Comet Ridge Limited

ANNUAL REPORT 2012

Positioned for Growth

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Comet Ridge Profile

Comet Ridge Limited is a coal seam gas explorer with an active exploration and appraisal work program for CSG projects in the Bowen and Galilee Basins in Queensland, and in the Gunnedah Basin, northern New South Wales.

The Company also has CSG interests in the Waikato (North Island) and on the West Coast (South Island) in New Zealand and oil and gas interests in the United States through Comet Ridge Resources LLC (CRR), a US company based in Denver Colorado.

The Brisbane based company is listed on the Australian Stock Exchange (code: COI) and has a market capitalisation of approximately $45 million. There are 1,931 shareholders and 402,148,746 shares on issue.

The Company was formed in August 2003 as a new energy company and was first listed on the ASX in April 2004.

With increasing focus on gas as a fuel of choice in power generation and energy markets, Comet Ridge takes high equity positions in its large exploration permits, including a 100 per cent interest in both its Galilee Basin, Queensland and New Zealand assets. The Company has 35 per cent equity in the ATP 337P Mahalo block in the Bowen Basin and recently increased its equity to 22.5 per cent, 50 per cent and 60 per cent respectively in PEL 6, PEL 427 and PEL 428 in the Gunnedah Basin in New South Wales.

The Board and Management are highly experienced in establishing and developing energy projects.

Highlights

Queensland

- Sale of 5% interest in ATP 337P Mahalo for $7 million to Stanwell Corporation completed - deal also includes Comet Ridge's appraisal costs covered up to $8 million for 2012/13
- 12 well drilling program commenced at ATP 337P Mahalo with positive results from first four wells. Initial pilot facilities now expected to be commissioned in late 2012
- Significant 252 km seismic acquisition program completed in ATP 744P in the Galilee Basin
- Strategic farm-in to ATP 1015P Lake Galilee Farm-in Area concluded, adjacent to ATP 744P
- Three well exploration and appraisal drilling program in ATP 744P and the ATP 1015P Lake Galilee Farm-in Area to start in October 2012

New South Wales

- Two extensive geophysical gravity/magnetic studies completed in the northern Gunnedah Basin, identifying several new CSG plays in PEL 427 & PEL 428
- Acquisition of further interests in PEL 427 and PEL 428, and the addition of PEL 6, consolidates Gunnedah Basin asset portfolio

New Zealand

- Achieved first independent resource certification on New Zealand's West Coast in the Greymouth coal fields
- Extension granted for West Coast exploration permit PEP 50279, increasing footprint over Greymouth Coalfields

USA

- US interests (Comet Ridge Resources LLC) strengthen cash position through sale of Florence oil field
- Significant new exploration position added in the Rockies

Chairman's Letter

Dear Shareholders

Comet Ridge has made significant progress in the past year positioning the Company for major growth during 2013. Since my last Chairman's Letter, the Company has significantly expanded its asset portfolio in the Galilee and Gunnedah Basins and undertaken extensive preliminary work including seismic for major drilling programs. As a result of the Mahalo deal and the recent capital raising, the Company is in a very sound financial position to take its projects forward.

The Mahalo sale transaction that was concluded with Stanwell Corporation in late 2011 had three significant components. These are:-

- an immediate $7 million in cash from the sale of 5% in the project;
- an option for Stanwell to take a further equity interest in Mahalo by agreeing to carry Comet Ridge through its next $8 million of expenditure at the asset in 2012/13; and
- the ability of Stanwell to buy Comet Ridge's complete interest in Mahalo by paying an average price of $1 million per PJ of 2P reserves that are booked from the 2012/13 work program.

This transaction has funded our exploration and appraisal expenditure for this year, has better managed our exposure to the appraisal risks and has retained significant upside from the potential sale of our interest in the project.

In late August 2012, Comet Ridge concluded its first equity raising since 2009. Comet Ridge placed 94 million shares at $0.10 per share through an Entitlement Offer and Placement, raising A$9.4 million. This was comprised of the Retail Entitlement Offer which raised $3.1 million representing 84 per cent take-up by eligible retail shareholders and the Institutional Entitlement Offer and Placement which raised a further $6.3 million. This is an excellent result carried out during particularly difficult capital market conditions. The high participation rate indicates shareholder endorsement of the value growth path that the Comet Ridge management team is pursuing.

The combination of the $6.1 million cash balance at 30 June 2012, the recent capital raising, and the carry of Comet Ridge expenditure by Stanwell at Mahalo, means that Comet Ridge is now in a strong financial position to fund an aggressive forward program.

The first four wells of a 12 well drilling program at Mahalo started in July 2012, with very positive results. Drilling will also commence early October 2012 in the Galilee Basin, where Comet Ridge will operate a three well program in ATP 744P and the Lake Galilee Farm-in Area (ATP 1015P). We expect the drilling campaign to gather further momentum in both areas next year, and we are confident that we are moving towards the conversion of our substantial resources to reserves. I am particularly excited about the enormous potential of the Gunn Project Area.

There has been little exploration activity at our Gunnedah Basin assets in northern NSW recently due to the review of existing CSG policies by the new NSW State Government. However, in the past couple of weeks the NSW State Government has released its final policy detail. Whilst these policies place an even heavier regulatory burden on explorers, at least exploration activities can now resume and we foresee an increase in activity as we head into 2013. Comet Ridge plans to pursue the new exploration leads it has identified in PEL 427 and PEL 428, and the recently acquired PEL 6.

The anti-CSG movement has received much media air-play recently, casting a negative sentiment over parts of our industry. It is unfortunate that the current debate is being held in a less than rational manner, with some parties attempting to deliberately mislead the discussions. Our ongoing challenge as an industry is to focus on participating in a rational debate that is fact based and not built on fear and ignorance.

We are confident that provided the CSG industry continues to focus on the science, and ensures that all stakeholders' interests are properly addressed, the more radical elements in this debate will struggle to retain their credibility. The CSG industry must find the right balance between the interests of communities and protecting the environment but importantly Company interests, in order to earn and keep the social license to operate its projects. CSG companies have already contributed $70 million to regional communities for a range of services as well as boosting employment, investment, technical research and innovation.

In the Galilee Basin, your Board and I have been very pleased with the way local councils, development groups and the landowners in our tenement areas, have engaged with the gas exploration companies in starting to build relationships and trust, and how both the agricultural community and the gas community have worked to communicate and to understand each other's businesses. Gas production and agriculture have co-existed in Queensland for the past 44 years around Roma, Surat and Injune. The Galilee Basin is still in its infancy in terms of gas production, but relationships that we build now are likely to last a very long time, as we have seen around the Roma area. I believe that the coming year will see the increased recognition by Governments, the public and landowners of the benefits of coal seam gas and a better understanding of the very low level of risk that is posed by the industry.

Comet Ridge has made significant progress in the past year positioning the Company for major growth during 2013

In terms of our market, demand for gas in eastern Australia continues to grow, whether from traditional domestic consumption, Gladstone based LNG projects, or the substantial power requirements from new coal mines, soon to be sanctioned in the Galilee Basin. Comet Ridge has developed a clear strategy to mature our resources to reserves to help meet this demand across its Galilee, Bowen and Gunnedah Basin permits. The large scale of Comet Ridge's CSG resources, and their proximity to markets, places the Company in a strong position to take advantage of the rising gas price and demand. The Comet Ridge team, which I believe is second to none amongst our peers and the financial strength from our recent entitlement issue and placement, will allow the Company to take advantage of Comet Ridge's unique position.

The next year will see a significant increase in drilling activities as Comet Ridge continues to implement its plans and moves towards an initial reserves certification.

I would like to express my thanks to the Board, management and staff and our loyal shareholders for their support. The hard work over the last couple of years is starting to produce results and the Board is confident that Comet Ridge Limited is on track to deliver strong growth in shareholder value over the coming year.

Yours faithfully

James McKay
Chairman

Managing Director's Report

The past 12 months has been an exciting period for Comet Ridge, with the conclusion of several transactions and a step-change in our activity profile.

Towards the middle of 2012 and end of financial year, Comet Ridge emerged from a period of relatively low news flow (but hard work in the background) with a flurry of new announcements. The commencement of drilling at ATP 337P Mahalo also signalled the start of a new exploration and appraisal phase across our portfolio, which is expected to result in the drilling of at least 20 CSG wells by the end of 2013. Our key focus will be on the conversion of our very large resource base into reserves, which we are planning to get underway in early 2013.

Our technical team has continued to build on its understanding of our core asset areas in preparation for the upcoming drilling programs while identifying new opportunities. These translated into a series of strategic transactions during the year, adding to our portfolio, improving our funding capability, and positioning the Company for growth in 2013 and beyond.

We recently announced a deal to acquire Petrel Energy's interests in the NSW Gunnedah Basin, the commencement of drilling activities at Mahalo, and the farm-in to the ATP 1015P Lake Galilee Farm-in Area (LGFIA) which extends our footprint over the key Gunn Project Area. We are also on schedule to commence drilling in our Galilee Basin area by early October 2012.

As mentioned in our Chairman's Letter, Comet Ridge recently completed a successful capital raising of A$9.4 million from an Entitlement Offer and Placement. The funding will strengthen our Galilee Basin plans which include a significant milestone - our first production test in that basin (at the Gunn-2 well) commencing later this year.

The recent acreage additions in NSW and Queensland and the Mahalo pilot drilling results, represent the culmination of almost two years hard work behind the scenes by the Comet Ridge team. We acknowledge that it has perhaps been frustrating for shareholders during the periods of low news flow, which has sometimes been perceived as low activity, and we appreciate all who have maintained their belief in the Comet Ridge story and retained their shareholdings. We are hopeful of further great drilling results at ATP 337P Mahalo and the greater Gunn Project Area in the Galilee Basin in the second half of 2012, and plan to build on this further as activities ramp-up to a new level in 2013.

The CSG industry has had a mixed year in Queensland and New South Wales. There has been significant progress made on the development of the three main CSG to LNG projects in Queensland and progress on a fourth project, while merger and acquisition activities have seen the absorption of both Eastern Star Gas and Bow Energy into these LNG Projects. Small cap companies have continued with their exploration activities across Queensland with large and small companies alike getting down to the business of building a sustainable CSG industry in eastern Australia.

However, there is still much to do to allay the concerns of many of the industry stakeholders, and we must be vigilant to ensure we create an industry that we are both proud of and that is welcomed into the relevant local communities. We strongly believe that this is achievable, and that co-existence and co-operation between landowners and exploration companies is possible while protecting the environment. We feel that the application of science and technology will prevail over those who continue to deliberately misrepresent the CSG industry and attempt to mislead the debate over CSG, often quoting obscure and irrelevant shale gas examples from the USA.

Comet Ridge has developed many excellent stakeholder relationships over the past few years, particularly in the Galilee Basin where we are Operator of each of the permits in which we have an interest. Our involvement as a founding member of the Galilee Basin Operators' Forum has further broadened our exposure to the key stakeholders in the Galilee Basin communities, and strengthened our relationships in this area.

The gas market in eastern Australia has tightened significantly and we see that trend continuing. Many commentators are suggesting that domestic gas prices between $6 and $9 per GJ will be achieved in the near term, moving the industry a long way from gas prices of only a few years ago. Examples of prices in this range are already evident. Gas buyers in eastern Australia have paid some of the lowest prices in the world for the past 40 years. Whilst prices have now moved up, we believe the Queensland Government will resist buyer pressure for a gas reservation policy which may ultimately have a negative effect on prices in the longer term by reducing exploration.

Driller at Driller's Console - Mahalo

From an equity-in-exploration-blocks perspective, Comet Ridge has strengthened its portfolio in both the Galilee Basin in Queensland and in the Gunnedah Basin in New South Wales during the year, with the Gunnedah Basin purchase taking us to a total of approximately 5400 PJ gas resources in eastern Australia when completed.

The Company's gas resources in the Gunn Project Area in the Galilee Basin are significant, with 1870 PJ of 3C Resources already independently certified and further area to explore. The Lake Galilee Farm-in Area (LGFIA) adds an additional 825 km^2 to our portfolio and may contain the eastern extension of the Gunn Project Area identified by the drilling of Gunn-1 and Hergenrother-1. A three well drilling program is starting later in 2012, with two wells in the LGFIA testing the extent of the Gunn Project Area and a new exploration play. The third well will start production testing the coals adjacent to the Gunn-1 well.

We have also been very encouraged by the level of interest shown in our gas resources from several of the new coal mines proposed north of Alpha. The string of coal projects following the eastern boundary of our permit ATP 744P are an obvious source of demand for both CSG and the associated produced water. We are continuing to share information with these coal companies and exploring business opportunities for our projects.

Comet Ridge concluded two geophysical study projects in the northern Gunnedah Basin during the past 18 months, which have identified a number of new exploration plays. These studies expanded our view of the prospectivity of this northern area, and led to the transaction to acquire Petrel Energy's interests in PEL 6, PEL 427 and PEL 428. This transaction has strengthened our existing interests in the northern Gunnedah Basin, increasing our CSG equity in PEL 427 and PEL 428 to 50 per cent and 60 per cent respectively. We are very keen to test these new exploration plays. There has been no drilling or seismic activity in the Gunnedah Basin recently, a result of the new State Government revisiting existing CSG policies and some local opposition to CSG. However, there are signs that given the energy demand likely in New South Wales over the coming years, there is an apparent shift in the current position, and with the recent release of the Strategic Regional Land Use Policy, we are hopeful that exploration and appraisal activities will resume in this area in 2013. New South Wales is the only eastern state that is a large importer of gas and needs to develop a safe, efficient and vibrant gas industry.

It is pleasing to report that, with our joint venture partners, we have now commenced the 12 well exploration and appraisal drilling program at ATP 337P Mahalo. This program will include two 4-spot production pilot projects (at Mahalo and Mira fields) and four step-out core holes. Drilling results have been particularly good from the first four wells drilled in July 2012 in the ATP 337P Mahalo Farm-in Area (the first wells since 2009). This is now being developed into the first production pilot project in this area.

In New Zealand, Comet Ridge completed the processing and interpretation of the data acquired in the 2010 airborne surveys, and updated its geological models. In late 2011, the first independent resource booking on New Zealand's West Coast was achieved in the Greymouth coal fields on the South Island, with the independent certification of 244 PJ of 3C Resources to Comet Ridge. An extension was granted for West Coast exploration permit PEP 50279, increasing the total permit area to 4,802 km^2. Comet Ridge has applied to New Zealand Petroleum and Minerals to extend our exploration licences for a second term.

The Year Ahead

The next 12 months will see a significant increase in the level of exploration and appraisal activity at Comet Ridge's CSG assets. We are targeting the first reserves booking for the company at ATP 337P Mahalo for early 2013, followed by initial reserves in the Gunn Project Area in the Galilee Basin. We are also optimistic that we can test two or three of our new exploration prospects in the northern Gunnedah Basin.

With two pilot projects due to be commissioned at ATP 337P Mahalo by early 2013, followed by a series of additional core holes, we are aiming to maximise the 2P Reserves at this asset late in 2013.

Assuming success with certifying reserves at ATP337 Mahalo, a sale of the remaining interest will put Comet Ridge in a very strong position to fund its appraisal and development activities in 2014 and 2015 in the remainder of its asset portfolio.

Coal Seam Gas exploration is a business that involves risks and uncertainties, whether geological, regulatory or from managing stakeholder interests. We believe that Comet Ridge has put in place the appropriate Management Team, asset portfolio, appraisal and development path and funding strategy to both manage these risks and grow shareholder value in what are currently very interesting times for our industry.

Yours faithfully

Tor McCaul
Managing Director

Overview of Activities

Comet Ridge Limited has an active exploration and appraisal work program for coal seam gas resources and reserves in the Bowen and Galilee Basins in Queensland and in the Gunnedah Basin in northern New South Wales.

The Company also has CSG interests in the Waikato (North Island) and on the West Coast (South Island) in New Zealand and oil and gas interests in the United States through Comet Ridge Resources LLC (CRR), a US Company based in Denver Colorado.

Comet Ridge has made significant progress in the past year repositioning the Company for a major growth phase during 2013. There has been a significant rebalancing of Comet Ridge's asset portfolio and the start of two major drilling programs in Queensland. Comet Ridge has increased its interests in the Galilee Basin and Gunnedah Basin in Australia, and in the Greymouth Coalfields in New Zealand, while realising A$7 million in cash from the part sale of the more mature ATP 337P Mahalo project in Queensland's Bowen Basin.

Activities in Australia

Comet Ridge has interests in four coal seam gas assets in the Bowen and Galilee Basins in Queensland, and three in the Gunnedah Basin in New South Wales.

Comet Ridge Permits	Basin	State	CSG Interest	Area (km^2)
ATP 743P	Galilee	QLD	100%	6,476
ATP 744	Galilee	QLD	100%	6,615
ATP 1015 Lake Galilee Farm-in Area	Galilee	QLD	0%*	825
ATP 337P Mahalo	Bowen	QLD	35%	989
PEL 6	Gunnedah	NSW	22.5%**	5,162
PEL 427	Gunnedah	NSW	50%**	7,010
PEL 428	Gunnedah	NSW	60%**	6,018

* subject to a 3 Phase farm-in where Comet Ridge can earn up to 75 per cent interest
** at completion of Petrel acquisition

The past 12 months has seen significant acquisition and divestment activity at Comet Ridge as the Company focussed on consolidating its acreage position ahead of exploration and appraisal drilling, and funding its work programs.

In June 2012 Comet Ridge announced that it had executed an agreement to acquire Petrel Energy's interests in the Gunnedah Basin. This was followed by the signing of an agreement to farm-in to the Lake Galilee Farm-in Area in the Galilee Basin in July 2012. These strategic acquisitions have strengthened Comet Ridge's asset portfolio in these areas, where the Company already held material interests.

In December 2011, Comet Ridge had also concluded an agreement for the sale of a 5 per cent interest in ATP337P Mahalo to Stanwell Corporation, with an option for the sale of further interests in 2013/2014 subject to the results of an aggressive work program at that site.

Considerable technical progress was made across all assets during the year. A Galilee Basin seismic acquisition program was completed in late 2011, and a geophysical interpretation of a major Airborne Gravity survey over the eastern part of Galilee Basin was concluded in early 2012. In the Gunnedah Basin, two major geophysical interpretation studies were completed, leading to the acquisition of Petrel's interests in this basin.

In July 2012, Comet Ridge commenced a 12-well drilling program at ATP 337P Mahalo, including two pilot projects. The initial four well drilling program was completed successfully by the end of that month, with all four pilot wells exhibiting good continuity and thickness of coal across the main reservoir section. Formation flow testing has shown very good to excellent permeability in the Mahalo area.

Independent Resource Certifications have now been completed for each of the Company's key Australian assets:

Resources (PJ) (net to Comet Ridge)	**Interest**	**1C**	**2C**	**3C**	**Prospective Resources**
Gunn Project Area (ATP 744P)	100%	-	67	1,870	597
ATP 337P Mahalo	35%	73	193	387	-
PEL 427 & PEL 428	25% & 40%	-	-	231	1,022
Total (Australia)				**2,488**	**1,619**

The current work program is focused on maturing Contingent Resources into Certified Reserves across the portfolio during 2013.

Discussing rig operations - Mahalo

Activities in Queensland

Galilee Basin Permits

Comet Ridge has a 100 per cent interest in two adjacent permits on the eastern flank of Queensland's Galilee Basin, ATP 743P and ATP 744P, with a combined area of 12,991 km^2. The area remains only lightly explored to date.

In July 2012, Comet Ridge signed a three-Stage farm-in agreement to earn up to 75 per cent of the Lake Galilee Farm-in Area, located in the south east of permit ATP 1015P, between the east and west parts of Comet Ridge's ATP 744P. The Lake Galilee Farm-in Area consists of two separate areas totalling approximately 825 km^2, expanding the Gunn Project Area to the east and allowing it to be appraised as a single project.

A three well exploration and appraisal drilling program is planned for late 2012 - one pre-pilot production well (Gunn-2) in ATP 744P with two core wells in the Lake Galilee Farm-in Area. This will further appraise the extent and characteristics of the coals in the Gunn Project Area.

The two wells drilled in the farm-in area will complete the first stage of the farm-in, earning Comet Ridge an initial 20 per cent interest in the asset.

All permitting and approvals are progressing to schedule, with the first well expected to spud in September 2012.

Recent Exploration Activities

Comet Ridge drilled five wells in these two permits during late 2009 and early 2010, the most promising results being obtained at Hergenrother-1 and Gunn-1 in the south west of ATP 744P where net coals of 16 metres thickness were intercepted.

Drilling was followed by a regional mapping exercise, which identified a structural nose in the Gunn Project Area containing the Hergenrother-1 and Gunn-1 wells. Comet Ridge has focused on better understanding these structural features in the Gunn Project Area ahead of the drilling program scheduled for late 2012. Activity has involved a seismic acquisition program in late 2011 and a geophysical interpretation of a major Airborne Gravity survey over the eastern part of Galilee Basin in early 2012.

In October 2011 Comet Ridge and QER each completed significant seismic acquisition programs in this part of the basin, with the results being shared under the terms of a data sharing agreement. When combined with the historical seismic surveys acquired in the area, the data gives a more detailed understanding of the structure and stratigraphy of the Gunn Project Area, the Lake Galilee Farm-in Area and the area extending towards the eastern boundary of ATP 744P.

In early 2012, Comet Ridge completed a geophysical interpretation of a major Airborne Gravity survey over the eastern part of Galilee Basin. The survey was acquired by Geoscience Australia and the Geological Survey of Queensland. Comet Ridge has now integrated both seismic and gravity surveys into its current geological models.

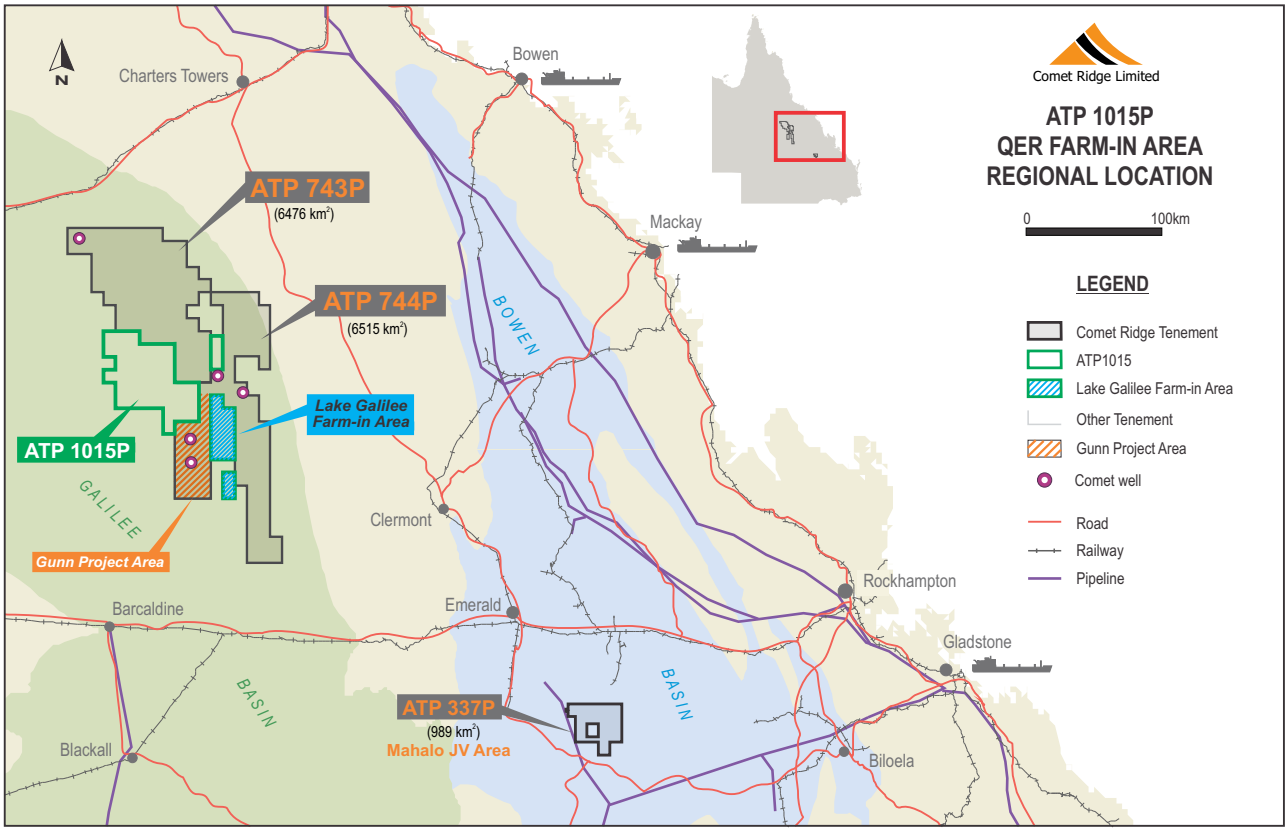
Lake Galilee Farm-in

On 27 July 2012, Comet Ridge announced it had signed a three-Stage farm-in agreement to earn up to 75 per cent of the Lake Galilee Farm-in Area which is located in the south east of permit ATP 1015P, and creates a continuous acreage position across Comet Ridge's key area in the Galilee Basin.

The Lake Galilee Farm-in Area consists of two separate areas totalling approximately 825 km^2, and represents 21 per cent of the total permit area in ATP 1015P. Comet Ridge will become Operator of the Lake Galilee Farm-in Area.

The key terms of the three-Stage Lake Galilee Farm-in Agreement are:

Permit	Interest Acquired	Work Program
Stage 1	20%	Drill two wells by 30 Nov 2012
Stage 2	30%	Drill additional three wells by 30 Nov 2013
Stage 3	25%	Drill additional four wells and develop pilot by 30 Nov 2014
Total	**75%**	**9 wells including pilot**



On completion of each Stage of the farm-in, Comet Ridge has the option to proceed with the subsequent Stage.

Comet Ridge's Galilee Basin permits are located on the shallower eastern edge of the basin, making it closer to gas infrastructure and the Gladstone LNG precinct than most Galilee Basin CSG permits. The permits are also close to the numerous Galilee Basin coal mining projects proposed by Hancock Coal, Waratah Coal, Adani and Bandanna / ACMI, each with significant power demand requirements.

With approximately 2,500 PJ of Contingent and Prospective Resources certified in the Gunn Project Area alone, and the remainder of ATP 743P and ATP 744P relatively underexplored, these permits have sufficient reserves potential to contribute significantly towards the gas demands of both the local coal mining industry and the growing LNG industry at Gladstone.

Gunn 1 well pad rehabilitation

ATP 337P Mahalo Project

Comet Ridge's ATP 337P Mahalo asset is located in the Denison Trough area of Queensland's Bowen Basin near Rolleston, and covers an area of 989 km^2. Comet Ridge has a 35 per cent interest in ATP 337P Mahalo.

In July 2012, Comet Ridge commenced a 12-well drilling program at ATP 337P Mahalo, which will include two pilot projects. The first four wells of this program have been completed, with very positive results. Production testing of these wells will soon be underway with the commissioning of the first production pilot expected towards the end of 2012 with the intention of achieving an initial reserves certification in early 2013. Comet Ridge's costs are being carried by Stanwell up to $8 million.

The 2012 program has targeted the Permian Bandanna coals, which were encountered in a depth range between 200 metres and 400 metres in the north of the ATP 337P Mahalo area. These coals have been shown to have a moderate to high gas content, consistent coal thickness of approximately seven to nine metres and high gas saturation levels.

ATP 337P Mahalo is well placed with respect to existing infrastructure, with the gas pipeline linking the Northern Denison Trough gas fields to the existing Wallumbilla to Gladstone (Jemena) pipeline located along the western boundary of the permit. The gas pipeline linking the GLNG project's Fairview CSG field to the LNG precinct in Gladstone is also expected to follow a similar route to the Jemena pipeline in this area.

Discussions between the joint venture and the Queensland Government Department of Natural Resources and Mines (DNRM) have been ongoing for about a year in relation to the continuing tenure for ATP 337P (of which the Mahalo farm-in area is part). The joint venture had applied for a series of Petroleum Leases across ATP 337P, however only one of these is likely to be awarded in the Mahalo block area. After balance date, agreement has been reached with DNRM that 20 graticular blocks will be relinquished from ATP 337P. Only one of these graticular blocks will be from the Mahalo farm-in area, representing about 8per cent reduction of the Mahalo farm-in area. This block will be taken from the least prospective part of the Mahalo farm-in area, in the southeast, which is well away from the northern portion of the block where the pilot schemes are being located and which has the focus on booking 2P reserves.

Initial Pilot Production Project at Mahalo

On 1 August 2012, Comet Ridge announced that a successful four well drilling program had been concluded at its Mahalo pilot project in ATP 337P with all four pilot wells – Mahalo 3, Mahalo 4, Mahalo 5 and Mahalo 6 - exhibiting good continuity and thickness of coal across the main reservoir section. Formation flow testing has shown very good to excellent permeability in this part of the Mahalo block.

The ATP 337P Mahalo Joint Venture is extremely pleased with the drilling results, particularly the coal permeability. Facilities will be constructed to develop the first production pilot in the Mahalo area, with commissioning expected by late 2012.

Pilot well drilling in the Joint Venture's second pilot, Mira, will be conducted later in 2012, followed by a further four core holes to extend the delineation of gas in the block.

The objective of both these pilot production projects is to demonstrate commercial gas flows in ATP 337P Mahalo, with the intention of achieving an early initial reserves certification in early 2013.

Under the terms of the Sale and Purchase Option Agreement with Stanwell, Comet Ridge could realise $1 million in cash for every 1 PJ of 2P Reserves it has booked at the end of 2013, should Stanwell elect to acquire the Company's remaining 35 per cent interest in this asset.

Sale of interest in ATP 337P Mahalo to Stanwell

On 28 December 2011, Comet Ridge announced that it had completed a binding Sale and Purchase Option Agreement (SPOA) with Stanwell Corporation for its 40 per cent interest in the ATP 337P Mahalo asset.

The key highlights of this transaction were:

- The sale of an initial 5% interest for $7 million
- The grant of an option to acquire either an additional 15% (Option A) or 35% (Option B) interest
- In exchange for these Options, Stanwell will fund up to $8 million of expenditure commitments associated with the Comet Ridge 40% interest in the upcoming pilot programs
- To exercise the Option, Stanwell will be required to pay Comet Ridge consideration based on the ATP 337P Mahalo certified 2P reserves as at 31 December 2013, but this reserves date may be extended to as late as 31 December 2014
- To exercise Option A, Stanwell will pay $0.80 per GJ multiplied by 15% of the 2P Reserves
- To exercise purchase Option B, Stanwell will pay $0.80 per GJ multiplied by 15% of the 2P Reserves plus $1.15 per GJ multiplied by 20% of the 2P Reserves (a weighted average of $1.00 per GJ for the 35% interest)
- The minimum payments for exercise of the options are $5 million for Option A and $10 million for Option B.

If Stanwell elects to exercise Option A, Comet Ridge will retain a 20 per cent interest in ATP 337P Mahalo and continue to be exposed to further upside re-rating potential. The exercising of either option is subject to Stanwell's shareholder's approval.

Comet Ridge's focus will be on maximising 2P Reserves certification by the end of 2013. The Joint Venture is also focussed on proving gas reserves in this block.

the first four pilot wells in the drilling program at Mahalo completed with very positive results

Mahalo pilot well drilling operations

New South Wales Projects

Gunnedah Basin Permits

Comet Ridge announced in June plans to expand its acreage position in the Gunnedah Basin in northern New South Wales with the addition of PEL 6 and increased equity in the permits PEL 427 and PEL 428 that the Company already holds. On completion of the acquisition of Petrel Energy Limited's interests, Comet Ridge will hold a 22.5 per cent CSG interest in PEL 6, a 50 per cent interest in PEL 427 and 60 per cent in PEL 428.

The permits cover a combined area of 18,190 km^2, and are located immediately north of Santos' Narrabri Gas Project and Wilga Park Power Station in PEL 238. PEL 6, PEL 427 and PEL 428 contain the northern extent of the Gunnedah Basin, and are overlaid by the southern extent of the Surat Basin, with both basins currently producing coal seam gas via commercial project developments.

In early 2012, Comet Ridge completed an extensive review of the magnetic and gravity data sets available over the northern Gunnedah Basin. The subsequent geophysical modelling of this data significantly advanced Comet Ridge's view of the geology and prospectivity of the region and identified some very promising new prospects. These prospects now need to be tested through a combination of seismic data acquisition and exploration drilling.

Acquisition of Additional Interests in Gunnedah Basin:

On 21 June 2012, Comet Ridge announced that it had signed an Asset Sale Agreement for the acquisition of Petrel Energy Limited's permits which have both coal seam gas and conventional oil and gas interests.

The interests being acquired from Petrel Energy are:

Petroleum Licence	CSG Interest Acquired	Conventional Interest Acquired	CSG Interest After Transaction	Conventional Interest After Transaction
PEL 6	22.50%	20%	22.50%	20%
PEL 427	25%	75%	50%	100%
PEL 428	20%	60%	60%	100%

Comet Ridge's Gunnedah Basin permits are strategically located as this area has the potential to mature into a major CSG producing province, regardless of whether the gas flows north to LNG projects in Gladstone or south to Newcastle and Sydney.

Permit Renewal Status

The delay in release of the NSW Government policy on CSG exploration and production has caused delays to the renewal of all Petroleum Exploration Licences (PEL) across the state. The anniversary date for PEL 427 was 20 May 2011. The joint venture had submitted renewal documentation before that date, but due to the awaited policy update, this renewal has not yet been formally processed. Correspondence dealing with the renewal has been exchanged with the NSW Department of Industry and Investment (DII) and Comet Ridge expects the block to be renewed in the normal course of business once the new policy has been formally released. In correspondence in April 2012, NSW DII discussed a work program for three years which details the expected work that should be undertaken commencing in 2013, even though formal approval for renewal of the permit for three more years has not yet been received.

In PEL 428, an application for the renewal of this permit (due to expire 14 September 2012) was submitted by the joint venture in August 2012 for a further three years. It is anticipated that this renewal also will be processed in the normal course of business, following the release of the NSW Government policy.

Activities in New Zealand

Comet Ridge has a 100per cent interest in three petroleum permits in New Zealand, each with known coal resources and CSG potential. PMP 50100 and PEP 50279 are located on the west coast of the South Island, and contain the gassy Greymouth Coafields. PEP 50280 is located adjacent to the Huntly coal mines in the North Waikato region on the North Island, and is close to Auckland and the associated gas pipeline infrastructure.

Further progress was made in processing and interpreting the data collected in its recent airborne surveys. Comet Ridge has subsequently updated its geological models, which have been used to identify several new CSG play types. On the South Island, in September 2011, Comet Ridge certified 244 PJ Contingent Resources over the Greymouth Coalfields, the first CSG resources booked on the West Coast of New Zealand.

Drilling operations - West Coast NZ

Discussions are progressing with New Zealand Petroleum and Minerals to extend the North Island and South Island exploration permits for a second term.

Greymouth Block (PMP 50100) and Buller Block (PEP 50279)

Comet Ridge announced in July 2011 that it was granted an extension of its New Zealand West Coast exploration permit PEP 50279, increasing the total area of this permit to 4,802 km^2. Comet Ridge has a 100 per cent interest in both PEP 50279 and also in the adjoining mining permit PMP 50100 located immediately to the south. This extension provides one continuous area for exploration and future development of the CSG resources in the Greymouth area.

The Paparoa coal measures extend across the north of PMP 50100 and into the southern margin of the PEP 50279 permit area, and underlie the Brunner coal measures, both of which are mined in a number of places on the West Coast.

The PEP 50279 Extension Area includes a known coal mining precinct, and strategically links Comet Ridge's CSG resources in the northwest of PMP 50100 with the Company's other CSG resources.

During the year, Comet Ridge announced its first Coal Seam Gas (CSG) resource certification in the Greymouth Coalfield, located on the West Coast of the South Island of New Zealand. The Greymouth Coalfield is situated over much of Petroleum Mining Permit PMP 50100, and the south western corner of Petroleum Exploration Permit PEP 50279.

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

Resources (PJ)	Interest	1C	2C	3C
PMP 50100	100%	45	88	168
PEP 50279	100%	20	39	76
Total		**65**	**127**	**244**

In late 2011, Comet Ridge completed the processing and interpreting of the data acquired in the Airborne Gravity Gradiometry (AGG) survey program in PEP 50280.This was incorporated into regional geological modelling of the West Coast on the South Island of New Zealand, which will help Comet Ridge identify the highest value CSG targets.

Comet Ridge has found the technology associated with the AGG survey, previous airborne magnetic surveys, and the detailed analysis by Canberra based consultancy, FrOGTech, to be very powerful and cost-effective tools for improving its understanding of regional geology and identifying new CSG plays. As a result of the New Zealand experience, this technology has now been used for evaluating its Gunnedah Basin and Galilee Basin CSG permits in Australia, with encouraging results.

North Waikato (PEP 50280)

Comet Ridge completed the processing and interpreting of the data acquired in its recently completed Airborne Gravity Gradiometry (AGG) survey program in PEP 50280 on New Zealand's North Island in late 2011. This work has provided important insights into the geology and depositional environment of the study area.

The basin model resulting from this technical study has identified three CSG plays in PEP 50280, north of the Huntly CSG pilot project. Comet Ridge has the ability to test the key characteristics of these plays from a single well, which if successful would open up the CSG potential of all three plays.

Permit Renewal Status

Towards the end of the financial year, Comet Ridge made application to NZ Petroleum and Minerals (NZP&M) to vary the work program commitments on all three of the Comet Ridge 100 per cent held blocks. The extensive technical work conducted over the past two years by Comet Ridge (based around aerial magnetic and gravity surveying) which included extensive geological and geophysical analysis, has identified which parts of these three blocks were most prospective for gas. Subsequently the Company has made application to vary the work program commitments to match the most appropriate technical work timing and scope going forward. Part of these applications was also plans to relinquish the least prospective parts of each of the blocks where the Company is unlikely to undertake exploration or appraisal drilling. NZP&M will now formally consider these applications as part of their normal process.

Activities in the United States

Comet Ridge Limited has a 17.257 per cent interest in Comet Ridge Resources LLC (CRR), a US company based in Denver, Colorado. CRR undertook a series of transactions in mid-2012 to strengthen its cash position, divest its more mature producing asset, and build on its exploration potential.

Sale of Florence oil field

CRR (through its subsidiary Pine Ridge Oil and Gas, LLC) entered into an agreement to sell the Florence oil field for US$12.25 million. CRR has had significant success in redeveloping the Florence oil field, having completed 22 wells and produced 630,000 bbl of oil. The sale of Florence, in early July 2012, allows CRR to focus on new exploration and development opportunities.

The transaction, in addition to the sale of Sweet Pea in June 2011 for US$28.5 million, means CRR is in a strong financial position to pursue other exploration and production activities.

Grays Harbor Exploration

CRR is scheduled to spud the Yeti well in Washington State, on the Pacific Northwest, late in August 2012. The well will be the first for CRR in the area, although it has mapped many other prospects and leads on this acreage. The Yeti well, 100 per cent owned by CRR, represents a material prospect for this region.

New Business

CRR has completed multiple transactions during 2012 to materially grow its exploration portfolio in the Rockies.

In Colorado, CRR now has in excess of 100,000 net acres. Planning and permitting of a 3D seismic acquisition survey is well advanced.

In the Northern Rockies, CRR acquired a 20 per cent operating interest in excess of 110,000 gross acres offering significant oil potential. CRR can increase its interest to 50 per cent through a combination of work and a second cash payment. A seismic acquisition program has already commenced over one prospect, and another prospect is preparing for drilling.

While CRR is focussed primarily on executing these current and related business opportunities, it is also continuing to look for superior investment opportunities elsewhere in the region.

Community

Comet Ridge respects the communities in which it operates.

We strongly believe that co-existence and co-operation between landowners and exploration companies can be achieved while protecting the environment and landowners' livelihoods. We also want to ensure the long term sustainability of our projects which in turn will generate very positive economic benefits for local communities.

Comet Ridge appreciates and values the consultation and negotiation process with landowners and acknowledges that we are visitors in our exploration permit areas. We have met with many landowners in the areas that we operate and have successfully put in place more than 15 landowner compensation agreements to date.

We are committed to building strong relationships based on respect, honesty and trust with all stakeholders including regulators, governments, joint venture partners, landowners and the local and indigenous communities.

We have developed many excellent stakeholder relationships over the past few years, particularly in the Galilee Basin.

Our involvement as a founding member of the Galilee Basin Operators Forum (GBOF) has broadened our exposure to the key stakeholders in the Galilee Basin communities and strengthened our relationships there. The forum, an informal group of coal seam gas exploration companies with petroleum exploration tenements in the Galilee Basin, was formed about two years ago, initially to jointly fund a baseline water assessment for the basin.

Community Forum meeting attended by Comet Ridge - Barcaldine

Dale Aaskow (Chief Operating Officer) meeting with Galilee Basin Grazier, Harel Herrod

Increasingly the forum group is engaging with stakeholders such as regional councils, development groups such as RAPAD (Central West Remote Area Planning and Development Board) and MITEZ (Mt Isa to Townsville Economic Development Zone), AgForce, the Gasfields Commission and the wider community through meetings with councils, face to face meetings, community forums and open days.

Comet Ridge is also committed to keeping communities and stakeholders informed of current and proposed CSG activities through direct interaction and through our website.

Cultural Heritage

The directors and management of the Company recognise and respect the cultural and spiritual significance of the land to the indigenous peoples of Australia.

We work closely with interested community groups and individuals to identify significant sites and any impact our exploration activities may have on them. We are committed to reaching mutually agreeable outcomes in respect to cultural and spiritual values.

We will specifically undertake to:

- Respect and protect cultural heritage sites of regional significance and sites of local spiritual significance;
- Embrace the intent and comply with the provisions of the Native Title Act and the relevant Petroleum Acts;
- Communicate openly with indigenous people and local communities so that all relevant issues may be aired and understood by the participants; and
- Involve indigenous people in the conduct of Comet Ridge operations' where these operations impact on their cultural and spiritual heritage.

Comet Ridge is committed to the ongoing monitoring of the implementation of this policy.

Environment

Comet Ridge is committed to developing resources in an environmentally responsible manner and conducting all activities consistent with the principles of Sustainable Development.

Activities are planned and implemented in a sustainable way to minimise impacts on the environment including limiting any visual and audible impact on our neighbours and the wildlife.

Best practice management strategies are adopted and continual improvement programs are implemented to ensure we adhere to industry standards and procedures and therefore compliance with environmental regulations.

We require all our staff and contractors to manage the environment in line with these procedures.

We also engage openly with all employees, contractors, government and the wider community regarding environment matters.

The implementation and effectiveness of this environmental policy is the responsibility of all Comet Ridge employees and is reviewed annually by management.

The Managing Director is accountable to the Board of Directors for ensuring this environmental policy is implemented.

Health, Safety and Security

Comet Ridge is committed to ensuring that all employees and contractors meet their Health, Safety and Security (HSS) obligations and that we eliminate or effectively manage risks and practices in our business that could cause accident, injury or illness to people, damage to property or unacceptable impacts on the environment or community. We are also committed to complying with the relevant HSS legislation under which we operate our business.

We will demonstrate this commitment by:

- Integrating HSS management into the planning of all Comet Ridge operations;
- Providing documented systems, work procedures and risk management systems to identify, manage and control HSS risks in our business to assist in the prevention of HSS related incidents;
- Communicating and consulting to ensure employees, authorities, communities, suppliers, contractors and other stakeholders are informed on relevant HSS issues;
- Leading, training and motivating our people and our contractors to work in a safe and responsible manner;
- Measuring, monitoring and reviewing HSS performance, as part of our normal management reporting and Board review processes;
- Ensuring that the opportunity is taken to learn from our performance and from external developments so that we can continuously improve HSS management;
- Establishing systems for the purchase, supply and contracting of goods and services that are consistent with these management principles; and
- Applying proper incident management practice to HSS related incidents.

Galilee Basin wildlife

Drilling operations - West Coast NZ

Health, Safety and Environment Systems

Comet Ridge recognises the importance of effective health, safety and environment (HSE) systems and has engaged the services of HSE professionals through Harlequin Energy Services (HES) and Flinders Group for specific safety and environmental advice.

No recordable HSE incidents were reported during the financial year. Total Recordable Injury Frequency Rate (TRIFR) and Lost Time Injury Frequency Rate (LTIFR) remain at zero. There were no recordable environmental incidents.

A full review of the existing Safety Management Plan and Company HSE Policies has been undertaken with upgrades implemented as required. Safe Operating Procedures processes have also been developed, consistent with the Queensland Petroleum & Gas (Production & Safety) Legislation and good oilfield practice. These procedures are specific to Comet Ridge's operating parameters and all processes have been aligned according to AS 4801 Safety Management System specifically suited to Coal Seam gas production.

A full upgrade of the Comet Ridge Induction program has been undertaken. It is envisaged that the new system will ultimately be accessed via the web so that personnel and contractors have global 24/7 access to facilitate efficiency for remote operations.

A formal Environmental Management Plan has also been developed in the reporting period by Flinders Group. This plan captures all the required management plans associated with the environmental conditions set out in the Environmental Authorities issued by the Queensland Government. The plan is consistent with good oilfield practice and will also be used to manage generic conditions associated with all Comet Ridge Limited tenements.

A Baseline Assessment Plan for water testing has also been established and is being rolled out immediately to meet requirements for the upcoming drilling campaign.

Training is now underway for Comet Ridge personnel and appropriate contractors associated with key components of the safety and environmental systems to ensure consistency of approach. Training is assessed and records maintained within the HSE IT system. Ongoing training will be incorporating effective application of specific procedures.

Mahalo pilot well drilling operations

Directors

James McKay

Non-executive Chairman

B.Com, LLB
Director since April 2009

James McKay brings to Comet Ridge a strong commercial background, with sound financial business management and legal expertise. He has been involved in the establishment and development of a number of businesses.

James is a Director of Walcot Capital, a private venture capital business specialising in energy investment. He was the former Chairman of CSG explorer Sunshine Gas Limited prior to its merger with Queensland Gas Company and a past president of the Australasian Cemeteries and Crematoria Association.

Tor McCaul

Managing Director

B.E. (Hons/Petroleum), B.Econ, MBA
Director since April 2009

Tor McCaul became Managing Director of Comet Ridge in April 2009 when the company merged with Chartwell Energy Limited. He had previously been Chief Executive Officer of Chartwell since 2008 when he joined that company following 11 years working in Asia for British independent companies in technical, finance, commercial and management roles.

Tor has 24 years oil and gas experience. Following his graduation from UNSW in 1987, Tor spent the next nine years based in Brisbane working for operating companies in technical roles on projects in Queensland, New Zealand and Papua New Guinea before moving to Asia.

He is a member of the Society of Petroleum Engineers and has served on the executive committee, including as Chairman, for the Queensland section. Tor is the current Vice President of the Queensland Petroleum and Exploration Association. He is a past member of the UNSW Centre for Petroleum Engineering Advisory Committee.

Gillian Swaby

Non-executive Director

B. Bus, FAICD, FCIS
Director since January 2004

Gilllian Swaby has over 29 years experience in the Australian resources industry, specialising in corporate secretarial practice, corporate law, accounting, financial management and control.

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

Jeff Schneider

Non-executive Director

B.Com

Director since August 2003

Jeff Schneider has over 30 years experience in the oil and gas industry, including 24 years with Woodside Petroleum Limited.

His roles at Woodside included General Manager Commercial, accountable for business and strategic planning, mergers and acquisitions, product marketing and the business performance of Woodside's North West Shelf investment. 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.

Jeff is also a Non-executive director on the boards of ASX-listed entities Green Rock Energy Limited and Cooper Energy Limited.

Chris Pieters

Non-executive Director

B.Sc (Hons) B.Bus

Director since April 2009

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

Previously he was Chief Commercial Officer of Sunshine Gas Limited prior to its merger with the Queensland Gas Company in 2008. Chris also held other technical and business development roles at Sunshine Gas.

He is a member of the Petroleum Exploration Society of Australia.

Anthony Gilby

Non-executive Director

B.Sc. (First Class Honours)

Director since October 2009

Anthony Gilby began his career as a geologist for Delhi Petroleum in the Cooper Basin. He then held roles in exploration geology and geophysics as well as petrophysics both in Delhi Petroleum and ESSO (post the Delhi acquisitions).

Following a 12-month stint working in the Exxon Production Research Centre in Houston, Tony returned to Australia eventually working for MIM Petroleum and the Louisiana Land and Exploration Company before taking on a variety of consulting roles as well as the acquisition of prospective Queensland acreage in a private capacity. This work culminated in the founding of Sunshine Gas and his role as Managing Director.

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

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Comet Ridge Limited
ABN 47 106 092 577

Directors' Report

Your directors present their report on Comet Ridge Limited ("Comet Ridge" or "the Company") and the consolidated entity ("the group") for the financial year ended 30 June 2012. 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 2012 amounted to $3,682,762 (2011: profit of $1,235,608). The most significant items contributing to the profit for the year were the gain on the part sale of joint venture interest in Mahahlo amounting to $6,251,818 and research and development tax offset of $424,454 (2011 distribution of A$3,300,729 received from Comet Ridge Resources LLC. Please refer to the Overview of Activities Report on page 7 for further information on the operations of the group.

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 2012:

Gain on sale of interest in joint venture

On 29 September 2011, Comet Ridge entered into a Sale and Purchase Option Agreement (SPOA) with the Queensland Government owned Stanwell Corporation Limited (Stanwell) for the sale of a 5% interest in the Mahalo JV i.e. 12.5% of Comet Ridge's 40% interest. The JV partners are Santos (exploration operator) and APLNG (development operator) each holding a 30% interest. Stanwell is a major domestic gas consumer, and Queensland's largest electricity generator.

Under the SPOA, Comet Ridge sold a 5% interest in the ATP 337P Mahalo JV to Stanwell in return for a cash payment of $7 million. Stanwell has also been granted an option to purchase an additional 15% or 35% interest in this asset in exchange for carrying Comet Ridge's expenditure through the upcoming pilot programs, which are planned for late 2012/2013. Stanwell will fund up to $8 million of ATP 337P Mahalo expenditure commitments until the option exercise date, expected to occur at the end of 2013. At the option exercise date, Stanwell will have the right to purchase the additional interest based on a pre-agreed formula.

The key highlights of the transaction were as follows:

- The sale of an initial 5% interest in ATP 337P Mahalo for $7 million;
- The grant of an option to acquire either an additional 15% (Option A) or 35% (Option B) interest in ATP 337P Mahalo in exchange for funding up to $8 million of expenditure commitments associated with the 40% interest held by Comet Ridge and Stanwell in the upcoming ATP 337P Mahalo pilot programs; and
- In order to exercise the Option, Stanwell will be required to pay Comet Ridge consideration based on the ATP 337P Mahalo certified 2P reserves as at 31 December 2013, but this reserves date may be extended to as late as 31 December 2014.

As a result of the sale Comet Ridge now holds a 35% interest in the ATP 337P Mahalo JV.

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.

Directors' Report (continued)

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) In July 2012, Comet Ridge signed a three-Stage farm-in agreement with Queensland Energy Resources Limited (QER) to earn up to 75 per cent of the Lake Galilee Farm-in Area, located in the south east of permit ATP 1015P, which is located between the east and west parts of Comet Ridge's ATP 744P. The Lake Galilee Farm-in Area consists of two separate areas totalling approximately 825 km^2, expanding the Gunn Project Area to the east and allowing it to be appraised as a single project.

A three well exploration and appraisal drilling program is planned for late 2012 - one pre-pilot production well (Gunn 2) in ATP 744P with two core wells in the Lake Galilee Farm-in Area.

(b) In August 2012, the group entered into a contract for a three well drilling program (one firm and two conditional) in the Gunn project area in the southern part of ATP 744P. The estimated value of the contract is $3,500,000. Two wells are planned to be drilled in the Lake Galilee Farm-in Area which will complete the first stage of the farm-in, earning Comet Ridge an initial 20 per cent interest in the asset. All permitting and approvals are progressing to schedule, with the first well expected to spud in September.

(c) On 30 August 2012, the Company completed an Accelerated Non-Renounceable Entitlement Offer which raised $9.4m through the issue of 94,797,602 shares. The costs incurred with respect to the offer amounted to $400,000. The offer price was 10 cents per share with entitlements based on one share for every four held. The offer comprised two components as follows:

- Institutional Entitlement Offer which raised $6.3m
- Retail Entitlement Offer which raised $3.1m

7. Future Developments and Expected Results

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

8. Environmental Regulations

The group's operations are subject to environmental regulation under the laws of Australia, 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 auditor's independence declaration for the year ended 30 June 2012 has been received and is attached to this report.

10. Information on Directors

Name and Qualifications

James McKay B.Com, LLB, Non-executive Chairman (Director since 16 April 2009)

Special Responsibilities

Chairman Member of Audit Committee

Experience

James McKay brings to Comet Ridge a strong commercial background, with sound financial business management and legal expertise. He has been involved in the establishment and development of a number of businesses.

James is a Director of Walcot Capital, a private venture capital business specialising in energy investment. He was the former Chairman of CSG explorer Sunshine Gas Limited having overseen its merger with Queensland Gas Company for in excess of $1Billion in 2008 as well as being a past president of the Australasian Cemeteries and Crematoria Association.

Interest in Shares and options

33,889,551 ordinary shares

Directorships held in other listed entities in last 3 years

Nil

Directors' Report (continued)

10. Information on Directors (continued)

Name and Qualifications
Tor McCaul B.E. (Hons/Petroleum), B.Econ, MBA, Managing Director (Director since April 2009)

Special Responsibilities
Managing Director
Chairperson of Risk Committee

Experience
Tor McCaul was appointed Managing Director of Comet Ridge in April 2009 when the Company merged with Chartwell Energy Limited. He previously held the position of Chief Executive Officer of Chartwell having commenced with that Company in 2008. Prior to this Tor spent 11 years working in Asia for British independent companies in a wide variety of technical, finance, commercial and management roles.

Tor has 24 years oil and gas experience. Following his graduation from UNSW in 1987, Tor spent the next nine years based in Brisbane working for operating companies such as Lasmo PLC and MIM Exploration Pty Ltd in technical roles on projects in Queensland, New Zealand and Papua New Guinea before moving to Asia.

He is a member of the Society of Petroleum Engineers and has served on the executive committee, including as Chairman, for the Queensland section. Tor is a past member of the UNSW Centre for Petroleum Engineering Advisory Committee and is the current Vice President of the Queensland Petroleum and Exploration Association.

Interest in Shares and options
2,875,000 ordinary shares
175,000 performance rights issued 23 November 2011 which vested 1 July 2012
175,000 performance rights issued 23 November 2011 and vesting 1 July 2013
1,000,000 performance rights issued 1 July 2012 and vesting subject to VWAP share price of 25 cents

Directorships held in other listed entities in last 3 years
Nil

Name and Qualifications
Gillian Swaby B.Bus, FAICD, FCIS, Non-executive Director (Director since January 2004)

Special Responsibilities
Chairperson of the Audit Committee

Experience
Gillian Swaby has been involved in financial and corporate administration for listed companies, as both director and company secretary covering a broad range of industry sectors, for over 29 years. Ms Swaby has extensive experience in the area of secretarial practice, management accounting and corporate and financial management.

Gillian Swaby is past Chair of the Western Australian Council of Chartered Secretaries of Australia, a former director on their National Board and a lecturer for the Securities Institute of Australia. Ms Swaby is the principal of a corporate consulting company.

Interest in Shares and options
Nil

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 the former Managing Director of Tlou Energy Limited a private unlisted public company with Coal Bed Methane exploration interests in Southern Africa.

Previously he was Chief Commercial Officer of Sunshine Gas Limited prior to its merger with the Queensland Gas Company in 2008. Chris also held other technical and business development roles at Sunshine Gas.

He is a member of the Petroleum Exploration Society of Australia.

Interest in Shares and options
1,050,000 ordinary shares

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 (Director since August 2003)

Special Responsibilities
Member of Remuneration Committee

Experience
Jeff Schneider joined the Board of Comet Ridge and was elected Chairman on 28 August 2003; He resigned as the Chairman on 11 November 2009. He holds a degree in commerce and has over 30 years' experience in the oil and gas industry, including 24 years with Woodside Petroleum Limited.

His roles at Woodside included General Manager Commercial, accountable for business and strategic planning, mergers and acquisitions, product marketing and the business performance of Woodside's North West Shelf investment. 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.

Jeff also holds non-executive director positions on the ASX listed entities Green Rock Energy Limited and Cooper Energy Limited. He has extensive corporate governance and board experience as both a non-executive director and chairman in resources companies.

Interest in Shares and options
4,248,416 ordinary shares

Directorships held in other listed entities in last 3 years
Strike Energy Limited (resigned 19 August 2010)
Green Rock Energy Limited
Cooper Energy Limited

Name and Qualifications
Anthony Gilby B.Sc. (First Class Honours), Non-executive Director

Special Responsibilities
Chairperson of Remuneration Committee

Experience
Anthony Gilby began his career as a geologist for Delhi Petroleum in the Cooper Basin. He then held roles in exploration geology and geophysics as well as petrophysics both in Delhi Petroleum and ESSO (post the Delhi acquisitions).

Following a 12-month stint working in the Exxon Production Research Centre in Houston, Tony returned to Australia eventually working for MIM Petroleum and the Louisiana Land and Exploration Company before taking on a variety of consulting roles as well as the acquisition of prospective Queensland acreage in a private capacity. This work culminated in the founding of Sunshine Gas and his role as Managing Director.

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

Interest in Shares and options
24,215,848 ordinary shares

Directorships held in other listed entities in last 3 years
Nil

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 2012 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	*	*	*	*	2	2
J Schneider	7	7	*	*	2	2	*	*
G Swaby	7	5	3	3	*	*	*	*
C Pieters	7	7	3	3	2	2	2	2
A Gilby	7	6	*	*	2	2	*	*

* = Not a member of the relevant committee

Directors' Report (continued)

12. Remuneration Report - audited

This report outlines the remuneration arrangements in place for the non-executive directors, executive directors and other key management personnel of the Company.

Remuneration committee

The Board has established a Remuneration Committee which provides advice and specific recommendations on the remuneration packages and other terms of employment for executive directors, other senior executives; and non-executive directors including:

- the level of non-executive director fees
- the amount and nature of remuneration arrangements for executive directors and other executives, and
- the type and nature of incentive arrangements including key performance targets effecting the remuneration of the executive team.

The objective of the remuneration committee is to ensure that the remuneration policies and arrangements are fair and competitive and aligned with the long term interest of the Company.

The level of remuneration and other terms and conditions of employment for executive directors and company executives are reviewed annually having regard to performance and relevant 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.

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

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. No advice was sought during the 2012 financial year.

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 fees (inclusive of superannuation) have been paid as follows:	2012 $	2011 $
Chair	76,300	76,300
Other non-exective directors	38,150	38,150

Executive remuneration policy

The objective of the executive remuneration policy is to ensure that the group's remuneration arrangements are competitive and reasonable, enabling it to attract and retain the right calibre of staff and to align the remuneration of executive directors and other executives with shareholder and business objectives. Executive remuneration arrangements comprise a fixed remuneration component and specific long-term incentives based on key performance areas affecting the group's financial and/or operational results as follows:

- a base salary (which is based on factors such as length of service, qualifications and experience), superannuation, fringe benefits, options and performance incentives.
- short term performance incentives in the form of cash bonuses which are paid only when 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 short term performance based incentives; and
- long term performance based incentives comprising options or performance rights which are are designed to align the remuneration of executives with the business objectives of the Company and its shareholders.

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

Executive and non-executive directors and other employed executives receive the superannuation guarantee contribution required by the Commonwealth Government, which is currently 9% (to a maximum of $15,775), and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid is valued at either cost or the fair value to the Company and expensed.

Share trading policy

Shares issued under any of the group's employee equity plans are subject to, and conditional upon, compliance with the group's Securities Trading Policy. Executives are prohibited from limiting risk attached to those instruments by use of derivatives or other means.

Directors' Report (continued)

12. Remuneration Report - audited (continued)

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.

Details of remuneration

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

	Short-term Benefits		Post Employment	Long-term Benefits		Share-based Payments	
Benefits and Payments for the Year Ended 30 June 2012	**Salary & Fees**	**Cash Bonus**	**Super-annuation**	**Long Service Leave**	**Total Cash Remuneration**	**Performance Rights**	**Total**
Directors	**$**	**$**	**$**	**$**	**$**	**$**	**$**
J McKay	70,000	-	6,300	-	76,300	-	**76,300**
T McCaul	303,808	-	15,775	8,839	328,422	38,062	**366,484**
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 Key Management Personnel	**513,808**	**-**	**34,675**	**8,839**	**557,322**	**38,062**	**595,384**

	Short-term Benefits		Post Employment	Long-term Benefits		Share-based Payments	
Benefits and Payments for the Year Ended 30 June 2011	**Salary & Fees**	**Cash Bonus**	**Super-annuation**	**Long Service Leave**	**Total Cash Remuneration**	**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 Key Management Personnel	**499,801**	**-**	**34,099**	**-**	**533,900**	**-**	**533,900**

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	**Fixed Remuneration**		**At risk - Short term incentives**		**At risk - Long term incentives**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Executive directors						
Tor McCaul	89.6%	100.0%	0.0%	0.0%	10.4%	0.0%

Long term incentives are provided by way of peformance rights and the percentages disclosed above are based on the value of the performance rights expensed during the year.

Directors' Report (continued)

12. Remuneration Report - audited (continued)

Service agreements

Remuneration and other terms of employment for the managing director are formalised in an employment contract. The contract provides for the provision of performance related bonuses and participation in the Comet Ridge Employee Performance Rights Plan. Other major provisions of the employement agreement are set out below.

Tor McCaul	Managing Director (Appointed 16 April 2009)
Term of Agreement:	No fixed term
Base Salary:	$319,583 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.

Share-based compensation

Long term incentives are provided to certain employees through 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.

Options

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.

No options over shares in Comet Ridge Limited have been granted under the Comet Ridge Share Option Plan in the current year to key management personnel.

Performance Rights

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 fair value of performance rights at grant date is determined by reference to the quoted price of the Company's shares on the ASX.

The maximum number of performance rights issued, is 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.

The terms and conditions of each grant of performance rights affecting remuneration in the current or a future period with respect to key management personnel are as follows:

Grant Date	Number of Performance Rights	Vesting Date	Expiry Date	Share Price at Grant date	Performance Condition	% Vested
23/11/11	175,000	01/07/12	05/07/13	14.5 cents	12 months service	0%
23/11/11	175,000	01/07/13	05/07/13	14.5 cents	24 months service	0%

Directors' Report (continued)

12. Remuneration Report - audited (continued)

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
2012	595,384	1.12	-	10.50
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

13 Options and Performance Rights

At the date of this report, the following options for ordinary shares in Comet Ridge Limited were on issue. All options issued below are issued to executives who are not included in key management personnel:

Number of Options	Exercise Price	% Exercisable	Expiry Date
500,000	$0.500	100%	30/11/13
500,000	$0.650	0%	31/01/14
500,000	$0.500	100%	28/02/14
1,000,000	$0.650	0%	31/03/14
2,500,000			

No ordinary shares were issued during the current financial year or since year-end as a result of the exercise of options.

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

	Grant Date	Total Granted	Granted to Executives	Vesting Date	Expiry Date
	01/10/11	140,000	140,000	01/07/13	05/07/13
	03/10/11	325,000	140,000	01/07/13	05/07/13
	04/10/11	230,000	230,000	01/07/13	05/07/13
	23/11/11	175,000	175,000	01/07/13	05/07/13
	21/03/12	500,000	500,000	31/12/12	07/01/13
	21/03/12	500,000	500,000	31/12/13	07/01/14
	01/07/12	3,000,000	1,500,000	VWAP	30/06/16
*	01/07/12	1,000,000	1,000,000	VWAP	30/06/16
	01/07/12	105,000	-	01/07/13	07/07/14
	01/07/12	105,000	-	01/07/14	07/07/14
		6,080,000	4,185,000		

* Granted to Managing Director and subject to shareholder approval if necessary.

No ordinary shares were issued during the year ended 30 June 2012 as a result of performance rights vesting during the year. The following ordinary shares have been issued as a result of performance rights vesting since year end.

Grant Date	Number of Performance Rights	Vesting Date	Number of Shares Issued
03/10/11	695,000	01/07/12	695,000
23/11/11	175,000	01/07/12	175,000
	870,000		870,000

Directors' Report (continued)

14. Insurance of Officers

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

No directors or officers liability Insurance Policy has been entered into or secured in respect to the current Directors or Officers of the Company. This position is reviewed periodically taking into account the size of the Company and the level and nature of its activities.

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

15. Proceedings on Behalf of Company

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

16. Company Secretary

Mr Stephen Rodgers was appointed Company Secretary on 16 April 2009 and continues in office at the date of this report. He is a lawyer with more than 20 years' experience and holds a Bachelor of Laws degree from QUT.

After practising 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 strong legal and commercial experience with a particular emphasis on the coal seam gas industry.

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	**2012**	2011
	$	$
Accounting advice	**-**	4,130
Tax consulting and compliance services	**13,410**	12,700
Total remuneration for non-audit services	**13,410**	16,830

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

Tor McCaul
Managing Director
Brisbane, Queensland, 25 September 2012

JOHNSTON RORKE
CHARTERED ACCOUNTANTS

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KYLIE LAMPRECHT
NORMAN THURECHT
BRETT HEADRICK
WARWICK FACE
NIGEL BATTERS

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 2012, 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, 25 September 2012

Statement of Comprehensive Income for the year ended 30 June 2012

	Note	Consolidated 2012 $	2011 $
Revenue			
Interest		**329,008**	375,429
Distributions		**-**	3,300,729
Gain on sale of interest in joint venture	2	**6,251,818**	-
Research & development tax offset	2	**424,454**	-
Other income	2	**3,589**	339,777
Expenses			
Employee benefits expense	3	**(903,680)**	(1,002,522)
Contractors and consultants costs	3	**(244,257)**	(477,685)
Depreciation and amortisation expense		**(43,688)**	(46,217)
Impairment - receivables		**-**	(104,798)
Exploration stand-by costs and other write-offs		**-**	(8,101)
Professional fees		**(405,539)**	(300,329)
Corporate expenses		**(210,493)**	(115,004)
Occupancy costs	3	**(153,072)**	(231,252)
Other expenses	3	**(272,181)**	(1,232,686)
PROFIT BEFORE INCOME TAX		**4,775,959**	497,341
Income tax (expense)/credit	4	**(1,093,197)**	738,267
PROFIT FOR THE PERIOD		**3,682,762**	1,235,608
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**368,042**	(525,601)
Changes in fair value of available for sale financial assets		**-**	947,973
TOTAL OTHER COMPREHENSIVE INCOME		**368,042**	422,372
TOTAL COMPREHENSIVE INCOME		**4,050,804**	1,657,980
Profit attributable to:			
Owners of the parent		**3,682,762**	1,235,608
Non-controlling interests		**-**	-
		3,682,762	1,235,608
Total comprehensive income attributable to:			
Owners of the parent		**4,050,804**	1,657,980
Non-controlling interests		**-**	-
		4,050,804	1,657,980
EARNINGS PER SHARE		**Cents**	**Cents**
Basic profit per share	5	1.20	0.40
Diluted profit per share	5	1.19	0.40

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

Statement of Financial Position
as at 30 June 2012

	Note	Consolidated 2012 $	2011 $
CURRENT ASSETS			
Cash and cash equivalents	6	**6,081,148**	7,018,398
Trade and other receivables	7	**150,203**	246,221
Inventories	8	**100,882**	63,398
Other assets	9	**328,734**	234,067
TOTAL CURRENT ASSETS		**6,660,967**	7,562,084
NON-CURRENT ASSETS			
Available-for-sale financial assets	10	**4,362,692**	4,139,956
Property, plant and equipment	11	**73,816**	84,643
Exploration and evaluation expenditure	12	**36,532,267**	31,568,569
TOTAL NON-CURRENT ASSETS		**40,968,775**	35,793,168
TOTAL ASSETS		**47,629,742**	43,355,252
CURRENT LIABILITIES			
Trade and other payables	13	**573,547**	1,697,239
Provisions	14	**54,359**	46,313
TOTAL CURRENT LIABILITIES		**627,906**	1,743,552
NON-CURRENT LIABILITIES			
Provisions	14	**14,386**	-
Deferred tax liabilities	15	**2,352,360**	1,256,631
TOTAL NON-CURRENT LIABILITIES		**2,366,746**	1,256,631
TOTAL LIABILITIES		**2,994,652**	3,000,183
NET ASSETS		**44,635,090**	40,355,069
EQUITY			
Contributed equity	16	**65,265,125**	65,265,125
Reserves	17	**2,240,117**	1,642,858
Accumulated losses		**(22,870,152)**	(26,552,914)
TOTAL EQUITY		**44,635,090**	40,355,069

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 2012

	Contributed Equity $	Foreign Currency Translation Reserve $	Available-for-Sale Reserve $	Share Based Payments Reserve $	Accumulated Losses $	Total $
Consolidated						
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 income/(loss) for the year	-	(525,601)	947,973	-	-	422,372
Total comprehensive income/(loss) for the year	-	(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
Balance at 1 July 2011	**65,265,125**	**(584,181)**	**947,973**	**1,279,066**	**(26,552,914)**	**40,355,069**
Profit for the period	**-**	**-**	**-**	**-**	**3,682,762**	**3,682,762**
Other comprehensive income for the year	**-**	**368,042**	**-**	**-**	**-**	**368,042**
Total comprehensive income for the year	**-**	**368,042**	**-**	**-**	**3,682,762**	**4,050,804**
Transactions with owners in their capacity as owners						
Share based payments	**-**	**-**	**-**	**229,217**	**-**	**229,217**
	-	**-**	**-**	**229,217**	**-**	**229,217**
Balance at 30 June 2012	**65,265,125**	**(216,139)**	**947,973**	**1,508,283**	**(22,870,152)**	**44,635,090**

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 2012

	Note	Consolidated 2012 $	2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		**299,189**	513,586
Distributions received		**-**	3,300,729
Research and Development Tax Offset received		**424,454**	-
Other receipts		**-**	187,646
Payments to suppliers and employees		**(1,854,739)**	(2,667,681)
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	25	**(1,131,096)**	1,334,280
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation assets		**(6,164,796)**	(5,459,175)
Proceeds from sale of part interest in Mahalo JV		**7,000,000**	-
Payments related to sale of part interest in Mahalo JV		**(594,788)**	-
Payment for property, plant and equipment		**(32,589)**	(27,540)
Proceeds from term deposits		**-**	5,132,488
Acquisition of subsidiary, net of cash acquired		**-**	(159,541)
Repayments from joint venture partner		**-**	1,336,796
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		**207,827**	823,028
CASH FLOWS FROM FINANCING ACTIVITIES			
NET CASH PROVIDED BY FINANCING ACTIVITIES		**-**	-
Net (decrease)/increase in cash held		**(923,269)**	2,157,308
Cash at the beginning of the period		**7,018,398**	4,815,021
Effects of exchange rate changes on cash		**(13,981)**	46,069
CASH AT THE END OF THE YEAR	6	**6,081,148**	7,018,398

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 2012

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 ("Comet Ridge" or "the Company") and its controlled entities (the group). Comet Ridge Limited is a for-profit entity for the purpose of preparing the financial statements. Disclosures with respect to the parent entity are included in note 30. The financial statements were approved for issue by the directors on 25 September 2012.

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.

(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).

(v) New and amended standards adopted
None of the new standards and amendments to standards that are mandatory for for the first time for the fiancial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(vi) Early adoption of standards
The group has not elected to apply any pronouncements before their operative date in preparation of these financial statements.

(vii) 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).

Notes to the financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(c) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries as at 30 June 2012 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 28.

(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.

(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.

Notes to the financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(d) Foreign currency translation (continued)

(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.

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.

Notes to the financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(e) Income taxes (continued)

Tax consolidation
Comet Ridge Limited and its wholly owned Australian subsidiaries 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.

(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.

Notes to the financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(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.

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.

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)

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.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when actual settlement is expected to occur.

(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 there was no impairment of exploration and evaluation expenditure (2011: $nil). However, the carrying value of the impairment provision for exploration and evaluation expenditure increased by $31,340 which was the effect of foreign exchange movements (2011: $115,391) and increased the impairment provision to $3,878,218 (2011: increased to $3,846,878). 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 $48,289,611 (2011: $48,289,411) less provisions for impairment $37,675,396 (2011: $37,675,396). The parent entity has also loaned funds to its subsidiaries of $15,300,805 (2011: $14,652,565) primarily to undertake exploration expenditure. The parent entity has impaired the carrying amount of the loans by $10,510,955 (2011: $10,510,955). 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% (2011: 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% (2011: 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.

Because of the movement in the A$:US$ exchange rate, an exchange gain on translation of $222,736 (2011: loss of$829,877) has been recognised and has increased 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 10.

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

A number of Australian Accounting Standards and Interpretations have been issued or amended but are not yet mandatory for the 30 June 2012 annual reporting period and have not been early adopted by the group for the preparation of these financial statements. The group's assessment of the impact of these new or amended Standards and Interpretations, most relevant to the group, are 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 2015)
This revised standard provides guidance on the classification and measurement of financial assets, which is the first phase of a multi-phase project to replace AASB 139 Financial Instruments: Recognition and Measurement. Under the new guidance, a financial asset is to be measured at amortised cost only if it is held within a business model whose objective is to collect contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are payments solely of principal and interest (on the principal amount outstanding). All other financial assets are to be measured at fair value.

Changes in the fair value of investments in equity securities that are not part of a trading activity may be reported directly in equity, but upon realisation those accumulated changes in value are not recycled to the profit or loss. Changes in the fair value of all other financial assets carried at fair value are reported in the profit or loss.

The full impact of this standard is yet to be fully assessed, but adoption of this standard from 1 January 2013 is not expected to have a material impact on the group.

In the second phase of the replacement project, the revised standard incorporates amended requirements for the classification and measurement of financial liabilities. The new requirements pertain to liabilities at fair value through profit or loss, whereby the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than profit or loss. There will be no impact on the group's accounting for financial liabilities, as the group does not have any liabilities at fair value through profit or loss.

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 definition of "control" and replaces parts of AASB 27 *Consolidated and Separate Financial Statements*. The new definition broadens the situations when an entity is considered to be controlled and is likely to lead to more entities being consolidated.

Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

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 two types of joint arrangements i.e. joint operations and joint ventures.

The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The full impact of this standard is yet to be fully assessed, but adoption of this standard from 1 January 2013 is not expected to have a material impact on the group.

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 made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature of the risks involved. The group is yet to assess the impact of this new standard, if any.

AASB 127 Separate Financial Statements
(effective for annual reporting periods beginning on or after 1 January 2013)
This amended standard deals only with separate financial statements, with the consolidated financial statement requirements having moved to AASB 10. It carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

AASB 128 Investments in Associates and Joint Ventures
(effective for annual reporting periods beginning on or after 1 January 2013)
Only limited amendments have been made to this standard including accounting for associates and joint ventures held for sale and changes in interests held in associates and joint ventures.

AASB 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 single robust measurement framework, but does not change the circumstances when an entity is required to determine and use fair value. It also expands the disclosures required when fair value is used. The group is yet to assess whether any of its current measurement techniques will require revision due to the new guidance, however, it is anticipated that disclosures may be more extensive.

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 119 Employee Benefits (effective from 1 July 2013)
These amendments introduce various modifications including changes to the measurement of defined benefit plans, change in the timing for recognition of termination benefits and amends the definition of short-term and other long-term employee benefits. The group is yet to assess the impact of these amendments, if any.

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. These amendments will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors' report. As a result, individual KMP disclosures will be reduced as a result of these amendments, but there will be no impact on the aggregate amounts recognised in the financial statements.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
(effective for annual reporting periods beginning on or after 1 January 2013)
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 January 2013 will not have a material impact on the consolidated entity.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income
(effective for annual reporting periods beginning on or after 1 July 2012)
The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The adoption of the revised standard from 1 January 2013 will impact the consolidated entity's presentation of its statement of comprehensive income.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures Offsetting Financial Assets and Financial Liabilities
(effective from 1 January 2013) and **AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities** (effective from 1 January 2014)
The amendments to AASB132 clarify when an entity has a legally enforceable right to set-off financial assets and financial liabilities permitting entities to present balances net on the balance sheet. The amendments to AASB 7 increase the disclosure about offset positions, including the gross position and the nature of the arrangements. The Directors have not yet assessed the impact of the amendments, if any.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
(effective from 1 January 2013)
These amendments introduce various changes to AASBs. The Directors have not yet assessed the impact of the amendments, if any.

Notes to the financial statements (continued)

Note 2 - Revenue	Consolidated 2012 $	2011 $
(a) Gain on sale of interest in joint venture	**6,251,818**	**-**

On 28 December 2011, Comet Ridge completed the sale of a 5% interest in the Mahalo JV (part of ATP 337) i.e. 12.5% of COI's 40% interest to Stanwell Corporation Limited. The gain on sale is calculated as follows:

Proceeds from sale	**7,000,000**
Carrying amount of exploration and evaluation assets sold	**(153,394)**
Costs allocated	**(594,788)**
	6,251,818

Under the Share Purchase and Option Agreement, further consideration may be received by Comet Ridge but this is contingent on the results of the upcoming exploration program, the extent of reserves booked, if any, and whether Stanwell Corporation Limited exercises its option to acquire a further interest in the joint venture.

(b) Research & development tax offset	**424,454**	**-**

During the 2012 year Comet Ridge received a Research and Development tax offset from the Australian Taxation Office. The research and development application was made in the prior financial year and arose from the drilling program undertaken in the Galilee Basin during the 2010 financial year. As part of the drilling program, Comet Ridge conducted research into the performance of various types of drill bits with a view to using the same drill rig for both drilling and coring operations. The objective of the research program was to save the additional mobilisation and demobilisation costs associated with engaging a specialist coring rig which can be considerable particularly in remote locations.

(c) Other income	Consolidated 2012 $	2011 $
Other income includes the following specific items:		
Profit on termination of Plexus fee	**-**	127,955
Sale of seismic data	**-**	211,822
Foreign exchange gains (net)	**3,589**	-
Total other income	**3,589**	339,777

Note 3 - Expenses

Profit before income tax includes the following specific expenses:

(a) Employee benefits expense		
Defined contribution superannuation expense	**(89,598)**	(101,902)
Share based payments expense	**(229,217)**	(9,756)
Other employee benefits expense	**(584,865)**	(890,864)
	(903,680)	(1,002,522)
(b) Contractor and consultants costs		
Contractors' fees	**(240,657)**	(477,111)
Consulting fees	**(3,600)**	(574)
	(244,257)	(477,685)
(c) Occupancy costs		
Rental expense relating to operating leases - minimum lease rentals	**(145,677)**	(198,274)
Other occupancy costs	**(7,395)**	(32,978)
	(153,072)	(231,252)

Notes to the financial statements (continued)

Note 3 - Expenses (continued)	Consolidated 2012 $	2011 $
(c) Other expenses include the following specific items:		
Foreign exchange losses (net)	**-**	(635,545)
Other administration and office costs	**(272,181)**	(597,141)
	(272,181)	**(1,232,686)**

Note 4 - Income Tax

(a) Recognised in the statement of comprehensive income		
Current tax (overprovision prior year)	**(2,532)**	-
Deferred tax credit relating to the origination and reversal of temporary differences	**1,095,729**	(738,267)
Income tax expense/(credit)	**1,093,197**	(738,267)
Deferred income tax credit included in income tax expense comprises:		
Increase in deferred tax asset (note 15)	**(402,327)**	(1,761,760)
Increase in deferred tax liability (note 15)	**1,498,056**	1,023,493
	1,095,729	(738,267)
(b) Numerical reconciliation of income tax expense to prima facie tax on accounting profit		
Profit before income tax	**4,775,959**	497,341
Tax at the Australian tax rate of 30% (2011:30%)	**1,432,788**	149,202
Over provision prior year	**(2,532)**	-
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share options expensed	**68,765**	2,927
R & D tax offset received	**(127,336)**	-
Other non-deductible items	**3,623**	206,905
Benefit obtained from subsidiary joining tax consolidated group	**-**	(65,846)
Previously unrecognised tax losses used to reduce deferred tax expense	**(282,111)**	(1,031,455)
Income tax expense/(credit)	**1,093,197**	(738,267)
(c) Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Temporary differences and tax losses (gross)	**8,669,442**	12,531,344

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.

	Consolidated 2012 $	2011 $
(d) Franking credits		
Franking credits available for subsequent financial years based on a tax rate of 30% (2011: 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.

Notes to the financial statements (continued)

Note 5 - Earnings Per Share	**Consolidated 2012 $**	**2011 $**
(a) Reconciliation of earnings used in calculating basic and diluted earnings per share:		
Profit for the year	**3,682,762**	1,235,608
Profit used in the calculation of the basic and dilutive earnings per share	**3,682,762**	1,235,608
(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/performance rights	**1,081,038**	32,615
Weighted average number of ordinary shares used in calculating diluted earnings per share	**308,432,182**	307,383,759

(c) Options and performance rights 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. Details relating to options and performance rights are set out in note 18.

Note 6 - Cash and Cash Equivalents	**Consolidated 2012 $**	**2011 $**
Cash at bank and on hand	**6,081,148**	7,018,398

Note 7 - Trade and Other Receivables	**Consolidated 2012 $**	**2011 $**
Current		
Other receivables	**150,203**	246,221

Other receivables comprise cash calls recoverable from a joint venture partner and GST refunds. At 30 June 2012 $Nil (2011: $Nil) of the cash call receivables were past due and no provision for impairment has been recognised. The carrying amount of other receivables are assumed to approximate their fair values due to their short term nature.

Note 8 - Inventories	**Consolidated 2012 $**	**2011 $**
Consumables - at cost	**100,882**	63,398

Note 9 - Other Assets

Prepayments	**58,734**	39,067
Deposit (refer note 19 (d))	**75,000**	-
Restricted cash	**195,000**	195,000
	328,734	234,067

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 19(b).

Notes to the financial statements (continued)

	Consolidated	
	2012	**2011**
Note 10 - Available-for-sale Financials Assets	**$**	$
Investment in Comet Ridge Resources LLC	**4,362,692**	4,139,956
Movement in carrying amount		
Balance at the beginning of year	**4,139,956**	4,021,860
Additional contributions	**-**	-
Fair value adjustment	**-**	947,973
Foreign exchange movements	**222,736**	(829,877)
Balance at the end of year	**4,362,692**	4,139,956

Comet Ridge USA Inc., a wholly owned subsidiary of Comet Ridge Limited, owns a 17.26% (2011: 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% (2011: 82.5%).

CRR is not a controlled entity of Comet Ridge Limited as Comet Ridge Limited is not able to govern the activities of the entity so as to obtain benefits from it. 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 program. Should the group not contribute, its interest will decline to no less than 5% under the arrangements with the private equity fund.

	Consolidated	
	2012	**2011**
Note 11 - Property, Plant and Equipment	**$**	$
Plant and equipment at cost	**149,600**	165,849
Accumulated depreciation	**(75,784)**	(81,206)
	73,816	84,643

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	**84,643**	103,579
Additions	**32,589**	27,540
Depreciation	**(43,688)**	(46,217)
Foreign exchange movements	**272**	(259)
Carrying amount at the end of year	**73,816**	84,643

Note 12 - Exploration and Evaluation Expenditure

Exploration and evaluation expenditure	**40,410,485**	35,415,447
Less: provision for impairment	**(3,878,218)**	(3,846,878)
	36,532,267	31,568,569
Movements in exploration and evaluation phase		
Balance at the beginning of period	**31,568,569**	27,720,217
Exploration and evaluation expenditure during the year	**4,981,366**	3,933,929
Acquired through acquisition of subsidiary (note 31)	**-**	238,378
Disposals (note 2 (a))	**(153,394)**	-
Foreign currency translation	**135,726**	(323,955)
Balance at the end of period	**36,532,267**	31,568,569

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. Further information regarding the activity in each area of interest is shown in note 26 - Segment Information.

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 28.

Notes to the financial statements (continued)

	Consolidated	
	2012	**2011**
Note 13 - Trade and Other Payables	**$**	$
Current		
Trade payables	**573,547**	1,697,239
Note 14 - Provisions		
Current		
Employee benefits	**54,359**	46,313
Non-current		
Employee benefits	**14,386**	-
	68,745	46,313
Note 15 - Deferred Tax Liability		
Deferred tax liability	**2,352,360**	1,256,631
The balance of deferred tax liability comprises:		
Deferred tax assets		
Tax losses	**11,123,190**	10,875,014
Capital expenditure	**74,967**	228,103
Provisions	**20,624**	13,894
Impairments of investment in available for sale financial asset	**-**	858,013
	11,218,781	11,975,024
Deferred tax liabilities		
Exploration and evaluation expenditure	**(10,959,680)**	(9,470,570)
Accrued interest	**(10,628)**	(1,682)
	(10,970,308)	(9,472,252)
Net deferred tax asset	**248,473**	2,502,772
Deferred tax assets not recognised	**(2,600,833)**	(3,759,403)
Net deferred tax liability recognised in accounts	**(2,352,360)**	(1,256,631)
Movements		
Opening balance	**1,256,631**	1,929,052
Acquisitions during the year	**-**	65,846
Charged/(credited) to profit or loss	**1,095,729**	(738,267)
Closing balance	**2,352,360**	1,256,631

Notes to the financial statements (continued)

	Consolidated	
	2012	**2011**
Note 16 - 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 2010	307,351,144	65,265,125
Closing balance at 30 June 2011	307,351,144	65,265,125
Closing balance at 30 June 2012	**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.

Options and Performance Rights

At 30 June 2012, the following options for ordinary shares in Comet Ridge Limited were on issue:

Number			**% Exercisable**		
2012	**2011**	**Exercise Price**	**2012**	**2011**	**Expiry Date**
-	3,800,000	$0.419	0%	100%	01-Aug-11
-	30,000	$0.419	0%	100%	04-Sep-11
-	130,000	$0.419	0%	100%	03-Dec-11
-	300,000	$0.419	0%	100%	06-Dec-11
-	15,192,500	$0.169	0%	100%	30-Jun-12
-	4,575,000	$0.269	0%	100%	30-Jun-12
-	2,575,000	$0.269	0%	0%	30-Jun-12
500,000	500,000	$0.500	100%	100%	30-Nov-13
500,000	500,000	$0.650	0%	0%	31-Jan-14
500,000	500,000	$0.500	100%	100%	28-Feb-14
1,000,000	1,000,000	$0.650	0%	0%	31-Mar-14
2,500,000	29,102,500				

At 30 June 2012, the following performance rights for ordinary shares in Comet Ridge Limited were on issue:

Number			
2012	**2011**	**Grant Date**	**Expiry date**
280,000	-	01-Oct-11	05-Jul-13
650,000	-	03-Oct-11	05-Jul-13
460,000	-	04-Oct-11	05-Jul-13
350,000	-	23-Nov-11	07-Jan-13
1,000,000	-	21-Mar-12	07-Jan-14
2,740,000	-		

Notes to the financial statements (continued)

Note 16 - Contributed Equity (continued)

Capital Risk 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	
	2012	**2011**
Note 17 - Reserves	**$**	$
Foreign currency translation	**(216,139)**	(584,181)
Available for sale financial assets	**947,973**	947,973
Share based payments	**1,508,283**	1,279,066
	2,240,117	1,642,858

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.

Note 18 - Share-based Payments

Employee Share Options

Options are granted either under the Company's Employee Share Incentive Option Plan, or 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 employee share options amounts to $Nil (2011: $9,756). 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.

There were no employee share options granted during the year ended 30 June 2012. The following table shows the number, movements and weighted average exercise price of share options issued for the 2012 year:

Notes to the financial statements (continued)

Note 18 - Share-based Payments (continued)

Employee Share Options (continued)

Grant Date	*Expiry date*	*Exercise price*	Opening Balance July 2011	Granted During the Year	Exercised During the Year	Expired During the year	Closing Balance June 2012	Vested & Exercisable
22-Sep-08	30-Jun-12	$0.169	14,677,500	-	-	(14,677,500)	-	-
22-Sep-08	30-Jun-12	$0.269	5,150,000	-	-	(5,150,000)	-	-
28-Jan-09	30-Jun-12	$0.169	515,000	-	-	(515,000)	-	-
03-Mar-09	01-Aug-11	$0.419	1,900,000	-	-	(1,900,000)	-	-
03-Mar-09	03-Dec-11	$0.419	65,000	-	-	(65,000)	-	-
Total options on acquisition of subsidiary			22,307,500	-	-	(22,307,500)	-	-
01-Aug-07	31-Jul-11	$0.419	1,900,000	-	-	(1,900,000)	-	-
05-Sep-07	04-Sep-11	$0.419	30,000	-	-	(30,000)	-	-
03-Dec-07	02-Dec-11	$0.419	65,000	-	-	(65,000)	-	-
07-Dec-07	06-Dec-11	$0.419	300,000	-	-	(300,000)	-	-
16-Apr-09	30-Jun-12	$0.269	2,000,000	-	-	(2,000,000)	-	-
13-Apr 10 (1)	30-Nov-13	$0.500	500,000	-	-	-	500,000	500,000
13-Apr 10 (1)	31-Jan-14	$0.650	500,000	-	-	-	500,000	-
18-Jun-10 (2)	28-Feb-14	$0.500	500,000	-	-	-	500,000	500,000
18-Jun-10 (2)	31-Mar-14	$0.650	1,000,000	-	-	-	1,000,000	-
Total plan options			6,795,000	-	-	(4,295,000)	2,500,000	1,000,000
Total options			29,102,500	-	-	(26,602,500)	2,500,000	1,000,000
Weighted average exercise price			0.266	-	-	0.240	0.590	

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
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
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
16-Apr-09	30-Jun-12	$0.269	2,000,000	-	-	-	2,000,000	2,000,000
13-Apr 10 (1)	30-Nov-13	$0.500	500,000	-	-	-	500,000	500,000
13-Apr 10 (1)	31-Jan-14	$0.650	500,000	-	-	-	500,000	-
18-Jun-10 (2)	28-Feb-14	$0.500	500,000	-	-	-	500,000	500,000
18-Jun-10 (2)	31-Mar-14	$0.650	1,000,000	-	-	-	1,000,000	-
Total plan options			6,795,000	-	-	-	6,795,000	5,295,000
Total options			29,102,500	-	-	-	29,102,500	25,027,500
Weighted average exercise price			0.266	-	-	-	0.266	

Notes to the financial statements (continued)

Note 18 - Share-based payments (continued)

Employee Share Options (continued)

The weighted average remaining contractual life of share options outstanding at the end of the year was 1.6 years (2011: 1.01 years).

The terms and conditions of the options on issue at 30 June 2012 are as follows:

1 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.

2 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.

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.

The following table shows the number and movements of performance rights granted for the 2012 year:

Grant Date	Expiry date	Share Price at Grant Date (cents)	Opening Balance July 2011	Granted During the Year	Exercised During the Year	Expired During the year	Closing Balance June 2012	Vested
01-Oct-11	05-Jul-13	13.5	-	280,000	-	-	280,000	-
03-Oct-11	05-Jul-13	13.5	-	720,000	-	(70,000)	650,000	-
04-Oct-11	05-Jul-13	13.5	-	460,000	-	-	460,000	-
23-Nov-11	05-Jul-14	14.5	-	350,000	-	-	350,000	-
21-Mar-12	07-Jan-13	12.5	-	500,000		-	500,000	-
21-Mar-12	07-Jan-14	12.5	-	500,000	-	-	500,000	-
			-	2,810,000	-	(70,000)	2,740,000	-

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

All performance rights granted during the 2012 year were subject only to the employee/contractor satisfying a continuation of employment service condition. As a result, the fair value of performance rights granted is based on the Comet Ridge Limited share price at grant date. The total expenses arising from share-based payment transaction recognised during the year as part of employee benefit expense is disclosed in Note 3. There is no exercise price applicable to the performance rights granted during the 2012 financial year.

Note 19 - Commitments

	Consolidated 2012 $	Consolidated 2011 $
(a) Operating lease commitments		
Commitments for minimum lease payments for non-cancellable operating leases for offices and equipment contracted for but not recognised in the financial statements.		
Payable - minimum lease payments		
• not later than 12 months	**210,783**	202,857
• between 12 months and 5 years	**112,404**	323,187
	323,187	526,044

Notes to the financial statements (continued)

Note 19 - Commitments (continued)

(b) Bank guarantees

Westpac Banking Corporation have provided bank guarantees totalling $193,256 (2011: $193,256) as follows:

- $148,256 (2011: $148,256) to the State of Queensland in respect of the group's exploration permits and environmental guarantees.
- $45,000 (2011: $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.

(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	
	2012	**2011**
Minimum expenditure requirements	**$**	$
• not later than 12 months	**5,219,602**	3,273,694
• between 12 months and 5 years	**6,971,350**	16,078,577
	12,190,952	19,352,271

The commitments shown above include the amounts with respect to the group's interest in jointly controlled assets (refer note 28).

Comet Ridge has made application to NZ Petroleum and Minerals (NZP&M) to substantially reduce the work program commitments on all three of the Comet Ridge 100% held blocks. Based on the extensive technical work (aerial magnetic and gravity surveying including extensive geological and geophysical analysis) conducted over the past two years, the group has identified which parts of these three blocks were most prospective for gas. As a result of the work undertaken, an application has been made to reduce the work program commitments by approximately $13.5m to match what is now regarded as the the most appropriate technical work required going forward. Part of these applications were also plans to relinquish the least prospective parts of each of the blocks where the Company is unlikely to undertake exploration or appraisal drilling. NZP&M will now formally consider these applications as part of their normal process.

The minimum expenditure requirements above reflect the proposed reduced work program.

(d) Acquisition of additional Gunnedah Basin assets

On 21 June 2012, Comet Ridge Gunnedah Pty Ltd,a wholly owned subsidiary, entered into an Asset Sale Agreement to acquire Petrel Energy Limited's interests in PEL 6, PEL 427 and PEL 428 in the Gunnedah Basin in northern New South Wales for A$750,000 cash. The transaction is subject to joint venture and NSW Government consents which are currently being progressed.

A deposit of $75,000 was paid on signing the Asset Sale Agreement with the balance of $675,000 due when the joint venture and NSW Government consents are received.

Note 20 - 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. 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.

Notes to the financial statements (continued)

Note 20 - Financial Risk Management (continued)

Overview (continued)

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	
	2012	**2011**
Financial Assets	**$**	$
Cash and cash equivalents	**6,081,148**	7,018,398
Trade and other receivables	**150,203**	246,221
Restricted cash	**195,000**	195,000
Available-for-sale financial assets	**4,362,692**	4,139,956
	10,789,043	11,599,575
Financial Liabilities		
Trade and other payables	**573,547**	1,697,239
	573,547	1,697,239

(a) Interest rate risk

Exposure to interest rate risk arises on cash and term deposits 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.

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 2011.

	Profit or Loss		Equity	
	1% increase	**1% decrease**	**1% increase**	**1% decrease**
	$	**$**	**$**	**$**
2012 - Consolidated				
Cash and cash equivalents and restricted cash	62,761	(62,761)	62,761	(62,761)
2011 - Consolidated				
Cash and cash equivalents and restricted cash	72,134	(72,134)	72,134	(72,134)

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 2012	**$**	**$**	**$**	**$**
Trade and other payables	573,547	-	573,547	573,547
Consolidated - 30 June 2011				
Trade and other payables	1,697,239	-	1,697,239	1,697,239

Notes to the financial statements (continued)

Note 20 - Financial Risk Management (continued)

(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.

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

	2012 USD $	2012 NZD $	2011 USD $	2011 NZD $
Financial Assets				
Cash and cash equivalents	-	887,028	-	1,033,038
Trade and other receivables	-	347	-	179,829
Available-for-sale financial assets	4,362,692	-	4,139,956	-
Financial Liabilities				
Trade and other payables	(302)	(2,892)	(3,346)	(137,345)

Foreign currency rate sensitivity

Based on financial instruments held at 30 June 2012, 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
2012	$	$	$	$
US dollar	30	(30)	(436,239)	436,239
NZ dollar	(88,448)	88,448	(88,448)	88,448
2011				
US dollar	335	(335)	(413,661)	413,661
NZ dollar	(107,552)	107,552	(107,552)	107,552

(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 2012 $Nil, (2011: $nil) of the group's receivables were past due. The group has no other significant concentration of credit risk.

Notes to the financial statements (continued)

Note 20 - Financial Risk Management (continued)

(d) Credit risk (continued)

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.

(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 2012 (refer note 1 (ab):

	Consolidated	
	2012	**2011**
Level 3	**$**	$
Available-for-sale financial asset - Investment in Comet Ridge Resources LLC	**4,362,692**	4,139,956

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 10 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	
	2012	**2011**
Note 21 - Key Management Personnel	**$**	$
Key management personnel compensation		
Short-term employee benefits	**513,808**	499,801
Post-employment benefits	**34,675**	34,099
Long-term employment benefits	**8,839**	
Share -based payments	**38,062**	-
	595,384	533,900

Notes to the financial statements (continued)

Note 21 - Key Management Personnel (continued)

Key management personnel shareholdings

The number of ordinary shares in the Company held by each key management person of the group during the financial year is as follows:

30 June 2012	Balance at beginning of year	Granted as remuneration during the year	Other changes during the year	Balance at end of year
J McKay	29,424,551	-	1,700,000	31,124,551
T McCaul	-	-	2,125,000	2,125,000
J Schneider	3,398,732	-	-	3,398,732
G Swaby	2,908,000	-	(2,908,000)	-
C Pieters	1,000,000	-	-	1,000,000
A Gilby	29,579,083	-	(10,206,405)	19,372,678
	66,310,366	-	(9,289,405)	57,020,961

30 June 2011	Balance at beginning of year	Granted as remuneration during the year	Other changes during the year	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	-	(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

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 2012	Balance at beginning of year	Granted as remuneration	Options granted / (expired)	Balance at end of year
Directors				
J Schneider	2,000,000	-	(2,000,000)	-
T McCaul	5,150,000	-	(5,150,000)	-
J McKay	5,150,000	-	(5,150,000)	-
G Swaby	-	-	-	-
C Pieters	1,287,500	-	(1,287,500)	-
A Gilby	5,150,000	-	(5,150,000)	-
Total	18,737,500	-	(18,737,500)	-

30 June 2011	Balance at beginning of year	Granted as remuneration	Options granted / (expired)	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
J McKay	5,150,000	-	-	5,150,000	5,150,000	-
G Swaby	-	-	-	-	-	-
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

Notes to the financial statements (continued)

Note 21 - Key Management Personnel (continued)

Performance rights holdings

The number of performance rights granted to each key management person of the group during the financial year is as follows:

30 June 2012	Balance at beginning of year	Granted as remuneration	Balance at end of year	Vested	Unvested
Directors					
T McCaul	-	350,000	350,000	-	350,000

There were no performance rights granted in the 2011 financial year.

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 key management personenel and their related parties in the current or prior year.

	Consolidated	
	2012	2011
Note 22 - Auditors' Remuneration	**$**	$
During the year the following fees were paid or payable for services provided by Johnston Rorke, the auditor of the group:		
Audit services		
Auditing or reviewing the financial statements	**154,000**	161,500
Non-audit services		
Accounting advice	**-**	4,130
Tax consulting and compliance services	**13,410**	12,700
	13,410	16,830

Note 23 - Contingent Liabilities

The directors are not aware of any contingent liabilities other than additional success based consulting fees which may be payable to the two advisors engaged to assist with negotiating the sale of the interest in the Mahalo Joint Venture. The payment of any future success fees is contingent upon:

(a) Stanwell continuing to fund some or all of the upcoming Mahalo JV exploration program up to a limit $8 million;

(b) Stanwell Corporation Limited exercising either of the options available to it to acquire an additional interest in the Mahalo JV; and

(c) The amount ultimately received by Comet Ridge from the sale.

With respect to one of the advisors, the additional success fees will only be payable if the total proceeds from the sale of the interest in the Mahalo JV exceed $24 million. The proceeds currently included in the calculation of the success fee amount to $15 million comprising the $7 million initial cash payment received and $8 million representing the carry of future exploration and evaluation expenditure.

For this advisor, any future success fees are payable at the rate of 1.25% on any proceeds received from $24 million up to $40 million and 1.5% on any amounts received over $40 million.

For the second advisor, success fees are based on 1% of the proceeds received. Future success fees will be payable on any proceeds received over the $7 million received on the initial sale.

Note 24 - Related Party Transactions

(a) Parent entity

The legal parent entity is Comet Ridge Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 27.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 21.

Notes to the financial statements (continued)

Note 24 - Related Party Transactions (continued)

(d) Transactions with related parties

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.

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	
	2012	**2011**
Note 25 - Cash Flow Information	**$**	$
(a) Reconciliation of cash flow from operations		
Profit for the period	**3,682,762**	1,235,608
Depreciation	**43,688**	46,217
Share-based payments	**229,217**	9,756
Profit on sale of part interest in Mahalo	**(6,251,818)**	-
Impairment charge - exploration and evaluation expenditure	**-**	8,101
Impairment of receivables	**-**	104,798
Net exchange differences	**22,875**	536,170
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
Decrease in trade and other receivables	**96,018**	272,777
Decrease in trade payables and accruals	**22,668**	(217,792)
(Increase) in prepayments and deposits paid	**(94,667)**	(933)
Increase in provisions	**22,432**	11,999
Decrease in deferred tax liability	**1,095,729**	(672,421)
	(1,131,096)	1,334,280

(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.

Note 26 - 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.

At 30 June 2012, the group had the following interests in coal seam gas assets:

Comet Ridge Permits	Location	State/Country	CSG Interest	Area (km^2)
Queensland				
ATP 743P	Galilee Basin	QLD	100%	6,476
ATP 744P	Galilee Basin	QLD	100%	6,615
ATP 337P Mahalo	Bowen Basin	QLD	35%	989
New Zealand				
PMP 50100	West Coast	NZ South Island	100%	170
PEP 50279	West Coast	NZ South Island	100%	4,802
PEP 50280	Waikato	NZ North Island	100%	4,779
Other				
PEL 427	Gunnedah	NSW	25%	7,010
PEL 428	Gunnedah	NSW	40%	6,018

Notes to the financial statements (continued)

Note 26 - Operating Segments (continued)

Activity by segment

Activities in Queensland

Galilee Basin Permits

Comet Ridge has a 100% interest in two adjacent permits on the eastern flank of Queensland's Galilee Basin, ATP 743P and ATP 744P, with a combined area of 12,991 km^2. The area remains relatively underexplored.

Comet Ridge drilled five wells in these two permits during late 2009 and early 2010, the most promising results being obtained at Hergenrother-1 and Gunn-1 in the south west of ATP 744P where net coals of 16 metres thickness were intercepted.

Drilling was followed by a regional mapping exercise, which identified a structural nose in the Gunn Project Area containing the Hergenrother-1 and Gunn-1 wells. Comet Ridge has focused on better understanding these structural features in the Gunn Project Area ahead of the drilling program scheduled for late 2012. Activity has involved a seismic acquisition program in late 2011, and a geophysical interpretation of a major Airborne Gravity survey over the eastern part of Galilee Basin in early 2012.

In October 2011 Comet Ridge and Queensland Energy Resources Limited (QER) each completed significant seismic acquisition programs in this part of the basin, with the results being shared under the terms of a data sharing agreement. When combined with the historical seismic surveys acquired in the area, the data gives a detailed understanding of the stratigraphy of the Gunn Project Area, the Lake Galilee Farm-in Area and the area extending towards the eastern boundary of ATP 744P.

In early 2012, Comet Ridge completed a geophysical interpretation of a major Airborne Gravity survey over the eastern part of Galilee Basin. The survey was acquired by Geoscience Australia and the Geological Survey of Queensland. Comet Ridge has now integrated both seismic and gravity surveys into its geological models.

Comet Ridge's Galilee Basin permits are located on the shallower eastern edge of the basin, making it closer to gas infrastructure and the Gladstone LNG precinct than most Galilee Basin CSG permits. The permits are also close to the numerous Galilee Basin coal mining projects proposed by Hancock Coal, Waratah Coal, Adani and Bandanna / ACMI, each with significant power demand requirements.

With approximately 2,500 PJ of Contingent and Prospective Resources certified in the Gunn Project Area alone, and the remainder of ATP 743P and ATP 744P relatively underexplored, these permits have sufficient reserves potential to contribute significantly towards the gas demands of both the local coal mining industry and the growing LNG industry at Gladstone.

ATP 337P Mahalo Project

Comet Ridge's ATP 337P Mahalo asset is located in the Denison Trough area of Queensland's Bowen Basin near Rolleston, and covers an area of 989 km^2. Comet Ridge has a 35% interest in ATP 337P Mahalo.

Activity in the 2012 financial year mainly involved planning for the next stage drilling program which commenced in July 2012. The 12-well drilling program includes two pilot projects. The first four wells of this program were completed in July/August 2012 with positive results. Production testing of these wells will soon be underway with the commissioning of the first production pilot expected towards the end of 2012 with the intention of achieving an initial reserves certification in early 2013. Comet Ridge's exploration costs are being carried by Stanwell up to A$8 million.

The 2012 drilling program has targeted the Permian Bandanna coals, which were encountered in a depth range between 200 metres and 400 metres in the north of the ATP 337P Mahalo area. These coals have been shown to have a moderate to high gas content, consistent coal thickness of approximately 7 – 9 metres and high saturation levels.

ATP 337P Mahalo is well placed with respect to existing infrastructure, with the gas pipeline linking the Northern Denison Trough gas fields to the existing Wallumbilla to Gladstone (Jemena) pipeline located along the western boundary of the permit. The gas pipeline linking the GLNG project's Fairview CSG field to the LNG precinct in Gladstone is also expected to follow a similar route to the Jemena pipeline in this area.

Permit renewal for the Mahalo farm-in area has been the subject of discussions between the joint venture and the Queensland Government Department of Natural Resources and Mines (DNRM). The joint venture applied for a series of Petroleum Leases across ATP 337P, however only one of these is likely to be awarded in the Mahalo block area. After balance date, agreement has been reached with DNRM that 20 graticular blocks will be relinquished from ATP 337P. Only one of these graticular blocks will be from the Mahalo farm-in area, representing about 8% reduction of the Mahalo farm-in area. This block will be taken from the least prospective part of the Mahalo farm-in area, in the southeast, which is well away from the northern portion of the block where the pilot schemes are being located and which has the focus on booking 2P reserves. As such, no impairment of the carrying amount of the exploration and evaluation assets is considered necessary.

Notes to the financial statements (continued)

Note 26 - Operating Segments (continued)

Activity by segment (continued)

Activities in Queensland (continued)

Sale of interest in ATP 337P Mahalo to Stanwell

On 28 December 2011, Comet Ridge announced that it had completed a binding Sale and Purchase Option Agreement (SPOA) with Stanwell Corporation for its 40% interest in the ATP 337P Mahalo asset. The key features of the agreement are as follows:

- The sale of an initial 5% interest for A$7 million
- The grant of an option to acquire either an additional 15% (Option A) or 35% (Option B) interest
- In exchange for these Options, Stanwell will fund up to A$8 million of expenditure commitments associated with the Comet Ridge 35% interest in the upcoming pilot programs
- To exercise the Option, Stanwell will be required to pay Comet Ridge consideration based on the ATP 337P Mahalo certified 2P reserves as at 31 December 2013, but this reserves date may be extended to as late as 31 December 2014
- To exercise Option A, Stanwell will pay A$0.80 per GJ multiplied by 15% of the 2P Reserves
- To exercise purchase Option B, Stanwell will pay A$0.80 per GJ multiplied by 15% of the 2P Reserves plus A$1.15 per GJ multiplied by 20% of the 2P Reserves *(a weighted average of A$1.00 per GJ for the 35% interest)*
- The minimum payments for exercise of the options are A$5 million for Option A and A$10 million for Option B.

If Stanwell elects to exercise Option A, Comet Ridge will retain a 20% interest in ATP 337P Mahalo and continue to be exposed to further upside re-rating potential. The exercising of either option is subject to Stanwell's shareholder's approval.

Under the terms of the Sale and Purchase Option Agreement with Stanwell, Comet Ridge could realise $1 million in cash for every 1 PJ of 2P Reserves it has booked at the end of 2013, should Stanwell elect to acquire the Company's remaining 35% interest in this asset.

Comet Ridge's focus will be on maximising 2P Reserves certification by the end of 2013. The Joint Venture is also focussed on proving gas reserves in the remainder of the block.

Independent Resource Certifications have been completed for the Company's Queensland assets:

Resources (PJ) (net to Comet Ridge)	Interest	1C	2C	3C	Prospective Resources
Gunn Project Area (ATP 744P)	100%	-	67	1,870	597
ATP 337P Mahalo	35%	73	193	387	-
Total Queensland		**73**	**260**	**2,257**	**597**

The current work program is focused on maturing the current Contingent Resources certifications into Certified Reserves across the portfolio during 2012 and 2013.

Activities in New Zealand

Comet Ridge has a 100% interest in three petroleum permits in New Zealand, each with known coal resources and CSG potential. PMP 50100 and PEP 50279 are located on the west coast of the South Island, and contain the gassy Greymouth Coal Fields. PEP 50280 is located adjacent to the Huntly coal mines in the North Waikato region on the North Island, and is close to Auckland and the associated gas pipeline infrastructure.

Greymouth Block (PMP 50100) and Buller Block (PEP 50279)

Comet Ridge announced in July 2011 that it was granted an extension of its New Zealand West Coast exploration permit PEP 50279, increasing the total area of this permit to 4,802 km^2. Comet Ridge has a 100 per cent interest in both PEP 50279 and also in the adjoining mining permit PMP 50100 located immediately to the south. This extension provides one continuous area for exploration and future development of the CSG resources in the Greymouth area.

The Paparoa coal measures extend across the north of PMP 50100 and into the southern margin of the PEP 50279 permit area, and underlie the Brunner coal measures, both of which are mined in a number of places on the West Coast.

The PEP 50279 Extension Area includes a known coal mining precinct, and strategically links Comet Ridge's CSG resources in the northwest of PMP 50100 with the Company's other CSG resources.

During the year, Comet Ridge announced its first Coal Seam Gas (CSG) resource certification in the Greymouth Coalfield, located on the West Coast of the South Island of New Zealand. The Greymouth Coalfield is situated over much of Petroleum Mining Permit PMP 50100, and the south western corner of Petroleum Exploration Permit PEP 50279.

Notes to the financial statements (continued)

Note 26 - Operating Segments (continued)

Activity by segment (continued)

Activities in New Zealand (continued)
Greymouth Block (PMP 50100) and Buller Block (PEP 50279)

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

Resources (PJ)	Interest	1C	2C	3C
PMP 50100	100%	45	88	168
PEP 50279	100%	20	39	76
Total		**65**	**127**	**244**

In late 2011, Comet Ridge completed the processing and interpreting of the data acquired in the Airborne Gravity Gradiometry (AGG) survey program in PEP 50279.This was incorporated into regional geological modelling of the West Coast on the South Island of New Zealand, which will help Comet Ridge identify the highest value CSG targets.

Comet Ridge has found the technology associated with the AGG survey, previous airborne magnetic surveys, and the detailed analysis by Canberra based consultancy, FrOGTech, to be very powerful and cost-effective tools for improving its understanding of regional geology and identifying new CSG plays. As a result of the New Zealand experience, this technology has now been used for evaluating its Gunnedah Basin and Galilee Basin CSG permits in Australia, with encouraging results.

North Waikato (PEP 50280)
In late 2011, Comet Ridge completed the processing and interpreting of the data acquired in its recently completed Airborne Gravity Gradiometry (AGG) survey program in PEP 50280 on New Zealand's North Island. This work has provided important insights into the geology and depositional environment of the study area.

The basin model resulting from this technical study has identified three CSG plays in PEP 50280, north of the Huntly CSG pilot project. Comet Ridge has the ability to test the key characteristics of these plays from a single well, which if successful would open up the CSG potential of all three plays.

Permit Renewal Status
Towards the end of the financial year, Comet Ridge made application to NZ Petroleum and Minerals (NZP&M) to vary the work program commitments on all three of the Comet Ridge 100% held blocks. The extensive technical work conducted over the past two years by Comet Ridge (based around aerial magnetic and gravity surveying) which included extensive geological and geophysical analysis, has identified which parts of these three blocks were most prospective for gas. Subsequently the Company has made application to vary the work program commitments to match the most appropriate technical work timing and scope going forward. Part of these applications were also plans to relinquish the least prospective parts of each of the blocks where the Company is unlikely to undertake exploration or appraisal drilling. NZP&M will now formally consider these applications as part of their normal process. No impairment of the carrying amount of the exploration and evaluation assets with respect to these tenements is considered necessary.

Other
Gunnedah Basin Permits
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. Santos is the CSG operator in both blocks with Petrel Energy Limited operating the conventional exploration.

In June 2012, Comet Ridge announced plans to expand its acreage position in the Gunnedah Basin with the purchase from Petrel Energy Limited of its interest in PEL 6, PEL 427 and PEL 428. On completion of the acquisition, Comet Ridge will hold a 22.5% CSG interest in PEL 6, 50% interest in PEL 427 (an increase of 25%) and a 60% in PEL 428 (an increase of 20%). Finalisation of the acquisition is conditional on consent of the joint venture partner and NSW Government which are yet to be received.

With the addtional interests, the permits will cover a combined area of 18,190 km^2. PEL 6, PEL 427 and PEL 428 contain the northern extent of the Gunnedah Basin, and are overlaid by the southern extent of the Surat Basin, with both basins currently producing coal seam gas via commercial project developments.

In early 2012, Comet Ridge completed an extensive review of the magnetic and gravity data sets available over the northern Gunnedah Basin. The subsequent geophysical modelling of this data significantly advanced Comet Ridge's view of the geology and prospectivity of the region and identified some very promising new prospects. These prospects now need to be tested through a combination of seismic data acquisition and exploration drilling.

Notes to the financial statements (continued)

Note 26 - Operating Segments (continued)

Activity by segment (continued)

Other (continued)
Gunnedah Basin Permits
The ability of the Joint Venture to carry out its exploration work program has been delayed by a combination of land access issues and an ongoing moratorium imposed by the NSW Government while it completes its review of CSG activities. In addition, the delay in release of the NSW Government policy on CSG exploration and production, has also caused delays to the renewal of all Petroleum Exploration Licences (PEL) across the state.

The anniversary date for PEL 427 was 20 May 2011. The joint venture had submitted renewal documentation before that date, but due to the awaited policy update, this renewal has not yet been formally processed. Correspondence dealing with the renewal has been exchanged with the NSW Department of Industry and Investment (DII) and Comet Ridge expects the block to be renewed in the normal course of business once the new policy has been formally released. In correspondence in April 2012, NSW DII discussed a work program for three years which details the expected work that should be undertaken commencing in 2013, even though formal approval for renewal of the permit for three more years has not yet been received.

In PEL 428, an application for the renewal of this permit (due to expire 14 September 2012) was submitted by the joint venture in August 2012 for a further three years. It is anticipated that this renewal also will be processed in the normal course of business, following the release of the NSW Government policy. As such, no impairment of the carrying amount of the exploration and evaluation assets with respect to this tenement is considered necessary.

As a result, the Joint Venture was not able to progress the planned field activities for 2011 or 2012, but is working towards completing the programs during 2013. The planned activities in the 2013 program include the 2D seismic acquisition in each permit followed by core hole drilling in subsequent years.

Gunnedah Basin Permits
Comet Ridge's Gunnedah Basin permits are strategically well located as this area has the potential to mature into a major CSG producing province, regardless of whether the gas flows north to LNG projects in Gladstone or south to Newcastle and Sydney.

The table below details Comet Ridge's net share of PEL 427 and PEL 428 recoverable Contingent and Prospective Resources:

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 operating 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)

(a) Segment performance

30 June 2012	**Queensland** $	**New Zealand** $	**All Other Segments** $	**Total** $
Segment revenue				
Proceeds from sale of interest in Mahalo JV	7,000,000	-	-	7,000,000
	7,000,000	-	-	7,000,000
Carrying amount of exploration and evaluation assets sold	(153,394)	-	-	(153,394)
Expenses incurred on sale of interest in Mahalo JV	(594,788)	-	-	(594,788)
Segment revenue/result before tax	6,251,818	-	-	6,251,818
Reconciliation of segment result to group loss before tax				
Interest received				329,008
Research & development tax offset grant				424,454
Sundry income				3,589
Total group revenue				757,051
Employee benefits expense				(903,680)
Contractors' and consultants' costs				(244,257)
Depreciation and amortisation expense				(43,688)
Professional fees				(405,539)
Corporate expenses				(210,493)
Occupancy costs				(153,072)
Other expenses				(272,181)
Profit before tax				4,775,959

(a) Segment performance

30 June 2011	**Queensland** $	**New Zealand** $	**All Other Segments** $	**Total** $
Total segment revenue	-	-	-	-
Impairment - exploration expenditure			-	-
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
Other income				339,777
Total group revenue				4,015,935
Employee benefits expense				(1,002,522)
Contractors' and consultants' costs				(477,685)
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

Notes to the financial statements (continued)

(b) Segment assets and liabilities

	Queensland $	New Zealand $	All Other Segments $	Total $
30 June 2012				
Segment assets	25,286,190	10,155,092	1,090,985	36,532,267
Reconciliation of segment assets to group assets				
Unallocated assets				
Cash and cash equivalents				6,081,148
Trade and other receivables				150,203
Inventories				100,882
Other assets				328,734
Available-for-sale financial assets				4,362,692
Property, plant and equipment				73,816
Total group assets				47,629,742
Segment asset movement for the year				
Exploration and evaluation expenditure	3,794,205	730,699	456,462	4,981,366
Disposals	(153,394)	-	-	(153,394)
Foreign exchange movement	-	135,726	-	135,726
	3,640,811	866,425	456,462	4,963,698

(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

Notes to the financial statements (continued)

Note 27 - 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 %	
				2012	2011
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	100
Comet Ridge Mahalo Pty Ltd		Australia	Ordinary	100	100
Comet Ridge Gunnedah Pty Ltd	2	Australia	Ordinary	100	-

1 Refer acquisition of subsidiaries note 31.

2 Comet Ridge Gunnedah Pty Ltd was incorporated during the year to acquire the Petrel Energy Limited exploration assets in the Gunnedah basin and as part of a restructure of the group's other exploration interests.

Note 28 - 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)):

	ATP337P	PEL427	PEL428	Total
30 June 2012	**35%**	**25%**	**40%**	
Current assets	**$**	**$**	**$**	**$**
Cash and cash equivalents	-	73	-	73
Trade and other receivables	6,716	-	3,612	10,328
Total current assets	6,716	73	3,612	10,401
Non-current assets				
Exploration and evaluation expenditure	1,200,309	405,179	685,806	2,291,294
Total non-current assets	1,200,309	405,179	685,806	2,291,294
Total assets	1,207,025	405,252	689,418	2,301,695
Current liabilities				
Trade and other payables	-	13,988	8,596	22,584
Total current liabilities	-	13,988	8,596	22,584
Share of joint venture net assets	1,207,025	391,264	680,822	2,279,111

	ATP337P	PEL427	PEL428 **	Total
30 June 2011	**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 assets	1,060,135	277,859	358,412	1,696,406

Notes to the financial statements (continued)

Note 28 - Interests in Jointly Controlled Assets (continued)

** During the 2011 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	
	2012	**2011**
Minimum expenditure requirements	**$**	$
• not later than 12 months	**1,536,602**	1,050,925
• between 12 months and 5 years	**1,970,502**	225,500
	3,507,104	1,276,425

Note 29 - Subsequent Events

(a) In July 2012, Comet Ridge signed a three-Stage farm-in agreement with Queensland Energy Resources Limited (QER) to earn up to 75 per cent of the Lake Galilee Farm-in Area, located in the south east of permit ATP 1015P, which is located between the east and west parts of Comet Ridge's ATP 744P. The Lake Galilee Farm-in Area consists of two separate areas totalling approximately 825 sq km, expanding the Gunn Project Area to the east and allowing it to be appraised as a single project.

A three well exploration and appraisal drilling program is planned for late 2012 - one pre-pilot production well (Gunn 2) in ATP 744P with two core wells in the Lake Galilee Farm-in Area.

(b) In August 2012, the group entered into a contract for a three well drilling program (one firm and two conditional) in the Gunn project area in the southern part of ATP 744P. The estimated value of the contract is $3,500,000. Two wells are planned to be drilled in the Lake Galilee Farm-in Area which will complete the first stage of the farm-in, earning Comet Ridge an initial 20 per cent interest in the asset. All permitting and approvals are progressing to schedule, with the first well expected to spud in September.

(c) On 30 August 2012, the Company completed an Accelerated Non-Renounceable Entitlement Offer which raised $9.4m through the issue of 94,797,602 shares. The costs incurred with respect to the offer amounted to $400,000. The offer price was 10 cents per share with entitlements based on one share for every four held. The offer comprised two components as follows:

- Institutional Entitlement Offer which raised $6.3m
- Retail Entitlement Offer which raised $3.1m

Note 30 - Parent entity disclosures	**2012** **$**	**2011** $
Current assets	**5,715,072**	6,257,146
Non-current assets	**25,691,203**	23,910,098
Total assets	**31,406,275**	30,167,244
Current liabilities	**5,057,397**	2,716,648
Non-current liabilities	**2,352,360**	1,256,632
Total liabilities	**7,409,757**	3,973,280
Net Assets	**23,996,518**	26,193,964
Contributed equity	**79,875,236**	79,875,236
Option reserve	**5,272,048**	5,042,831
Accumulated losses	**(61,150,766)**	(58,724,103)
Total equity	**23,996,518**	26,193,964
Loss for the period	**2,426,664**	2,970,075
Other comprehensive income	**-**	-
Total comprehensive income	**2,426,664**	2,970,075

Notes to the financial statements (continued)

Note 30 - Parent entity disclosures (continued)

Bank guarantees
Bank guarantees are disclosed in note 19(b).

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

Commitments	**2012**	**2011**
(a) Operating lease commitments	**$**	$
Commitments for minimum lease payments for non-cancellable operating leases for offices and equipment contracted for but not recognised in the financial statements.		
Payable - minimum lease payments		
• not later than 12 months	**210,783**	202,857
• between 12 months and 5 years	**112,404**	323,187
	323,187	526,044

(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	
	2012	**2011**
Minimum expenditure requirements	**$**	$
• not later than 12 months	**3,796,602**	1,110,925
• between 12 months and 5 years	**2,833,602**	1,256,500
	6,630,204	2,367,425

Note 31 - Acquisition of Subsidiary

Davidson Prospecting Pty Ltd - 2011 Year
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:

Assets and liabilities acquired	**2011**
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 2012 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, 25 September 2012

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NORMAN THURECHT
BRETT HEADRICK
WARWICK FACE
NIGEL BATTERS

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 2012, 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 gives a true and fair view and 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 company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 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.

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 2012. 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 2012 complies with Section 300A of the Corporations Act 2001.

JOHNSTON RORKE
Chartered Accountants

J. J. EVANS
Partner

Brisbane, Queensland, 25 September 2012

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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 the 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 but rather they are guidelines. 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.

Additional information about the Company's corporate governance policies and practices including copies of the policies and charters listed below 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
- Policy for Gender Diversity

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/governance/corporate-governance.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, whom they are ultimately accountable to being subject to mandatory board rotations. 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. As well the Board is responsible for determining the strategic direction and objectives of the Company and overseeing management's results against these.

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.

(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 was completed last year and one is scheduled for later this year. These processes involve the Chairman circulating to members of the Board a detailed questionnaire on performance indicators and collating the data 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 "Directors' Report".

Under the Constitution, the maximum number of Directors is nine. Further, the Constitution mandates that there be a minimum of three Directors, at least two of whom must reside in Australia. 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 not necessarily result in the relevant Director not being 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 Company;
b) within the last three years has been employed or has previously been employed in an executive capacity by the Company or another Group member;
c) within the last three years has been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
d) is a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
e) has a material contractual relationship with the Company or another Group member other than as a Director of the Company.

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

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 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

Although in the past, Mr Schneider did not strictly satisfy the criteria as published by the ASX Corporate Governance Council ("Independence Criteria"); he did however fulfil the other Independence criteria. The Board of Comet Ridge (in the absence of Mr Schneider) considers that given the effluxion of time since Mr Schneider 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 now satisfies the criteria to be considered independent.

Ms Swaby through her consultancy company, Strategic Consultants Pty Ltd, provided up until 16 April 2009 company secretarial services. In this capacity, Ms Swaby fulfilled a quasi-executive role. Since that time Ms Swaby or an entity which she is related to has not provided the Company with similar services. Given that a period of more than three (3) years have now elapsed since the Ms Swaby provided those services and she meets all of the other independence criteria, the Board, in the absence of Ms Swaby, considers that Ms Swaby now satisfies the criteria to be considered 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 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 Mr McKay 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 deals with 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 copy of which is available on the Company's website.
(ASX 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 forms of objectives published by the Australian Institute of Company Directors.

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 a realistic objective as there is a high probability there will not be 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 a female audience is 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.
- Fostering a corporate culture which supports workplace diversity.

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 or engaged as a consultant within the group in a Senior Executive role.

The total portion of women employees and consultants in the whole of the organisation including Members of the Board is 30.00%.

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 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.
(ASX Recommendations 4.2)

Corporate Governance Statement (continued)

Principle 4: Safeguard Integrity in Financial Reporting (continued)

4.3 Audit Committee to have a Formal 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 29 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 24 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. Mr Pieters 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. A copy of this policy is available on the Company's website for download. 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

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 objectives 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 are 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 scope 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 6 September 2012:

1. Number of Equity Holders

Ordinary Share Capital

402,148,746 fully paid ordinary shares are held by 1,931 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	58	1,479	0.00%
1,001 - 5,000	267	887,821	0.22%
5,001 - 10,000	274	2,278,011	0.57%
10,001 - 100,000	947	37,028,321	9.21%
100,001 - maximum	385	361,953,114	90.00%
	1,931	402,148,746	**100.00%**

The numbers of shareholders holding less than a marketable parcel (being 4348 units or less) were:-

250 Holders (521,796 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>	51,930,000	12.91%
Waterford Atlantic Pty Ltd & McKay Super Pty Ltd	33,889,551	8.42%
Gilby Resources Pty Ltd & Anthony Rechka Gilby	24,215,848	6.02%

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	51,930,000	12.91%
2.	Gilby Resources Pty Ltd <The Gilby Investment A/C>	18,813,945	4.68%
3.	JP Morgan Nominees Australia Limited	17,830,574	4.43%
4.	Waterford Atlantic Pty Ltd <McKay Family Trust>	17,634,144	4.38%
5.	McKay Super Pty Ltd <McKay Super Fund A/C>	16,171,407	4.36%
6.	Power Inustries Pty Ltd <The Power Property A/C>	13,400,000	3.61%
7.	HSBC Custody Nominees (Australia) Limited	12,236,233	3.33%
8.	Jane Louise Gilby	9,565,224	2.38%
9.	National Nominees Limited	9,282,056	2.31%
10.	Citicorp Nominees Pty Limited	8,215,232	2.04%
11.	Invia Custodian Pty Ltd <GSJBW Managed A/C>	8,140,000	2.02%
12.	Kabila Investments Pty Ltd	6,801,606	1.69%
13.	Christopher John Blamey & Ann Margaret Blamey <ACB Super Fund A/C>	5,325,000	1.32%
14.	Gilby Resources Pty Ltd <Gilby Super Fund A/C>	5,015,653	1.25%
15.	BNP Paribas Noms Pty Ltd (Master Cust DRP)	5,000,000	1.24%
16.	Dynamic Supplies Investments Pty Ltd	5,000,000	1.24%
17.	Sixth Erra Pty Ltd <I Collie Family A/C>	4,680,263	1.16%
18.	Jeffrey Warrington Schnieder	4,248,416	1.06%
19.	JP Morgan Nominees Australia Ltd (Cas Income A/C)	4,123,100	1.03%
20.	Horrie Pty Ltd	3,239,500	0.81%
TOTAL		**226,652,353**	**57.25%**

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	35	Santos Limited
PEL427	Gunnedah Basin	25	Petrel Energy Limited (Conventional) ** Betel Gas Pty Ltd (CSG)
PEL428	Gunnedah Basin	40	Petrel Energy Limited (Conventional) ** Betel Gas Pty Ltd (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.
** Betel Gas Pty Ltd is a wholly owned subsidiary of Santos Limited.

Corporate Directory

Directors

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

Company Secretary

Stephen Rodgers

ASX Code: COI

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