other executives of the Group at 30 June 2010.

Details of remuneration

Details of remuneration of each of the Directors and executives of the Group during the financial year are set out in the following table:

Benefits and Payments for the Year Ended 30 June 2010	Short-term benefits		Post-Employment			Share-based	
	Salary & Fees	Cash Bonus	Super-annuation	Termination Benefits	Total Cash Remuneration	Payments Options	Total
Directors	$	$	$	$	$	$	$
J McKay	57,295	-	5,156	-	62,451	-	62,451
T McCaul	290,539	-	14,461	-	305,000	-	305,000
J Schneider	47,681	-	4,291	-	51,972	-	51,972
G Swaby	35,000	-	3,150	-	38,150	-	38,150
C Pieters	35,000	-	3,150	-	38,150	-	38,150
A Gilby (appointed 6/10/09)	25,852	-	2,327	-	28,179	-	28,179
Total Directors	491,367	-	32,535	-	523,902	-	523,902
Total Key Management Personnel	491,367	-	32,535	-	523,902	-	523,902

12. **Remuneration Report - audited (continued)**

Details of remuneration (continued)

Benefits and Payments for the Year Ended 30 June 2010	Short-term benefits		Post-Employment			Share-based	
	Salary & Fees	Cash Bonus	Super-annuation	Termination Benefits	Total Cash Remuneration	Payments Options	Total
Executives	$	$	$	$	$	$	$
S Rodgers	233,141	-	-	-	233,141	-	233,141
Chris Palin	70,841	-	5,264	174,665	250,770	-	250,770
Total Executives	303,982	-	5,264	174,665	483,911	-	483,911

During the 2010 year, no proportion of the remuneration of any key management personnel or executive was performance based. No key management personnel or executive received cash bonuses, performance related bonuses or share based payments during the current year.

Benefits and Payments for the Year Ended 30 June 2009	Short-term benefits		Post-Employment			Share-based	
	Salary & Fees	Cash Bonus	Super-annuation	Termination Benefits	Total Cash Remuneration	Payments Options	Total
Directors	$	$	$	$	$	$	$
J Schneider	52,704	-	4,743	-	57,447	299,986	357,433
T McCaul	252,723	-	50,000	-	302,723	94,133	396,856
G Swaby	59,838	-	3,945	-	63,783	-	63,783
J McKay	144,542	-	1,759	25,000	171,301	119,895	291,196
C Pieters	7,292	-	656	-	7,948	29,974	37,922
D Bradshaw (resigned 13/11/08)	120,474	-	-	-	120,474	-	120,474
G Drobnack (resigned 16/4/09)	30,298	-	-	-	30,298	-	30,298
A Lydyard (resigned 13 /8/08)	23,870	-	-	-	23,870	-	23,870
I Galloway (resigned 16/4/09)	12,250	-	1,103	-	13,353	29,974	43,327
A Gilby (resigned 17/4/09)	137,250	-	1,103	25,000	163,353	119,895	283,248
Total Directors	841,241	-	63,309	50,000	954,550	693,857	1,648,407
Total Key Management Personnel	841,241	-	63,309	50,000	954,550	693,857	1,648,407
Executives							
S Rodgers	171,252	25,000	-	-	196,252	29,974	226,226
Total Executives	171,252	25,000	-	-	196,252	29,974	226,226

During the 2009 year, no proportion of the remuneration of any key management personnel or executive was performance based other than:

- J McKay where 11% of the remuneration received was performance based; and
- Upon the merger of the Company and Chartwell Energy Limited it was a condition of the Merger Implementation Deed that Mr McCaul (Managing Director) 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.

12. Remuneration Report - audited (continued)

Service agreements

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 per annum (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:	Mr Rodgers services are provided through his professional services Company, Cuirass Pty Ltd. The agreement has no fixed term.
Base Fee	Based on the agreed hourly rate the estimated annual cost to the Group is approximately $235,000.
Termination Benefit:	No termination benefit is payable if terminated for cause.
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.

Changes in executives

Following the departure of Mr Palin as the Group's CFO in November 2009, the accounting firm WHK Horwath provided the services of Mr Don Langdon from 1 December 2009 to act as interim CFO on a part-time basis until a replacement was appointed. The services of Mr Langdon, who is an Audit and Assurance Principal of the firm were provided on normal professional terms and conditions.

Effective from 1 July 2010, Mr Langdon has been appointed as the Group's CFO on a permanent part-time basis. Mr Langdon's services will be provided through his consulting Company Proland Pty Ltd with an estimated annual cost to the Group of $150,000.

Share-based compensation

Options over shares in Comet Ridge Limited have been granted to the Managing Director as an incentive to deliver long-term shareholder returns. The terms and conditions of each grant of options effecting remuneration in the current or a future period are as follows:

Grant Date	Number of Options	Date Vested and exercisable	Expiry Date	Exercise Price	Value of Option at Grant date	Performance Achieved	% Vested
22/09/2008	2,575,000	(i)	30/06/2012	0.269	0.018	to be determined	0%

(i) The options will vest upon the receipt by the Company of an independent certification of 100PJ Proved and Probable Gas reserves.

There were no options and bonuses granted as remuneration during the current year to key management personnel or executives.

The fair value of options 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.

12. Remuneration Report - audited (continued)

Options and Rights Granted

No Key Management Personnel were granted any options and rights during the current year.

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

Comparison of key management personnel remuneration to Company performance

The table below shows the total remuneration cost of the key management personnel, earnings per ordinary share (EPS), dividends paid or declared, and the closing price of ordinary shares on ASX at year end for the current year and previous year.

Financial Year	Total Remuneration	EPS (Loss)	Dividends	Share Price
	$	Cents	Cents	Cents
2010	554,084	(1.59)	-	15.00
2009	1,648,407	(14.15)	-	32.00

13. Options

At the date of this report, the following options for ordinary shares in Comet Ridge Limited were on issue:

Number	Exercise Price	% Exercisable	Expiry Date
3,800,000	$0.419	100%	1/08/2011
30,000	$0.419	100%	4/09/2011
130,000	$0.419	100%	3/12/2011
300,000	$0.419	100%	6/12/2011
15,192,500	$0.169	100%	30/06/2012
4,575,000	$0.269	100%	30/06/2012
2,575,000	$0.269	0%	30/06/2012
500,000	$0.500	0%	31/12/2013
500,000	$0.650	0%	31/01/2014
500,000	$0.500	0%	28/02/2014
1,000,000	$0.650	0%	31/03/2014
29,102,500			

14. Insurance of Officers

The Company has entered into agreements with Directors to indemnify them against any claims and related expenses, which arise as a result of work contemplated in their respective capacity subject to the provisions of the Corporations Act 2001.

This position is reviewed periodically taking into account the size of the Company and the level and nature of its activities.

The Company has not otherwise during or since the end of the Financial Period indemnified or agreed to indemnify an Auditor of the Company against a liability incurred by such an Auditor.

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

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 over 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. Mr Rodgers 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, Mr Rodgers 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 Limited 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 statements.

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:-

Johnston Rorke	**2010**	2009
	$	$
Accounting advice	**-**	40,820
Tax consulting and compliance services	**40,300**	3,160
Total remuneration for non-audit services	**40,300**	43,980

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

Tor McCaul
Managing Director

Brisbane, Queensland
20 September 2010

JOHNSTON RORKE
CHARTERED ACCOUNTANTS

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The Directors
Comet Ridge Limited
283 Elizabeth Street
BRISBANE QLD 4000

Auditor's Independence Declaration

In accordance with the requirements of Section 307C of the Corporations Act 2001, as lead auditor for the audit of the financial statements of Comet Ridge Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

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

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

JOHNSTON RORKE
Chartered Accountants

J. Evans

Brisbane, Queensland
20 September 2010

J. J. EVANS
Partner

Liability limited by a scheme approved under Professional Standards Legislation

Comet Ridge Limited

Comet Ridge Limited
Statement of Comprehensive Income
For the year ended 30 June 2010

	NOTE	Consolidated 2010 $	Consolidated 2009 $
Revenue			
Interest		858,297	486,084
Recoveries from Joint Venture Partners		259,576	319,973
Other income	2	969,663	-
Expenses			
Employee benefits expense		(1,327,306)	(1,400,564)
Consultancy costs		(62,395)	(352,745)
Depreciation and amortisation expense		(40,509)	(10,296)
Finance costs		(1,642)	(3,684)
Impairment			
- goodwill		-	(18,410,663)
- available for sale financial assets		(976,733)	(664,475)
- exploration expenditure		(2,566,781)	(621,363)
- receivables		(144,091)	-
Exploration stand-by costs		(1,488,084)	-
Other expenses	3	(1,305,491)	(1,130,429)
LOSS BEFORE INCOME TAX		(5,825,496)	(21,788,162)
Income tax (expense)/credit	4	928,854	100,093
LOSS FOR THE PERIOD		(4,896,642)	(21,688,069)
OTHER COMPREHENSIVE INCOME			
Exchange differences arising on translation of foreign operations		(141,036)	408,999
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		(141,036)	408,999
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(5,037,678)	(21,279,070)
Loss attributable to:			
Owners of the parent		(4,896,642)	(21,688,069)
Non controlling interests		-	-
		(4,896,642)	(21,688,069)
Total comprehensive income attributable to:			
Owners of the parent		(5,037,678)	(21,279,070)
Non controlling interests		-	-
		(5,037,678)	(21,279,070)
EARNINGS PER SHARE			
		Cents	Cents
Basic loss per share	5	(1.59)	(14.15)
Diluted loss per share	5	(1.59)	(14.15)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Comet Ridge Limited
Statement of Financial Position
as at 30 June 2010

	NOTE	Consolidated 2010 $	Consolidated 2009 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	**4,815,021**	22,078,774
Trade and other receivables	7	**1,971,679**	1,134,667
Other financial assets - term deposits	8	**5,132,488**	-
Inventories	9	**65,707**	108,877
Other assets	10	**233,134**	3,726,434
TOTAL CURRENT ASSETS		**12,218,029**	27,048,752
NON-CURRENT ASSETS			
Available-for-sale financial assets	11	**4,021,860**	4,402,177
Property, plant and equipment	12	**103,579**	60,432
Exploration and evaluation expenditure	13	**27,720,217**	17,728,470
TOTAL NON-CURRENT ASSETS		**31,845,656**	22,191,079
TOTAL ASSETS		**44,063,685**	49,239,831
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	**3,412,986**	1,779,104
Provisions	15	**34,314**	31,687
TOTAL CURRENT LIABILITIES		**3,447,300**	1,810,791
NON-CURRENT LIABILITIES			
Trade and other payables	14	**-**	869,217
Deferred tax liabilities	16	**1,929,052**	2,857,906
TOTAL NON-CURRENT LIABILITIES		**1,929,052**	3,727,123
TOTAL LIABILITIES		**5,376,352**	5,537,914
NET ASSETS		**38,687,333**	43,701,917
EQUITY			
Contributed equity	17	**65,265,125**	65,265,125
Reserves	18	**1,210,730**	1,328,672
Accumulated losses		**(27,788,522)**	(22,891,880)
TOTAL EQUITY		**38,687,333**	43,701,917

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

Comet Ridge Limited
Statement of Changes in Equity
For the year ended 30 June 2010

Consolidated	Contributed Equity	Foreign Currency Translation Reserve	Option Reserve	Accumulated Losses	Total
	$	$	$	$	$
Balance at 1 July 2008	11,922,794	(326,543)	-	(1,203,811)	10,392,440
Loss for the period	-	-	-	(21,688,069)	(21,688,069)
Other comprehensive income for the period	-	408,999	-	-	408,999
Total comprehensive income for the period	-	408,999	-	(21,688,069)	(21,279,070)
Transactions with owners in their capacity as owners					
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)
Share options vested	-	-	447,557	-	447,557
	53,342,331	-	1,246,216	-	54,588,547
Balance at 30 June 2009	65,265,125	82,456	1,246,216	(22,891,880)	43,701,917
Balance at 1 July 2009	**65,265,125**	**82,456**	**1,246,216**	**(22,891,880)**	**43,701,917**
Loss for the period	**-**	**-**	**-**	**(4,896,642)**	**(4,896,642)**
Other comprehensive income for the period	**-**	**(141,036)**	**-**	**-**	**(141,036)**
Total comprehensive income for the period	**-**	**(141,036)**	**-**	**(4,896,642)**	**(5,037,678)**
Transactions with owners in their capacity as owners					
Share based payments	**-**	**-**	**23,094**	**-**	**23,094**
	-	**-**	**23,094**	**-**	**23,094**
Balance at 30 June 2010	**65,265,125**	**(58,580)**	**1,269,310**	**(27,788,522)**	**38,687,333**

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

Comet Ridge Limited
Statement of Cash Flows
For the year ended 30 June 2010

	NOTE	Consolidated 2010 $	Consolidated 2009 $
Cash flows from operating activities			
Interest received		**714,533**	509,062
Other receipts		**268,350**	-
Payments to suppliers and employees		**(4,339,079)**	(2,651,101)
Interest paid		**(1,617)**	(3,684)
Net cash used in operating activities	26	**(3,357,813)**	(2,145,723)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**100**	6,345
Payments for term deposits		**(5,132,488)**	-
Movement in restricted cash		**3,471,281**	(3,657,694)
Investment in available for sale financial asset		**(850,169)**	(183,890)
Repayments from/(advances) to joint ventures		**(1,597,826)**	**-**
Acquisition of property, plant and equipment		**(83,585)**	(71,610)
Convertible note advanced		**-**	(1,000,000)
Payments for exploration and evaluation assets		**(9,720,644)**	(1,061,934)
Acquisition of subsidiary, net of cash acquired	32	**-**	1,003,356
Net cash used in investing activities		**(13,913,331)**	(4,965,427)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	21,310,802
Share issue costs		**-**	(1,161,895)
Net cash provided by financing activities		**-**	20,148,907
Net increase (decreases) in cash held		**(17,271,145)**	13,037,757
Cash and cash equivalents at beginning of financial period		**22,078,774**	8,950,892
Effects of exchange rate changes on cash		**7,392**	90,125
Cash at end of financial period	6	**4,815,021**	22,078,774

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

Note 1 - Summary of Significant Accounting Policies

(a) General information

These financial statements include the consolidated financial statements and notes of Comet Ridge Limited and its controlled entities (the Group). As permitted by the changes to the Corporations Act 2001 contained in the Corporations Amendment (Corporations Reporting Reform) Bill 2010, the Group has adopted the two column format for the presentation of the financial statements. In accordance with Corporations Regulation 2M.3.01, disclosures with respect to the parent entity are included in note 31. The financial statements were approved for issue in accordance with a Resolution of the Directors on 8 September 2010, subject to final drafting and audit clearance.

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

Level 1, 283 Elizabeth Street
BRISBANE QLD 4000

(b) Basis of preparation

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

This financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

The financial statements have 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.

The Group has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is in conformity with the revised standard.

In April 2009 Comet Ridge Limited acquired Chartwell Energy Limited resulting in Chartwell Energy Limited becoming a wholly owned subsidiary ("legal 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 incorporation 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 2010 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.

Note 1 - Summary of Significant Accounting Policies (continued)

(c) Principles of consolidation (continued)

(i) Subsidiaries (continued)

The acquisition 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 29.

(iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the parent entity.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit and loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This means that any amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(iv) Changes in accounting policy

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control, joint control or significant influence from 1 July 2009 when a revised AASB127 Consolidated and Separate Financial Statements became operative. The revisions to AASB 127 contained consequential amendments to AASB 128 Investments in Associates and AASB 131 Interests in Joint Ventures.

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit and loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously when the Group ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The Group has applied the new policy prospectively to transactions occurring on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

(d) Foreign currency translation

(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.

(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 statement of comprehensive income, 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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- income and expenses for each statement of comprehensive income 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 statement of comprehensive income, 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 taxes

The income tax expense (revenue) for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the year in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to (recovered from) the relevant tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Note 1 - Summary of Significant Accounting Policies (continued)

(e) Income taxes (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right of offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

Investment allowances

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed that are carried forward as deferred tax assets.

Tax consolidation

Comet Ridge Limited has not implemented the tax consolidation legislation.

(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 statement of financial position.

(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 specific identification basis.

Note 1 - Summary of Significant Accounting Policies (continued)

(i) Property, plant and equipment

Plant and equipment are 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	10% - 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

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

(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 acquisitions 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, evaluation and development 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 expensed in the profit or loss.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

(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.

(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

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

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.

Note 1 - Summary of Significant Accounting Policies (continued)

(l) Financial Instruments (continued)

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 statement of comprehensive income.

(m) Impairment

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. The amounts are unsecured and are usually paid within 30 days of recognition.

(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 statement of comprehensive income 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 statement of financial position date.

(p) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the reporting period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service 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 end of the reporting period using the projected unit credit method. 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 and currency 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.

Note 1 - Summary of Significant Accounting Policies (continued)

(p) Employee benefits (continued)

(iv) Share-based payments

Share-based compensation benefits are provided to employees under the Comet Ridge Share Incentive Option Plan or under terms and conditions as determined by the Directors.

The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions but excludes the impact of any non-market performance vesting conditions and the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(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.

(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 statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows 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 profit or loss in the period in which they are incurred.

Note 1 - Summary of Significant Accounting Policies (continued)

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Changes in accounting policy

The Group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operation decision maker. Comparatives for 2009 have been restated.

(w) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners 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 acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

(x) Business combinations (continued)

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.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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.

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.

Change in accounting policy

A revised AASB 3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the Group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

There was no impact of the above change during the current financial year.

(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

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(aa) 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 that are believed to be reasonable under the circumstances.

Critical estimates and judgements are as follows:

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). During the year, exploration and evaluation expenditure was impaired by a further $2,566,781 net of the effect of foreign exchange movements (2009: $621,363) which increased the impairment provision to $3,962,269 (2009: $1,374,678). 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 (2009: $48,119,411) less provisions for impairment $35,940,962 (2009: $35,940,962). The parent entity has also loaned funds to its subsidiaries of $15,477,863 (2009: $12,932,689) primarily to undertake exploration expenditure. The parent entity has reduced the carrying amount of the loans by $11,456,004 (2009: $8,636,709). 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 17.26% (2009: 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. The fair value measurement of the 'available-for-sale' financial asset is based on the Group's proportionate interest in the net assets of CRR discounted for minority interest and liquidity considerations. As the valuation technique for this asset is based on significant unobservable inputs, the asset is included in level 3. This is considered the most reliable valuation method given:

- the Group has a minority equity interest in an unlisted Company (CRR);
- the nature of CRR's activities, being oil and gas production and exploration;
- the oil and gas reserves and resources interests of CRR are either carried at fair value or on a basis consistent with the Group's accounting policy for the recognition and measurement of exploration and evaluation expenditure; and
- the continued contributions to CRR by its US private equity firm parent.

Plexus fee liability

Comet Ridge USA Inc., a wholly owned subsidiary of Comet Ridge Limited, owns a 17.26% (2009: 19.98%) minority interest in Comet Ridge Resources, LLC ("CRR"). CRR operations include oil and gas exploration and evaluation and oil production in the state of Colorado USA. A private equity firm based in New York City, USA holds the majority interest at approximately 82.5% (2009: 80%).

The Group may retain its minority 17.26% 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. In addition, should the Group not contribute to the future cash calls payable, under the funding agreement entered into between Comet Ridge Limited and Plexus Capital LLC (Plexus) with respect to future cash calls required to fund the operations of Comet Ridge Resources LLC (CRR) a brokerage fee (Plexus liability) is payable based on the amount of the cash calls not funded.

(aa) Critical accounting estimates and judgments (continued)

Plexus fee liability (continued)

The Plexus liability, which was first recognised with respect to the 2008 financial year, was based on the estimated future cash calls provided by CRR at that time the liability was initially recognised. CRR has now advised that based on the cash inflows being generated from the current level of oil production, the estimated future cash calls will be significantly reduced from its original estimates. As a result, the Group has reduced the amount of its brokerage fee liability to Plexus to reflect the updated estimates provided by CRR. The liability at 30 June 2010 has been reduced to $339,122 (net of payments and the effects of foreign currency movements during the year) from $1,397,180 at 30 June 2009.

As a result of the reduction in the Plexus liability, included in other income is an amount of $882,494 (2009: $nil) which represents the profit recognised on the re-estimation of the brokerage fee payable under the funding agreement entered into between Comet Ridge Limited and Plexus Capital LLC (Plexus) with respect to future cash calls required to fund the operations of Comet Ridge Resources LLC (CRR).

Business combination

(i) Acquirer

As disclosed in note 32, 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 32). 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.

(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 32, this amount has been recognised as an impairment loss (for the reasons disclosed in that note).

(ab) New accounting standards and interpretations for application in future periods

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's and the parent entity's assessment of the impact of these new Standards and Interpretations is set out below:-

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions (AASB 2) (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a Group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the Group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the Group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction. The Group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the Group's or the parent entity's financial statements.

(ab) New accounting standards and interpretations for application in future periods (continued)

AASB 2009-10 ***Amendments to Australian Accounting Standards – Classification of Rights Issues (AASB 132)*** (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to the AASB 132 Financial Instruments: Presentation which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The Group will apply the amended standard from 1 July 2010. As the Group has not made any such rights issues, the amendment will not have any effect on the financial statements.

AASB 9 ***Financial Instruments*** **and AASB 2009-11** ***Amendments to Australian Accounting Standards arising from AASB 9*** (effective from 1 January 2013)

AASB 9 Financial Instruments address the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact. However, initial indications are that it may affect the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Group recognised $976,733 (2009: $664,475) impairment losses in other comprehensive income. The Group has not yet decided when to adopt AASB 9.

Revised AASB 124 ***Related Party Disclosures*** **and AASB 2009-12** ***Amendments to Australian Accounting Standards*** (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities and clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group and the parent will need to disclose any transactions between its subsidiaries and its associates. However, it has yet to put systems into place to capture the necessary information. It is therefore not possible to disclose the financial impact, if any, of the amendment on the related party disclosures.

AASB Interpretation 19 ***Extinguishing Financial Liabilities with Equity Instruments*** **and AASB 2009-13** ***Amendments to Australian Accounting Standards arising from Interpretation 19*** (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit and loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the Group has not entered into any debt for equity swaps since that date.

AASB 2010-3 and AASB 2010-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project *(effective from 1 July 2010 and 1 January 2011 respectively)*

These amendments include various changes to IFRS. The Directors have not yet assessed the further impact of the amendments, if any.

Note 2 - Other Income

	Consolidated 2010 $	Consolidated 2009 $
Other income includes the following specific items:		
- Other income	**883,836**	-
- Foreign exchange gains (net)	**85,827**	-
Total other income	**969,663**	-

Included in other income is an amount of $882,494 (2009: $nil) which represents the profit recognised on the re-estimation of the brokerage fee payable under the funding agreement entered into between Comet Ridge Limited and Plexus Capital LLC (Plexus) with respect to future cash calls required to fund the operations of Comet Ridge Resources LLC (CRR). Refer note 1 (aa).

Note 3 - Loss Before Income Tax

	Consolidated 2010 $	Consolidated 2009 $
Other expenses includes the following specific items:		
- Rental expense relating to operating leases - minimum lease rentals	**160,608**	73,002
- Foreign exchange losses (net)	**-**	12,314
- Defined contribution superannuation expense	**72,326**	33,247

Note 4 - Income Tax

	2010 $	2009 $
(a) Recognised in the statement of comprehensive income		
- Current tax	**-**	-
- Deferred tax expense/(credit) relating to the origination and reversal of temporary differences	**(928,854)**	(100,093)
Income tax credit	**(928,854)**	(100,093)
Deferred income tax expense (credit) included in income tax expense comprises:		
- (increase)/decrease in deferred tax asset (Note 16)	**(3,925,143)**	(2,528,718)
- increase/(decrease) in deferred tax liability (Note 16)	**2,996,289**	2,428,625
	(928,854)	(100,093)
(b) Numerical reconciliation of income tax expense to prima facie tax on accounting profit (loss)		
Loss before income tax	**(5,825,496)**	(21,788,162)
Tax at the Australian tax rate of 30% (2009:30%)	**(1,747,649)**	(6,536,449)
Tax effect of amounts which are not deductible/(taxable) in		
- Share options expensed	**6,928**	134,267
- Impairment – goodwill	**-**	5,523,199
- Impairment – available for sale financial asset	**293,020**	199,343
- Other non-deductible items	**4,520**	18,069
Deferred tax asset not recognised	**514,327**	561,478
Income tax expense/(credit)	**(928,854)**	(100,093)
(c) Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Temporary differences and tax losses (gross)	**17,091,157**	14,985,260

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.

Note 4 - Income Tax Expense (continued)

	Consolidated	
	2010	2009
(d) Franking credits	**$**	$
Franking credits available for subsequent financial years based on a tax rate of 30% (2009: 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.

Note 5 - Earnings Per Share

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

	2010	2009
Loss for the year	**(4,896,642)**	(21,688,069)
Loss used in the calculation of the basic and dilutive loss per share	**(4,896,642)**	(21,688,069)

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

	Number	Number
Number used in calculating basic and diluted loss per share	**307,351,144**	153,314,651

The weighted average number of ordinary shares for the prior year was 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 calculations outlined above assume that there were no changes in the number of the legal subsidiary's issued ordinary shares during the comparative 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 19.

	Consolidated	
	2010	2009
Note 6 - Cash and Cash Equivalents	**$**	$
Cash at bank and on hand	**4,815,021**	22,078,774

In addition to the cash and cash equivalents reported above, the Group also has term deposits amounting to $5,132,488 (2009: $nil). These term deposits originally had maturity dates greater than three months and are classified as other financial assets (refer note 8).

	Consolidated	
	2010	2009
Note 7 - Trade and Other Receivables	**$**	$
Current		
Other receivables	**2,116,824**	**1,134,667**
Provision for impairment	**(145,145)**	-
	1,971,679	1,134,667

Other receivables comprise time and overhead cost recoveries due from joint ventures, other advances to joint ventures and GST refunds. At 30 June 2010 $119,956 (2009: $nil) of the advances to joint venture were past due. A provision for impairment of $145,145 (2009: $nil) has been recognised. The carrying amount of other receivables are assumed to approximate their fair values due to their short term nature.

Note 8 - Other Financial Assets	Consolidated 2010 $	2009 $
Term deposits	**5,132,488**	-

Bank term deposits are classified as financial assets where the original term is for a period greater than three months.

Note 9 - Inventories

Consumables - at cost	**65,707**	108,877

Note 10 - Other Assets

Prepayments	**38,134**	48,840
Deposits	**-**	19,900
Restricted cash	**195,000**	3,657,694
	233,134	3,726,434

Restricted cash

Under the Farmin agreement dated 10 July 2007, between Chartwell NZ Pty Ltd ("Chartwell NZ") and Macdonald Investments Limited ("MIL"), Chartwell NZ was required to provide MIL with an undertaking that until the Phase 1 and Phase 2 Farmin obligations had been satisfied, Chartwell NZ was to ensure that there were funds in the joint venture's New Zealand bank accounts sufficient for the completion of the remaining Phase 1 and Phase 2 Farmin work obligations, as defined in the Farmin agreement (as amended). On 9 April 2009 Chartwell NZ and MIL agreed that the funds necessary to complete the Phase1 and Phase 2 work obligations would be held in specified ANZ National Bank accounts with any withdrawals to be approved by both parties and only on account of cash calls made in accordance with approved work programmes. Accordingly, at June 2009, the Group's share of the funds held in the designated bank accounts amounting to $3,507,694 was disclosed as restricted cash. During the current year, the Group met all of its obligations under the joint venture Farmin agreements and all funds in the designated bank accounts have been spent.

Note 11 - Available-for-sale Financials Assets	Consolidated 2010 $	2009 $
Investment in Comet Ridge Resources LLC	**4,021,860**	4,402,177
Movement in carrying amount		
Balance at the beginning of year	**4,402,177**	-
Acquired through business combination (refer note 32)	-	4,772,234
Additional contributions	**850,169**	183,890
Fair value adjustment*	**(976,733)**	(664,475)
Foreign exchange movements	**(253,753)**	110,528
Balance at the end of year	**4,021,860**	4,402,177

* Recognised as an impairment loss in the statement of comprehensive income.

Comet Ridge USA Inc., a wholly owned subsidiary of Comet Ridge Limited, owns a 17.26% (2009: 19.98%) minority interest in Comet Ridge Resources, LLC ("CRR"). CRR operations include oil and gas exploration and evaluation and oil production in the state of Colorado USA. A private equity firm based in New York City, USA holds the majority interest at approximately 82.5% (2009: 80%).

The Group may retain its minority 17.26% 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.

Note 12 - Property, Plant and Equipment	Consolidated 2010 $	2009 $
Plant and equipment at cost	**147,767**	69,690
Accumulated depreciation	**(44,188)**	(9,258)
	103,579	60,432

Note 12 - Property, Plant and Equipment (continued)	Consolidated 2010 $	2009 $
Movements in Carrying Amounts		
Movement in the carrying amount for each class of plant and equipment between the beginning and the end of the current financial year		
Balance at the beginning of year	**60,432**	5,413
Additions	**83,602**	71,610
Disposals	**-**	(6,345)
Depreciation	**(40,512)**	(10,296)
Foreign exchange movements	**57**	50
Carrying amount at the end of year	**103,579**	60,432

Note 13 - Exploration and Evaluation Expenditure

	2010 $	2009 $
Exploration and evaluation expenditure	**31,682,486**	19,103,148
Less: provision for impairment	**(3,962,269)**	(1,374,678)
	27,720,217	17,728,470
Movements in exploration and evaluation phase		
Balance at the beginning of period	**17,728,470**	1,704,950
Exploration and evaluation expenditure during the year	**12,503,789**	1,061,934
Impairment expense	**(2,566,781)**	(621,363)
Acquired through business combination (refer note 32)	**-**	15,550,000
Foreign currency translation	**54,739**	32,949
Balance at the end of period	**27,720,217**	17,728,470

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.

Interest in jointly controlled assets

The carrying amount of exploration and evaluation expenditure includes the Group's interest in the exploration and evaluation expenditure of a number of joint controlled assets. The amounts of exploration and evaluation expenditure employed in the joint operating arrangements is shown in Note 29.

Note 14 - Trade and Other Payables	Consolidated 2010 $	2009 $
Current		
Trade payables	**3,073,864**	688,563
Other payables and accruals *	**339,122**	1,090,541
	3,412,986	1,779,104
Non-Current		
Other payables and accruals *	**-**	869,217

* The Plexus liability has been reduced to $339,122 at 30 June 2010 (net of payments and the effects of foreign currency movements during the year) from $1,397,180 at 30 June 2009 based on the re-estimated cash calls forecast provided by CRR. Refer Note 1 (aa) for further details.

Note 15 - Provisions	Consolidated 2010 $	2009 $
Employee benefits	**34,314**	31,687

	Consolidated 2010 $	2009 $
Note 16 - Deferred Tax Liability		
Deferred tax liability	**1,929,052**	2,857,906
The balance of deferred tax liability comprises:		
Deferred tax assets		
Tax losses	**10,234,602**	5,594,529
Capital expenditure	**399,326**	579,371
Provisions	**53,837**	74,397
Impairments of investments in available for sale financial asset	**893,443**	779,347
	11,581,208	7,027,644
Deferred tax liabilities		
Exploration and evaluation expenditure	**(8,316,033)**	(5,337,130)
Unrealised foreign exchange gain	**(21,616)**	(49,494)
Property plant & equipment	**(2,135)**	-
Accrued interest	**(43,129)**	-
	(8,382,913)	(5,386,624)
Net deferred tax asset	**3,198,295**	1,641,020
Deferred tax assets not recognised	**(5,127,347)**	(4,498,926)
Net deferred tax liability recognised in accounts	**(1,929,052)**	(2,857,906)
Movements		
Opening balance	**2,857,906**	-
Acquired on business combination (refer note 32)	**-**	2,957,999
Charged/(credited) to profit or loss	**(928,854)**	(100,093)
Closing balance	**1,929,052**	2,857,906
Note 17 - Contributed equity		
Ordinary shares - fully paid	**65,265,125**	65,265,125

Movements in ordinary shares

Consolidated	**Note**	**Number of Shares**	**$**
Opening balance as at 1 July 2008		25,000,000	11,922,794
Share conversion at date of acquisition	(i)	128,750,002	-
Comet Ridge Limited shares at date of acquisition		105,375,950	-
Deemed cost of business combination	(ii)	-	33,193,424
Placement shares issued to sophisticated and professional investors	(iii)	22,000,000	7,480,000
Shares issued for 1 for 5 non-renounceable entitlement offer	(iv)	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
Closing balance at 30 June 2010		**307,351,144**	**65,265,125**

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.

Note 17 - Contributed equity (continued)

Notes

(i) Comet Ridge Limited issued 5.15 shares for each Chartwell Energy Limited share on acquisition on 16 April 2009. (25,000,000 Chartwell Energy Limited shares were on issue at acquisition date).

(ii) The deemed cost of the business combination (refer note 32).

(iii) 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.

(iv) 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.

Options

At 30 June 2010, the following options for ordinary shares in Comet Ridge Limited were on issue:

Number	Exercise Price	% Exercisable	Expiry Date
3,800,000	$0.419	100%	1/08/2011
30,000	$0.419	100%	4/09/2011
130,000	$0.419	100%	3/12/2011
300,000	$0.419	100%	6/12/2011
15,192,500	$0.169	100%	30/06/2012
4,575,000	$0.269	100%	30/06/2012
2,575,000	$0.269	0%	30/06/2012
500,000	$0.500	0%	31/12/2013
500,000	$0.650	0%	31/12/2013
500,000	$0.500	0%	28/02/2014
1,000,000	$0.650	0%	28/02/2014
29,102,500			

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

Number	Exercise Price	% Exercisable	Expiry Date
1,250,000	$0.419	100%	31/07/2009
1,432,500	$0.419	100%	10/11/2009
3,500,000	$0.419	100%	31/12/2009
3,800,000	$0.419	54%	1/08/2011
30,000	$0.419	100%	4/09/2011
130,000	$0.419	50%	3/12/2011
300,000	$0.419	50%	6/12/2011
4,575,000	$0.269	100%	30/06/2012
2,575,000	$0.269	0%	30/06/2012
15,192,500	$0.169	100%	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

Note 17 - Contributed equity (continued)

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 monitors 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 statement of financial position.

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.

	Consolidated	
	2010	2009
Note 18 - Reserves	**$**	$
Foreign currency translation reserve	**-58,580**	82,456
Option reserve	**1,269,310**	1,246,216
	1,210,730	1,328,672

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.

Note 19 - Share-based payments

Employee Share Options

Options are granted either under the Company's Employee Share Incentive Option Plan, on terms determined by the Directors or otherwise approved by the Company at a general meeting. The options are granted 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/or on specific performance based criteria such as share price increases or reserves certification.

Options granted either under the plan or otherwise as described above carry no dividend or voting rights. When exercisable, each option is convertible to one ordinary share.

The expense recognised in the statement of comprehensive income in relation to share based payments amounts to $23,094 (2009: $447,557). The amount assessed as fair value at the grant date of the options is allocated equally over the period from grant date to vesting date. Fair values at grant date are 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.

Note 19 - Share-based payments (continued)

Employee Share Options (continued)

The following table shows the number, movements and weighted average exercise price of share options issued for the 2010 year:

Grant Date	*Expiry date*	*Exercise price*		**Opening Balance July 2009**	**Granted During the Year**	**Exercised During the Year**	**Expired During the year**	**Closing Balance June 2010**	**Vested & Exercisable**
31-Jul-06	31-Jul-09	$0.419		1,000,000	-	-	(1,000,000)	-	-
10-Nov-06	10-Nov-09	$0.419		955,000	-	-	(955,000)	-	-
31-Dec-06	31-Dec-09	$0.419		3,500,000	-	-	(3,500,000)	-	-
01-Aug-07	31-Jul-11	$0.419		1,900,000	-	-	-	1,900,000	1,900,000
05-Sep-07	04-Sep-11	$0.419		30,000	-	-	-	30,000	30,000
03-Dec-07	02-Dec-11	$0.419		65,000	-	-	-	65,000	65,000
07-Dec-07	06-Dec-11	$0.419		300,000	-	-	-	300,000	300,000
Total plan options				7,750,000	-	-	(5,455,000)	2,295,000	2,295,000
22-Sep-08	30-Jun-12	$0.169		14,677,500	-	-	-	14,677,500	14,677,500
22-Sep-08	30-Jun-12	$0.269	1	5,150,000	-	-	-	5,150,000	2,575,000
28-Jan-09	30-Jun-12	$0.169		515,000	-	-	-	515,000	515,000
03-Mar-09	31-Jul-09	$0.419		250,000	-	-	(250,000)	-	-
03-Mar-09	10-Nov-09	$0.419		477,500	-	-	(477,500)	-	-
03-Mar-09	01-Aug-11	$0.419		1,900,000	-	-	-	1,900,000	1,900,000
03-Mar-09	03-Dec-11	$0.419		65,000	-	-	-	65,000	65,000
Total options on acquisition of subsidiary				23,035,000	-	-	(727,500)	22,307,500	19,732,500
16-Apr-09	30-Jun-12	$0.269	2	2,000,000	-	-	-	2,000,000	2,000,000
13-Apr-10	31-Dec-13	$0.500	3	-	500,000	-	-	500,000	-
13-Apr-10	31-Dec-13	$0.650	3	-	500,000	-	-	500,000	-
18-Jun-10	28-Feb-14	$0.500	4	-	500,000	-	-	500,000	-
18-Jun-10	28-Feb-14	$0.650	4	-	1,000,000	-	-	1,000,000	-
Total other				2,000,000	2,500,000	-	-	4,500,000	2,000,000
Total options				32,785,000	2,500,000	-	(6,182,500)	29,102,500	24,027,500
	Weighted average exercise price			0.270	0.590	-	0.419	0.266	

The weighted average remaining contractual life of share options outstanding at the end of the year was 2.01 years (2009: 2.4 years).

1 Tor McCaul was issued options in two tranches of 2,575,000. 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.

2 Jeffrey Schneider was issued 2,000,000 options approved in the extraordinary general meeting held on 16 April 2009 to approve the merger with Chartwell Energy Limited.

3 An employee was issued options in two tranches of 500,000 each as a part of their employment agreement. The first tranche will vest 12 months from the date of commencement of their employment. The second tranche will vest upon the certification of 250 PJ of proven and probable gas reserves or the certification of 750 PJ of proven, probable and possible gas reserves.

4 An employee was issued options in two tranches. The first tranche of 500,000 options will vest 12 months from the date of commencement of their employment. The second tranche of 1,000,000 options will vest upon a 6 week VWAP (volume weighted average share price) being equal to or greater than $0.80.

Note 19 - Share-based payments (continued)

Employee Share Options (continued)

The following table shows the number, movements and weighted average exercise price of share options issued for the 2009 year:

Grant Date	***Expiry date***	***Exercise price***	**Opening Balance July 2008**	**Granted During the Year**	**Exercised During the Year**	**Expired During the year**	**Closing Balance June 2009**	**Vested & Exercisable**
29-Dec-05	31-Dec-08	$0.169	1,500,000	-	-	(1,500,000)	-	-
10-May-06	11-May-09	$0.400	450,000	-	-	(450,000)	-	-
26-Jun-06	26-Jun-09	$0.419	75,000	-	-	(75,000)	-	-
31-Jul-06	31-Jul-09	$0.419	1,000,000	-	-	-	1,000,000	1,000,000
10-Nov-06	10-Nov-09	$0.419	955,000	-	-	-	955,000	955,000
31-Dec-06	31-Dec-09	$0.419	3,500,000	-	-	-	3,500,000	3,500,000
01-Aug-07	31-Jul-11	$0.419	1,900,000	-	-	-	1,900,000	1,900,000
05-Sep-07	04-Sep-11	$0.419	30,000	-	-	-	30,000	30,000
03-Dec-07	02-Dec-11	$0.419	65,000	-	-	-	65,000	65,000
07-Dec-07	06-Dec-11	$0.419	300,000	-	-	-	300,000	150,000
Total plan options			9,775,000	-	-	(2,025,000)	7,750,000	7,600,000
22-Sep-08	30-Jun-12	$0.169	-	14,677,500	-	-	14,677,500	14,677,500
22-Sep-08	30-Jun-12	$0.269 [1]	-	5,150,000	-	-	5,150,000	2,575,000
28-Jan-09	30-Jun-12	$0.169	-	515,000	-	-	515,000	515,000
03-Mar-09	31-Jul-09	$0.419	-	287,500	-	(37,500)	250,000	250,000
03-Mar-09	10-Nov-09	$0.419	-	477,500	-	-	477,500	477,500
03-Mar-09	01-Aug-11	$0.419	-	1,900,000	-	-	1,900,000	150,000
03-Mar-09	03-Dec-11	$0.419	-	65,000	-	-	65,000	-
Total options on acquisition of subsidiary			-	23,072,500	-	(37,500)	23,035,000	18,645,000
16-Apr-09	30-Jun-12	$0.269 [2]	-	2,000,000	-	-	2,000,000	2,000,000
Total other			-	2,000,000	-	-	2,000,000	2,000,000
Total options			9,775,000	25,072,500	-	(2,062,500)	32,785,000	28,245,000
	Weighted average exercise price		0.380	0.224	-	0.223	0.270	

1 Tor McCaul was issued options in two tranches of 2,575,000. 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.

2 Jeffrey Schneider was issued 2,000,000 options approved in the extraordinary general meeting held on 16 April 2009 to approve the merger with Chartwell Energy Limited.

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2010 were as follows:

Number of Options	**Grant Date**	**Exercise Price Per Option**	**Expiration Date**	**Value Per Option**
		$		**$**
500,000	13/04/2010	0.50	31/12/2013	0.038
500,000	13/04/2010	0.65	31/12/2013	0.018
500,000	18/06/2010	0.50	28/02/2014	0.003
1,000,000	18/06/2010	0.65	28/02/2014	0.001
2,500,000				

Note 19 - Share-based payments (continued)

Fair value of options granted (continued)

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 Per Option	Expiration Date	Value Per Option
		$		$
14,677,500	22/09/2008	0.169	30/06/2012	0.023
5,150,000	22/09/2008	0.269	30/06/2012	0.018
515,000	28/01/2009	0.169	30/06/2012	0.020
2,730,000	3/03/2009	0.419	1/08/2011	0.079
2,000,000	16/04/2009	0.269	30/06/2012	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 2010 and 30 June 2009:

	2010	2009
Volatility (%)	27.30%	80% - 95%
Risk free interest rate (%)	4.50%	4.00% - 5.80%
Expected life of option (years)	3.7 years	2.4 - 3.5 years
Exercise price ($)	0.50 - 0.65	0.169 - 0.419
Weighted average share price at grant date ($)	0.18 - 0.325	0.114

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	
	2010	2009
	$	$
Options expensed	**23,094**	447,557

Note 20 - Commitments

(a) Operating lease commitments

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

Payable - minimum lease payments		
- not later than 12 months	**210,087**	19,551
- between 12 months and 5 years	**542,468**	6,504
- greater than 5 years	**-**	-
	752,555	26,055

Note 20 - Commitments (continued)

(b) Bank guarantees

Westpac Banking Corporation have provided bank guarantees totalling $193,256 (2009: $160,256) as follows:

- $148,256 (2009: $160,256) to the State of Queensland in respect of the Group's exploration permits and environmental guarantees.
- $45,000 (2009: $nil) to the landlord of the Brisbane office premises to support the Group's obligations under the lease.

The bank guarantees are secured by term deposits.

(c) Exploration expenditure

In order to maintain an interest in the exploration tenements in which it is involved, the Group is required to meet certain conditions imposed by the various statutory authorities granting the exploration tenements or that are imposed by the joint venture agreements entered into by the Group. These conditions include minimum expenditure commitments. The timing and amount of minimum exploration expenditure obligations of the Group 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 Group's minimum expenditure obligations, which are not provided for in the financial statements are as follows:

	Consolidated	
	2010	2009
Minimum expenditure requirements	**$**	$
- not later than 12 months	**1,441,630**	7,011,000
- between 12 months and 5 years	**11,333,560**	5,900,000
	12,775,190	12,911,000

The commitments shown above include the amounts with respect to the Group's interest in jointly controlled assets (refer note 29).

Note 21 - Financial Risk Management

Overview

The Group's principal financial instruments comprise receivables, payables, available for sale financial assets, cash and term deposits. 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, its objectives, policies and processes for measuring and managing risk, and the management of capital. 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 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 Group holds the following financial instruments:

	Consolidated	
	2010	2009
Financial Assets	**$**	$
Cash and cash equivalents	**4,815,021**	22,078,774
Trade and other receivables	**1,971,679**	1,134,667
Term deposits	**5,132,488**	-
Restricted cash	**195,000**	3,657,694
Available-for-sale financial assets	**4,021,860**	4,402,177
	16,136,048	31,273,312
Financial Liabilities		
Trade and other payables	**3,412,986**	2,648,321
	3,412,986	2,648,321

Note 21 - Financial Risk Management (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 or 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 2009.

	Profit or loss		Equity	
	1% increase	1% decrease	1% increase	1% decrease
	$	$	$	$
2010 - Consolidated				
Cash and cash equivalents and restricted cash	101,425	-101,425	101,425	-101,425
2009 - Consolidated				
Cash and cash equivalents and restricted cash	257,365	-257,365	257,365	-257,365

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. 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.

The following table details the remaining contractual maturity for non-derivative financial liabilities.

	Within 1 year	Between 1 and 2 years	Total contractual cash flows	Carrying Amount
Consolidated - 30 June 2010	$	$	$	$
Trade and other payables	3,412,986	-	3,412,986	3,412,986
Consolidated - 30 June 2009				
Trade and other payables	1,779,104	869,217	2,648,321	2,648,321

(c) Foreign exchange risk

As a result of activities overseas, the Group's statement of financial position 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 USA 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.

Note 21 - Financial Risk Management (continued)

(c) Foreign exchange risk (continued)

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

	2010 USD $	2010 NZD $	2009 USD $	2009 NZD $
Financial Assets				
- Cash and cash equivalents	-	943,414	50,292	1,319,825
- Trade and other receivables	-	1,612,654	71	715,695
- Restricted cash	-	-	-	3,507,694
- Available-for-sale financial assets	4,021,860	-	4,402,177	-
Financial Liabilities				
- Trade and other payables	-	(1,070,150)	(28,325)	(35,015)
- Other payables and accruals	(339,122)	-	(1,397,180)	-

Foreign currency rate sensitivity

Based on financial instruments held at 30 June 2010, 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
2010	$	$	$	$
US dollar	33,912	-33,912	-368,274	368,274
NZ dollar	-45,129	45,129	-45,129	45,129
2009				
US dollar	137,514	-137,514	-302,704	302,704
NZ dollar	-550,820	550,820	-550,820	550,820

(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 advances to joint ventures and 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 2010 $145,145 (2009: $nil) of the Group's receivables were past due. A provision for impairment amounting to the full amount of the receivables past due has been recognised. The Group has no other significant concentration of credit risk.

Cash and cash equivalents, restricted cash and term deposits

The Group has 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.

Note 21 - Financial Risk Management (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.

(f) Fair Value Measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

As of 1 July 2009, the Group has adopted the amendments to AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level as determined by the following fair value measurement hierarchy:

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

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

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

The following table shows the 'fair value measurement hierarchy' classification of the Group's assets and liabilities measured and recognised at fair value at 30 June 2010:

	Consolidated	
	2010	2009
Level 3	**$**	$
Available-for-sale financial asset - Investment in Comet Ridge Resources LLC	**4,021,860**	4,402,177

The fair value measurement of the 'available-for-sale' financial asset is based on the Group's proportionate interest in the net assets of CRR discounted for minority interest and liquidity considerations. As the valuation technique for this asset is based on significant unobservable inputs, the asset is included in level 3.

Refer to note 11 for details of the movement in the above Level 3 financial instrument.

The Directors consider that the carrying amount of trade receivables and payables recorded in the financial statements approximates their fair values due to their short term nature

	Consolidated	
	2010	2009
Note 22 - Key Management Personnel	**$**	$
Key management personnel compensation		
Short-term employee benefits	**491,367**	841,241
Post-employment benefits	**32,535**	63,309
Termination benefits	**-**	50,000
Share-based payments	**-**	693,857
	523,902	1,648,407

Remuneration disclosures in the 2009 financial year included information for all executives who were part of the senior leadership team. The Board has reassessed the executive group and has reduced the disclosures in the above table strictly to those individuals with authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly.

Note 22 - 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:

30 June 2010	Balance at beginning of year	Granted as remuneration during the year	Other	Balance at date of resignation / appointment	Balance at end of year
Directors					
J McKay	29,424,551	-	-	-	29,424,551
T McCaul	-	-	-	-	-
J Schneider	3,398,732	-	-	-	3,398,732
G Swaby	4,908,000	-	-	-	4,908,000
C Pieters	1,000,000	-	-	-	1,000,000
A Gilby	-	-	-	29,579,083	29,579,083
	38,731,283	-	-	29,579,083	68,310,366

30 June 2009	Balance at beginning of year	Granted as remuneration during the year	Other	Balance at date of resignation / appointment	Balance at end of year
Directors					
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
	6,222,275	-	32,509,008	-	38,731,283
Former Directors					
A Lydyard	4,125,000	-	(2,993,714)	(1,131,286)	-
A Gilby ^	-	-	29,579,083	(29,579,083)	-
I Galloway ^	-	-	1,509,063	(1,509,063)	-
	4,125,000	-	28,094,432	(32,219,432)	-

^ Includes shares issued on acquisition of Chartwell Energy Ltd

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:

30 June 2010	Balance at beginning of year	Granted as remuneration	Options granted / (expired)	Balance at date of resignation / appointment	Balance at end of year	Vested during the year	Unvested
Directors							
J Schneider	2,500,000	-	(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	-	-
C Pieters	1,287,500	-	-	-	1,287,500	-	-
A Gilby	-	-	-	5,150,000	5,150,000	-	-
Total	14,587,500	-	(1,000,000)	5,150,000	18,737,500	-	2,575,000

Note 22 - Key Management Personnel (continued)

Option Holdings (continued)

30 June 2009	Balance at beginning of year	Granted as remuneration	Options granted / (expired)	Balance at date of resignation / appointment	Balance at end of year	Vested during the year	Unvested
Directors							
J Schneider	500,000	2,000,000	-	-	2,500,000	2,000,000	-
T McCaul	-	-	5,150,000	-	5,150,000	2,575,000	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	-
Total	1,000,000	2,000,000	11,587,500	-	14,587,500	11,012,500	2,575,000
Former Directors							
A Lydyard	3,000,000	-	(1,500,000)	(1,500,000)	-	-	-
G Drobnack	500,000	-	-	(500,000)	-	-	-
A Gilby ^	-	-	5,150,000	(5,150,000)	-	5,150,000	-
I Galloway ^	-	-	1,287,500	(1,287,500)	-	1,287,500	-
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 25: Related Party Transactions.

Note 23 - Auditors' Remuneration

	Consolidated 2010 $	Consolidated 2009 $
During the year the following fees were paid or payable for services provided by the auditor of the Group:		
Audit services		
Auditing or reviewing the financial statements	**120,000**	170,900
Non-audit services		
Accounting advice	**-**	40,820
Tax consulting and compliance services	**40,300**	3,160
	40,300	43,980
	160,300	214,880

Note 24 - Contingent Liabilities

The Directors are not aware of any contingent liabilities (2009: $nil).

Note 25 - Related Party Transactions

Parent entity

The legal parent entity is Comet Ridge Limited.

Subsidiaries

Interests in subsidiaries are set out in note 28.

Key management personnel

Disclosures relating to key management personnel are set out in note 22.

Note 25 - 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 statement of cash flows); and
- investments in subsidiaries (refer cash flow statement).

The loans and investments have been impaired as noted in note 1 (aa). 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 $21,374 (2009: $2,090) 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, the Non-executive Chairman.

(b) Company secretary services

The parent entity paid $nil (2009: $16,000) for Company secretarial services to Strategic Consultants Pty Ltd, a Company associated with Ms Swaby who is a Non-executive Director. These services were provided up until 16 April 2009.

(c) Administration services - Chartwell Energy Group

A subsidiary paid fees of $nil (2009: $177,720) for administration and management services to Waterford Pacific Pty Ltd and TimberTex Pty Ltd. Waterford Pacific Pty Ltd and TimberTex Pty Ltd are companies related to James McKay, the Non-executive Chairman. The services were provided to Chartwell Energy Limited during the 2009 financial year.

A subsidiary paid fees of $nil (2009: $150,000) for strategic guidance and management services by Gilby Resources Pty Ltd (a Company related to Anthony Gilby, a Non-executive Director). Gilby Resources Pty Ltd is a substantial shareholder of the Company and provided these services to Chartwell Energy Limited during the 2009 financial year.

Note 26 - Cash Flow Information

	Consolidated	
	2010	2009
	$	$
(a) Reconciliation of cash flow from operations		
Loss for the period	**(4,896,642)**	(21,688,069)
Depreciation	**40,509**	10,296
Share based payments	**23,094**	446,358
Impairment charge - goodwill	**-**	18,410,663
Impairment charge - available for sale financial asset	**976,733**	664,475
Impairment charge - exploration and evaluation expenditure	**2,566,781**	621,363
Impairment of receivables	**144,091**	-
Profit on sale of property, plant and equipment	**(100)**	-
Net exchange differences	**42,983**	176,549
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
(Increase)/decrease in trade and other receivables	**615,669**	(795,203)
(Increase)/decrease in inventories	**43,170**	(108,877)
Increase/(decrease) in trade payables and accruals	**(2,018,480)**	230,538
(Increase)/decrease in prepayments and deposits paid	**30,606**	(44,279)
Increase/(decrease) in provisions	**2,627**	30,559
Increase/(decrease) in deferred tax liability	**(928,854)**	(100,096)
	(3,357,813)	(2,145,723)

Note 26 - Cash Flow Information (continued)

(b) Non-cash financing and investing activities

There were no investing and financing transactions undertaken during the current year that did not require the use of cash or cash equivalents.

During the 2009 financial year, on 16 April 2009 Comet Ridge Limited acquired 100% of the issued capital of Chartwell Energy Limited and its controlled entity. Details of the fair value of the assets and liabilities acquired are disclosed at Note 32. The purchase consideration was a combination of the Company's shares and options as follows:

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

Note 27 - Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the geographic location of its respective areas of interest (tenements) and the operating segments are determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and meet the other aggregation criteria of AASB 8 Operating Segments.

Activity by segment

Queensland

The Group has interests in two key projects in Queensland. These include a 100% interest in two large (~12,991 km^2) 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 with a joint venture with Santos and APLNG. The vast majority of CSG activity in Queensland to date has occurred in and around the eastern and south-central Queensland basins (the Surat and Bowen), however, recent 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 (and subsequently gas) resource within the Permian Betts Creek Beds and also the early Permian Aramac coals.

A total of five wells were drilled in the 2009/2010 exploration core program. One well was drilled in ATP 743P with the remaining four drilled in ATP 744P. Drilling began in late November 2009 with the fifth and last well finishing in the latter part of June 2010. Poor weather due to the influence of Cyclone Olga and general heavy widespread rainfall in central and north Queensland led to significant delays in drilling resulting in almost a three month delay between the second and third well from late January to mid April 2010.

One well was drilled in ATP 337P (Mahalo Block) in July 2009, reaching a total depth of 486 m and intersecting approximately 4.5 m of net coal within the primary objective Bandanna Formation Coal Measure Sequence. Gas contents of 7 to 10 m3/tonne were reported with moderate permeability. Seismic data has recently been traded with a neighbouring resources Company, and interpretation and integration of this new seismic data has commenced. This data is expected to be useful in assisting to locate a pilot scheme for the Mahalo block, which has yet to be approved by the joint venture, but is likely to be scheduled for the first part of 2011.

New Zealand

The New Zealand tenement portfolio consists of 100% interest in one large (~3667 km^2) exploration permit (PEP 50280) located in the Waikato area of the North Island, and a 100% interest in a larger (~4779 km^2) exploration permit (PEP 50279) in the West Coast Region on the South Island running north from the coastal town of Greymouth up to a point north of Westport. 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 Greymouth. All three permits have coal mining activity occurring on them. In the case of PMP 50100, several successful CSG exploration and appraisal wells have already been drilled attesting to the area's CSG prospectivity.

Note 27 - Operating Segments (continued)

Activity by segment (continued)

New Zealand

Exploration activity during the year concentrated on PMP50100 and saw the Group complete Phase 2 of the farm-in to earn a further 30% in the permit. Earning of the Phase 2 interest involved the completion of the agreed farm-in work programme including 34.3 km of 2D seismic and drilling one corehole and two pilot wells and the cumulative expenditure of NZ$6.2 million.

In July 2010, the Group's joint venture partner in PMP50100 advised it would withdraw from the permit effective from 26 July. Subsequently, the Group now holds 100% interest in this permit.

During the year, a detailed regional aeromagnetic survey was undertaken commencing in mid November within PEP 50280. After completing the surveying in PEP50280, the aircraft moved to the south island and completed the surveys over PEP 50279 and PMP 50100.

Interpretation of the approximately 7,000 km^2 of airborne magnetic and radiometric data is now complete. This information is being integrated with the existing dataset to aid in the definition of the regional coal basins. The results of this work are positive with confirmation and further refinement of areas within the North Waikato, and the imaging of major sub-basins within the West Coast. Planning is currently underway for the airborne gravity surveying which is scheduled to be acquired during the 2010/11 summer season.

Other

Other segments comprise the Group's joint venture interests in the Gunnedah Basin in NSW where it holds 25% and 20% interests in PEL 427 and PEL 428 respectively. Eastern Star Gas is the CSG operator in both blocks with Orion Petroleum operating the conventional exploration.

Commitments for PEL 428 have been met and discussions are currently underway with the NSW Government in respect of extending the permit. In PEL 427, the operator is proposing acquisition of 75km of 2D seismic and a well in the Bellata Trough in early 2011.

Basis of accounting for purposes of reporting operating segments

Accounting policies adopted

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

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

In addition, only exploration and evaluation expenditure assets are allocated to the Group's operation segments. All other assets and liabilities relate to corporate activities and are not allocated to operating segments.

Comparative information

This is the first period in which AASB 8 *Operating Segments* has been adopted. Comparative information has been restated to conform to the requirements of the Standard.

(a) Segment performance

30 June 2010	**Queensland** $	**New Zealand** $	**All Other Segments** $	**Total** $
Total segment revenue	-	-	-	-
Impairment - exploration expenditure	(1,647,324)	(919,457)	-	(2,566,781)
Exploration stand-by costs	(1,488,084)	-	-	(1,488,084)
Segment result before tax	(3,135,408)	(919,457)	-	(4,054,865)

Note 27 - Operating Segments (continued)

(a) Segment performance (continued)

30 June 2010 (continued)	**Queensland $**	**New Zealand $**	**All Other Segments $**	**Total $**
Reconciliation of segment result to Group loss before tax				
Recoveries from Joint Venture Partners				259,576
Interest revenue				858,297
Other income				969,663
Total Group revenue				2,087,536
Employee benefits expense				(1,327,306)
Consultancy costs				(62,395)
Depreciation and amortisation expense				(40,509)
Finance costs				(1,642)
Impairment				
- available for sale financial assets				(976,733)
- Receivables				(144,091)
Other expenses				(1,305,491)
Loss before tax				(5,825,496)

30 June 2009	**Queensland $**	**New Zealand $**	**All Other Segments $**	**Total $**
Total segment revenue	-	-	-	-
Impairment - exploration expenditure	-	(621,363)	-	(621,363)
Segment result before tax	-	(621,363)	-	(621,363)
Reconciliation of segment result to Group loss before tax				
Recoveries from Joint Venture Partners				486,084
Interest revenue				319,973
Total Group revenue				806,057
Employee benefits expense				(1,400,564)
Consultancy costs				(352,745)
Depreciation and amortisation expense				(10,296)
Finance costs				(3,684)
Impairment				
- goodwill				(18,410,663)
- available for sale financial assets				(664,475)
Other expenses				(1,130,429)
Loss before tax				(21,788,162)

Note 27 - Operating Segments (continued)

(b) Segment assets and liabilities

	Queensland	New Zealand	All Other Segments	Total
	$	$	$	$
30 June 2010				
Segment assets	20,512,716	6,921,896	285,605	27,720,217
Reconciliation of segment assets to Group assets				
Unallocated assets				
Cash and cash equivalents				4,815,021
Trade and other receivables				1,971,679
Other financial assets				5,132,488
Inventories				65,707
Other assets				233,134
Available-for-sale financial assets				4,021,860
Property, plant and equipment				103,579
Total Group assets				44,063,685
Segment asset movement for the year				
Exploration and evaluation expenditure	6,788,565	5,699,620	15,605	12,503,790
Impairment provisions	(1,647,324)	(919,457)	-	(2,566,781)
Foreign exchange movement	-	54,738	-	54,738
	5,141,241	4,834,901	15,605	9,991,747

	Queensland	New Zealand	All Other Segments	Total
	$	$	$	$
30 June 2009				
Segment assets	15,371,475	2,086,995	270,000	17,728,470
Reconciliation of segment assets to Group assets				
Unallocated assets				
Cash and cash equivalents				22,078,774
Trade and other receivables				1,134,667
Inventories				108,877
Other assets				3,726,434
Available-for-sale financial assets				4,402,177
Property, plant and equipment				60,432
Total Group assets				49,239,831
Segment asset movement for the year				
Exploration and evaluation expenditure	-	1,061,934	-	1,061,934
Acquisitions	15,280,000	-	270,000	15,550,000
Impairment provisions	-	(621,363)	-	(621,363)
Foreign exchange movement	-	32,949	-	32,949
	15,280,000	473,520	270,000	16,023,520

Note 28 - 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 2010 %	Equity holding 2009 %
Chartwell Energy Limited (accounting parent)	Australia	Ordinary	100	100
Comet Ridge Limited (legal parent)	Australia	Ordinary	100	100
Chartwell NZ Pty Ltd	Australia	Ordinary	100	100
Comet Ridge USA Inc.	USA	Ordinary	100	100

Note 29 - Interests in Jointly Controlled Assets

The Group has entered into a number of joint operating arrangements for oil and gas exploration. The Group's interests in the assets employed in the joint ventures are included in the statement of financial position, in accordance with the accounting policy described in note 1 (c) (ii), under the following classifications:

	ATP 337P	PEL 427	PEL 428	PMP 50100*	Total
30 June 2010	**40%**	**25%**	**20%**	**50%**	
Current assets	**$**	**$**	**$**	**$**	**$**
Cash and cash equivalents	-	-	-	39,723	39,723
Trade and other receivables	-	-	-	1,414,756	1,414,756
Total current assets	-	-	-	1,454,479	1,454,479
Non-current assets					
Exploration and evaluation expenditure	734,320	219,686	65,919	7,709,807	8,729,732
Total non-current assets	734,320	219,686	65,919	7,709,807	8,729,732
Total assets	734,320	219,686	65,919	9,164,286	10,184,211
Current liabilities					
Trade and other payables	-	-	-	1,052,971	1,052,971
Total current liabilities	-	-	-	1,052,971	1,052,971
Share of joint venture net assets	734,320	219,686	65,919	8,111,315	9,131,240

	ATP 337P	PEL 427	PEL 428	PMP 50100*	Total
30 June 2009	40%	25%	20%	20%	
Current assets	**$**	**$**	**$**	**$**	**$**
Cash and cash equivalents	-	-	-	35,030	35,030
Trade and other receivables	-	-	-	246	246
Total current assets	-	-	-	35,276	35,276
Non-current assets					
Exploration and evaluation expenditure	413,173	210,000	60,000	2,749,607	3,432,780
Total non-current assets	413,173	210,000	60,000	2,749,607	3,432,780
Total assets	413,173	210,000	60,000	2,784,883	3,468,056
Current liabilities					
Trade and other payables	-	-	-	43,516	43,516
Total current liabilities	-	-	-	43,516	43,516
Share of joint venture net assets	413,173	210,000	60,000	2,741,367	3,424,540

Note 29 - Interests in Jointly Controlled Assets (continued)

*Under the farm-in arrangements, the Group committed to spend $6.2 million to earn a 50% interest in PMP50100. The Group has fulfilled its expenditure commitment during the year.

In order for the joint venture to maintain an interest in the exploration tenements in which it is involved, the joint venture is required to meet certain conditions imposed by the various statutory authorities granting the exploration tenements or that are imposed by the joint venture agreements entered into by the Group. These conditions include minimum expenditure commitments. The timing and amount of minimum exploration expenditure obligations of the Group 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 Group's minimum expenditure obligations, which are not provided for in the financial statements are as follows:

	Consolidated	
	2010	2009
Minimum expenditure requirements	**$**	$
- not later than 12 months	**393,090**	4,625,000
- between 12 months and 5 years	**4,147,520**	5,900,000
	4,540,610	10,525,000

Note 30 - Subsequent Events

On 27 July 2010, the Group's Joint Venture Partner in the New Zealand Petroleum Mining Permit 50100 withdrew from the permit with the effective assignment to the Group of its 50% interest in the permit. The Group's interest in the permit is held by the subsidiary, Chartwell NZ Pty Ltd.

	2010	2009
Note 31 - Parent entity disclosures	**$**	$
Current assets	**9,760,775**	21,058,094
Non-current assets	**24,132,286**	19,184,644
Total assets	**33,893,061**	40,242,738
Current liabilities	**3,482,146**	2,368,634
Non-current liabilities	**-**	869,217
Total liabilities	**3,482,146**	3,237,851
Net Assets	**30,410,915**	37,004,887
Contributed equity	**79,875,236**	79,875,236
Option reserve	**5,033,075**	5,009,981
Accumulated losses	**(54,497,396)**	(47,880,330)
Total equity	**30,410,915**	37,004,887
Loss for the period	**(6,617,067)**	(36,714,140)
Other comprehensive income	**-**	-
Total comprehensive income	**(6,617,067)**	(36,714,140)

Bank guarantees
Bank guarantees are disclosed in note 20(b).

Contingent Liabilities
The Directors are not aware of any contingent liabilities.

Note 31 - Parent entity disclosures (continued)

Commitments	**Consolidated**	
	2010	2009
(a) Operating lease commitments	**$**	$
Commitments for minimum lease payments for non-cancellable operating leases for offices and equipment contracted for but not recognised in the financial statements.		
Payable - minimum lease payments		
- not later than 12 months	**195,237**	-
- between 12 months and 5 years	**526,044**	-
- greater than 5 years	**-**	-
	721,281	-

(b) Exploration expenditure

In order to maintain an interest in the exploration tenements in which the parent is involved, the parent is committed to meet the conditions under the agreements. The timing and amount of exploration expenditure and obligations of the parent are subject to the minimum work or expenditure requirements of the permit conditions or farm-in agreements (where applicable) and may vary significantly from the forecast based on the results of the work performed, which will determine the prospectivity of the relevant area of interest. The obligations are not provided for in the financial statements.

	2010	2009
	$	$
Minimum expenditure requirements		
- not later than 12 months	**287,830**	525,000
- between 12 months and 5 years	**973,960**	-
	1,261,790	525,000

Note 32 - 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:

	2009
Purchase consideration	$
Shares	33,193,424
Options	798,659
Total purchase consideration	33,992,083

The value of the purchase consideration was 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.

Note 32 - Acquisition of subsidiaries (continued)

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

	Pre-acquisition	Recognised
	$	$
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

	2009
Reconciliation of cash movement	$
Cash consideration	-
Less cash acquired	1,003,356
Net cash inflow	1,003,356

The carrying amount of goodwill at 30 June 2009 was $nil after an impairment charge of $18,410,663 was recognised during the 2009 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.

As disclosed above, all goodwill arising on the acquisition of Comet Ridge Limited was impaired during the 2009 financial year. The result of this impairment is reconciled below:

	Consolidated	
	2010	2009
	$	$
Goodwill arising on acquisition	**18,410,663**	18,410,663
Less provision for impairment	**(18,410,663)**	(18,410,663)
	-	-

Comet Ridge Limited
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 2010 and of the performance for the year ended on that date of the consolidated entity;

2. As stated in note 1, the financial statements also comply with International Financial Reporting Standards.

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 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

Brisbane, Queensland
20 September 2010

JOHNSTON RORKE
CHARTERED ACCOUNTANTS

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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 (the company), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of 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* .

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 consolidated entity's financial position as at 30 June 2010 and of its 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 12 of the directors' report for the year ended 30 June 2010. 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 2010 complies with Section 300A of the *Corporations Act 2001.*

JOHNSTON RORKE
Chartered Accountants

J. J. EVANS
Partner

Brisbane, Queensland
20 September 2010

Liability limited by a scheme approved under Professional Standards Legislation

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 (the Council) 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 its policies and practices in order that these keep abreast of the growth of the Company, the broadening of its activities, current legislation and good practice.

The recommendations are not prescriptive and, if certain recommendations are not appropriate for the Company given its circumstances, the Company may elect 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) Policy and Procedure for Selection and Appointment of New Directors
l) Policy and Procedure for Selection of External Auditor and Rotation of Audit Engagement Partners
m) 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. Further details of all the recommendations can be found on the ASX Corporate Governance Council's website at:

http://www.asx.com.au/about/corporate_governance/corporate_governance_council.htm

Principle 1 – Lay solid foundations for management and oversight

1.1 Lay Solid Foundations for Management and Oversight

The Board guides and monitors the activities of Comet Ridge on behalf of shareholders, by whom they are elected and to whom they are ultimately 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 in both the short and longer term while continually seek to balance the interests of other stakeholders including employees, service providers, suppliers and the wider community.

The Board operates under a Charter which was reviewed and updated by the Board in 2009 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

Improvement in Board processes and effectiveness is a continuing objective and the purpose of Board evaluation is to identify ways to improve performance. The Chairman is responsible for conducting an annual review of the Board's performance.

An evaluation of the performance of the Board has been carried. This process involved the Chairman interviewing each member of the Board and reviewing performance indicators such as time engaged on Company business, so as to assess the effectiveness of processes structure and contributions made by individual directors.

The Board assesses annually or as necessary 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 assesses, annually or as necessary, the performance of all key 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 reports 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 in the table below.

Under the Constitution, the maximum number of Directors is nine (9). 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.

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 having regard to the ASX Corporate Governance Council's Independence Criteria, 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.

The criteria used to assess independence are reviewed from time to time. The results of this review are set out in the following table:-

Current Board Composition

Director	Board membership	Date of appointment
James McKay *	**Non-executive Chairman**	16-April-2009
Tor McCaul	**Managing Director**	16-April-2009
Gillian Swaby	**Independent Non-executive Director**	09-January-2004
Jeff Schneider	**Independent Non-executive Director**	28-August-2003
Chris Pieters	**Independent Non-executive Director**	16-April-2009
Anthony Gilby	**Non-executive Director**	

* James McKay was appointed Chairman of the Board consequent upon the retirement of Jeff Schneider from that position on the 11th of November 2009.

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

The Board notes that Mr Schneider (Non-executive Director) and Ms Swaby (Non-executive Director) do not strictly satisfy the test of independence as set out in the ASX Guidelines, 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 of the Company and level of its current activities.

Identification of Independent Directors

Mr Schneider was until recently on the Board of Directors of Strike Oil Limited, (Strike Oil) which until mid 2009 was a major shareholder of the Company. He was also for a short period during the latter half of 2008 and in early 2009 when the Company had no executives or employees, out of necessity 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.

Strike Oil divested itself of its holding in the Company earlier this year. However while Strike Oil was a large shareholder, it was noted there was potential for conflict in matters where Strike Oil was involved and it was recognised 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. The Board considers Mr. Schneider to be independent.

Ms Swaby through her consultancy company, Strategic Consultants Pty Ltd, 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 Swab'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 six Directors, half of which are considered to be independent.
(ASX Recommendation 2.1).

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. 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. No Director availed him or herself of this entitlement during the year.

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 (James McKay) is not an independent Director as he is associated through his family company to a substantial shareholder of the Company.

(ASX Recommendation 2.2)

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

The roles of the Chairperson and the Managing Director were not shared at any time during the year under review. The role of the Chairman was fulfilled by Jeff Schneider up until the 11th of November 2009 and since that time it has been James McKay, while the role of the Managing Director has been filled by Tor **McCaul for the whole of the period.** 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 as 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.

The review of the Board Directors focused 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 was responsible for conducting the annual review of the Board's Performance, which involved open and constructive dialogue between the respective parties.

(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:-

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 suppliers, contractors, 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, employees and consultants of the Company. 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 or Managing Director of the Company (or in their 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.

(A SX 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.

Principle 4: Safeguard Integrity in Financial Reporting (continued)

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:	Independent Chair of the Audit Committee and Non-executive Director	(appointed 09.01.2004)
James McKay:	Non-executive Director	(appointed 21.04.2009)
Christopher Pieters:	Independent Non-executive Director	(appointed 21.04.2009)

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

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.

(AS X Recommendations 4.2)

4.3 Audit Committee to have a Documented Charter

The Committee has a documented charter which has recently been updated and approved by the Board on 10 November 2009 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.

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)

Principle 4: Safeguard Integrity in Financial Reporting (continued)

4.4 Company Statement in Relation to Principle 4

Ms Gillian Swaby has over 27 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 22 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.

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.
(A SX 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.

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.

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 *(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.

Principle 7: Recognise and Manage Risk (continued)

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

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

b) evaluating the adequacy and effectiveness of the Group's financial and operational risk management control systems by reviewing risk

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

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 encompass, on an exception–basis, 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)

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.

Principle 7: Recognise and Manage Risk (continued)

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

The Board has received declarations from the Managing Director acting in the capacity of Chief Executive Officer and from the Chief Financial Officer 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)

At the commencement of the reporting period Mr James McKay was the Chairman of the Committee. His appointment as the Chairman of Directors necessitated his resigning the position as the Chair of the Remuneration Committee and the appointment of Mr Anthony Gilby to the Board enabled his appointment as the Chair of the Remuneration Committee effective 11 November 2009.

Mr James McKay remained a member of the Remuneration Committee but has recently resigned his position on the Committee allowing the appointment of Mr Christopher Pieters. The appointment of Mr Pieters ensures that the Committee is now constituted by two independent Directors in anticipation of the proposed changes to the ASX Listing Rules and the ASX Corporate Governance Counsel's Corporate Governance Principles and Recommendations.

The current members of the Remuneration Committee are as follows, including dates of their appointment to the Committee:-

• Anthony Gilby:	Chair of the Committee and Non-executive Director	(appointed 11.11.2009)
• Jeff Schneider:	Non-executive Director	(appointed 01.06.2004)
• Christopher Pieters:	Non-executive Director	(appointed 28.07.2010)

The Remuneration Committee shall meet at least twice a year and otherwise as required. 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 31 August 2010:-

1 Number of Equity Holders

Ordinary Share Capital

307,351,144 fully paid ordinary shares are held by 2,210 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	% of Issued Capital
1 - 1,000	58	3,994	0.00%
1,001 - 5,000	395	1,299,705	0.42%
5,001 - 10,000	358	3,095,751	1.01%
10,001 - 100,000	1,137	41,020,004	13.35%
100,001 - maximum	262	261,931,740	85.22%
	2,210	307,351,144	100.00%

The number of shareholders holding less than a marketable parcel:-
282 Holders (521,403 Shares)

4 Substantial shareholders

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

Name	Number of Shares Held	% of Issued Capital
FITEL Nominees Limited <Awal Bank BSC>	51,500,000	16.76%
Waterford Pacific Pty Ltd & McKay Super Pty Ltd	29,424,551	9.62%
Gilby Resources Pty Ltd & Anthony Rechka Gilby	29,579,083	9.57%
ANZ Nominees Limited	18,383,513	5.98%

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
1	Fitel Nominees Limited <Awal Bank BSC>	51,500,000	16.76%
2	Gilby Resources Pty Ltd <The Gilby Investment A/C>	25,566,380	8.32%
3	Waterford Pacific Pty Ltd	24,843,144	8.08%
4	ANZ Nominees Limited <Cash Income A/C>	18,383,513	5.98%
5	JP Morgan Nominees Australia Limited	10,381,143	3.38%
6	Matopos Holdings Limited	9,512,487	3.10%
7	HSBC Custody Nominees (Australia) Limited	5,847,855	1.90%
8	Ms Gillian Swaby	4,552,666	1.48%
9	Mackay Super Pty Ltd <McKay Super Fund A/C>	4,512,407	1.47%
10	Citicorp Nominees Propriety Limited	4,326,713	1.41%
11	Gilby Resources Pty Ltd <Gilby Super Fund Account>	3,703,703	1.21%
12	Kabila Investments Pty Ltd	3,685,758	1.12%
13	Jeffrey Warrington Schneider	3,398,732	1.11%
14	Power Industries Pty Ltd <The Power Property A/C>	2,720,000	0.88%
15	Enan Pty Ltd	2,472,000	0.80%
16	JTC Trustees Limited <The Ming A/C IIP>	2,472,000	0.80%
17	Cogent Nominees Pty Limited	2,370,000	0.77%
18	Christopher John Blamey & Ann Margaret Blamey <ACB Super Fund	2,300,000	0.75%
19	CS Fourth Nominees Pty Ltd <Unpaid A/C>	2,130,185	0.69%
20	Richard Juzwin Pty Ltd	2,008,000	0.65%
	TOTAL	**186,686,686**	**60.66%**

6 Restricted Securities

The 51,500,000 ordinary shares held for the benefit of AWAL Bank BSC in escrow as a condition of the merger between the Company and Chartwell Energy Limited in April 2009 were released from escrow on 29 April 2010 in accordance with Listing Rule 3.10A.

Subsequently the Company sought quotation of these shares on 4 May 2010. This shareholding represents 16.76% of the 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
ATP 337P Mahalo	Bowen Basin, Qld	40	Santos Limited
PEL 427	Gunnedah Basin, NSW	25	Orion Petroleum Limited (Conventional) Eastern Star Gas Limited (CSG)
PEL 428	Gunnedah Basin, NSW	20	Orion Petroleum Limited (Conventional) Eastern Star Gas Limited (CSG)
ATP 743P	Galilee Basin, Qld	100	Comet Ridge Limited
ATP 744P	Galilee Basin, Qld	100	Comet Ridge Limited
PMP 50100	South Island, New Zealand	100	Chartwell NZ Pty Ltd
PEP 50279	South Island, New Zealand	100	Chartwell NZ Pty Ltd
PEP 50280	North Island, New Zealand	100	Chartwell NZ Pty Ltd

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

Comet Ridge Limited

Corporate Directory

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

Company Secretary
Stephen Rodgers

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ASX Code: COI

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