2011

Comet Ridge Limited

ANNUAL REPORT

CORPORATE DIRECTORY

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Non-executive Director

Company Secretary

Stephen Rodgers

ASX Code: COI

www.cometridge.com.au

Front cover:- Preparing to run casing, Dobson area, Westcoast, New Zealand

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Casing on the racks, Galilee Basin, Queensland

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

Comet Ridge Limited has had a particularly busy year, despite a lower level of field activity in the past financial year. In the last twelve months Comet Ridge Limited has focussed on improving its technical understanding of each of its assets in order to prepare for the appraisal drilling programme anticipated for 2012. This has involved:

- Interpreting results of recent drilling programmes, resulting in the independent certification of significant Contingent Resources volumes at our assets in the Galilee Basin and Mahalo Block in Queensland, the Gunnedah Basin in NSW, and after the balance date, on the West Coast of New Zealand;
- Acquisition and interpretation of a major aerial gravity (AGG) survey over our three permits in New Zealand;
- Approving an appropriate Pilot Project programme for Mahalo with its Joint Venture Partners for 2011/12;
- Commencing a significant seismic acquisition programme in third quarter 2011 in our Galilee project;

While events in NSW have caused a delay to the appraisal well and two seismic acquisition projects scheduled for completion by mid 2011 in Comet Ridge Limited's Gunnedah Basin projects, we are confident that these will resume shortly when an appropriate solution to these issues has been determined.

The table below details the significant Contingent Prospective Resources that were independently certified during the year.

Comet Ridge Limited - Recoverable Resources

Project	Contingent (PJ) 1C	2C	3C	Prospective (PJ)	Auditor
Gunn Project Area (Galilee)	-	67	1,870	597	NSAI**
Mahalo	83	221	442	-	NSAI**
PEL 427 & PEL 428	-	-	231	1,022	MHA***
Greymouth and Buller, NZ*	65	127	244	-	NSAI**
Total	148	415	2,787	1,619	

Total Resources 4,406 PJ
* Certified Sept 2011, post balance date ** Netherland, Sewell and Associates Inc, Dallas, Texas, USA *** MHA Petroleum Consultants LLC, Denver, Colorado, USA

The coal seam gas (CSG) industry has featured prominently in the news during the past twelve months, with three major export LNG projects now in the build phase in Gladstone. There has also been considerable media coverage over environmental and land access issues associated with the development of coal seam gas fields, which has had a negative impact on the sector. Comet Ridge Limited is confident that these issues can be managed through prudent operating practices and effective consultation and dialogue with all stakeholders, so that the industry can be developed in an appropriate and sustainable manner.

The recent merger and acquisition activities involving Eastern Star Gas and more recently Bow Energy have demonstrated that the demand for additional gas resources to satisfy eastern Australia's rapidly growing domestic gas and LNG export industries is still very strong. For many years eastern Australia has had some of the lowest, market generated, natural gas prices in the world. It is now becoming increasingly accepted that gas prices are tightening significantly in eastern Australia and will continue to do so. This view is supported by the 2011 Gas Market Review which is published annually by the Queensland Government. This report is based on modelling of gas supply and demand scenarios, and forecasts gas prices to rise to between A$5 - 6 /GJ in its Medium scenario and to over A$8 /GJ in its High scenario. There are a number of other forecasters painting a similar picture of the future.

With this is mind, Comet Ridge is focused on efficiently maturing each of its assets through the exploration and appraisal phases required to deliver proven gas reserves into this market.

Comet Ridge is moving into an exciting phase of its development, with appraisal drilling scheduled for all of its asset areas over the next twelve months, including its first Pilot Project in Australia at Mahalo. The Board is confident that Comet Ridge Limited has a clearly defined path to significantly grow shareholder value over the coming year.

Yours faithfully

James McKay
Chairman

. . . focussed on improving technical understanding of each of its assets

Drilling operations, Hergenrother 1 well, Galilee Basin, Queensland

MANAGING DIRECTOR'S REPORT

It was only this time last year that Comet Ridge was still working towards its first resource bookings in the Company's major exploration and appraisal projects in Australia and New Zealand. These bookings were to be based around the significant drilling that we undertook in both Australia and New Zealand in the previous year.

Then, in the final quarter of 2010, Comet Ridge was able to formally book significant contingent resources in our Mahalo block (part of ATP 337P) and then also in the Gunn Project Area (GPA) in the south western part of ATP 744P in the emerging Galilee Basin. These resource bookings were followed in the first quarter of 2011 with the booking of Contingent and Prospective Resources in PEL 427 and PEL 428 in northern NSW. These milestones have now been further bolstered with the Company announcing, after balance date, its first contingent resource booking for the Greymouth coalfield area on the West Coast of New Zealand.

A summary of these resource bookings which have all been secured in the past year, is contained in the Chairman's Letter. This shows that our total Contingent and Prospective Resources now stand at a significant 4,406 PJ.

Whilst these resources have yet to be converted into the reserves category, these initial resource bookings speak to the very significant gas potential that Comet Ridge has to date identified across all four main areas in Australia and New Zealand. We will be working hard in the coming year to transition some of these resources to reserves, and to grow additional resources, in order to unlock the fundamental value in these areas, in what the Company believes to be an environment of rising energy prices and increasing demand for gas as a cleaner and greener energy source, not only in Australia and New Zealand, but across the greater Asia Pacific region.

Whilst your Company has been working to achieve these substantial gas resource bookings over the past year, the coal seam gas industry as a whole has been receiving vastly increased media attention. Almost every day another prediction of environmental catastrophe is carried by print, TV or radio media. "Experts" in numerous forms have appeared, many of whom seem convinced of the future destruction of land and depletion of aquifers. These people warn that farming and gas production cannot possibly co-exist and that Coal Seam Gas will spell the death of many rural communities. Many of the claims made are never substantiated and seem intended simply to cause anger, confusion and trepidation amongst the community. Many of these claims also seem to either selectively overlook or deliberately ignore the extensive environmental regulation that the CSG industry as a whole faces today.

Gas production and farming have co-existed in Queensland since the late 1960s with the commencement of gas production from the Roma gas fields. Coal seam gas production commenced during the mid 1990s in Queensland and today supplies the state with most of its gas requirements. A growing proportion of the electrical power produced in the state is via CSG. Many rural communities have suffered economically from years of drought, and CSG provides an opportunity for revitalisation and renewal of these communities through infrastructure and economic development as well as an enormous boost to the Queensland state budget which will ultimately fund schools, hospitals and police services etc. CSG also provides an opportunity to shift power generation in Australia, and in the Asia Pacific region, to an energy source that has a much smaller carbon footprint than black or brown coal.

It is not my role in these few pages to fully define the benefits of natural gas as a fuel, nor for me to attempt to dispel many of the urban myths that have been put forward around the CSG industry. I do however think it is useful for shareholders and stakeholders in this industry (which includes landowners) to form their own views on the industry and there are a number of websites available that attempt to cover some of the issues in the detail that is required to reach a better understanding. I would encourage readers to look at the following sites:

1. Comet Ridge Limited Website (www.cometridge.com.au) – our Facts about CSG sheet provides links to the sites below and will be expanded and updated over time to include work and analysis currently in progress.
2. Queensland Department of Environment and Resource Management (DERM) – LNG Enforcement Unit – The LNG Enforcement Unit has been established to administer and monitor the substantial environmental regulation associated with exploration and production of natural gas in Queensland. The website (www.derm.qld.gov.au/environmental_management/coal-seam-gas/vodcast.html) short videos provide useful information.
3. APPEA – the Australian Petroleum Production and Exploration Association is the industry body that represents most of the oil and gas exploration and production companies in Australia. APPEA's website (www.appea.com.au) contains useful information in its Fact Sheets section and also in its Media Releases section.
4. Santos Limited – Comet Ridge is a joint venture participant with Santos in the Mahalo Joint Venture in the Bowen Basin, and subject to required approvals, will also be involved with Santos in two other Joint ventures (PEL 427 & PEL 428) in northern NSW. The Santos website (www.santos.com.au) contains some useful information for those seeking to know more about the industry and included in the download options from this site is the Santos submission to the Senate Enquiry on CSG from mid-2011.

Before leaving the topic of environmental management as it relates to gas exploration and production, it is useful for me to briefly describe the work that Comet Ridge and a number of other companies are undertaking in the Galilee Basin in central Queensland.

A group of ten companies comprise the Galilee Basin Operator's Forum (GBOF) to co-operatively undertake a baseline water assessment of the basin before any commercial gas production commences. Expert consultancy, the RPS Group, has been appointed by the companies to undertake the technical work which is intended to establish the data currently available, provide a regional understanding of the aquifers and their use for bore water supplies, identify areas where information is lacking and should provide the groundwork for the development of a hydrogeological model for the Galilee Basin. To date, data from over ten thousand water bores has been collected, and is being analysed with some of this data going back as far as the 1890s.

It is worth noting here that the group of geological zones commonly referred to as the Great Artesian Basin (GAB), sit approximately 300 metres above the main coal interval in the east of the Galilee Basin, which is the Permian aged Betts Creek Beds, where Comet Ridge has drilled five wells to date. At this point in time, Comet Ridge anticipates that the hydraulic connectivity between the Betts Creek coals and the GAB will be extremely limited or zero given their distance apart and the impermeable nature of the 300 metre thick Rewan Formation, which separates the coals from the GAB. However we intend to allow the RPS work to reach its conclusion before forming a final technical view. The GBOF website can be viewed at www.gbof.com.au.

As we turn to look at the year ahead, it is one in which the natural gas industry in eastern Australia, and in New Zealand, will need to more clearly articulate the benefits of that industry to the wider community and to better describe the technical work that is ongoing to monitor and manage the industry's environmental performance, irrespective of the significant increase in government compliance and legislation that we have seen in the past few years. We expect that gas will continue to become an increasingly important commodity in Australia, New Zealand and Asia as the environmental benefits of natural gas over many other forms of energy are already well documented. And that demand for cleaner energy will put significant upward pressure on gas prices over the foreseeable future. For Comet Ridge Limited, our task is to continue to grow our large resource base within our current focus areas and to convert resources to reserves as efficiently as possible which will drive shareholder value in the process.

Yours faithfully

TOR McCAUL
Managing Director

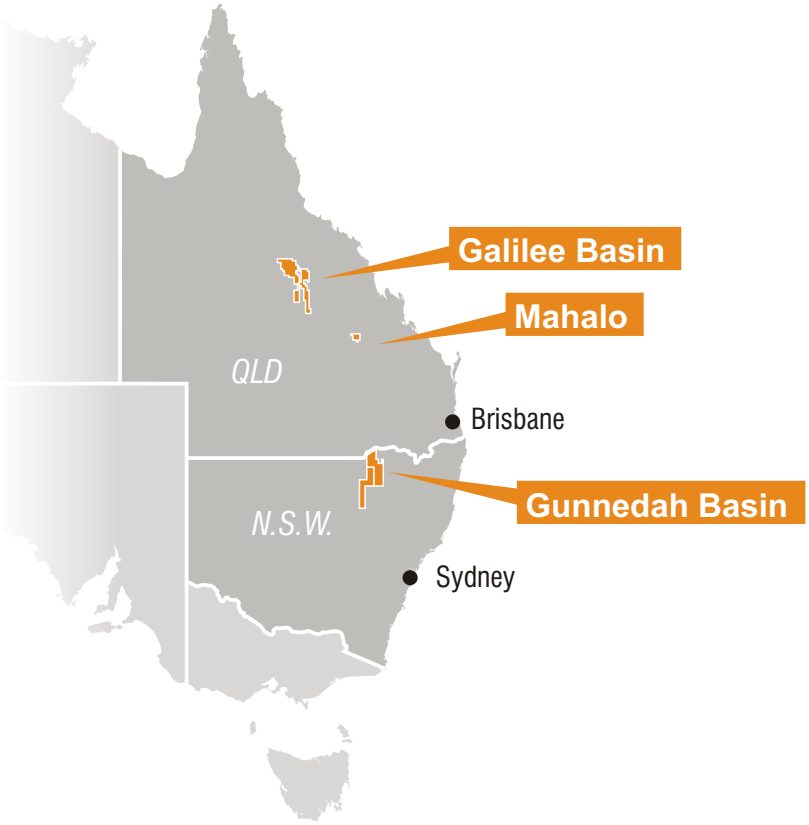
Drilling operations, New Zealand

OVERVIEW OF ACTIVITIES

Activities in Australia

Comet Ridge currently has interests in two key projects in Queensland. These include a 100% interest in two large (total area of approximately 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 (part of ATP 337P) in the Bowen Basin with a joint venture with Santos and Australia Pacific LNG Pty Limited ("APLNG"). APLNG is the joint venture vehicle for the Origin, Conoco Phillips and Sinopec LNG scheme. Since the middle of the 1990's, the vast majority of CSG exploration and production activity in Queensland 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 comparatively under-explored Galilee Basin further to the northwest. 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.

In NSW, Comet Ridge has a 25% interest in PEL 427 and recently doubled our interest in PEL 428 to 40%. These blocks are located in the north of the state in the Gunnedah Basin.



ATP's 743P and 744P Galilee Basin

At the time of last year's report, Comet Ridge had completed its five well core hole exploration drilling programme and had shifted the focus to analysis and integration of data obtained during this program.

In late November 2010, Comet Ridge announced a Contingent Resource Certification of 67 Petajoules (PJ) of 2C and 1,870 PJ of 3C Resources (recoverable) booked in the Gunn Project Area of ATP 744P. The Gunn Project Area covers the south-western leg of ATP 744P where the Gunn 1 and Hergenrother 1 wells were drilled and tested in the second quarter of 2010. In addition to the Contingent Resources detailed above, Comet Ridge also booked 597 PJ (most likely) of Prospective Resources in the Gunn Project Area.

Seismic operations, Galilee Basin, Queensland

The Contingent and Prospective Resources (recoverable) announced by Comet Ridge are detailed below:

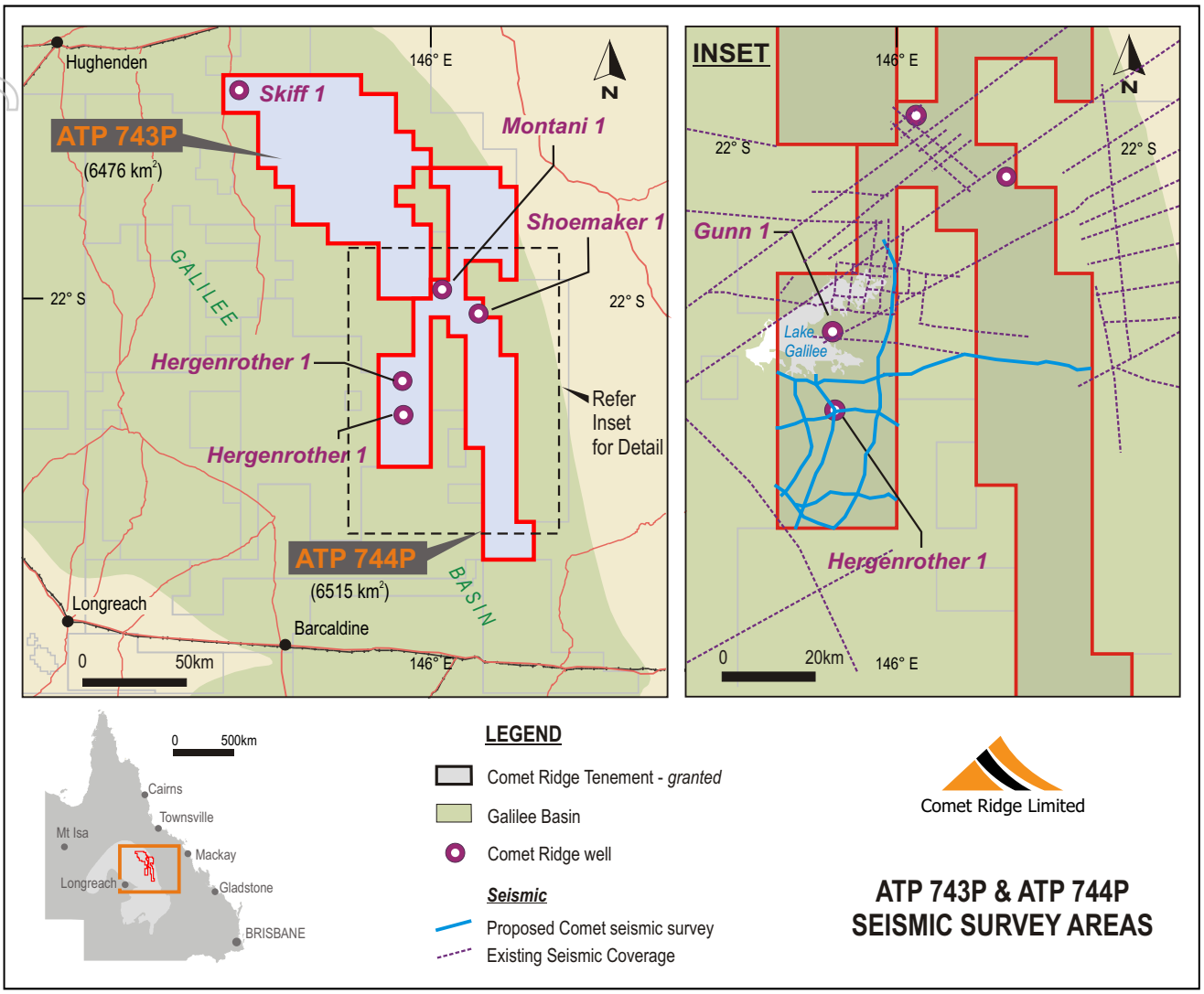
ATP 744P Resources (PJ)	COI Interest	Contingent Resources 2C	3C	Prospective Resources
Gunn Project Area (part of ATP 744P)	100%	67	1,870	597

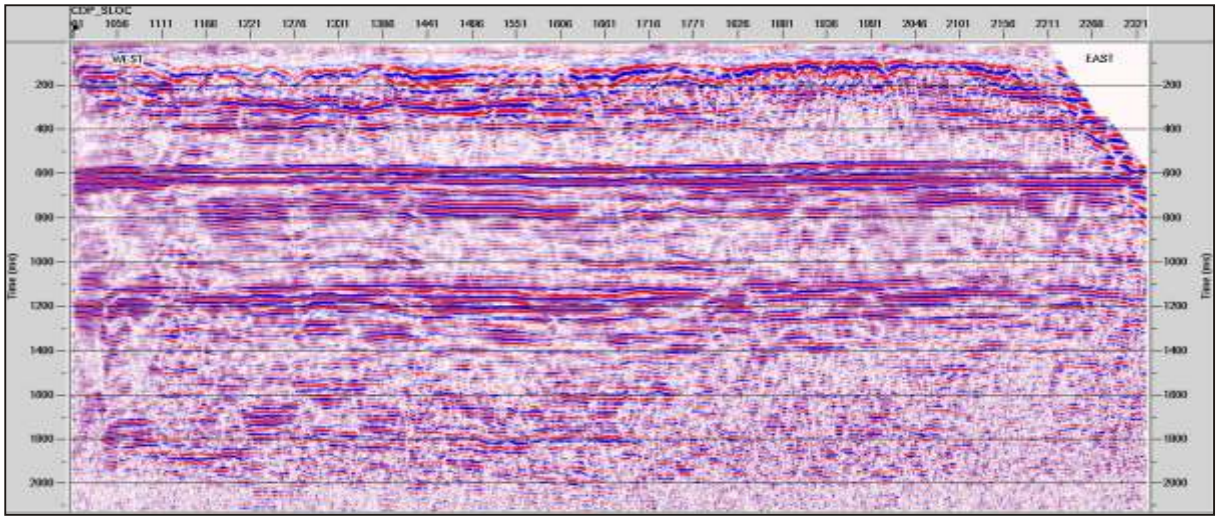
A regional geological mapping study identified a Structural Nose in the Gunn Project Area where the Hergenrother-1 and Gunn-1 wells are located. Comet Ridge's primary focus in this area is to better understand the structural features in the Gunn Project Area ahead of the next drilling campaign, leading into a possible pilot scheme. Locating a pilot scheme in the optimal structural position is a critical first step in achieving a positive gas production result from the pilot.

With the above in mind, a seismic programme was planned for the area. Just after the end of the reporting period, Comet Ridge formally awarded the seismic acquisition contract to Brisbane-based contractor Geokinetics (Australasia) Pty Ltd to conduct a 200+km high resolution 2D seismic survey across the southern part of ATP 744P. The field acquisition programme began in September 2011 and will be undertaken in conjunction with another Galilee Basin exploration company, bringing improved economies of scale in this very large and relatively remote area. Comet Ridge Limited has landowner agreements in place with all landowners where seismic activity will occur. Approximately half of the seismic

Galilee Basin, Gunn 1 wellsite, 10 months post drilling

Drilling operations, Hergenrother 1 well, Galilee Basin, Queensland





Field processed 2D seismic image, Galilee Basin

Skiff 1 wellsite, Galilee Basin

acquisition will be obtained on roads, minimising any impact to landowners and the environment. Any seismic to be conducted on private land will predominantly be acquired along existing fence lines, where routine landowner clearing for fire breaks has already taken place.

Comet Ridge is one of a group of ten Galilee Basin operating companies that has combined to undertake a thorough baseline water assessment of the Galilee Basin, prior to any commercial production. The technical hydrogeological assessment is being undertaken by the RPS Group on behalf of the operating companies. The study is intended to establish the data currently available, to provide a regional understanding of the aquifers and their current agricultural use for bore water supplies, identify areas where information is lacking and will hopefully then provide the groundwork for the development of a hydrogeological model for the Galilee Basin.

This co-operative approach has been designed to facilitate consistency of data collection methodology and terminology across the various permits in the future. The Galilee Basin Operators Forum has a website at www.gbof.com.au.

Hergenrother 1 wellsite, post drilling

. . . initial resource bookings indicate very significant gas potential

Drilling operations, Galilee Basin, Queensland

Mahalo Block (part of ATP 337P)

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

Comet Ridge completed data analysis during the third quarter of 2010 and in late October 2010 announced its first significant Contingent Resource Certification – 83 PJ of 1C, 221 PJ of 2C and 442 PJ of 3C Resources (net to COI) in ATP 337P Mahalo.

The Contingent Resources, certified by industry recognised, Independent Reserves Certifiers, Netherland, Sewell & Assoc (NSAI) of Dallas, Texas, represent the Company's share of the joint venture and are detailed below:

ATP 337P Mahalo Resources (PJ)	Interest	1C	2C	3C
Comet Ridge Contingent Resources	40%	83	221	442

The certification was a significant milestone for Comet Ridge, being the first external resource certification to be announced by the company.

Following the Contingent Resource booking, the company has been working closely with Santos and APLNG to finalise the planning for drilling and a pilot scheme in 2011. The intention of the appraisal/pilot programme is to quickly mature the 2C and 3C Contingent Resources into 2P and 3P reserves.

The work programme and budget for 2011 was approved by the Joint Venture in April. Plans are to drill two appraisal wells at the Mira and Mahalo locations in the latter part of 2011 in order to identify the optimal location for the first pilot project. The Pilot Project will consist of at least an additional three wells, which are expected to be drilled after the initial appraisal wells. This programme is expected to result in the ATP 337P Mahalo JV drilling five wells by late 2011 or early 2012, which would include the first CSG Pilot Project for this part of the Bowen Basin. Subject to the performance of the first Pilot Project, it is anticipated that a second Pilot Project will be progressed later in 2012 to expand the Reserves base for the Mahalo JV.

Progress is also being made on preparing Production License applications to cover the entire Mahalo farm-in area.

PEL 427 & 428 Gunnedah Basin

Comet Ridge Limited holds 25% and 40% 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. PEL 427 and PEL 428 are located in the Gunnedah Basin immediately north and west of Eastern Star Gas' permit PEL 238, which contains the Narrabri Gas Project and Wilga Park Power Station. The permits cover a total area of 13,028 km2 but have had only limited exploration activity completed, compared with other permits in the area.

In October 2010, Comet Ridge announced it was increasing its stake in PEL 428 with the signing of a Binding Heads of Agreement (HOA) to acquire Greenpower Energy Limited's (ASX:GPP) 20% interest in permit PEL 428. In late April 2011, the transaction was concluded and doubled the Comet Ridge stake in PEL 428 to 40%. Comet Ridge is encouraged by the potential of the Piliga Trough area that covers a large area in the southern part of the block which we believe could hold significant volumes of coal seam gas.

The PEL 428 block was formally renewed for a further two years in November, with expiry in 2012. The work commitments include seismic and a core well. A budget for 64km of seismic was approved by the JV and was expected to be completed by mid 2011 which would help locate the commitment well which is due in 2012.

An exploration budget was approved in late 2010 for 75km of seismic and a core hole in the Bellata Trough area of PEL 427 with both scheduled to be completed by May 2011. Unfortunately, the exploration program for both PEL 427 and 428 has been delayed as a result of external factors, initially by extreme wet weather and later by a brief moratorium on CSG activities by the NSW Government and more recently by land access issues in the area. A renewal and extension of PEL 427 has been requested.

On 7 March 2011, Eastern Star Gas Limited (ASX:ESG) as CSG Operator of Joint Ventures in PEL 427 and PEL 428 announced the first independent assessment of the coal seam gas resources in these licences. Comet Ridge is pleased that this assessment by MHA Petroleum Consultants LLC confirms the CSG potential of its northern NSW acreage.

The table below details Comet Ridge's net share of PEL 427 and PEL 428 recoverable Contingent and Prospective Resources based upon the 7 March 2011 announcement of resources.

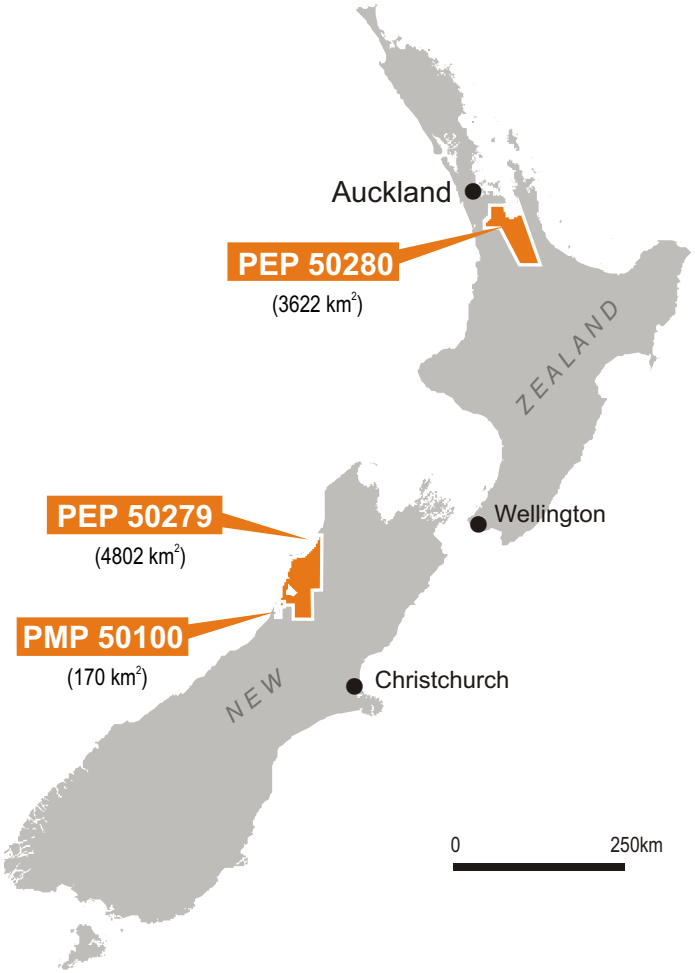
Project	Contingent Resource (PJ)	Prospective Resource (PJ)
PEL 427	188	614
PEL 428	43	408
Total	**231**	**1022**

Activities in New Zealand

The New Zealand activities of the Group are undertaken via the wholly owned subsidiary Comet Ridge NZ Pty Limited. In prior years, activity was undertaken by the wholly owned subsidiary Chartwell NZ Pty Limited, but during the year, the decision was made to change the local NZ company name to Comet Ridge to provide clarity of ownership of the NZ operating company.

The CSG sector is still in its infancy in New Zealand but has extensive coal fields and a need for further energy to service the domestic market. A niche opportunity has been identified in New Zealand in the expectation that early commercialisation of discoveries will grow shareholder value. The scale of commercialisation of each successful project will be driven by local requirements in each area and may range from operating small scale power generation or to supplying gas directly to existing power generators or industry. During the year, work was undertaken to better understand the NZ electricity sector and determine ways in which smaller scale (and growing) power generation could be effectively put into the grid. This has generated some exciting possibilities for Comet Ridge and we look forward to continuing this investigation in parallel with our exploration and appraisal program.

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 (~4802 km^2) exploration permit (PEP 50279) in the West Coast Region on the South Island running from the coastal town of Greymouth north to 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 of Comet Ridge's permits are held with 100% equity and either have coal mining activity occurring on them, or are located adjacent to, existing coal mines.

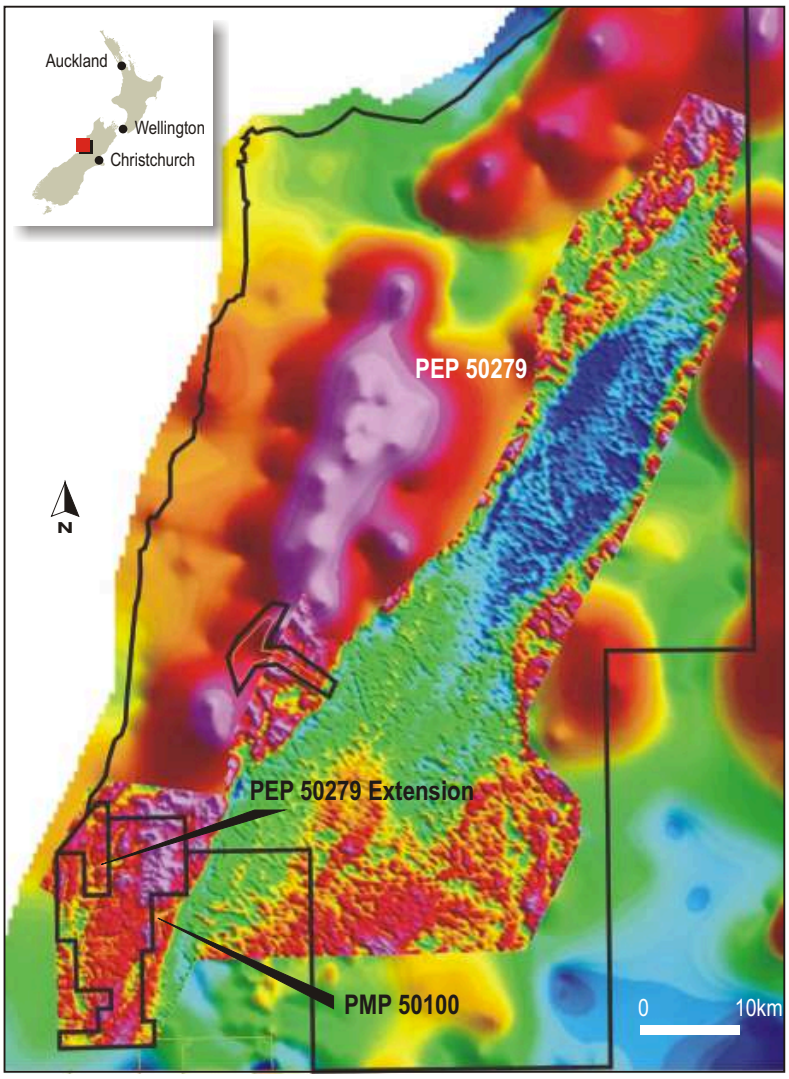


PMP 50100 – Greymouth South Island New Zealand

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. Chartwell NZ farmed into the permit soon afterwards with the option to earn up to 60% through funding three phases of activity. As reported last year, the company had fulfilled its requirements of the Phase 2 farm-in agreement and in July 2010, the JV partner, decided to withdraw from the permit. This withdrawal gave Comet Ridge 100% of the permit and the ability to more actively decide on the optimum work program and the technical and commercial direction for the block.

During the first half of 2011, the integration and interpretation of the regional airborne magnetic and radiometric data acquired by Comet Ridge during the 2009/2010 summer season over its three NZ permits was completed. The results of this work were very encouraging with significant new sub-basins being identified within known coal provinces. Mapping of the basement over our permit areas allowed us to accurately identify areas of greatest potential which in turn was of benefit for planning our Airborne Gravity Gradiomentry (AGG) survey for the following year.

Drilling, Dobson area, Westcoast, New Zealand



PEP 50279 & PMP 50100 - updated gravity image from recent AGG acquisition

Drilling operations, New Zealand

In February 2011, the Airborne Gravity Gradiometry (AGG) survey, the first of its kind in NZ for Coal Seam Gas, across Comet Ridge's 8600 km^2 acreage base was started. The project was completed in May, surveying 2,910 km^2 of its key New Zealand CSG acreage, with the aircraft acquiring approximately 9,300 line-kilometres of data. This completed Comet Ridge's two-phase acquisition programme which began in 2010 with the acquisition of aeromagnetic data over all our New Zealand acreage.

The data has been processed and is currently being incorporated into Comet Ridge's geologic models. This is expected to result in a high resolution dataset that will aid in the identification of targets ahead of the next drilling campaign, which will likely begin in early 2012.

During the year, Comet Ridge announced that New Zealand Petroleum & Minerals had granted the Company an extension of its permit PEP 50279, increasing the total area of this permit to 4,802 km^2. This extension provides one continuous area for exploration and future development of the CSG resources in the Greymouth area.

Activities in the United States

Comet Ridge USA Inc, a wholly-owned subsidiary of Comet Ridge, holds a 17.257% interest in Comet Ridge Resources LLC (CRR).

ROCKIES, USA

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

Comet Ridge Resources finished 2010 with gross production of 180,619 barrels of oil, generating an estimated US$13 million in revenue. During April and May 2011, CRR undertook a six well oil appraisal programme. Five of these wells were successfully completed for production. With this success, total field oil production rose to over 1,100 barrels per day setting a new record for CRR production.

In May 2011 CRR signed a binding agreement to sell its interest in the Sweet Pea exploration area in the Southern Denver Julesburg Basin, Colorado USA to an undisclosed buyer for US$28.5 million.

Comet Ridge Resources distributed a portion of the proceeds from the sale to its major shareholders in June 2011. Comet Ridge Limited received a cash payment of approximately US$3.5 million which is the first dividend paid to Comet Ridge Limited from its USA investment in CRR.

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 Washington State. Technical work has focused on mapping of the Black Creek and Caldwell Creek prospects, utilising latest seismic technology to define drilling locations. This seismic data has shown Caldwell Creek to be a sizeable anticline and a surface location has now been selected and permitting work for the drilling commenced. Historical wells in both locations have shown good gas indications.

John Wells (Rig Supervisor) & Tim McGrath (Corporate Risk & Compliance Advisor) reviewing Safety Management Plan, New Zealand drilling.

Health, Safety and Environment

No safety incidents occurred during the year.

The Board, Management and Staff of Comet Ridge are committed and focussed on ensuring that all activities are undertaken to the highest level of health and safety standards. This commitment is applied to our direct employees as well as our contract workforce. Equally important is protection of the environment and respect for the indigenous culture existing within our Company's portfolio. We seek to minimise all environmental impacts and ensure this philosophy is communicated and adopted by all employees and contractors.

Community

The communities in which Comet Ridge operates are of utmost importance to the company. Comet Ridge is committed to building strong relationships with all stakeholders including regulatory, joint venture and local community. We believe that exploration and production of petroleum can be achieved with very little impact to land and yet can generate very positive economic benefits for local communities. We recognise that we are visitors in our exploration permit areas and that we must work hard to forge relationships built on respect, honesty and trust with both local communities and with landholders.

Tricone drilling bit (6¾"), New Zealand

DIRECTORS

James McKay
Non-executive Chairman
B.Com, LLB

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

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

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

Tor McCaul has 23 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.

Jeff Schneider
Non-executive Director
B.Com

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.

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.

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

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.

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

Anthony 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.

Anthony Gilby
Non-executive Director
B.Sc. (First Class Honours)

Wellsite Geologist, Jan Hulse, describing core, Gunn 1 well, Galilee Basin, Queensland

FINANCIALS **2011**

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Directors' Report

Your Directors present their report on Comet Ridge Limited ("the company") and the consolidated entity (“the group”) for the financial year ended 30 June 2011. 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 Chairman
Tor McCaul	Managing Director
Jeffrey Schneider	Non-Executive Director
Gillian Swaby	Non-Executive Director
Christopher Pieters	Non-Executive Director
Anthony Gilby	Non-Executive Director

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 limited liability company based in the United States.

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

3. Review of Operations and Financial Position

The profit after tax of the group for the financial year ended 30 June 2011 amounted to $1,235,608 (2010: loss of $4,896,642). The most significant items contributing to the profit for the year were the distribution of A$3,300,729 received from Comet Ridge Resources LLC and the fact that there was no expense for the impairment of exploration and evaluation expenditure (2010: $2,566,781) or other large costs such as the the write off of rig stand-by costs which in the 2010 year amounted to $1,488,084.

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 2011:

(a) The announcement by the group’s Joint Venture Partner in the New Zealand Petroleum Mining Permit PMP50100 of its decision to withdraw from the permit and effective assignment to the group of its remaining 50% interest in the permit for $1. The interest in PMP50100 is held by Comet Ridge 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 impaired its interest in joint venture receivables by $145,145. A further write off of joint venture receivables amounting to $104,798 arose as part of the final settlement.

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) On 22 July 2011, the group formally awarded a seismic acquisition contract to a Brisbane-based contractor to conduct a 200+km high resolution 2D seismic survey across the southern part of ATP 744P. The seismic acquisition programme began in September 2011. The estimated value of the contract is a minimum of $1,500,000.

(b) On 26 September 2011, Comet Ridge announced a Contingent Resource Certification of 65 Petajoules (PJ) of 1C, 127 PJ of 2C, and 244 PJ of 3C Resources (recoverable) for its blocks PMP 50100 (Greymouth) and PEP 50279 (Buller) in the West Coast region in New Zealand. The gas Contingent Resource estimates provided were independently assessed by Netherland, Sewell and Associates Inc, Dallas, Texas, USA, in accordance with Petroleum Resource Management System guidelines.

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.

Directors' Report (continued)

8. Environmental Regulations

The group's operations are subject to environmental regulation under the laws of Australia, New Zealand and USA 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 2011 has been received and is attached to this report.

10. Information on Directors

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 over $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 23 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

Directors' Report (continued)

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 30 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
2,908,000 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. Chris also held other technical and business development roles whilst at Sunshine Gas.

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

Interest in Shares and options
1,000,000 ordinary shares
1,287,500 unlisted options exercisable at $0.169 expiring 30 June 2012

Directorships held in other listed entities in last 3 years
Nil

Directors' Report (continued)

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 of experience in the oil and gas industry, including 24 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

Special Responsibilities
Chairperson of Remuneration Committee

Experience
Anthony (Tony) Gilby was awarded a Bachelor of Science (First Class Honours) degree in Geology from the University of Adelaide, 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 acquisition). These positions included roles in exploration geology and geophysics as well as petro-physics. 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 31 October 2001 to 15 December 2008)

Directors' Report (continued)

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 2011 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	7	7	3	3	*	*	*	*
T McCaul	7	7	*	*	*	*	3	3
J Schneider	7	7	*	*	2	2	*	*
G Swaby	7	6	3	3	*	*	*	*
C Pieters	7	7	3	3	2	2	3	2
A Gilby	7	7	*	*	2	2	*	*

* = 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 Limited 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 of remuneration for the executive directors and senior executives of the group is as follows:

- The remuneration policy is to be developed by the Remuneration Committee and approved by the Board after seeking, if appropriate, professional advice from independent external consultants.
- Executives employed by the group receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives. Performance incentives are generally only paid once predetermined key performance indicators have been met.
- 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 $15,199), and do not receive any other retirement benefits. Some individuals, however, may choose 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.

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.

Directors' Report (continued)

12. Remuneration Report - audited (continued)

Non-executive director remuneration (continued)

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.

Remuneration for the Managing Director, Chief Operating Officer and Chief Commercial Officer includes a performance related component determined by the achievement of established goals in certified proved and probable gas reserves or reaching a specified volume weighted share price.

Key management personnel

Key management personnel comprise all of the directors of the company.

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

There are no other key management personnel of the group.

Executives

Details of the remuneration of the following persons must also be disclosed in accordance with the requirements of the *Corporations Act 2001* as they are among the 5 highest remunerated group executives.

Stephen Rodgers	Company Secretary	Appointed 16 April 2009
Dale Aaskow	Chief Operating Officer	Appointed 15 March 2011
Martin Lee	Chief Commercial Officer	Appointed 9 August 2010
Don Langdon	Chief Financial Officer	Appointed 1 July 2010
Chris Palin	Chief Financial Officer	Resigned 28 November 2009

There are no other executives of the company and the group.

Details of remuneration

Details of remuneration of each of the key management personnel and the executives of the group during the financial year are set out in the following table:

	Short-term Benefits		Post-Employment			Share-based	
Benefits and Payments for the Year Ended 30 June 2011	**Salary & Fees**	**Cash Bonus**	**Super-annuation**	**Termination Benefits**	**Total Cash Remuneration**	**Payments Options**	**Total**
Directors	**$**	**$**	**$**	**$**	**$**	**$**	**$**
J McKay	70,000	-	6,300	-	76,300	-	**76,300**
T McCaul	289,801	-	15,199	-	305,000	-	**305,000**
J Schneider	35,000	-	3,150	-	38,150	-	**38,150**
G Swaby	35,000	-	3,150	-	38,150	-	**38,150**
C Pieters	35,000	-	3,150	-	38,150	-	**38,150**
A Gilby	35,000	-	3,150	-	38,150	-	**38,150**
Total Directors	**499,801**	**-**	**34,099**	**-**	**533,900**	**-**	**533,900**
Total Key Management Personnel	**499,801**	**-**	**34,099**	**-**	**533,900**	**-**	**533,900**

Directors' Report (continued)

12. Remuneration Report - audited (continued)

Details of remuneration (continued)

Benefits and Payments for the Year Ended 30 June 2011	Short-term Benefits Salary & Fees	Cash Bonus	Post-Employment Super-annuation	Termination Benefits	Total Cash Remuneration	Share-based Payments Options	Total
Executives	**$**	**$**	**$**	**$**	**$**	**$**	**$**
S Rodgers	209,526	-	-	-	209,526	-	**209,526**
D Aaskow (appointed 15/3/11)	208,015	-	14,783	-	222,798	8,874	**231,672**
M Lee (appointed 9/8/10)	197,539	-	13,660	-	211,199	882	**212,081**
D Langdon	161,320	-	-	-	161,320	-	**161,320**
Total Executives	**776,400**	**-**	**28,443**	**-**	**804,843**	**9,756**	**814,599**

During the 2011 year, no proportion of the remuneration of any of the key management personnel or executive was performance based and no key management personnel or executive received cash bonuses or performance related bonuses during the current year other than D Aaskow and M Lee who received in 2011 3.8% and 0.4% respectively of their remuneration performance based.

Benefits and Payments for the Year Ended 30 June 2010	Short-term benefits Salary & Fees	Cash Bonus	Post-Employment Super-annuation	Termination Benefits	Total Cash Remuneration	Share-based 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
Executives							
S Rodgers	233,141	-	-	-	233,141	-	233,141
C Palin (resigned 28/11/09)	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.

Directors' Report (continued)

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 three 3 months notice. No termination benefit is required if terminated for cause.
Dale Aaskow	Chief Operating Officer (appointed 15 March 2011)
Term of Agreement:	No fixed term
Base Salary:	$250,000 per annum (inclusive of superannuation)
Termination Benefit:	Three (3) months base salary is to be paid in lieu of notice of termination.
Termination Notice:	The company or Mr Aaskow may terminate the Agreement at any time providing each other a minimum of three (3) months notice. No termination benefit is required if terminated for cause.
Martin Lee	Chief Commercial Officer (appointed 9 August 2010)
Term of Agreement:	No fixed term
Base Salary:	$235,000 per annum (inclusive of superannuation)
Termination Benefit:	Three (3) months base salary is to be paid in lieu of notice of termination.
Termination Notice:	The company or Mr Lee may terminate the Agreement at any time providing each other a minimum of three (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. From 1 July 2011, three months fees are payable in lieu of notice plus a further six months fees as additional compensation.
Termination Notice:	For the period up to 30 June 2011, the company was required to give the Company Secretary's consulting entity, Cuirass Pty Ltd, thirty (30) days notice of its intention to terminate the Agreement. As from 1 July 2011, the terminating party i.e. either the Company or the consultant is required to give three months notice of an intention to terminate the agreement.
Don Langdon	Chief Financial Officer (Appointed 1 July 2010)
Term of Agreement:	Mr Langdon's services are provided through his professional services company, Laguna Capital 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 $175,000.
Termination Benefit:	No termination benefit is payable if terminated for cause.
Termination Notice:	The company may give the Chief Financial Officer's consulting entity, Laguna Capital Pty Ltd, thirty (30) days notice of its intention to terminate the Agreement.

Directors' Report (continued)

12. Remuneration Report - audited (continued)

Share-based compensation

Long term incentives are provided to certain employees via the Comet Ridge Share Incentive Option Plan (up to date of the 2010 AGM) and the Comet Ridge Limited Employee Performance Share Rights Plan as approved by shareholders at the 2010 Annual General Meeting.

Share Options are granted on terms determined by the directors or as approved by the company at a general meeting. Options are granted for no consideration with entitlement vesting on a time basis (service condition) and/or on specific performance based criteria such as share price increases or reserves certification.

Performance Rights, which have a maximum term of seven years, are issued for no consideration and provide an equity based reward for employees that is linked with the success of performance conditions determined when the performance rights are granted. The performance criteria are determined on a case by case basis by the Board. These performance criteria are likely to be matters such as length of employment, successful operational results and/or direct increase in shareholder value linked to the share price of the company or reserve targets.

The maximum number of performance rights issued, determined by aggregating the number of performance rights on issue with the number of shares issued during the previous five years under the plan or any other employee incentive scheme, cannot exceed 5% of the total number of shares on issue.

Options over shares in Comet Ridge Limited have been granted under the Comet Ridge Share Option Plan to the Managing Director and two key management personnel 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%
13/04/2010	500,000	(ii)	31/01/2014	0.65	0.018	to be determined	0%
13/04/2010	500,000		30/11/2013	0.50	0.018	service condition satisfied	100%
18/06/2010	500,000		28/02/2014	0.50	0.003	service condition satisfied	100%
18/06/2010	1,000,000	(iii)	31/03/2014	0.65	0.001	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.

(ii) The options will vest upon the receipt by the company of an independent certification of 250 PJ of proven and probable gas reserves or the certification of 750 PJ of proven, probable and possible gas reserves.

(iii) The options will vest upon a 6 week VWAP (volume weighted average share price) being equal to or greater than $0.80.

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

The fair value of options and performance rights at grant date is determined using generally accepted valuation techniques including Black-Scholes option pricing model and Monte Carlo simulation that take into account exercise price, the term of the option/performance right, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option/performance right and an appropriate probability weighting to factor the likelihood of the satisfaction of non-vesting conditions.

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
2011	533,900	0.40	-	10.05
2010	523,902	(1.59)	-	15.00
2009	1,648,407	(14.15)	-	32.00

End of audited Remuneration Report

Directors' Report (continued)

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
130,000	$0.419	100%	03/12/2011
300,000	$0.419	100%	06/12/2011
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	100%	30/11/2013
500,000	$0.650	0%	31/01/2014
500,000	$0.500	100%	28/02/2014
1,000,000	$0.650	0%	31/03/2014
25,272,500			

There have been no ordinary shares issued during the current financial year or since year-end as a result of the exercise of options in Comet Ridge Limited.

14. Insurance of Officers

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

15. Proceedings on Behalf of Company

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

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 more than 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.

During this period, Mr Rodgers gained invaluable experience in the operation and running of an ASX200 Coal Seam Gas company as well as being an instrumental member of the team which led the takeover negotiations and implementation of QGC's friendly acquisition of that Company.

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 also holds the position of Company Secretary of Tlou Energy Limited, a public unlisted Coal Seam Gas exploration company operating in southern Africa. Mr Rodgers brings to Comet Ridge a strong legal and commercial experience with a particular emphasis on the Coal Seam Gas industry.

Directors' Report (continued)

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	**2011**	2010
	$	$
Accounting advice	**4,130**	-
Tax consulting and compliance services	**12,700**	40,300
Total remuneration for non-audit services	**16,830**	40,300

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

Tor McCaul
Managing Director

Brisbane, Queensland
26 September 2011

JOHNSTON RORKE
CHARTERED ACCOUNTANTS

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Email jr@jr.com.au

The Directors
Comet Ridge Limited
283 Elizabeth Street
BRISBANE QLD 4000

Auditor's Independence Declaration

As lead auditor for the audit of Comet Ridge Limited for the financial year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

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

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

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

JOHNSTON RORKE
Chartered Accountants

J. J. EVANS
Partner

Brisbane, Queensland
'26 September 2011

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	Consolidated 2011 $	2010 $
Revenue			
Interest		**375,429**	858,297
Distributions		**3,300,729**	-
Recoveries from Joint Venture Partners		**-**	259,576
Other income	2	**339,777**	969,663
Expenses			
Employee benefits expense		**(1,479,633)**	(1,327,306)
Consultancy costs		**(574)**	(62,395)
Depreciation and amortisation expense		**(46,217)**	(40,509)
Finance costs		**-**	(1,642)
Impairment - available for sale financial asset		**-**	(976,733)
Impairment - exploration expenditure		**-**	(2,566,781)
Impairment - receivables		**(104,798)**	(144,091)
Exploration stand-by costs and other write offs		**(8,101)**	(1,488,084)
Professional fees		**(300,329)**	(495,015)
Corporate expenses		**(115,004)**	(193,847)
Occupancy costs		**(231,252)**	(176,167)
Other expenses	3	**(1,232,686)**	(440,462)
PROFIT/(LOSS) BEFORE INCOME TAX		**497,341**	(5,825,496)
Income tax credit	4	**738,267**	928,854
PROFIT/(LOSS) FOR THE PERIOD		**1,235,608**	(4,896,642)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**(525,601)**	(141,036)
Changes in fair value of available for sale financial assets		**947,973**	-
TOTAL OTHER COMPREHENSIVE INCOME		**422,372**	(141,036)
TOTAL COMPREHENSIVE INCOME		**1,657,980**	(5,037,678)
Profit/(Loss) attributable to:			
Owners of the parent		**1,235,608**	(4,896,642)
Non controlling interests		**-**	-
		1,235,608	(4,896,642)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**1,657,980**	(5,037,678)
Non controlling interests		**-**	-
		1,657,980	(5,037,678)
PROFIT/(LOSS) PER SHARE		**Cents**	**Cents**
Basic profit/(loss) per share	5	**0.40**	(1.59)
Diluted profit/(loss) per share	5	**0.40**	(1.59)

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

Statement of Financial Position
as at 30 June 2011

	Note	Consolidated 2011 $	2010 $
CURRENT ASSETS			
Cash and cash equivalents	6	**7,018,398**	4,815,021
Trade and other receivables	7	**246,221**	1,971,679
Other financial assets - term deposits	8	**-**	5,132,488
Inventories	9	**63,398**	65,707
Other assets	10	**234,067**	233,134
TOTAL CURRENT ASSETS		**7,562,084**	12,218,029
NON-CURRENT ASSETS			
Available-for-sale financial assets	11	**4,139,956**	4,021,860
Property, plant and equipment	12	**84,643**	103,579
Exploration and evaluation expenditure	13	**31,568,569**	27,720,217
TOTAL NON-CURRENT ASSETS		**35,793,168**	31,845,656
TOTAL ASSETS		**43,355,252**	44,063,685
CURRENT LIABILITIES			
Trade and other payables	14	**1,697,239**	3,412,986
Provisions	15	**46,313**	34,314
TOTAL CURRENT LIABILITIES		**1,743,552**	3,447,300
NON-CURRENT LIABILITIES			
Deferred tax liabilities	16	**1,256,631**	1,929,052
TOTAL NON-CURRENT LIABILITIES		**1,256,631**	1,929,052
TOTAL LIABILITIES		**3,000,183**	5,376,352
NET ASSETS		**40,355,069**	38,687,333
EQUITY			
Contributed equity	17	**65,265,125**	65,265,125
Reserves	18	**1,642,858**	1,210,730
Accumulated losses		**(26,552,914)**	(27,788,522)
TOTAL EQUITY		**40,355,069**	38,687,333

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

Statement of Changes in Equity for the year ended 30 June 2011

	Contributed Equity $	Foreign Currency Translation Reserve $	Available-for-Sale Reserve $	Share Based Payments Reserve $	Accumulated Losses $	Total $
Consolidated						
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 loss for the period	-	(141,036)	-	-	-	(141,036)
Total comprehensive loss 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
Balance at 1 July 2010	**65,265,125**	**(58,580)**	**-**	**1,269,310**	**(27,788,522)**	**38,687,333**
Profit for the period	**-**	**-**	**-**	**-**	**1,235,608**	**1,235,608**
Other comprehensive (loss)/income for the period	**-**	**(525,601)**	**947,973**	**-**	**-**	**422,372**
Total comprehensive (loss)/income for the period	**-**	**(525,601)**	**947,973**	**-**	**1,235,608**	**1,657,980**
Transactions with owners in their capacity as owners						
Share based payments	**-**	**-**	**-**	**9,756**	**-**	**9,756**
	-	**-**	**-**	**9,756**	**-**	**9,756**
Balance at 30 June 2011	**65,265,125**	**(584,181)**	**947,973**	**1,279,066**	**(26,552,914)**	**40,355,069**

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

Statement of Cash Flows
for the year ended 30 June 2011

	Note	Consolidated June 2011 $	Consolidated June 2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		**513,586**	714,533
Distributions received		**3,300,729**	-
Other receipts		**187,646**	268,350
Payments to suppliers and employees		**(2,667,681)**	(4,339,079)
Interest paid		**-**	(1,617)
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	26	**1,334,280**	(3,357,813)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation assets		**(5,459,175)**	(9,720,644)
Payment for property, plant and equipment		**(27,540)**	(83,585)
(Payments for) Proceeds from term deposits		**5,132,488**	(5,132,488)
Investments in available-for-sale financial assets		**-**	(850,169)
Movements in restricted cash		**-**	3,471,281
Acquisition of subsidiary, net of cash acquired		**(159,541)**	-
(Advances to) repayments from joint venture partner		**1,336,796**	(1,597,826)
Proceeds from sale of fixed assets		**-**	100
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		**823,028**	(13,913,331)
CASH FLOWS FROM FINANCING ACTIVITIES			
NET CASH PROVIDED BY FINANCING ACTIVITIES		**-**	-
Net increase/(decrease) in cash held		**2,157,308**	(17,271,144)
Cash at the beginning of the period		**4,815,021**	22,078,773
Effects of exchange rate changes on cash		**46,069**	7,392
CASH AT THE END OF THE PERIOD	6	**7,018,398**	4,815,021

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

Notes to the financial statements for the year ended 30 June 2011

Note 1 - Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all of the years presented unless otherwise stated.

(a) General information

These financial statements include the consolidated financial statements and notes of Comet Ridge Limited and its controlled entities (the group). Disclosures with respect to the parent entity are included in note 31. The financial statements were approved for issue by the directors on 26 September 2011.

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

283 Elizabeth Street
BRISBANE QLD 4000

(b) Basis of preparation

(i) Compliance with accounting standards
These financial statements are a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations and other authoritive pronouncements of the Australian Accounting Standards Board) and the *Corporations Act 2001* . The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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

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

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

At the date of this financial report, none of the above fund raising options have been concluded and no guarantee can be given that a successful outcome will eventuate. As a result, the directors have concluded that the current circumstances may cast significant doubt regarding the group's and the company's ability to continue as a going concern and therfore the group and company may be unable to realise their assets and discharge their liabilities in the normal course of business. Nevertheless, after taking into account the current status of the various funding options currently being investigated and making other enquiries regarding other sources of funding, the directors have a reasonable expectation that the group and the company will have adequate resources to fund its future operational requirements and for these reasons they continue to adopt the going concern basis in preparing the financial report.

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

(iv) Reverse acquisition
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").

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).

Notes to the financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(b) Basis of preparation (continued)

(v) New and amended standards adopted

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2010:

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions
- AASB 2009-10 Amendments to Australian Accounting Standards - Classification of Rights Issues
- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The adoption of these standards did not have any impact on the current period or require restatement of prior periods.

(vi) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement when applying the group's accounting policies. These estimates and judgements significant to the financial statements are disclosed in note 1 (ab).

(c) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries as at 30 June 2011 and the results of the subsidiaries for the year then ended.

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

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

The 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.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity.

Investments in subsidiaries are accounted for at cost in the separate 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.

Notes to the financial statements (continued)

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 in other comprehensive income.

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 recognised in other comprehensive income and accumulated as a separate component of 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 that have been accumulated in equity 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 tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from the 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.

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.

Notes to the financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(e) Income taxes (continued)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations 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 and its wholly owned Australian subsidiaries (Chartwell Energy Pty Ltd and Comet Ridge NZ Pty Ltd) have implemented the tax consolidation legislation and formed a tax consolidated group from 1 July 2009. The members of the tax consolidated group have entered into a tax funding agreement such that each member recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only. This means:

- the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances;
- the subsidiaries recognises all current and deferred tax amounts relating to its own transactions, events and balances;
- current tax liabilities and deferred tax assets arising with respect to losses in subsidiaries are transferred from the subsidiaries to the parent entity as inter-company payables or receivables.

The tax consolidated group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default of the parent entity to meet its payment obligations.

(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. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected more that 12 months after reporting date.

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.

The amount of the impairment loss is recognised in profit and loss as part of other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on the specific identification basis.

Notes to the financial statements (continued)

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 calculated 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 reporting 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) Intangible assets

(i) 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:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest or by its sale; or
- activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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

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

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

(l) Investments and other financial assets

(i) Classification and measurement
The group classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held to maturity, re-evaluates this classification at the end of each reporting period.

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

Notes to the financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(l) Investments and other financial assets (continued)

(i) Classification and measurement (continued)

Financial assets 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 between knowledgeable, willing parties. For listed investments, quoted prices in an active market are used to determine fair value. For unlisted investments, valuation techniques are adopted to determine fair value including reviewing publically available date from recent, comparable arm's length transactions or by reference to valuation and pricing models for similar financial assets.

Amortised cost is calculated as:

- the amount at which the financial asset is measured at initial recognition less any principal repayments received;
- 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 over the relevant period and is equivalent to the rate that exactly discounts estimated future cash 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. 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 groups financial assets comprise only non-derivative financial instruments consisting of equity securities, trade and other receivables, cash and cash equivalents and term deposits.

(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. Assets in this category are classified as current assets if they are expected to settle within 12 months; otherwise they are classified as non-current.

(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. They are included in current assets except those with maturities greater than 12 months after reporting date which are classified as non-current.

(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. Held-to-maturity financial assets are included in non-current assets except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

(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. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period.

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.

(ii) Recognition and derecognition

Financial assets are recognised on trade-date - the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for -sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains or losses from investment securities.

Notes to the financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(l) Investments and other financial assets (continued)

(iii) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing of trade receivables is described in note 1(g).

(ii) Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(m) Impairment of assets

Goodwill and 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. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

Notes to the financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(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.

(iv) Share-based payments

Share-based compensation benefits are provided to employees under the Comet Ridge Share Incentive Option Plan, the Comet Ridge Limited Employee Performance Share Rights 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.

Notes to the financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(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.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable the the future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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.

(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.

(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.

Notes to the financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(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.

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.

(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.

Notes to the financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(z) Leases

Leases are classified at commencement as either finance leases or operating leases.

Finance leases
Leases of property, plant and equipment where substantially all the risks and rewards of ownership are transferred to the group are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit and loss over the lease period at the interest rate implicit in the lease. Leased assets are depreciated on a straight line basis over the asset's estimated useful life or over the shorter of the asset's useful life and the lease term where there is no reasonable certainty that the group will obtain ownership at the end the lease term.

Operating leases
Leases where a significant portion of the risks and rewards of ownership are not transferred to the group are classified as operating leases. Operating lease payments (net of any incentives received from the leasor) are charged to profit and loss on a straight line basis over the period of the lease.

(aa) Comparatives

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

(ab) Critical accounting estimates and judgments
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the group and that are believed to be reasonable under the circumstances.

Critical estimates and judgements are as follows:

(i) 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 $nil (2010: $2,566,781) net of the effect of foreign exchange movements $115,391 (2010: $20,810) which decreased the impairment provision to $3,846,878 (2010: increased to $3,962,269). 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.

(ii) Loans to subsidiaries and investments in subsidiaries
The parent entity has recorded investments in subsidiaries at cost of $48,289,411 (2010: $48,119,411) less provisions for impairment $37,675,396 (2010: $35,940,962). The parent entity has also loaned funds to its subsidiaries of $14,652,565 (2010: $15,477,863) primarily to undertake exploration expenditure. The parent entity has reduced the carrying amount of the loans by $10,510,955 (2010: $11,456,004). 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.

Notes to the financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(ab) Critical accounting estimates and judgments (continued)'

(iii) Fair value of available-for-sale financial assets

Comet Ridge USA Inc. (CRUSA), a wholly owned subsidiary of Comet Ridge Limited, owns a 17.26% (2010: 17.26%) 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. Pine Brook Road Partners LLC (Pine Brook), a private equity firm based in New York City, USA holds the majority interest at approximately 82.5% (2010: 82.5%).

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 Pine Brook.

During the year, CRR sold one of its exploration permits for a substantial profit and distributed a portion of this profit to members. The distribution received by the group amounted to A$3,300,729. Because only a portion of the profit earned was distributed, the net assets of CRR have increased significantly as has the group's proportionate interest. As a result, at balance date the fair value of the group's investment in CRR increased by A$947,973 with a corresponding amount credited to the available-for-sale financial asset reserve in equity.

In addition, because of the movement in the A$:US$ exchange rate, an exchange loss on translation of $829,877 has been recognised and has reduced the fair value of the investment in CRR. The corresponding amount has been recognised in the Foreign Currency Translation Reserve in equity.

A reconciliation of the movements in the carrying value of the investment in CRR is shown in note 11.

(iv) Plexus fee liability

Under the funding agreement entered into between CRR, CRUSA and Pine Brook, CRUSA can retain its current 17.26% minority interest in CRR by paying its share of any future cash calls required to fund CRR's ongoing operations. Should CRUSA not meet any of the cash calls, its interest will be diluted to no less than 5%.

The CRR funding agreement was arranged by Plexus Capital LLC (Plexus). In the event and to the extent that CRUSA does not pay future cash calls, a condition of the funding agreement requires that the group pay a brokerage fee to Plexus. The brokerage agreement with Plexus commenced in the 2008 financial year and terminated in June 2011.

Each year since the commencement of the Plexus brokerage fee agreement, in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* , the group has recognised a liability for the Plexus fee based on CRR's estimate of the possible future cash calls that could be made over the term of the agreement assuming that CRUSA does not meet any of the future cash calls. Each year CRR has provided new estimates of the possible cash calls. These new estimates have significantly reduced the estimated future cash calls from the original estimates. As a result, each year the group has reduced the amount of its brokerage fee liability to Plexus to reflect the updated estimates provided by CRR.

At 30 June 2010, the liability was reduced from $1,397,180 at 30 June 2009 to $339,122 (net of payments and the effects of foreign currency movements during the year). The profit arising from the re-estimation of the brokerage fee payable amounted to $882,494 and was included in other income in the 2010 financial year. The brokerage agreement terminated on 26 June 2011, consequently, at 30 June 2011 the Plexus fee liability has been reduced to $Nil and, an amount of $127,955 (net of payments and the effects of foreign currency movements during the year) representing the profit on the termination of the agreement, has been recognised in profit and loss and is included in other income.

Notes to the financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(ac) 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 2011 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 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*
(effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification and measurement of 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. Initial indications are that it may affect the group's accounting for its available-for-sale financial assets. The amendments to 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. For example, fair value gains and losses on available-for-sale debt investments will have to be recognised directly in profit or loss. In the current reporting period, the group recognised $nil (2010: $976,733) impairment losses with respect to its investment in Comet Ridge Resources LLC, which is classified as an "available for sale" financial asset, in profit and loss. 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 will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

AASB 2010-4 Amendments to Australian Accounting Standards Arising from the Annual Improvements Project and AASB2010-5 Amendments to Australian Accounting Standards
(both effective for annual reporting periods beginning on or after 1 January 2011)

These amendments introduce various changes to IFRSs. The Directors have not yet assessed the impact of the amendments, if any.

AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets
(effective for annual reporting periods beginning on or after 1 January 2011)

Amendments made to AASB 7 *Financial Instruments: Disclosures* introduce additional disclosures with respect to risk exposures arising from transferred financial assets. The amendments will most significantly effect entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The amendments are not expected to have any significant impact on the group's disclosures.

AASB 1054 Australian Additional Disclosures – new and consequential amendments to other accounting standards resulting from its issue (effective for annual reporting periods beginning on or after 1 January 2011)

This standard is a consequence of Phase 1 of the joint Trans-Tasman Convergence project. As a result of it and the related standards, all Australian specific disclosures are relocated to this standard. In addition, a number of disclosures are revised. Some disclosures will be affected by these revisions, but no underlying numbers, as reported in the financial statements, are anticipated to change.

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective from 1 July 2013)

This amendment proposes the removal of individual key management personnel (KMP) disclosure requirements from AASB124. This is to eliminate replication with the *Corporations Act 2001* and achieve consistency with the international equivalent standard. The KMP disclosures will be reduced as a result of these amendments, but there will be no impact on the amounts recognised in the financial statements.

Notes to the financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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

AASB 10 Consolidated Financial Statements
(effective for annual reporting periods beginning on or after 1 January 2013)
Introduces a new control model and replaces parts of AASB 27 *Consolidated and Separate Financial Statements*. The new model broadens the situations when an entity is considered to be controlled and is likely to lead to more entities being consolidated. The Group is yet to assess the impact of this new standard, if any.

AASB 11 Joint Arrangements
(effective for annual reporting periods beginning on or after 1 January 2013)
Replaces AASB 131 *Interests in Joint Ventures* and uses the principle of control from AASB 10 to define joint control. It also removes the option to account for jointly controlled entities using proportionate consolidation. The Group is yet to assess the impact of this new standard, if any.

AASB 12 Disclosure of Interests in Other Entities
(effective for annual reporting periods beginning on or after 1 January 2013)
Requires disclosure of information pertaining to an entity's interests in subsidiaries, joint arrangement, associates and structures entities, including significant judgements and assumptions. The Group is yet to assess the impact of this new standard, if any.

IFRS 13 Fair Value Measurement
(effective for annual reporting periods beginning on or after 1 January 2013)
The new standard replaces the fair value measurement guidance contained in the various standards. It provides guidance on how to determine fair value by defining fair value and providing a framework for measurement, but does not change when an entity is required to determine fair value. It also expands the disclosures required when fair value is used. The Group is yet to assess the impact of this new standard, if any.

IAS 1 Presentation of Financial Statements - revised
(effective from 1 January 2012)
The amendments affect the presentation of items of other comprehensive income. Accordingly, only the presentation and disclosure of related items in the financial report are expected to be impacted.

Notes to the financial statements (continued)

	Consolidated	
	2011	**2010**
Note 2 - Other Income	**$**	$
Other income includes the following specific items:		
• Profit on termination or re-estimation of Plexus fee	**127,955**	882,494
• Sale of seismic data	**211,822**	-
• Foreign exchange gains (net)	**-**	85,827
• Sundry income	**-**	1,342
Total other income	**339,777**	969,663
Note 3 - Other Expenses		
Other expenses include the following specific items:		
• Foreign exchange losses (net)	**635,545**	**-**
• Rental expense relating to operating leases - minimum lease rentals	**198,274**	160,608
• Defined contribution superannuation expense	**101,902**	72,326
Note 4 - Income Tax		
(a) Recognised in the statement of comprehensive income		
• Current tax	**-**	-
• Deferred tax credit relating to the origination and reversal of temporary differences	**(738,267)**	(928,854)
Income tax credit	**(738,267)**	(928,854)
Deferred income tax credit included in income tax expense comprises:		
• increase in deferred tax asset (note 16)	**(1,761,760)**	(3,925,143)
• increase in deferred tax liability (note 16)	**1,023,493**	2,996,289
	(738,267)	(928,854)
(b) Numerical reconciliation of income tax expense to prima facie tax on accounting profit/(loss)		
Profit/(loss) before income tax	**497,341**	(5,825,496)
Tax at the Australian tax rate of 30% (2010:30%)	**149,202**	(1,747,649)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
• Share options expensed	**2,927**	6,928
• Impairment – available-for-sale financial asset	**-**	293,020
• Other non-deductible items	**206,905**	4,520
Benefit obtained from subsidiary joining tax consolidated group	**(65,846)**	-
Previously unrecognised tax losses used to reduce deferred tax expense	**(1,031,455)**	-
Deferred tax asset not recognised	**-**	514,327
Income tax credit	**(738,267)**	(928,854)
(c) Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Temporary differences and tax losses (gross)	**12,531,344**	17,091,157

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.

Notes to the financial statements (continued)

Note 4 - Income Tax Expense (continued)

	Consolidated	
	2011	**2010**
(d) Franking credits	**$**	$
Franking credits available for subsequent financial years based on a tax rate of 30% (2010: 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; and

(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:

Profit/(loss) for the year	**1,235,608**	(4,896,642)
Profit/(loss) used in the calculation of the basic and dilutive profit/(loss) per share	**1,235,608**	(4,896,642)

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

	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	**307,351,144**	307,351,144
Adjustments for the calculation of diluted earnings per share:		
• Options	**32,615**	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	**307,383,759**	307,351,144

(c) Options are considered to be "potential ordinary shares" and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. For the 2010 year, the options were anti-dilutive in nature and therefore the diluted profit/(loss) per share is the same as the basic profit/(loss) per share. Details relating to options are set out in note 19.

	Consolidated	
	2011	**2010**
Note 6 - Cash and Cash Equivalents	**$**	$
Cash at bank and on hand	**7,018,398**	4,815,021

In addition to the cash and cash equivalents reported above, the group also has term deposits amounting to $Nil (2010: $5,132,488). These term deposits originally had maturity dates greater than three months and are classified as other financial assets (refer note 8).

	Consolidated	
	2011	**2010**
Note 7 - Trade and Other Receivables	**$**	$
Current		
Other receivables	**246,221**	2,116,824
Provision for impairment	**-**	(145,145)
	246,221	1,971,679

Other receivables comprise time and overhead cost recoveries due from joint ventures, other advances to joint ventures and GST refunds. At 30 June 2011 $Nil (2010: $119,956) of the advances to joint venture were past due. A provision for impairment of $Nil (2010: $145,145) has been recognised. The carrying amount of other receivables are assumed to approximate their fair values due to their short term nature.

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2011	**2010**
	$	$
Balance at the beginning of year	**145,145**	-
Provision for impairment recognised during the year	**-**	145,145
Receivables written off during the year as uncollectible	**(145,145)**	-
Balance at the end of year	-	145,145

Notes to the financial statements (continued)

	Consolidated	
	2011	**2010**
Note 8 - Other Financial Assets	**$**	$
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	**63,398**	65,707

Note 10 - Other Assets

Prepayments	**39,067**	38,134
Restricted cash	**195,000**	195,000
	234,067	233,134

Restricted cash

Restricted cash represents funds held on term deposit which support guarantees provided by the group's bankers to the State of Queensland in respect of the group's exploration permits and environmental guarantees and to the landlord of the Brisbane office premises to support the group's obligations under the lease. Refer note 20(b).

	Consolidated	
	2011	**2010**
Note 11 - Available-for-sale Financials Assets	**$**	$
Investment in Comet Ridge Resources LLC	**4,139,956**	4,021,860
Movement in carrying amount		
Balance at the beginning of year	**4,021,860**	4,402,177
Additional contributions	**-**	850,169
Fair value adjustment	**947,973**	(976,733)
Foreign exchange movements	**(829,877)**	(253,753)
Balance at the end of year	**4,139,956**	4,021,860

Comet Ridge USA Inc., a wholly owned subsidiary of Comet Ridge Limited, owns a 17.26% (2010: 17.26%) minority interest in Comet Ridge Resources, LLC ("CRR"). CRR's 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% (2010: 82.5%).

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.

Notes to the financial statements (continued)

	Consolidated	
	2011	**2010**
Note 12 - Property, Plant and Equipment	**$**	$
Plant and equipment at cost	**165,849**	147,767
Accumulated depreciation	**(81,206)**	(44,188)
	84,643	103,579

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	**103,579**	60,432
Additions	**27,540**	83,602
Depreciation	**(46,217)**	(40,512)
Foreign exchange movements	**(259)**	57
Carrying amount at the end of year	**84,643**	103,579

Note 13 - Exploration and Evaluation Expenditure

Exploration and evaluation expenditure	**35,415,447**	31,682,486
Less: provision for impairment	**(3,846,878)**	(3,962,269)
	31,568,569	27,720,217

Movements in exploration and evaluation phase

Balance at the beginning of period	**27,720,217**	17,728,470
Exploration and evaluation expenditure during the year	**3,933,929**	12,503,789
Acquired through acquisition of subsidiary	**238,378**	-
Impairment expense	**-**	(2,566,781)
Foreign currency translation	**(323,955)**	54,739
Balance at the end of period	**31,568,569**	27,720,217

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.

	Consolidated	
	2011	**2010**
Note 14 - Trade and Other Payables	**$**	$
Current		
Trade payables	**1,694,707**	3,073,864
Other payables and accruals *	**2,532**	339,122
	1,697,239	3,412,986

* The Plexus brokerage agreement terminated on 26 June 2011, consequently, at 30 June 2011 the Plexus fee liability has been reduced to $Nil (2010: $339,122). Refer Note 1 (ab) for further details.

Notes to the financial statements (continued)

	Consolidated	
	2011	**2010**
Note 15 - Provisions	**$**	$
Employee benefits	**46,313**	34,314
Note 16 - Deferred Tax Liability		
Deferred tax liability	**1,256,631**	1,929,052
The balance of deferred tax liability comprises:		
Deferred tax assets		
Tax losses	**10,875,014**	10,234,602
Capital expenditure	**228,103**	399,326
Provisions	**13,894**	53,837
Impairments of investment in available for sale financial asset	**858,013**	893,443
	11,975,024	11,581,208
Deferred tax liabilities		
Exploration and evaluation expenditure	**(9,470,570)**	(8,316,033)
Unrealised foreign exchange gain	**-**	(21,616)
Property plant & equipment	**-**	(2,135)
Accrued interest	**(1,682)**	(43,129)
	(9,472,252)	(8,382,913)
Net deferred tax asset	**2,502,772**	3,198,295
Deferred tax assets not recognised	**(3,759,403)**	(5,127,347)
Net deferred tax liability recognised in accounts	**(1,256,631)**	(1,929,052)
Movements		
Opening balance	**1,929,052**	2,857,906
Acquisitions during the year	**65,846**	-
(Credited) to profit or loss	**(738,267)**	(928,854)
Closing balance	**1,256,631**	1,929,052
Note 17 - Contributed equity		
Ordinary shares - fully paid	**65,265,125**	**65,265,125**

Movements in ordinary shares

Consolidated	**Number of Shares**	**$**
Opening balance as at 1 July 2009	307,351,144	65,265,125
Closing balance at 30 June 2010	307,351,144	65,265,125
Closing balance at 30 June 2011	**307,351,144**	**65,265,125**

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.

The company does not have authorised capital or par value in respect of its issued shares.

Notes to the financial statements (continued)

Note 17 - Contributed equity (continued)

Options

At 30 June 2011, the following options for ordinary shares in Comet Ridge Limited were on issue:

Number			% Exercisable		
2011	**2010**	**Exercise Price**	**2011**	**2010**	**Expiry Date**
3,800,000	3,800,000	$0.419	100%	100%	01/08/2011
30,000	30,000	$0.419	100%	100%	04/09/2011
130,000	130,000	$0.419	100%	100%	03/12/2011
300,000	300,000	$0.419	100%	100%	06/12/2011
15,192,500	15,192,500	$0.169	100%	100%	30/06/2012
4,575,000	4,575,000	$0.269	100%	100%	30/06/2012
2,575,000	2,575,000	$0.269	0%	0%	30/06/2012
500,000	500,000	$0.500	100%	0%	30/11/2013
500,000	500,000	$0.650	0%	0%	31/01/2014
500,000	500,000	$0.500	100%	0%	28/02/2014
1,000,000	1,000,000	$0.650	0%	0%	31/03/2014
29,102,500	29,102,500				

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	
	2011	**2010**
Note 18 - Reserves	**$**	$
Foreign currency translation	**(584,181)**	(58,580)
Available for sale financial assets	**947,973**	-
Share based payments	**1,279,066**	1,269,310
	1,642,858	1,210,730

Foreign Currency Translation Reserve

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

Share Based Payments 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.

Available for Sale Reserve

Changes in the fair value of available-for-sale financial assets are taken to this reserve as described in note 1(l). Amounts are recognised in profit and loss when associated assets are sold or impaired.

Notes to the financial statements (continued)

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 $9,756 (2010: $23,094). 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.

The following table shows the number, movements and weighted average exercise price of share options issued for the 2011 year:

Grant Date	*Expiry date*	*Exercise price*	Opening Balance July 2010	Granted During the Year	Exercised During the Year	Expired During the year	Closing Balance June 2011	Vested & Exercisable
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			2,295,000	-	-	-	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	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	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			22,307,500	-	-	-	22,307,500	19,732,500
16-Apr-09 (2)	30-Jun-12	$0.269	2,000,000	-	-	-	2,000,000	2,000,000
13-Apr 10 (3)	30-Nov-13	$0.500	500,000	-	-	-	500,000	500,000
13-Apr 10 (3)	31-Jan-14	$0.650	500,000	-	-	-	500,000	-
18-Jun-10 (4)	28-Feb-14	$0.500	500,000	-	-	-	500,000	500,000
18-Jun-10 (4)	31-Mar-14	$0.650	1,000,000	-	-	-	1,000,000	-
Total other			4,500,000	-	-	-	4,500,000	3,000,000
Total options			29,102,500	-	-	-	29,102,500	25,027,500
Weighted average exercise price			0.266	-	-	-	0.266	

The weighted average remaining contractual life of share options outstanding at the end of the year was 1.01 years (2010: 2.01 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 vests 12 months from the date of commencement of 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 vests 12 months from the date of commencement of 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.

Notes to the financial statements (continued)

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	03-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	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 (2)	30-Jun-12	$0.269	2,000,000	-	-	-	2,000,000	2,000,000
13-Apr 10 (3)	30-Nov-13	$0.500	-	500,000	-	-	500,000	-
13-Apr 10 (3)	31-Jan-14	$0.650	-	500,000	-	-	500,000	-
18-Jun-10 (4)	28-Feb-14	$0.500	-	500,000	-	-	500,000	-
18-Jun-10 (4)	31-Mar-14	$0.650	-	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	

For notes 1-4 - Refer to previous table

Employee Performance Share Rights

Employee Performance Rights are provided to certain employees via the Comet Ridge Limited Employee Performance Share Rights Plan as approved by shareholders at the 2010 Annual General Meeting. Share Rights are granted on terms determined by the directors.

Performance Rights, which have a maximum term of seven years, are issued for no consideration and provide an equity based reward for employees that is linked with the success of performance conditions determined when the performance rights are granted. The performance criteria are determined on a case by case basis by the Board. These performance criteria are likely to be matters such as length of employment, successful operational results and/or direct increase in shareholder value linked to the share price of the company or reserve targets.

The maximum number of performance rights issued, determined by aggregating the number of performance rights on issue with the number of shares issued during the previous five years under the plan or any other employee incentive scheme, cannot exceed 5% of the total number of shares on issue.

Notes to the financial statements (continued)

Note 19 - Share-based payments (continued)

Fair value of options and performance rights granted

There were no options or performance rights granted during the year ended 30 June 2011.

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	30/11/2013	0.038
500,000	13/04/2010	0.65	31/01/2014	0.018
500,000	18/06/2010	0.50	28/02/2014	0.003
1,000,000	18/06/2010	0.65	31/03/2014	0.001
2,500,000				

The fair value of options and performance rights at grant date is determined using generally accepted valuation techniques including Black-Scholes option pricing model and Monte Carlo simulation that take into account exercise price, the term of the option/performance right, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option/performance right and an appropriate probability weighting to factor the likelihood of the satisfaction of non-vesting conditions.

The following table lists the inputs to the model used to value the options granted during the year ended 30 June 2010:

	2010
Volatility (%)	27.30%
Risk free interest rate (%)	4.50%
Expected life of option (years)	3.7 years
Exercise price ($)	0.50 - 0.65
Weighted average share price at grant date ($)	0.18 - 0.325

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	
	2011	**2010**
	$	$
Options expensed	**9,756**	23,094

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	**202,857**	210,087
• between 12 months and 5 years	**323,187**	542,468
	526,044	752,555

(b) Bank guarantees

Westpac Banking Corporation have provided bank guarantees totalling $193,256 (2010: $193,256) as follows:

- $148,256 (2010: $148,256) to the State of Queensland in respect of the group's exploration permits and environmental guarantees.
- $45,000 (2010: $45,000) to the landlord of the Brisbane office premises to support the group's obligations under the lease.

The bank guarantees are secured by term deposits.

Notes to the financial statements (continued)

Note 20 - Commitments (continued)

(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	
	2011	**2010**
Minimum expenditure requirements	**$**	$
• not later than 12 months	**3,273,694**	1,441,630
• between 12 months and 5 years	**16,078,577**	11,333,560
	19,352,271	12,775,190

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	
	2011	**2010**
Financial Assets	**$**	$
Cash and cash equivalents	**7,018,398**	4,815,021
Trade and other receivables	**246,221**	1,971,679
Term deposits	**-**	5,132,488
Restricted cash	**195,000**	195,000
Available-for-sale financial assets	**4,139,956**	4,021,860
	11,599,575	16,136,048
Financial Liabilities		
Trade and other payables	**1,697,239**	3,412,986
	1,697,239	3,412,986

Notes to the financial statements (continued)

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 2010.

	Profit or loss		Equity	
	1% increase	1% decrease	1% increase	1% decrease
	$	$	$	$
2011 - Consolidated				
Cash and cash equivalents and restricted cash	72,134	(72,134)	72,134	(72,134)
2010 - Consolidated				
Cash and cash equivalents and restricted cash	101,425	(101,425)	101,425	(101,425)

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 2011	$	$	$	$
Trade and other payables	1,697,239	-	1,697,239	1,697,239
Consolidated - 30 June 2010				
Trade and other payables	3,412,986	-	3,412,986	3,412,986

(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.

Notes to the financial statements (continued)

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:

	2011 USD $	2011 NZD $	2010 USD $	2010 NZD $
Financial Assets				
• Cash and cash equivalents	-	1,033,038	-	943,414
• Trade and other receivables	-	179,829	-	1,612,654
• Available-for-sale financial assets	4,139,956	-	4,021,860	-
Financial Liabilities				
• Trade and other payables	(3,346)	(137,345)	-	(1,070,150)
• Other payables and accruals	-	-	(339,122)	-

Foreign currency rate sensitivity

Based on financial instruments held at 30 June 2011, 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
2011	$	$	$	$
US dollar	335	(335)	(413,661)	413,661
NZ dollar	(107,552)	107,552	(107,552)	107,552
2010				
US dollar	33,912	(33,912)	(368,274)	368,274
NZ dollar	(45,129)	45,129	(45,129)	45,129

(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 2011 $Nil, (2010: $145,145) 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.

(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.

Notes to the financial statements (continued)

Note 21 - Financial Risk Management (continued)

(f) Fair Value Measurement

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

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 2011:

	Consolidated	
	2011	**2010**
Level 3	**$**	$
Available-for-sale financial asset - Investment in Comet Ridge Resources LLC	**4,139,956**	4,021,860

The fair value measurement of the investment in Comet Ridge Resources LLC (CRR) 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 is based on significant unobservable inputs, the asset is classified as a level 3 financial instrument.

Refer to note 11 for details of the movements in the fair value of the investment in CRR.

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	
	2011	**2010**
Note 22 - Key Management Personnel	**$**	$
Key management personnel compensation		
Short-term employee benefits	**499,801**	491,367
Post-employment benefits	**34,099**	32,535
	533,900	523,902

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 2011	**Balance at beginning of year**	**Granted as remuneration during the year**	**Other changes during the year**	**Balance at date of resignation / appointment**	**Balance at end of year**
J McKay	29,424,551	-	-	-	29,424,551
T McCaul	-	-	-	-	-
J Schneider	3,398,732	-	-	-	3,398,732
G Swaby	4,908,000	-	(2,000,000)	-	2,908,000
C Pieters	1,000,000	-	-	-	1,000,000
A Gilby	29,579,083	-	-	-	29,579,083
	68,310,366	-	(2,000,000)	-	66,310,366

Notes to the financial statements (continued)

Note 22 - Key Management Personnel (continued)

Shareholdings

30 June 2010	Balance at beginning of year	Granted as remuneration during the year	Other changes during the year	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

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 2011	Balance at beginning of year	Granted as remuneration	Options granted / (expired)	Balance at date of resignation / appointment	Balance at end of year	Vested	Unvested
Directors							
J Schneider	2,000,000	-	-	-	2,000,000	2,000,000	-
T McCaul	5,150,000	-	-	-	5,150,000	2,575,000	2,575,000
G Swaby	-	-	-	-	-	-	-
J McKay	5,150,000	-	-	-	5,150,000	5,150,000	-
C Pieters	1,287,500	-	-	-	1,287,500	1,287,500	-
A Gilby	5,150,000	-	-	-	5,150,000	5,150,000	-
Total	18,737,500	-	-	-	18,737,500	16,162,500	2,575,000

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	Unvested
Directors							
J Schneider	2,500,000	-	(500,000)	-	2,000,000	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	-
A Gilby	-	-	-	5,150,000	5,150,000	5,150,000	-
Total	14,587,500	-	(1,000,000)	5,150,000	18,737,500	16,162,500	2,575,000

Other transactions with key management personnel

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. There were no transactions with related parties in the current year. During the year ended 30 June 2010, prior to entering into the lease of its current premises, the parent entity paid rent of $21,374 for the lease of premises situated at 210 Alice Street, Brisbane. The lease was between Comet Ridge Limited and Gilby Alice Street Pty Ltd which is a related entity of Anthony Gilby, a director and substantial shareholder and McKay Alice Street Pty Ltd which is a related entity of James McKay, the non-executive Chairman and a substantial shareholder.

Notes to the financial statements (continued)

	Consolidated	
	2011	**2010**
Note 23 - Auditors' Remuneration	**$**	$
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	**161,500**	120,000
Non-audit services		
Accounting advice	**4,130**	-
Tax consulting and compliance services	**12,700**	40,300
	16,830	40,300

Note 24 - Contingent Liabilities

The Directors are not aware of any contingent liabilities (2010: $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.

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

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

The loans and investments have been impaired as noted in note 1 (ab). The loans to subsidiaries are interest free, repayable in cash at call and are unsecured.

	Consolidated	
	2011	**2010**
Note 26 - Cash Flow Information	**$**	$
(a) Reconciliation of cash flow from operations		
Profit/(Loss) for the period	**1,235,608**	(4,896,642)
Depreciation	**46,217**	40,509
Share-based payments	**9,756**	23,094
Impairment charge - available-for-sale financial asset	**-**	976,733
Impairment charge - exploration and evaluation expenditure	**8,101**	2,566,781
Impairment of receivables	**104,798**	144,091
(Loss) on sale of property, plant and equipment	**-**	(100)
Net exchange differences	**536,170**	42,983
Changes in assets and liabilities, net of the effects of purchase and disposal of		
Decrease in trade and other receivables	**272,777**	615,669
Decrease in inventories	**-**	43,170
Decrease in trade payables and accruals	**(217,791)**	(2,018,480)
(Increase)/decrease in prepayments and deposits paid	**(933)**	30,606
Increase in provisions	**11,999**	2,627
Decrease in deferred tax liability	**(672,421)**	(928,854)
	1,334,281	(3,357,813)

(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.

Notes to the financial statements (continued)

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 (ATP743P and ATP744P) and a 40% interest in the Mahalo Block (ATP337P) in the Bowen Basin with a joint venture with Santos and APLNG (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.

Based on the results of the five well core hole exploration drilling programme completed in the 2010 year, in November 2010, Comet Ridge announced a Contingent Resource Certification of 67 Petajoules (PJ) of 2C and 1,870 PJ of 3C Resources (recoverable) booked in the Gunn Project Area of ATP744P. The Gunn Project Area incorporates the south-western leg of ATP744P where the Gunn 1 and Hergenrother 1 wells were drilled and tested in the second quarter of 2010. In addition to the Contingent Resources detailed above, Comet Ridge also booked 597 PJ (most likely) of Prospective Resources in the Gunn Project Area.

In addition, a regional geological mapping study in ATP744P identified a Structural Nose in the Gunn Project Area where the Hergenrother-1 and Gunn-1 wells are located. Comet Ridge's primary focus in this area is to better understand the structural features in the Gunn Project Area ahead of the next drilling campaign, leading into a possible pilot scheme. Locating a pilot scheme in the optimal structural position is a critical first step in achieving a positive gas production result from the pilot. With the above in mind, a seismic programme is planned for the area and in late July 2011, the group formally awarded the seismic acquisition contract to Brisbane-based contractor to conduct a 200+km high resolution 2D seismic survey across the southern part of ATP744P. The seismic acquisition programme began in September 2011.

With respect to ATP337P, the joint venture completed data analysis during the third quarter of 2010 and in late October 2010 announced its first significant Contingent Resource Certification – 83 PJ of 1C, 221 PJ of 2C and 442 PJ of 3C Resources (net to COI).

Following the Contingent Resource booking, the company has been working closely with Santos and APLNG to finalise the planning for drilling and a pilot scheme in late 2011. The intention of the appraisal/pilot programme is to quickly mature the 2C and 3C Contingent Resources into 2P and 3P reserves.

New Zealand

The New Zealand tenement portfolio is 100% owned and consists of a large (~3667 km^2) exploration permit (PEP50280) located in the Waikato area of the North Island, a larger (~4779 km^2) exploration permit (PEP50279) in the West Coast Region on the South Island running north from the coastal town of Greymouth up to Westport and a smaller (~170 km^2) CSG mining permit (PMP50100 – the first of its type in NZ) located immediately south of PEP50279 just east of the coastal town of Greymouth. All three permits have coal mining activity occurring on or adjacent to 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.

In July 2010, the group's joint venture partner in PMP50100 withdraw from the permit effective from 26 July. As a result, the group now holds 100% interest in this permit.

During the six month period to December 2010, the integration and interpretation of the regional airborne magnetic and radiometric data acquired by Comet Ridge during the 2009/2010 summer season over its three NZ permits was completed. The results of this work were very encouraging with significant new sub-basins being identified within known coal provinces. Mapping of the basement over our permit areas allowed us to accurately identify areas of greatest potential which in turn was of benefit for planning the Airborne Gravity Gradiomentry (AGG) survey which was undertaken in the six month period to 30 June 2011.

Notes to the financial statements (continued)

Note 27 - Operating Segments (continued)

Activity by segment (continued)

New Zealand

In February 2011, the Airborne Gravity Gradiometry (AGG) survey, the first of its kind in NZ for Coal Seam Gas, across Comet Ridge's 8600 km^2 acreage base was started. The project was completed in May 2011, surveying 2,910 km^2 of permit acreage, producing approximately 9,300 line-kilometres of data. This completed Comet Ridge's two-phase aeromagnetic data acquisition programme which began in 2010.

The data has been processed and is currently being incorporated into Comet Ridge's geologic models which is expected to result in a high resolution dataset that will aid in the identification of targets ahead of the next drilling campaign, which will likely begin in early 2012.

Other

Other segments comprise the group's joint venture interests in the Gunnedah Basin in NSW where it holds 25% and 40% interests in PEL427 and PEL428 respectively. Eastern Star Gas is the CSG operator in both blocks with Orion Petroleum operating the conventional exploration.

In October 2010, Comet Ridge announced it was increasing its stake in PEL428 with the signing of an agreement to acquire Greenpower Energy Limited's (ASX:GPP) 20% interest in permit PEL428. In late April 2011, the transaction was concluded and doubled the Comet Ridge stake in PEL428 to 40%. Comet Ridge is encouraged by the potential of the Piliga Trough that covers a large area in the southern part of the block which we believe could hold significant volumes of coal seam gas.

The PEL428 block was formally renewed for a further two years in November 2010, with expiry in 2012. The work commitments include seismic and a core well. A budget for 64km of seismic was approved by the JV and was expected to be completed by mid 2011 which would help locate the commitment well which is due in 2012.

An exploration budget was approved in late 2010 for 75km of seismic and a core hole in the Bellata Trough area of PEL427 with both scheduled to be completed by May 2011. Unfortunately, the exploration program for both PEL427 and PEL428 has been delayed as a result of external factors, initially by extreme wet weather and later by a brief moratorium on CSG activities by the NSW Government and more recently by land access issues in the area. A renewal and extension of PEL427 has been requested.

On 7 March 2011, Eastern Star Gas Limited (ASX:ESG) as CSG Operator of Joint Ventures in PEL427 and PEL428 announced the first independent assessment of the coal seam gas resources in these licences. The table below details Comet Ridge's net share of PEL 427 and PEL 428 recoverable Contingent and Prospective Resources29/09/2011

Project	Contingent Resource (PJ)	Prospective Resource (PJ)
PEL427	188	614
PEL428	43	408
Total	**231**	**1022**

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.

Notes to the financial statements (continued)

Note 27 - Operating Segments (continued)

(a) Segment performance

30 June 2011	**Queensland $**	**New Zealand $**	**All Other Segments $**	**Total $**
Total segment revenue	-	-	-	-
	-	-	-	-
Exploration stand-by costs and other write offs	-	(8,101)	-	(8,101)
Segment result before tax	-	(8,101)	-	(8,101)
Reconciliation of segment result to group loss before tax				
Interest received				375,429
Distribution from Comet Ridge Resources LLC				3,300,729
Sundry income				339,777
Total group revenue				4,015,935
Employee benefits expense				(1,479,633)
Consultancy costs				(574)
Depreciation and amortisation expense				(46,217)
Impairment - receivables				(104,798)
Professional fees				(300,329)
Corporate expenses				(115,004)
Occupancy costs				(231,252)
Other expenses				(1,232,686)
Profit before tax				497,341

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 and other write offs	(1,488,084)	-	-	(1,488,084)
Segment result before tax	(3,135,408)	(919,457)	-	(4,054,865)
Reconciliation of segment result to group loss before tax				
Interest received				858,297
Recoveries from Joint Venture Partners				259,576
Sundry 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 asset				(976,733)
Impairment - receivables				(144,091)
Professional fees				(495,015)
Corporate expenses				(193,847)
Occupancy costs				(176,167)
Other expenses				(440,462)
Loss before tax				(5,825,496)

Notes to the financial statements (continued)

Note 27 - Operating Segments (continued)

(b) Segment assets and liabilities

	Queensland $	New Zealand $	All Other Segments $	Total $
30 June 2011				
Segment assets	21,645,379	9,288,667	634,523	31,568,569
Reconciliation of segment assets to group assets				
Unallocated assets				
Cash and cash equivalents				7,018,398
Trade and other receivables				246,221
Inventories				63,398
Other assets				234,067
Available-for-sale financial assets				4,139,956
Property, plant and equipment				84,643
Total group assets				43,355,252
Segment asset movement for the year				
Exploration and evaluation expenditure	1,132,664	2,690,725	110,540	3,933,929
Acquisitions	-	-	238,378	238,378
Foreign exchange movement	-	(323,955)	-	(323,955)
	1,132,664	2,366,770	348,918	3,848,352

	Queensland $	New Zealand $	All Other Segments $	Total $
30 June 2010				
Segment assets	20,512,715	6,921,897	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

Notes to the financial statements (continued)

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 %	
				2011	2010
Chartwell Energy Limited (accounting parent)		Australia	Ordinary	100	100
Comet Ridge Limited (legal parent)		Australia	Ordinary	100	100
Comet Ridge NZ Pty Ltd		Australia	Ordinary	100	100
Comet Ridge USA Inc.		USA	Ordinary	100	100
Davidson Prospecting Pty Ltd	1	Australia	Ordinary	100	-
Comet Ridge Mahalo Pty Ltd	2	Australia	Ordinary	100	-

1 Refer acquisition of subsidiaries note 32.

2 Comet Ridge Mahalo Pty Ltd has been incorporated as part of a restructure of the group's exploration interests.

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 joint venture assets are included in the statement of financial position under the following classifications (refer accounting policies note 1(c)(ii)):

30 June 2011	**PMP50100***	**ATP337P**	**PEL427**	**PEL428****	**Total**
	100%	**40%**	**25%**	**40%**	
Current assets	**$**	**$**	**$**	**$**	**$**
Cash and cash equivalents	-	-	3,958	7,836	11,794
Trade and other receivables	-	-	1,287	926	2,213
Other assets	-	-	1,247	-	1,247
Total current assets	-	-	6,492	8,762	15,254
Non-current assets					
Exploration and evaluation expenditure	-	1,172,553	281,360	353,162	1,807,075
Total non-current assets	-	1,172,553	281,360	353,162	1,807,075
Total assets	-	1,172,553	287,852	361,924	1,822,329
Current liabilities					
Trade and other payables	-	112,418	9,993	3,512	125,923
Total current liabilities	-	112,418	9,993	3,512	125,923
Share of joint venture net	-	1,060,135	277,859	358,412	1,696,406

30 June 2010	**PMP50100***	**ATP337P**	**PEL427**	**PEL428**	**Total**
	50%	**40%**	**25%**	**20%**	
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	7,709,807	734,320	219,686	65,919	8,729,732
Total non-current assets	7,709,807	734,320	219,686	65,919	8,729,732
Total assets	9,164,286	734,320	219,686	65,919	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	8,111,315	734,320	219,686	65,919	9,131,240

Notes to the financial statements (continued)

Note 29 - Interests in Jointly Controlled Assets (continued)

* Under the farm-in arrangements with respect to PMP50100, the group committed to spend NZ$6.2 million to earn an additional 30% interest in the exploration tenement. The group fulfilled its expenditure commitment during the year ended 30 June 2010. On 27 July 2010, the group's Joint Venture Partner in PMP50100 withdrew from the permit with the effective assignment to the group of its 50% interest in the permit. As a result, since 27 July 2010, the group's interest in PMP50100 is 100%. The permit is held by the subsidiary, Comet Ridge NZ Pty Ltd.

** During the year, as a result of the acquisition of Davidson Prospecting Pty Ltd, the group increased its interest in PEL428 to 40% (refer note 32).

In order for the joint ventures to maintain their interests in the exploration tenements in which they are involved, the joint ventures are required to meet certain conditions imposed by the various statutory authorities granting the exploration permits 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 from its interests in joint ventures, which are not provided for in the financial statements are as follows:

	Consolidated	
	2011	**2010**
Minimum expenditure requirements	**$**	$
• not later than 12 months	**1,050,925**	393,090
• between 12 months and 5 years	**225,500**	4,147,520
	1,276,425	4,540,610

Note 30 - Subsequent Events

(a) On 22 July 2011, the group formally awarded a seismic acquisition contract to a Brisbane-based contractor to conduct a 200+km high resolution 2D seismic survey across the southern part of ATP 744P. The seismic acquisition programme began in September 2011. The estimated value of the contract is $1,500,000.

(b) On 26 September 2011, Comet Ridge announced a Contingent Resource Certification of 65 Petajoules (PJ) of 1C, 127 PJ of 2C, and 244 PJ of 3C Resources (recoverable) for its blocks PMP 50100 (Greymouth) and PEP50279 (Buller) in the West Coast region in New Zealand. The gas Contingent Resource estimates provided were independently assessed by Netherland, Sewell and Associates Inc, Dallas, Texas, USA, in accordance with Petroleum Resource Management System guidelines.

Note 31 - Parent entity disclosures	**2011** **$**	**2010** $
Current assets	**10,229,614**	9,760,775
Non-current assets	**19,768,488**	24,132,286
Total assets	**29,998,102**	33,893,061
Current liabilities	**2,547,506**	3,482,146
Total liabilities	**2,547,506**	3,482,146
Net Assets	**27,450,596**	30,410,915
Contributed equity	**79,875,236**	79,875,236
Option reserve	**5,042,831**	5,033,075
Accumulated losses	**(57,467,471)**	(54,497,396)
Total equity	**27,450,596**	30,410,915
Loss for the period	**(2,970,075)**	(6,617,067)
Other comprehensive income	**-**	-
Total comprehensive income	**(2,970,075)**	(6,617,067)

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

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

Notes to the financial statements (continued)

Note 31 - Parent Entity Disclosures (continued)

Commitments

	Consolidated	
	2011	**2010**
(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	**202,857**	195,237
• between 12 months and 5 years	**323,187**	526,044
	526,044	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.

	Consolidated	
	2011	**2010**
	$	$
Minimum expenditure requirements		
• not later than 12 months	**1,110,925**	287,830
• between 12 months and 5 years	**1,256,500**	973,960
	2,367,425	1,261,790

Note 32 - Acquisition of Subsidiary

Davidson Prospecting Pty Ltd

Summary of acquisition

On 31 March 2011, Comet Ridge Limited acquired 100% of the issued capital of Davidson Prospecting Pty Ltd (Davidson). Davidson's major asset is its 20% interest in the Petroleum Exploration Licence 428 (PEL428) joint venture. As a result of the acquisition, Comet Ridge Limited, which already has a 20% interest in the PEL428 joint venture, increased its interest in the joint venture to 40%.

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

	2011
Assets and liabilities acquired	**$**
The assets and liabilities arising from the acquisition are as follows:	
Cash and cash equivalents	**10,459**
Trade and other receivables	**423**
Exploration and evaluation expenditure	**238,378**
Trade and other payables	**(10,882)**
Current tax liabilities	**(2,532)**
Deferred tax liability	**(65,846)**
Purchase consideration	**170,000**

Purchase consideration

The purchase consideration for the acquisition comprised the following:

Cash paid	**170,000**

The was no deferred consideration involved with the acquisition.

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 2011 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
26 September 2011

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, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB101 Presentation of Financial Statements, that the financial statements comply 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. Those 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* .

JOHNSTON RORKE JR

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 2011 and of its performance for the year ended on that date; and

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

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1(b)(iii) in the financial report which states that the consolidated entity's ability to execute its planned exploration and evaluation activity during the next twelve months is dependent on the consolidated entity's ability to raise additional funds by way of issue of additional shares, farm-out arrangements or the sale of one or more exploration tenements. The matters set forth in Note1(b)(iii) indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

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 2011. 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 2011 complies with Section 300A of the Corporations Act 2001.

JOHNSTON RORKE
Chartered Accountants

Brisbane, Queensland
26 September 2011

J. J. EVANS
Partner

Liability limited by a scheme approved under Professional Standards Legislation

Corporate Governance Statement

Introduction

The Directors of Comet Ridge Limited (the Board) remain committed to the implementation of the highest standards of corporate governance. In determining what these standards should be the Board references and supports the Principles of Good Corporate Governance and Best Practice Recommendations (2nd Edition) established by the ASX Corporate Governance Council (the Council) which they believe will assist them focus their attention and that of the senior management of the Company on implementing, a comprehensive system of control and accountability as the basis for the administration of corporate governance.

The Company's practices are largely consistent with those of the ASX Guidelines and where they do not follow the recommendation; this report identifies those recommendations that have not been followed and details reasons for non-adherence. Even where there is a deviation from the recommendations the Company 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 Council's recommendations are not prescriptive and, if certain recommendations are not appropriate for the Company given its circumstances, it 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 Council, the Company does not consider that the practices are appropriate due to the either size of the Board or the management team 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 policies and practices is set out on the Company's website at www.cometridge.com.au :

- Audit Committee Charter
- Board Charter
- Arrangements regarding Communication with and Participation of Shareholders
- Policy and Procedure for Compliance with Continuous Disclosure Requirements
- Code of Conduct for Directors and Key Executives
- Corporate Code of Conduct
- Nomination Committee Charter
- Process for Performance Evaluation of the Board, Board Committee, Individual Directors and Key Executives
- Remuneration Committee Charter
- Risk Committee Charter
- Policy and Procedure for Selection and Appointment of New Directors
- Policy and Procedure for Selection of External Auditor and Rotation of Audit Engagement Partners
- Policy for Trading in Company Securities; and
- Gender Diversity Policy

This statement details the corporate governance practices in place at the date of this report. 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 seeking to balance the interests of other stakeholders including employees, service providers, suppliers and the wider community.

The Board operates in accordance with the broad principles set out in its Charter which is regularly reviewed and updated by the Board. 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 determining the strategic direction and objectives of the Company and overseeing management's achievements against these.
(ASX Recommendation 1.1)

Corporate Governance Statement (continued)

Principle 1 – Lay solid foundations for management and oversight (continued)

1.1 Lay Solid Foundations for Management and Oversight (continued)

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 the annual 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 out. This process involved the Chairman circulating to members of the Board a detailed questionnaire on performance indicators and collating the data from the same before 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 and their qualifications are set out in the section of the Annual Report headed "Director's Report".

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. One third of the directors retire annually on rotation in accordance with the Constitution who are free to seek re-election by shareholders.

The composition of the Board is determined so as to provide the Company with a broad base of industry, business, technical, administrative, financial and corporate skills and experience considered necessary to achieve the strategic objectives of the Company.

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 has 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 is of the view 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 and practices, 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.

Corporate Governance Statement (continued)

Principle 2 – Structure the Board to Add Value (continued)

2.1 A Majority of the Directors should be Independent Directors (continued)

The recommendation of best practice is that the majority of the directors and in particular the chairperson should be independent. When determining the independent status of a Director, the Board considers, 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
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:-

Board Composition

Director	Board membership	Date of appointment
James McKay	Non-executive Chairman	16/04/2009
Tor McCaul	Managing Director	16/04/2009
Gillian Swaby	Independent Non-executive Director	09/01/2004
Jeff Schneider	Independent Non-executive Director	28/08/2003
Chris Pieters	Independent Non-executive Director	16/04/2009
Anthony Gilby	Non-executive Director	06/10/2009

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 the 19th of August 2010 the Chairman of Strike Energy Limited, (Formerly Strike Oil Limited) which until mid-2009 was a major shareholder of the Company. He 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 strictly satisfy 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 that given the effluxion of time since he carried out the role of executive chairman, resigned from the board of Strike Energy Limited and as that company no longer holds any interest in the Company, 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.

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 within the last 3 years. Ms Swaby is not a substantial shareholder of the Company and meets all of the other independence criteria. Having regard to issues of materiality, the Board, in the absence of Ms Swaby, considers that Ms Swaby's former consultancy relationship with the Company does not impede her ability to act in the best interests of the Company. Therefore, the Board (in the absence of Ms Swaby) considers her to be independent.

In addition Mr. Pieters satisfies the Independence Criteria listed above and (in the absence of Mr Pieters) is considered by the Board as independent.

Corporate Governance Statement (continued)

Principle 2 – Structure the Board to Add Value (continued)

2.1 A Majority of the Directors should be Independent Directors (continued)

Identification of Independent Directors (continued)

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.

2.2 The Chairperson should be an Independent Director

The Chairperson (James McKay) if applying the Independence Criteria is not considered to be independent, due to his family company being a substantial shareholder of the Company. However the Board considers that the Chairman is the most appropriate person for the role due to his commercial experience in such a capacity and that the interests of the Company and its shareholders are being more than adequately met by the current appointee.
(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 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

The full Board carries out the functions of a Nomination Committee in respect of the selection and appointment process for Directors. While there is no formal Nomination Committee as required by Recommendation 2.4 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

The Company has as disclosed above a formal process for the evaluation of the effectiveness, processes and structure of the Board. The Board is committed to regular assessment of its effectiveness and believes that the contribution of individual Directors is 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)

Principle 3: Promote Ethical and Responsible Decision-Making

3.1 Establish a Code of Conduct and Disclose a Summary

The Company has adopted a Corporate 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)

Corporate Governance Statement (continued)

Principle 3: Promote Ethical and Responsible Decision-Making (continued)

3.1 Establish a Code of Conduct and Disclose a Summary (continued)

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)

The Company has adopted in compliance of ASX Listing Rule 12.12 (previously ASX Recommendation 3.2) 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 Company 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".

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.

3.2 Establish a Policy Concerning Diversity and Disclose the Policy and a Summary

The Company is committed to diversity within the workplace and providing an environment in which employees have equal access to opportunities. The Company recognises that a commitment to diversity and inclusiveness will increase the probability of the Company achieving its strategic objectives. The Board has in accordance with Recommendation 3.2 adopted a Diversity Policy, a summary of which is available on the company's website.
(A*SX Recommendation 3.2)*

3.3 Disclose in the Annual Report the Measurable Objectives for Achieving Gender Diversity

The Company has given careful consideration to the adoption of measurable objectives for achieving gender diversity. It is of the view that there is no "one size fits all" approach to the implementation of a Diversity Policy for all Australian companies and accordingly has had regard to external guides, including possible types of objectives published by the Australian Institute of Company Directors.

According to the latest Australian Bureau of Statistics figures and research conducted by industry association's women make up less than 20% of the mining industry work force.

At this stage of the Company's development the Board does not believe that setting a target in order to improve the number of women in a particular area of the business where women are not currently well represented in, is not a realistic objective as there is a real possibility there maybe not sufficient movement in staff in the next 12-18 months to achieve such a target.

Corporate Governance Statement (continued)

Principle 3: Promote Ethical and Responsible Decision-Making (continued)

3.3 Disclose in the Annual Report the Measurable Objectives for Achieving Gender Diversity (continued)

The Board considers that the best way forward for the Company at this stage of its development has been to introduce a programme which blends procedural objectives with a mentoring programme. The Board has set the following objectives for the purposes of implementing the Diversity Policy in order to promote gender diversity within the make-up of the company's Board Senior Management and employees:

- For vacancies at the Board and Senior Management Level the Nomination Committee is to ensure that a diverse candidate pool is accessed;
- Advertising any vacancies will be conducted more widely in sectors where women are more prevalent;
- Requiring that at least one serious female candidate be present on every short list and if a female candidate is not selected then the Board must be satisfied that there are objective reasons to support this decision;
- The introduction of a mentoring, coaching program for any female employees to promote stronger representation in all areas;
- Reviewing all remuneration practices to ensure that they are free from gender bias and ensuring recruitment and selection processes do not contain gender bias.

As this stage no separate Gender Diversity Committee has been established. The Nomination Committee will incorporate those roles and duties which a Gender Diversity Committee will otherwise carry out in exercising and implementing the implantation of the above objectives.

3.4 Disclose in the Annual Report the Proportion of Women Employees in the Whole Organisation.

The Board is currently constituted by 5 Non-Executive Directors and 1 Executive Director. Of the Non- Executive Directors one is a woman representing 20% of the total number of Non-Executive Directors.

There are no women currently employed within the group in a Senior Executive role.

The Total portion of women employees in the whole of the organisation including Members of the Board is 26.67%.

Principle 4: Safeguard Integrity in Financial Reporting

4.1 Establish an Audit Committee

The Board has had established for the whole of the financial year under review an Audit Committee with a Charter that sets out the roles, responsibilities, composition, structure and membership requirements. A copy of the Charter is available on the Company's website.
(ASX Recommendation 4.1)

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

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

4.2 Structure of the Audit Committee

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

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

• Gillian Swaby:	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 an independent director 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)*

Corporate Governance Statement (continued)

Principle 4: Safeguard Integrity in Financial Reporting (continued)

4.3 Audit Committee to have a Documented Charter

The Committee has a documented charter which is regularly reviewed and updated if necessary. The current Charter was approved by the Board on 10 November 2009 and 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)

4.4 Company Statement in Relation to Principle 4

Ms Gillian Swaby has over 28 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 as well as holding positions on other ASX listed entities audit committees.

Mr James McKay has over 23 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 as well as being available at the Company's AGM to answer shareholders questions about the conduct of the audit and the preparation and content of the audit report. The Audit Committee keeps minutes of its meetings and includes them for review at the following Board Meeting.

Corporate Governance Statement (continued)

Principle 5: Make Timely and Balanced Disclosure

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

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

The Board is committed to promoting investor confidence by 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 has adopted a Continuous Disclosure Policy in compliance with Recommendation 5.1. Each employee and consultant engaged by the Company is provided with a copy of the same while impressing upon them during their induction the importance of the same. 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 function 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)

Corporate Governance Statement (continued)

Principle 7: Recognise and Manage Risk

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

The Company believes that effective risk management is one of the keys to achieving the operational and strategic objectves of the Company and to that end has developed a strategy for risk management and internal compliance and control systems which covers organisational, financial and operational aspects of the Company's affairs.

The Board has appointed the Managing Director (who is assisted by senior management) as being responsible for ensuring the systems are maintained and complied with.
(ASX Recommendation 7.1)

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

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

Specific functions of the Risk Committee are to review and report to the Board that:-

a) the Group's ongoing risk management programme effectively identifies all areas of potential risk;
b) adequate policies and procedures have been designed and implemented to manage identified risks;
c) a regular programme of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
d) proper remedial action is undertaken to redress areas of weakness.

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

a) evaluating the adequacy and effectiveness of the management reporting and control systems used to monitor adherence to policies and guidelines and limits approved by the Board for management of balance sheet risks;
b) evaluating the adequacy and effectiveness of the Group's financial and operational risk management control systems by reviewing risk registers and reports from management and external auditors;
c) evaluating the structure and adequacy of the Group's own insurances on an annual basis;
d) reviewing and making recommendations on the strategic direction, objectives and effectiveness of the Group's financial and operational risk management policies;
e) overseeing the establishment and maintenance of processes to ensure that there is:
   (i) an adequate system of internal control, management of business risks and safeguard of assets; and
   (ii) a review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control;
f) evaluating the Group's exposure to fraud and overseeing investigations of allegations of fraud or malfeasance;
g) reviewing the Group's main corporate governance practices for completeness and accuracy;
h) overseeing the proper evaluation of the adequacy and effectiveness of the Group's legal compliance control systems; and
i) providing recommendations as to the propriety of related party transactions.

(ASX Recommendation 7.1)

The Risk Committee meets whenever necessary but no less than twice a year and keeps minutes of its meetings which are included for review at the following Board Meeting.

Corporate Governance Statement (continued)

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, are 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. The Risk Management Policy is evolving and will develop with the growth of the Company's activities.
(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, 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 appointed a dedicated Occupational Health and Safety Officer who meets at least once a month with the Managing Director in order to review the Company's health and safety policies as well as continuing to develop the Company's Safety Management Plan, Emergency Response Plan and Environmental Plan. Contractors are also required to manage health and safety in line with these plans and policy.

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

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

The Board has received declarations from the 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)

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:	Independent Non-executive Director	(appointed 01.06.2004)
• Christopher Pieters:	Independent 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)

Corporate Governance Statement (continued)

Principle 8: Remunerate Fairly and Responsibly (continued)

8.2 Constitution of Remuneration Committee

The Remuneration Committee has 3 members and is constituted by a majority of independent directors.

The Chairman of the Remuneration Committee however does not satisfy the ASX Corporate Governance Council's Independence Criteria in that he is related to a substantial shareholder of the Company. Notwithstanding this the Board considers that this criteria is not sufficient to disqualify him from holding the position as Chair. The size of the Company does not afford it the luxury of being able to comply with the Recommendations in this instance and believes that the Committee benefits from him filling that role due to his extensive corporate experience in the Oil and Gas field.

The Board believes that in this instance there is no conflict that would interfere with the Committee's independence or its ability to discharge its mandate effectively.

8.3 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 entitlements.

Additional Information

The additional information set out below was applicable at 21 September 2011:-

1. Number of Equity Holders

Ordinary Share Capital

307,351,144 fully paid ordinary shares are held by 1,999 individual shareholders.

2. Voting Rights

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

3. Distribution of Shareholdings

Holdings	No. of Holders	Units	Percentage of Issued Capital
1 - 1,000	66	5,259	0.00%
1,001 - 5,000	345	1,165,478	0.38%
5,001 - 10,000	320	2,746,806	0.90%
10,001 - 100,000	1,005	38,238,369	12.44%
100,001 - maximum	263	265,195,232	86.28%
	1,999	307,351,144	**100.00%**

The numbers of shareholders holding less than a marketable parcel (being 4000 units or less) were:-

267 Holders (492,164 Shares)

4. Substantial shareholders

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

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

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.

Additional Information (continued)

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 Atlantic Pty Ltd	24,843,144	8.08%
4.	HSBC Custody Nominees (Australia) Limited	19,656,229	6.40%
5.	JP Morgan Nominees Australia Limited <Cash Income A/C>	13,291,789	4.32%
6.	JP Morgan Nominees Australia Limited	11,264,821	3.67%
7.	National Nominees Limited	7,217,819	2.35%
8.	Power Industries Pty Ltd <the Power Property A/C>	5,720,000	1.87%
9.	Citicorp Nominees Pty Limited	5,213,109	1.70%
10.	McKay Super Pty Ltd <McKay Super Fund A/C>	4,512,407	1.47%
11.	Kabila Investments Pty Ltd	4,372,878	1.43%
12.	Gilby Resources Pty Ltd <Gilby Super Fund Account>	3,703,703	1.21%
13.	Jeffrey Warrington Schneider	3,398,732	1.11%
14.	Christopher John Blamey & Ann Margaret Blamey <ACB Super Fund A/C>	3,110,000	1.01%
15.	Ms. Gillian Swaby	2,824,000	0.92%
16.	Enan Pty Ltd	2,472,000	0.80%
17.	JTC Trustees Limited <The Ming A/C IIP>	2,472,000	0.80%
18.	Richard Jeffrey Austin & Pamela Margaret Austin <Austin Super Fund A/C>	2,440,000	0.79%
19.	Ms. Marilyn Woods	1,622,642	0.53%
20.	Mr. Darryl Gilby	1,320,000	0.43%
TOTAL		**196,521,653**	**63.97%**

6. Restricted Securities

There were no restricted securities issued or held during the reporting period.

7. Interest in Petroleum Tenements

Authority to Prospect, Joint Venture and Petroleum Lease Interests

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

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

Comet Ridge Limited

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