Comet Ridge Limited

A.B.N. 47 106 092 577

CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Contents

Corporate Directory

Directors

James McKay	Non-executive Chairman
Tor McCaul	Managing Director
Gillian Swaby	Non-executive Director
Christopher Pieters	Executive Director
Martin Riley	Non-executive Director
Shaun Scott	Non- Executive Director

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ASX Code: COI

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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 2019.

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
Martin Riley	Non-executive Director
Shaun Scott	Non-executive Director (appointed 16 October 2019)

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 $2.595 million (December 2018: loss $2.894 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 (PJ)			Prospective Resource (PJ) [2]
			1P[4]	2P	3P	1C	2C	3C	
Bowen Basin, QLD	Mahalo Gas Project (ATP 1191)	40%	-	106	183	53	89	154	-
Galilee Basin, QLD	Gunn Project Area (ATP 744P)	100%	-	-	-	-	67	1,870	597 [3]
Galilee Basin, QLD	Albany Structure (ATP 744P)	70%[5]	-	-	-	39	107	292	-
Gunnedah Basin, NSW	PEL 6 PEL 427 PEL 428	22.5%% 50% 60%	-	-	-	-	-	562	2,101
Total			**-**	**106**	**183**	**92**	**263**	**2,878**	**2,698**

Table 1 – Net recoverable Reserves and Resources

See Notes to Net Recoverable Reserves and Resources Table on page 7.

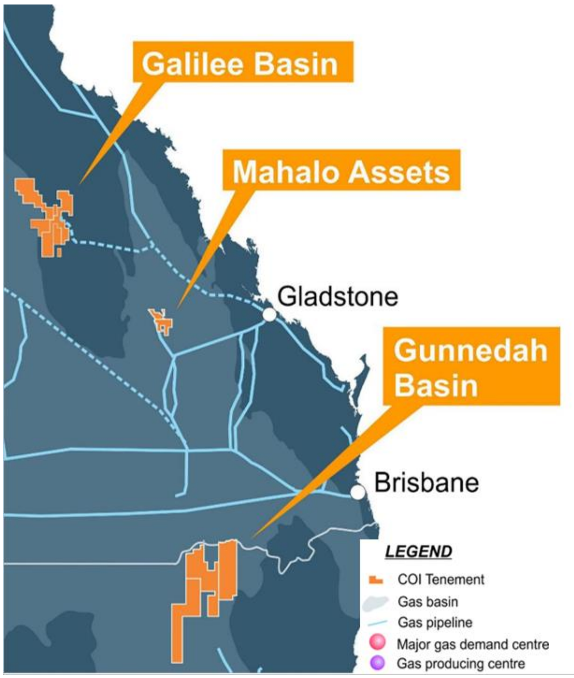

Figure 1 – Locations of Comet Ridge's assets

1. ATP 1191, becoming PLA 1082 and 1083 Mahalo – Bowen Basin, Qld (Comet Ridge 40%, Santos 30%, APLNG 30%)

Continued Refinement of the Initial Development Plan

The Joint Venture Development Operator, APLNG (Origin Energy (ASX:ORG) is the upstream operator for APLNG) has continued to work towards formalising the development plan and "start-up" scope of work for the Mahalo asset. Several engineering studies in gas and water handling facilities, well design and field layout have progressed during the quarter. Reservoir modelling work, focussed on development well designs of up to 1800 metres, has demonstrated increasingly more positive economic value for the project, due to increased gas rates and recoveries for the development wells, and an overall reduction in total wells for the project.

On 12 September 2019 Comet Ridge announced that the Mahalo Joint Venture (MJV) lodged Petroleum Lease Application (PLA) 1082 Humbolt and PLA 1083 Mahalo, which will cover the initial development area for the Mahalo Gas Project (see Figure 2). The MJV also lodge three Potential Commercial Areas over the remainder of the Mahalo acreage.

It is anticipated that both State and Federal environmental approvals for the development will be received by mid-year.

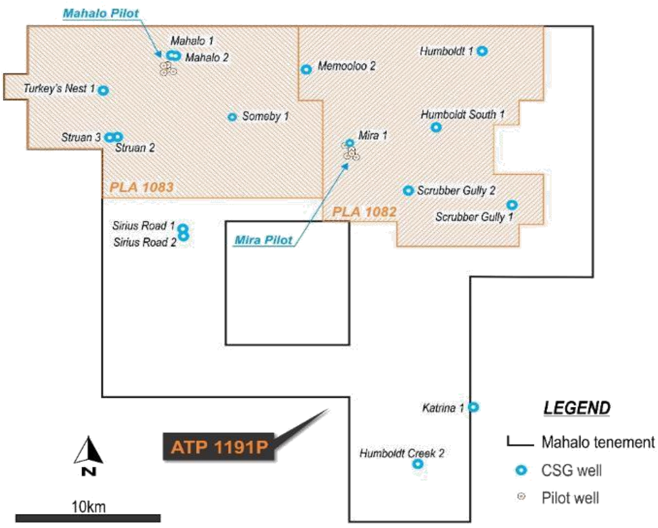

Figure 2 - Petroleum Lease Application areas called "Mahalo" and "Humboldt" numbered PLA1083 and PLA1082 respectively by Queensland Government

Reserve Revision

On 30 October 2019, Comet Ridge provided an update of the Mahalo Asset reserves and resources, which saw a downgrade.

These changes were due to the following key points:

- Significant well reduction from Comet Ridge's original development plan to the Operator's latest development plan, moving from vertical wells to largely lateral wells for production over two main coal seams;
- Revision of Petroleum Resource Management System in June 2018;
- Additional well data, updating our understanding of the field and recovery factors;
- Petroleum Lease Applications; and
- Contingent Resource development scenarios.

For further detail, please refer to ASX Announcement Comet Ridge Awarded 100% Interest in Mahalo North Block/Mahalo Reserves and Resources Revision, dated 30 October 2019.

The independent reserves auditor MHA Petroleum Consultants LLC Inc issued its updated estimate of reserves and resources for the Mahalo Asset, which resulted in a reduction, as detailed in Table 1.

2. ATP 2048 – Mahalo North, QLD (Comet Ridge 100%)

In October 2019, Comet Ridge was appointed preferred tenderer status for the natural gas acreage PLR 2019-1-2, in the Southern Bowen Basin, as part of the Queensland Government's most recent tender process. The block has subsequently been given the Authority to Prospect (ATP) number 2048, which the Company refers to as Mahalo North; see Figure 1.

Comet Ridge holds a 100% interest in, and is the operator of, the 450 km^2 Mahalo North. The block is located directly north and contiguous to the Mahalo Gas Project. Mahalo North is approximately half the size of the 911km^2 Mahalo block where the Company has an existing 40% non-operated interest and is the biggest equity holder. Mahalo North is subject to a domestic market obligation.

Since being appointed, Comet Ridge has commenced the processes required for the granting of ATP 2048, including environmental and native title clearances, and has held initial discussions with some of the landholders who will be included in the first-year work programme.

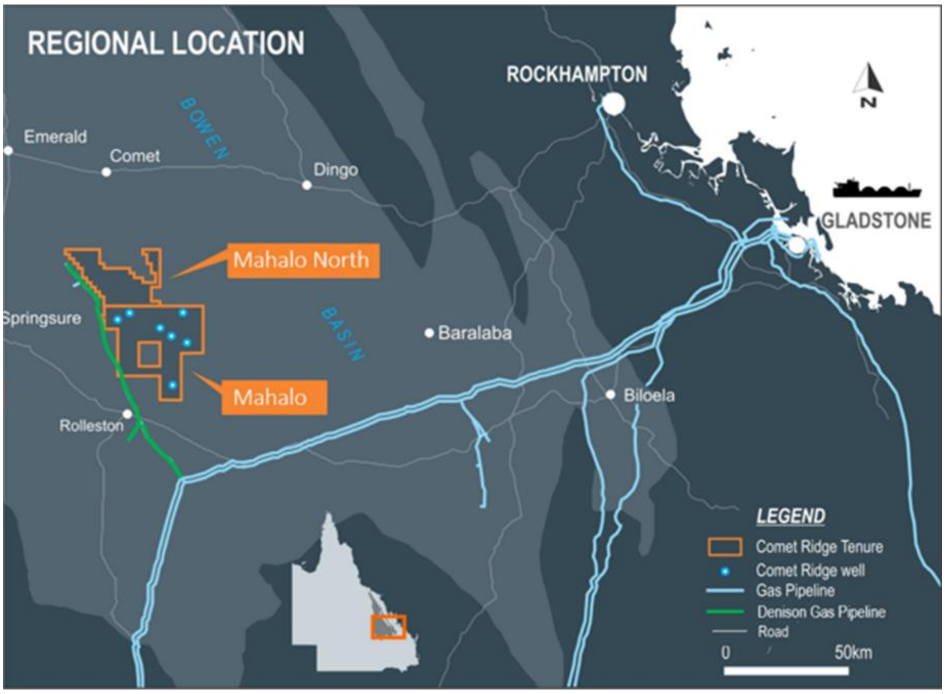

Figure 3 – Regional map of Mahalo and Mahalo North Permits

3. ATP 743, ATP 744, and ATP 1015 – Galilee Basin, Qld (CSG - Comet Ridge 70%, Vintage Energy 30%, Conventional – Comet Ridge 100%)

During the quarter, Comet Ridge completed the drilling of the Albany 1ST and Albany 2 drilling programme and commenced the stimulation programme.

Albany 2 was drilled to a total depth of 2702 metres and wireline logs were run, indicating good reservoir quality and the presence of gas in the target reservoir. Logging operations to take pressure measurements were interrupted by the logging tool getting stuck in the hole. Several weeks were spent fishing for the tool and part of the tool was successfully recovered. Under the services agreement, the Galilee Deeps Joint Venture were responsible for the lost tool and the JV reached a settlement agreement with service provider for the tool prior to Christmas. This cost has been reflected in the Exploration and Evaluation expenditure for the December quarter.

The Albany 1 ST well was drilled to a total depth of 2822 metres, with strong gas shows being measured through the target reservoir. Logs, including standard conventional logs, a reservoir imaging log and a formation pressure log, were successfully run on Albany 1 ST.

In December 2019, Comet Ridge as Operator of the Deeps JV commenced the stimulation programme on Albany 2. Three prospective sandstone reservoir zones in the mid to upper portion of the Lake Galilee Sandstone sequence were successfully treated with large volumes of sands and ceramic proppant. Operations were paused during the Christmas break and during this break, wellhead pressure built up to approximately 100 psi. In early January 2020, nitrogen was used to help flow back stimulation fluid. A sample of gas has been taken from the well and is currently being analysed.

In January 2020, the area around the Albany wells received significant amounts of rain fall, resulting in a suspension of activities at the well site.

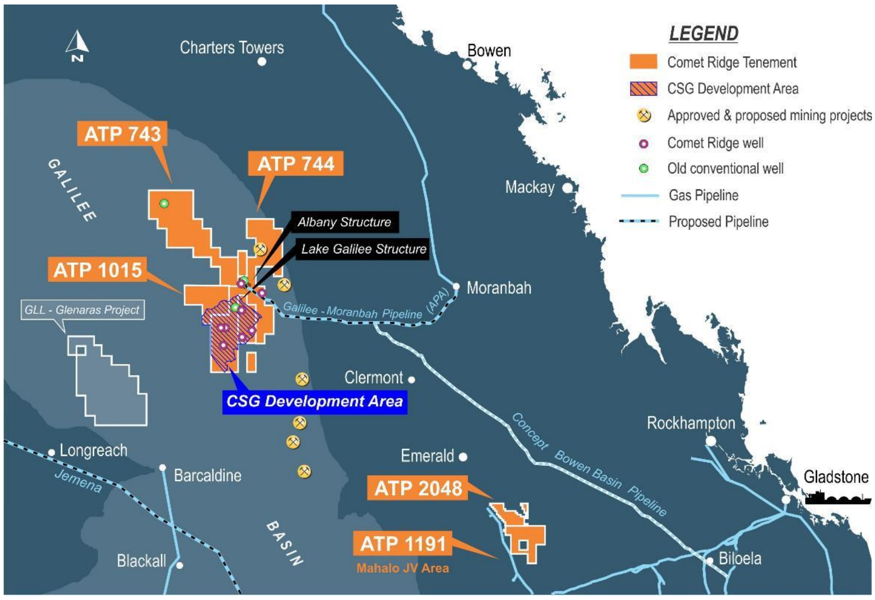

Figure 4 – Regional map of the Galilee Permits, showing the location of the Albany Structure and the CSG Development Area.

4. 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 has not yet been received.

Comet Ridge notes the recent agreement between the Federal and NSW governments to facilitate increased gas supply, lower emissions and provide a more stable power supply. Comet Ridge has a large CSG and conventional gas acreage position (13,000 km2) in northern central NSW which has significant potential, with contingent resource volumes previously being independently certified. The Company believes that NSW needs to develop its own sources of natural gas to provide vital support to local industry.

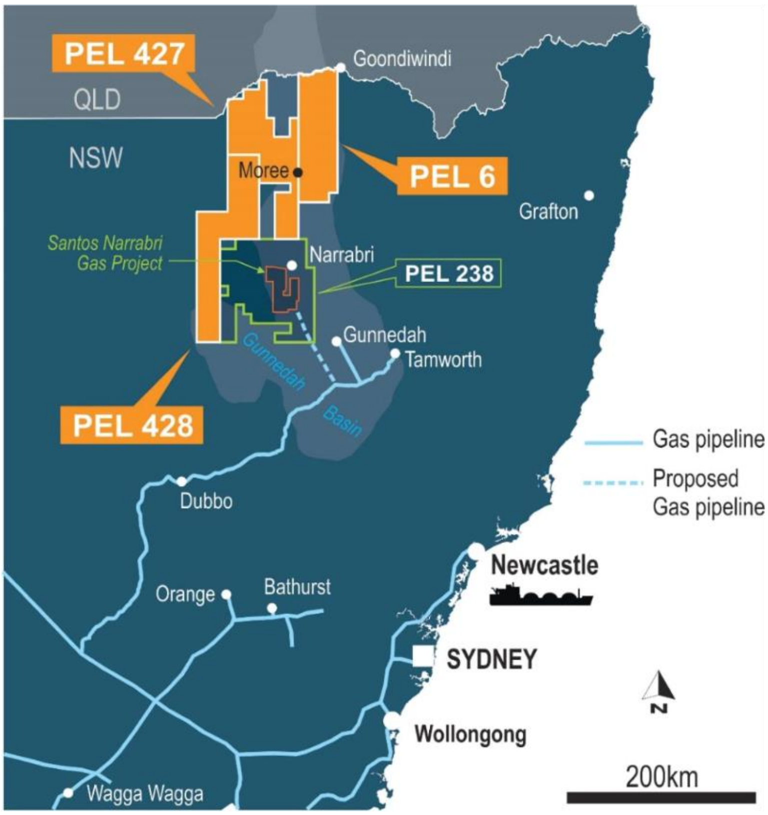

Figure 5 – Regional map of the Gunnedah permits

CORPORATE

1. Capital Raising

On 27 November 2019, Comet Ridge announced it had successfully raised $10 million at 19 cents per share via a placement with institutional investors and high net worth individuals. On the same day the Company launched a Share Purchase Plan (SPP), which closed on the 17 December 2019, raising a further $1.6 million, also at 19 cents per share.

2. Board Appointment

On 16 October 2019, Shaun Scott, former Arrow Energy CEO, was appointed a non-executive director to the Board of Comet Ridge. Mr Scott is an experienced independent non-executive director on both public and private boards. As an executive, Mr Scott was CEO of Arrow Energy Limited and was instrumental in taking this business from a $20 million coal seam gas explorer to a significant gas and energy producer and leader in the development of the Queensland LNG industry, until Arrow's $3.5 billion acquisition by Shell and Petro-China in 2010. At the Board level, Shaun has operated as Chairman and non-executive director of a number of publicly listed companies and chaired numerous Board sub-committees. Mr Scott has specific expertise and experience in business strategy, negotiations, financial and risk management, executive remuneration, governance and safety leadership.

3. Strategic Review

On 11 November 2019, Comet Ridge announced it was performing a strategic review of the Company and its multiple assets. The asset portfolio has broadened and evolved significantly in recent years, leading to effectively two asset classes: near term production assets in Mahalo and Mahalo North and large earlier stage exploration and appraisal assets in the Galilee and Gunnedah Basins. The strategic review is ongoing with the Board looking to provide further guidance before the end of the March 2020 quarter.

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, 11 March 2020

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

1) Comet Ridge'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 2019, 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
11 March 2020

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COMET RIDGE LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	December 2019 $000's	December 2018 $000's
Revenue and other income			
Interest received		**42**	186
Other income		**2**	1
Expenses			
Employee benefits' expense		**(517)**	(678)
Contractors' & consultancy costs		**(80)**	(339)
Exploration and Evaluation expense		**(328)**	170
Professional fees		**(151)**	(132)
Corporate expenses		**(117)**	(190)
Occupancy costs		**(72)**	(77)
Fair value movement of financial liability at fair value	7	**(1,109)**	(1,319)
Finance income/(costs)		**49**	(117)
Other expenses		**(283)**	(321)
Depreciation		**(33)**	(10)
Impairment - exploration and evaluation expenditure		**2**	(68)
LOSS BEFORE INCOME TAX		**(2,595)**	(2,894)
Income tax credit		**-**	-
LOSS FOR THE PERIOD		**(2,595)**	(2,894)
Other comprehensive loss, net of income tax			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		**(1)**	(8)
TOTAL OTHER COMPREHENSIVE LOSS, NET OF INCOME TAX		**(1)**	(8)
TOTAL COMPREHENSIVE LOSS		**(2,596)**	(2,902)
Loss attributable to:			
Owners of the parent		**(2,595)**	(2,902)
Non-controlling interests		**-**	-
		(2,595)	(2,902)
Total comprehensive loss attributable to:			
Owners of the parent		**(2,596)**	(2,902)
Non-controlling interests		**-**	-
		(2,596)	(2,902)
LOSS PER SHARE		**Cents**	Cents
Basic loss per share		**(0.352)**	(0.371)
Diluted loss per share		**(0.352)**	(0.371)

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 2019

	Note	December 2019 $000's	June 2019 $000's
CURRENT ASSETS			
Cash and cash equivalents		**12,437**	12,998
Trade and other receivables		**1,053**	482
Inventories		**6**	57
Other assets		**569**	1,304
TOTAL CURRENT ASSETS		**14,065**	14,841
NON-CURRENT ASSETS			
Property, plant and equipment		**125**	152
Exploration and evaluation expenditure	6	**76,635**	63,141
TOTAL NON-CURRENT ASSETS		**76,760**	63,293
TOTAL ASSETS		**90,825**	78,134
CURRENT LIABILITIES			
Trade and other payables		**5,837**	2,802
Provisions		**448**	441
TOTAL CURRENT LIABILITIES		**6,285**	3,243
NON-CURRENT LIABILITIES			
Financial liability at fair value	7	**18,300**	17,191
Provisions		**1,591**	1,523
TOTAL NON-CURRENT LIABILITIES		**19,891**	18,714
TOTAL LIABILITIES		**26,176**	21,957
NET ASSETS		**64,649**	56,177
EQUITY			
Contributed equity	8	**140,203**	129,110
Reserves		**1,287**	1,313
Accumulated losses		**(76,841)**	(74,247)
TOTAL EQUITY		**64,649**	56,177

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 2019

	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 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
Balance at 1 July 2019	**129,110**	**1,248**	**65**	**(74,246)**	**56,177**
Loss for the period	**-**	**-**	**-**	**(2,595)**	**(2,595)**
Other comprehensive loss for the period	**-**	**(1)**	**-**	**-**	**(1)**
Total comprehensive loss for the period	**-**	**(1)**	**-**	**(2,595)**	**(2,596)**
Transactions with owners in their capacity as owners					
Contributions of equity net of transaction costs	**11,093**	**-**	**-**	**-**	**11,093**
Share-based payments	**-**	**-**	**(25)**	**-**	**(25)**
	11,093	**-**	**(25)**	**-**	**11,068**
Balance at 31 December 2019	**140,203**	**1,247**	**40**	**(76,841)**	**64,649**

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 2019

	December 2019 $000's	December 2018 $000's
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	**73**	82
Payments to suppliers and employees	**(2,091)**	(1,272)
NET CASH USED IN OPERATING ACTIVITIES	**(2,018)**	(1,190)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation assets	**(9,687)**	(3,711)
Payment for property, plant and equipment	**(6)**	(39)
Movement in restricted cash	**8**	-
NET CASH USED IN INVESTING ACTIVITIES	**(9,685)**	(3,750)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**11,614**	17,417
Share issue costs	**(471)**	(748)
NET CASH FROM FINANCING ACTIVITIES	**11,143**	16,669
Net (decrease)/ increase in cash held	**(560)**	11,729
Cash at the beginning of the period	**12,997**	11,547
CASH AT THE END OF THE PERIOD	**12,437**	23,276

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 2019 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 and amended standards adopted by the Company
The Company has applied the following interpretations, standards and amendments for the first time in their reporting period commencing 1 July 2019:

- AASB 16 Leases
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Company had to change its accounting policies following the adoption of AASB 16. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 11 below.

Leases to explore for oil, natural gas and similar non-regenerative resources are specifically excluded from AASB 16.

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

New standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Company.

These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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.

At 31 December 2019, the Group had $12.4 million in cash on hand and net current assets of $7.8 million.

Through interaction with the Department of Natural Resources, Mines and Energy and our joint venture partners, there are a number of commitments to continue to progress the Mahalo Gas Project and Galilee Deeps Joint Venture. These commitments are made over various timeframes, with funding raised as appropriate to meet these commitments. Exploration commitments at 31 December 2019 totalled $16.3 million as disclosed in Note 10.

By entering into the 2019 Agreement with Stanwell, refer Note 5 and 7 for further details, Comet Ridge can at its election initiate negotiations on a GSA up to the 29 September 2021. If Comet Ridge does not initiate negotiations, then Stanwell can initiate negotiations before the 8 October 2021. If neither party commences negotiations or the negotiations commence but a GSA cannot be agreed, then the cash payment of $20 million, indexed for CPI, would be required within 30 days. If negotiations do not commence, then the earliest date at which the cash payment is due is 8 November 2021.

The ability of the Group to continue to adopt the going concern assumption will depend upon a number of matters including the successful raising in the future of necessary funding through debt, equity or farm-out, or the successful exploration and subsequent exploitation of the Group's tenements to meet these commitments as they arise.

The exploration commitments and the existence of the Stanwell Arrangement creates a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern in the absence of being successful in relation to one of the above financing strategies. In the absence of this the Group may have to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts different from those stated in the financial statements. No adjustments for such circumstances have been made in the financial statements.

At the date of this financial report, the Directors have a reasonable expectation that the Group will be successful 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.

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 2019 to fully impair the expenditure with respect to these permits. 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) Provision for restoration and rehabilitation

The Group estimates the future rehabilitation costs of gas wells and associated infrastructure at the time of installation. In most instances, rehabilitation of assets occurs many years into the future. This requires assumptions to be made on the rehabilitation date, the extent of rehabilitation activities required, requirements of future environmental legislation, methodology and technologies used to determine the future rehabilitation cost.

The rehabilitation obligation is discounted to present value using a ten-year government bond discount rate as this is reflective of the risk-free rate over the period to rehabilitation of the assets. These estimates require significant management judgement and are subject to risk and uncertainty that may be beyond the control of the Group; hence, there is a possibility that changes in circumstances will materially alter projections, which may impact the recoverable amount of assets and the value of rehabilitation obligations at each reporting date.

(c) Financial liability at fair value

On 17 June 2019, Comet Ridge executed an agreement with Stanwell Corporation Limited (Stanwell), which amended the 2014 Deed of Option between the parties, extending the Final Option Date under the Deed to 30 September 2022. The 2019 Agreement has removed Stanwell's option to select either a Gas Sales Agreement (GSA) or a cash settlement from the 2014 Agreement as well as terminating the 2018 Agreement. This option has now been replaced with the ability for Comet Ridge Mahalo Pty Ltd (CML) to commence negotiations on a GSA by 29 September 2021, or if CML does not commence negotiations, Stanwell may commence negotiations for a GSA by 8 October 2021.

If CML and Stanwell are unable to come to an agreement on a GSA or neither party commence negotiations for a GSA, then a cash settlement of $20 million, indexed for CPI from March 2014, would be triggered on or before 8 November 2021 (Payment Amount). Upon payment by Comet of the Payment Amount, the obligations under the 2014 Agreement and the 2019 Agreement will have been fully discharged as between the parties. The 2019 Agreement allows for CML and Stanwell to negotiate a market priced GSA and fixed gas volumes between 20 to 30 PJ, depending on the final development of the Mahalo Gas Project.

Refer Note 7 for further information.

6. Exploration and evaluation expenditure

	December 2019 $000's	June 2019 $000's
Exploration and evaluation expenditure	**94,560**	81,068
Less provision for impairment	**(17,925)**	(17,927)
	76,635	63,141

Movements in exploration and evaluation phase	December 2019 $000's	December 2018 $000's
Balance at the beginning of period	**63,141**	49,739
Exploration and evaluation expenditure during the period	**13,492**	6,713
Impairment expense	**2**	(68)
Balance at the end of period	**76,635**	56,384

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.

7. Financial liability at fair value

	December 2019 $000's	June 2019 $000's
Non-current		
Financial liability at fair value - Stanwell Corporation Limited	**18,300**	17,191
	18,300	17,191

Movements in financial liability at fair value	December 2019 $000's	December 2018 $000's
Balance at the beginning of the period	**17,191**	15,227
Movement in fair value of financial liability at fair value	**1,109**	579
Balance at the end of the period	**18,300**	15,806

Fair value measurement

In 2019 Comet Ridge revisited the assumptions of the transaction and in particular who is the potential market participant and what they would seek as compensation for taking on the financial obligations now included in the 2019 Agreement.

In this instance, the liability is the obligation to either 1) provide a discount to the price that would be applied to a GSA to supply gas from the Mahalo Project; or 2) to provide cash consideration. The principal market and market participant could essentially include any producer or trader. It would be expected that any market participant would take a conservative view on the liability and therefore want to be compensated for the present value of the greatest liability.

In considering the options, Comet Ridge has determined that a cash settlement represents the maximum liability under the 2019 Agreement.

Valuation techniques and process used to determine fair values

The fair value of the SCL liability is based on the anticipated financial liability arising from the 2019 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 fair value are as follows:

1. The option with the greatest liability that a market participant would want to be compensated for is a cash settlement based on neither party commencing negotiations representing the maximum liability under the 2019 Agreement. As a result, the $20 million, indexed for CPI, will be the basis for determining the liability.
2. The latest date for the cash payment under point 1 is 8 November 2021, giving a period of indexation of 7.5 years from March 2014.
3. The CPI rate used to index the $20 million cash payment from March 2014 is based on actual quarterly CPI rates from March 2014 to 31 December 2019 and forecast at 1.5% per annum for the remaining period to 8 November 2021.
4. Comet Ridge's cost of capital is 12%. The pre-tax discount rate applied is also 12%.

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
Agreement term	If Comet Ridge begins negotiations with Stanwell that are unsuccessful, the cash payment would be payable earlier than 8 November 2021, and the carrying amount of the financial liability at fair value will increase to its fair value on the date that it becomes payable.
CPI rate	If the 1.5% pa CPI rate reduces/increases to a low of 0.5% pa or a high of 2.5% pa, the indexed liability will reduce by approximately 1.8% or $338,000; or increase by approximately 1.5% or $276,000.
Pre-tax discount rate	If the 12% pre-tax discount rate reduces/increases by 2% i.e. to a low of 10% and/or a high of 14% the NPV of the indexed liability will increase by approximately 3.4% or $622,000 or decrease by approximately 4% or $734,000, with a resulting reduction/increase in the total fair value movement to be expensed over the term of the agreement.

8. Contributed equity

	December 2019 $000's	June 2019 $000's
Ordinary shares - fully paid	**140,203**	129,110

Movements in ordinary shares	December 2019	December 2018	December 2019	December 2018
	Number of Shares		$000's	$000's
Balance at the beginning of the period	**727,876,423**	676,650,986	**129,110**	112,441
Share Placement @ 19 cents per share	**52,631,579**	-	**10,000**	-
Share Purchase Plan @ 19 cents per share	**8,492,028**	-	**1,613**	-
Share Placement @ 34 cents per share	**-**	51,225,437		17,417
Share issue costs	**-**	-	**(520)**	(748)
Balance at the end of the period	**789,000,030**	727,876,423	**140,203**	129,110

9. Share-based payments

The share-based payment 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 2019 $000's	December 2018 $000's
Statement of Comprehensive Income		
Share-based payments expense included in employee benefits' expense	**(25)**	87

Share-based payments' reserve	December 2019 $000's	December 2018 $000's
Balance at the beginning of the period	**65**	70
Share-based payments expense during the half year	**(25)**	87
Performance rights expired during the half year	**-**	-
Balance at the end of the period	**40**	157

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. At the Annual General Meeting, held on 20 November 2019, shareholders approved the issue of 2,500,000 performance rights to the Comet Ridge Managing Director, Tor McCaul. The details of these performance rights are show in the following table.

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 2019	Granted during the year	Vested during the year	Expired during the year	No. of rights 31 December 2019
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	400,000	-	-	(400,000)	-
31-Dec-18	31-Jan-20	32.5	150,000	-	-	-	150,000
31-Dec-18	31-Jan-20	32.5	200,000	-	-	-	200,000
31-Dec-18	31-Jan-21	32.5	150,000	-	-	-	150,000
31-Dec-18	31-Jan-21	32.5	200,000	-	-	-	200,000
31-Dec-19	31-Dec-21	19.0	-	750,000	-	-	750,000
31-Dec-19	31-Dec-22	19.0	-	750,000	-	-	750,000
31-Dec-19	30-Jun-23	19.0	-	1,000,000			1,000,000
			5,475,000	2,500,000	-	(2,275,000)	5,700,000

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.

10. Commitments

Exploration expenditure commitments

	December 2019	June 2019
Detailed Exploration and Evaluation	**$000's**	**$000's**
- not later than 12 months	**4,315**	7,766
- between 12 months and 5 years	**12,028**	12,027
	16,343	19,793

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.

Bank guarantees

Westpac Banking Corporation have provided bank guarantees totalling $452,000 (June 2019: $472,000) as follows:

- $252,000 (June 2019: $239,000) to the State of Queensland in respect of the Group's exploration permits and environmental guarantees; and
- $200,000 (June 2019: $200,000) to the State of NSW in respect of the Group’s exploration permits and environmental guarantees.

The bank guarantees are secured by term deposits.

11. Changes in accounting policies

This note explains the impact of the adoption of AASB 16 Leases on the group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019.

The Group has adopted but has not restated comparatives as permitted under the specific transitional provisions in the standard. The Group measures the 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.

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases; and
- the accounting for operating leases for which the underlying asset is of low value.

Leases that are required to be recognised by the Group under AASB16 have been determined to be either short-term leases or low value assets. Therefore, the right of use assets and lease liabilities have an immaterial impact as at 31 December 2019.

12. Events occurring after balance date

On 31 January 2020, 1,600,000 performance rights lapsed.

Apart from the above item, nothing else has arisen 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.

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 2019 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, 11 March 2020

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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) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2019, 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.

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 gives a true and fair view and 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 2019 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 2019 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 half-year financial report, which indicates that the Group has ongoing commitments to continue its normal business operations, including the progression of its Mahalo Gas Project and Galilee Deeps Joint Venture exploration activities. In addition, under an agreement with Stanwell Corporation Limited, contract terms exist whereby a cash payment of $20,000,000 (escalated by CPI from March 2014) may become payable.

The ability of the Group to continue as a going concern depends upon a number of matters including the successful raising of funding through debt or equity or farm-out of the Group's tenements to meet these commitments as they arise. 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
11 March 2020