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Comet Ridge Limited

30 April 2013

March 2013 Quarterly Report

Highlights:

- **Mahalo field pilot scheme now on-line and producing gas**
- **Mira field pilot facilities construction progressing**
- **Galilee Basin Gunn 2 well Extended Production Test flows approximately 400 barrels of water per day confirming excellent coal productivity in the Gunn Project Area**

During the quarter, Brisbane based coal seam gas explorer Comet Ridge Limited (ASX:COI) maintained its operational focus on the Company's Queensland assets in the Galilee Basin and in the Bowen Basin at the Mahalo block. Comet Ridge operated a very successful Extended Production Test at the Gunn 2 well in the Galilee Basin. In the Mahalo Block, the Joint Venture has had the most operationally intensive quarter in that block's history with seven wells drilled, construction ongoing on two pilot schemes, followed by commissioning and production start-up at the Mahalo pilot, just after the end of the quarter.

Australian Permits

ATP 337P Mahalo – Bowen Basin, QLD (Comet Ridge 35%)

The quarter saw a significant amount of fieldwork undertaken in the Mahalo block over the three key work areas – drilling, completions and construction of pilot facilities.

Drilling of four Mira pilot wells, approximately 13 km southeast of the Mahalo pilot scheme, commenced at the end of 2012 and continued through the first part of the quarter. Each of the wells intersected approximately 8.5 to 9 metres of net coal as anticipated. Completion operations were then undertaken, with these four wells set up for production with tubing and pumps installed.

Drilling operations then stepped-out from the pilot area at Mira and coreholes were drilled southeast, south and southwest of the Mahalo and Mira pilot areas at the Scrubber Gully 2, Turkey's Nest 1 and Humboldt Creek 2 wells. Scrubber Gully 2 was a 5.2 km step-out from Mira and intersected 7.2 metres of net coal whilst Turkey's Nest 1 was drilled 5 km southwest of the Mahalo pilot intersecting 9.6 metres of net coal. Humboldt Creek 2 was drilled in the southern part of the block, intersecting 9.4 metres of net coal. Timing for the last well in the current corehole programme is yet to be finalised by the Joint Venture.

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Rain in the project area during the quarter caused some delays in both drilling and construction.

The focus of construction activities was directed at the Mahalo field for most of the quarter, in order to commission those facilities and commence production. Start-up of the pilot scheme was achieved just after the end of the quarter, with one of the wells immediately flowing gas.

Construction activities are now wholly focussed on the Mira field pilot scheme, with those wells expected to come on-line in the next several weeks. The objective of both of these pilot schemes is to flow gas from one or two wells at commercial rates and to enable significant reserves to be booked in the Mahalo block.

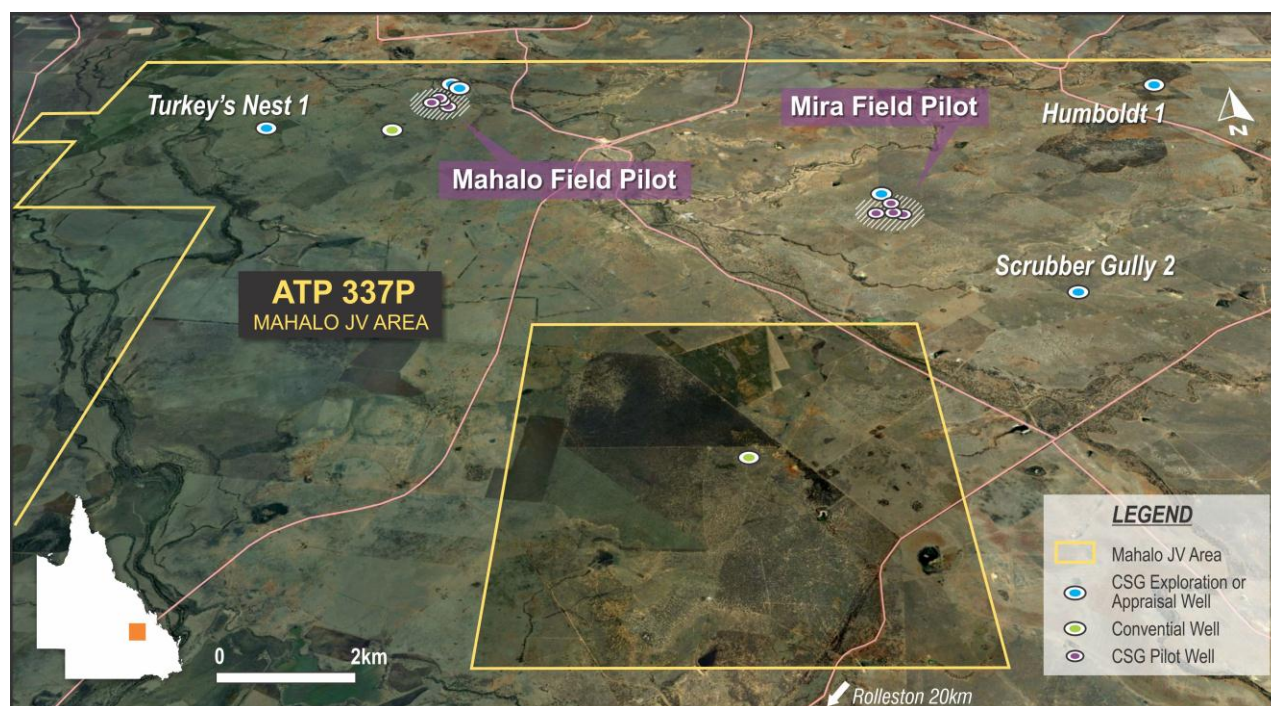


Figure 1 – ATP 337P Mahalo

The Joint Venture is awaiting a formal renewal decision for the permit by DNRM (Department of Natural Resources and Mines), subsequent to the mandatory relinquishment of one graticular block in the south east corner. This relinquished block constituted an area of approximately 8% of Mahalo and will have no impact on the reserves booking in place for this year.

ATP 743P and ATP 744P – Galilee Basin, QLD (Comet Ridge 100%)

ATP 1015P Farm-in Area – Galilee Basin, Qld (Comet Ridge 20% now earned after Phase 1)

Gunn 2 well Extended Production Test

During the quarter, an Extended Production Test (EPT) was conducted at the Gunn 2 well in the Gunn Project Area (GPA) in ATP 744P in central Queensland. The GPA is approximately 90 km NNE of Aramac and 570 km NW of Gladstone and is immediately west of a number of the very large proposed Galilee Basin coal mines which are located on the eastern edge of the basin.

The objective of the EPT was to provide information to test the completion methodology for a full pilot scheme and to obtain good quality water samples from the Betts Creek coal.

During December 2012, surface facilities including water storage tanks, flowlines, metering facilities and power generation were installed on site and very early in the quarter, these facilities were commissioned for operation.

The well had been perforated over a four metre interval from 952.5 to 956.5 metres which is bounded above and below by impermeable mudstone. The Extended Production Test (EPT) was designed in this manner to ensure water would only be produced from the Betts Creek reservoir coal. By excluding water from other zones in the well, surface water handling requirements could be optimised and dewatering time could also be minimised.

The downhole pump was started on 11 January 2013 to commence the EPT. The pump and other equipment performed as designed with no mechanical or electrical issues throughout the test. The water rate was progressively increased over a period of a few weeks, with the well reaching a stabilised production rate of approximately 400 bwpd (barrels of water per day) which is the limit of the pumping system under the current configuration. Analysis of the pressure data showed that the four metre coal interval, which was the subject of the test, has even greater flow capacity. Formation water samples from the coal were taken at regular intervals for very detailed laboratory analysis.

The progress of the EPT has been extremely pleasing, with this well an important milestone for the Company in the Galilee Basin. This is the first test for the Company on a completed well, where the well has been set up for long term production.

Another very important outcome from the EPT is that the simple completion style of the well (case, cement and perforate) has proved to be extremely effective in both connecting the wellbore to the fractures in the coal and also in isolating the coal from sandstones. This simple design can subsequently be applied to a pilot scheme to access selected coals.

The Company is now evaluating different methods of water treatment and plans to conduct a simple field trial at Gunn 2 during the current quarter. This trial will form the basis of the design for the pilot scheme in the Gunn Project Area with the intention of achieving independently certified gas reserves, which would be available to power, LNG or domestic gas markets.

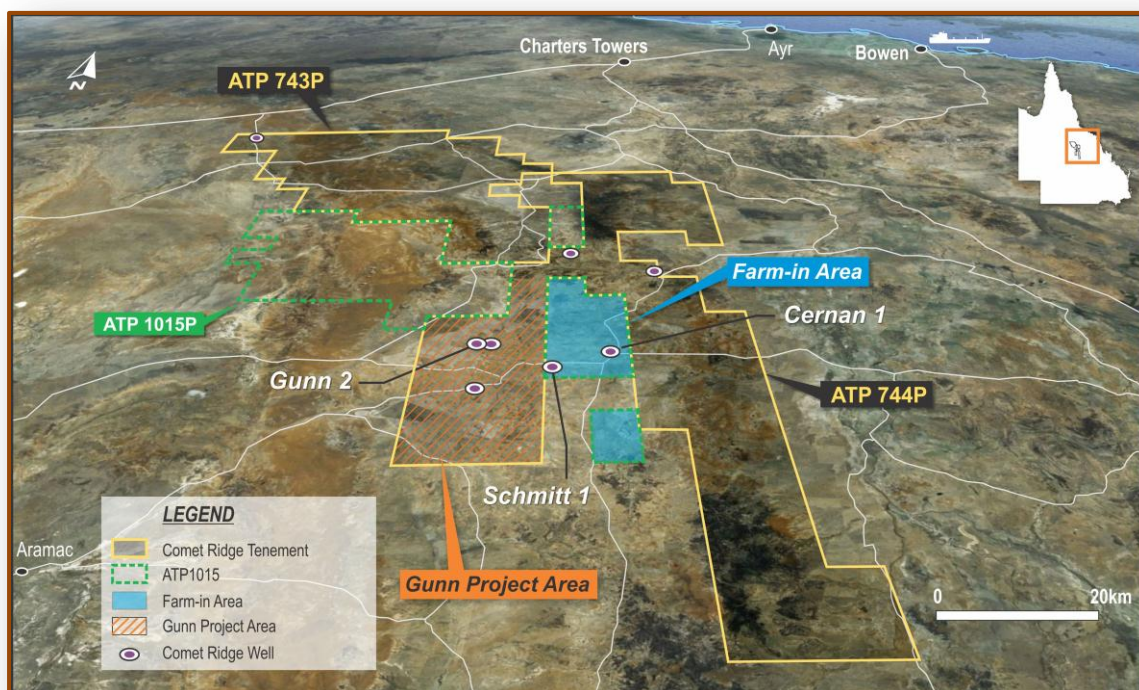


Figure 2 – ATP 744P Gunn Project Area and Farm-in Area

ATP 1015P Farm-in

In 2012, Comet Ridge announced that it had signed a three-Stage farm-in agreement with Queensland Energy Resources Pty Limited (QER) to earn up to 75% of a farm-in area, located in the south east of

permit ATP 1015P, adjacent to the Company's 100% held Gunn Project Area in ATP 744P. Two of the three wells in the late 2012 drilling campaign were located in the Farm-in Area to meet farm-in requirements and with the objective of examining the extension of the Gunn Project Area to the east. Drilling results from those wells confirmed the substantial easterly extension of Comet Ridge's Gunn Project Area into the Farm-in block.

Detailed laboratory analysis of core taken from the Schmitt 1 and Cernan 1 wells in November continued during the quarter.

Comet Ridge has also elected to move to Stage 2 of the Farm-in, by drilling three further wells in the Farm-in Area by late this year.

Gunnedah Basin, NSW (Comet Ridge increasing equity to: PEL 427: 50%, PEL 428: 60%, PEL 6: 22.5%)

The Strategic Regional Land Use Policy (SRLUP) was released in September 2012 by the NSW Government after an extensive period of consultation during which over 2000 submissions were received and over 1100 people attended public forums and information sessions. Notwithstanding the extensive consultation (and time taken) in generating the SRLUP, the NSW Government announced further policy changes during the March quarter, which were a surprise to the industry. A move to restrict exploration and production operations within 2 km of townships has had a serious impact on gas explorers who hold exploration tenements close to the coastal gas markets. Given the land use through most of the Gunnedah Basin and the relatively lower population density, Comet Ridge is hopeful that exploration for natural gas will be encouraged by the NSW Government in that area, given the gas shortage that is expected to occur in NSW, which has the potential to very seriously impact a number of industries and over one million retail customers.

NSW is a major importer of gas from other states. Continuing gas imports are not certain and the Company believes that NSW needs to develop its own gas industry. It is also apparent that the Queensland economy is benefiting significantly from natural gas production. Gas production from coal seams has occurred over the past 16 years in Queensland without the aquifer and environmental degradation that is claimed by a range of green-based, anti-fossil fuel, alarmist groups. To date over 3700 compensation and access agreements have been signed with landowners in Queensland and many of these are enjoying compensation payments which help to supplement other income.

Comet Ridge has been working with Joint Venture partner and Coal Seam Gas Operator, Santos, to renew its Gunnedah Basin permits and plan the work programme for 2013 and beyond. To date, PEL 427 has been extended for a period of three years and extensions are currently being processed for PEL 428 and PEL 6.

The Company has identified a number of Permian-aged troughs throughout its acreage position and believes that several of these may contain large volumes of recoverable gas, which is evidenced in the Bohena Trough just to the south of PEL 427. In order to define these targets better, seismic surveys are being planned ahead of drilling, for each of the blocks. Comet Ridge anticipates scouting for seismic to commence in the field during the current quarter and most of the seismic to be positioned down existing roads.

In 2012, Comet Ridge announced that it had signed an Asset Sale Agreement to acquire Petrel Energy Limited's interests in PEL 6, PEL 427 and PEL 428 in the Gunnedah Basin in northern New South Wales for \$750,000 cash. This transaction is expected to complete in the next few weeks and further consolidates Comet Ridge's position in the northern Gunnedah Basin.

These 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 km². Comet Ridge currently holds a 25 per cent interest in PEL 427 and a 40 per cent interest in PEL 428.

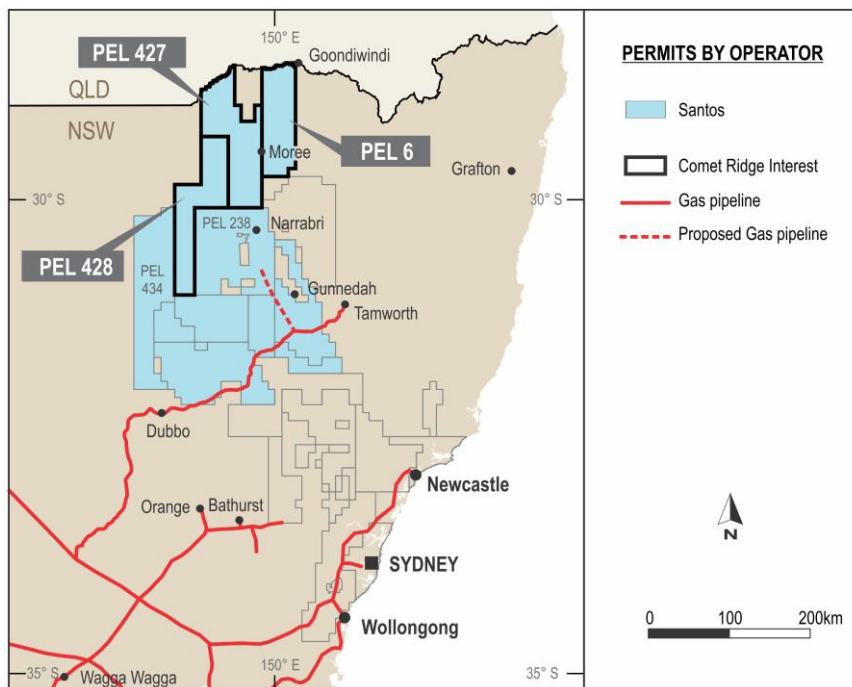


Figure 3 – Gunnedah Basin position after acquisition is finalised

USA Interest

Comet Ridge Resources LLC (Comet Ridge 12.1%)

During the quarter, Denver-based Comet Ridge Resources LLC (CRR) issued a cash call. To maintain focus on Eastern Australian gas assets, Comet Ridge Limited elected not to pay this cash call and consequently its interest in CRR has been reduced slightly (from 13.7% to 12.1%).

CRR has continued the exploration and evaluation of its large acreage position in the Rockies including structural mapping, 3D seismic processing and interpretation, and drilling and testing of a further exploration well during the quarter. CRR is currently producing oil from two wells as part of this evaluation.

Significant drilling programmes are being planned, in two different areas of the Rockies, for the second and third quarters of 2013, where up to 14 wells may be drilled. These wells will be aimed at evaluating various exploration targets over a sizeable geographic area to gain critical well control and to establish production and reserves.

New Zealand Permits

PMP 50100 Greymouth Block – West Coast (Comet Ridge 100%)

PEP 50280 North Waikato Block – North Island (Comet Ridge 100%)

PEP 50279 Buller Block – West Coast (Comet Ridge 100%)

In 2012, Comet Ridge made an application to NZP&M (NZ Petroleum and Minerals) to extend the licence term for a further period on both exploration blocks.

For the North Waikato exploration block (PEP 50280), an appropriate work programme could not be agreed with NZP&M and subsequently Comet Ridge elected to surrender the block. For the Buller Block (PEP 50279), a suitable work programme was put in place and that block has been extended. As part of the three year extension, approximately three-quarters of the block area was relinquished and the Company has retained the key area of the block where Contingent Resources have been previously booked.



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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 both its Galilee Basin and New Zealand assets. Comet Ridge has 35% equity in the ATP 337P Mahalo block in the Bowen Basin, and announced in 2012 that it has signed an agreement to increase its equity to 22.5%, 50% and 60% respectively in PEL 6, PEL 427 and PEL 428 in the Gunnedah Basin in New South Wales. This transaction is subject to government consent to transfer.

Work Programme

Comet Ridge has an active exploration and appraisal work program 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 planned for the Galilee Basin and Mahalo in 2013.



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