



... Positioned for Growth

Comet Ridge Limited

**29 January 2015**

## **December 2015 Quarterly Report**

### **Highlights:**

- **Mahalo 7 horizontal well successfully drilled, completed and online**
- **Institutional Placement and SPP successfully concluded, raising approximately \$9.1 million, well supported by new investors and existing shareholders**
- **Completion of the purchase of 5% Mahalo equity back from Stanwell Corporation**
- **Pilot gas production continues steady increase**
- **Retirement of long term non-executive director, Jeff Schneider at the November AGM**

The eastern Australia gas industry observed a significant milestone at the end of the quarter with the first LNG cargo leaving from the QGC Pty Limited operated Queensland Curtis LNG scheme in Gladstone. Plans around gas export from Queensland into Asia have been in place for many years and therefore the significance of the first physical cargo cannot be understated. With the first LNG scheme now operating and two other LNG schemes due online this year, Comet Ridge believes this has now fundamentally changed how gas as a resource is considered in eastern Australia given the much larger and broader gas market that is now available to the industry. Gas, like most other commodities produced in eastern Australia, is now able to be efficiently allocated into both domestic and international markets where it can add the most value.

### **Australian Permits**

#### **ATP 337 Mahalo – Bowen Basin, Qld (Comet Ridge 40%)**

#### **Mahalo 7 Horizontal Well**

The Mahalo Project is located approximately 240km west of Gladstone in the southern Bowen Basin. The Project is located just 11 kilometres from an infrastructure connection to the Gladstone LNG market with significant gas supply requirements (see Figure 1).

The Mahalo 7 horizontal well was completed late December. This involved removing the existing pump from Mahalo 6 and running in homing equipment in the well to allow for the Mahalo 7 intercept.

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The Mahalo 7 horizontal well was drilled horizontally through a significant section of the coal reservoir, intercepting the Mahalo 6 well on the first attempt. A new pump was then run into the Mahalo 6 vertical well to lift the water produced from the Mahalo 7 horizontal well section. This work was undertaken in mid-December and the pump was put on line with water production commencing on 28 December.

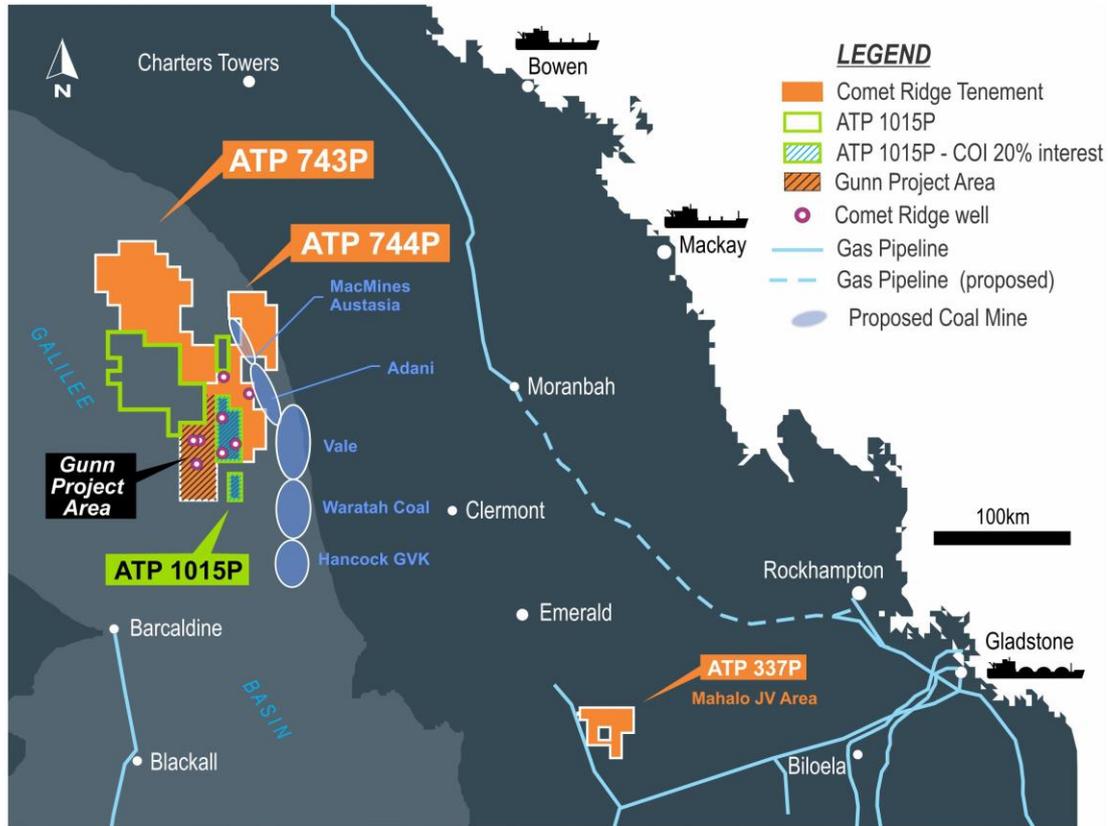


Figure 1 – Regional Location of Mahalo JV Area

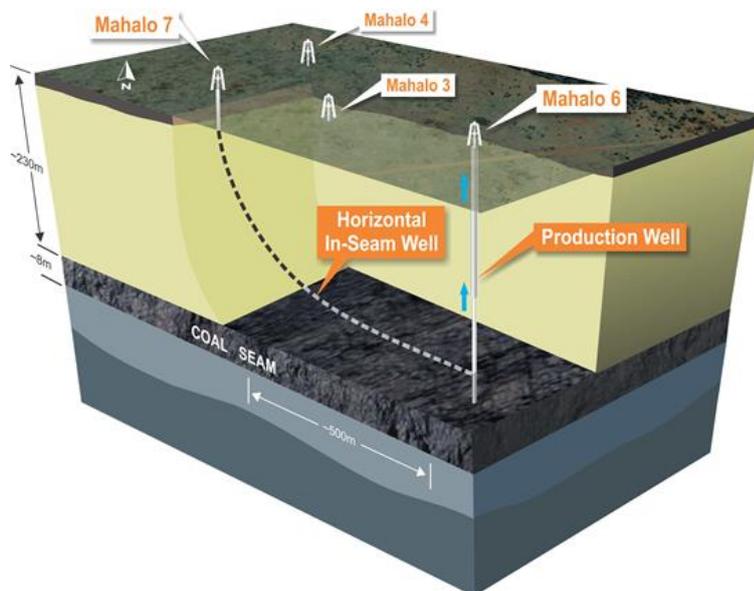


Figure 2 – Mahalo 7 horizontal in-seam well path

The Mahalo 7 surface to in-seam horizontal well was designed to maximise the use of current reservoir data and has been positioned inside the current pilot wells. The well contacted approximately 360 metres of coal in the horizontal hole section (see Figure 2).

The Mahalo 6 vertical production well is now being utilised to lift water from the Mahalo 7 horizontal well. The pump in Mahalo 6 is initially being run at a very low speed such that pressure drawdown is kept very low with the intent that the drawdown will be gradually increased over time. Comet Ridge is pleased with the progress on the drawdown.

The Mahalo 3, 4 and 5 wells continued to dewater during the quarter. Refer to the photograph in Figure 3 (below) for the layout of the Mahalo Field Pilot. Gas production from the Mahalo Field Pilot has continued to increase since early March when the wells were brought back on line following the Mahalo stimulation.

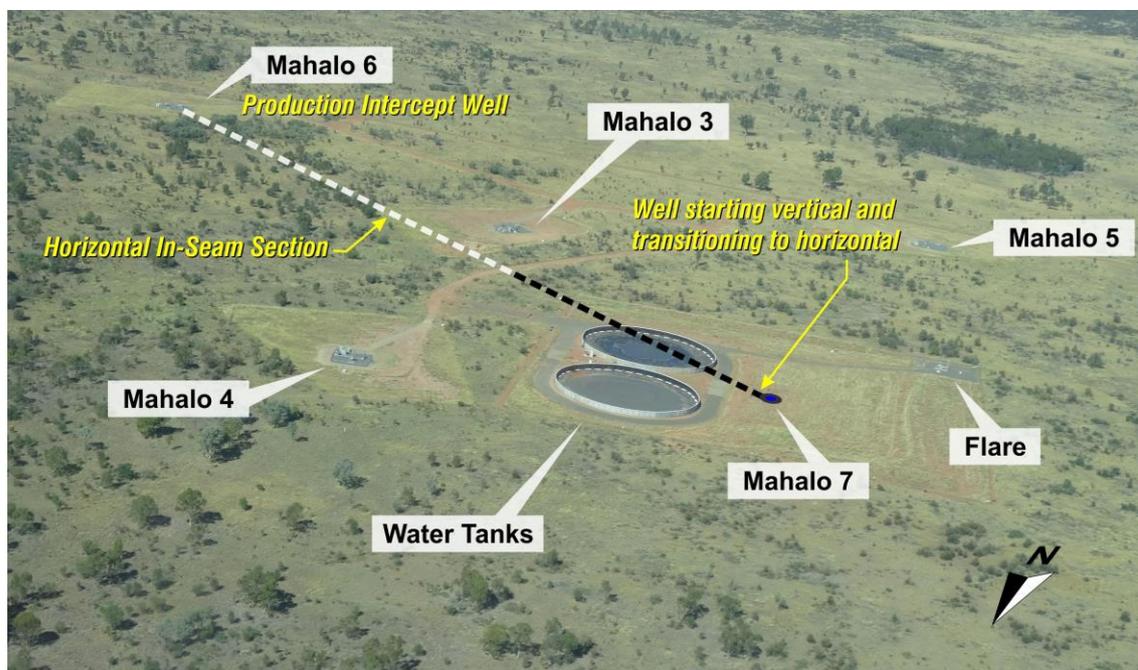


Figure 3 - Mahalo pilot scheme aerial view

At the Mira Pilot Scheme, approximately 13km southeast of the Mahalo Pilot, one well (Mira 2) is being used as a pressure observation well, whilst the Mira 3, 4 and 5 wells are being produced to dewater the reservoir and allow gas to flow. Gas production continues to be measured on two of the three flowing Mira wells.

#### **Completion of Purchase of 5% equity from Stanwell Corporation**

During October the joint venture signed off the final documentation recording the assignment of Stanwell Corporation Limited's ("Stanwell") 5% interest in the Project to Comet Ridge. Comet Ridge's legal interest in the Project is now 40%.

The execution of the assignment documents was the last outstanding condition of the agreement that was announced on 19 March 2014, between Comet Ridge and Stanwell (2014 Agreement) which replaced the original Sale & Purchase Option Agreement signed in September 2011.

#### **ATP 743P and ATP 744P – Galilee Basin, Qld (Comet Ridge 100%)**

#### **ATP 1015P – Galilee Basin, Qld (Comet Ridge 20%)**

#### **Harrington-1**

Laboratory testing of the Harrington 1 core recovered when the well was drilled mid 2014 continued during the quarter.

#### **Conventional Petroleum Potential**

Technical work continued during the quarter to evaluate conventional petroleum potential in the Company's Galilee Basin blocks. Significant gas potential outside of coal seams exists within the deeper

section yet to be drilled and tested. Three historic petroleum wells within ATP 743P and ATP 744P recovered oil and/or gas from Lake Galilee Sandstone at the base of the Galilee Basin.

Carmichael 1, drilled in 1995 flowed gas to surface on three tests from deeper sandstone intervals (2600m) using sub-optimal drilling practices and an additional thick section was not tested. This well is close to the area around the Gunn Project Area and demonstrates further prospectivity in the eastern part of the Galilee Basin.

### Galilee Basin Commercial Opportunities

During the quarter the Queensland Government announced it would provide financial support for the coal mine rail solution in the Galilee Basin and also detailed how the Galilee Basin mine developments are a key part of the Government's effort to reduce unemployment and stimulate economic growth in the state. Comet Ridge continues to evaluate power and other opportunities for eastern Galilee Basin gas.

**Gunnedah Basin, NSW (Comet Ridge CSG equity: PEL 427: 50%, PEL 428: 60%, PEL 6: 22.5%)  
(Comet Ridge Conventional equity: PEL 427: 100%, PEL 428: 100%, PEL 6: 97.5%)**

Comet Ridge's three contiguous licences are located in the northern Gunnedah Basin, immediately north and west of Santos' Narrabri CSG Project in the Bohena Trough, and cover a total area of approximately 18,000 km<sup>2</sup> (refer figure 4). Comet Ridge currently holds between 22.5% and 60% CSG interest across these licences and between 97.5% and 100% conventional oil and gas equity across these permits and is the conventional operator. Santos operates the CSG interest.

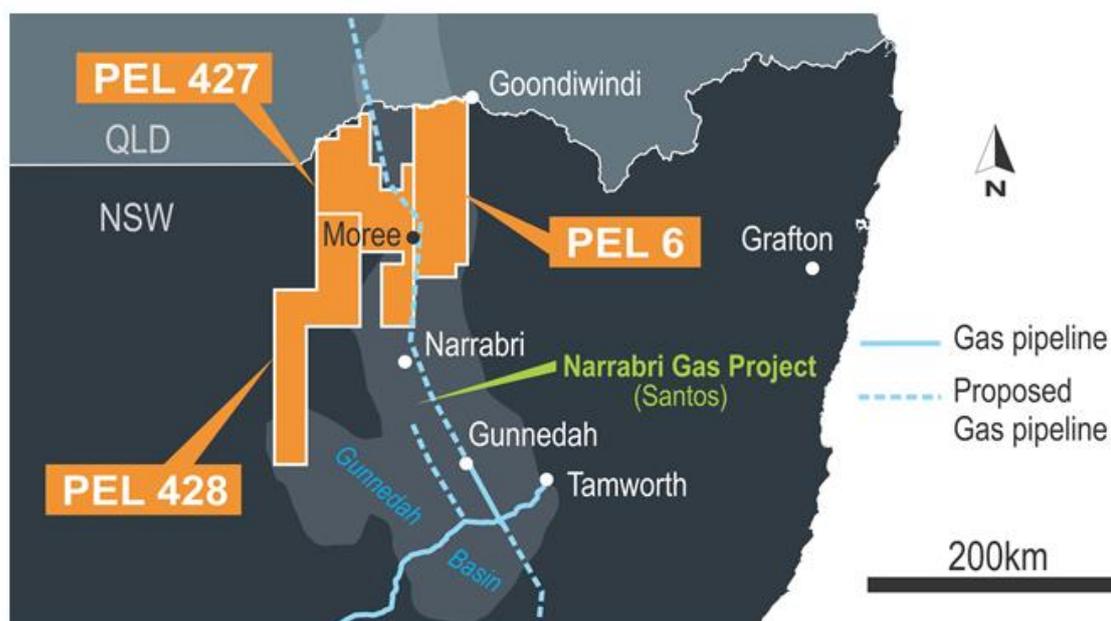


Figure 4 – Comet Ridge's Gunnedah Basin position

Following the release of the NSW Chief Scientist's long awaited report on the Coal Seam Gas Industry on 30 September 2014, the NSW Government, led by the Office of Coal Seam Gas, is moving to implement the recommendations from the Chief Scientist.

Support continues to grow for the gas industry in the Narrabri area. A local support group has been formed by community members and local business to give a voice to the many people who welcome the development of a local gas industry. The focus on science and nearly five decades of onshore gas production history in eastern Australia is helping to highlight the misinformation being spread by the green and anti-gas movement which in turn has provided confidence that the industry is not only safe but

will provide jobs and economic prosperity to the region. Of course the coming gas shortage in NSW also provides a level of urgency to the need to get exploration and appraisal for natural gas back on track in NSW sooner rather than later.

Comet Ridge continues to work with Joint Venture partner and CSG Operator Santos, to renew the Joint Venture's Gunnedah Basin permits and plan the future work programme to evaluate a number of Permian-aged troughs that have been identified through the acreage position. Several of these troughs may contain large volumes of recoverable gas, in similar fashion to the Bohena Trough just to the south of PEL 427. To date, PEL 427 has been extended through to May 2016 and extensions continue to be processed for PEL 428 and PEL 6.

## USA Interest

### **Comet Ridge Resources LLC (Comet Ridge 10.2%)**

During the quarter, Comet Ridge Resources LLC (CRR) continued to work towards farm-out opportunities in both SE Colorado and Montana. Commensurate with this effort the level of overhead has been reduced. Drilling of the two wells in SE Colorado was completed during the quarter. Production testing commenced late in the year.

## Corporate

### **Institutional Placement Successfully Concluded**

During October, the Company successfully completed a Placement at 13.5 cents per share to institutional and sophisticated investors to raise approximately \$8 million in order to fund future appraisal and development work, predominately in the Mahalo block. This institutional placement was well supported by new investors and existing shareholders.

In addition, eligible shareholders recorded on the share register as at 17 October 2014 were then invited to participate in a Share Purchase Plan (SPP) which closed on 17 November 2014. Shares issued under the SPP were offered at the same price as the Placement shares. Approximately \$1.1 million was raised from the SPP.

### **Retirement of Jeff Schneider**

Jeff Schneider did not seek re-election at the 27 November 2014 AGM in order to reduce his business commitments and subsequently came off the board immediately following the AGM. Mr Schneider had been a Director since the founding of the Company in August 2003, and served as Chairman from 2004 to 2009, steering the company through its original listing, the GFC and then the merger with Chartwell Energy in April 2009.



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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 and gas reserves were recently certified 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 and a block in New Zealand. Comet Ridge has 40% 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 eastern Australia, focused on the conversion of contingent resources to reserves.



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