



31 October 2016

September 2016 Quarterly Report

Highlights:

- **Successful \$2m capital raising initiated at end of Quarter**
- **Development study work continuing at Mahalo**
- **Mahalo pilot maintains strong production rate**

General Industry Comment

The sixth and final of the LNG trains under construction commenced operations in Gladstone during the quarter. Since the first LNG train came on line in late 2014, there has been a staggering increase in gas demand in eastern Australia, with the vast majority of that demand increase in Gladstone.

The Queensland and South Australian governments are the only jurisdictions supportive of increasing gas supply into the eastern market – other jurisdictions seem content to limit gas supply via moratoria and inaction and suffer the consequences to industry later.

Comet Ridge continues to see a very strained east coast gas market with pressure on existing gas supply to maintain this very high level of production for the next several decades. We believe our Queensland reserves and resources will figure prominently in the near-term supply story for natural gas.

Corporate

Placement to raise \$1m and 1 for 25 entitlement issue to shareholders for a further \$1.05 million

On the last day of the quarter, the Company announced a successful \$1m placement and a 1 for 25 entitlement issue to shareholders for a further \$1.05m. Both the placement and the entitlement issue were at 5c per share.

Support to date for the entitlement issue has been strong and the Company expects to raise the full \$2.05m as planned, with the entitlement issue closing on 31 October 2016.

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Appointment of Non-Executive Director

During October, the Company announced the appointment of Mr Mike Dart to the board as a Non-Executive Director. Mr Dart is a Director of Dart Capital Partners, a private venture capital investment fund, which is active in various sectors including oil and gas, additive and advanced manufacturing and other disruptive innovative businesses across the manufacturing, science and technology fields. Mike holds the role of Finance Director and CEO with two portfolio companies and was previously the Managing Director of a leading gas and infrastructure services contracting business that provided a suite of pipeline and underground tunnelling solutions. Prior to that, Mike worked for EY focussing exclusively on M&A with particular oil and gas expertise.

Mike holds a Bachelor of Commerce and a Graduate Diploma of Applied Finance and Investment and brings over 20 years' commercial experience working in M&A and finance, innovation, commercialisation and venture capital across the business cycle.

Australian Permits

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

Comet Ridge continued to undertake a significant amount of analysis work during the September quarter to examine the most efficient and cost effective way to move the northern pilot schemes in the block into production via available export pipeline capacity and field infrastructure (Refer Figure 1).

These studies focussed on utilising existing infrastructure, wherever possible, to minimise capital spend and optimise the time required to initially bring the northern part of the Mahalo block into production. The Company also examined a southerly gas export option for Mahalo, which would be required to take the field production above 25 TJ/d given the pipeline volume constraints in the field infrastructure to the west.

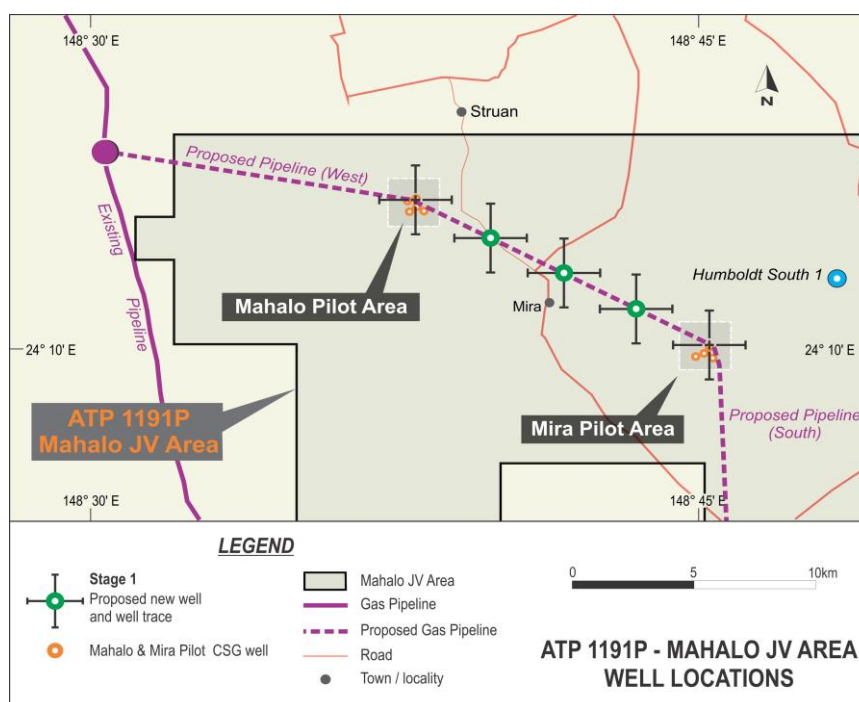


Figure 1 – Potential Mahalo northern field layout for 25 TJ/d initial production phase

Comet Ridge provided a proposed 2017 Work Program to the Mahalo Joint venture after the end of the quarter, which is yet to be finalised and which focusses on reserve upgrade for minimum spend. Comet

Ridge continues to work proactively within the Mahalo Joint Venture around progressing development work and looking at a number of possible alternatives to achieve this.

The Mahalo Pilot Scheme maintained its steady production rate throughout the quarter with one horizontal well and two vertical wells on line and one vertical well, shut-in. After the end of the quarter, all wells were shut in for a period of approximately 11 days for surface facilities maintenance and re-certification. The wells came back on line on 20 October 2016 at higher flowrates than previously observed and continue to be closely monitored to understand the improved performance seen so far.

ATP 743 and ATP 744 – Galilee Basin, Qld (Comet Ridge 100%)
ATP 1015 – Galilee Basin, Qld (Comet Ridge increasing to 100%)

Comet Ridge continues to work with APA Group around pipeline export options to connect its Galilee Basin contingent resource base (both Sandstone gas and CSG) into the east coast market. In conjunction with the APA discussions, a number of companies, including industrials and LNG operators, are in discussions with Comet Ridge about securing long term gas supply, given the size and easterly location of the Galilee Basin Contingent Resource.

The Comet Ridge – APA MOU provides a framework of cooperation between the parties to negotiate the commercial terms of a gas transportation agreement under which APA would build, own and operate new gas pipelines and associated gas gathering and production infrastructure connecting Comet Ridge’s Galilee Basin gas projects to APA’s existing Queensland gas pipeline network.

Comet Ridge has a very large acreage position in the eastern part of the Galilee Basin which is prospective for both sandstone gas and CSG development, including 100% interests in ATP 743 and ATP 744 and is increasing its interest in ATP 1015 to 100% (Refer Figure 2).

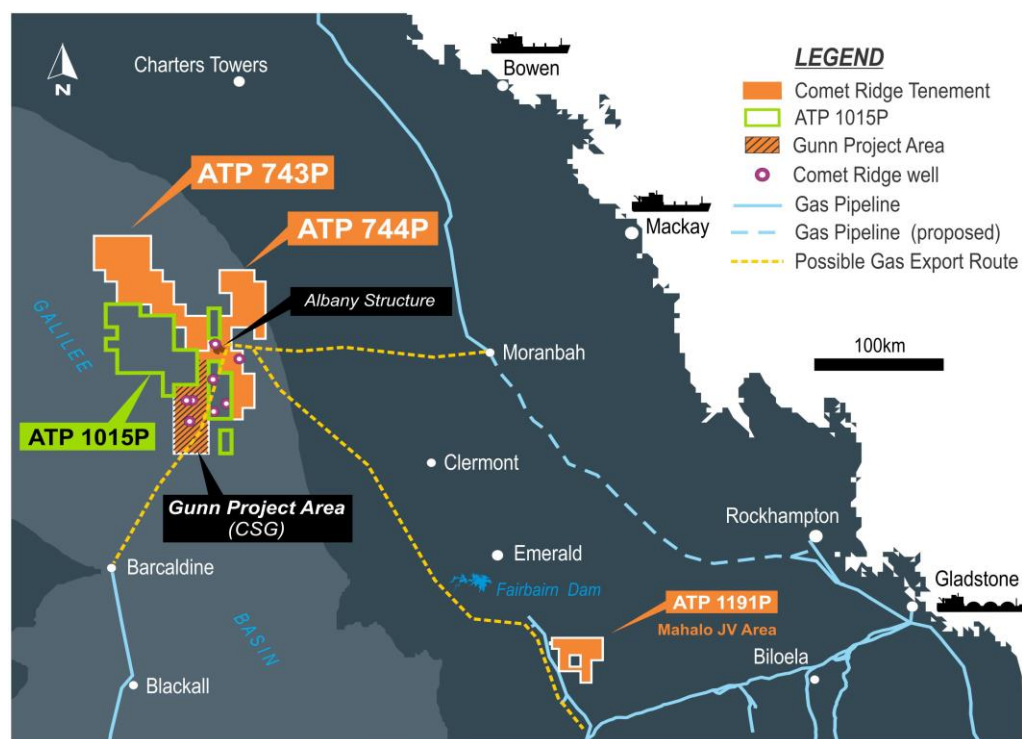


Figure 2 – Regional Location of Mahalo JV Area and Eastern Galilee Basin Blocks

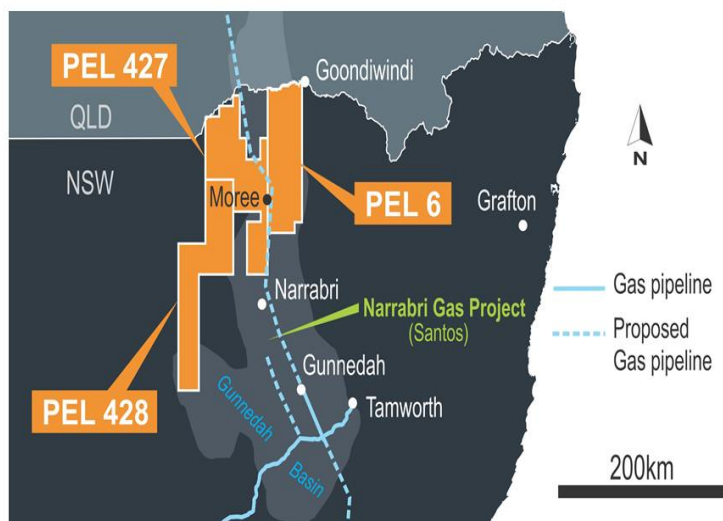
In ATP 1015, approvals were received from the Queensland Government’s Department of Natural Resources and Mines (DNRM) for a Special Amendment and after the end of the quarter, for approval of

the Later Work Programme. Comet Ridge will now move to finalise the completion of the transaction to take its equity to 100%.

Gunnedah Basin, NSW

(Comet Ridge CSG equity: PEL 427: 59.09%, PEL 428: 68.42%, PEL 6: 29.55%)

(Comet Ridge Conventional equity: PEL 427: 100%, PEL 428: 100%, PEL 6: 99.7%)



No progress has been achieved in the permit renewals submitted to the NSW Government on the three blocks in the Gunnedah Basin. It is not known when formal approval of the renewals will be granted although we are told that they are continuing to be assessed.

Comet Ridge's large Gunnedah Basin position is shown in Figure 3. The current spend level on these permits is very low, in keeping with the delay that is occurring whilst the NSW government processes the permit renewal applications.

Figure 3 – Comet Ridge's Gunnedah Basin position

Stephen Rodgers
Company Secretary
Comet Ridge Limited

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COMET RIDGE LIMITED – OVERVIEW

Comet Ridge Limited has significant Coal Seam Gas (CSG) projects in key regions of Queensland and northern New South Wales. Gas resources have been certified, by independent professional certifiers, at several projects and gas reserves were certified in 2014 at the Mahalo project in Queensland. The company is listed on the Australian Securities Exchange (ASX Code: COI) and is based in Brisbane. The Board and Management are experienced in establishing and developing energy projects.

Corporate Strategy

Comet Ridge has gained early entry into well-located exploration areas, allowing shareholders to gain substantial leverage into the upside value potential associated with exploration success.

Comet Ridge conducts CSG exploration and appraisal, with the aim of maturing exploration acreage from Gas Resources into Proven and Probable Gas Reserves. This process initially involves drilling wells in order to certify Prospective and Contingent Resources and then through further appraisal via Pilot Projects, with the intention of progressing into certified Reserves.

Where possible, Comet Ridge takes high equity positions in its large exploration permits, including a 100% interest in two blocks in the Galilee Basin. Comet Ridge has 40% equity in the ATP 1191 Mahalo Block in the Bowen Basin, and CSG equity of 29.55%, 59.09% and 68.42% respectively in PEL 6, PEL 427 and PEL 428 in the Gunnedah Basin in New South Wales.

Work Programme

Comet Ridge has an active exploration and appraisal work plan for CSG projects in eastern Australia, focused on the conversion of contingent resources to reserves.



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