



... Positioned for Growth

Comet Ridge Limited

19 March 2014

## Comet Ridge buys back Mahalo interests from Stanwell

### Key Points

- Revised agreement executed which replaces original Sale & Purchase Option Agreement signed in September 2011.
- Provides for the transfer by Stanwell to Comet Ridge of its current 5% interest in the Mahalo Gas Project (MGP) and the relinquishment of its option to acquire up to a further 35% interest in the MGP in exchange for (at Stanwell's election exercisable at Final Investment Decision (FID) of the MGP) either:
  - Stanwell and Comet Ridge entering into a 20 PJ to 40 PJ gas sales agreement; or
  - Stanwell receiving a cash payment of \$20 million (escalated at CPI).
- Restores Comet Ridge's equity interest in the MGP to 40% (subject to joint venture approval).

Comet Ridge Limited (**ASX:COI**) is pleased to announce that it has executed a revised agreement (**2014 Agreement**) with Stanwell Corporation Limited (**Stanwell**) in relation to the MGP. The 2014 Agreement supersedes the Sale & Purchase Option Agreement entered into by the parties in September 2011.

### Key Terms

In September 2011, Stanwell:

- Purchased a 5% interest in the MGP for \$7 million;
- Agreed to fund up to \$8 million of Comet Ridge's expenditure commitments relating to the MGP (carrying Comet Ridge through the 2012/13 Pilot Programme); and
- Secured an option to acquire up to a further 35% interest in the MGP from COI at an average price of \$1.00/GJ of 2P reserves certified by 31 December 2014.

The 2014 Agreement provides for the transfer to Comet Ridge by Stanwell of its current 5% interest in the MGP and the relinquishment of Stanwell's option to acquire up to a further 35% interest in the MGP in exchange for either of the following at FID of the MGP:

- Stanwell and Comet Ridge entering into a 20 PJ to 40 PJ gas sales agreement; or
- Stanwell receiving a cash payment \$20 million, escalated at CPI.

If a GSA is selected, Stanwell will enter into a GSA with Comet Ridge for the supply of a minimum of 20 PJ and a maximum of 40 PJ of gas, delivered via one third of Comet Ridge’s produced equity gas from the MGP over 10 years. Take or pay provisions apply to the GSA and gas pricing is linked to LNG netback and a fixed return over field costs. Stanwell is entitled to receive a pricing discount amortised over the term of the GSA reflecting its \$15 million investment in the MGP to date.

If the cash payment is selected, Comet Ridge will pay \$20 million to Stanwell (escalated at CPI) around the time of FID, representing reimbursement of Stanwell’s expenditure to date with an uplift reflecting an increase in value and funding costs. If FID for the MGP is not reached within four years, Stanwell will receive the cash payment.

### Key Benefits of 2014 Agreement to Comet Ridge

- Restores Comet Ridge’s interest in the MGP to 40% with consideration in the form of a GSA or cash payment deferred until FID for the MGP;
- Comet Ridge retains optionality to maximise value achieved for its equity gas (other than the 20 PJ to 40 PJ available to Stanwell under the GSA Election);
- Provides Comet Ridge with exposure to increased gas prices from gas production or reserves from the MGP in a tightening East Australian gas market; and
- Delivers value to Comet Ridge with no cash consideration prior to FID.

Comet Ridge’s resource position, at the conclusion of this transaction, will be as follows:

Mahalo Gas Project Contingent Resources – COI 40% interest		
1C (PJ)	2C (PJ)	3C (PJ)
83	221	442

Commenting on the agreement with Stanwell, Comet Ridge Managing Director Tor McCaul said that “Significant progress has been made at the Mahalo Gas Project since the initial agreement with Stanwell was entered into in September 2011. Stanwell has invested \$15 million in the project to date which has funded Comet Ridge’s share of costs associated with the construction of the Mahalo and Mira Field Pilots and their ongoing operation as well as providing working capital to the Company. We are pleased to have been able to agree a revised position with Stanwell which could provide Stanwell with 20 PJ to 40 PJ of gas, and yet allows Comet Ridge to retain a large equity component in the project with the associated resource and value upside. We remain excited by the fundamentals of the project, in an environment where gas is short and gas prices continue to rise.”

### Conditions

The 2014 Agreement becomes effective following the other MGP equity participants consent to the assignment of the equity interest (consistent with the 2011 Option Deed).

### Contingent Resources Estimates

The contingent resource estimates that have been referred to in this announcement were first announced by Comet Ridge on 25 October 2010. The gas contingent resource estimates provided were determined by Mr. John Hattner of Netherland, Sewell and Associates Inc, Dallas, Texas, USA, in accordance with Petroleum Resources Management System guidelines.



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## COMET RIDGE LIMITED - OVERVIEW

Comet Ridge Limited has significant Coal Seam Gas (CSG) projects in key regions of Queensland, northern New South Wales and New Zealand, as well as oil and gas interests in the United States. Gas resources have been certified, by independent professional certifiers, at four projects. 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 and two blocks in New Zealand. Comet Ridge has 35% equity in the ATP 337P Mahalo block in the Bowen Basin, and CSG equity of 22.5%, 50% and 60% 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 Queensland and northern New South Wales. Drilling for the first Pilot Project for ATP 337P Mahalo was undertaken in 2012, with additional exploration and appraisal work undertaken in 2013 and further work planned for 2014.

