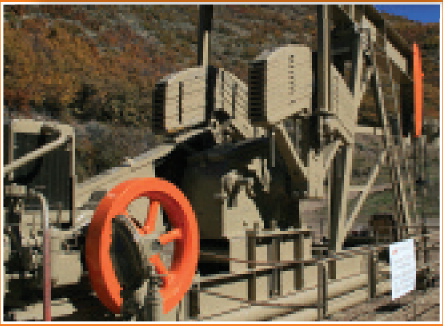
Comet Ridge

2006|07 ANNUAL REPORT

An Australian oil & gas explorer transitioning to producer with projects in Australia & the USA



CHAIRMAN OF THE BOARD

JEFF SCHNEIDER
Letter to the Shareholders

Dear Shareholders,

At the time of the last Annual Report I advised shareholders that the Company was well positioned for a period of strong growth. Despite some disappointing exploration results in this past year, I continue to strongly believe in the future of the Company.

Considerable progress has been made at the Grays Harbor Project area in Washington State (Comet Ridge 100%). Our geological studies have been extensive and rigorous and give us confidence that this is a highly prospective area with a significant potential gas resource. Consequently we have moved to strengthen our acreage position over key locations ahead of undertaking seismic acquisition. Our objective is to commence drilling operations in the area by the second quarter 2008.

During this past year we acquired almost 30 sq km of oil and gas leases over the historic Florence oil field (Comet Ridge 39%), south of Denver, Colorado, where we expect with modern seismic techniques we can identify as yet undiscovered oil accumulations. By mid-July 2007, an eight square mile 3D seismic acquisition program had been completed. We expect to be in a position to drill in the coming months with field activities feasible during winter at the Florence location.

Jeff Schneider – Chairman

During the year our exploration efforts at both Mahalo and Tow Creek/Bear River did not produce the results we were expecting.

At the Mahalo Project in Queensland (Comet Ridge 40%), the much awaited Mahalo 2 well, despite being drilled only 100m away from Mahalo 1, the core-hole that encountered strong gas shows in the coals of the Bandanna Formation, confounded us by finding the target coals structurally lower than expected and with little gas in them. This result is at odds with all previous drilling undertaken both by the current JV partners and previous coal exploration drilling in the area. Having carefully analysed the results of Mahalo 2 we remain of the view that there is a substantial gas resource at Mahalo and the Company is determined to advance the project further.

At Tow Creek/Bear River in Colorado USA (Comet Ridge 37.5%/33.75%), the Company drilled two wells in unusually severe winter weather conditions. The

Comet Ridge Limited is a publicly listed Australian energy company. Listed in April 2004, Comet Ridge's initial strategy was one of identifying and capturing coal seam gas opportunities in the extensive coal deposits of Queensland and New South Wales. In mid 2005 the Company reevaluated its strategy and has expanded its portfolio and areas of operation into the United States. The Company has already acquired extensive land positions in Colorado and Washington and is now the operator of four project areas.

Coal View Unit 31-4 encountered fractured oil-bearing shale; however, we have been unable to test its productive capacity due to drilling equipment lost in the well bore. We were further frustrated with a similar occurrence sidetracking the same well in August 2007. On the Peltier 11-12 well, despite extensive oil shows while drilling, it appears that the fracturing in the reservoir section at this location is insufficient to support production at commercial volumes. Further analysis and possible seismic acquisition will be required to determine whether this result is representative of the project area or anomalous.

The very difficult winter weather conditions and a shortage of experienced staff on location contributed to cost overruns during the drilling of these wells. We have since determined that drilling on this project during the winter months is not a viable option. We have moved to strengthen our operational capability. This will be critical for us in the coming months.

The recent sale of our royalty interests in the Tipton West project in South East Queensland has strengthened our balance sheet and enhances our financial capability to continue to actively progress these opportunities.

Despite some exploration disappointments, I believe your Company has continued to position itself extremely well at all of its project areas. The challenge in the coming year is to start to realise the value potential in these projects.

To this end we have strengthened the operational and exploration capabilities in our organisation. The Board has great confidence that this team, with the leadership and energy of Andy Lydyard as Managing Director, can deliver exciting outcomes for all shareholders. On behalf of the Board, I thank all staff for their determined efforts during this past year.

I also thank shareholders for their support during this past year and look forward to being able to advise you that your support has been well rewarded.

Yours faithfully,

Jeff Schneider
Chairman

We have managed to assemble controlling positions in a number of very exciting project areas and have attracted a team of great people who can execute on our strategy. The confluence of great people and a portfolio of high potential projects is very exciting and the coming year holds a lot of promise.

MANAGING DIRECTOR

ANDY LYDYARD
Report to the Shareholders

Introduction

2006/2007 has been both disappointing and exciting. It was disappointing in that we have not managed to progress our projects as quickly as we had expected nor have we established a production and reserve base. To some degree this is a matter of timing. Our activity level was lower than expected with only four wells being drilled during the year. The intense level of oil and gas activity in the US and the increasingly complex regulatory environment have imposed time delays upon us at an operational level. This resulted in our commencing our first operated drilling in the middle of the harshest winter for two decades.

We have managed to assemble controlling positions in a number of very exciting project areas and have attracted a team of great people who can execute on our strategy. The confluence of great people and a portfolio of high potential projects are very exciting and the coming year holds a lot of promise.

Andy Lydyard – Managing Director

Strategy

We have not wavered from our stated strategy of providing maximum leverage to shareholders by focusing on the following:

- Generating our own opportunities
- Securing large acreage positions and, where possible, "owning the play"
- Maintaining meaningful ownership interests
- Operating where practicable
- Applying new technology in new areas
- Building a diversified portfolio
- Remaining vigilant for new opportunities

We have chosen to focus on two main strategic initiatives:

- Finding and producing incremental oil and gas in mature fields using new technology
  – Tow Creek, Bear River, Florence
- Finding and producing oil and gas in proven but overlooked areas
  – Grays Harbor, Chehalis, Mahalo

2006/2007 Results

In last year's annual report to shareholders we established a number of objectives for the Company for the 2006/2007 financial year. These are shown below:

- Drill nine wells in the first half of the year
- Fulfil earning commitment at Mahalo, Queensland
- Establish a basis for commercial development at Mahalo
- Establish reserves, production and cash flow at Tow Creek, Colorado
- Prove the presence of a large coal seam gas resource in the Chehalis Basin, Washington
- Develop drillable prospects in the Grays Harbor Basin, Washington
- Increase level of drilling activity into 2007
- Secure additional drilling prospects

We achieved some of these goals but, due predominantly to time slippage, missed on a number of others.

Drill nine wells in the first half of the year

We drilled four wells in the financial year, one on each of the Tow Creek and Bear River prospects in Colorado, one on Mahalo in Queensland and one on the Chehalis project in southern Washington. After experiencing severe winter conditions and significant cost overruns on the Coal View Unit 31-4 and Peltier 11-12 wells we scaled back and postponed additional drilling at Tow Creek/Bear River until the northern summer. I will describe the results of the wells in some detail under the project reviews. We had planned on as many as four wells being drilled on the project.

After lengthy delays the Mahalo 2 well was finally drilled on the Mahalo coal seam gas project in Queensland in August of 2006. This well proved to be a disappointment from the perspective of establishing a gas flow rate from the Permian Bandanna Formation coals. The well was drilled 100m away from the Mahalo 1 hole that encountered strong gas indications in the coals. The objective coals in the second well came in low and did not exhibit indications of gas and appear to have low quality reservoir characteristics. Despite this setback shareholders should be aware that the Company believes this project continues to offer significant potential and that further evaluation is warranted.

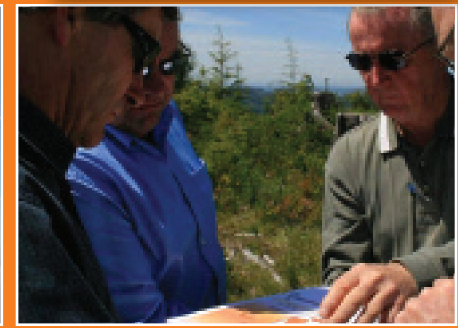
Drilling on the Chehalis project was also delayed due to rig availability. Indeed, the rig that was secured for an initial three core hole program was released after the first hole due to poor performance. Drilling is expected to recommence in the second quarter of 2007/2008.

Fulfill earning commitment at Mahalo, Queensland

This objective was met with the drilling of the Mahalo 2 hole.

Establish a basis for commercial development at Mahalo

All momentum towards this goal was lost with the drilling of the Mahalo 2 hole; however, as indicated above, your Board and management believe that a potential coal seam gas development opportunity exists at Mahalo. A full technical reassessment is underway and the Company continues to explore ways of advancing the project.



Establish reserves, production and cash flow at Tow Creek, Colorado

While this goal has been met technically, from a commercial sense we did not achieve this objective. The results of the two wells drilled to date will be discussed in the project review, but we were not able to complete the first well due to down hole problems and the second well has proven to be a low rate producer. The first well will be sidetracked early in the new financial year to enable the commerciality of good oil and gas shows seen in the original well to be assessed.

Prove the presence of a large coal seam gas resource in the Chehalis Basin, Washington

Due largely to a shift in focus area within the basin and the lengthy negotiations involved in securing the commanding acreage position your Company has in the play, drilling in the Chehalis area was delayed until late in the financial year. As indicated above, the planned initial three hole coal resource drilling program commenced in late May but was then shut down due to poor rig performance. Locations and surface pipes have been set on the other well sites. Cascadia Energy, the operator, is currently looking for a suitable rig to continue operations which are expected to resume in late 2007.

Develop drillable prospects in the Grays Harbor Basin, Washington

This objective was met. We have a number of prospects that can be considered drillable out of an inventory of 30 plus leads. Further seismic will be acquired in the new financial year to firm up specific locations for drilling in 2008. In the meantime the Company has grown its acreage position to in excess of 444,000 acres (~1,800 sq km) under lease or lease option (i.e. we have the exclusive right to convert the option into oil gas leases under prescribed terms).

Increase level of drilling activity into 2007

This year we have focused mainly on building our team and acreage positions for an active 2007/2008 and as a result our activity level was not as high as we forecasted this time last year.

Secure additional drilling prospects

This objective was met largely with the acquisition of an acreage position at Florence in southern Colorado. The Company recently completed an eight square mile 3D seismic survey over the most prolific part of the historic Florence – Canyon City oil field. This new data overlaps and will be integrated into an existing two square mile survey that our US partners shot in 2004. Prospect generation is underway with drilling anticipated in the first half of the new financial year.

Summary

All in all, progress against our stated goals was slower than expected but significant progress has been made on most projects.

We did not establish the sale of our residual royalty interest in the Tipton West coal seam gas project as an objective, but we achieved that with the sale of the royalty for AU$3,000,000 at the end of the year to Pure Resources Limited.

An unstated objective for the year was to build a first class technical, operational and administrative team - we have achieved that also. To deliver on a strategy that focuses on control via operatorship requires quality people. During this last year we have been fortunate to attract a talented team of seasoned professionals all of whom are excited and motivated by the opportunity to build a new company.

An unstated objective for the year was to build a first class technical, operational and administrative team - we have achieved that also. To deliver on a strategy that focuses on control via operatorship requires quality people. During this last year we have been fortunate to attract a talented team of seasoned professionals all of whom are excited and motivated by the opportunity to build a new company. The Company and its shareholders now have the people and projects in place that, with success, will lead to significant shareholder value in the coming year.

Objectives for 2007/2008

Our objectives for the new financial year are similar to last year's:

- Establish reserves and production in one or more project areas
- Focus on getting wells drilled on all existing project areas
- Secure a financial and strategic partner for Grays Harbor
- Prove the presence of a significant coal seam gas resource in the Chehalis Basin, Washington
- Establish the basis for a commercial development at Mahalo in Queensland
- Identify and secure at least one new drilling project

Your Company is well placed with commanding acreage positions, material interests and control in most of its projects. The "hard yards" have been run; now it's time to execute the strategy and get our ideas tested with the drill bit. A lot of activity is planned for the new financial year starting with prospect generation from the recently completed 3D at Florence, drilling the sidetrack of the Coal View Unit 31-4, drilling in the Chehalis Basin and seismic acquisition at Grays Harbor. Drilling is planned on all projects within the next 12 months. Even a modicum of success will transform your Company.

Sincerely,

Andy Lydyard
Managing Director

...Comet Ridge has tried to stay ahead of the pack and find overlooked areas where it can gain a strong position with a modest entry cost. This phase of our business, certainly in our existing areas, is drawing to a close but it has taken literally hundreds of separate transactions to reach the position we are at now. We continue to make key "fill-in" acreage acquisitions over our prospects.

BUSINESS OVERVIEW

COMET RIDGE LIMITED

Comet Ridge USA, Inc. (100% owned subsidiary)

St. Helens Energy, LLC (100% owned subsidiary)

Comet Ridge Limited and its wholly owned US subsidiaries, Comet Ridge USA, Inc., and St. Helens Energy, LLC, have participating interests in five exploration permits in Australia and extensive lease positions over five project areas in the USA.

PROJECT SUMMARY

100%
St. Helens Energy, LLC
Pacific NW, USA

Chehalis	Gas*	40%
Grays Harbor	Oil/Gas*	100%

100%
Comet Ridge Limited
Australia

Mahalo	Gas*	40%
Gunnedah	Gas*	20-25%
Galilee	Gas*	100%

100%
Comet Ridge USA, Inc.
Rocky Mountains, USA

Bear River	Oil	33.75%
Tow Creek	Oil	37.5%
Florence	Oil	39%



**Coal Seam & Conventional Gas*

Interests in Australian Petroleum Permits and US Oil and Gas Leases

Country	State	Project/Permit	Objective	Area (Acres)	Area (Sq km)	Interest (%)	Operator
USA	Colorado	Tow Creek	*Oil in fractured shales*	10,815	44	37.50	Comet Ridge
	Colorado	Bear River	*Oil in fractured shales*	3,615	15	33.75	Comet Ridge
	Colorado	Florence	*Oil in fractured shales*	7,318	30	39.00	Comet Ridge
	Washington	Grays Harbor	*Conventional Oil & Gas*	444,569	1,799	100.00	Comet Ridge*
	Washington	Chehalis	*Coal Seam Gas*	155,880	631	40.00	Cascadia Energy*
			SUBTOTAL	622,197	2,519		
Australia	Queensland	Mahalo	*Coal Seam Gas*	260,196	1,053	40.00	Santos QNT
	Queensland	ATP 743 P	*CSG + Conv. Oil & Gas*	1,601,702	6,482	100.00	Clark Oil & Gas
	Queensland	ATP 744 P	*CSG + Conv. Oil & Gas*	1,612,080	6,524	100.00	Clark Oil & Gas
	New South Wales	PEL 427	*CSG + Conv. Oil & Gas*	1,733,159	7,014	25.00	Eastern Star Gas
	New South Wales	PEL 428	*CSG + Conv. Oil & Gas*	1,487,789	6,021	20.00	Eastern Star Gas
			SUBTOTAL	6,694,926	27,094		
			GRAND TOTAL	7,317,123	29,613		

* Via St. Helens Energy, LLC

Assembly of US oil and gas lease positions takes considerable time due to the complex nature of the ownership of the "mineral rights", which can be owned by the Federal or State Governments, local counties, private interests or Native American Nations. The mineral ownership is frequently fragmented and divorced from surface ownership. Establishing ownership and securing title commonly takes a lot more time than one would like. Competition can also be intense with established companies having the financial resources to outbid smaller competitors such as Comet Ridge. To counter this Comet Ridge has tried to stay ahead of the pack and find overlooked areas where it can gain a strong position with a modest entry cost. This phase of our business, certainly in our existing areas, is drawing to a close but it has taken literally hundreds of separate transactions to reach the position we are at now. We continue to make key "fill-in" acreage acquisitions over our prospects.

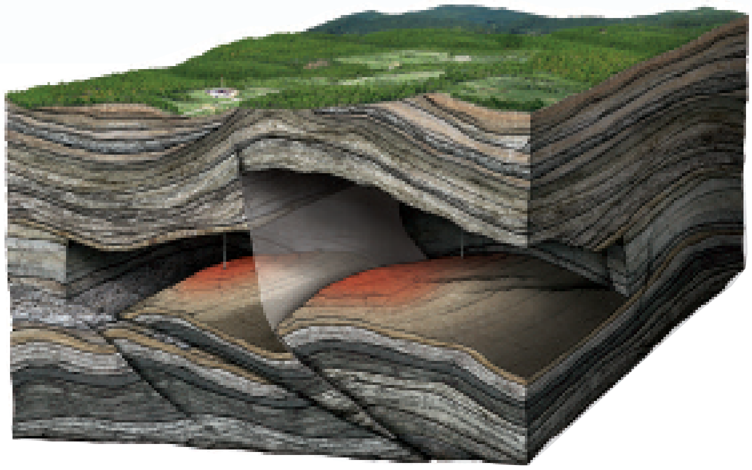
While the potential exists for the discovery of oil in the Grays Harbor Basin, the Company views the basin to be gas prone. Numerous strong shows and flows (including two documented blow-outs) have been recorded throughout the basin including one well, drilled on the flank of one of the Company's prospects, that encountered a continuous gas show over 1,100 feet...

US PROJECTS | PACIFIC NW

GRAYS HARBOR | WASHINGTON STATE

Comet Ridge Ownership 100%

2007 Highlights



- Increased controlled acreage position to more than 444,000 acres
- Two strong, structural prospects with potential by-passed pay identified
- Additional 30-40 potential prospects identified
- 450 miles of existing seismic data reprocessed
- Seismic permitting commenced – 60 miles 2D and 11 miles 3D
- In-house technical expertise secured
- Well positioned to acquire further "key" acreage
- Solid relationships with local and state regulators
- Compilation of major geological database completed

Significant progress has been achieved during 2007 on the Company's flag ship project at Grays Harbor. This year the focus has been on compiling all available geological and geophysical data towards generating a substantial portfolio of leads and prospects. All of the old data going back to the early 1900's has been digitised and incorporated in a major digital geological database. To date, 450 miles of 1980's vintage 2D seismic data has been processed using modern processing methods resulting in marked improvements in the interpretability of the data.

From this work we have identified two strong, structural prospects plus a portfolio of 30 plus leads (geological ideas, structures, seismic anomalies). Additional seismic is planned for both prospects and a number of leads and permitting of approximately 60 miles of 2D seismic and 11 miles of 3D seismic has started. The seismic and the resulting prospects will form the platform for our planned drilling campaign for next year.

While the potential exists for the discovery of oil in the Grays Harbor Basin, the Company views the basin to be gas prone. Numerous strong shows and flows (including two documented gas blow-outs) have been recorded throughout the basin including one well, drilled on the flank of one of the Company's prospects, that encountered a continuous gas show over 1,100 feet or 350m (to put that into context the Eureka tower in Melbourne is 300m high). The prospect, as currently mapped, is large enough to contain over 100 BCF of gas (P50).

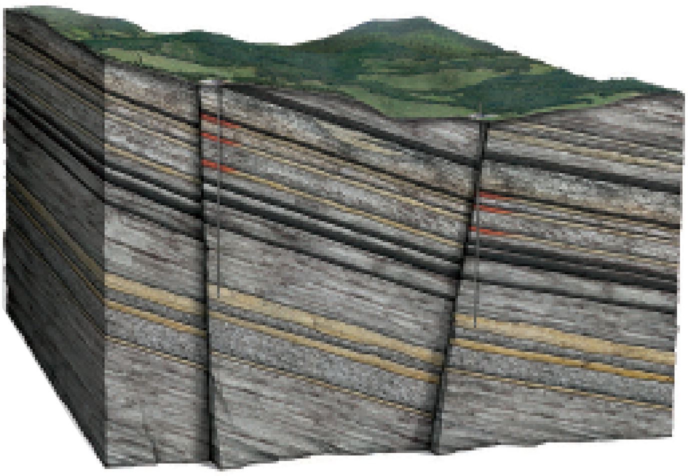
Additional oil and gas leases totalling in excess of 24,000 acres were acquired via two Washington state lease sales and through leasing of private interests.

2008 Program

- Drilling of two exploration wells
- Acquisition of 2D and 3D seismic programs
- Farmout of minority interest
- Exercise option on prospective lands

US PROJECTS | PACIFIC NW

CHEHALIS (VADER/CEDAR CREEK | WASHINGTON STATE
Comet Ridge Ownership 40%

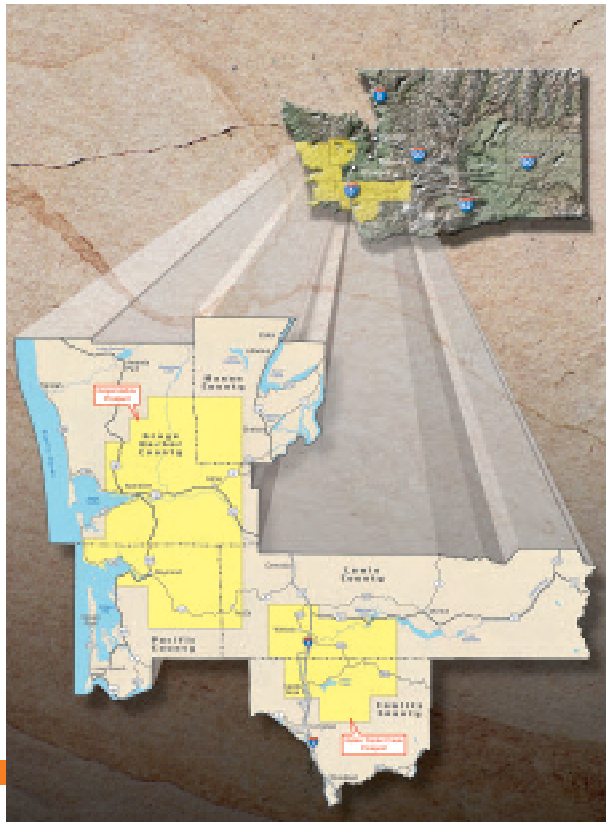


2007 Highlights

- First hole drilled – gas encountered in coals down dip from known area
- Increased gross acreage position to 156,000 acres
- Drilling delayed so as to maximise leasing advantage
- Surface casing set on second and third holes – drilling to commence in late 2007

Comet Ridge, via its 100% owned subsidiary St. Helens Energy, LLC owns a 40% interest in a large acreage position in the Chehalis Basin in southern Washington. This acreage position comprises of close to 115,280 gross acres under lease option and a further 40,600 acres of oil and gas leases.

With operator, Cascadia Energy, we successfully drilled one well on the prospect during the year. This encountered strong gas shows in a number of coal seams totalling 52 feet in thickness down to a depth of 2,600 feet. Significant problems with the drilling rig were experienced during the drilling of this hole and despite numerous attempts no cores were recovered. As a result the rig was released after the first hole. A replacement rig has been contracted and drilling operations are anticipated to recommence late in the year.



The joint venture partners have recently identified a new highly prospective area for coal seam gas elsewhere in the basin and have already captured a strong leasehold position of private and State leases totalling 18,200 acres. Negotiations governing another package of leases are ongoing.

We plan to drill three holes to test three different areas in the Chehalis Basin aimed at proving up a significant gas resource in coal beds of the Cowlitz Formation. One of the holes will also target gas trapped in shallow sandstone reservoirs on trend with a hole that tested 700 MCFD of gas from a depth of 700 feet.

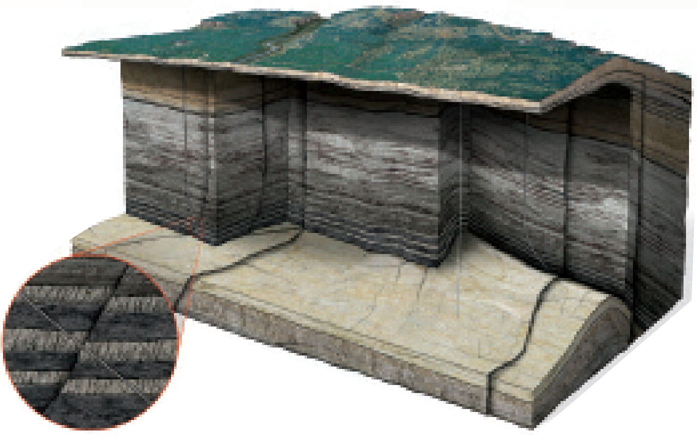
2008 Program

- Drill minimum three core holes to establish coal seam gas resource
- Seek well capitalised partner/s to advance project

Evidence to support the contention that there is significantly more oil to be produced at Tow Creek is provided by a competitor well drilled on the northern part of the structure at Wolf Mountain. This well was drilled in 2005 and is currently the third highest rate oil well in the State of Colorado with a rate of 200 BOPD.

US PROJECTS | ROCKY MOUNTAINS

TOW CREEK | COLORADO
Comet Ridge Ownership 37.5%



2007 Highlights

- Drilled CVU 31-4: Strong oil and gas shows - requires a sidetrack due to stuck work string
- Gross acreage position increased to 10,815 acres
- Federal Exploration Unit successfully formed
- Proved under balanced directional drilling techniques

Comet Ridge acquired approximately 8,800 acres over the Tow Creek anticline in Routt County, Colorado in late 2005. Following the initial acquisition the Company successfully formed the 4,287 acre Coal View Federal Exploration Unit and the acreage position has been gradually increased to 10,800 acres. This includes 640 acres that are held by a low rate producing oil well that was acquired in May 2006.

The first Comet Ridge operated well, the Coal View Unit 31-4 (CVU 31-4) well, was drilled in late December 2006 in very harsh winter conditions. Significant operational challenges posed by the inclement weather, the elevation, difficult terrain and some equipment problems led to significant cost overruns.

The hole was drilled on the southeastern flank of the anticline seeking oil in open fractures caused by the "bending and stretching" of brittle shales in the Niobrara Formation. The well encountered good oil and gas shows over a 245 foot interval in the Niobrara and a specialised borehole image log revealed the interval to be moderately to intensely fractured. A completion attempt was made but during the operation a work string was lost in the hole and extended recovery operations were unable to retrieve it. A sidetrack hole was commenced in late August of the new financial year. This well failed to reach its objective due to the drill string becoming irretrievably stuck as a result of rig failure. Partners will be sought prior to a further sidetrack attempt being made.

Over six million barrels of oil have been produced from the Niobrara on the Tow Creek structure, but more importantly, the production has come from an area covering approximately 30,000 acres or 86 sq km. Internal estimates indicate as much as 200 million barrels of oil might be trapped in the anticline. The six million barrels recovered to date represents only 3% of the oil potentially in place. The Company's objective is to assess whether there is a lot more oil to be recovered and, if so, to redevelop the field through applying modern drilling and completion technology, conservative production techniques and new logging tools.

Evidence to support the contention that there is significantly more oil to be produced at Tow Creek is provided by a competitor well drilled on the northern part of the structure at Wolf Mountain. This well was drilled in 2005 and is currently the third highest rate oil well in the State of Colorado with a rate of 200 BOPD.

2008 Program

- Drill second CVU 31-4 sidetrack
- Drill CVU 18-14 and CVU 36-15 depending on results of CVU 31-4 sidetrack
- Seek potential partners for expanded program
- Evaluate application of 3D seismic

US PROJECTS | ROCKY MOUNTAINS

BEAR RIVER | COLORADO

Comet Ridge Ownership 33.75%

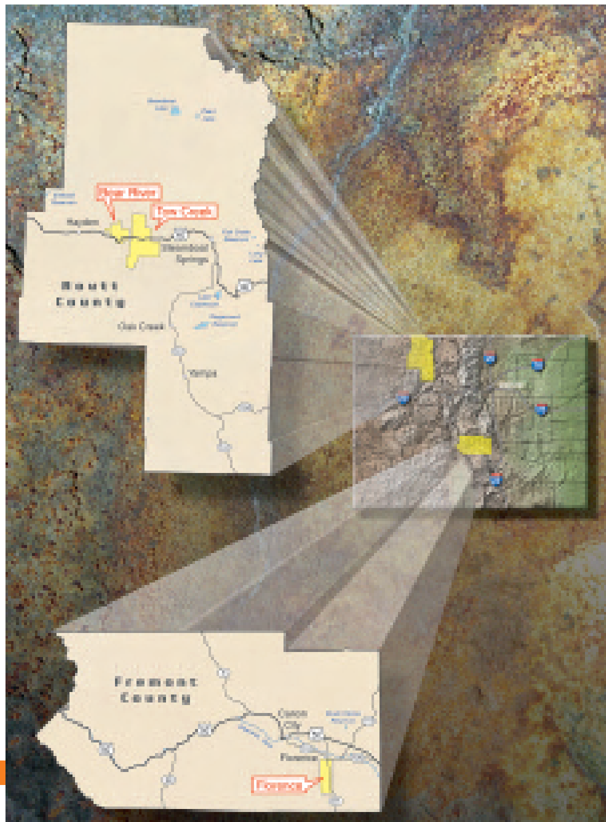
2007 Highlights

- Drilled and completed Peltier 11-12
- Proved under balanced directional drilling techniques
- Minor production achieved

The Peltier 11-12 well was completed in February 2007. As with the CVU 31-4 well harsh conditions were experienced throughout the drilling of this well. This time however the well was drilled without major operational difficulties and a production string was successfully set.

The Peltier well was located on the western flank of the Tow Creek anticline and was intended to intersect a known productive fault trend, down dip from a well that has produced almost 500,000 barrels of oil. The well did encounter the predicted fault trend and was successfully completed over three reservoir intervals in the target Niobrara Formation, but production performance has not met expectation with low (two to five BOPD) flow rates.

Significant research has been done on the production performance of the Peltier 11-12 well and analysis of pressure build-up surveys suggests that the cause of the low production rates is largely due to poor reservoir quality. A recent hot oil/emulsion breaker treatment did not result in any appreciable increase in productivity so a variety of remedial actions intended to improve the production rate from the well, including re-perforation of the existing liner to sidetracking of the well to another location, are being investigated. The possibility of acquiring 3D seismic to help determine the distribution of the fracture systems and to better orientate any future drilling is also being assessed.



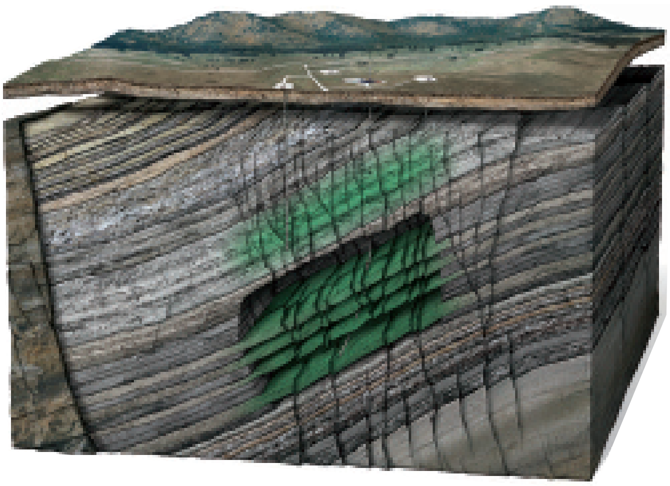
2008 Program

- Evaluate potential for recompletion and sidetracking
- Evaluate application of 3D seismic

Evidence supporting the potential for new oil and gas to be found in this historic field is provided by a well drilled by competitors on an adjacent lease. The Royal Gorge #1 was drilled less than half a mile outside of Comet's acreage position on the basis of the small 3D shot in 2004.

US PROJECTS | ROCKY MOUNTAINS

FLORENCE | COLORADO
Comet Ridge Ownership 39%



2007 Highlights

- Acquired 39% interest and operatorship of the prospect for a net cost of approximately US$64,000
- Additional 2,640 acres leased, bringing prospect total to 7,318 contiguous acres
- Acquisition of eight sq mi 3D seismic survey completed
- Prospect generation and pre-drill engineering underway

Comet Ridge acquired a 39% interest in 4,678 acres over the historic Florence-Canon City oil field in September of 2006. Since the initial acquisition, Comet Ridge has acquired a further 2,640+ acres (~11 sq km) bringing the gross leasehold position to just over 7,300 virtually contiguous acres (~30 sq km).

The Florence oil field was the second oil field discovered in the United States of America with the discovery well drilled in 1862. The field is located approximately 87 miles (140 km) south of Denver and 25 miles (40 km) west of Pueblo. The oil field has produced approximately 15 MMBO in its 144 year history from an area of approximately 25 square miles (65 sq km).

The primary target at Florence is high quality oil in the fractured shales of the Pierre and Niobrara Formations. These formations have been fractured due to gentle folding and contain oil. Comet Ridge acquired this project as it offers an opportunity to evaluate the effectiveness of modern 3D seismic technology in identifying better developed fracture zones in the target horizons. The Florence area is also easier to work in as far as terrain and access and offers the opportunity for year round operations.

The Company has recently completed the acquisition of just over eight square miles (20.7 sq km) of 3D seismic data. The new survey overlaps a small two square mile (5.2 sq km) survey acquired by our US partners in 2004 and when combined with that data will provide almost ten square miles (26 sq km) of coverage.

The seismic data is expected to provide a critical subsurface view of fracture patterns that control oil production from the target Pierre and Niobrara Formations leading to the generation of a number of drillable prospects for drilling later in the year and into 2008. Initial inspection of a preliminary dataset is encouraging and prospect generation has commenced.

Evidence supporting the potential for new oil and gas to be found in this historic field is provided a well drilled by Comet's competitors on an adjacent lease. The Royal Gorge #1 was drilled less than half a mile outside of Comet's acreage position on the basis of the small 3D shot in 2004. That well was completed in the Pierre Formation at around 2,700 feet (~820m) and has consistently produced around 100 BOPD for the last two years. The well has recovered a total of 72,000 barrels of oil to date and given the continued stable production rate Comet Ridge estimates the well may produce upwards of 200,000 barrels of oil.

2008 Program

- Complete prospect generation
- Drill initial earning well and at least two more wells
- Establish production and reserves

AUSTRALIAN PROJECTS

MAHALO | QUEENSLAND
Comet Ridge Ownership 40%

2007 Highlights

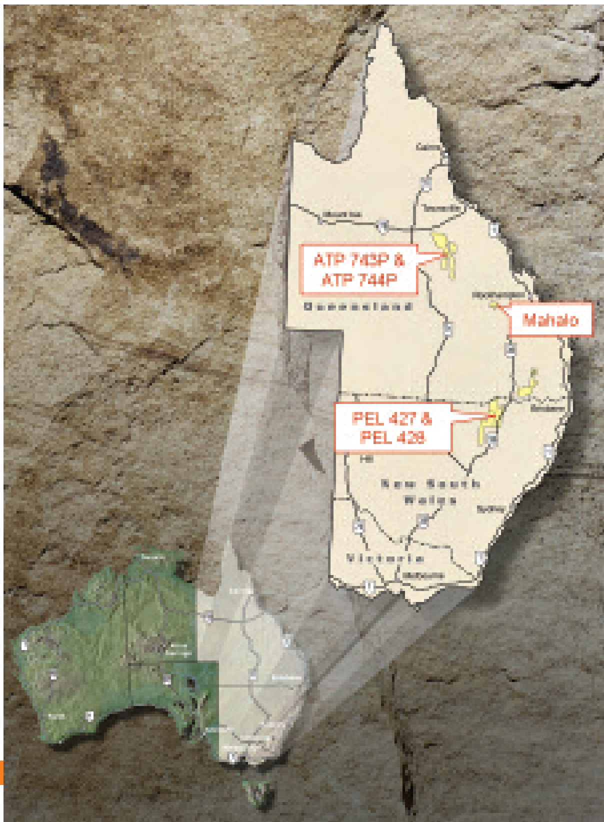
- 40% interest earned via the drilling of Mahalo 2 in August 2006
- Significant contingent coal seam gas resource delineated

Drilling of Mahalo 2 was completed in late August 2006. This was the fifth and final well in Comet's earning program, after being repeatedly delayed due to rig availability. The well was drilled to a total depth of 247m.

The Mahalo 2 was drilled to follow up strong gas shows encountered in coals of the Bandanna Formation in the Mahalo 1 core hole drilled in 2004. Despite being only 100m away from the original hole, the objective coals came in 10m lower in the second hole and exhibited very little gas on penetration. It is likely the second well is fault separated from the original hole.

While this result was disappointing the second hole did little, in management's opinion, to diminish the potential of the project. The first four holes demonstrated the presence of reasonable gas contents and good permeabilities in the Permian coals and helped define a contingent gas resource ranging between 180 PJ (P90) and just short of 1000 PJ (P10). These are the same coals that produce the major coal seam gas developments at Fairview and Spring Gulley to the south.

Comet Ridge fulfilled its earning obligation and is seeking to advance the project further in 2008.



AUSTRALIAN PROJECTS

ATP'S 743P & 744P | QUEENSLAND
Comet Ridge Ownership 100%

2007 Highlights

- Successfully farmed out projects to Clark Oil & Gas
- Zero capital requirement – subject to successful float

Comet Ridge acquired 100% interest in two large oil and gas permit applications in the Galilee Basin of central Queensland from Strike Oil NL in 2004. These permits have yet to be awarded by the Queensland Government due to delays surrounding Native Title.

In March 2007, Comet Ridge signed an agreement with Clark Oil and Gas (Clark) where, subject to Clark successfully listing on the Australian Stock Exchange by September 2007, Clark can earn interests in both permits by conducting a multi-year work program, including progressing the permit applications through the Native Title process. In 2007/08 detailed technical work is planned ahead of a seismic program.

Comet Ridge acquired the acreage with the objective of pursuing a potentially large coal seam gas project in the Permian aged coals on the eastern side of the project area. It is understood that Clark is more focused on the conventional oil and gas potential as evidenced by shows of gas encountered in past oil and gas exploration wells and the recovery of a small amount of oil in the Lake Galilee 1 well.

2008 Program

- Completion of Native Title process and technical studies

In June 2007 the Company announced the sale of the future revenue stream to Pure Energy Resources Limited for the computed fair value of the future cash flow stream of AU$3,000,000 cash.

AUSTRALIAN PROJECTS

TIPTON WEST | SOUTHEAST QUEENSLAND
Comet Ridge Ownership 1.5%

2007 Highlights

- 1.5% gross royalty sold for AU$3,000,000

In late 2005 Comet Ridge sold its 20% non-operated interest in the Tipton West field in south-eastern Queensland to the operator for cash and securities valued at just less than AU$5,000,000 plus a 1.5% gross royalty (capped at AU$8,000,000) on gas production from the Tipton West coal seam gas project and associated permits.

This royalty was expected to generate between AU$200,000 and AU$300,000 per year to Comet Ridge and, in the absence of a material change in gas price and or production volumes, was expected to do so for a large number of years.

In June 2007 the Company announced the sale of the future revenue stream to Pure Energy Resources Limited for the computed fair value of the future cash flow stream of AU$3,000,000 cash.

Proceeds from the sale will be used to advance the Company's US projects.

2008 Program

- Comet Ridge is now fully divested of the Tipton West project

PEL 427 & 428 | GUNNEDAH BASIN | NEW SOUTH WALES
Comet Ridge Ownership 80-100%

2007 Highlights

- Partner Eastern Star Gas to acquire 120 km of 2D data

Comet Ridge owns 80% of the PEL 428 and 100% of the PEL 427 permits in the Gunnedah Basin of New South Wales.

In 2005 Comet Ridge farmed 75% of its interest in both permits to Eastern Star Gas Limited for a carry through seismic and drilling on both permits. The unavailability of seismic acquisition crews has seen the seismic repeatedly delayed but will commence during the first quarter of the new financial year. The farm out arrangement to Eastern Star Gas comprises of a two well drilling commitment as well as the seismic.

2008 Program

- Interpretation of 2D seismic
- Two well drilling commitment

COMET RIDGE

HEALTH, SAFETY & ENVIRONMENT

Drilling during the winter months in very inhospitable conditions put the Company's focus on health and safety to test. Despite the disappointing technical and operational results of the two operated wells, management is pleased to report that no lost time injuries occurred. Despite this important achievement the Board and management team maintains elevated vigilance on safety matters.

As mentioned last year Comet Ridge is privileged to operate in some spectacular areas, areas that demand special attention that transcends regulatory requirements. We seek to be a good neighbour and respect the fact that we share our operational areas with other land users. We have earned a level of respect in Routt County as an oil and gas operator and have established working relations with ranchers and real estate developers that would simply prefer we were not there at all.

PERSONNEL

This year the Company has been able to expand its Denver based team to eight professionals with the addition of an accomplished explorer, a highly experienced engineer and an accountant. This rounds out our small but effective team.

The four members of the management team have all run significant pieces of business in their careers and bring in excess of 125 years of international and US oil and gas experience to the Company.

COMMUNITY

We seek to participate in the communities that we are active in. To this end the Company has donated US$5,250 to various charitable causes in Routt, Moffat and Fremont Counties in Colorado. We intend to do the same in Washington.

Comet Ridge has also extended its support for the Warner College of Natural Resources at the Colorado State University for a second year, via a US$22,500 fellowship award to a graduate student studying structural geology in the Rockies.

From left to right – Gary Mabie, VP of Operations; Pat Jackson, VP of Exploration; Jim Knox, Controller; Andrew Lydyard, Managing Director and Michael Cuba, VP of Land

This year the Company has been able to expand its Denver based team to eight professionals with the addition of an accomplished explorer, a highly experienced engineer and an accountant. This rounds out our small but effective team.

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The Board of Directors of Comet Ridge Limited (the "Board") is responsible for the corporate governance of the Company. The Board guides and monitors the business of Comet Ridge on behalf of shareholders, by whom they are elected and to whom they are accountable. The Board is responsible for setting corporate direction, defining policies, and monitoring the business of the Company, to ensure it is conducted appropriately and in the best interests of shareholders.

Comet has adopted systems of control and accountability as the basis for the administration of corporate governance.

The following additional information about the Company's corporate governance practices is set out on the Company's website at www.cometridge.com.au :

(a) Board Charter, including details of materiality threshold;
(b) Summary of policy and procedure for selection and appointment of new directors;
(c) Summary of Code of Conduct for directors and key executives;
(d) Code of Conduct for the Company;
(e) Summary of Policy on Securities Trading;
(f) Policy and procedure for selection of external auditor and rotation of audit engagement partners;
(g) Summary of policy and procedures for compliance with continuous disclosure requirements;
(h) Summary of arrangements regarding communication with and participation of shareholders;
(i) Summary of Company's Risk Management Policy and internal compliance and control system; and
(j) Summary of process for performance evaluation of the Board, Board committees, individual directors and key executives.

The ASX Corporate Governance Council has developed a set of guidelines, Principles of Good Corporate Governance and Best Practice Recommendations. This document articulates ten core principles that the ASX Corporate Governance Council believes underlie good corporate governance, together with best practice recommendations. Companies are required to disclose in their Annual Report the extent to which these recommendations have been complied with. They are not prescriptive and, if certain recommendations are not appropriate for the Company given its circumstances, the Company may choose not to adopt that particular practice. It must, however, disclose in its Annual Report which recommendations have not been followed and the reasons why. The Company has complied with each of the Ten Essential Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the Australian Stock Exchange Corporate Governance Council, other than in relation to the matters referred to below in respect of the independence of the Board and the existence of a Nomination Committee.

Role of the Board

The Board guides and monitors the business of Comet Ridge on behalf of shareholders, by whom they are elected and to whom they are accountable. The Board is responsible for setting corporate direction, defining policies, and monitoring the business of the Company, to ensure it is conducted appropriately and in the best interests of shareholders.

The role of the Board is to oversee and guide the management of the Company with the aim of protecting and enhancing the interests of its shareholders, taking into account the interests of other stakeholders including employees, customers, suppliers and the wider community.

The Board operates under a Charter and has a written Code of Conduct which establishes guidelines for its conduct. The purpose of the Code is to ensure that directors act honestly, responsibly, legally and ethically and in the best interests of the Company.

The Board is responsible for setting the strategic direction and establishing goals for management and the monitoring of the achievements against these goals.

Independence of Board

The Best Practice Recommendations state a majority of the Board should be Independent Directors. The Board considers three out of five Directors to be independent (Jeffrey Schneider, Gillian Swaby and Gary Drobnack).

The Board notes that Mr Schneider and Ms Swaby do not strictly satisfy the test of independence as set out in the recommendations, however, the Board's reasons for considering the two Directors to be independent are set out below under the heading "Identification of Independent Directors". The Board considers that its current structure is appropriate to efficiently and independently carry out its functions, given the size and level of its current activities. Independent Directors form the Audit Committee and the Remuneration Committee.

Independence of Chairman

The Best Practice Recommendations suggest that the Chairperson should be an Independent Director. The Company believes the recommendation has been complied with.

Identification of Independent Directors

Mr Schneider is on the Board of Directors of Strike Oil Limited, a major shareholder of the Company. As a result he does not fall within the criteria of independence as set out in paragraph 2.1 of the Principles of Good Corporate Governance and Best Practice Recommendations as published by the ASX Corporate Governance Council ("**Independence Criteria**"). However, he fulfils the other Independence Criteria. The Board of Comet Ridge (in the absence of Mr Schneider) considers he is capable of making decisions and taking actions which are designed to be in the best interests of the Company, and therefore considers him to be independent. The Board notes the potential for conflict in matters where Strike Oil Limited is involved and recognises that in such circumstances Mr Schneider would declare such interest and not participate in the decision making process unless otherwise sanctioned by the Board, as is required under the Corporations Act.

Through her consultancy company, Strategic Consultants Pty Ltd, Ms Swaby provides company secretarial services and has been involved in the preparation of financial statements for the Company. In this regard, Ms Swaby fulfils a quasi-executive role, and does not meet paragraphs two and three of the Independence Criteria. Ms Swaby is not a substantial shareholder of the Company and meets all of the other Independence Criteria. Having regard to issues of materiality, the Board, in the absence of Ms Swaby, considers that Ms Swaby's consultancy relationship with the Company does not impede her ability to act in the best interests of the Company. Furthermore, Ms Swaby no longer has a significant role in the preparation of the Company's financial accounts as this function is now fulfilled by an executive in a dedicated finance and administration role. For these reasons the Board considers Ms Swaby to be independent.

Skills, Experience, Expertise, and Term of Office of Each Director

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

Statement Concerning Availability of Independent Professional Advice

If a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a Director then, provided the Director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

Board Committees

The Board has established Audit and Remuneration Committees which assist in the discharge of the Board's responsibilities. Board approved charters set out the terms of reference and rules governing these Committees.

Audit Committee

The Audit Committee assists the Board in discharging its responsibilities to ensure that the Company complies with appropriate and effective accounting, auditing, internal control, compliance and reporting practices in accordance with the Audit Committee Charter.

The role of the Audit Committee is to:

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

The current members of the Audit Committee are:
- Gillian Swaby - Chairman, Non-Executive Director/Company Secretary
- Jeff Schneider, Non-Executive Director
- Gary Drobnack, Non-Executive Director

The members of the Audit Committee by virtue of their professional background experience and personal qualities are well qualified to carry out the functions of the Audit Committee.

Mr Schneider has over 30 years of experience in various management and executive roles in the resource industry, and is therefore well qualified by his industry knowledge to form the Audit Committee. In addition, Mr Schneider has acquired financial literacy through his relevant academic qualifications.

Ms Swaby has over 20 years experience in the Australian mining and exploration industry. Further, she has gained financial expertise through her academic qualifications and practical experience in management accounting and corporate financial management.

Mr Drobnack has over 34 years of business management and commercial experience in the timberlands and forest products businesses and, as a senior executive with a major US corporation, Weyerhaeuser, has worked extensively with the interpretation and evaluation of financial information. Mr Drobnack also provides a US perspective to the Audit Committee, where most of the Company's oil and gas assets are located.

The Audit Committee meets at least twice a year and at any other time requested by a Board member, Company Secretary, or external auditor. The external auditors attend at least twice a year and on other occasions where circumstances warrant.

The number of meetings of the Audit Committee during the reporting period and the attendance record of members is set out in the Directors' Report.

Nomination Committee

There is no formal Nomination Committee. The full Board considers those matters and issues arising that would usually fall to a Nomination Committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate Nomination Committee.

Remuneration Committee

The role of the Committee, in accordance with the Remuneration Committee Charter, is to assist the Board with respect to remuneration by reviewing and making appropriate recommendations on:

a) Remuneration packages of Executive Directors, Non-Executive Directors and senior executives; and
b) Employee incentive and equity based plans including the appropriateness of performance hurdles and total payments proposed.

The ASX Listing Rules and the Constitution require that the maximum aggregate amount of remuneration to be allocated among the Non-Executive Directors be approved by the shareholders in general meeting. In proposing the maximum amount of consideration by shareholders, and in determining the allocation, the Remuneration Committee will take into account the time demands made on directors and such factors as fees paid on Non-Executive Directors in comparable Australian companies.

The remuneration paid to directors and senior executives is shown in the Remuneration Report contained in the Directors' Report, which includes details on the Company's remuneration policies.

The Chairman of the Board is the Chairman of the Remuneration Committee and the Committee shall meet at least twice a year and otherwise as required.

The current members of the Remuneration Committee are:
- Jeff Schneider - Chairman, Non-Executive Director
- Gary Drobnack, Non-Executive Director

The number of meetings of the Remuneration Committee during the reporting period and the attendance record of members is set out in the Directors' Report.

Board Performance Evaluation

During the year an evaluation of Board performance was undertaken. The purpose of the review was to identify any issues relating to the performance of individual director's (including the Managing Director) and the Board as a whole. The review was undertaken by an independent consultant on a confidential and anonymous basis to encourage full and open disclosure. Accountability for undertaking the review and resolving any issues is with the Chairman.

Relationship with Shareholders

The Company places a high priority on communications with and accountability to shareholders. The Board recognises that shareholders, as the ultimate owners of the Company, are entitled to receive timely and relevant high quality information about their investment. Similarly, prospective investors should be able to make an informed decision when considering the purchase of shares in Comet Ridge.

To safeguard the effective dissemination of information, the Board has implemented procedures for compliance with continuous disclosure requirements and adopted a Shareholder Communications Policy. These reinforce the Company's commitment to its continuous disclosure obligations imposed by law.

Information will be communicated to shareholders by:

- Ensuring that published financial and other statutory reports are prepared in accordance with applicable laws and industry best practice;
- Ensuring the disclosure of full and timely information about the Company's activities in accordance with the general and continuous disclosure principles in the ASX Listing Rules, the Corporations Act in Australia and any other relevant legislation;
- Providing detailed reports from the Chairman and the Managing Director at the Annual General Meeting;
- Placing all material information released to the market (including Notices of Meeting and explanatory materials) on the Company's website as soon as practical following release; and
- Placing the Company's market announcements and financial data for the preceding three years on its website.

In addition, the website includes a facility to allow interested parties to subscribe to receive, electronically, public releases and other relevant material concerning the Company.

Shareholders are encouraged to attend Annual General Meetings and ask questions of directors and senior management and also the Company's external auditors, who are required to be in attendance. In the event that shareholders are unable to attend meetings, they are encouraged to lodge proxies signifying their approval or otherwise of the business to be considered.

Environment

The Company is committed to sustainable development of energy resources in an environmentally and socially responsible manner. All operational activities are conducted in strict compliance with the terms of relevant surface use agreements. Surface disturbances, critical wildlife habitat, view-sheds, noise levels, air quality and water quality impacts to the environment will, at a minimum, comply with all applicable legal and regulatory thresholds and otherwise be managed for minimal impact. The Company employs technology and best environmental practices to achieve this objective.

Safety

The Company believes that all injuries and industry related diseases are preventable. The Company's safety policy focuses on assessing, mitigating, or where possible, eliminating, potential risk associated with any activity. Responsibility for an individual's safety starts with the individual but the Company is committed to the creation and maintenance of a work environment and culture where we all think safety first. To meet these commitments, the Company has developed a six point health and safety policy which is the responsibility of all Company personnel. Contractors are also required to manage health and safety in line with this policy. Each person involved in our business has the authority and responsibility to delay or immediately stop activities where effective mitigation controls are not in place to manage identified hazards.

Securities Ownership and Dealings

The Company has a Policy for Trading in Company Securities which is binding on all directors and employees. The purpose of this policy is to provide a brief summary of the law on insider trading and other relevant laws, set out the restrictions on dealing in securities by people who work for or are associated with Comet Ridge and assist in maintaining market confidence in the integrity of dealings in Comet Ridge securities.

Existence and Terms of Any Schemes for Retirement Benefits for Non-Executive Directors

There are no termination and retirement benefits for Non-Executive Directors.

Your Directors present their report on Comet Ridge Limited and its subsidiaries (the "Group") for the financial year ended 30 June 2007. The Company was incorporated on 23 August 2003 and listed on the Australian Stock Exchange on 19 April 2004.

Directors and Company Secretary

The Directors in office at any time during or since the end of the year are as follows:

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

Jeff W Schneider	—	Chairman (Non-Executive), B.Com
Experience	—	Mr Schneider joined Comet Ridge on 28 August 2003. He has over 30 years' extensive experience in the global oil and gas industry, starting with Woodside Petroleum Limited, in 1978. He held a variety of roles over 24 years at Woodside, with his final role being Director, Australian Gas. In November 2002 he left Woodside to pursue other interests. Age: 57
Interest in Shares and Options	—	2,132,276 ordinary shares in Comet Ridge Limited and options to acquire a further 500,000 ordinary shares.
Special Responsibilities	—	Mr Schneider is chairman of the Remuneration Committee and a member of the Audit Committee.
Other Directorships	—	Strike Oil Limited (since 2002).
Andrew J Lydyard	—	Managing Director, B.AppSc (Applied Geology)
Experience	—	Mr Lydyard joined Comet Ridge on 1 October 2003. He has 25 years' technical and managerial experience in the global oil and gas industry. He has extensive experience in the development and production of coal seam gas (CSG) operations, particularly in the San Juan and Powder River basins, in the USA. He was instrumental in building a substantial CSG business for J M Huber Corporation, as the Company's Vice President, CSG. In 2001 he joined Strike Oil Limited to build the Company's CSG business, before moving to Comet Ridge in 2003. In recognition of the increased emphasis on the United States, he relocated to Denver, Colorado in December 2005. Age: 50
Interest in Shares and Options	—	4,125,000 ordinary shares in Comet Ridge Limited and options to acquire a further 3,000,000 ordinary shares.
Other Directorships	—	Nil
Simon M Ashton	—	Director (Non-Executive), B.Sc (Geology) (Hons) (Adelaide), M.Sc (Petroleum Geology) (London), MBA (Melbourne)
Experience	—	Mr Ashton joined Comet Ridge on 28 August 2003. He has over 30 years' extensive experience in the global oil and gas industry, starting with WMC Limited in 1974. He held a variety of roles over 22 years at WMC, including responsibility for the establishment of the Company's USA petroleum subsidiary, Greenhill Petroleum Corporation based in Houston, Texas. In 1991 he returned to Australia as Manager, International New Business (Petroleum). In 1996 he left WMC to pursue other interests. In 1997 he co-founded Strike Oil Limited, where he holds the position of Managing Director. Age: 55
Interest in Shares and Options	—	2,639,996 ordinary shares in Comet Ridge Limited and options to acquire a further 500,000 ordinary shares.
Other Directorships	—	Strike Oil Limited (since 1997).
Gillian Swaby	—	Director (Non-executive) and Company Secretary, B.Bus FCIS, FAICD
Experience	—	Ms Swaby was appointed Company Secretary on 28 August 2003 and a Director on 9 January 2004. She has over 26 years' extensive experience in the Australian resources industry. She specialises in the areas of corporate secretarial practice, corporate law, accounting, financial management, and control. Ms Swaby is the principal of a corporate consulting company and past Chair of the Western Australia Council of Chartered Secretaries of Australia and a former director on their National Board. Age: 47
Interest in Shares and Options	—	4,089,999 ordinary shares in Comet Ridge Limited and options to acquire a further 500,000 ordinary shares.
Special Responsibilities	—	Ms Swaby is chairman of the Audit Committee.
Other Directorships	—	Deep Yellow Limited (since 2005).
Gary Drobnack	—	Director (Non-executive), B.S. (Forest Science) M.F. (Forest Management) (Yale University)
Experience	—	Mr Drobnack joined Comet Ridge on 3 October 2006. He has over 34 years of business management and commercial experience, primarily in the timberlands and forest products businesses, where he was a senior executive with Weyerhaeuser Company. He has extensive U.S. and international experience including periods of residence in Indonesia, Hong Kong, Australia, and South Africa. At the time of his retirement from Weyerhaeuser, he headed Weyerhaeuser's international forest products/timberlands business in South America and Australasia. Age: 62
Interest in Shares and Options	—	Options to acquire 500,000 ordinary shares.
Special Responsibilities	—	Mr Drobnack is a member of the Audit Committee and Remuneration Committees.
Other Directorships	—	Mufindi Orphans, Inc. (since 2007); prior directorships in numerous Weyerhaeuser offshore ventures.

Principal Activities
The principal activities of the Group during the financial year were oil and gas exploration.

Operating Results
The consolidated loss of the Group after providing for income tax amounted to US$901,466 (2006: US$426,627).

Dividends Paid or Recommended
No dividends have been paid during the financial year. No dividend is recommended for the current financial year.

Review of Operations
A review of activities of the Group is set out in the accompanying Business Overview.

Significant Changes in State of Affairs
In the opinion of the Directors, other than as disclosed elsewhere in this report, there were no significant changes in the state of affairs of the Group.

After Balance Date Events
No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely Developments
Likely future developments in the operations of the Company are referred to in the accompanying Business Overview.

Environmental Issues
The Group's operations are subject to environmental regulation under the laws of Australia and the United States of America. Group policy dictates compliance with its environmental performance obligations and at the date of this report is not aware of any breach of such regulations.

Remuneration Report
The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation

A Principles used to determine the nature and amount of remuneration
The Remuneration Committee, on behalf of the Board of Directors, monitors compensation of directors and executives of the Company. Generally, compensation is provided by the Company to its Directors and executives (Key Management Personnel), by way of base salary, bonus payments, granting of employee options and retirement contributions. The overall objective is to ensure that remuneration is fair and reasonable and sufficient to attract and retain qualified and experienced directors and executives.

The remuneration program for the Key Management Personnel of the Company is designed to ensure that the level and form of remuneration achieves certain objectives, including:

- attracting and retaining talented, qualified and effective directors and executives;
- motivating their short and long-term performance; and
- aligning their interests with those of the Company's shareholders.

Given the evolving nature of the Company's business, the Remuneration Committee continues to review and redesign the overall compensation plan for directors and executives so as to continue to address the objectives identified above.

Company Performance
The overall level of remuneration takes into account the growth in shareholder wealth of the Company, by virtue of participation in the Company's Employee Share Incentive Option Plan and a bonus structure aligned to increases in the Company's share price.

As a result of the exploration nature of the Company's activities the overall level of remuneration does not focus on the earnings of the Company.

Directors' Fees
Fees payable to Non-Executive Directors are set at AU$35,000 per annum, together with statutory superannuation obligations at the rate of 9%. An exception to this fee structure is the Chairman of the Board who does not receive superannuation and a Non-Executive Director who is domiciled in the United States. Compensation paid to the Managing

Director is set out under Section C - Service agreements. In addition, the Company's Constitution provides for additional remuneration to be paid if any of the directors are called upon to perform extra services or make any special exertions on behalf of the Company or the business of the Company. The Directors may remunerate such director in accordance with such services or exertions, and such remuneration may be either in addition to or in substitution for the directors' fees referred to above.

Base Salary
The first step to attracting and retaining talented, qualified and effective Key Management Personnel is paying base salaries which are competitive in the markets in which the Company operates. Competitive salary information on oil and gas exploration companies of a comparable size and with offices in the same geographical location has been acquired by independent consultants and used to develop appropriate salary ranges.

Short-term Bonus
Other than the Managing Director and VP of Exploration, the Company provides short-term bonuses to Key Management Personnel on a discretionary basis, as authorized by the Board of Directors. The short-term bonuses are based on achieving the following measures where applicable to the executive:
- production performance;
- project exploration and development performance;
- additional oil and gas reserves delineated;
- performance of the Company in meeting its various other objectives;
- financial performance of the Company; and
- such other matters as determined by the Board of Directors in their discretion

In respect of the Managing Director and VP of Exploration, a bonus of up to 100% of base salary can be achieved, to be determined by the Remuneration Committee having consideration to outcomes achieved during the year.

Outcomes to be considered include:
- grow and enhance Company personnel;
- develop new exploration projects;
- increase drilling activity;
- establish reserves and production; and
- acquisition of new projects

The above measures have been selected to align the interests of these individuals with the shareholders. The Remuneration Committee is responsible for assessing whether the measures are met.

The short term bonus payments may be adjusted up or down in line with under or over achievement against the measures. This is at the discretion of the Remuneration Committee.

Company Employee Share Incentive Option Plan
The Company believes that encouraging its Key Management Personnel to become shareholders is the best way of aligning their interests with those of its shareholders. Equity participation is accomplished through the Company's employee option plan. Options are granted to directors and executives taking into account a number of factors, including the amount and term of options previously granted, base salary and competitive factors.

Information on the Employee Share Incentive Option Plan is set out under Section D - Share-based compensation.

B Details of remuneration (this information has been audited)

Compensation of Key Management Personnel for the year ended 30 June 2007:

	Short-Term		Post-Employment	Share-Based		Total
	Salary & Fees	Cash Bonus	Retirement [1]	Options	Total	Performance
2007	US$	US$	US$	US$	US$	Related
Directors						
J W Schneider	27,710	-	-	23,610	51,320	0%
A J Lydyard	205,727	65,671	31,689	70,830	373,917	18%
S M Ashton	27,710	-	2,495	23,610	53,815	0%
G Swaby	65,430	-	2,495	23,610	91,535	0%
G Drobnack	20,783	-	-	23,610	44,393	0%
Executives						
G J Mabie	183,485	25,788	14,262	35,793	259,328	10%
M E Cuba	168,819	24,355	13,469	35,793	242,436	10%
PA Jackson	125,741	-	-	9,854	135,595	0%
J M Knox	109,166	23,692	12,033	33,127	178,018	13%
Total	934,571	139,506	76,443	279,837	1,430,357	10%

[1] Superannuation (Australia) or Section 401(k) (United States).

C Service agreements

Remuneration and other terms of employment for the Managing Director and Vice President of Exploration are formalised in employment contracts for services.

Mr Andrew Lydyard, Managing Director

Term of Agreement :	Three years commencing on 1 January 2006
Base Salary:	US$212,000 as at 1 January 2007
Termination Benefit:	Base salary is to be paid through the remainder of the contract if terminated without cause.
Termination Notice:	The Company or Mr Lydyard may terminate the agreement at any time. No termination benefit is required if terminated for cause.

Mr Pat Jackson, Vice President of Exploration

Term of Agreement:	Two years commencing on 31 July 2007
Base Salary:	US$190,800
Termination Benefit:	Base salary is to be paid through the remainder of the contract and all options vest immediately and are exercisable within 90 days of termination if terminated without cause.
Termination Notice:	The Company may terminate the agreement at anytime. Mr Jackson may terminate the agreement with one month's notice. No termination benefit is required if terminated for cause.

D Share-based compensation

Options are issued to directors and executives as part of their remuneration from time to time. The options are issued on a discretionary basis to increase goal congruence between executives, directors and shareholders.

Options granted to Key Management Personnel during the year ended 30 June 2007:

2007	Number Granted No	Options Granted as part of Remuneration US$	Total Remuneration represented by Options %	Total US$
Directors				
J W Schneider	500,000	23,610	46.01	23,610
A J Lydyard	1,500,000	70,830	18.94	70,830
S M Ashton	500,000	23,610	43.87	23,610
G Swaby	500,000	23,610	25.79	23,610
G Drobnack	500,000	23,610	53.18	23,610
Executives				
G J Mabie	740,000	35,793	13.80	35,793
M E Cuba	740,000	35,793	14.76	35,793
P A Jackson	250,000	9,854	7.27	9,854
J M Knox	150,000	33,127	18.61	33,127
Total	5,380,000	279,837	19.56	279,837

Options holdings of Key Management Personnel at 30 June 2007:

				Terms and Conditions for each Grant			
2007	Vested No.	Granted No.	Grant Date	Fair Value per option at grant date AU$	Exercise price per option AU$	First Exercise Date	Last Exercise Date
Directors							
J W Schneider	-	500,000	31/12/06	0.11	0.45	31/12/07	31/12/09
A J Lydyard	-	1,500,000	31/12/06	0.11	0.45	31/12/07	31/12/09
A J Lydyard	1,500,000	1,500,000	29/12/05	0.11	0.20	29/12/05	31/12/08
S M Ashton	-	500,000	31/12/06	0.11	0.45	31/12/07	31/12/09
G Swaby	-	500,000	31/12/06	0.11	0.45	31/12/07	31/12/09
G Drobnack	-	500,000	31/12/06	0.11	0.45	31/12/07	31/12/09
Executives							
G J Mabie	-	240,000	10/11/06	0.10	0.45	10/11/07	10/11/09
G J Mabie	-	500,000	31/07/06	0.08	0.45	31/07/07	31/07/09
G J Mabie	100,000	100,000	10/05/06	0.19	0.40	01/08/06	11/05/09
M E Cuba	-	240,000	10/11/06	0.10	0.45	10/11/07	10/11/09
M E Cuba	-	500,000	31/07/06	0.08	0.45	31/07/07	31/07/09
M E Cuba	100,000	100,000	10/05/06	0.19	0.40	01/08/06	11/05/09
P A Jackson	-	250,000	10/11/06	0.10	0.45	10/11/07	10/11/09
J M Knox	125,000	250,000	10/05/06	0.19	0.40	10/05/07	11/05/09
J M Knox	-	150,000	10/11/06	0.10	0.45	10/11/07	10/11/09
Total	1,825,000	7,330,000					

Meetings of Directors

During the year the following meetings of directors (including committees of directors) were held. Attendances by each Director during the year were:

	Directors' Meetings		Committee Meetings: Audit Committee		Committee Meetings: Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
J W Schneider	4	4	2	2	3	3
A J Lydyard	4	4	-	-	-	-
S M Ashton	4	4	-	-	-	-
G Swaby	4	3	2	2	-	-
G Drobnack	3	3	1	1	3	3

Indemnities and Insurance

During the year the Company insured directors and certain officers of the Company and related bodies corporate. The officers of the Company covered by the insurance policy include the Directors named in this report.

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

The Company has entered into an agreement with the Directors and certain officers to indemnify these individuals against claims and related expenses, which arise as a result of work completed in their respective capacities.

Neither the Company nor any of its related bodies corporate have provided any insurance for an auditor of the Company or a related body corporate.

Options

At the date of this report, the unissued ordinary shares of Comet Ridge Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price AU$	Number Under Option
18 August 2005	18 August 2008	0.20	500,000
29 December 2005	31 December 2008	0.20	1,500,000
10 May 2006	11 May 2009	0.40	450,000
26 June 2006	26 June 2009	0.45	75,000
31 July 2006	31 July 2009	0.45	1,000,000
10 November 2006	10 November 2009	0.45	955,000
31 December 2006	31 December 2009	0.45	3,500,000
19 January 2007	19 January 2010	0.50	100,000
			8,080,000

During the year ended 30 June 2007, the following ordinary shares of Comet Ridge Limited were issued on the exercise of options granted. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Grant Date	Exercise Price AU$	Shares Issued
15 January 2004	0.20	4,750,000
02 March 2005	0.20	1,000,000
		5,750,000

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Proceedings on Behalf of Company

No person has applied for leave of a Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-Audit Services and Auditor Independence

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Consolidated Entity are important.

The Board of Directors have reviewed all expenditures potentially related to non-audit services and determined that the Company's auditors, HLB Mann Judd, did not provide any services in addition to their statutory duties. Had such expenditures occurred, the Board of Directors would need to make the determination that those expenditures do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

The Directors received an Independence Declaration from the auditors of the Company, HLB Mann Judd, and a copy as required under section 307C of the Corporation Act 2001 is set out on the following page and forms part of this Directors' report for the year ended 30 June 2007.

Signed on behalf of and in accordance with a resolution of the Board of Directors.

A J Lydyard
Managing Director

Dated this 27 day of September 2007

AUDITOR'S INDEPENDENCE DECLARATION

HLB Mann Judd

Accountants | Business and Financial Advisers

As lead auditor for the audit of the financial report of Comet Ridge Limited for the year ended 30 June 2007, 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 audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Comet Ridge Limited.

L Di Giallonardo
Partner, HLB Mann Judd

Perth, Western Australia
27 September 2007

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

		Consolidated		Company	
		2007	2006	2007	2006
	Note	US$	US$	US$	US$
Revenue	2	2,668,057	807,972	2,597,444	885,000
Employee benefits expense		(588,540)	(197,300)	(94,064)	(126,878)
Share option expense		(288,482)	(160,666)	(288,482)	(160,666)
Corporate costs		(353,727)	(241,918)	(329,597)	(226,952)
Exploration expenditure written off	3	(1,546,461)	(192,149)	(555,723)	(156,200)
Impairment in value of financial asset	3	-	(55,340)	(1,943,199)	(445,191)
Consultancy costs		(93,500)	(70,381)	(24,522)	(37,095)
Technology costs		(45,614)	(40,951)	(6,607)	(25,454)
Property costs		(68,461)	(35,710)	(2,632)	(1,786)
Insurance costs		(28,949)	(38,255)	(24,106)	(29,159)
Depreciation and amortisation expense		(61,266)	(29,284)	(17,450)	(24,825)
Other expenses	3	(494,523)	(172,645)	(212,528)	(77,421)
Loss before income tax		(901,466)	(426,627)	(901,466)	(426,627)
Income tax expense	4	-	-	-	-
Loss for the year		(901,466)	(426,627)	(901,466)	(426,627)
Loss attributable to members of the parent entity		(901,466)	(426,627)	(901,466)	(426,627)

Earnings Per Share		US Cents	US Cents
Basic	7	(1.03)	(0.68)
Diluted	7	(1.03)	(0.68)

The accompanying notes form part of these financial statements.

BALANCE SHEET

AS AT 30 JUNE 2007

	Note	Consolidated 2007 US$	Consolidated 2006 US$	Company 2007 US$	Company 2006 US$
Current Assets					
Cash and cash equivalents	*8*	2,629,340	3,078,043	1,739,861	1,812,871
Receivables	*9*	3,327,795	441,953	2,813,392	22,744
Other financial assets	*10*	300,682	103,869	36,677	60,214
Total Current Assets		6,257,817	3,623,865	4,589,930	1,895,829
Non-Current Assets					
Exploration and evaluation expenditure	*13*	8,199,019	3,090,104	1,749,251	1,633,909
Property, plant and equipment	*14*	120,074	113,448	8,821	34,585
Other financial assets	*10*	88,948	63,948	7,949,917	3,103,509
Total Non-Current Assets		8,408,041	3,267,500	9,707,989	4,772,003
Total Assets		14,665,858	6,891,365	14,297,919	6,667,832
Current Liabilities					
Trade and other payables	*15*	1,391,262	288,702	343,286	73,259
Provisions	*16*	35,328	8,090	-	-
Total Current Liabilities		1,426,590	296,792	343,286	73,259
Total Liabilities		1,426,590	296,792	343,286	73,259
Net Assets		13,239,268	6,594,573	13,954,633	6,594,573
Equity					
Issued capital	*17*	14,639,725	7,901,707	14,639,725	7,901,707
Reserves	*18*	876,536	68,393	1,591,901	68,393
Accumulated losses		(2,276,993)	(1,375,527)	(2,276,993)	(1,375,527)
Total Equity		13,239,268	6,594,573	13,954,633	6,594,573

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

	Note	Issued Capital US$	Options Reserve US$	Foreign Currency Translation Reserve US$	Accumulated Losses US$	Total US$
Consolidated						
Balance at 1 July 2005		5,968,483	66,033	120,407	(948,900)	5,206,023
Shares issued during the year	*17*	2,019,720	-	-	-	2,019,720
Transaction costs	*17*	(86,496)	-	-	-	(86,496)
Loss attributable to members of parent entity		-	-	-	(426,627)	(426,627)
Foreign currency translation	*18*	-	-	(278,713)	-	(278,713)
Option reserve on recognition of bonus element of options	*22*	-	160,666	-	-	160,666
Balance at 30 June 2006		7,901,707	226,699	(158,306)	(1,375,527)	6,594,573
Shares issued during the year		6,948,212	-	-	-	6,948,212
Transaction costs	*17*	(210,194)	-	-	-	(210,194)
Loss attributable to members of parent entity		-	-	-	(901,466)	(901,466)
Foreign currency translation	*18*	-	-	519,661	-	519,661
Option reserve on recognition of bonus element of options	*22*	-	288,482	-	-	288,482
Balance at 30 June 2007		14,639,725	515,181	361,355	(2,276,993)	13,239,268
Company						
Balance at 1 July 2005		5,968,483	66,033	120,407	(948,900)	5,206,023
Shares issued during the year	*17*	2,019,720	-	-	-	2,019,720
Transaction costs	*17*	(86,496)	-	-	-	(86,496)
Loss attributable to members of parent entity		-	-	-	(426,627)	(426,627)
Option reserve on recognition of bonus element of options	*22*	-	160,666	-	-	160,666
Foreign currency translation	*18*	-	-	(278,713)	-	(278,713)
Balance at 30 June 2006		7,901,707	226,699	(158,306)	(1,375,527)	6,594,573
Shares issued during the year		6,948,212	-	-	-	6,948,212
Transaction costs	*17*	(210,194)	-	-	-	(210,194)
Loss attributable to members of parent entity		-	-	-	(901,466)	(901,466)
Foreign currency translation	*18*	-	-	1,235,026	-	1,235,026
Option reserve on recognition of bonus element of options	*22*	-	288,482	-	-	288,482
Balance at 30 June 2007		14,639,725	515,181	1,076,720	(2,276,993)	13,954,633

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated 2007 US$	Consolidated 2006 US$	Company 2007 US$	Company 2006 US$
Cash Flows from Operating Activities					
Interest received		167,122	109,880	86,930	202,501
Receipts from joint venture recoveries		4,915,570	51,603	-	51,603
Payments to suppliers and employees		(6,548,317)	(695,479)	(656,390)	(580,791)
Net cash used in operating activities	*21*	(1,465,625)	(533,996)	(569,460)	(326,687)
Cash Flows from Investing Activities					
Payments for exploration and evaluation expenditure		(5,803,901)	(2,581,440)	(391,058)	(770,691)
Proceeds from sale of investments		-	1,647,272	-	1,647,272
Purchase of property, plant and equipment		(75,478)	(83,502)	-	(248)
Proceeds from sale of other financial assets		-	1,994,958	-	1,994,958
Payments to joint venture operations		-	(119,053)	-	(78,157)
Payments for security deposits		(25,000)	(75,997)	-	(12,050)
Payments to wholly-owned subsidiaries		-	-	(6,033,793)	(2,182,706)
Investment in wholly-owned subsidiaries		-	-	-	(1,288,442)
Net cash provided (used) in investing activities		(5,904,379)	782,238	(6,424,851)	(690,064)
Cash Flows from Financing Activities					
Proceeds from issue of shares		6,948,212	2,019,720	6,948,212	2,019,720
Costs on issue of shares		(210,194)	(86,496)	(210,194)	(86,496)
Net cash provided by financing activities		6,738,018	1,933,224	6,738,018	1,933,224
Net increase (decrease) in cash held		(631,986)	2,181,466	(256,293)	916,473
Cash at beginning of financial year		3,078,043	1,003,858	1,812,871	1,003,674
Effect of exchange rates on cash holdings in foreign currencies		183,283	(107,281)	183,283	(107,276)
Cash at end of financial year	*8*	2,629,340	3,078,043	1,739,861	1,812,871

The accompanying notes form part of these financial statements.

FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1: Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the Consolidated Entity of Comet Ridge Limited and controlled entities, and Comet Ridge Limited as an individual company. Comet Ridge Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Comet Ridge Limited and subsidiaries, and Comet Ridge Limited as an individual company, comply with all Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety.

At the date of authorisation of this financial report, there were a number of Standards and Interpretations that were issued but not yet effective, however the Directors anticipate that the adoption of these Standards and Interpretations in future reporting periods will have no material impact on the Group.

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial report was authorised for issue by the Directors on 28 September 2007. The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

Basis of Preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Principles of Consolidation

A subsidiary is any entity Comet Ridge Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of subsidiaries is contained in Note 11 to the financial statements. All controlled entities have a June financial year-end.

All intercompany balances and transactions between entities in the Consolidated Entity, including any unrealised gains or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Company.

Where subsidiaries have entered or left the Consolidated Entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

(b) Income Tax

The charge for current income tax expense is based on the profit/loss for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Consolidated Entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all plant and equipment is depreciated on a straight-line basis over their useful lives to the Consolidated Entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Furniture and fittings	12 1/2% to 14%
Computer equipment	25% to 33 1/2%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(d) **Exploration, Evaluation and Development Expenditure**

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest. The Consolidated Entity's capitalisation policy for its natural gas and crude oil exploration and development activities is to capitalise costs of productive exploratory wells, development dry holes and productive wells and costs to acquire mineral interests and evaluate them.

General and administrative expenditures, to the extent they can be directly related to the area of interest, are capitalised as well.

Exploratory dry holes are initially capitalised, but are expensed if and when the well is determined not to have found reserves in commercial quantities. Costs associated with exploratory test wells are capitalised until it is determined that the area of interest will be abandoned.

Exploration and evaluation costs are carried forward only to the extent that they are expected to be recovered by successful development or sale of the area of interest, or to the extent that exploration and evaluation activities in the area of interest have not reached a stage that permits a reasonable assessment of the existence of economically recoverable reserves. Once the determination is made to abandon an area of interest, all accumulated costs are written off in full against profit in which decision to abandon the area of interest is made.

Once management has determined the existence of economically recoverable reserves for the area of interest, deferred costs are reclassified from exploratory to development costs.

Development costs related to an area of interest are carried forward to the extent that they are expected to be recovered either through exploitation of the area of interest or alternatively, by its sale. Once production has been established, all future developmental drilling costs, whether dry or productive, are reclassified from development costs to production costs and are amortised over the life of the area of interest according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. In the event that the indicators of impairment are present, an impairment loss is recorded based on the higher of an assets fair value less costs to sell.

Costs of site restoration are provided for over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with governing laws. Any changes in costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(e) **Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(f) **Financial Instruments**

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: *Recognition and Measurement of Financial Instruments*. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment
At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

(g) **Impairment of Assets**
At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) **Interests in Joint Ventures**
The Consolidated Entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated statements of financial performance and financial position. Details of the Consolidated Entity's interests are shown in Note 12.

(i) **Foreign Currency Transactions and Balances**
Functional and presentation currency
The financials statements for the Consolidated Entity are presented in United States dollars. The Company believes the US dollar is the best measure of performance because the Company's primary operations are based in the United States. Assets and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet. Income and expenses are translated at the dates of the transactions. Components of equity are translated at the historical rates. Exchange differences are recognised as a separate component of equity.

The functional currency of the Company is the Australian dollar and the functional currency of its US subsidiaries is the US dollar. The functional currency relates to the currency of the primary economic environment in which the entity operates.

Transactions and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the month-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

(j) **Employee Benefits**
Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits have been measured at the amounts expected to be paid when the liability is settled.

(k) **Equity-settled compensation**
The group provides benefits to employees in the form of share-based payments. The cost of these share-based payments is measured by reference to the fair value of the equity instruments at the date of which they are granted. The fair value is determined by an external valuer using a Black and Scholes model, further details of which are provided in Note 22.

(l) **Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments.

(n) **Receivables**

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days. Collectibility of trade debtors is reviewed on an ongoing basis. Receivables, which are known to be uncollectible, are written off. An allowance for doubtful debts is raised when some doubt as to collection exists.

(o) **Trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) **Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will be realised and the revenue can be reliably measured.

Sales of Oil and Gas

Revenue from the sales of oil and gas is recognised when the product is in the form in which it is to be sold and the property has passed to the purchaser. In the event the property has not passed on to the purchaser, revenue will be recorded when it can be established the product is for the purchaser's account pursuant to an enforceable sales contract and the purchaser has assumed the risk of loss.

Interest Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST), if applicable.

(q) **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(r) **Comparative Figures**

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

(s) **Significant Accounting Judgements, Estimates and Assumptions**

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-Based Payment Transactions

The Consolidated Entity measures the cost of equity-settled transaction with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black and Scholes model, using the assumptions detailed in Note 22.

NOTE 2: Revenue

	Consolidated		Company	
	2007	2006	2007	2006
	US$	US$	US$	US$
Oil and gas sales:				
Oil and gas sales	4,485	-	-	-
Less royalties	(916)	-	-	-
Total oil and gas sales	3,569	-	-	-
Interest revenue from:				
Third parties	167,122	106,663	86,929	96,231
Wholly-owned controlled entities	-	-	-	103,021
Total interest revenue	167,122	106,663	86,929	199,252
Other Income:				
Foreign exchange gains/(losses)	(16,134)	11,433	(2,986)	(4,128)
Gains on disposal of non-current investments	2,513,500	689,876	2,513,501	689,876
Total other income	2,497,366	701,309	2,510,515	685,748
Total revenue	2,668,057	807,972	2,597,444	885,000

NOTE 3: Loss from Ordinary Activities

	Consolidated		Company	
	2007	2006	2007	2006
	US$	US$	US$	US$
Expenses				
Impairment in value of financial assets:				
Listed investments	-	55,340	-	55,340
Investments in subsidiaries	-	-	1,943,199	389,851
Total impairment	-	55,340	1,943,199	445,191
Exploration expenditure written off [1]	1,546,461	192,149	555,723	156,200
Other expenses:				
Travel	171,656	60,100	123,032	18,049
Lease operating expense	75,983	-	-	-
Contract labour	71,139	56,186	57,181	51,772
Accounting and tax services (non audit)	31,747	22,700	11,626	-
Recruitment fees	31,500	-	-	-
Office supplies	35,535	16,553	2,485	2,004
Other administrative costs	76,963	17,106	18,204	5,596
Total other expenses	494,523	172,645	212,528	77,421

[1] In 2007 the Company drilled one well at Mahalo which was found not to contain hydrocarbons resulting in a dry hole cost of US$555,723. In 2007 the Consolidated Entity drilled one well at Bear River which was found to be a marginal producer. Approximately half of the cost (US$735,498) was written off as the top portion of the hole may be used for a sidetrack operation.

NOTE 4: Income Tax Expense

	Consolidated		Company	
	2007 US$	2006 US$	2007 US$	2006 US$
(a) The components of tax expense (benefit) comprise:				
Current tax	(1,428,855)	500,379	407,122	604,232
Recoupment of prior year tax losses not previously bought to account	-	(500,379)	(407,122)	(604,232)
Tax benefit not recognised	1,428,855	-	-	-
	-	-	-	-
(b) The prima facie tax benefit on loss from ordinary activities is reconciled to income tax as follows:				
Prima facie tax benefit on loss from ordinary activities before income tax at 37% US, 30% AU (2006: 30%)	(406,463)	(127,988)	(270,440)	(127,988)
Add:				
Tax effect of:				
other assessable income	58	944,765	58	1,085,887
other non-allowable expenses	200,996	82,483	754,569	90,914
share options expensed during year	86,545	48,200	86,545	48,200
	287,599	1,075,448	841,172	1,225,001
Less:				
Tax effect of:				
other allowable expenses	(1,309,991)	(447,081)	(163,610)	(492,781)
Recoupment of prior year tax losses not previously brought to account	-	(500,379)	(407,122)	(604,232)
Tax benefit not recognised	1,428,855	-	-	-
Income tax attributable to parent entity	-	-	-	-

The Consolidated Entity has unconfirmed carried forward income tax losses of approximately US$7,176,286 (2006: US$3,014,782). The potential deferred tax benefit of these tax losses has not been recognised as an asset because recovery of the tax losses is not considered probable in the context of AASB 112. The Consolidated Entity's tax rate is 37% in the US and 30% Australia. The benefit of these tax losses will only be realised if:

(a) The companies within the Consolidated Entity derive future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised;

(b) The companies within the Consolidated Entity comply with the conditions for deductibility imposed by the law; and

(c) No changes in tax legislation adversely affect the companies within the Consolidated Entity in realising the benefit from the deduction for the loss.

NOTE 5: Key Management Personnel Compensation

The Company has transferred the detailed remuneration disclosures to the Director's Report in accordance with Corporations Amendment Regulations 2006 (No.4). These remuneration disclosures are provided in the Remuneration Report section of the Directors' Report under Details of Remuneration and are designated as audited.

(a) Names and positions held of Consolidated Entity and Company key management personnel in office at any time during the financial year are:

J W Schneider	Chairman
A J Lydyard	Managing Director
S M Ashton	Non-Executive Director
G Swaby	Non-Executive Director and Company Secretary
G Drobnack	Non-Executive Director – Appointed effective 3/10/06
G J Mabie	Vice President - Operations (USA)
M E Cuba	Vice President - Land (USA)
P A Jackson	Vice President - Exploration (USA) - Effective 31/07/07; Consultant from 29/09/06
J M Knox	Controller
V S Palanyk	General Manager (Australia) - Resigned effective 15/01/07

(b) **Compensation Practices**

The compensation structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future.

(c) **Key management personnel compensation**

	Short-Term		Post-	Share-		
	Salary & Fees	Cash Bonus	Employment Retirement [1]	Based Options	Total Remuneration	Total Performance
2007	US$	US$	US$	US$	US$	Related
J W Schneider	27,710	-	-	23,610	51,320	0%
A J Lydyard	205,727	65,671	31,689	70,830	373,917	18%
S M Ashton	27,710	-	2,495	23,610	53,815	0%
G Swaby	65,430	-	2,495	23,610	91,535	0%
G Drobnack	20,783	-	-	23,610	44,393	0%
G J Mabie	183,485	25,788	14,262	35,793	259,328	10%
M E Cuba	168,819	24,355	13,469	35,793	242,436	10%
PA Jackson	125,741	-	-	9,854	135,595	0%
J M Knox	109,166	23,692	12,033	33,127	178,018	13%
Total 2007	934,571	139,506	76,443	279,837	1,430,357	10%
2006						
J W Schneider	25,659	-	-	-	25,659	0%
A J Lydyard	186,579	36,655	12,103	121,729	357,066	10%
S M Ashton	25,659	-	2,309	-	27,968	0%
G Swaby	60,847	-	2,309	-	63,156	0%
G J Mabie	33,067	-	-	8,423	41,490	0%
M E Cuba	20,451	-	-	8,423	28,874	0%
J M Knox	19,826	-	-	3,193	23,019	0%
V S Palanyk	105,931	17,595	-	-	123,526	14%
Total 2006	478,019	54,250	16,721	141,768	690,758	8%

[1] Superannuation (Australia) or Section 401(k) (United States) - see Note 16.

(d) **Compensation Options**

Options granted as remuneration to key management personnel:

	Number Granted	Number Vested	Grant Date	Value per Option at Grant Date AU$	Exercise Price Per Share AU$
J W Schneider	500,000	-	31 December 2006	0.11	0.45
A J Lydyard	1,500,000	-	31 December 2006	0.11	0.45
S M Ashton	500,000	-	31 December 2006	0.11	0.45
G Swaby	500,000	-	31 December 2006	0.11	0.45
G Drobnack	500,000	-	31 December 2006	0.11	0.45
G J Mabie	500,000	-	31 July 2006	0.08	0.45
G J Mabie	240,000	-	10 November 2006	0.10	0.45
M E Cuba	500,000	-	31 July 2006	0.08	0.45
M E Cuba	240,000	-	10 November 2006	0.10	0.45
PA Jackson	250,000	-	10 November 2006	0.10	0.45
J M Knox	150,000	-	10 November 2006	0.10	0.45
	5,380,000	-			

Options vest over various time periods and all expire within three years of issue.

(e) **Options and Rights Holding**

Number of options held by key management personnel:

	Balance 1 July 2006	Granted as Remuneration	Options Exercised	Options Expired	Balance 30 June 2007
J W Schneider	200,000	500,000	(200,000)	-	500,000
A J Lydyard	4,500,000	1,500,000	(3,000,000)	-	3,000,000
S M Ashton	200,000	500,000	-	(200,000)	500,000
G Swaby	100,000	500,000	(100,000)	-	500,000
G Drobnack	-	500,000	-	-	500,000
G J Mabie	100,000	740,000	-	-	840,000
M E Cuba	100,000	740,000	-	-	840,000
PA Jackson	-	250,000	-	-	250,000
J M Knox	250,000	150,000	-	-	400,000
Total	5,450,000	5,380,000	(3,300,000)	(200,000)	7,330,000

	At 30 June 2007		
	Total Vested and Exercisable	Total Unexercisable	Balance
J W Schneider	-	500,000	500,000
A J Lydyard	1,500,000	1,500,000	3,000,000
S M Ashton	-	500,000	500,000
G Swaby	-	500,000	500,000
G Drobnack	-	500,000	500,000
G J Mabie	100,000	740,000	840,000
M E Cuba	100,000	740,000	840,000
PA Jackson	-	250,000	250,000
J M Knox	125,000	275,000	400,000
Total	1,825,000	5,505,000	7,330,000

Number of shares held by key management personnel:

	Balance 1 July 2006	Received as Remuneration	Options Exercised	Net Change Other [1]	Balance 30 June 2007
J W Schneider	1,323,055	-	200,000	609,221	2,132,276
A J Lydyard	1,075,000	-	3,000,000	50,000	4,125,000
S M Ashton	2,639,996	-	-	-	2,639,996
G Swaby	2,850,000	-	100,000	1,139,999	4,089,999
G Drobnack	-	-	-	-	-
G J Mabie	-	-	-	-	-
M E Cuba	-	-	-	50,000	50,000
P A Jackson	-	-	-	-	-
J M Knox	-	-	-	-	-
Total	7,888,051	-	3,300,000	1,849,220	13,037,271

[1] Refers to shares purchased or sold during the financial year.

NOTE 6: Auditor's Remuneration

	Consolidated		Company	
	2007 US$	2006 US$	2007 US$	2006 US$
Remuneration of the auditor of the Company for:				
Auditing or reviewing the financial report	27,838	22,770	27,838	22,770
Taxation services	-	513	-	513
Remuneration of other auditors of subsidiaries for:				
Auditing or reviewing the financial report of subsidiaries	25,560	9,487	-	-
	53,398	32,770	27,838	23,283

NOTE 7: Earnings Per Share

	Consolidated/Company	
	2007 US$	2006 US$
Earnings used to calculate basic and dilutive EPS	(901,466)	(426,627)
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	87,140,723	62,709,554
Weighted average number of options outstanding considered to have a dilutive effect [1]	657,317	124,861
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	87,798,040	62,834,415

[1] For the financial years ended 30 June 2007 and 2006, the effect of potential ordinary shares had an antidilutive effect. Therefore, basic and dilutive EPS are the same.

NOTE 8: Cash Assets

	Consolidated		Company	
	2007	2006	2007	2006
	US$	US$	US$	US$
Cash at bank and in hand	903,312	1,306,709	13,833	41,537
Short-term bank deposits [1]	1,726,028	1,771,334	1,726,028	1,771,334
	2,629,340	3,078,043	1,739,861	1,812,871

[1] The effective interest rate on short-term bank deposits was 4.96% (2006: 4.58%); these deposits are available at call.

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

	Consolidated		Company	
	2007	2006	2007	2006
	US$	US$	US$	US$
Cash and cash equivalents	2,629,340	3,078,043	1,739,861	1,812,871

NOTE 9: Receivables

	Consolidated		Company	
	2007	2006	2007	2006
	US$	US$	US$	US$
Sale of Tipton West royalty interest	2,525,100	-	2,525,100	-
Joint venture partners	265,409	373,757	-	191
Advance payments to operators	205,452	40,388	-	-
Oil sales, net of royalty	3,569	-	-	-
GST receivable	35,081	22,553	35,081	22,553
Other receivables	293,184	5,255	253,211	-
	3,327,795	441,953	2,813,392	22,744

NOTE 10: Other Financial Assets

	Consolidated		Company	
	2007	2006	2007	2006
	US$	US$	US$	US$
Current				
Prepayments	124,297	52,724	36,677	18,435
Security bond deposits	25,268	51,145	-	41,779
Inventory	151,117	-	-	-
	300,682	103,869	36,677	60,214
Non-Current				
Security bond deposits	88,948	63,948	-	-
Investment in subsidiaries	-	-	1,454,504	1,427,147
Loan to subsidiary	-	-	8,942,372	2,135,621
Less: Loss on investment	-	-	(2,446,959)	(459,259)
	88,948	63,948	7,949,917	3,103,509

NOTE 11: Subsidiaries

The consolidated financial statements of Comet Ridge Limited include the financial statements of the Company and the subsidiaries listed below:

	Country of Incorporation	Percentage Owned 2007	Percentage Owned 2006
Parent entity			
Comet Ridge Limited	Australia		
Subsidiaries			
Tipton CSG Pty Limited	Australia	0%	100%
Comet Ridge USA Inc.	USA	100%	100%
St. Helens Energy LLC	USA	100%	100%

Acquisition of Subsidiaries

On 1 August 2005 the Company incorporated Tipton CSG Pty Limited, with an issued capital of $1.00 represented by cash. The Company was dormant and was deregistered in 2007.

NOTE 12: Interest in Unincorporated Joint Operating Arrangements

The Consolidated Entity's share of assets employed in the joint operating arrangements is as follows:

	Interest Held		Consolidated		Company	
	2007	2006	2007 US$	2006 US$	2007 US$	2006 US$
Current Assets						
Receivables						
Mahalo	40.00%	40.00%	-	40,388	-	-
Total current assets			-	40,388	-	-
Non-Current Assets						
Exploration and evaluation costs						
Mahalo	40.00%	40.00%	1,624,755	1,440,350	1,618,741	1,355,930
PEL 427 [1]	100.00%	100.00%	34,162	25,461	34,162	25,461
PEL 428 [1]	80.00%	80.00%	36,731	28,297	36,731	28,297
ATP 743P [2]	100.00%	100.00%	28,373	7,928	28,373	7,928
ATP 744P [2]	100.00%	100.00%	31,244	7,612	31,244	7,612
Bear River	33.75%	33.75%	830,914	110,614	-	-
Chehalis	40.00%	40.00%	1,074,036	234,528	-	-
Florence	39.00%	0.00%	438,337	-	-	-
Rocky Mtn	50.00%	50.00%	40,000	31,112	-	-
Tow Creek	37.50%	37.50%	2,794,940	677,316	-	-
Total exploration and evaluation costs			6,933,492	2,563,218	1,749,251	1,425,228
Production costs						
Bear River	33.75%	33.75%	75,170	-	-	-
Tow Creek	37.50%	37.50%	13,003	-	-	-
Less accumulated amortisation			(795)	-	-	-
Total production costs			87,378	-	-	-
Adminstrative assets						
Chehalis	40.00%	40.00%	1,595	1,595	-	-
Less accumulated depreciation			(797)	(266)	-	-
Total administrative assets			798	1,329	-	-
Total non-current assets			7,021,668	2,564,547	1,749,251	1,425,228
Share of total assets of joint ventures			7,021,668	2,604,935	1,749,251	1,425,228

[1] Comet Ridge farmed out its interest in both permits to Eastern Star Gas Ltd that will see the Company carried through a seismic and drilling program. Eastern Star will receive 75% of Comet Ridge's interest in each project when it has met its earning obligation.

[2] Comet Ridge farmed out its interest in both permits to Clark Oil and Gas Pty Ltd that will see the Company carried through a multi-year staged seismic and drilling work program. Under the terms of the agreements, which are subject to Clark Oil successfully listing on the Australian Stock Exchange, Clark Oil can earn up to 40% in both permits and up to 75% in a 64 sq km block surrounding any well drilled.

The principal activity of all the joint operating arrangements is oil and gas exploration.

NOTE 13: Exploration, Evaluation and Development Expenditure

	Consolidated		Company	
	2007 US$	2006 US$	2007 US$	2006 US$
Exploration and evaluation phase:				
Balance at 1 July	3,090,104	4,200,524	1,633,909	4,168,706
Additions	6,371,505	2,231,587	403,966	770,691
Sales	-	(3,067,024)	-	(3,067,024)
Impairment expense	(1,537,900)	(192,149)	(555,723)	(156,200)
Transfer to development and production phase	(88,173)	-	-	-
Foreign currency translation	276,105	(82,834)	267,099	(82,264)
Balance at 30 June	8,111,641	3,090,104	1,749,251	1,633,909
Development and production phase:				
Balance at 1 July	-	-	-	-
Transfer from exploration and evaluation phase	88,173	-	-	-
Accumulated amortisation	(795)	-	-	-
Balance at 30 June	87,378	-	-	-
Total costs carried forward	8,199,019	3,090,104	1,749,251	1,633,909

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

The recoverability of the cash generating units in the development phase is determined by discounting the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. Key assumptions include:

- For wells now in production - initial production rates based on current producing rates for those wells;
- Estimated rates of production decline based on current trends;
- Hydrocarbon prices in effect at 30 June;
- Operating costs directly applicable to the wells;
- Discount rate of 10%

NOTE 14: Property, Plant and Equipment

	Consolidated		Company	
	2007 US$	2006 US$	2007 US$	2006 US$
Property, plant and equipment				
Furniture and Fittings:				
At cost	20,455	137,730	-	72,799
Accumulated depreciation	(3,067)	(43,202)	-	(38,962)
	17,388	94,528	-	33,837
Computer Equipment:				
At cost	186,939	19,349	48,661	958
Accumulated amortisation	(84,253)	(429)	(39,840)	(210)
	102,686	18,920	8,821	748
Total Property, Plant and Equipment	120,074	113,448	8,821	34,585

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Furniture & Fittings US$	Computer Equipment US$	Total US$
2007			
Consolidated			
Balance at the beginning of year	18,920	94,528	113,448
Additions	2,079	73,399	75,478
Depreciation expense	(2,889)	(57,582)	(60,471)
Sales and disposals	(512)	(10,278)	(10,790)
Foreign currency translation	(210)	2,619	2,409
Carrying amount at the end of year	17,388	102,686	120,074
Company			
Balance at the beginning of year	748	33,837	34,585
Depreciation expense	(41)	(17,409)	(17,450)
Sales and disposal	(512)	(10,278)	(10,790)
Foreign currency translation	(195)	2,671	2,476
Carrying amount at the end of year	-	8,821	8,821
2006			
Consolidated			
Balance at the beginning of year	901	60,032	60,933
Additions	18,376	65,127	83,503
Depreciation expense	(339)	(28,943)	(29,282)
Foreign currency translation	(18)	(1,688)	(1,706)
Carrying amount at the end of year	18,920	94,528	113,448
Company			
Balance at the beginning of year	901	60,032	60,933
Additions	-	248	248
Depreciation expense	(120)	(24,703)	(24,823)
Foreign currency translation	(33)	(1,740)	(1,773)
Carrying amount at the end of year	748	33,837	34,585

NOTE 15: Trade and Other Payables

	Consolidated		Company	
	2007 US$	2006 US$	2007 US$	2006 US$
Current				
Trade creditors	423,723	149,860	18,225	50,975
Accrued expenses	366,138	59,572	325,061	22,284
Exploration and development accruals	508,613	48,840	-	-
Joint operating agreement advances	92,788	30,430	-	-
	1,391,262	288,702	343,286	73,259

NOTE 16: Employee Leave Entitlements

	Consolidated		Company	
	2007 US$	2006 US$	2007 US$	2006 US$
Annual leave entitlements	35,328	8,090	-	-

Employee Leave Entitlements

Employees are eligible to carry over ten days of annual leave each calendar year. A liability has been recognised for employee entitlements relating to annual leave. The measurement and recognition criteria relating to employee benefits have been included in Note 1.

Analysis of Total Employee Liabilities

	Consolidated		Company	
	Provision for annual leave US$	Total US$	Provision for annual leave US$	Total US$
Opening balance at 1 July 2006	8,090	8,090	-	-
Additions	27,238	27,238	-	-
Balance at 30 June 2007	35,328	35,328	-	-

Defined contribution plans

US based employees are eligible to participate in a voluntary savings plan under Section 401(k) of the US tax code. The Consolidated Entity contributes 6% of the employee's earnings into the plan. The contributions recognised as expense was US$101,053 and US$6,000 for the years ended 30 June 2007 and 2006, respectively.

NOTE 17: Issued Capital

	Consolidated		Company	
Issued Capital:	2007 US$	2006 US$	2007 US$	2006 US$
Balance at 30 June 2007 (104,874,950 fully paid ordinary shares) (2006: 70,728,240 fully paid ordinary shares)	14,639,725	7,901,707	14,639,725	7,901,707

Ordinary Shares:	Date	Type	Price AU$	Consolidated/Company No.	Consolidated/Company US$
Balance at 1 July 2005				61,158,240	5,968,483
Shares issued during the year:					
	24-Feb-2006	Options	0.20	200,000	30,514
	02-May-2006	Placement	0.28	9,170,000	1,958,692
	30-Jun-2006	Option	0.20	200,000	30,514
Share issue costs					(86,496)
Balance at 30 June 2006				70,728,240	7,901,707
Shares issued during the year:					
	09-Nov-2006	Options	0.20	200,000	30,865
	17-Nov-2006	Options	0.20	500,000	77,162
	18-Dec-2006	Entitlement issue	0.27	13,992,212	2,956,204
	18-Dec-2006	Shortfall applications	0.28	2,901,826	613,083
	04-Jan-2007	Shortfall placement	0.29	11,477,258	2,445,000
	05-Feb-2007	Options	0.20	50,000	7,737
	15-Jan-2007	Options	0.40	1,400	433
	29-Mar-2007	Options	0.20	4,000,000	642,642
	24-Apr-2007	Options	0.20	1,000,000	167,000
	29-Jun-2007	Options	0.40	24,014	8,086
Share issue costs					(210,194)
Balance at 30 June 2007				104,874,950	14,639,725

Ordinary shares participate in any declared dividends and the proceeds on winding up of the company in proportion to the number of shares held.

At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

Options

(i) For information relating to the Comet Ridge Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 22.

(ii) For information relating to share options issued to executive directors during the financial year, refer to Note 5.

NOTE 18: Reserves

Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of the parent entity's financial statements from Australian dollars to US dollars.

Options Reserve

The options reserve records items recognised as expenses on valuation of employee share options.

NOTE 19: Capital Leasing and Commitments

	Consolidated		Company	
	2007 US$	2006 US$	2007 US$	2006 US$
Operating lease commitments:				
Non-cancellable operating lease rentals are payable as follows:				
Not later than twelve months	121,373	30,471	-	-
Between twelve months and five years	687,337	119,346	-	-
	808,710	149,817	-	-

The Consolidated Entity leases office space in the United States under a five year operating lease. In May 2007, the lease was amended to increase the amount of space leased as well as extend the lease term to 30 September 2012.

	Consolidated		Company	
	2007 US$	2006 US$	2007 US$	2006 US$
Capital expenditure commitments:				
Exploration and evaluation expenditure contracted for and payable:				
Not later than twelve months	362,151	-	-	-
Between twelve months and five years	-	650,000	-	-
	362,151	650,000	-	-

On 5 June 2006, St Helens Energy LLC ("St. Helens"), a 100% owned subsidiary of the Company, entered into a two year lease option agreement with a mineral interest owner that includes an exploration work program across the option lands. To qualify for the work program, at least 50% of the expenditures must be on newly acquired seismic data and/or drilling and completing wells on the option lands. If St Helens does not expend the full amount of the work commitment, it shall pay the mineral interest owner the difference bewteen the actual monies spent and US$650,000.

NOTE 20: Segment Reporting

The Consolidated Entity operates in one business segment, being oil and gas exploration. Segment information is presented for the Consolidated Entity's geographic segments, which are located in Australia and the United States.

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables and property, plant and equipment, net of accumulated depreciation. Segment liabilities consist principally of payables, employee benefits, accrued expenses and provisions. Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the group at an arm's length. These transfers are eliminated on consolidation.

	Australia		USA		Eliminations		Total	
	2007 US$	2006 US$	2007 US$	2006 US$	2007 US$	2006 US$	2007 US$	2006 US$
Segment Revenue								
Interest received	86,926	199,252	80,196	10,400	-	(102,989)	167,122	106,663
Gains on sale of non-current assets	2,513,500	689,876	-	-	-	-	2,513,500	689,876
Oil and gas sales, net of royalties paid	-	-	3,569	-	-	-	3,569	-
Foreign exchange gains (losses)	(2,986)	(4,128)	(13,148)	15,561	-	-	(16,134)	11,433
	2,597,440	885,000	70,617	25,961	-	(102,989)	2,668,057	807,972
Segment Results								
Income (loss) after income tax	1,041,729	(36,777)	(1,943,195)	(389,850)	-	-	(901,466)	(426,627)
Segment Assets	15,296,387	5,700,490	8,311,843	3,326,496	(8,942,372)	(2,135,621)	14,665,858	6,891,365
Segment Liabilities	349,302	73,806	10,019,660	2,358,607	(8,942,372)	(2,135,621)	1,426,590	296,792
Other								
Acquisitions of non-current segment assets	440,815	730,460	6,031,168	1,648,576	-	-	6,471,983	2,379,036
Depreciation and amortisation of segment assets	17,450	24,825	43,816	4,459	-	-	61,266	29,284
Other non-cash segment expenses	844,205	372,207	982,177	35,949	-	-	1,826,382	408,156

NOTE 21: Cash Flow Information

Reconciliation of cash flow from operations with loss from ordinary activities after income tax:

	Consolidated		Company	
	2007 US$	2006 US$	2007 US$	2006 US$
Loss from ordinary activities after income tax	(901,466)	(426,627)	(901,466)	(426,627)
Non-cash flows in loss from ordinary activities:				
Depreciation	61,266	29,284	17,450	24,825
Write-off of capitalised expenditure	1,546,461	192,149	555,723	156,200
Net gain on disposal of investments	(2,520,895)	(470,791)	(2,520,895)	(470,791)
Net gain (loss) on disposal of other financial assets	7,394	(218,885)	7,394	(218,885)
Impairment - listed investments	-	55,340	-	55,340
Impairment - investment in subsidiary	-	-	1,943,199	389,851
Share options expensed	288,482	160,666	288,482	160,666
Changes in assets and liabilities:				
Decrease in receivables	293,910	25,424	7,279	41,782
Increase in inventory	(151,117)	-	-	-
(Increase)/decrease in prepayments and other current assets	(233,448)	(55,884)	28,090	9,028
Increase/(decrease) in trade payables and accruals	116,550	171,188	5,087	(44,126)
Increase/(decrease) in provisions	27,238	4,140	197	(3,950)
Cash flow from operations	(1,465,625)	(533,996)	(569,460)	(326,687)

NOTE 22: Share Based Payments

Employee Share Option Plan

Options are granted under the Company Employee Share Option Plan for no consideration. Options are granted for a three year period and entitlements to the options are vested on a time basis and do not reflect the performance conditions.

The expense recognised in the income statement in relation to share based payments amounts to US$288,482 (2006: US$160,666). The amount assessed at fair value at grant date of the options is allocated equally over the period from grant date to vesting date. Fair values at grant date are independently determined using the Black and Scholes method of valuation that takes into account the exercise price, the terms of the option, the vesting and market related criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and the risk of the underlying share and the risk free interest rate for the term of the option.

The following table illustrates the number and weighted average exercise price of, and movements in, share options issued during the year:

	2007		2006	
	No.	Weighted Avg Exercise Price AU$	No.	Weighted Avg Exercise Price AU$
Outstanding at the beginning of the year	8,475,000	0.20	6,350,000	0.20
Granted during the year	5,555,000	0.45	2,525,000	0.22
Exercised during the year	(5,750,000)	0.20	(400,000)	0.20
Expired during the year	(200,000)	0.20	-	0.00
Outstanding at the end of the year	8,080,000	0.39	8,475,000	0.21

The outstanding balance as at 30 June 2007 is represented by:

Number of Options	Price AU$	Exercisable	Percent Exercisable	Next Vesting Date	Expiration Date
500,000	0.20	500,000	100%	N/A	18 Aug 2008
1,500,000	0.20	1,500,000	100%	N/A	31 Dec 2008
1,000,000	0.45	-	-	31 Jul 2009	03 Jan 2009
450,000	0.40	325,000	72%	10 May 2008	11 May 2009
75,000	0.45	37,500	50%	26 Jun 2008	26 Jun 2009
955,000	0.45	-	-	10 Nov 2007	10 Nov 2009
3,500,000	0.45	-	-	31 Dec 2007	31 Dec 2009
100,000	0.50	-	-	19 Jul 2007	19 Jan 2010
8,080,000	0.39	2,362,500			

The following table lists the inputs to the model used for the years ended 30 June 2007 and 30 June 2006:

	2007	2006
Volatility (%)	85% to 100%	76.81% to 85%
Risk-free interest rate (%)	5.63% to 5.80%	5.08% to 5.69%
Expected life of option (years)	3 years	3 years
Exercise price (AU$)	.45 to .50	.20 to .45
Weighted average share price at grant date (AU$)	0.45	0.22

NOTE 23: Related Party Transactions

Transactions with related parties:

	Consolidated		Company	
	2007 US$	2006 US$	2007 US$	2006 US$
Other Related Parties				
Fees for administration services paid to a related party of A J Lydyard, Managing Director.	36,300	5,337	-	-
Fees for administration services paid to a related party of G J Mabie, Vice President – Operations (USA).	29,778	1,104	-	-
	66,078	6,441	-	-

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

NOTE 24: Financial Instruments

(a) **Financial Risk Management Objectives**

The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

(b) **Significant Accounting Policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

(c) **Foreign Currency Risk Management**

The group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise. Exchange rate exposures are monitored by the Board of Directors to ensure they are within approved parameters.

(d) **Interest Rate Risk Management**

The group is exposed to interest rate risk as it may borrow funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings, which is monitored by the Board of Directors.

(e) **Credit Risk Management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The group exposure and the credit ratings of its counterparties are continuously monitored by the Board of Directors.

The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

(f) **Fair Value of Financial Instruments**

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

(g) **Liquidity Risk Management**

The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

FOR THE YEAR ENDED 30 JUNE 2007

Monitoring profile of financial instruments

The following table details the group's exposure to interest rate risk as at 30 June 2007:

	Weighted Effective Interest Rate		Variable Interest Rate		Non Interest Bearing		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	%	%	US$	US$	US$	US$	US$	US$
Financial Assets:								
Cash	4.96	4.58	2,629,340	3,078,043	-	-	2,629,340	3,078,043
Receivables	-	-	-	-	3,327,795	441,953	3,327,795	441,953
Other financial assets	5.00	-	22,668	-	-	167,816	22,668	167,816
			2,652,008	3,078,043	3,327,795	609,769	5,979,803	3,687,812
Financial Liabilities:								
Payables	-	-	-	-	1,391,263	288,702	1,391,263	288,702
Provisions	-	-	-	-	35,328	8,090	35,328	8,090
			-	-	1,426,591	296,792	1,426,591	296,792

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 28 to 52, are in accordance with the Corporations Act 2001 and:
   (a) comply with Accounting Standards and the Corporations Regulations 2001; and
   (b) give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the Company and Consolidated Entity; and

2. 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.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act of 2001 for the year ended 30 June 2007.

This declaration is made on behalf of and in accordance with a resolution of the Board of Directors.

A J Lydyard
Managing Director

Dated this 27 day of September 2007

TO THE MEMBERS OF COMET RIDGE LIMITED

HLB Mann Judd

Accountants | Business and Financial Advisers

We have audited the accompanying financial report of Comet Ridge Limited ("the company"), which comprises the balance sheet as at 30 June 2007, the income statement, statement of changes in equity, cash flow statement and notes to the financial statements for the year then ended and the directors' declaration for both the company and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the end of the financial year or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading "remuneration report" in the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Comet Ridge Limited and included in the Directors' Report, would be on the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of Comet Ridge Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year then ended; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

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

Auditor's Opinion on the AASB 124 Disclosures Contained in the Directors' Report

In our opinion the remuneration disclosures that are contained in the directors' report comply with Accounting Standard AASB 124.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

L Di Giallonardo
Partner

Perth, Western Australia
27 September 2007

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable at 24 September 2007:

1. Number of Equity Holders
Ordinary Share Capital: 104,874,950 fully paid ordinary shares are held by 943 individual shareholders.

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

3. Distribution of Shareholdings

Holdings	No. of Holders
1 - 1,000	8
1,001 - 5,000	88
5,001 - 10,000	146
10,001 - 100,000	546
100,001 - Over	155
	943

Twenty shareholders hold less than a marketable parcel of shares.

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

Name	Number of Shares Held	Percentage Interest
Strike Oil Ltd	8,750,000	8.34%

The above shareholdings are disclosed pursuant to section 671 B(3) of the Corporations Act 2001 but the relevant interests shown do not necessarily represent the beneficial interest in the share capital of the Company or parties concerned.

5. The 20 Largest Holders of Ordinary Shares

Rank	Name	Number of Shares	% Held
1	Strike Oil Ltd	8,750,000	8.34%
2	ANZ Nominees Limited	6,098,827	5.82%
3	Mr Andrew John Lydyard & Ms Cheryl Lee Lydyard	4,125,000	3.93%
4	Ms Gillian Swaby	4,089,999	3.90%
5	JP Morgan Nominees Australia Limited	3,771,767	3.60%
6	Martin Place Securities Nominees Pty Ltd	2,700,217	2.57%
7	S&Y Ashton Nominees Pty Ltd	2,639,996	2.52%
8	Mr Jeffrey Warrington Schneider	2,132,276	2.03%
9	Pontia Pty Ltd	1,940,185	1.85%
10	UURO Pty Ltd	1,850,636	1.76%
11	Calm Holdings Pty Ltd	1,612,640	1.54%
12	Fortis Clearning Nominees	1,455,000	1.39%
13	Matalot Pty Ltd	1,150,000	1.10%
14	Dr John Larking	1,003,763	0.96%
15	Alcardo Investments Limited	1,000,000	0.95%
16	Debours Pty Ltd	1,000,000	0.95%
17	Mr Victor Samuel Palanyk	1,000,000	0.95%
18	Parmelia Pty Ltd	1,000,000	0.95%
19	Mr Steven Craig Saunders	950,424	0.91%
20	Mr Simon Craig Watson	870,035	0.83%
		49,140,765	46.86%

GLOSSARY & CONVERSION FACTORS

Crude Oil (volumes & rates)

- BBLS – Barrels of oil
- BOE – Barrels of oil equivalent (1 BOE= 6 MCF gas)
- BOPD – Barrels of oil per day
- MBBLS – Thousand barrels of oil
- MBOE – Thousand barrels of oil equivalent
- MMBBLS – Million barrels of oil
- MMBOE – Million barrels of oil equivalent

Natural Gas (Volumes, rates & approximate metric energy equivalents)

- MCF – Thousand cubic feet (approx. equal to 1 GigaJoule)
- MCFD – Thousand cubic feet per day
- MMCF – Million cubic feet (approx. equal to 1 TeraJoule)
- BCF – Billion cubic feet (approx. equal to 1 PetraJoule)
- TCF – Trillion cubic feet (approx. equal to 1000 PetraJoule)

Distance and Areas (Imperial (US) & Metric)

- 1 foot = 0.3048 metre
- 1 metre = 3.28 feet
- 1 mile = 1.609 kilometre
- I kilometre = 0.621 mile
- 1 sq mile = 640 acres
- 1 sq mile = 2.59 sq km
- 1 sq mile = 259 hectares
- 1 sq km = 247.1 acres
- 1 acre = 0.405 hectares

CORPORATE DIRECTORY

Directors
Mr Jeff Schneider – *Non Executive Chairman*
Mr Andy Lydyard – *Managing Director*
Mr Simon Ashton – *Non Executive Director*
Ms Gillian Swaby – *Non Executive Director*
Mr Gary Drobnack – *Non Executive Director*

Company Secretary
Ms Gillian Swaby

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Listed on Australian Securities Exchange Limited
ASX Code: COI

Comet Ridge

Design | Pite Creative Services, Inc. – www.pitecreative.com
Photography | John Hudetz - www.hudetzphotography.com

The financial report covers both Comet Ridge Limited (the "Company") as an individual entity and Comet Ridge Limited and its subsidiaries (the "Consolidated Entity").

Comet Ridge Limited is a company limited by shares, incorporated and domiciled in Australia.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial statements and other information are available on our website.

Comet Ridge