



29 July 2016

June 2016 Quarterly Report

Highlights:

- Significant development study work undertaken at Mahalo
- Mahalo pilot maintains strong production rate
- Gas transportation MOU signed with APA for Galilee Basin as a key step in reducing east coast gas supply pressure

Australian Permits

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

Comet Ridge undertook a significant amount of analysis work during the quarter to examine the most efficient and cost effective way to move the northern pilot schemes in the block into production via available export pipeline capacity and field infrastructure (Refer Figure 1).

These studies focused on utilising existing infrastructure, wherever possible, to minimise capital spend and optimise the time required to initially bring the northern part of the Mahalo block into production.

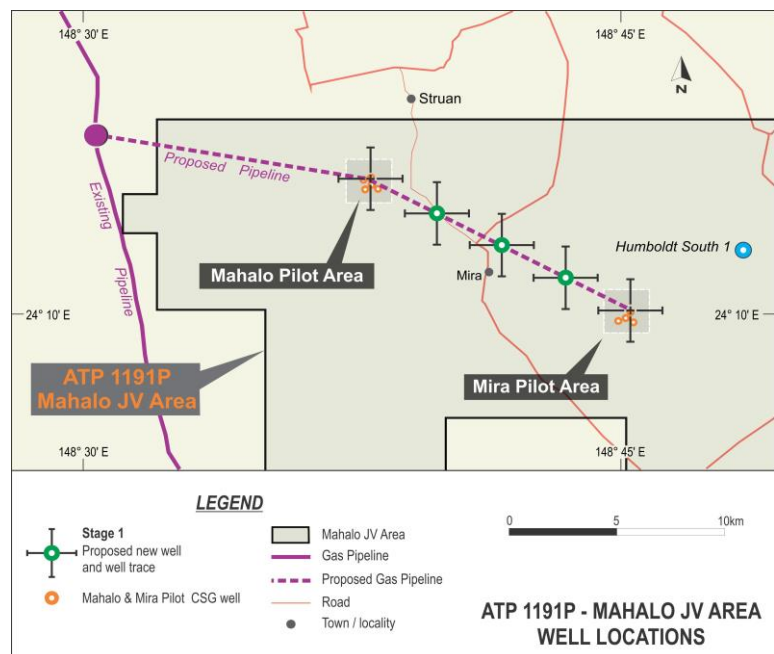


Figure 1 – Potential Mahalo northern field layout for 25 TJ/d initial production phase

Comet Ridge Limited T: +61 7 3221 3661 E: info@cometridge.com.au 283 Elizabeth St, Brisbane, Qld, 4000 Australia
 ABN 47 106 092 577 F: +61 7 3221 3668 W: www.cometridge.com.au GPO Box 798, Brisbane, Qld, 4001 Australia

ASX CODE: COI

Comet Ridge has defined a three step process as the most effective strategy to achieve initial Mahalo production, with the first part of Step 2 able to be commenced while Step 1 (the reserves upgrade) is underway:

1. Conversion of existing 3P reserves to 2P reserve category, targeting up to 550 PJ (gross to the Joint Venture) across the northern part of the block;
2. An initial production phase targeting 25 TJ/d of gas production from the northern part of the block, utilising existing facilities to minimise capex spend and construction time; and
3. Expanding the initial production phase to a full field target of 100 to 200 TJ/d of gas production based around the well production rates achieved from the initial production phase to guide full scale well positioning and plant design.

Work required for Step 1, the reserves upgrade, includes production enhancement at the Mira pilot and a single, step-out corehole.

These studies indicate that the cost of production from the initial production phase should be very low given:

- Strong gas flow rate from a very short horizontal well section;
- Shallow reservoir;
- Low water production rates; and
- Proximity to existing infrastructure to transport Mahalo gas to the Gladstone LNG market.

At an industry wide level, the fifth LNG train has commenced operating in Gladstone with a sixth and final train due to come on line later this year, requiring very significant gas volumes to meet capacity. As Mahalo has demonstrated its productive capacity, with low corresponding water rates, the Company believes that the asset will produce a significant volume of gas that can be operated at a very low cost of production which can be fed into either the LNG schemes or into substantial domestic demand.

The Mahalo Pilot Scheme maintained its strong production rate at approximately 465,000 scf/d throughout the quarter with one horizontal well and two vertical wells on line and one vertical well shut-in.

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

Comet Ridge entered into a non-binding Memorandum of Understanding (**MOU**) with APA Group (**APA**) during the quarter to work towards the transportation of gas from Comet Ridge's Galilee Basin permits to east coast gas markets.

The MOU provides a framework of cooperation between the parties to negotiate the commercial terms of a gas transportation agreement under which APA would build, own and operate new gas pipelines and associated gas gathering and production infrastructure connecting Comet Ridge's Galilee Basin gas projects to APA's existing Queensland gas pipeline network.

Comet Ridge has a very large acreage position in the eastern part of the Galilee Basin which is prospective for both sandstone gas and CSG development, including 100% interests in ATP 743 and ATP 744 and is increasing its interest in ATP 1015 to 100% (Refer Figure 2).

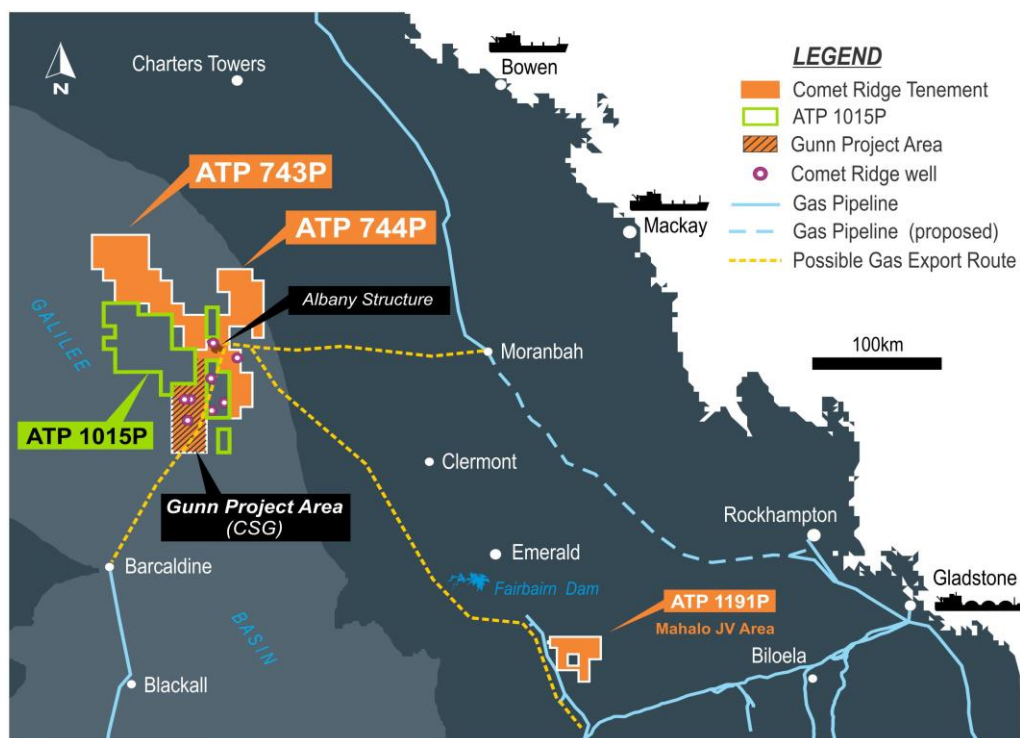


Figure 2 – Regional Location of Mahalo JV Area and Eastern Galilee Basin Blocks

The Company believes that given the size of Comet Ridge’s certified contingent gas resources in the Galilee Basin, there is significant potential for this gas to be transported to the southeast to satisfy the demand from LNG and industrial customers. The MOU with APA facilitates the transportation requirements with a group that owns and operates an extensive network of pipelines on the east coast of Australia with access to all the principal east coast markets.

Some preliminary work was completed during the quarter including consideration of likely pipeline export routes out of the basin and the most logical tie in points to existing infrastructure.

**Gunnedah Basin, NSW (Comet Ridge CSG equity: PEL 427: 59.09%, PEL 428: 68.42%, PEL 6: 29.55%)
(Comet Ridge Conventional equity: PEL 427: 100%, PEL 428: 100%, PEL 6: 99.7%)**

In late April, a renewal application for PEL 427 was submitted to the NSW government by the CSG operator. The Company is also awaiting formal approval for the renewals of PEL 6 and PEL 428 which were submitted in October 2015.

Comet Ridge’s large Gunnedah Basin position is shown in Figure 3. The current spend level on these permits is very low, in keeping with the delay that is occurring whilst the NSW government processes the permit renewal applications.

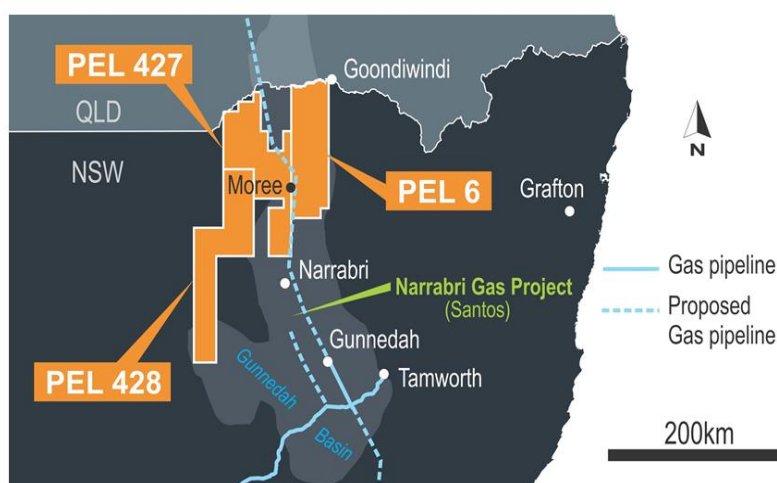


Figure 3 – Comet Ridge’s Gunnedah Basin position

A handwritten signature in blue ink, appearing to read 'S. Rodgers', with a stylized flourish at the end.

Stephen Rodgers
Company Secretary
Comet Ridge Limited

For further information please contact:

Tor McCaul
Managing Director
Comet Ridge Limited
tor.mccaul@cometridge.com.au
+61 7 3221 3661

COMET RIDGE LIMITED – OVERVIEW

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Comet Ridge Limited has significant Coal Seam Gas (CSG) projects in key regions of Queensland and northern New South Wales. Gas resources have been certified, by independent professional certifiers, at several projects and gas reserves were certified in 2014 and expanded in 2015, 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. Comet Ridge has 40% equity in the ATP 1191 Mahalo Block in the Bowen Basin, and CSG equity of 29.55%, 59.09% and 68.42% 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.



Comet Ridge Limited
ABN 47 106 092 577

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283 Elizabeth St, Brisbane, Qld, 4000
GPO Box 798, Brisbane, Qld, 4001