



... Positioned for Growth

  
Comet Ridge Limited

**30 October 2013**

## September 2013 Quarterly Report

### Highlights:

- **Mahalo block pilot schemes continued dewatering during the quarter with Mira recording initial gas flows**
- **Work-over to repair Mira 3 well finalised successfully and Mahalo stimulation to commence in early November**
- **A constructive discussion has commenced on development of gas reserves in key parts of NSW with a view to addressing the NSW gas supply shortage**
- **Early in the quarter, Institutional Placement raising \$9 million completed**

During the quarter, Brisbane based coal seam gas explorer Comet Ridge Limited (ASX:COI) maintained its operational focus on the Company's Queensland assets and in particular, the Mahalo gas project in the Bowen Basin. The Mahalo Joint Venture continued dewatering at both the Mahalo Field and Mira Field pilot schemes. The objective of the Mahalo Block pilot programme is to establish commercial gas rates which will allow the joint venture to book gas reserves. In NSW, the Company is pleased to see a more rational debate emerging on the future of gas production in the state, and looks forward to playing a meaningful role in the NSW gas supply story. Early in the quarter, the Company completed a \$9 million placement to institutional and sophisticated investors of 50 million new shares at \$0.18 per share.

### Australian Permits

#### **ATP 337P Mahalo – Bowen Basin, Qld (Comet Ridge 35%)**

Following the commissioning of both the Mahalo Field and Mira Field pilot schemes, the Joint Venture focus during the current quarter was dewatering of the coals in the northern part of the Mahalo Block. These pilots are a key component of a Joint Venture plan to book gas reserves across a large part of the Mahalo project area. Having two independent pilot schemes operating concurrently significantly increases the likelihood of achieving a commercial gas rate for establishing reserves, and also allows the Joint Venture to gather valuable data on optimal well completion design for field development.

The Mira Field pilot scheme came on line in June, initially producing water, and towards the latter part of the current quarter, minor gas flows commenced in a number of wells. It was reported in the last quarter that the Mira 3 well had suffered a pump failure due to the loss of the pump and bottomhole assembly

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down the well. During early September, a scheduled work-over repair of the well successfully recovered the lost pump. The well was immediately brought on line and an increase in water production from the field was achieved. De-watering of the Mira Field pilot wells will continue during the December quarter.

At the Mahalo Field pilot scheme, planning for stimulation of two wells continued. In other areas of the Bowen Basin in Queensland, coals can be sensitive to completion fluids and in these areas, stimulation is routinely applied to restore well productivity. Design and planning for the stimulation work has now been finalised, and Joint Venture approval obtained. It is planned that the work-over rig will move into the Mahalo area in early November to set up and commence the stimulation work. De-watering of the Mahalo Field pilot wells will continue during the December quarter.

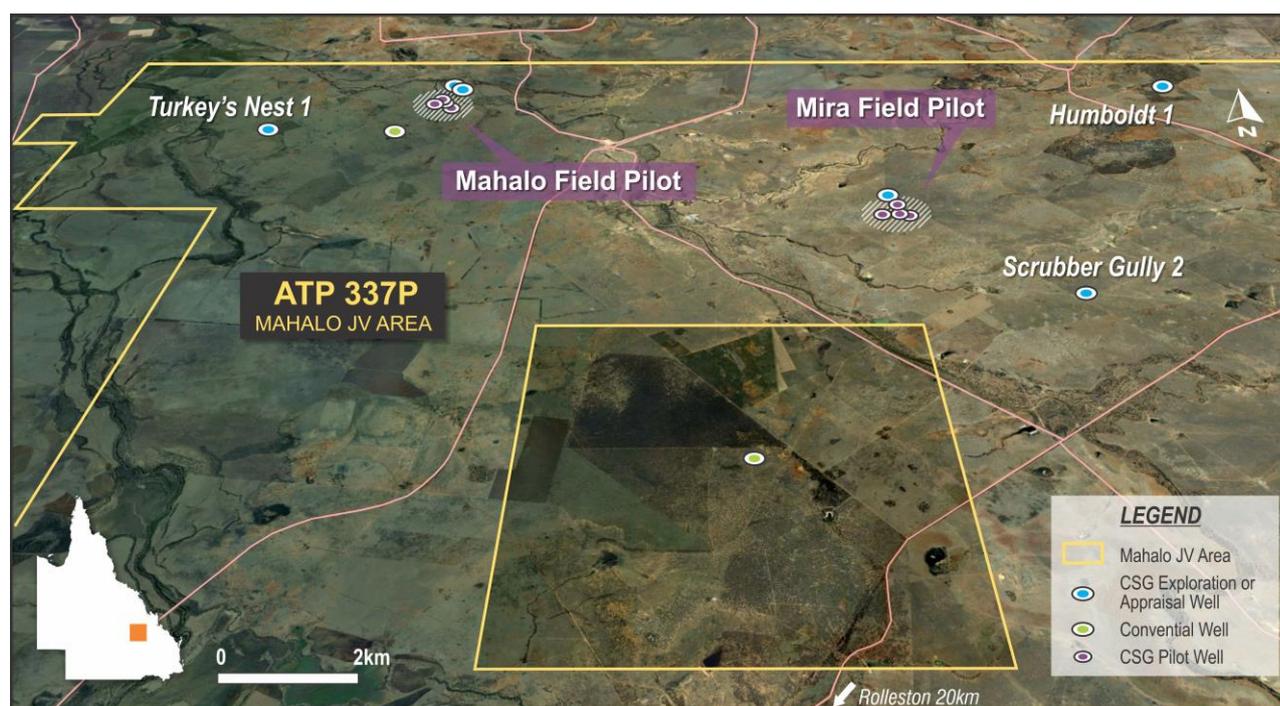


Figure 1 – ATP 337P Mahalo

**ATP 743P and ATP 744P – Galilee Basin, Qld (Comet Ridge 100%)**  
**ATP 1015P Farm-in Area – Galilee Basin, Qld (Comet Ridge 20%)**

### **Gunn 2 well Extended Production Test**

Planning for a field water trial, to evaluate water treatment options continued with desktop and laboratory analysis in the early part of the quarter. This trial will aid in forming the basis of design for a pilot scheme in the Gunn Project Area with the intention of achieving independently certified gas reserves, which would be available for power generation, LNG or domestic gas markets.

ATP 743P, the most north western block in Comet Ridge's Galilee Basin portfolio, reached the end of the first four years of the 12 year permit term during the quarter. Consistent with normal exploration practice, the least prospective one-third of the block area was relinquished back to the Queensland Government. This leaves a remaining permit area of 4214 km<sup>2</sup> for the next four year term of the licence.

ATP 744P will reach the four year permit term anniversary in the coming quarter.

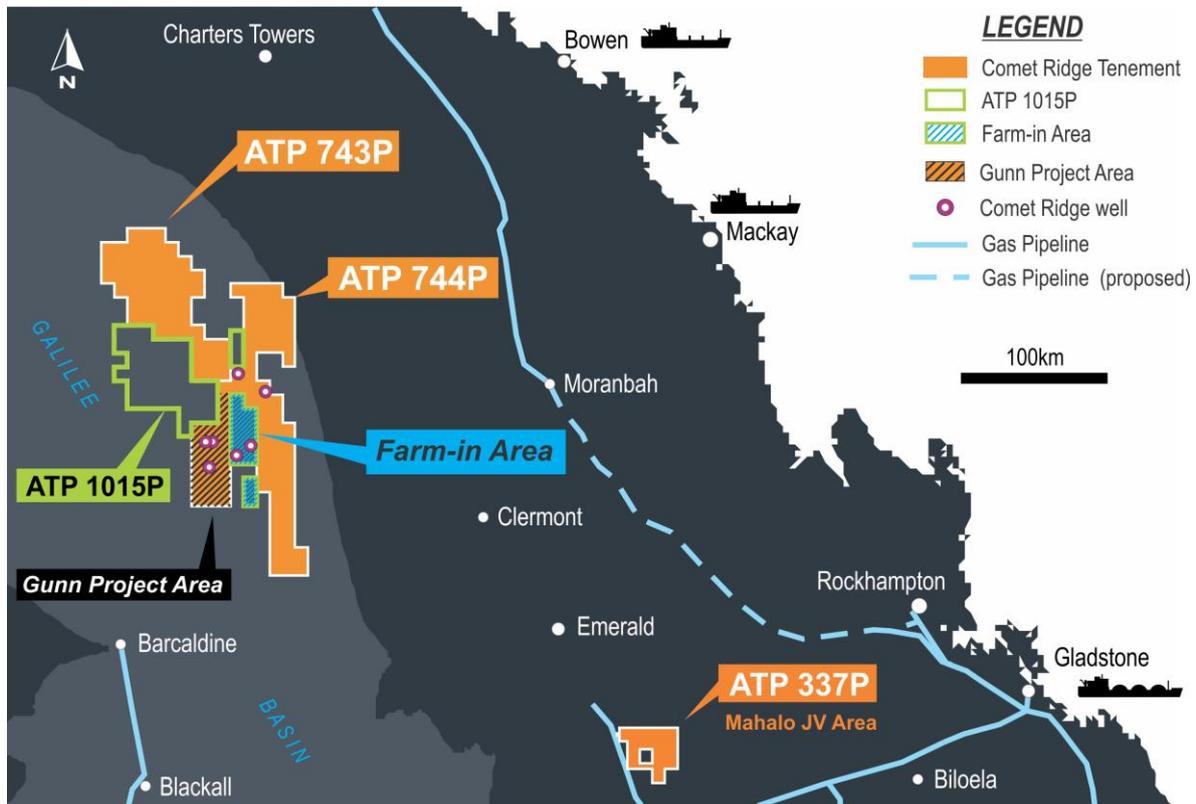


Figure 2 – ATP 744P Gunn Project Area and Farm-in Area

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

Late in the quarter, the Company was pleased to participate in the NSW Government’s Energy Security Summit in Sydney. With the recent change in Federal Government, there appears to be a renewed focus at both state and federal government levels to attempt to mitigate some of the gas supply crunch that is unfolding on the east coast of Australia; a crunch that will impact many businesses and retail consumers, particularly in NSW.

The Gunnedah Basin has a large volume of existing proven and probable gas reserves in Santos’ Narrabri Gas Project, and also large potential for future gas reserves further north and west in Comet Ridge and Santos held acreage. Industry participants agree that a focus on accessing these reserves, and also exploring and appraising further to the north, could go a long way to closing the gas self-sufficiency gap that NSW currently suffers.

Comet Ridge has been working with Joint Venture partner and CSG Operator Santos, to renew its Gunnedah Basin permits and plan the work programme. 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.

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 km<sup>2</sup>. 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 gas operator. Santos operates the CSG interest.

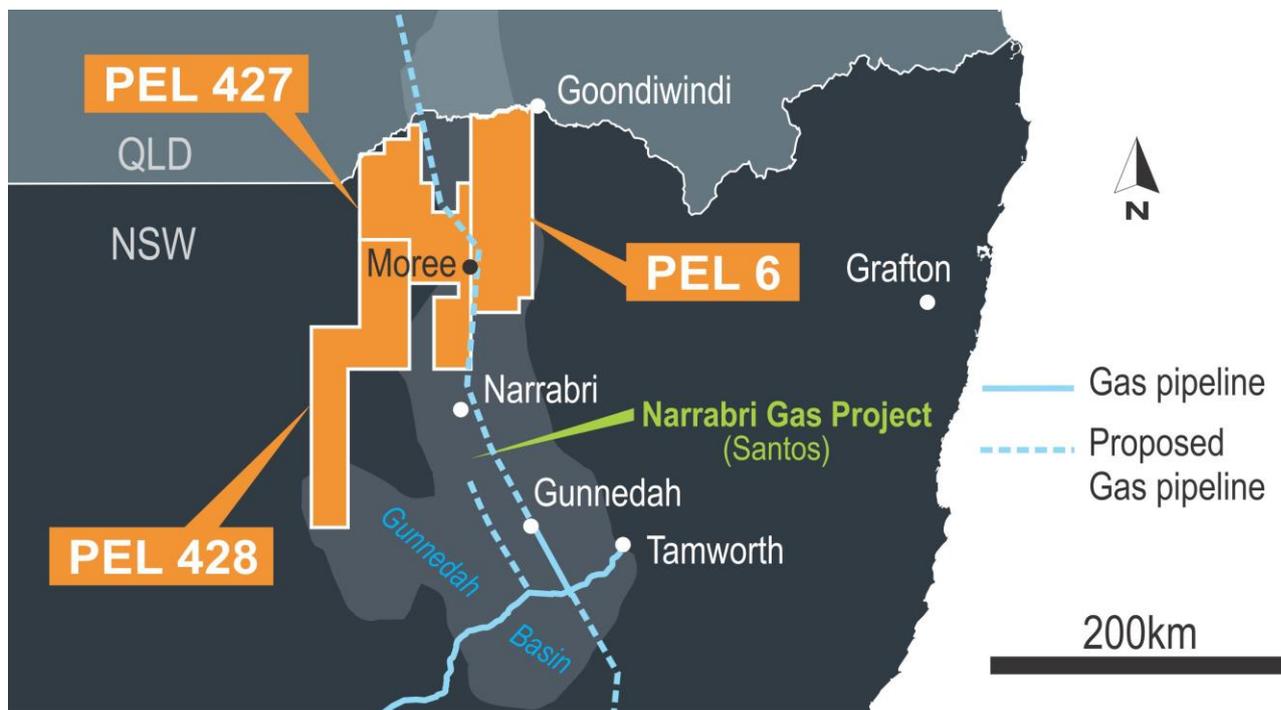


Figure 3 – Gunnedah Basin position

## USA Interest

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

Denver-based Comet Ridge Resources LLC (CRR) remains active in the Rockies. In Colorado, the Company drilled three wells with two of these completed for production testing and critical data acquired over a number of different potential zones. Water injection facilities were installed and commissioned. In Montana, four wells are currently in the final planning stage to be drilled this quarter, with lease preparation underway. Detailed seismic mapping continues on a number of geological plays.

During the quarter, CRR issued a cash call to shareholders. Under the shareholders agreement, Comet Ridge Limited can elect to pay cash calls or have its interest in CRR diluted. Given the strong focus that Comet Ridge Limited has on booking gas reserves for the eastern Australian market, Comet Ridge Limited elected not to pay this US cash call and consequently its interest in CRR has been reduced to 10.2% (from 12.1%).

## Corporate

Late in July, the Company announced the successful completion of a \$9 million placement to institutional and sophisticated investors of 50 million new shares at \$0.18 per share (“Placement”). The Placement was oversubscribed with strong support from existing and several new institutional investors. Net proceeds of the Placement will be used to fund the completion of the Mahalo Project work programme, including work-overs and operations, other portfolio project costs, corporate and technical costs and working capital.

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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 eastern Australia. Pilot production has commenced in two pilot schemes in ATP 337P Mahalo, with additional appraisal work planned for 2013.



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