



... Positioned for Growth



31 July 2014

June 2014 Quarterly Report

Highlights:

- **Mahalo Field Pilot gas production continues to increase**
- **Pumping operations continue at Mira Field pilot with gas being produced**
- **Harrington 1 well in Galilee Basin successfully drilled demonstrating coal continuity**

Australian Permits

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

At the Mahalo Field Pilot, the Mahalo 3, 4 and 5 wells continued to dewater during the quarter with Mahalo 6 being used as a pressure observation well. Following the under-reaming and jet wash stimulation on Mahalo 3 and Mahalo 5 in January and February this year, the wells have been intentionally dewatered slowly to protect the coal reservoirs. Refer to the photograph in Figure 1 (below) for the layout of the Mahalo Field Pilot.

Gas production has been rising in the Mahalo Pilot since early March when the wells were brought back online following the stimulation. Steady increases in gas production have been observed each week. The Mahalo Joint Venture (Comet Ridge, Santos, Stanwell and APLNG) remain very encouraged by this strong trend and will continue dewatering operations.

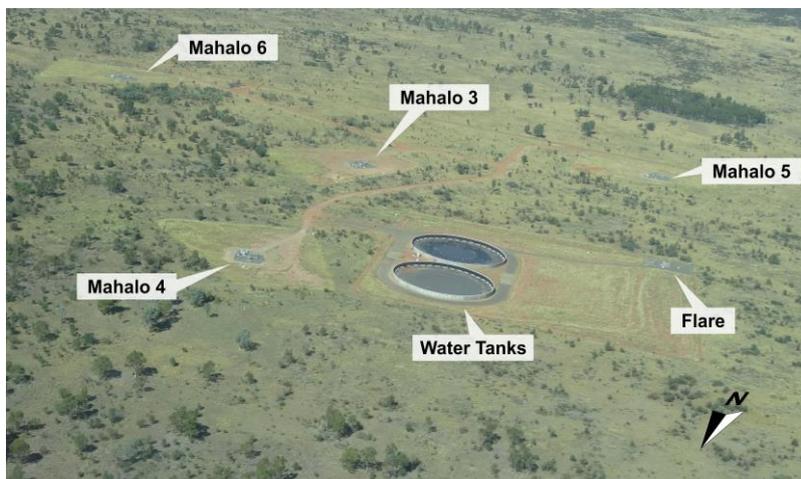


Figure 1 – Mahalo pilot scheme aerial view

Comet Ridge expects continued steady improvement in gas flow rates at the Mahalo Pilot, leading to an initial independent reserves certification.

At the Mira Pilot Scheme, approximately 13km southeast of the Mahalo Pilot, a series of pressure build up surveys were completed in the middle of May with three of the wells recommencing dewatering.

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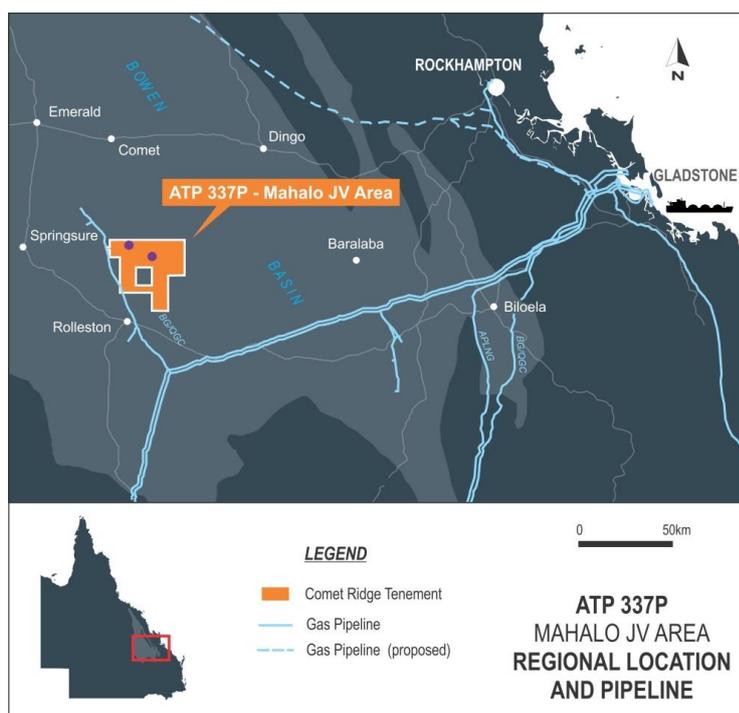


Figure 2 - Regional Location of Mahalo JV Area

Similar to the Mahalo Pilot Scheme, 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.

As with Mahalo, the Mira Pilot wells have been brought online slowly with pump speeds being closely controlled to limit excessive pressure drawdown. Gas production has been measured on two Mira wells with a recent acceleration of gas production measured at the Mira Pilot.

*Subject to Joint Venture Approval of assignment of Stanwell Corporations 5% interest

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

Harrington 1

The Harrington 1 appraisal well in the north of ATP 1015P was drilled during the quarter. The well is located 115 km NE of Aramac and is a 24 km step out to the NE of the Gunn 1 and Gunn 2 wells in ATP 744P where a successful Extended Production Test was conducted in 2013.

The Harrington 1 well reached a total depth (TD) of 1042 m and was cored through the entire Betts Creek section, intersecting approximately 19 m of net coal across the targeted coal seams. Gas was observed bubbling from the core as it was brought to surface and detailed laboratory analysis of the core is continuing to determine the key coal parameters.

Net coal thicknesses from wells drilled by Comet Ridge in this area of the Galilee Basin have ranged between 16 m and 24 m, so the Harrington 1 well continues to demonstrate that coals extend consistently over a wide part of the eastern Galilee Basin.

Comet Ridge holds 20% equity in the permit, with the remaining equity being held by QER CSG Pty Ltd. Comet Ridge has now drilled three wells in ATP 1015P (COI 20% equity).

In order to manage cash resources and to ensure focus remains on the process of achieving reserves in the Mahalo block in the southern Bowen Basin, during the quarter Comet Ridge elected not to complete Phase II of the ATP 1015P farm-in, which would have required another two wells to have been drilled at Comet's expense. This means that Comet Ridge's equity in ATP 1015P is currently being maintained at 20%.

Equity Partner for a Gunn Project Area Pilot or Pre-Sale of Gas

Comet Ridge continues to evaluate options for funding the ongoing development of the Gunn Project Area (See Figure 3 for location of Gunn Project Area) and is pleased that two of the Galilee Basin proposed large scale coal mines continue to receive regulatory sign-offs as they move through the project approval process.

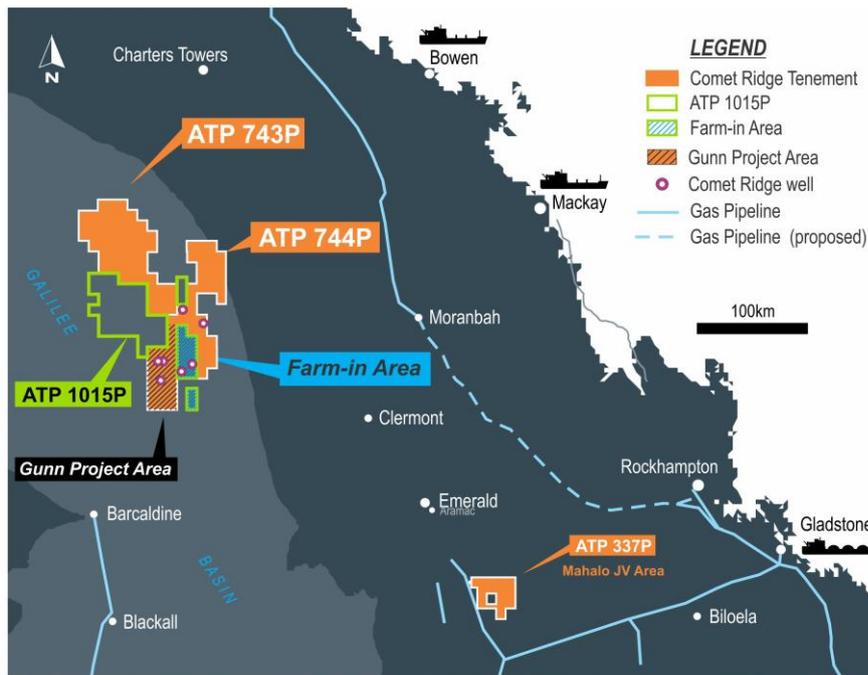


Figure 3 – Gunn Project Area ATP 744P

These coal mines will bring infrastructure and a large power market into the eastern part of the basin, very close to Comet Ridge’s contingent gas resource base. A number of commercial options exist for development of gas from the eastern part of the basin.

With the market for gas in eastern Australia tightening significantly, several parties have expressed an interest in participating in Comet Ridge’s Gunn Project.

This is largely driven by the project’s significant 3C Contingent Resource base and the positive results from the Gunn 2 Extended Production Test. A full scale pilot programme is required to move the project’s large Contingent Resource base to commercial reserves.

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 by Comet Ridge. 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 section.

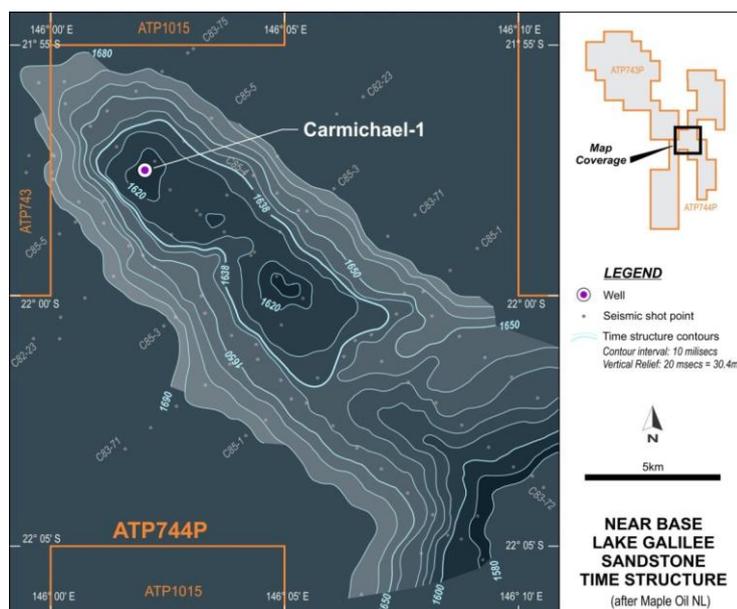


Figure 4 – Location of Carmichael 1 - ATP 744P

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 of sandstone with strong hydrocarbon indications was not tested.

This well is close to the Gunn Project Area and demonstrates further prospectivity in the eastern part of the Galilee Basin. Comet Ridge is currently assessing potential farm-out opportunities to drill and test the Carmichael structure with the latest drilling technology and practices.

Tenure Management

The Queensland Department of Natural Resources and Mines (DNRM) has recently undertaken a significant tenure reform process and modified legislation relating to permit terms. This has resulted in

two year extensions to Authorities to Prospect (ATP's) throughout the state. As a result, ATP 744P has had its second of three terms extended from four years to six years, with the term now ending in 2019.

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 continues to work with Joint Venture partner and CSG Operator Santos, to renew the Joint Venture's Gunnedah Basin permits (See Figure 5) and plan the future work programme to evaluate a number of Permian-aged troughs that have been identified through the large acreage position in the northern part of the Gunnedah Basin. 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.

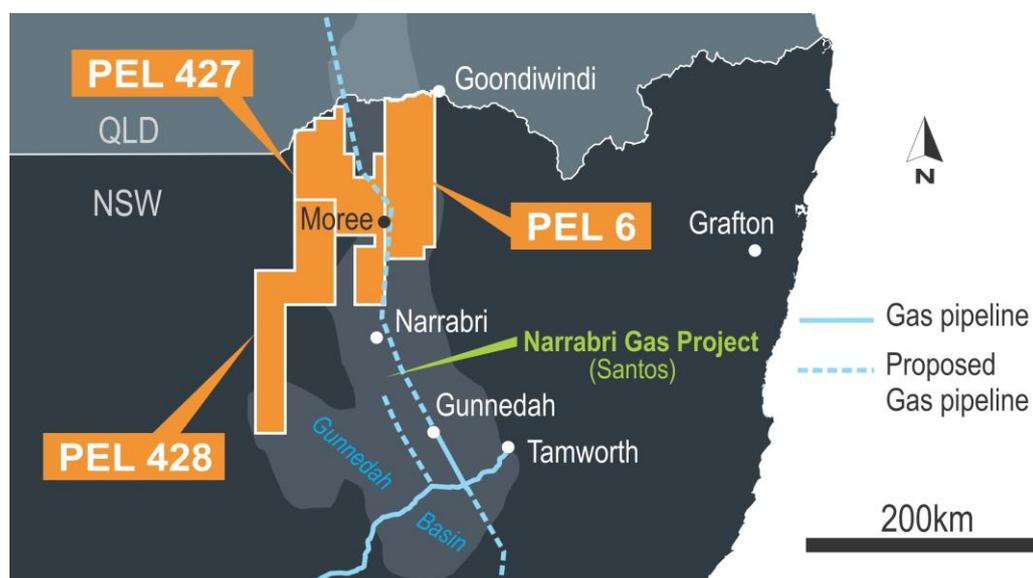


Figure 5 – Gunnedah Basin position

The Company believes that the well publicised and looming gas crunch in NSW is real. Retail and industrial customers will suffer because of minority ideological interests that are opposed to fossil fuels, who continue to spread fear and mistruths in the NSW media.

The Gunnedah Basin has a large volume of existing proven and probable gas reserves in the Santos and Energy Australia's Narrabri Gas Project, and also large potential for future gas reserves further north and west in Comet Ridge held acreage. 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'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 km².

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 and is the conventional Operator. Santos operates the CSG interest.

USA Interest

Comet Ridge Resources LLC (Comet Ridge 10.2%)

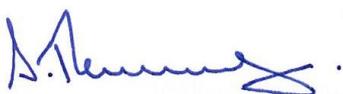
Comet Ridge Resources (**CRR**) has secured a partner for the re-entry and testing of up to three existing wellbores on part of its SE Colorado acreage position. Operations are expected to commence in the third quarter of this year.

Targets include the Mississippian and Pennsylvanian sections. Success in any of these wellbores is expected to lead to further drilling activity.

CRR has recently received a reprocessed version of its Falcon 3D survey and has commenced calibration and prospect mapping. This version of the seismic is aimed at identifying superior reservoir trends. CRR is proactively seeking an industry partner for the entire project area and for individual prospects.

In the northern Rockies, CRR's wholly owned subsidiary Comet Ridge Montana, LLC has commenced calibration and mapping of a new seismic volume that is again targeting good quality reservoir. CRR has drilled four wells on this play and is now seeking a partner.

CRR has greatly reduced its overhead costs in line with its strategy of bringing in partners for both plays.



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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 activities, 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 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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