ABN: 47 106 092 577

Comet Ridge

2007|08 ANNUAL REPORT

strength

CAPITAL | MANAGEMENT | PORTFOLIO

chairman of the board

JEFF SCHNEIDER | LETTER TO THE SHAREHOLDERS

Dear Shareholders,

Since the Comet Ridge Annual General Meeting in November 2007 the Board's priorities have been to:

1. Assemble funds at the project level to be able to progress exploration and development on our US assets; and,
2. Increase our focus on our Australian Coal Seam Gas (CSG) permits.

I am pleased to be able to report considerable progress on both priorities.

In June 2008 the Company announced the completion of a milestone transaction with Pine Brook Road Partners, LLC ("Pine Brook"), a New York based private equity firm. This transaction sees our Denver based organisation and our US exploration assets assigned to a new jointly owned company called Comet Ridge Resources, LLC, ("Comet Ridge Resources").

The key features of the transaction have been earlier described to shareholders and are further described in the Overview of Activities Report following. The preparedness of Pine Brook to invest up to US$100 million in support of the Company's Denver based team is testimony to our staff's professional and personal qualities and to the quality of the projects they have assembled.

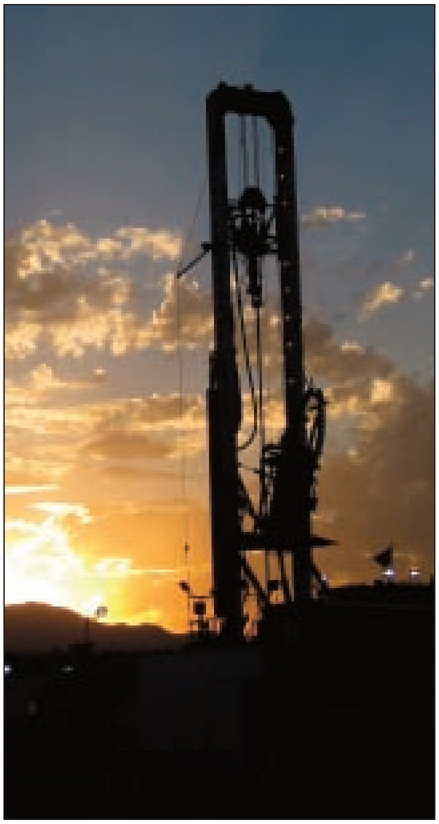
The transaction will enable Comet Ridge Limited shareholders to be exposed to the upside of our US exploration program without having to expend any company funds for approximately the next 18 months. This program will enable the US projects to be progressed and de-risked and with success the upside for shareholders remains substantial. At the end of this 18 month period the Board expects that Comet Ridge Limited's ownership interests in Comet Ridge Resources will be 20%. Given exploration and development success the Board expects to maintain its ownership interest at this level.

The preparedness of Pine Brook to invest up to US$100 million in support of the Company's Denver based team is testimony to our staff's professional and personal qualities and to the quality of the projects they have assembled.

Initial exploration data obtained from drilling at Florence are in line with our expectations. The commerciality of these efforts will only be known when production testing is complete later this calendar year.

The Company's founding Managing Director since listing in April 2004, Mr Andy Lydyard, has been appointed CEO of Comet Ridge Resources. While he will continue as a non-executive director of Comet Ridge Limited he has, as a consequence of his appointment, resigned as Managing Director.

contents



In August 2008 the Board appointed Mr David Bradshaw as the new Managing Director – effective 1 September 2008. Mr Bradshaw (who has been a board member since November 2007) brings a wealth of upstream oil and gas experience, including nine years as Chairman and CEO of Tipperary Corporation. Tipperary was the majority owner, and from 2002 the operator, of the Fairview Coal Seam Gas Field in Queensland. This Company was sold to Santos in 2005 in a transaction valued at approximately AU$600 million. Fairview now forms the upstream cornerstone of Santos' recently announced LNG project with Petronas.

The Board is delighted that Mr Bradshaw will apply his skills and experience to the benefit of Comet Ridge shareholders as its Brisbane based Managing Director. His priorities are to progress the Company's coal seam gas assets and to oversee our investment in Comet Ridge Resources in the US.

The Board believes our coal seam gas acreage in Australia to be highly prospective. We plan to secure funding at the project level through promoted farm-down of our interests. It is our intention that Comet Ridge will retain substantial project interests and retain operatorship in the Galilee Basin permits.

With several LNG Project developments now planned in Queensland, the opportunity to sell significant volumes of gas at higher prices in the future now seems possible. With exploration success, the rewards for shareholders are potentially substantial.

The Company is now very well positioned in respect to both its US and Australian assets. We have the organisational capability to advance our US assets and are building this capability in respect to our Australian assets. In addition our US programme is now fully funded for the medium term. The Board believes the Company can secure funding at the project level via farm-outs to progress our Australian assets.

I thank my fellow board members for their contributions during this past year. I also thank shareholders for their support during what has been a challenging period. I look forward to shareholders being rewarded for their support.

The Board would especially like to acknowledge the contribution of Mr Andy Lydyard and to thank him for his energetic efforts and leadership on behalf of all shareholders.

Yours faithfully,

Jeff Schneider

Chairman

overview of activities

Introduction

This past year will prove to be a pivotal year in the Company's history. In June of this year the Company entered into a joint venture arrangement with a private equity capital provider, Pine Brook Road Partners, LLC ("Pine Brook") whereby Pine Brook has made a capital commitment of up to US$100 million to fund the ongoing exploration and development of the projects that Comet Ridge Limited has assembled in the United States. Comet Ridge shareholders will be free-carried through approximately US$26 million of capital spending, which will see the projects significantly de-risked, before the Company will be required to contribute further capital. The Company will retain a 20% equity interest in the joint venture company and can maintain that interest by funding its pro-rata share. If the Company elects not to fund its share, its interest will still not be diluted below 5%.

Given the magnitude of the projected capital spending over the coming year and the prevailing difficult conditions in the capital markets, the Board of Directors strongly believes that securing significant funding for the US Company was in the best interests of shareholders. The funding allows the newly formed company to pursue its strategy and to compete aggressively. Pine Brook is a highly reputable and successful private equity firm and our ability to attract them to our company is testament to the quality of the team and projects that Comet Ridge has assembled in the US.

The capital provided by Pine Brook is being invested immediately. Indeed, in the days following closing of the transaction, the US company was able to move a drilling rig onto the Florence oil field redevelopment project in southeastern Colorado and commence drilling operations.

With the US projects, and the administrative costs associated with them, now fully funded for the next 12 to 18 months, your Board has turned its attention to advancing the Company's increasingly valuable Australian coal seam gas permits/projects in Queensland and New South Wales.

With the US projects, and the administrative costs associated with them, now fully funded for the next 12 to 18 months, your Board has turned its attention to advancing the Company's increasingly valuable Australian coal seam gas permits/projects in Queensland and New South Wales. The Board has demonstrated its firm commitment to the Australian portfolio by appointing Mr. David Bradshaw to the position of Managing Director in early September, 2008. Mr. Bradshaw, who until this appointment was one of the Company's non-executive directors, will be based in Brisbane and brings significant coal seam gas exploration and development experience to the Company.

At the end of the 2007/08 financial year, Comet Ridge shareholders therefore have a meaningful equity interest in a well financed US exploration company that is already conducting operations plus direct interests in a strong portfolio of Australian coal seam gas projects.

⇐ | CONTENTS | ⇒

That transaction was successfully completed... and provides the new US Company the capital it needs to aggressively pursue its exploration and development strategy without further call on Comet Ridge Limited Shareholders for some time.

Activities in the United States
The Pine Brook Road Partners Transaction

On 10 June 2008, the Board of Comet Ridge Limited announced that it had entered into agreements to form a new joint venture company, Comet Ridge Resources, LLC ("Comet Ridge Resources"), with a well respected US private equity firm; New York based Pine Brook Road Partners, LLC ("Pine Brook"). That transaction was successfully completed on 26 June 2008 and provides the new US Company the capital it needs to aggressively pursue its exploration and development strategy without further call on Comet Ridge Limited Shareholders for some time.

The transaction, while complicated by virtue of a series of entities being formed to hold the projects, is relatively simple. It comprises four main components:

> Comet Ridge Limited contributed its US properties and its management team to a new company called Comet Ridge Resources, LLC. In return it received a 43.59% equity interest in the new company.

> In return for its contribution of US$7 million cash and US$2 million worth of properties previously acquired from Strike Oil Limited, Pine Brook received a majority equity interest in Comet Ridge Resources.

> Pine Brook can increase its equity interest in Comet Ridge Resources to 80% by spending an additional US$19 million on exploring and developing the US projects.

> After Pine Brook has earned the 80% interest, Comet Ridge Limited can maintain its 20% equity interest by funding its pro-rata share of future capital costs, or, at its election, continue to be diluted to a minimum 5% equity interest with no further capital contributions.

Shareholder value will be created in the form of capital appreciation as reserves and production is added. Given the anticipated capital spending profile, it is unlikely that Comet Ridge Resources will be paying dividends as cash generated by the business will be reinvested in developing the Company's existing and future projects.

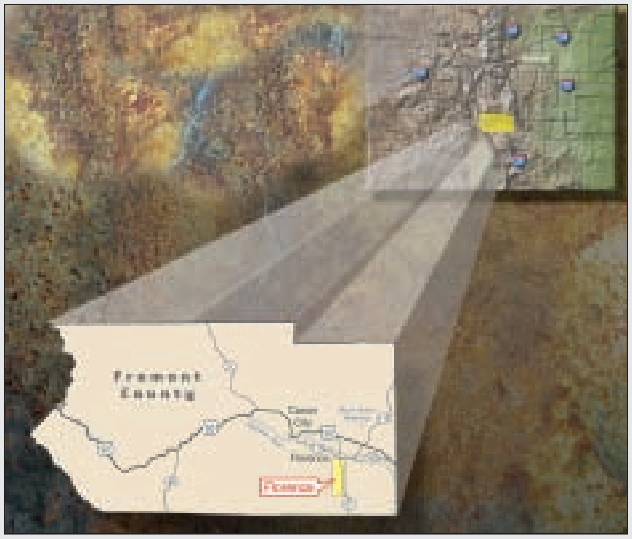
The various projects are held under two subsidiaries of Comet Ridge Resources, LLC, namely:

1 St. Helens Energy, LLC ("St. Helens") which owns and operates the Grays Harbor project as well as a minority interest in the non-operated Chehalis Basin project in the State of Washington.

2. Pine Ridge Oil & Gas, LLC ("Pine Ridge") which owns and operates the Florence and Tow Creek/Bear River projects in Colorado.

As a result of the Strike Oil Limited acquisition and a number of other acquisitions completed prior to closing, Comet Ridge Resources has control of, and very high working interests in, its projects (75% to 100%).

Florence



Comet Ridge Resources, via Pine Ridge now has a 97.25% Working Interest in over 10,000 acres in the Florence oil field in southeastern Colorado. The field has produced in excess of 15 million barrels of oil in its 126 year life almost exclusively from the Cretaceous marine shales of the Pierre Formation. Production has historically been achieved from around 1,800 feet (550m) down to around 3,500 feet (1066m).

Comet Ridge Limited acquired approximately eight sq miles (21 sq km) of 3D seismic in the summer of 2007 and has generated a number of drillable locations from that data. Drilling on the project commenced in early July 2008. The first three wells drilled will be completed for production testing. Further drilling is planned once results of the production testing have been assessed.

Tow Creek/Bear River

Comet Ridge attempted a sidetrack of the CVU 31-4 well on the southern part of the Tow Creek anticline in Routt County, Colorado in September of 2007.

The original CVU 31-4 well was drilled in the winter of 2006. Oil and gas shows were encountered across the target Niobrara Formation and wire line logs revealed the section to be moderately to heavily fractured (the fractures provide the storage mechanism and the flow path for the oil and gas). During an attempt to complete the zone for production a work string became irretrievably stuck. Despite the drill bit and 30 feet (10m) of drill pipe being lodged in the wellbore, oil and gas were circulated out of the hole during the fishing operation.

The sidetrack hole proved just as frustrating, with extended rig repairs creating a situation where the drill string was left hanging stationary in the borehole for almost a week. During this time, as a result of the inability to move the drill string and maintain circulation, borehole conditions deteriorated to such an extent that the drill string became irretrievably stuck again.

As a result of the Company's focus on securing capital and advancing the Florence and Grays Harbor projects, the strong oil and gas shows recorded over fractured intervals within the Niobrara in both the original well bore and the sidetrack hole remain untested. At this time, it is anticipated that Comet Ridge Resources will be focused on the Florence and Grays Harbor projects.

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Comet Ridge Resources via St. Helens has amassed a 470,000 acre (1,902 sq km) leasehold and lease option position over the Grays Harbor Basin in western Washington.

Grays Harbor

Comet Ridge Resources via St. Helens has amassed a 470,000 acre (1,902 sq km) leasehold and lease option position over the Grays Harbor Basin in western Washington. In June, 2008 the Company negotiated a twelve month extension to the lease option it has over 420,000 acres (1,700 sq km) with a large timber company at a cost of $300,000 or less than US$0.72 per acre. This extra time will enable St. Helens to acquire and interpret 3D and 2D seismic surveys over a number of the mapped prospects and leads prior to exercising its option to lease.

The prospects at Grays Harbor are conventional sandstone reservoirs in structural anticlinal traps. There is relatively sparse 2D seismic coverage over the mapped prospects so the Company will be shooting new 3D and 2D data to optimise the initial drilling locations planned for 2009.   These surveys commenced in August, 2008.

Chehalis

In February 2008, the Company announced that it has sold down its interests in the Chehalis project in a cash and acreage trade. Comet Ridge Limited sold down 75% of its 40% working interest (retaining a 10% interest) in its existing ~ 75,000 acre (303 sq km) lease position but gained a 10% working interest in another 65,000 acres (263 sq km) resulting in a 10% project-wide interest. In addition, Comet Ridge Limited received an upfront cash payment of US$463,064 and a free carry through the drilling of five holes. Drilling has yet to commence due to permitting delays and rig availability.

Activities in Australia

Shareholders will be aware of the significant changes in the Eastern Australian gas market and in particular the major developments in the coal seam gas business over the last twelve months. Vast volumes of gas have been proven to exist in the two world class coal seam gas plays in Queensland, namely the Permian coals of the Bowen Basin and the Jurassic aged coals of the Walloon Coal Measures. The almost seismic shift in the business has come about by a number of producers announcing plans to build LNG facilities on the Queensland coast. LNG prices in Asia have escalated rapidly to the point that spot sales of gas have reached as high as US$18/GJ, which is approaching ten times the prices being achieved as recently as three years ago. The significant gas reserves and the spectre of LNG parity pricing are attracting large international companies such as British Gas, Shell, Petronas and Conoco/Phillips into the market.

Comet Ridge has interests in two projects that offer significant coal seam gas potential, Mahalo and two contiguous permit applications in the eastern part of the Galilee Basin. While exploration of the Galilee Basin is not as advanced as the Bowen Basin, the industry has recognized that it is the next logical region to explore. Recently AGL reported that it had committed to spend AU$37 million to earn a 50% interest in a Galilee Basin permit, and bidding on a large number of exploration blocks at a recent permit tender conducted by the Queensland government was strong. The Board is intent on adding significant shareholder value through advancement of these projects.

Tipton West – Sale of Royalty

In July, 2007 the Company announced that it had sold its 1.5% royalty interest in the Tipton West field to Pure Energy Resources Limited for AU$3 million. The consideration represented fair value for the cash flow stream that was capped at AU$8 million and would have taken a significant number of years to realise.

Mahalo (ATP 337P Farmout)

No further activity has occurred on the Mahalo project since the drilling of Mahalo 2. With a renewed focus on the Australian projects, the Board has made the advancement of this well-located coal seam gas project a priority.

ATP's 743P and 744P Galilee Basin

Significant progress has been made towards securing agreements with our native title claimants on both permit applications. Finalisation of these agreements is expected early in the new financial year and the Company will then apply to have the permits granted by the Queensland Government. The Board is intent on assessing the gas resource potential of these two carefully selected permits immediately after grant (subject to rig availability).

PELs 427 & 428 Gunnedah Basin

Comet Ridge initially farmed out 75% of its interests in these two permits to Eastern Star Gas Limited. Eastern Star fulfilled its initial earning obligation by acquiring a total 103 kilometres of seismic over both permits in the middle of 2007. Eastern Star later transferred its interests and obligations into newly floated Orion Petroleum that has now taken over as operator of both permits. Orion currently owns 30% in PEL 427 and 20% in PEL 428 and can earn additional interests by carrying Comet Ridge through the drilling of a well on both permits.

Shareholders will be aware of the significant changes in the Eastern Australian gas market and in particular the major developments in the coal seam gas business over the last twelve months. Vast volumes of gas have been proven to exist in the two world class coal seam gas plays in Queensland, namely the Permian coals of the Bowen Basin and the Jurassic aged coals of the Walloon Coal Measures.

Management is pleased to report that no lost time injuries occurred during the year. Despite this important achievement the Board and management team maintains elevated vigilance on safety matters.

Health, Safety & Environment

During the financial year there was one recordable incident involving a Company employee and there were none involving contractors on our project sites. The incident was not serious enough to be classified as a lost time injury.

Our goal as a Company is to be incident free in both our Company and contract workforce.

The Company continues vigorous management efforts to prevent all accidents and has developed an incentive scheme that encourage field personnel to lookout for themselves and each other.

All Company and contract personnel are empowered to shut down operations that are considered unsafe and 30 minute safety briefings are held before the commencement of each new shift.

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.

Community

We seek to participate in the communities that we are active in. To this end the Company has donated US$6,600 to various charitable causes in the US states of Washington and Colorado. As we begin to operate in Australia, the same concern for stakeholders will be shown.

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 eight 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 Eight Essential Corporate Governance Principles and the corresponding Recommendations as published by the Australian Securities 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 and Chairman

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 (Non-Executive Chairman) 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.

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 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. 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 Advise

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.

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

Improvement in Board effectiveness is a continuing obligation of the Board. An evaluation of Board performance was carried out including completion of a questionnaire focused on process structure, effectiveness and contributions.

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/or the Managing Director at the Annual General Meeting;
> Placing all material information released to the market (including Notices of Meeting and explanatory materials) on the Company's website as soon as practical following release; and
> Placing 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.

directors' report

Your Directors present their report on Comet Ridge Limited and its subsidiaries (the "Group") for the financial year ended 30 June 2008. The Company was incorporated on 23 August 2003 and listed on the Australian Securities Exchange on 19 April 2004.

Directors and Company Secretary

The Directors in office at any time during or since the end of the year and at the date of this report 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 Schneider	—	Chairman (Non-Executive)
Qualifications	—	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 Wood side to pursue other interests. Age: 58
Interest in Shares and Options	—	2,632,276 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.
David Bradshaw	—	Managing Director since 1 September 2008 Director (Non-Executive) 7 November 2007 to 31 August 2008
Qualifications	—	BBA Accounting, MBA, CPA
Experience	—	Mr Bradshaw joined Comet Ridge on 7 November 2007. He has a broad-based and successful industry background in accounting, oil and gas financing and executive management, including the position of CEO and Chairman of the Board for Tipperary Corporation from 1997 thru 2005. Tipperary was majority owner of the very significant Fairview coal seam gas field in eastern Queensland, Australia. Mr Bradshaw also served as Director and Interim CEO of Trident Resources Corporation of Alberta, Canada, a coal seam gas producer. He currently serves as a Director of Triangle Petroleum Corporation, which is based in Alberta, Canada and is involved in gas shale exploration. Age: 54
Interest in Shares and Options	—	Nil
Other Directorships	—	Triangle Petroleum Corporation; Comet Ridge Resources, LLC
Gillian Swaby	—	Director (Non-Executive) and Company Secretary
Qualifications	—	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 27 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: 48
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.
Gary Drobnack	—	Director (Non-Executive)
Qualifications	—	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: 63
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.; prior directorships in numerous Weyerhaeuser offshore ventures.
Andrew Lydyard	—	Managing Director to 31 August 2008. Non-Executive Director since that date.
Qualifications	—	B.AppSc (Applied Geology)
Experience	—	Mr Lydyard joined Comet Ridge on 1 October 2003. He has 26 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. Mr Lydyard accepted the position of President & CEO of Comet Ridge Resources, LLC in late June, 2008 and as a consequence resigned as Managing Director. Age: 51
Interest in Shares and Options	—	3,625,000 ordinary shares in Comet Ridge Limited and options to acquire a further 3,000,000 ordinary shares.
Other Directorships	—	Comet Ridge Resources, LLC

Interests in the Shares & Options of the Company and Related Bodies Corporate

During and since the end of the financial year a total of 1,500,000 options were granted to the following executives of the Company:

	Number Granted No	Options Granted as part of Remuneration (Total Value) US$	Value of Options Granted During Year (Vesting Portion to 30 June 2008) US$	Total Remuneration Represented by Options %
Executives				
G Mabie	200,000	16,186	11,494	4.28
M Cuba	200,000	16,186	11,494	5.04
P Jackson	1,000,000	80,930	57,472	24.99
J Knox	100,000	8,093	5,747	3.77
Total	1,500,000	121,395	86,207	9.81

No ordinary shares were issued during the financial year as a result of the exercise of options by key management personnel.

Details of unissued ordinary shares under options held by Directors and executives are as follows:

				Terms and Conditions for each Grant			
	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 Schneider	500,000	500,000	31/12/06	0.11	0.45	31/12/07	31/12/09
A Lydyard	1,500,000	1,500,000	31/12/06	0.11	0.45	31/12/07	31/12/09
A Lydyard	1,500,000	1,500,000	29/12/05	0.11	0.20	29/12/05	31/12/08
G Swaby	500,000	500,000	31/12/06	0.11	0.45	31/12/07	31/12/09
G Drobnack	500,000	500,000	31/12/06	0.11	0.45	31/12/07	31/12/09
S Ashton	500,000	500,000	31/12/06	0.11	0.45	31/12/07	31/12/09
Executives							
G Mabie	-	200,000	01/08/07	0.09	0.45	01/08/08	31/07/11
G Mabie	120,000	240,000	10/11/06	0.10	0.45	10/11/07	10/11/09
G Mabie	250,000	500,000	31/07/06	0.08	0.45	31/07/07	31/07/09
G Mabie	100,000	100,000	10/05/06	0.19	0.40	01/08/06	11/05/09
M Cuba	-	200,000	01/08/07	0.09	0.45	01/08/08	31/07/11
M Cuba	120,000	240,000	10/11/06	0.10	0.45	10/11/07	10/11/09
M Cuba	250,000	500,000	31/07/06	0.08	0.45	31/07/07	31/07/09
M Cuba	100,000	100,000	10/05/06	0.19	0.40	01/08/06	11/05/09
P Jackson	-	1,000,000	01/08/07	0.09	0.45	01/08/08	31/07/11
P Jackson	125,000	250,000	10/11/06	0.10	0.45	10/11/07	10/11/09
J Knox	-	100,000	01/08/07	0.09	0.45	01/08/08	31/07/11
J Knox	75,000	150,000	10/11/06	0.10	0.45	10/11/07	10/11/09
J Knox	250,000	250,000	10/05/06	0.19	0.40	10/05/07	11/05/09
Total	6,390,000	8,830,000					

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$4,105,553 (2007: US$901,466).

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 Overview of Activities.

Significant Changes in State of Affairs

Effective 26 June 2008, the Group contributed all of its US based oil and gas assets and employees into a new US based company called Comet Ridge Resources, LLC ("Comet Ridge Resources") in exchange for a 43.59% equity interest. A private equity firm based in New York owns the majority of the shares. The private equity firm may increase its investment in the joint venture until the Group's equity interest is diluted to 20%. Upon reaching the 20% ownership threshold, the Group may participate in the joint venture to maintain its 20% interest, or be diluted to no less than 5%. The private equity firm has made a commitment to spend up to US$100,000,000 in the joint venture.

After Balance Date Events

No other 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 and Expected Results

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Therefore, this information has not been presented.

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.

Indemnification and Insurance of Directors and Officers

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

Remuneration Report

This report outlines the remuneration arrangements in place for Directors and executives ("Key Management Personnel") of Comet Ridge Limited (the "Company"). The following persons acted as directors during or since the end of the financial year:

> Jeff Schneider	Chairman
> David Bradshaw	Managing Director - Appointed 1 September 2008
	Non-Executive Director - 7 November 2007 to 31 August 2008
> Gill Swaby	Non-Executive Director and Company Secretary
> Gary Drobnack	Non-Executive Director
> Andrew Lydyard	Non-Executive Director - Appointed 1 September 2008
	Managing Director - Through 31 August 2008
> Simon Ashton	Non-Executive Director - Resigned 22 February 2008

The term "executive" is used in the remuneration report to refer to the following persons. Except as noted the named persons held their current position for the whole of the financial year and since the end of the financial year:

> Pat Jackson	Vice President Exploration - 31 July 2007 to 26 June 2008
> Gary Mabie	Vice President Operations - Resigned 26 June 2008
> Michael Cuba	Vice President Land - Resigned 26 June 2008
> Jim Knox	Controller - Resigned 26 June 2008

As a result of the contribution of the Company's US based oil and assets and employees to Comet Ridge Resources, Mr Lydyard, Mr Jackson, Mr Mabie, Mr Cuba and Mr Knox resigned as employees effective 26 June 2008. Pursuant to a transition services agreement with Comet Ridge Resources, Mr Lydyard and Mr Knox will continue to perform limited transition-related services as employees of Comet Ridge Resources for the Group at no charge. The transition is expected to be finalised by 30 September 2008.

Remuneration Philosophy

The performance of the Company depends upon the quality of its Directors and executives. The philosophy of the Company in determining remuneration levels is to:

> 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.

Remuneration Committee

The Remuneration Committee, on behalf of the Board of Directors is responsible for determining and reviewing the compensation arrangements for the Directors, the Managing Director and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of the directors and senior executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration Structure

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct. The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the higher calibre, whilst incurring a cost that is acceptable to shareholders.

Non-Executive Director Remuneration

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 30 November 2007 when shareholders approved and aggregate remuneration of AU$200,000 per year. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Each Director receives a fee for being a director of the company. The remuneration of Non-Executive Directors for the period ended 30 June 2008 is detailed in Table 1 of this report.

Executives and Executive Director Remuneration

Base Salary

The first step to attracting and retaining talented, qualified and effective senior management 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 senior management on a discretionary basis, as authorised 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 a bonus of up to 50% 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 employees 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 employees taking into account a number of factors, including the amount and term of options previously granted, base salary and competitive factors.

Employment Contracts

Remuneration and other terms of employment for the following personnel are formalised in employment contracts for services.

Mr David Bradshaw, Managing Director (Appointed 1 September 2008)

Term of Agreement:	1 September 2008 to 31 December 2010
Base Salary:	US$320,000
Termination Benefit:	Base salary is to be paid through the remainder of the contract if terminated with out cause, limited to one year's base salary.
Termination Notice:	The Company or Mr Bradshaw may terminate the agreement at anytime. No termination benefit is required if terminated for cause.

Mr Andrew Lydyard, Managing Director (Resigned 31 August 2008)

Term of Agreement:	Three years commencing on 1 January 2006
Base Salary:	US$264,000 as at 1 September 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 (Resigned 26 June 2008)

Term of Agreement:	Two years commencing on 31 July 2007
Base Salary:	US$210,000 as of 1 January 2008
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.

As a result of contribution of the Group's US based oil and assets and employees to Comet Ridge Resources, Mr Lydyard and Mr Jackson resigned as US employees effective 26 June 2008. Pursuant to a transition services agreement with Comet Ridge Resources, Mr Lydyard will continue to perform limited transition-related services as an employee of Comet Ridge Resources for the Company at no charge. The transition is expected to be finalised by 30 September 2008.

Table 1 Remuneration of Directors and Executives:

Year Ended 30 June 2008:

	Short-Term		Post-Employment	Share-Based		Total
	Salary & Fees US$	Cash Bonus US$	Retirement [1] US$	Options [2] US$	Total US$	Performance Related
Directors						
J Schneider	34,437	-	-	24,894	59,331	0%
D Bradshaw	22,836	-	-	-	22,836	0%
G Swaby	74,881	-	2,845	24,894	102,620	0%
G Drobnack	34,437	-	-	24,894	59,331	0%
A Lydyard	256,979	27,000	16,992	74,682	375,653	7%
S Ashton	20,396	-	1,836	24,894	47,126	0%
Executives						
G Mabie	190,321	-	11,419	33,047	234,787	0%
M Cuba	183,761	-	11,026	33,048	227,835	0%
P Jackson	185,767	-	11,146	66,750	263,663	0%
J Knox	124,729	-	7,484	20,260	152,473	0%
Total	1,128,544	27,000	62,748	327,363	1,545,655	2%

Year Ended 30 June 2007:

	Short-Term		Post-Employment	Share-Based		Total
	Salary & Fees US$	Cash Bonus US$	Retirement [1] US$	Options [2] US$	Total US$	Performance Related
Directors						
J Schneider	27,710	-	-	23,610	51,320	0%
G Swaby	65,430	-	2,495	23,610	91,535	0%
G Drobnack	20,783	-	-	23,610	44,393	0%
A Lydyard	205,727	65,671	31,689	70,830	373,917	18%
S Ashton	27,710	-	2,495	23,610	53,815	0%
Executives						
G Mabie	183,485	25,788	14,262	35,793	259,328	10%
M Cuba	168,819	24,355	13,469	35,793	242,436	10%
P Jackson	125,741	-	-	9,854	135,595	0%
J 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 (Australian) or Section 401(k) (United States).
[2] Represents value of options being recognised over the vesting period (portion expensed in the current period).

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 Schneider	8	8	2	2	2	2
D Bradshaw	8	8	-	-	-	-
G Swaby	8	8	2	2	-	-
G Drobnack	8	8	2	2	2	2
A Lydyard	8	8	-	-	-	-
S Ashton	2	2	-	-	-	-

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
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
01 August 2007	31 July 2011	0.45	1,900,000
05 September 2007	04 September 2011	0.45	30,000
03 December 2007	02 December 2011	0.45	65,000
07 December 2007	06 December 2011	0.45	300,000
			9,775,000

During the year ended 30 June 2008, 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
18 August 2005	0.20	500,000

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 2008.

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

David L. Bradshaw

David Bradshaw
Managing Director

Dated this 30th day of September 2008

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 2008, 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.

Perth, Western Australia

30 September 2008

L DIGIALLONARDO

Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

income statement

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated 2008 US$	Consolidated 2007 US$	Company 2008 US$	Company 2007 US$
CONTINUING OPERATIONS					
Revenue	2	67,202	2,600,430	67,202	2,600,430
Employee benefits expense		(293,483)	(94,064)	(293,483)	(94,064)
Share option expense		(412,340)	(288,482)	(412,340)	(288,482)
Corporate costs		(457,428)	(329,597)	(457,428)	(329,597)
Exploration expenditure written off	3	(6,306)	(555,723)	(6,306)	(555,723)
Other exploration costs		-	-	-	-
Impairment in value of financial asset	3	-	-	(2,846,221)	(1,943,199)
Consultancy costs		(1,646)	(24,522)	(1,646)	(24,522)
Technology costs		(612)	(6,607)	(612)	(6,607)
Property costs		(3,222)	(2,632)	(3,222)	(2,632)
Insurance costs		(33,101)	(24,106)	(33,101)	(24,106)
Depreciation and amortisation expense		(9,180)	(17,450)	(9,180)	(17,450)
Other expenses	3	(109,216)	(215,514)	(109,216)	(215,514)
Profit (loss) before income tax		(1,259,332)	1,041,733	(4,105,553)	(901,466)
Income tax expense	4	-	-	-	-
Profit (loss) for the year from continuing operations		(1,259,332)	1,041,733	(4,105,553)	(901,466)
DISCONTINUED OPERATIONS					
Loss for the year from discontinued operations	25	(2,846,221)	(1,943,199)	-	-
Loss attributable to members of the parent entity		(4,105,553)	(901,466)	(4,105,553)	(901,466)

EARNINGS (LOSS) PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS:		US Cents	US Cents
Basic	6	(3.90)	(1.03)
Diluted	6	(3.90)	(1.03)
FROM CONTINUING OPERATIONS:			
Basic	6	(1.20)	1.20
Diluted	6	(1.20)	1.19

The accompanying notes form part of these financial statements.

balance sheet

AS AT 30 JUNE 2008

		Consolidated		Company	
		2008	2007	2008	2007
	Note	US$	US$	US$	US$
ASSETS					
Current Assets					
Cash and cash equivalents	*7*	765,182	2,629,340	178,208	1,739,861
Receivables	*8*	1,217,198	3,327,795	300,640	2,813,392
Other financial assets	*9*	41,437	300,682	39,552	36,677
Total Current Assets		2,023,817	6,257,817	518,400	4,589,930
Non-Current Assets					
Exploration and evaluation expenditure	*10*	2,147,513	8,199,019	2,147,513	1,755,264
Property, plant and equipment	*11*	-	120,074	-	8,821
Investment accounted for using the equity method	*12*	7,000,000	-	-	-
Other financial assets	*9*	-	88,948	10,115,831	7,949,917
Total Non-Current Assets		9,147,513	8,408,041	12,263,344	9,714,002
TOTAL ASSETS		11,171,330	14,665,858	12,781,744	14,303,932
LIABILITIES					
Current Liabilities					
Trade and other payables	*14*	1,151,759	1,391,262	385,819	349,299
Provisions	*15*	-	35,328	-	-
Total Current Liabilities		1,151,759	1,426,590	385,819	349,299
TOTAL LIABILITIES		1,151,759	1,426,590	385,819	349,299
NET ASSETS		10,019,571	13,239,268	12,395,925	13,954,633
EQUITY					
Issued capital	*16*	14,735,692	14,639,725	14,735,692	14,639,725
Reserves	*17*	1,666,425	876,536	4,042,779	1,591,901
Accumulated losses		(6,382,546)	(2,276,993)	(6,382,546)	(2,276,993)
TOTAL EQUITY		10,019,571	13,239,268	12,395,925	13,954,633

The accompanying notes form part of these financial statements.

statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Issued Capital US$	Options Reserve US$	Foreign Currency Translation Reserve US$	Accumulated Losses US$	Total US$
CONSOLIDATED						
Balance at 1 July 2006		7,901,707	226,699	(158,306)	(1,375,527)	6,594,573
Shares issued during the year	*16*	6,948,212	-	-	-	6,948,212
Transaction costs	*16*	(210,194)	-	-	-	(210,194)
Loss attributable to members of parent entity		-	-	-	(901,466)	(901,466)
Foreign currency translation	*17*	-	-	519,661	-	519,661
Share options vested	*18*	-	288,482	-	-	288,482
Balance at 30 June 2007		14,639,725	515,181	361,355	(2,276,993)	13,239,268
Shares issued during the year		95,967	-	-	-	95,967
Loss attributable to members of parent entity		-	-	-	(4,105,553)	(4,105,553)
Foreign currency translation	*17*	-	-	377,549	-	377,549
Share options vested	*18*	-	412,340	-	-	412,340
Balance at 30 June 2008		14,735,692	927,521	738,904	(6,382,546)	10,019,571
COMPANY						
Balance at 1 July 2006		7,901,707	226,699	(158,306)	(1,375,527)	6,594,573
Shares issued during the year	*16*	6,948,212	-	-	-	6,948,212
Transaction costs	*16*	(210,194)	-	-	-	(210,194)
Loss attributable to members of parent entity		-	-	-	(901,466)	(901,466)
Foreign currency translation	*17*	-	-	1,235,026	-	1,235,026
Share options vested	*18*	-	288,482	-	-	288,482
Balance at 30 June 2007		14,639,725	515,181	1,076,720	(2,276,993)	13,954,633
Shares issued during the year		95,967	-	-	-	95,967
Loss attributable to members of parent entity		-	-	-	(4,105,553)	(4,105,553)
Foreign currency translation	*17*	-	-	2,038,538	-	2,038,538
Share options vested	*18*	-	412,340	-	-	412,340
Balance at 30 June 2008		14,735,692	927,521	3,115,258	(6,382,546)	12,395,925

The accompanying notes form part of these financial statements.

cash flow statement

FOR THE YEAR ENDED 30 JUNE 2008

		Consolidated		Company	
		2008	2007	2008	2007
	Note	US$	US$	US$	US$
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		108,842	167,122	67,202	86,930
Interest paid		(7,222)	-	-	-
Receipts from joint venture recoveries and other debtors		1,074,988	4,915,570	-	-
Payments to suppliers and employees		(2,945,355)	(6,548,317)	(898,335)	(656,390)
Net cash used in operating activities	7	(1,768,747)	(1,465,625)	(831,133)	(569,460)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for exploration and evaluation expenditure		(4,146,012)	(5,803,901)	(132,592)	(391,058)
Proceeds from sale of investments		3,919,660	-	2,549,700	-
Purchase of property, plant and equipment		(47,573)	(75,478)	-	-
Payments for security deposits		(25,000)	(25,000)	-	-
Payments to wholly-owned subsidiaries		-	-	(3,351,142)	(6,033,793)
Net cash used in investing activities		(298,925)	(5,904,379)	(934,034)	(6,424,851)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds on issue of debt		1,000,000	-	-	-
Repayment of debt		(1,000,000)	-	-	-
Proceeds from issue of shares		95,967	6,948,212	95,967	6,948,212
Costs on issue of shares		-	(210,194)	-	(210,194)
Net cash provided by financing activities		95,967	6,738,018	95,967	6,738,018
Net decrease in cash held		(1,971,705)	(631,986)	(1,669,200)	(256,293)
Cash at beginning of financial year		2,629,340	3,078,043	1,739,861	1,812,871
Effect of exchange rates on cash holdings in foreign currencies		107,547	183,283	107,547	183,283
Cash at end of financial year	7	765,182	2,629,340	178,208	1,739,861

The accompanying notes form part of these financial statements.

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2008

Note 1: Statement of Significant Accounting Principals

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Accounting 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.

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.

Basis of Preparation

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.

Going Concern

At 30 June 2008, the Consolidated Entity had working capital of $872,058 and had incurred losses of $4,105,553 for the year then ended. This loss includes a loss from discontinued operations of $2,846,221 relating to the disposal of the Consolidated Entity's USA based oil and gas assets to Comet Ridge Resources, LLC in exchange for a 43.59% interest in that company. Since balance date, the Consolidated Entity's working capital has reduced, and in the Directors' opinion the ability of the Consolidated Entity to continue as a going concern is principally dependent upon the ability of the Company to raise further capital or to realise certain of its exploration assets.

The Directors believe that there is a reasonable expectation that additional capital can be raised, or exploration assets realised, sufficient to cover the Consolidated Entity's funding requirements for a period of not less than twelve months from the date of this financial report to the date of signature of the next financial report. Based on this, the Directors are satisfied that the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Should the Consolidated Entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Consolidated Entity be unable to continue as a going concern.

Changes in Accounting Policies on Initial Application of Accounting Standards

In the year ended 30 June 2008, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2007. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Group has also adopted the following Standards as listed below which only impacted on the Group's financial statements with respect to disclosure:

> AASB 101 Presentation of Financial Instruments (revised October 2006)
> AASB 7 Financial Instruments – Disclosures

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2008. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to the Group accounting policies.

Statement of Compliance

The financial report was authorised for issue by the Directors on 25 September 2008 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).

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 22* 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) Significant Accounting Judgements, Estimates and Assumptions

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 the Black-Scholes model, using the assumptions detailed in Note 18.

(c) 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.

(d) Borrowing Costs

Borrowing costs are recognised as an expense when incurred except those that relate to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

(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) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments. For purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents defined above, net of outstanding bank overdrafts.

(g) 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.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value.

(i) Foreign Currency Transactions and Balances

<u>Functional and presentation currency</u>

The financial 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.

<u>Transactions and balances</u>

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) Investment in Associates

The Consolidated Entity's investment in its associate is accounted for using the equity method of accounting in the consolidated financial statements. The associate is an entity in which the Consolidated Entity has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Consolidated Entity's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Consolidated Entity determines whether it is necessary to recognise any additional impairment loss with respect to the Consolidated Entity's net investment in the associate. The consolidated income statement reflects the Consolidated Entity's share of the results of operations of the associate.

Where there has been a change recognised directly in the associate's equity, the Consolidated Entity recognises its share of any changes and discloses this in the consolidated statement of changes in equity.

The reporting date of the associate is 31 December. The associate prepares its financial statements in accordance with US Generally Accepted Accounting Principles. Adjustments are made to the associate's financial statements to conform its accounting policies to the Consolidated Entity for like events in similar circumstances.

(k) 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 income statement and balance sheet. Details of the Consolidated Entity's interests are shown in *Note 13*.

(l) 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.

(m) 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 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.

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 1/3%

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.

(n) 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.

(o) Impairment of Assets

At each reporting date, the Consolidated Entity 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 Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(p) Financial Instruments

<u>Recognition</u>

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.

<u>Financial assets at fair value through profit and loss</u>

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.

<u>Loans and receivables</u>

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 Consolidated Entity 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.

(q) Trade and other payables
These amounts represent liabilities for goods and services provided to the Consolidated Entity 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.

(r) Provisions
Provisions are recognised when the Consolidated Entity 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.

(s) Interest-bearing Loans and Borrowings
All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(t) Employee Benefits
Provision is made for the Consolidated Entity'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.

(u) Equity-settled Compensation
The Consolidated Entity 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-Scholes model, further details of which are provided in *Note 18*.

(v) 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.

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

(x) Issued Capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(y) Earnings Per Share

Basic earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted for:
> costs of servicing equity (other than dividends) and preference share dividends;
> the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
> other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Note 2: Revenue

	Consolidated		Company	
	2008 US$	**2007 US$**	**2008 US$**	**2007 US$**
CONTINUING OPERATIONS				
Interest revenue from:				
Third parties	67,202	86,930	67,202	86,930
Total interest revenue	67,202	86,930	67,202	86,930
Other Income:				
Gain on disposal of non-current investment	-	2,513,500	-	2,513,500
Total other income	-	2,513,500	-	2,513,500
	67,202	2,600,430	67,202	2,600,430
DISCONTINUED OPERATIONS				
Oil and gas sales	6,607	3,569	-	-
Interest revenue from third parties	42,089	80,192	-	-
	48,696	83,761	-	-
	115,898	2,684,191	67,202	2,600,430

Note 3: Loss from Ordinary Activities

	Consolidated		Company	
	2008 US$	**2007 US$**	**2008 US$**	**2007 US$**
Expenses				
Impairment in value of financial assets:				
Investments in subsidiaries	-	-	2,846,221	1,943,199
Total impairments	-	-	2,846,221	1,943,199
Exploration expenditure written off [1]	6,306	555,723	6,306	555,723
Other expenses:				
Travel	75,840	123,032	75,840	123,032
Contract labour	484	57,181	484	57,181
Accounting and tax services (non audit)	13,115	11,626	13,115	11,626
Office supplies	89	2,485	89	2,485
Other administrative costs	19,688	21,190	19,688	21,190
Total other expenses	109,216	215,514	109,216	215,514

[1] In 2008 the Consolidated Entity impaired the bottom portion of the Coal View Unit 31-4 well after an unsuccessful attempt to sidetrack the well. In 2007 the Company drilled one well at Mahalo which was found not to contain hydrocarbons. In 2007 the Consolidated Entity impaired the bottom portion of the Peltier 11-12 well after it was found to be a marginal producer. Approximately half of the cost was written off as the top portion of the hole may be used for a sidetrack operation.

Note 4: Income Tax Expense

	Consolidated		Company	
	2008 US$	2007 US$	2008 US$	2007 US$
(a)The components of tax expense (benefit) comprise:				
Current tax	(2,006,690)	(1,428,855)	(345,738)	407,122
Recoupment of prior year tax losses not previously bought to account	-	-	-	(407,122)
Tax benefit not recognised	2,006,690	1,428,855	345,738	-
	-	-	-	-
(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 for both discontinued and continuing operations at 37% US, 30% AU (2007: 34% and 30%)	(1,345,514)	(406,463)	(1,231,666)	(270,440)
Add:				
Tax effect of:				
other assessable income	-	58	-	58
other non-allowable expenses	24,235	200,996	851,369	754,569
share options expensed during year	123,702	86,545	123,702	86,545
	147,937	287,599	975,071	841,172
Less:				
Tax effect of:				
other allowable expenses	(809,113)	(1,309,991)	(89,143)	(163,610)
Recoupment of prior year tax losses not previously brought to account	-	-	-	(407,122)
Tax benefit not recognised	2,006,690	1,428,855	345,738	-
Income tax attributable to parent entity	-	-	-	-

The Consolidated Entity has unconfirmed carried forward income tax losses of approximately US$13,559,955 (2007: US$7,176,286). 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 34% in the US and 30% Australia (2007: 37% and 30%). 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: 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 arm's length. These transfers are eliminated on consolidation.

	Australia		USA [1]		Eliminations		Total	
	2008 US$	2007 US$	2008 US$	2007 US$	2008 US$	2007 US$	2008 US$	2007 US$
Segment Revenue								
Interest received	67,202	86,926	42,089	80,196	-	-	109,291	167,122
Gains on sale of non-current assets	-	2,513,500	439,859	-	-	-	439,859	2,513,500
Oil and gas sales, net of royalties paid	-	-	6,607	3,569	-	-	6,607	3,569
	67,202	2,600,426	488,555	83,765	-	-	555,757	2,684,191
Segment Results								
Income (loss) after income tax	(1,259,332)	1,041,729	(2,846,221)	(1,943,195)	-	-	(4,105,553)	(901,466)
Segment Assets	16,607,509	15,296,387	8,505,416	8,311,843	(13,941,595)	(8,942,372)	11,171,330	14,665,858
Segment Liabilities	385,819	349,302	14,707,535	10,019,660	(13,941,595)	(8,942,372)	1,151,759	1,426,590
Other								
Acquisitions of non-current segment assets	147,592	440,815	4,497,328	6,031,168	-	-	4,644,920	6,471,983
Depreciation/ amortisation of segment assets	9,180	17,450	64,944	43,816	-	-	74,124	61,266
Other non-cash segment expenses	418,646	844,205	2,293,389	982,177	-	-	2,712,035	1,826,382

[1] On 26 June 2008, the operations in the USA were transferred to a new USA based company called Comet Ridge Resources, LLC, in which Comet Ridge Limited has a 43.59% equity interest. These operations have been disclosed in the financial report as a "discontinued operation." Refer to *Note 25*.

Note 6: Earnings per Share

	Consolidated/Company	
	2008 US$	2007 US$
Earnings used to calculate basic and dilutive EPS	(4,105,553)	(901,466)
	No.	No.
Weighted number shares outstanding during the year	105,375,950	87,140,723
Weighted average number of options considered to have a dilutive effect [1]	20,000	657,317
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	105,395,950	87,798,040

[1] For the financial years ended 30 June 2008 and 2007, the effect of potential ordinary shares had an antidilutive effect. Therefore, basic and dilutive EPS are the same.

Note 7: Cash and Cash Equivalents

	Consolidated		Company	
	2008 US$	2007 US$	2008 US$	2007 US$
Cash at bank and in hand	234,100	903,312	55,187	13,833
Short-term bank deposits [1]	531,082	1,726,028	123,021	1,726,028
	765,182	2,629,340	178,208	1,739,861

[1] The effective interest rate on short-term bank deposits was 4.69% (2006: 4.96%); these deposits are available at call.

Reconciliation to Cash Flow Statement:

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	
	2008 US$	2007 US$	2008 US$	2007 US$
Cash and cash equivalents	765,182	2,629,340	178,208	1,739,861

Reconciliation of Cash Flow from Operations:

	Consolidated		Company	
	2008 US$	2007 US$	2008 US$	2007 US$
Loss from ordinary activities after income tax	(4,105,553)	(901,466)	(4,105,553)	(901,466)
Non-cash flows in loss from ordinary activities:				
Depreciation and amortisation	74,124	61,266	9,180	17,450
Write-off of capitalised expenditure	2,299,695	1,537,900	6,306	555,723
Net gain on disposal of investments and other financial assets	(446,189)	(2,513,500)	-	(2,513,500)
Impairment - investment in subsidiary	-	-	2,846,222	1,943,199
Share options expensed	412,340	288,482	412,340	288,482
Changes in assets and liabilities:				
(Increase)/decrease in receivables	(98,620)	293,910	26,014	7,279
Increase in inventory	-	(151,117)	-	-
(Increase)/decrease in prepayments and other current assets	(3,100)	(233,448)	3,658	28,090
Increase/(decrease) in payables	16,125	125,110	(29,300)	5,086
Increase in provisions	82,431	27,238	-	197
Cash flow from operations	(1,768,747)	(1,465,625)	(831,133)	(569,460)

Note 8: Trade and Other Receivables

	Consolidated		Company	
	2008	2007	2008	2007
	US$	US$	US$	US$
Sale of Tipton West royalty interest [1]	287,610	2,525,100	287,610	2,525,100
Purchase price adjustments on contribution of assets to associate	907,877	-	-	-
Joint venture partners	8,580	265,409	-	-
Advance payments to operators	-	205,452	-	-
Oil sales, net of royalty	-	3,569	-	-
GST receivable	13,032	35,081	13,030	35,081
Other receivables	99	293,184	-	253,211
	1,217,198	3,327,795	300,640	2,813,392
Aging				
60-90 days	925,043	3,232,851	13,030	2,784,574
90-120 days	4,545	94,944	-	28,818
120 + days [1]	287,610	-	287,610	-
	1,217,198	3,327,795	300,640	2,813,392

[1] Balance consists of AU$300,000 receivable for GST on the Tipton West sale. This balance is offset by a corresponding AU$300,000 payable. The Company is waiting on a ruling from the Australian Tax Office as to whether the proceeds from the Tipton West sale are subject to GST.

Note 9: Other Financial Assets

	Consolidated		Company	
	2008	2007	2008	2007
	US$	US$	US$	US$
Current				
Prepayments	41,437	124,297	39,552	36,677
Security bond deposits	-	25,268	-	-
Inventory	-	151,117	-	-
	41,437	300,682	39,552	36,677
Non-Current				
Security bond deposits	-	88,948	-	-
Investment in subsidiaries	-	-	4,300,726	1,454,504
Loan to subsidiary	-	-	11,108,282	8,942,372
Less: provision for impairment	-	-	(5,293,177)	(2,446,959)
	-	88,948	10,115,831	7,949,917

Note 10: Exploration, Evaluation and Development Expenditure

	Consolidated		Company	
	2008 US$	2007 US$	2008 US$	2007 US$
Exploration and evaluation phase:				
Balance at 1 July	8,111,641	3,090,104	1,755,264	1,633,909
Additions	4,239,492	6,371,505	147,592	409,979
Transfer to development and production phase	-	(88,173)	-	-
Impairment expense	(2,226,813)	(1,537,900)	(6,306)	(555,723)
Foreign currency translation	250,963	276,105	250,963	267,099
Sales and derecognition	(8,227,770)	-	-	-
Balance at 30 June	2,147,513	8,111,641	2,147,513	1,755,264
Development and production phase:				
Balance at 1 July	87,378	-	-	-
Additions	5,225	88,173	-	-
Impairment expense	(72,882)	-	-	-
Accumulated amortisation	(8,364)	(795)	-	-
Sales and derecognition	(11,357)	-	-	-
Balance at 30 June	-	87,378	-	-
Total costs carried forward	2,147,513	8,199,019	2,147,513	1,755,264

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are 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 11: Property, Plant and Equipment

	Consolidated		Company	
	2008 US$	2007 US$	2008 US$	2007 US$
Plant and Equipment				
Furniture & Fittings at cost	-	20,455	-	-
Accumulated depreciation	-	(3,067)	-	-
	-	17,388	-	-
Computer Equipment at cost	-	186,939	-	48,661
Accumulated amortisation	-	(84,253)	-	(39,840)
	-	102,686	-	8,821
Total Property, Plant and Equipment	-	120,074	-	8,821

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:

2008	Furniture & Fittings US$	Computer Equipment US$	Total US$
Consolidated			
Balance at the beginning of year	17,388	102,686	120,074
Additions	16,540	31,033	47,573
Depreciation expense	(1,725)	(64,034)	(65,759)
Sales and disposals	(32,203)	(70,043)	(102,246)
Foreign currency translation	-	358	358
Carrying amount at the end of year	-	-	-
Company			
Balance at the beginning of year	-	8,821	8,821
Depreciation expense	-	(9,180)	(9,180)
Sales and disposals	-	-	-
Foreign currency translation	-	359	359
Carrying amount at the end of year	-	-	-
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 disposals	(512)	(10,278)	(10,790)
Foreign currency translation	(195)	2,671	2,476
Carrying amount at the end of year	-	8,821	8,821

Note 12: Investments Accounted for Using the Equity Method

	Consolidated		Company	
	2008 US$	2007 US$	2008 US$	2007 US$
Investment in Associate:				
Investment in Comet Ridge Resources, LLC (43.59%)	7,000,000	-	-	-
Summarised Financial Information of Comet Ridge Resources, LLC:				
Current assets	6,129,400	-	-	-
Non-current assets	11,763,900	-	-	-
Total assets	17,893,300	-	-	-
Current liabilities	1,835,637	-	-	-
Non-current liabilities	-	-	-	-
Total liabilities	1,835,637	-	-	-
Net Assets	16,057,663	-	-	-
Revenue	-	-	-	-
Net Profit	-	-	-	-

Effective 26 June 2008, the Consolidated Entity contributed all of its USA based oil and gas assets and employees into a new USA based company called Comet Ridge Resources, LLC in exchange for a 43.59% equity interest. A private equity firm based in New York City, USA owns the majority of the shares. The private equity firm may increase its investment in the joint venture until the Consolidated Entity's equity interest is diluted to 20%. Upon reaching the 20% ownership threshold, the Consolidated Entity may participate in the joint venture to maintain its 20% interest, or be diluted to no less than 5%. The private equity firm has made a commitment to spend up to US$100,000,000 in the joint venture.

Note 13: Interest in Unincorporated Joint Operating Arrangements

The principal activity of all the joint operating arrangements is oil and gas exploration. The Consolidated Entity's share of assets employed in the joint operating arrangements is as follows:

	Interest Held		Consolidated		Company	
	2008	2007	2008 US$	2007 US$	2008 US$	2007 US$
Non-Current Assets						
Exploration & evaluation costs						
Mahalo (farmout ATP337P)	40.00%	40.00%	1,898,838	1,624,755	1,898,838	1,618,741
PEL 427 [1]	70.00%	100.00%	42,895	34,162	42,895	34,162
PEL 428 [1]	60.00%	80.00%	45,821	36,731	45,821	36,731
ATP 743P	100.00%	100.00%	77,200	28,373	77,200	28,373
ATP 744P	100.00%	100.00%	82,759	31,244	82,759	31,244
Bear River [2]	0.00%	33.75%	-	830,914	-	-
Chehalis [2]	0.00%	40.00%	-	1,074,036	-	-
Florence [2]	0.00%	39.00%	-	438,337	-	-
Rocky Mtn [2]	0.00%	50.00%	-	40,000	-	-
Tow Creek [2]	0.00%	37.50%	-	2,794,940	-	-
Total exploration and Evaluation costs			2,147,513	6,933,492	2,147,513	1,749,251
Production costs						
Bear River [2]	0.00%	33.75%	-	75,170	-	-
Tow Creek [2]	0.00%	37.50%	-	13,003	-	-
Less accumulated amortisation			-	(795)	-	-
Total production costs			-	87,378	-	-
Adminstrative assets						
Chehalis	0.00%	40.00%	-	1,595	-	-
Less accumulated depreciation			-	(797)	-	-
Total administrative assets			-	798	-	-
Total Non-Current Assets			2,147,513	7,021,668	2,147,513	1,749,251
Net Loss						
Revenues [2]			6,607	3,569	-	-
Lease operating expense [2]			(73,038)	(75,982)	-	-
Administrative expenses [2]			(28,560)	(69,683)	-	-
Net loss			(94,991)	(142,096)	-	-

[1] The Company farmed out its interest in both permits that will see the Company carried through a seismic and drilling program. The farminee fulfilled its initial earning obligation during the financial year ended 30 June 2008 by acquiring 103 sq km of seismic over both permits. Once the farminee has fulfilled the earning obligation, the Company's interest will decrease to 25% and 20% in PEL 427 and 428, respectively.

[2] Effective 26 June 2008, the Consolidated Entity contributed all of its US-based oil and gas assets and employees into a joint venture with a New York based private equity firm in exchange for a 43.59% equity interest.

Note 14: Trade and Other Payables (Current)

	Consolidated		Company	
	2008 US$	2007 US$	2008 US$	2007 US$
Trade creditors	683,661	423,723	56,601	18,225
Accrued expenses	468,098	366,138	329,218	331,074
Exploration and development accruals	-	508,613	-	-
Joint operating agreement advances	-	92,788	-	-
	1,151,759	1,391,262	385,819	349,299

Note 15: Provisions

Annual 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*.

	Consolidated		Company	
	2008 US$	2007 US$	2008 US$	2007 US$
Annual leave entitlements	-	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 were US$83,788 and US$101,053 for the years ended 30 June 2008 and 2007, respectively. Effective with the contribution of the Consolidated Entity's US oil and gas based assets and employees to Comet Ridge Resources, LLC, Comet Ridge Resources LLC assumed all annual leave entitlements and contribution plans on 26 June 2008.

Analysis of Total Employee Liabilities

	Annual leave US$	Total US$
Consolidated		
Opening balance at 1 July 2007	35,328	35,328
Additions	78,675	78,675
Annual leave entitlements assumed by Comet Ridge Resources, LLC	(114,003)	(114,003)
Balance at 30 June 2008	-	-
Company		
Opening balance at 1 July 2007	-	-
Additions	-	-
Balance at 30 June 2008	-	-

Note 16: Issued Capital

	Consolidated/ Company	
	2008	2007
Issued Capital:	US$	US$
Balance at 30 June 2008 (105,375,950 fully paid ordinary shares)		
(2007: 104,874,950 fully paid ordinary shares)	14,735,692	14,639,725

				Consolidated/ Company	
Ordinary Shares:				2008	2007
	Date	Type	Price AU$	No.	US$
Balance at 1 July 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
Shares issued during the year:					
	01-Jul-2007	Options	0.40	1,000	337
	26-Jun-2008	Options	0.20	500,000	95,630
Share issue costs					-
Balance at 30 June 2008				105,375,950	14,735,692

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 18*.

(ii) For information relating to share options issued to executive directors during the financial year, refer to *Note 24*.

Note 17: 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 18: 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 to four 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$412,340 (2007: US$288,482). 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-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:

	2008		2007	
	No.	Weighted Avg Exercise Price AU$	No.	Weighted Avg Exercise Price AU$
Outstanding at the beginning of the year	8,080,000	0.39	8,475,000	0.20
Granted during the year	2,295,000	0.45	5,555,000	0.45
Exercised during the year	(500,000)	0.20	(5,750,000)	0.20
Expired during the year	(100,000)	0.50	(200,000)	0.20
Outstanding at the end of the year	9,775,000	0.41	8,080,000	0.39

The outstanding balance as at 30 June 2008 is represented by:

Number of Options	Price AU$	Exercisable	Percent Exercisable	Next Vesting Date	Expiration Date
300,000	0.45	-	-	12/2008	12/2011
65,000	0.45	-	-	12/2008	12/2011
30,000	0.45	30,000	100%	N/A	09/2011
1,900,000	0.45	-	-	08/2008	01/2010
3,500,000	0.45	3,500,000	100%	N/A	12/2009
955,000	0.45	477,500	50%	11/2008	11/2009
75,000	0.45	75,000	100%	N/A	06/2009
450,000	0.40	450,000	100%	N/A	05/2009
1,000,000	0.45	500,000	50%	07/2008	07/2009
1,500,000	0.20	1,500,000	100%	N/A	12/2008
9,775,000	0.41	6,532,500			

The following table lists the inputs to the model used for the years ended 30 June 2008 and 30 June 2007:

	2008	2007
Volatility (%)	75% to 77%	85% to 100%
Risk-free interest rate (%)	5.92% to 6.05%	5.63% to 5.80%
Expected life of option (years)	4 years	3 years
Exercise price (AU$)	0.45	.45 to .50
Weighted average share price at grant date (AU$)	0.25	0.28

Note 19: Financial Instruments

Categories of Financial Instruments

	Consolidated		Company	
	2008	2007	2008	2007
	US$	US$	US$	US$
Financial assets:				
Cash and cash equivalents	765,182	2,629,340	178,208	1,739,861
Loans and receivables	1,217,198	3,327,795	300,640	2,813,392
Other financial assets	41,437	300,682	39,552	36,677
	2,023,817	6,257,817	518,400	4,589,930
Financial liabilities:				
Payables	1,151,759	1,391,626	385,819	349,299
Provisions	-	35,328	-	-
	1,151,759	1,426,954	385,819	349,299

Financial Risk Management Objectives

The Consolidated Entity is exposed to market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Consolidated Entity's accounting policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.

(a) Market Risks

The Consolidated Entity's activities expose it to the financial risks of changes in foreign currency exchange rates, interest rates and commodity prices. There has been no change in the Consolidated Entity's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

Foreign Currency Risk Management

The Consolidated Entity 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. There are no foreign exchange contracts in place to hedge the exchange rate.

The following table details the sensitivity to a 10% increase and decrease in the US dollar against the Australian dollar. This sensitivity analysis includes loans to foreign operations within the Consolidated Entity where the denomination of the loan is in a currency other than the currency of the lender or borrower. A positive number represents a stronger Australian dollar. For a weakening Australian dollar there would be an equal and opposite effect. There are no forward exchange contracts in place at 30 June 2008 or 2007.

	Consolidated		Company	
	2008	2007	2008	2007
	US$	US$	US$	US$
10% increase in Australian dollar:				
Profit or loss	(4,341)	(1,556)	(4,341)	(1,556)
Other equity	14,963	422,217	1,409,123	1,316,455
	10,622	420,661	1,404,782	1,314,899
Carrying amount of monetary assets and liabilities:				
Assets	478,849	4,553,253	14,415,862	13,495,625
Liabilities	385,819	349,302	385,819	349,302

Interest Rate Risk

The Consolidated Entity is exposed to interest rate risk as it has deposited monies at both fixed and floating interest rates.

The sensitivity analysis below has been determined for non-derivative financial instruments at the reporting date and the stipulated change taking place at the beginning of the financial year. A 50 basis point increase or decrease is used when reporting interest rate risk reported internally to key management personnel and represents management's assessment of the change in interest rates.

At the reporting date, if interest rates were 50 basis points higher or lower and all other variables held constant, the Consolidated Equity's net profit would increase by $4,500 and decrease by $18,800 (2007 $16,200 and $18,300, respectively).

Commodity Price Risk

The Consolidated Entity is exposed to commodity price risk for its oil production. To date, there has not been enough production to justify entering into derivative financial instruments to manage its exposure to such risk.

(b) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Consolidated Entity. The Consolidated Entity 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 Consolidated Entity exposure and the credit ratings of its counterparties are continuously monitored by the Board of Directors. The Consolidated Entity does not have any significant credit risk exposure to any single counterparty or any consolidated entity of counterparties having similar characteristics.

(c) Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Consolidated Entity 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. The following table details the Consolidated Entity's remaining contractual maturity for its non-derivative financial liabilities. These are based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Consolidated Entity is required to pay. The table includes both interest and principal cash flows:

	Weighted Average Effective Interest Rate	Less than One Month US$	1-3 Months US$	3 Months to 1 Year US$	Total US$
2008					
Consolidated					
Non-interest bearing creditors	N/A	1,115,584	36,175	-	1,151,759
		1,115,584	36,175	-	1,151,759
Company					
Non-interest bearing creditors	N/A	363,002	22,817	-	385,819
		363,002	22,817	-	385,819
2007					
Consolidated					
Non-interest bearing creditors	N/A	1,392,651	31,795	2,144	1,426,590
		1,392,651	31,795	2,144	1,426,590
Company					
Non-interest bearing creditors	N/A	330,912	18,387	-	349,299
		330,912	18,387	-	349,299

(d) 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.

Note 20: Commitments and Contingencies

	Consolidated		Company	
	2008 US$	2007 US$	2008 US$	2007 US$
Operating lease commitments:				
Not later than twelve months	-	121,373	-	-
Between twelve months and five years	-	687,337	-	-
	-	808,710	-	-

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. Effective with the contribution of the Consolidated Entity's US oil and gas based assets and employees to Comet Ridge Resources, LLC, Comet Ridge Resources, LLC assumed this office lease on 26 June 2008.

Private Equity Arrangement

On 10 June 2008, the Company announced a restructuring of its US based oil and gas assets and agreements with a New York based private equity firm to provide up to US$100 million of funding for the Company's US exploration and development activities. As part of this arrangement, the Consolidated Entity agreed to pay a brokerage fee amounting to 3% of the private equity funding through 26 June 2011, except for the first US$750,000 which will be paid by the private equity firm. Assuming the private equity firm funded the entire commitment before 26 June 2011, the cost to the Consolidated Entity would be US$2.25 million.

Note 21: Related Party Transactions

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

Transactions with related parties:

	Consolidated		Company	
	2008 US$	2007 US$	2008 US$	2007 US$
Other Related Parties				
Fees for administration services paid to a related party of A Lydyard, Managing Director	24,981	36,300	-	-
Fees for administration services paid to a related party of G Mabie, Vice President – Operations (USA)	6,865	29,778	-	-
	31,846	66,078	-	-

Note 22: 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 2008	Percentage Owned 2007
Parent entity			
Comet Ridge Limited	Australia		
Subsidiaries			
Comet Ridge USA Inc.	USA	100.00%	100.00%
St Helens Energy, LLC	USA	-	100.00%

Note 23: Auditor's Remuneration

	Consolidated		Company	
	2008 US$	2007 US$	2008 US$	2007 US$
Remuneration of the auditor of the Company for:				
Auditing/reviewing the report	23,403	27,838	25,455	27,838
Remuneration of other auditors of subsidiaries for:				
Auditing/reviewing the financial reports of subsidiaries	24,716	25,560	-	-
	48,119	53,398	25,455	27,838

Note 24: Director and Executives Disclosure

(a) Details of Key Management Personnel

(i) Directors

J Schneider	Chairman
D Bradshaw	Managing Director - Appointed 1 September 2008
	Non-Executive Director - 7 November 2007 to 31 August 2008
G Swaby	Non-Executive Director and Company Secretary
G Drobnack	Non-Executive Director
A Lydyard [1]	Non-Executive Director - Appointed 1 September 2008
	Managing Director - Through 31 August 2008
S Ashton	Non-Executive Director - Resigned 22 February 2008

(ii) Executives

G Mabie [1]	Vice President - Operations (USA) - Resigned effective 26 June 2008
M Cuba [1]	Vice President - Land (USA) - Resigned effective 26 June 2008
P Jackson [1]	Vice President - Exploration (USA) - Resigned effective 26 June 2008
J Knox[1]	Controller - Resigned effective 26 June 2008

[1] As a result of contribution of the Company's US based oil and assets and employees to Comet Ridge Resources, LLC, Mr Lydyard, Mr Jackson, Mr Mabie, Mr Cuba and Mr Knox resigned as employees effective 26 June 2008. Pursuant to a transition services agreement with Comet Ridge Resources, LLC, Mr Lydyard and Mr Knox will continue to perform limited transition-related services as employees of Comet Ridge Resources, LLC for the Consolidated Entity at no charge. The transition is expected to be finalised by 30 September 2008.

b) Key Management Personnel Compensation

Key Management Personnel compensation has been included in the Remuneration Report section of the Director's Report. The aggregate compensation made to Key Management Personnel of the Company and the Consolidated Equity is set out below:

	Consolidated		Company	
	2008 US$	2007 US$	2008 US$	2007 US$
Short-term employee benefits	1,155,544	1,074,077	186,987	141,633
Short-term employee benefits	62,748	76,443	4,681	4,990
Share-based payments	327,363	279,837	99,576	94,440
	1,545,655	1,430,357	291,244	241,063

c) Shareholdings of Key Management Personnel

	Beginning Balance	Granted as Remuneration	On Exercise of Options	Net Change Other [1]	Ending Balance
30 June 2008					
J Schneider	2,132,276	-	-	-	2,132,276
A Lydyard	4,125,000	-	-	-	4,125,000
S Ashton	2,639,996	-	-	-	2,639,996
G Swaby	4,089,999	-	-	-	4,089,999
M Cuba	50,000	-	-	100,000	150,000
J Knox	-	-	-	50,000	50,000
Total	13,037,271	-	-	150,000	13,187,271
30 June 2007					
J Schneider	1,323,055	-	200,000	609,221	2,132,276
A Lydyard	1,075,000	-	3,000,000	50,000	4,125,000
S Ashton	2,639,996	-	-	-	2,639,996
G Swaby	2,850,000	-	100,000	1,139,999	4,089,999
M Cuba	-	-	-	50,000	50,000
Total	7,888,051	-	3,300,000	1,849,220	13,037,271

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

(d) Options holdings of Key Management Personnel

	Beginning Balance	Granted as Remuneration	Options Exercised	Options Expired	Ending Balance	Vested at End of Period: Exercisable	Vested at End of Period: Not Exercisable
30 June 2008							
J W Schneider	500,000	-	-	-	500,000	500,000	-
G Swaby	500,000	-	-	-	500,000	500,000	-
G Drobnack	500,000	-	-	-	500,000	500,000	-
A Lydyard	3,000,000	-	-	-	3,000,000	3,000,000	-
S Ashton	500,000	-	-	-	500,000	500,000	-
G Mabie	840,000	200,000	-	-	1,040,000	470,000	-
M Cuba	840,000	200,000	-	-	1,040,000	470,000	-
P Jackson	250,000	1,000,000	-	-	1,250,000	125,000	-
J Knox	400,000	100,000	-	-	500,000	325,000	-
Total	7,330,000	1,500,000	-	-	8,830,000	6,390,000	-
30 June 2007							
J Schneider	200,000	500,000	(200,000)	-	500,000	-	-
G Swaby	100,000	500,000	(100,000)	-	500,000	-	-
G Drobnack	-	500,000	-	-	500,000	-	-
A Lydyard	4,500,000	1,500,000	(3,000,000)	-	3,000,000	1,500,000	-
S Ashton	200,000	500,000	-	(200,000)	500,000	-	-
G Mabie	100,000	740,000	-	-	840,000	100,000	-
M Cuba	100,000	740,000	-	-	840,000	100,000	-
P Jackson	-	250,000	-	-	250,000	-	-
J Knox	250,000	150,000	-	-	400,000	125,000	-
Total	5,450,000	5,380,000	(3,300,000)	(200,000)	7,330,000	1,825,000	-

Note 25: Discontinued Operations

On 26 June 2008, the Consolidated Entity contributed all of its USA based oil and gas assets and employees into a new USA based company called Comet Ridge Resources, LLC in exchange for a 43.59% equity interest. This qualifies as a "discontinued operation" and requires disclosure to be made in accordance with AASB 5. The results of the discontinued operation have been included separately in the income statement and are detailed below. The comparative profit/loss and cash flows from the discontinued operation have been re-presented to align disclosure with that of the current period.

	Consolidated	
	2008	**2007**
	US$	**US$**
Loss for the year from discontinued operations:		
Revenue *(Note 2)*	48,696	83,761
Expenses:		
Employee benefits expense	(239,609)	(494,476)
Corporate costs	(43,005)	(24,130)
Explanation expenditure written off	(2,293,389)	(982,177)
Other exporation costs	(92,772)	(8,561)
Consultancy costs	(81,924)	(68,978)
Technology costs	(67,416)	(39,007)
Property costs	(159,435)	(66,388)
Insurance costs	(4,604)	(4,843)
Depreciation and ammortisation expense	(64,944)	(43,816)
Other expenses	(287,678)	(294,584)
Loss before income tax	(3,286,080)	(1,943,199)
Applicable income tax expense	-	-
	(3,286,080)	(1,943,199)
Gain on disposal of operation	439,859	
Loss for the year from discontinued operations	(2,846,221)	(1,943,199)
Cash flows from discontinued operations:		
Net cash flows from operating activities	(937,614)	(896,165)
Net cash flows from investing activities	635,109	520,472
Net cash flows from financing activities	-	-
Net cash flows	(302,505)	(375,693)

directors' declaration

COMET RIDGE LIMITED

1. In the opinion of the Directors:

   a. the financial statements and notes of the Company and the Consolidated Entity are 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 2008 and of their performance for the year then ended; and

      ii complying with Accounting Standards and Corporations Regulations 2001; and

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

2. 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 2001 for the financial year ended 30 June 2008.

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

David L. Bradshaw

David Bradshaw
Managing Director

Dated this 30th day of September 2008

independent auditor's report

HLB Mann Judd

Accountants | Business and Financial Advisers

To the Members of Comet Ridge Limited

Report on the Financial Report

We have audited the accompanying financial report of Comet Ridge Limited ("the company"), which comprises the balance sheet as at 30 June 2008, the income statement, statement of changes in equity, cash flow statement and notes to the financial statements for the year ended on that date, and the directors' declaration for both the company and the consolidated entity as set out on pages 24 to 52. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the year.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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.

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.

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 2008 and of their performance for the year ended on that date; 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.

Continuation as a Going Concern
Without qualifying our opinion, we draw attention to Note 1 to the financial report which indicates that the ability of the consolidated entity to continue as a going concern is principally dependent upon the ability of the company to raise further capital or to realise certain of its exploration assets. If the company is unable to raise further capital, or realise certain of its exploration assets, sufficient to cover the consolidated entity's funding requirements for a period of not less than twelve months from the date of this financial report, there is significant uncertainty whether the consolidated entity will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 18 to 21 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Comet Ridge Limited for the year ended 30 June 2008 complies with section 300A of the Corporations Act 2001.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

L DIGIALLONARDO
Partner

Perth, Western Australia
30 September 2008

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shareholder information

COMET RIDGE LIMITED

The shareholder information set out below was applicable at 22 September 2008:

1. Number of Equity Holders

Ordinary Share Capital 105,375,950 fully paid ordinary shares are held by 942 individual shareholders.

2. Voting Rights

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

3. Distribution of Shareholdings

Holdings	No. of Holders
1 - 1,000	14
1,001 - 5,000	87
5,001 - 10,000	134
10,001 - 100,000	524
100,001 - Over	183
	942

No 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	8.30%

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	8.30%
2	Ms Gillian Swaby	4,089,999	3.88%
3	Mr Andrew John Lydyard & Ms Cheryl Lee Lydyard	3,625,000	3.44%
4	Mr Jeffrey Warrington Schneider	2,632,276	2.50%
5	S&Y Ashton Nominees Pty Ltd	2,639,996	2.51%
6	Calm Holdings Pty Ltd	2,450,640	2.33%
7	Kabilia Investments Pty Ltd	2,371,484	2.25%
8	Pontia Pty Ltd	1,940,185	1.84%
9	Martin Place Securities Nominees Pty Ltd	1,851,884	1.76%
10	Citicorp Nominees	1,185,000	1.12%
11	ANZ Nominees Limited	1,156,500	1.10%
12	Mr Harry Arthur Hill	1,000,000	0.95%
13	Dr Goerge Lewkovitz Super	1,000,000	0.95%
14	Mr Richard Geoffery	1,000,000	0.95%
15	Angora Lane Pty Ltd	1,000,000	0.95%
16	Matalot Pty Ltd	942,500	0.89%
17	Mr Victor Samuel Palanyk	900,000	0.85%
18	Parkes Holdings Pty Ltd	880,000	0.84%
19	Parmelia Pty Ltd	845,167	0.80%
20	Woolsthorpe Invesments Ltd	800,000	0.76%
		41,060,631	38.97%

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 at www.cometridge.com.au.

corporate directory

COMET RIDGE LIMITED

Directors

Mr Jeff Schneider (Non Executive Chairman)

Mr David Bradshaw (Managing Director)

Ms Gillian Swaby (Non Executive Director)

Mr Gary Drobnack (Non Executive Director)

Mr Andy Lydyard (Non Executive Director)

Company Secretary

Ms Gillian Swaby

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Listed on Australian Securities Exchange Limited

ASX CODE: COI

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