Comet Ridge Limited

A.B.N. 47 106 092 577

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

Contents

Contents	Page
Directors' Report	1
Auditor's Independence Declaration	5
Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	10
Directors' Declaration	19
Independent Auditor's Review Report	20

Corporate Directory

Directors

James McKay	Non-executive Chairman
Tor McCaul	Managing Director
Gillian Swaby	Non-executive Director
Christopher Pieters	Executive Director
Mike Dart	Non-executive Director

Company Secretary
Stephen Rodgers

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

The Directors present their report on the consolidated group ("the Group") consisting of Comet Ridge Limited ("Comet Ridge" or "Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

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

James McKay	Non-executive Chairman
Tor McCaul	Managing Director
Gillian Swaby	Non-executive Director
Christopher Pieters	Executive Director
Michael Dart	Non-executive Director

All Directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES
The principal activities of the Group during the half-year were to carry out gas exploration and appraisal. The Group has tenement interests and a suite of prospective projects in eastern Australia.

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

REVIEW OF OPERATIONS AND RESULTS
The loss for the half-year after providing for income tax amounted to $2.894 million (December 2017: loss $1.777 million).

Comments on the operations and results of those operations are set out below.

EXPLORATION ACTIVITIES
During the half-year Comet Ridge focussed its exploration activities on its central Queensland Permits (Galilee and Southern Bowen Basins) which the Company believes will be the key to developing short to medium term gas supply.

Detailed in the table below, is Comet Ridge's current (net recoverable) reserve and resource position for its permits.

Comet Ridge Limited – Net Recoverable Reserves and Resources									
Location	Project	COI Interest	Reserve (PJ) [1]			Contingent Resource			Prospective Resource (PJ) [2]
			1P[4]	2P	3P	1C	2C	3C	
Bowen Basin, QLD	Mahalo Gas Project (ATP 1191)	40%	18	172	374	224	385	389	-
Galilee Basin, QLD	Gunn Project Area (ATP 744P)	100%	-	-	-	-	67	1,870	597 [3]
Galilee Basin, QLD	Albany Structure (ATP 744P)	85%[5]	-	-	-	48	130	354	-
Gunnedah Basin, NSW	PEL 6 PEL 427 PEL 428	22.5%% 50% 60%	-	-	-	-	-	562	2,101
Total			**18**	**172**	**374**	**272**	**582**	**3,175**	**2,698**

See Notes to Net Recoverable Reserves and Resources Table on page 4:

1. ATP 1191 Mahalo – Bowen Basin, Qld (Comet Ridge 40%), Santos (30%), APLNG (30%)

Mahalo Gas Project

In July 2018, the Mira 6/2 horizonal/vertical well combination was shut-in after reaching a gas flow rate of 1.4 mmscf/d and peaking at a water rate of only 30 bwpd. The well enabled a significant amount of reservoir performance data to be obtained and has provided valuable information for the design of the expected production well to be used in the Mahalo Gas Development.

1. ATP 1191 Mahalo – Bowen Basin, Qld (Comet Ridge 40%), Santos (30%), APLNG (30%) (continued)
Mahalo Gas Project (continued)

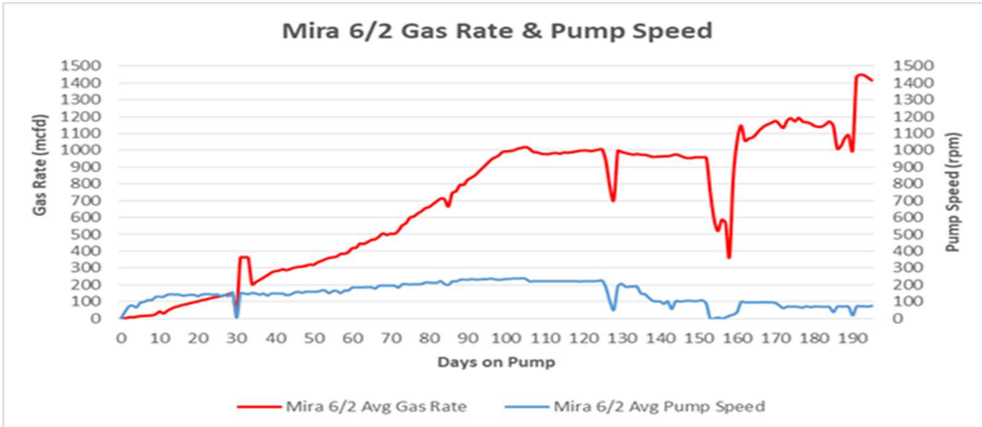

Figure 1 – Mira 6/2 gas rate from start-up in December 2017

Off the back of the successful Mira 6/2 well, Comet Ridge contracted Silver City Rig 20, to drill a five well appraisal programme targeting coals in the shallower and deeper sections of the Mahalo Gas Project, see Figure 2. The programme included three vertical wells, of which two were intersected by laterals wells, including the first dual lateral well drilling at Mahalo. The appraisal programme was delivered on time, within budget and with no injuries or environmental issues.

The vertical wells drilled were completed with tubing and pumps and are on line for production testing to gain longer term flow data. The plan is to continue to slowly increase pump speed, while monitoring the water performance and pressure draw down, in line with the JV test plan. Laboratory analysis of coal and gas samples obtained from the vertical core holes has commenced and will be conducted over the coming months.

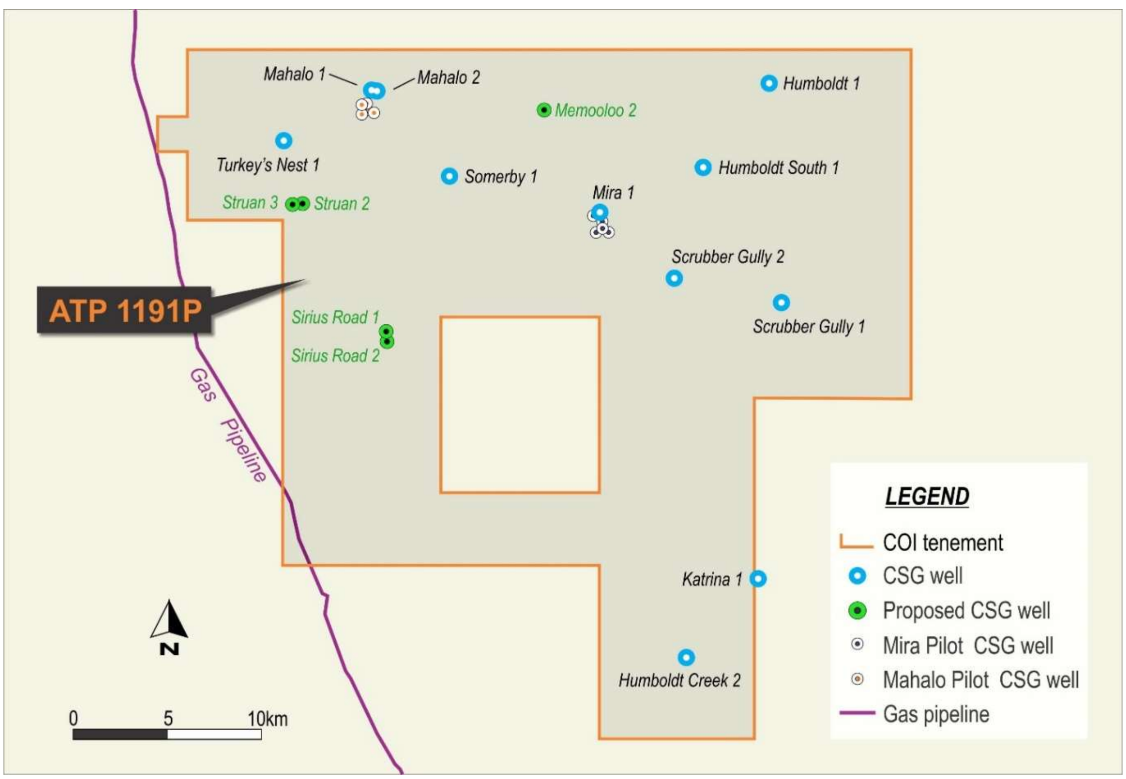

Figure 2 – Map of the Mahalo Gas Project with the Memooloo 2, Struan 3/2 and Sirius Road 2/1 well locations.

Mahalo Gas Project

During the half-year, environmental and other studies relating to the development of the Mahalo Gas Project continued.

2. ATP 743, ATP 744, and ATP 1015 – Galilee Basin, Qld (Comet Ridge 100% in CSG with farm-out reducing equity to 70% in "Deeps")
Comet Ridge has a very large acreage position in the eastern part of the Galilee Basin (9685 km^2) which is prospective for both sandstone gas and CSG development.

After successfully achieving a stabilised gas flowrate of 230,000 scf/d across a 13 m interval in the Lake Galilee Sandstone (LGS) Reservoir at the Albany 1 well, the well was suspended and wireline logging suite was run to evaluate the open hole reservoir section. Planning immediately commenced on the completion of Albany 1 and the drilling of Albany 2.

With the funding contribution Vintage Energy Limited (Vintage) made to the Albany 1 well (Stage 1), Vintage earned a 15% interest in the Galilee "Deeps" Joint Venture. Vintage has formally committed to Stage 2 of the farm-in process, which consists of 325 km of 2D seismic and the drilling of Albany 2 and the deepening of Albany 1.

The 325 km 2D Koburra seismic programme over the three large Galilee permits commenced on 30 December 2018 and is designed to identify broad structural trends within the permit area and delineate structural targets for follow up drilling.

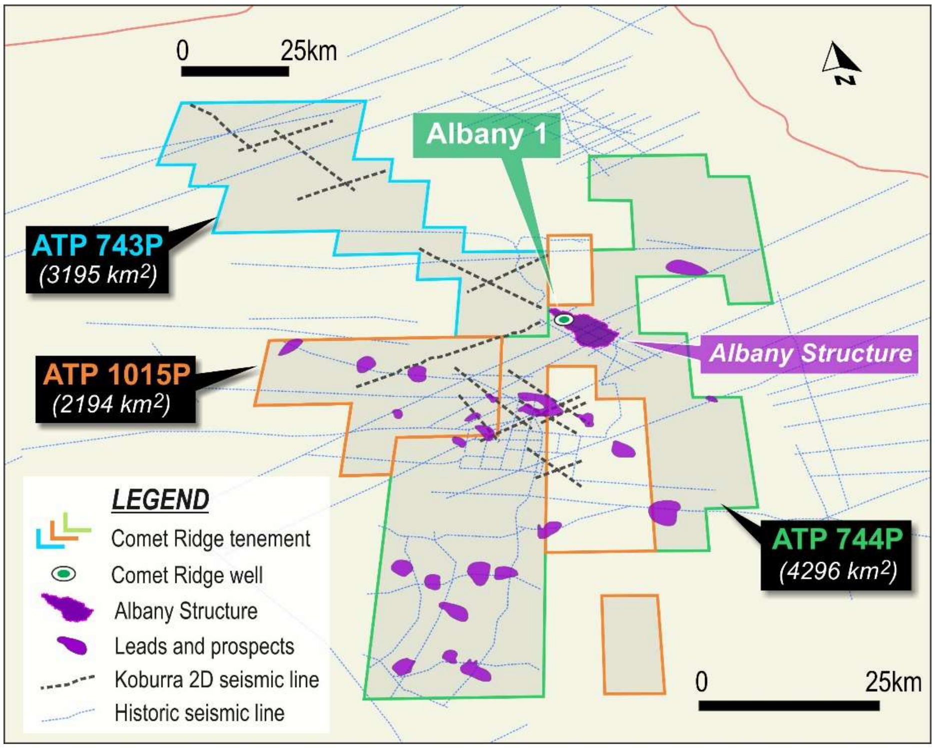

Figure 3 – Regional map of the Galilee Permits, show the Koburra 2D seismic lines

3. Gunnedah Basin, NSW
Comet Ridge CSG equity: PEL 427: 59.09%, PEL 428: 68.42%, PEL 6: 29.55%
Comet Ridge Conventional equity: PEL 427: 100%, PEL 428: 100%, PEL 6: 99.7%
With respect to the NSW permits, the formal approval of the renewals for PEL 6, PEL 427 and PEL 428 have not yet been received. It is unclear when these approvals will be granted although it is understood that they are currently being progressed. In keeping with the delay on the approval applications by the NSW government, no exploration activities have been undertaken and the current spend on the permits is very low.

4. Other
During 2016, Comet Ridge submitted an application to surrender its 100% interest in PMP50100 in New Zealand. This is currently being processed by New Zealand Petroleum and Minerals.

CORPORATE

1. Capital Raising
During the half-year, the Company completed a successful $17.4 million placement at an issue price of $0.34 per share. The placement received strong cornerstone interest from a small number of new substantial Australian equity fund managers and was strongly supported by existing institutional shareholders.

CORPORATE (Continued)

2. Stanwell Agreement Extension
In September 2018 Comet Ridge concluded an agreement with Stanwell Corporation Limited (Stanwell) to extend the Sunset Date for Final Investment Decision (FID) at Mahalo. As part of the 2018 Agreement, Stanwell and Comet Ridge have agreed to negotiate a new GSA which, if successfully concluded, will replace the 2014 Agreement.

ROUNDING OF AMOUNTS
Pursuant to ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 the amounts in the Directors' Report and financial report, have been rounded off to the nearest thousand dollars, unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION
A copy of the Auditor's Independence Declaration, as required under Section 307C of the *Corporations Act 2001,* accompanies this report.

Signed in accordance with a resolution of the Board of Directors.

Tor McCaul
Managing Director

Brisbane, Queensland, 12 March 2019

Notes to Net Recoverable Reserves and Resources Table (Table):

1) COI's net Reserves have not been adjusted for fuel or shrinkage (estimated at approximately 3%) and have been calculated at the wellhead (which is the reference point for the purposes of Listing Rule 5.26.5).
2) ASX Listing Rule 5.28.2 Statement relating to Prospective Resources: The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.
3) Where the auditor has detailed Prospective Resources in a range in the Galilee Basin, the best estimate case has been reported in the table above.
4) 1P Reserves have been determined on the basis of the development of a 10 TJ/d field development centred in the areas around the Mahalo and Mira pilot schemes, based on the positive horizontal well performance demonstrated in both of those locations in 2016 (Mahalo 7) and 2018 (Mira 6). There is significant water storage (approximately 15 ML at each pilot) already installed and gas processing (given the high-quality gas in the reservoir) would be limited to compression and dehydration with a short 14km tie-in to the nearest available infrastructure. This development scenario was viable at gas prices below those observed in the existing market.
5) Contingent Resource adjusted to reflect the interest earnt by Vintage Energy Limited in the Galilee Deeps Joint Venture (GDJV).

ASX Listing Rule 5.42 - Reporting on Oil and Gas Activities
The Contingent Resource for the Albany Structure referred to in the Table is taken from an independent report by Dr Bruce McConachie of SRK Consulting (Australasia) Pty Ltd, originally released to the market in the Company's announcement of 6 August 2015.

The estimate of Reserves and Contingent Resources for the Mahalo Gas Project (part of ATP 1191) provided in the Table is based on, and fairly represents, information and supporting documentation determined by Mr Timothy L. Hower of MHA Petroleum Consultants LLC Inc The estimates have been calculated in accordance with the Society of Petroleum Engineers (SPE) 2007 Petroleum Resource Management System guidelines (PRMS) as well as the 2011 Guidelines for Application of the PRMS approved by the SPE. MHA have updated the Reserves and Resources to Comet Ridge's net equity interest in the Mahalo Gas Project using the deterministic method of petroleum reserves estimation. The updated reserves and resources estimates included in the Table were originally announced to the market in the Company's announcement of 6 March 2018.

The contingent gas resource estimates for ATP 744 provided in this statement were originally released to the market in the Company's announcement of 25 November 2010 and were estimated using the deterministic method with the estimate of contingent resources for ATP 744P not having been adjusted for commercial risk.

The Contingent Resource estimates for PEL 6, PEL 427 and PEL 428 were also determined by Mr Timothy L. Hower of MHA Petroleum Consultants LLC. Mr Hower consented to the publication of the resource figures which appeared in the announcement of 7 March 2011 made by Eastern Star Gas Limited (ASX:ESG) and any reference and reliance on the resource figures for PEL 6, PEL 427 & PEL 428 in the table is only a restatement of the information contained in the ESG announcement.

The Company confirms that it is not aware of any new information or data that materially affects the information in this financial report of the Net Recoverable Reserves and Resources announced as detailed above and that all of the material assumptions and technical parameters underpinning the estimates in those announcements continue to apply and have not materially changed.

Auditor's Independence Declaration

As lead auditor for the review of Comet Ridge Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

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

Michael Shewan
Partner
PricewaterhouseCoopers

Brisbane
12 March 2019

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	December 2018 $000's	December 2017 $000's
Revenue and other income			
Interest received		**186**	37
Other income		**1**	4
Expenses			
Employee benefits' expense		**(678)**	(331)
Contractors' & consultancy costs		**(339)**	(161)
Restoration & rehabilitation expense		**170**	(225)
Professional fees		**(132)**	(96)
Corporate expenses		**(190)**	(145)
Occupancy costs		**(77)**	(46)
Fair value movement of financial liability at fair value	8	**(1,319)**	(579)
Finance costs		**(117)**	(36)
Other expenses		**(321)**	(110)
Depreciation		**(10)**	(9)
Impairment - exploration and evaluation expenditure		**(68)**	(80)
LOSS BEFORE INCOME TAX		**(2,894)**	(1,777)
Income tax credit		**-**	-
LOSS FOR THE PERIOD		**(2,894)**	(1,777)
Other comprehensive profit/(loss), net of income tax			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		**(8)**	26
TOTAL OTHER COMPREHENSIVE (LOSS)/PROFIT, NET OF INCOME TAX		**(8)**	26
TOTAL COMPREHENSIVE LOSS		**(2,902)**	(1,751)
Loss attributable to:			
Owners of the parent		**(2,894)**	(1,777)
Non-controlling interests		**-**	-
		(2,984)	(1,777)
Total comprehensive loss attributable to:			
Owners of the parent		**(2,902)**	(1,751)
Non-controlling interests		**-**	-
		(2,902)	(1,751)
LOSS PER SHARE		**Cents**	**Cents**
Basic loss per share		**(0.371)**	(0.281)
Diluted loss per share		**(0.371)**	(0.281)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanied notes.

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT FINANCIAL POSITION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	December 2018 $000's	June 2018 $000's
CURRENT ASSETS			
Cash and cash equivalents		**23,276**	11,547
Trade and other receivables		**2,925**	609
Inventories		**79**	79
Other assets		**549**	458
TOTAL CURRENT ASSETS		**26,829**	12,693
NON-CURRENT ASSETS			
Property, plant and equipment		**76**	50
Exploration and evaluation expenditure	7	**56,384**	49,739
TOTAL NON-CURRENT ASSETS		**56,460**	49,789
TOTAL ASSETS		**83,289**	62,482
CURRENT LIABILITIES			
Trade and other payables		**6,910**	757
Financial liability at fair value	8	**17,908**	-
Provisions		**356**	1,005
TOTAL CURRENT LIABILITIES		**25,174**	1,762
NON-CURRENT LIABILITIES			
Financial liability at fair value	8	**-**	16,588
Provisions		**736**	607
TOTAL NON-CURRENT LIABILITIES		**736**	17,195
TOTAL LIABILITIES		**25,910**	18,957
NET ASSETS		**57,379**	43,525
EQUITY			
Contributed equity	9	**129,110**	112,441
Reserves		**1,407**	1,328
Accumulated losses		**(73,138)**	(70,244)
TOTAL EQUITY		**57,379**	43,525

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanied notes.

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Contributed Equity $000's	Foreign Currency Translation Reserve $000's	Share Based Payments' Reserve $000's	Accumulated Losses $000's	Total $000's
Balance at 1 July 2017	99,377	1,360	80	(68,029)	32,788
Loss for the period	-	-	-	(1,777)	(1,777)
Other comprehensive profit for the period	-	26	-	-	26
Total comprehensive loss for the period	-	26	-	(1,777)	(1,751)
Transactions with owners in their capacity as owners					
Contributions of equity net of transaction costs	12,474	-	-	-	12,474
Share based payments	-	-	(33)	-	(33)
	12,474	-	(33)	-	12,441
Balance at 31 December 2017	111,851	1,386	47	(69,806)	43,478
Balance at 1 July 2018	**112,441**	**1,258**	**70**	**(70,244)**	**43,525**
Loss for the period	**-**	**-**	**-**	**(2,894)**	**(2,894)**
Other comprehensive loss for the period	**-**	**(8)**	**-**	**-**	**(8)**
Total comprehensive loss for the period	**-**	**(8)**	**-**	**(2,894)**	**(2,902)**
Transactions with owners in their capacity as owners					
Contributions of equity net of transaction costs	**16,669**	**-**	**-**	**-**	**16,669**
Share based payments	**-**	**-**	**87**	**-**	**87**
	16,669	**-**	**87**	**-**	**16,756**
Balance at 31 December 2018	**129,110**	**1,250**	**157**	**(73,138)**	**57,379**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanied notes.

COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	December 2018 $000's	December 2017 $000's
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	**82**	18
Payments to suppliers and employees	**(1,272)**	(2,159)
NET CASH USED IN OPERATING ACTIVITIES	**(1,190)**	(2,141)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation assets	**(3,711)**	(2,558)
Payment for property, plant and equipment	**(39)**	(2)
Movement in term deposits	**-**	(10,000)
Movement in restricted cash	**-**	(62)
NET CASH USED IN INVESTING ACTIVITIES	**(3,750)**	(12,622)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**17,417**	13,109
Share issue costs	**(748)**	(549)
NET CASH FROM FINANCING ACTIVITIES	**16,669**	12,560
Net increase/(decrease) in cash held	**11,729**	(2,203)
Cash at the beginning of the period	**11,547**	6,039
CASH AT THE END OF THE PERIOD	**23,276**	3,836

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanied notes

1. Principal activities

Comet Ridge Limited and Subsidiaries' (the Group) principal activities are to carry out gas exploration and appraisal. The Group has permit interests and exploration and evaluation activities in Australia and New Zealand.

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

2. Basis of preparation

The condensed interim consolidated financial statements (the interim financial statements) are for the six months ended 31 December 2018 and are presented in Australian Dollars ($AUD) which is the functional currency of the Parent Company. The interim financial statements are prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

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

The interim financial statements do not include all of the notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report of the Group together with any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Pursuant to ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 the amounts in the Directors' Report and financial report, have been rounded off to the nearest thousand dollars, unless otherwise indicated.

3. Significant accounting policies

The accounting policies adopted in the preparation of this interim financial report are consistent with those of the previous financial year and corresponding interim reporting period except for the impact of the new Accounting Standards and Interpretations described below. Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

The accounting policies have been applied consistently by the Group for the purpose of preparation of the interim financial statements.

New accounting standards
The Group has adopted all the mandatory new and amended Accounting Standards issued that are relevant to its operations and effective from 1 July 2018 for the reporting period.

The new accounting standard adopted by the Group effective 1 July 2018 are:

- AASB 15 *Revenue from Contracts with Customers*
- AASB 9 *Financial Instruments*

As the Company is in the exploration and evaluation phase and currently does not generate revenue there is no impact of the new revenue standard.

The adoption of AASB 9 also has not impacted the financial statements, noting that the Stanwell Liability has historically been classified as a financial liability measured at fair value through profit and loss and continues to be measured on that basis under AASB 9.

There was no material impact on the financial report as a result of the adoption of these standards.

Accounting standards issued but not yet adopted
AASB 16 *Leases* was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group does not have any existing finance leases, and has operating lease commitments totalling $198,000 as at reporting date. Leases to explore for for oil, natural gas and similar non-regenerative resources are specifically excluded from AASB 16.

The Group is in the process of assessing to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit or loss and classification of cash flows.

On initial application, the Group intends to make the election under the new standard to measure lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application and to record a right-of-use asset equal to the lease liability.

4. 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.

4. Going concern (continued)

While the Group has sufficient cash to execute its current planned exploration and evaluation activities it may be required to raise additional capital within the next 12 months or sell down its interest in an existing asset or pre-sell gas from one of its assets in order to fund a payment to Stanwell Corporation Limited (SCL) under Option B of the Renegotiated Option Agreement 2014 in relation to Mahalo Gas Project (MGP).

Option B is exercisable by SCL if Comet Ridge is unable to negotiate a gas sales agreement per the Amended Option Agreement 2018 or the Final Investment Decision for development of the Mahalo Gas Project is not taken before 30 September 2019, or Comet Ridge is unable to re-negotiate a further extension. If SCL elects to exercise Option B, it will receive a cash payment of $20 million at 1 July 2014 dollar which is to be escalated in accordance with CPI on and from 1 July 2014 and annually thereafter (or part thereof) up to the date the Pay Agreement is signed. If the Final Investment Decision for development of the Mahalo Gas Project is not taken by 30 September 2019, then Comet Ridge is required to make a cash payment by 30 October 2019, if no further extension is negotiated.

The existence of the SCL option creates a material uncertainty that may cast significant doubt as to the ability of the Group to continue as a going concern should the option be called and in the absence of executing on one of the above financing strategies. In the absence of this the Group may not be able to realise its assets and extinguish its liabilities in the ordinary course of business, and at the amounts stated in the financial statements.

At the date of this financial report, the Directors have a reasonable expectation that the Group and the Company will be successful in negotiating a Gas Sales Agreement with SCL or in its absence, with its future fund-raising initiatives and, as a result, will have adequate resources to fund its future operational requirements and for these reasons they continue to adopt the going concern basis in preparing the financial report.

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

5. Accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement when applying the Group's accounting policies. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The critical estimates and judgements applied in the preparation of the financial statements are as follows:

(a) Recoverability of exploration and evaluation expenditure

The Group assesses the recoverability of the carrying value of capitalised exploration and evaluation expenditure at each reporting date (or during the year should the need arise). In completing this assessment, regard is given to the Group's intentions with respect to proposed future exploration and development plans for individual areas, to the success or otherwise of activities undertaken in individual areas, to the likely success of future planned exploration activities, and to any potential plans for divestment of individual areas. Any required impairment of capitalised exploration and evaluation expenditure is completed based on the results of the assessment. Furthermore, for various areas of interest, exploration and evaluation activities may not have reached a stage to allow a reasonable assessment to be made regarding the existence of economically recoverable reserves. Accordingly, exploration and evaluation assets may be subject to further impairment in the future.

During the half-year, all exploration expenditure incurred on the Gunnedah Basin permits was impaired. This is consistent with the policy adopted at 30 June 2018 to fully impair the expenditure with respect to these permits. The impairment expense amounted to $68,000 (December 2017: $80,000). In addition, because the New Zealand permits are to be relinquished, any expenditure in New Zealand during the half-year has been expensed to exploration permit expenditure.

(b) Renegotiated Mahalo Option Agreement

On 18 March 2014, the Group signed an agreement to repurchase the 5% interest in the Mahalo Gas Project which was originally sold to Stanwell Corporation Limited (SCL) under the September 2011 Sale and Purchase Option Agreement. The effective date of this transaction was 20 October 2014. At each reporting date, the Group reviews the underlying assumptions previously used to account for the repurchase of the 5% interest in the Mahalo Gas Project. In accordance with the Renegotiated Mahalo Option Agreement the nature of the consideration payable by Comet Ridge is at the option of SCL and is either by way of:

1. The discount under the Gas Supply Agreement (Option A). Under this option, the consideration is paid by Comet Ridge foregoing a portion of its future revenue from the Mahalo Gas Project over the life of the Gas Supply Agreement. The revenue foregone by Comet Ridge is the $15m discount indexed by CPI up to the date the Gas Supply Agreement is signed; or

2. A cash payment of $20m indexed by CPI up to the date of payment (Option B). This amount is payable if SCL decides not to exercise Option A, or an acceptable gas supply agreement cannot be agreed.

5. Accounting estimates and judgements (continued)

(b) Renegotiated Mahalo Option Agreement (continued)

Of the two options available, it is considered reasonable to assume that SCL will choose the option that provides the greatest benefit. If the Mahalo field proves up with significant reserves and a favourable gas price is agreed, SCL would be expected to proceed with Option A. If the field proves up with low gas volumes then SCL would be expected to opt for Option B. Obviously, there is a midway point where SCL will be ambivalent as to whether it chooses Option A or Option B.

In August 2018, Comet Ridge and Stanwell entered into a Deed of Amendment which extended the Final Investment Decision date from 20 October 2018 to 30 September 2019. While the 2014 Agreement remains in place, the parties have agreed to negotiate a new GSA which, if successfully concluded, will replace the 2014 Agreement. On further review of the 2018 agreement and the initial booking of the 2014 Agreement, Comet Ridge has determined that the initial accounting for the agreement did not correctly reflect the fair value at the time and as a result has adjusted the opening balance for Financial Liability and Exploration and Evaluation Asset by $1.8m. We don't consider the adjustment to be material.

As a result, at 31 December 2018 it is necessary to consider whether there have been any technical or economic changes since the last reporting date that would now cause SCL to choose Option B rather than Option A. If necessary, the liability to SCL will be amended so that at the anticipated date of the GSA the full liability for the consideration payable to SCL will be recognised.

The initial accounting treatment was based on the expectation that SCL was interested in securing future gas supplies and, provided the Mahalo Gas Project was able to supply the agreed gas quantities, it would proceed with Option A. This conclusion was based on the exploration results from the Mahalo and Mira pilot operations which, while not conclusive at that time, indicated that the Mahalo Gas Project had the potential for a significant gas resource.

As required by the 2019 Agreement, Comet Ridge is currently in discussion with SCL regarding a market pricing for a revised Gas Sales Agreement (GSA). If Comet Ridge is unable to reach an agreement with SCL on the market pricing or the terms of a GSA, then discussions revert back to the 2014 Agreement, which has been previously disclosed in the 2018 Annual Report.

As at 31 December 2018, the Financial Liability was reclassified from Non-current to Current Liability and have recognised the full financial liability.. Based on these inputs, the increase in the fair value of the SCL liability during the half year was $1,319,000 (2017: $579,000) and a corresponding amount was recognised as an expense in the profit or loss.

(c) Financial guarantee contract

One of the terms of the renegotiated Mahalo Option Agreement is that the parent entity (Comet Ridge Limited) guarantees the indexed $20 million consideration payable by Comet Ridge Mahalo Pty Ltd (CRM) under Option B. In accordance with AASB 139 Financial Instruments, Recognition and Measurement, at each balance date to the extent that a liability/asset exists, Comet Ridge Limited will need to recognise a Financial Guarantee Contract liability and CRM will record a Financial Guarantee Contract asset.

Comet Ridge Limited's exposure to a financial guarantee liability arises from the risk that at any point in time the fair value of CRM's interest in the Mahalo Gas Project is less than the indexed liability. In order to determine the fair value of CRM's interest in the Mahalo Gas Project, CRM has developed a "value in use" methodology that takes into account the estimated cash flows from the development and operation of the Mahalo Gas Project. Using a range of gas price of $8.00/GJ, the valuation provides an NPV for Comet Ridge's 40% interest in the Mahalo Gas Project that are significantly above the value of the indexed $20 million financial guarantee. Accordingly, at 31 December 2018 CRM's Financial Guarantee Contract asset and Comet Ridge Limited's Financial Guarantee Contract liability would both be valued at nil.

5. Segment information

Identification of reportable segments

The principal operating activities of the Group are the exploration and evaluation of its tenements for oil and gas reserves. The Group has identified its operating segments based on the geographic location of its respective areas of interest (tenements). 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 are prepared on the same basis.

Reportable segments disclosed are based on aggregating operating activities where those activities are considered to have similar economic characteristics and meet the other aggregation criteria of AASB 8 Operating Segments. Other than exploration and evaluation costs written off and impairment losses and stand-by costs in relation to exploration and evaluation expenditure, income and expenditure as per the Statement of Profit or Loss and Other 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.

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 following tables show the financial performance and financial position information regarding the Group's operating segments.

6. Segment information (continued)

(a) Segment performance

	Queensland		New Zealand	New South Wales	Total
	Galilee	**Bowen**	**South Island**	**Gunnedah**	
31 December 2018	**$000's**	**$000's**	**$000's**	**$000's**	**$000's**
Segment revenue	**-**	**-**	**-**	**-**	**-**
Exploration and evaluation expenditure impaired	**-**	**-**	**-**	**(68)**	**(68)**
Restoration and rehabilitation expense	**-**	**-**	**170**	**-**	**170**
Segment result before tax	**-**	**-**	**170**	**(68)**	**102**
Reconciliation of segment result to Group loss before tax					
Interest received					**186**
Other income					**1**
Employee benefits' expense					**(678)**
Contractors' and consultancy costs					**(339)**
Professional fees					**(132)**
Corporate expenses					**(190)**
Occupancy costs					**(77)**
Fair value movement of financial liability at fair value					**(1,319)**
Finance costs					**(117)**
Other expenses					**(321)**
Depreciation					**(10)**
Loss before tax					**(2,894)**

31 December 2017					
Segment revenue	-	-	-	-	-
Exploration and evaluation expenditure impaired	-	-	-	(80)	(80)
Restoration and rehabilitation expense	-	-	(225)	-	(225)
Segment result before tax	-	-	(225)	(80)	(305)
Reconciliation of segment result to Group loss before tax					
Interest received					37
Other income					4
Employee benefits' expense					(331)
Contractors' and consultancy costs					(161)
Professional fees					(96)
Corporate expenses					(145)
Occupancy costs					(46)
Fair value movement of financial liability at fair value					(579)
Finance costs					(36)
Other expenses					(110)
Depreciation					(9)
Loss before tax					(1,777)

6. Segment information (continued)

(b) Segment assets

	Queensland		New Zealand	New South Wales	Total
	Galilee	Bowen	South Island	Gunnedah	
31 December 2018	**$000's**	**$000's**	**$000's**	**$000's**	**$000's**
Segment assets	**25,904**	**30,480**	**-**	**-**	**56,384**
Segment liabilities	**-**	**(17,908)**	**-**	**-**	**(17,908)**
	25,904	**12,572**	**-**	**-**	**38,476**
Reconciliation of segment assets to group assets					
Unallocated assets					
Current assets					**26,829**
Non-current assets					**76**
Current liabilities					**(7,266)**
Non-current liabilities					**(736)**
Total group net assets					**57,379**
Segment asset movement for the year					
Balance at 1 July 2018	**23,380**	**26,359**	**-**	**-**	**49,739**
Exploration and evaluation expenditure	**2,524**	**4,121**	**-**	**68**	**6,713**
Impairment expense	**-**	**-**	**-**	**(68)**	**(68)**
	2,524	**4,121**	**-**	**-**	**6,645**
Balance at 31 December 2018	**25,904**	**30,480**	**-**	**-**	**56,384**

	Queensland		New Zealand	New South Wales	Total
	Galilee	Bowen	South Island	Gunnedah	
	$000's	$000's	$000's	$000's	$000's
31 December 2017					
Segment assets	22,390	25,182	-	-	47,572
Segment liabilities	-	(18,089)	-	-	(18,089)
	22,390	7,093	-	-	29,483
Reconciliation of segment assets to group assets					
Unallocated assets					
Current assets					16,271
Non-current assets					47
Current liabilities					(2,254)
Non-current liabilities					(555)
Total group net assets					42,992
Segment asset movement for the year					
Balance at 1 July 2017	22,089	23,195	-	-	45,284
Exploration and evaluation expenditure	301	1,987	-	80	2,368
Impairment - exploration expenditure	-	-	-	(80)	(80)
	301	1,987	-	-	2,288
Balance at 31 December 2017	22,390	25,182	-	-	47,572

7. Exploration and evaluation expenditure

	December 2018 $000's	June 2018 $000's
Exploration and evaluation expenditure	**74,223**	67,510
Less provision for impairment	**(17,839)**	(17,771)
	56,384	49,739

Movements in exploration and evaluation phase	December 2018 $000's	December 2017 $000's
Balance at the beginning of period	**49,739**	45,284
Exploration and evaluation expenditure during the period	**6,713**	2,368
Impairment expense	**(68)**	(80)
Balance at the end of period	**56,384**	47,572

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

8. Financial liability at fair value	December 2018 $000's	June 2018 $000's
Current		
Financial liability at fair value - Stanwell Corporation Limited	**17,908**	-
Non-current		
Financial liability at fair value - Stanwell Corporation Limited	**-**	16,589
	17,908	16,589

Movements in financial liability at fair value	December 2018 $000's	December 2017 $000's
Balance at the beginning of the period	**16,589**	17,021
Movement in fair value of financial liability at fair value	**1,319**	579
Balance at the end of the period	**17,908**	17,600

Fair value measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes. Given the reclassification of the financial liability from Non-Current to Current, Comet Ridge has recognised the full financial liability at the reporting date.

AASB 13 Fair Value, 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).

8. Financial liability at fair value (continued)

The fair value of the liability owed to Stanwell Corporation Limited (SCL) is based on the anticipated discounted cash flows arising from the renegotiated Mahalo Option Agreement. The SCL liability is classified as level 3 in the fair value hierarchy due to the use of unobservable inputs. The inputs used in the calculation of the fair value of the financial liability at 30 June 2018 was as follows:

1. The most likely outcome under the Mahalo Option Agreement is SCL will opt for the Gas Sale Agreement. As a result, the $15 million discount will be the basis for determining the liability calculations.
2. The agreement term for the initial calculations was four years, which has now been extended to a maximum of 5.5 years under the 2018 Agreement.
3. The CPI rate used to index the $15 million gas supply discount is 3% pa based on upper level of RBA target for inflation.
4. The fair value of the 5% Mahalo Gas Project interest re-acquired will be the net present value (NPV) of the SCL liability discounted at a pre-tax rate based on Comet Ridge's cost of capital.
5. The Comet Ridge's cost of capital is 14.75% per annum.

The relationships between the unobservable inputs and the fair value of the financial liability at fair value are as follows:

Unobservable input	**Relationship to fair value**
Likely outcome	If SCL opts for Option B the financial liability at fair value at 31 December 2018 will increase by approximately $1.7 million.

9. Contributed equity

	December 2018	June 2018
	$000's	$000's
Ordinary shares - fully paid	**129,110**	112,441

Movements in ordinary shares	**December 2018**	**December 2017**	**December 2018**	**December 2017**
	Number of Shares		$000's	$000's
Balance at the beginning of the period	**676,650,986**	617,742,154	**112,441**	99,377
Share Placement @ 34 cents per share	**51,225,437**		**17,417**	
Share placement @ 23.5 cents per share		42,638,299		10,020
Entitlement issue @ 23.5 cents per share		13,358,533		3,089
Share issue costs	**-**	**-**	**(748)**	(635)
Balance at the end of the period	**727,876,423**	673,738,986	**129,110**	111,851

10. Share based payments

The share-based payments' expense included in the financial statements with respect to performance rights issued during the half-year and already issued in prior years and the movements in the share-based payments reserve during the half-year are as follows:

	December 2018	December 2017
	$000's	$000's
Statement of Comprehensive Income		
Share based payments expense included in employee benefits' expense	**87**	(33)

	December 2018	December 2017
Share based payments' reserve	$000's	$000's
Balance at the beginning of the period	**70**	80
Share based payments expense during the half year	**87**	(33)
Performance rights expired during the half year	**-**	-
Balance at the end of the period	**157**	47

10. Share based payments (continued)

During the half-year, performance rights were granted to new employees in accordance with the Comet Ridge Limited Performance Rights Plan for employees and contractors. The object of the plan is to:

(a) provide an incentive for employees/contractors to remain in their employment and continue to provide services to the Group in the long term;
(b) recognise the ongoing efforts and contributions of employees/contractors to the long-term performance and success of the Group; and
(c) provide employee/contractors with the opportunity to acquire performance rights, and ultimately shares, in Comet Ridge Limited.

All performance rights granted during the half-year vest are subject to a performance condition and the completion of a specified period of employment/engagement. Details of the performance rights granted during the 31 December 2018 half-year together with their terms and conditions are as follows:

Grant Date	No. of Rights	Assumed Vesting Date	Expiry Date	Fair Value (cents)	Performance Condition
31-Dec-18	300,000	31-Jan-21	31-Jan-21	32.5	Reserve targets
31-Dec-18	400,000	31-Jan-20	31-Jan-20	32.5	Mahalo JV resolves to proceed to development
31-Dec-18	400,000	31-Jan-21	31-Jan-21	32.5	Resolution to proceed to development for Albany Project

The following table shows the movements of performance rights during the half-year:

Grant Date	Expiry Date	Share Price at Grant Date (cents)	No. of Rights 30 June 2018	Granted during the year	Vested During the year	Expired During the year	No. of Rights 31 December 2018
1-Dec-16	31-Dec-19	7.0	1,500,000				1,500,000
1-Dec-16	31-Dec-19	7.0	375,000				375,000
23-Nov-17	31-Jan-20	26.5	1,000,000				1,000,000
23-Nov-17	31-Jan-21	26.5	1,000,000				1,000,000
21-May-18	31-Jan-20	36.5	250,000				250,000
21-May-18	31-Jan-21	36.5	250,000				250,000
31-Dec-18	31-Dec-19	32.5		300,000			300,000
31-Dec-18	31-Jan-20	32.5		200,000			200,000
31-Dec-18	31-Jan-20	32.5		200,000			200,000
31-Dec-18	31-Jan-21	32.5		200,000			200,000
31-Dec-18	31-Jan-21	32.5		200,000			200,000
			4,375,000	1,100,000	-		5,475,000

The fair value of performance rights is determined at grant date. The value of performance rights that are issued subject only to a service condition or subject to a service condition and a non-market performance condition e.g. reserves certification, is determined by reference to the quoted price of the Company's shares on the ASX and an appropriate probability weighting to factor the likelihood of the satisfaction of these conditions. The fair value of performance rights at grant date issued subject to a market condition e.g. Total Shareholder Return performance, is determined using generally accepted valuation techniques including Black-Scholes option pricing model and Monte Carlo simulation that take into account the term of the performance right, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the performance right.

11. Contingent liabilities

The Directors are not aware of any contingent liabilities other than the Financial Guarantee Contract which is one of the terms of the renegotiated Mahalo Option Agreement. Under the renegotiated agreement Comet Ridge Limited guarantees the indexed $20 million consideration payable by Comet Ridge Mahalo Pty Ltd (CRM) under Option B. Option B is exercisable by Stanwell Corporation Limited (SCL) upon the earlier of FID for any development of the Mahalo Gas Project permit area or on the 4th anniversary date of the execution of the new agreement.

If SCL elects to exercise Option B, it will receive a cash payment of $20 million at 1 July 2014 dollar terms which is to be escalated in accordance with CPI on and from 1 July 2014 and annually thereafter (or part thereof) up to the date the Pay Agreement is signed.

12. Commitments

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.

Operating lease commitments

	December 2018	June 2018
Payable - minimum lease payments	$000's	$000's
- not later than 12 months	169	98
- between 12 months and 5 years	29	8
	198	106

Exploration expenditure

	December 2018	June 2018
Minimum expenditure requirements	$000's	$000's
- not later than 12 months	8,197	2,571
- between 12 months and 5 years	-	3,121
	8,197	5,692

Bank guarantees

Westpac Banking Corporation have provided bank guarantees totalling $445,000 (June 2018: $445,000) as follows:

- $212,000 (June 2018: $212,000) to the State of Queensland in respect of the Group's exploration permits and environmental guarantees;
- $200,000 (June 2018: $200,000) to the State of NSW to supports the Group’s exploration permits and environmental guarantees; and
- $33,000 (June 2018: $33,000) 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.

Exploration expenditure

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

	December 2018	June 2018
Minimum expenditure requirements	$000's	$000's
- not later than 12 months	8,197	2,571
- between 12 months and 5 years	-	3,121
	8,197	5,692

12. Events occurring after balance date

There has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

COMET RIDGE LIMITED
DIRECTORS' DECLARATION

The Directors declare that:

(a) the attached financial statements and notes are in accordance with the *Corporations Act 2001* including:

   I. complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*; and

   II. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;

(b) in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.

Tor McCaul
Managing Director

Brisbane, Queensland, 12 March 2019

Independent auditor's review report to the members of Comet Ridge Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Comet Ridge Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected other explanatory notes and the directors' declaration for the Comet Ridge Limited Group (the Group). The Group comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Comet Ridge Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Comet Ridge Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Material uncertainty related to going concern

We draw attention to Note 4 in the financial report, which indicates that the Group may need to fund a cash payment to Stanwell Corporation Limited (SCL) of $20 million, escalated at CPI from July 2014, within the next 12 months. This cash payment is payable if the Group is unable to negotiate a gas sales agreement with SCL, if the Final Investment Decision for development of the Mahalo Gas Project is not taken before 30 September 2019, or if the Group is unable to renegotiate a further extension. If a cash payment is required, the Group may need to raise additional capital, sell down an interest in an existing asset or pre-sell gas from one of its assets to fund the payment to SCL.

These conditions, along with other matters set forth in Note 4, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers

PricewaterhouseCoopers

Michael Shewan
Partner

Brisbane
12 March 2019