



Comet Ridge Limited

29 January 2016

December 2015 Quarterly Report

Highlights:

- Continuing strong and increasing gas production performance from Mahalo 6 / 7 Vertical-Horizontal well combination
- Mahalo Gas Project Reserves increased to 30 PJ (2P) and 219 PJ (3P) for COI's 40% equity interest
- High deliverability of Mahalo 6 / 7 to date has allowed a 2P Reserve increase of 36% and 3P Reserve increase of 77%
- Progressing discussions to drill and test Albany sandstone project in the eastern Galilee Basin

Australian Permits

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

Mahalo Pilot

The final quarter of calendar year 2015 has seen significant progress in the Mahalo block with strong and increasing gas production performance from the Mahalo 6 / 7 Vertical-Horizontal well combination. This resulted in a significant increase in 3P reserves achieved in early December. The Company is extremely pleased with the results in the Mahalo Block to date and believes it is a clear demonstration of strong commercial production potential.

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). All three LNG schemes, which were under construction over the past few years, are now operational and exporting LNG cargoes.

Following a technically cautious start to pumping operations, during the quarter three small successive pump speed increases were applied to the Mahalo 6 well and a significant increase in gas rate was achieved. Bottomhole pressure moved down only slightly compared to the significant increase in gas rate, indicating good to excellent horizontal well productivity and scope for further pump speed increases into the future.

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These additional pump speed increases were applied throughout November and into the first half of December, with each of these achieving successive increases in gas rate in the well. Gas production has continued to increase during January with the well passing 360,000 scf/d (standard cubic feet per day).

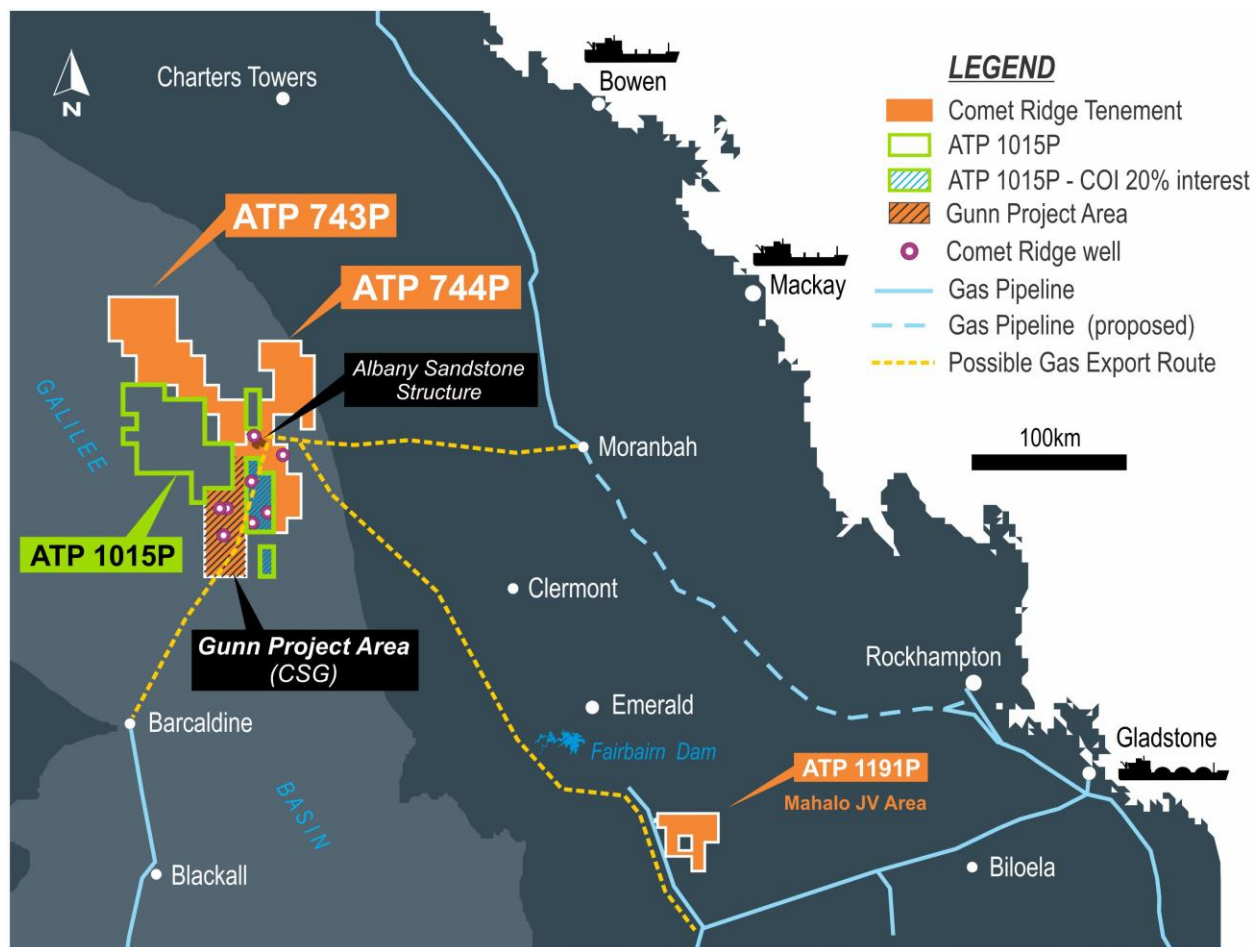


Figure 1 – Regional Location of Mahalo JV Area and Eastern Galilee Basin Blocks

The remaining vertical wells (Mahalo 3, 4 and 5) have been shut in with downhole pressures being monitored closely. Significant pressure responses have been measured in all three wells as the pressure in the Mahalo 6 / 7 combination has decreased, suggesting a well-connected network of fractures linking the horizontal well with the other Mahalo wells.

This Mahalo horizontal pilot well is short, only contacting approximately 360 metres of coal (refer to Figure 2). A development style well is commonly longer; therefore development horizontal wells in this area would be expected to contact significantly more coal with correspondingly higher water and gas rates.

In addition to significant progress with gas flow rate, the Company was able to achieve an upgraded 2P and 3P reserves certification for Mahalo Block in early December 2015.

The initial independent certification of Reserves at Mahalo was announced on 28 August 2014. As a result of the success of the Mahalo 7 horizontal well in providing significant gas flows, and also additional open source well data, both 2P and 3P Reserves were increased in December 2015 by converting part of the significant Contingent Resources in the block to the higher category of Reserves.

The most significant part of this Reserves upgrade has been the conversion from the 1C Contingent Resource category, into the 3P Reserves category, however some conversion of 3P to 2P Reserves has also

been achieved. It is Comet Ridge's intention to continue the conversion of 3P to 2P reserves into the future as part of the current focus on well deliverability at the Mahalo pilot.

The table below summarises the changes to the Company's Reserves and Resources position for Mahalo as contained in its announcement to the market on 2 December 2015:

Mahalo Independent Reserve and Resource Upgrade (COI Net Interest ¹)

COI Net Equity Share ¹	Gas Reserve (PJ) ²			Gas Contingent Resource (PJ)		
	1P ³	2P	3P	1C	2C	3C
2 December 2015 certification	-	30	219	112	232	372
27 August 2014 certification	-	22	124	208	328	468
Increase (PJ)	-	8	95	-96	-96	-96
Increase (%)	-	36%	77%	-46%	-29%	-21%

- 1) COI has a 40% net equity share of Mahalo.
- 2) COI's net Reserves have not been adjusted for fuel or shrinkage (estimated at approximately 3%) and have been calculated at the wellhead (which is the reference point for the purposes of Listing Rule 5.26.5).
- 3) 1P Reserves have not been attributed to the Mahalo Block under SPE 2007 PRMS Guidelines as the field is not yet at development stage with an approved development plan.

In accordance with Listing Rule 5.34.3, Comet Ridge confirms that it is not aware of any new information or data that materially affects the information in the announcement to the market of the Reserves 2 December 2015 and that all of the material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed.

The Company is pleased to have significantly increased the volume of 3P Reserves by 77% which is planned to be further progressed into the 2P category. In addition, there still exists a very large Contingent Resource base to convert into Reserves for further value upside. The Company is highly confident that, based on the high well deliverability shown at the Mahalo field to date and the continuous nature of the coals, that the Mahalo Block will quickly develop into a valuable resource for COI shareholders.

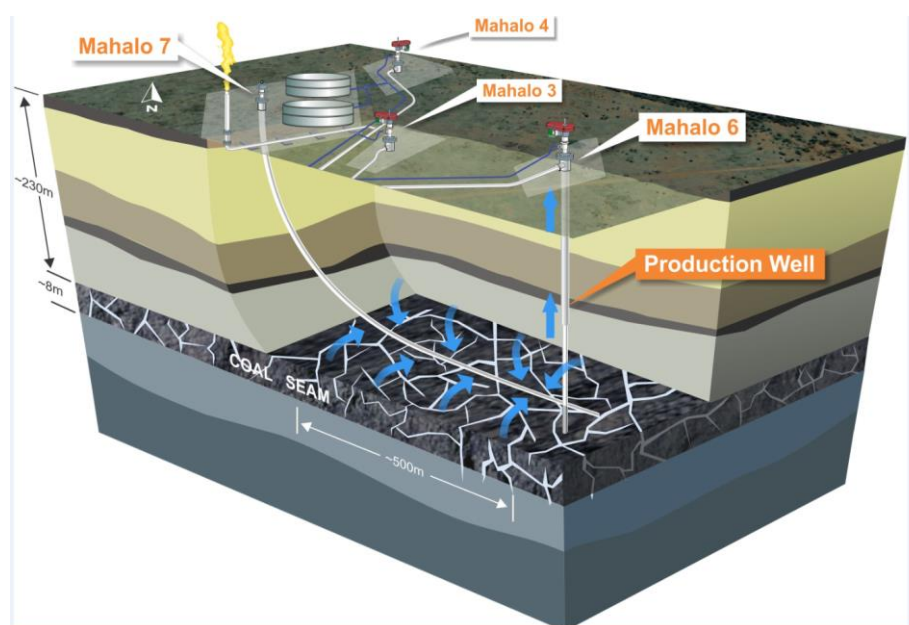


Figure 2 – Mahalo 7 horizontal well path to intercept the Mahalo 6 vertical production well

During the current quarter ATP 337, of which the Mahalo Joint Venture Area (“MJVA”) formed part, was converted from a 1923 Petroleum Act permit to a Petroleum and Gas (Production and Safety) Act 2004 permit with effect late in 2015 for a term of four years. As a consequence the permit has been allocated a different number and has been changed to ATP 1191. The change of permit number has had no impact on the area of the permit.

ATP 743P and ATP 744P – Galilee Basin, Qld (Comet Ridge 100%)
ATP 1015P – Galilee Basin, Qld (Comet Ridge 20%)

Following the large independently certified Contingent Resource booking that the Company was able to achieve at the Albany sandstone structure in August 2015, discussions for third party funding for drilling and testing the structure during 2016 have been ongoing. Eastern Galilee basin gas is relatively proximal to the very large LNG and industrial gas demand further east in the Bowen Basin and in Gladstone. Given the size of the resource, Albany gas has the potential to be transported to the southeast via pipeline to connect into the expanding pipeline network originating in the Surat Basin and feeding the Brisbane market. Figure 1 shows the Company’s significant acreage holding in the eastern Galilee Basin.

In ATP 743, approval from DNRM (Queensland Department of Natural Resources and Mines) was received for the Later Work Program (work required into the future to keep the permit in good standing) for the next 4 years through to September 2019. A relinquishment of 350 sub blocks was made, bringing the new permit area to 1,000 sub blocks (3,195 km²).

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: 99.7%)

Updated renewal applications for PEL 6 and PEL 428 were submitted in late October. The Company is awaiting formal approval for these renewals. Comet Ridge’s large Gunnedah Basin position is shown in Figure 3.

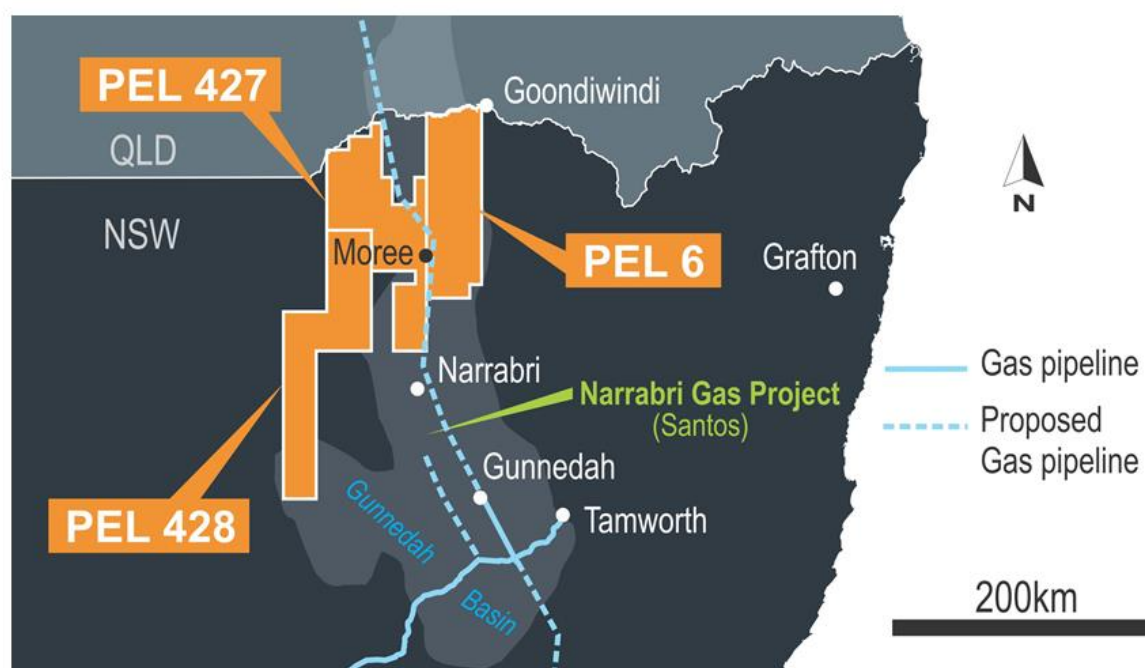


Figure 3 – Comet Ridge’s Gunnedah Basin position



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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 reserves and resources have been certified, by independent professional certifiers, at several projects in Queensland and New South Wales. 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 1191P 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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