



30 January 2012

## December Quarterly Activities Report

- Comet Ridge completed divestment of a 5% interest in Mahalo, receiving \$7 million cash payment from Stanwell
- Comet Ridge secured additional \$8m expenditure carry at Mahalo in return for granting Stanwell an option to purchase an additional interest in Mahalo
- Extensive Seismic Acquisition Survey over Gunn Project Area in the Galilee Basin completed
- Considerable progress made on planning for 2012 appraisal drilling campaign
- Comet Ridge had available funds at 31 December 2011 of \$9.5 million

### Australian Permits:

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

Comet Ridge announced on 28 December 2011 that it completed the Sale and Purchase Option Agreement (SPOA) with the Queensland Government owned Stanwell Corporation Limited (Stanwell). The terms of this agreement were initially announced on 30 September 2011. Stanwell is a major domestic gas consumer, and Queensland's largest electricity generator.

The interest being divested is in the Mahalo Farm-in Area (ATP 337P Mahalo), which is the northern part of permit ATP 337P in the Bowen Basin in Queensland. Prior to this transaction, Comet Ridge held a 40% interest in ATP 337P Mahalo, with Santos QNT Pty Ltd and Australia Pacific LNG (Origin / ConocoPhillips / Sinopec) both holding a 30% interest.

Comet Ridge has sold a 5% interest in ATP 337P Mahalo to Stanwell in return for a cash payment of \$7 million. Stanwell has also been granted an option to purchase an additional 15% or 35% interest in this asset in exchange for carrying Comet Ridge's expenditure through the upcoming pilot programmes, which are planned for 2012. Stanwell will fund up to \$8 million of ATP 337P Mahalo expenditure commitments until the option exercise date, expected to occur at the end of 2013. At the option exercise date, Stanwell will have the right to purchase the additional interest based on a pre-agreed formula.

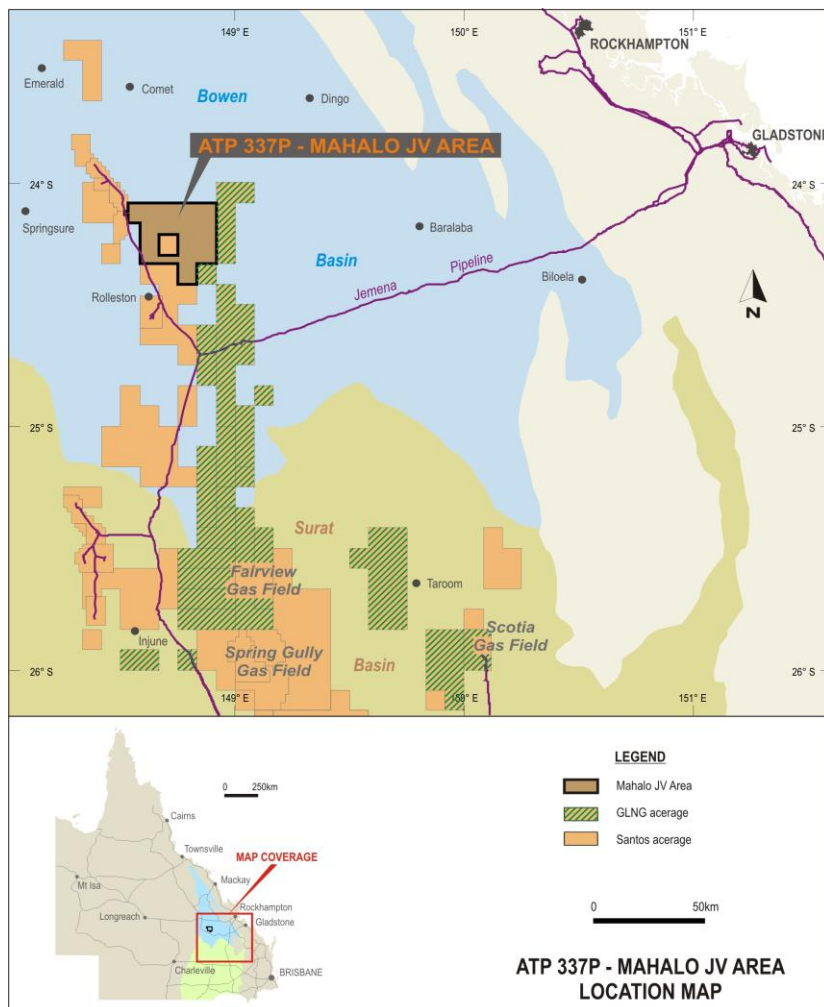
The key highlights of the transaction are as follows:

- The sale of an initial 5% interest in ATP 337P Mahalo for \$7 million;
- The grant of an option to acquire either an additional 15% (Option A) or 35% (Option B) interest in ATP 337P Mahalo in exchange for funding up to \$8 million of expenditure commitments associated with the 40% interest held by Comet Ridge and Stanwell in the upcoming ATP 337P Mahalo pilot programmes;

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- In order to exercise the Option, Stanwell will be required to pay Comet Ridge consideration based on the ATP 337P Mahalo certified 2P reserves as at 31 December 2013, but this reserves date may be extended to as late as 31 December 2014.



If Stanwell elects to exercise Option A, Comet Ridge will retain a 20% interest in ATP 337P Mahalo and continue to be exposed to further upside re-rating potential. The exercising of either Option is subject to Stanwell’s shareholders’ approval.

The ATP 337P Mahalo Joint Venture agreed its 2012 Work Programme and Budget during the quarter, and is finalising plans to implement this. The drilling of the first of two pilot wells in the permit was delayed from December 2011 until near the end of the first quarter of 2012 to avoid the potential for bad weather. This first pilot project is planned to be closely followed by the drilling of several additional core holes.

Figure 1 – ATP 337P Mahalo

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

Comet Ridge completed its 2D seismic acquisition survey in Queensland’s prospective Galilee Basin in October 2011. The survey was concluded with the total acquisition of 252 km of 2D seismic, with the seismic contractor released on 23 October.

The seismic programme was designed to define the structural nose observed in the Gunn Project Area, and will enable Comet Ridge to better locate future pilot production and appraisal wells. Processing of the seismic data was completed by the end of the quarter. Initial review of the processed data has shown the data quality to be excellent.

Interpretation of this data commenced subsequent to the end of the quarter and will be integrated into the current basin models. Further technical studies will continue in early 2012, and will have a major impact on Comet Ridge’s drilling programme in the Galilee Basin in 2012. Comet Ridge is planning to drill up to four coreholes in its Galilee Basin permits after the wet season is concluded (normally April/May). Preliminary planning is now underway including the tendering for a suitable drilling rig and associated services.

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The interpreted seismic data will enable the surface locations of the upcoming 2012 appraisal coreholes to be fine-tuned. These coreholes will, in turn, allow a pilot scheme to be optimally sited in the Gunn Project Area.

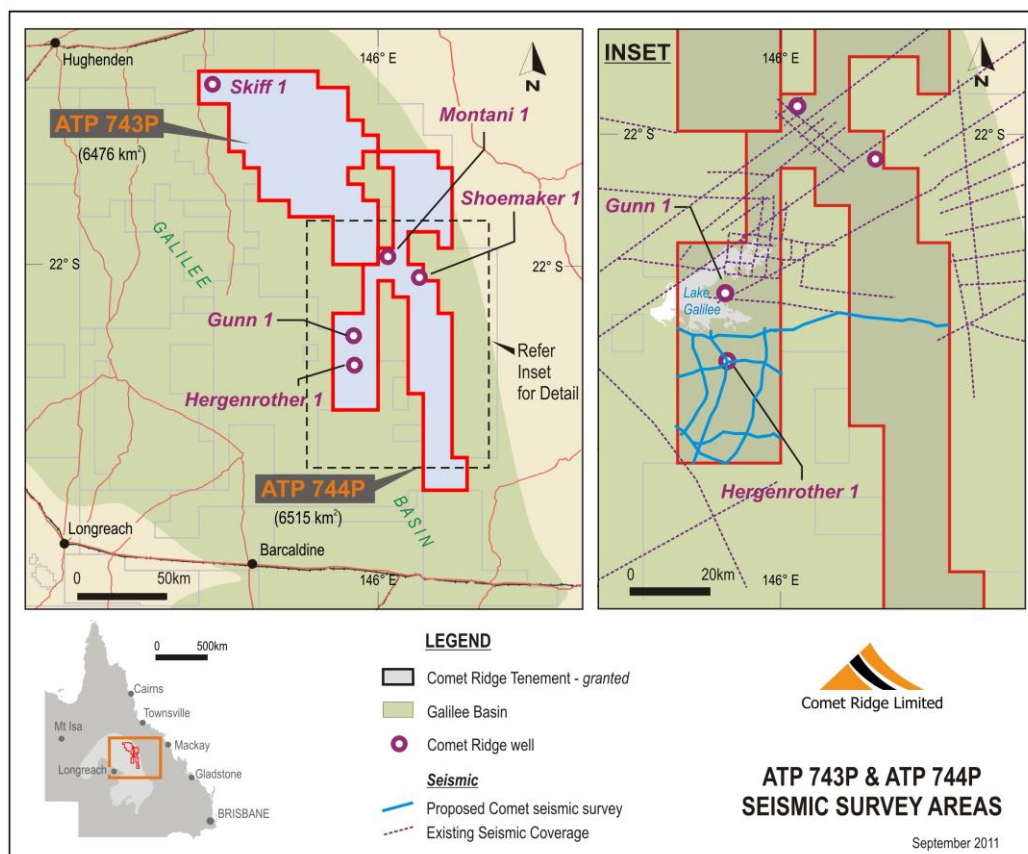


Figure 2 – ATP 744P Gun Project Area (GPA)

### **Galilee Basin Operators Forum (GBOF) & Water Management**

GBOF is a group of 10 petroleum and coal seam gas companies who are jointly undertaking and funding a detailed baseline water assessment report for the Galilee Basin, prior to any commercial gas production from that area.

The RPS Group, the expert hydrogeological consultancy undertaking the work on behalf of GBOF, completed the study during the Quarter which is now being technically reviewed. The study will be presented to the Central Western Queensland Remote Area Planning and Development Board (RAPAD), based in Longreach, and to the Queensland Water Commission (QWC). The RPS study will provide the QWC with a detailed and important historical reference for the Galilee Basin.

The website for the Galilee Basin Operator’s Forum can be found at [www.gbof.com.au](http://www.gbof.com.au).

### **PEL 427 and PEL 428 – Gunnedah Basin, NSW (Comet Ridge 25% & 40%)**

The ability to carry out the 2011 Work Programme continues to be delayed by a combination of land access concerns and an ongoing NSW Government review of CSG activities. The Joint Venture was not able to progress the planned field activities for 2011, but is working towards completing the Programme during 2012.

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State Government approval has been received for 2D seismic acquisition surveys in PEL 427 and PEL 428. However, while discussions with Local Governments and relevant landowners are progressing, suitable access arrangements have not yet been obtained for all aspects of the proposed surveys.

The State Government review of CSG activities has meant that permit renewals are also being delayed, affecting activities in PEL 427.

### **New Zealand Permits:**

#### **PMP 50100 Greymouth Block and PEP 50279 Buller Block – West Coast, South Island (Comet Ridge 100%)**

During the quarter, Comet Ridge completed the processing and interpreting of the data acquired in its recently completed Airborne Gravity Gradiometry (AGG) survey programme in PEP 50280. This is being incorporated into regional geological modeling of the West Coast in the South Island of New Zealand, which will help Comet Ridge identify the highest value CSG targets.

Comet Ridge has found the technology associated with the AGG survey, previous airborne magnetic surveys, and the detailed analysis by Canberra based consultancy, FrOGTech, to be very powerful and cost effective tools for improving understanding of regional geology and identifying new CSG plays. Comet Ridge is now evaluating opportunities to apply this technology to its CSG permits in Australia.

#### **PEP 50280 North Waikato, North Island (Comet Ridge 100%)**

During the quarter, Comet Ridge completed the processing and interpreting of the data acquired in its recently completed Airborne Gravity Gradiometry (AGG) survey programme in PEP 50280. This work has provided important insights into the geology and depositional environment of the study area.

The basin model resulting from this technical study has identified three CSG plays in PEP 50280, north of the Huntly CSG pilot project. Comet Ridge has the ability to test the key characteristics of these plays from a single well, which if successful would open up the CSG potential of all three plays.

### **USA**

#### **Comet Ridge Resources LLC (Comet Ridge 17.26%)**

During the quarter, Comet Ridge Resources LLC (CRR) drilled seven oil appraisal and development wells in the Florence Field of which, six wells were completed as producers. The Florence field was producing over 1,000 barrels of oil per day at the end of the quarter and produced 236,000 barrels of oil for the full year.

The Yeti Well at Grays Harbor in Washington State is scheduled for drilling in May/June 2012 after the winter rains subside.

CRR continues to actively evaluate a number of farm-in and acquisition opportunities in the USA.



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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 independently certified 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, 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 holds 25% and 40% equity respectively in PEL 427 and PEL 428 in NSW.

### Certified Resources

In executing our strategy, Comet Ridge has successfully independently certified the following Prospective and Contingent Resources:

Comet Ridge Limited – Net Recoverable Resources			
Project	Location	Contingent Resource (PJ)	Prospective Resource (PJ)
Gunn Project Area (ATP 744P)	Galilee Basin, Qld	1,870	597*
Mahalo Block (ATP 337P)	Bowen Basin, Qld	387	-
PEL 427 and PEL 428	Northern NSW	231	1022
PMP 50100 and PEP 50279	West Coast, Sth Island, NZ	244	-
<b>Total</b>		<b>2,732</b>	<b>1,619</b>

\*Where the auditor has detailed Prospective Resources in a range (low, middle and high) the mid-range case has been listed in the table.

### Work Program

Comet Ridge has an active exploration and appraisal work program for CSG projects in Queensland, northern NSW and New Zealand. The first Pilot Project for ATP 337P Mahalo is planned for 2011, with additional exploration and appraisal work planned for the Galilee Basin, northern NSW and NZ.



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