

  
Comet Ridge Limited

27 April 2018

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## March 2018 Quarterly Activities Report

- **Mira 6/2 horizontal-vertical well gas flow reaches 1 million scf/d**
- **Significant reserves upgrade achieved at Mahalo Block**
- **Comet Ridge reappointed as subsurface operator for Mahalo Block via agency agreement**
- **Vintage Energy farm-in to Galilee Deeps goes unconditional with funding confirmed**
- **Albany 1 Galilee appraisal well preparation completed for mid-May spud**

Comet Ridge Limited (ASX:COI) is pleased to provide its March Quarterly Activities Report on what has been a busy and highly progressive quarter for the Company.

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

### **Mira 6/2 well performance**

Following the successful field appraisal drilling programme conducted during the third and fourth quarters of 2017, gas production from the highly successful Mira 6/2 horizontal-vertical well combination grew strongly throughout the first quarter of 2018.

Figure 1 shows the growth in gas production, with the well passing the 1 million scf/d (standard cubic feet per day) milestone, shortly before the end of the quarter. Mira 6/2's performance reflects the operational effectiveness of reducing bottomhole pressure on the coal reservoir slowly and steadily.

Pleasingly, Mira 6/2 achieved the 1 million scf/d milestone while bottomhole pressure was still approximately 40 psi higher than the low point reached in the Mahalo 7/6 horizontal well, 13km to the northwest, when it was flow tested in 2015.

Comet Ridge has extrapolated the reservoir gas flow performance limit in the Mira 6/2 well to be approximately 1.2 to 1.3 million scf/d. However, the well's performance beyond 1 million scf/d is being impeded by the small diameter of the Mira pilot's surface flowline and flare system constructed in 2013, hence modifications will be made during the first phase of development.

Importantly, water production from the Mira 6/2 well has dropped significantly and is already down to approximately half the peak rate of 150 bwpd (barrels of water per day) recorded early in the quarter,

reconfirming the view that Mahalo Block wells are not significant water producers, providing a cost advantage for development.

The Mira pilot performance over the past few months has been exceptionally pleasing and demonstrated the key elements required for success in CSG development.

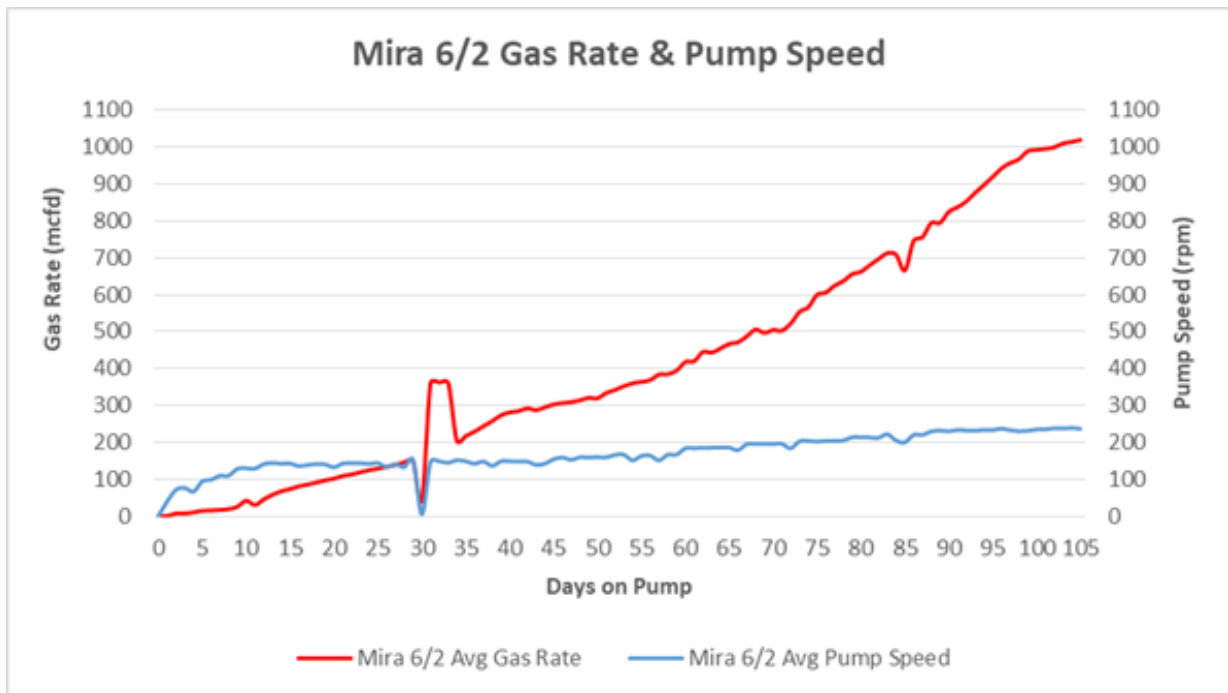


Figure 1 – Mira 6/2 gas rate from start up in December 2017 to end of March quarter 2018

### Significant Mahalo Block Reserves Upgrade

Leading on from the successful 2017 field programme and Mira 6/2’s exceptional production performance, Comet Ridge achieved a significant upgrade of reserves and resources during the quarter. This included a 473% increase in 2P reserves to 172 PJ, a 71% increase in 3P reserves to 374 PJ and maiden 1P reserve certification of 18 PJ.

This latest Reserves assessment was independently certified by MHA Petroleum Consultants, LLC (“MHA”) of Denver, Colorado. MHA has significant experience with the Mahalo Block having undertaken Comet Ridge’s maiden certification announced on 28 August 2014 and upgrade on 2 December 2015.

This latest upgrade is a key milestone as the Mahalo Project moves towards commercial gas production. Comet Ridge Managing Director Tor McCaul said: “This reserves upgrade is exceptionally pleasing and comes off the back of great support and co-operation within the Mahalo Joint Venture from Santos and APLNG during the 2017 work program.”

In accordance with the Society of Petroleum Engineers (“SPE”) 2007 Petroleum Resource Management System (“PRMS”) Guidelines as well as the 2011 Guidelines for Application of the PRMS approved by the SPE, MHA have updated the Reserves and Resources to COI’s net equity interest in Mahalo <sup>1,2</sup> using the deterministic method of petroleum reserves estimation.

Table 1 below summarises the changes to the Company’s reserves and resources position for Mahalo as of 5 March 2018.

**Table 1: Mahalo Independent Reserves and Resources Upgrade (COI Net Interest <sup>2</sup>)**

COI Net Equity Share <sup>2</sup>	Gas Reserves (PJ)			Gas Contingent Resources (PJ)		
	1P	2P	3P	1C	2C	3C
5 Mar 2018 certification: Mahalo Gas Project (ATP 1191)	18	172	374	224	385	389
2 Dec 2015 certification: Mahalo Gas Project (ATP 1191)	-	30	219	112	232	372
<i>Increase (PJ)</i>	<i>18</i>	<i>142</i>	<i>155</i>	<i>112</i>	<i>153</i>	<i>17</i>
<i>Increase (%)</i>	<i>N/A</i>	<i>473%</i>	<i>71%</i>	<i>100%</i>	<i>66%</i>	<i>5%</i>

1) COI through its subsidiary is in joint venture with Santos and APLNG.

2) COI has a 40% net equity share of Mahalo. The reported Reserves and Resources in the table represent the share attributable to COI.

### Comet Ridge Continues as Subsurface Operator

During the quarter, the Company executed a second agency agreement with Santos reappointing Comet Ridge to operate and manage the Mahalo 2018 Joint Venture Exploration Work Program and Budget in its capacity as agent for and on behalf of Santos as Exploration Operator.

In April 2017 Comet Ridge was appointed as agent for Santos in a similar capacity with responsibility to manage the field subsurface work in respect of the Mahalo 2017 Joint Venture Exploration Work Program and Budget (2017 Program).

The main field-based components of this work were under-reaming of Mira wells, a new corehole at Humboldt South 1 and a horizontal well through nearly 1km of coal at Mira 6. With the successful completion of the 2017 Program, Santos chose to re-appoint Comet Ridge to carry on managing the work program for 2018.

### Significant Environmental Studies Underway in Mahalo Block

Soon after Comet Ridge was re-appointed to manage the Joint Venture Exploration Work Program and Budget, the Mahalo JV unanimously approved the JV budget for 2018 and also approved a significant environmental study, including field-based sampling and monitoring work for both flora and fauna. This work is well underway and is expected to conclude in the third quarter of this year and will form the basis for state and federal environmental approvals for field development and pipeline applications for the Mahalo Block.

### **ATP 743, ATP 744 & ATP 1015 – Galilee Basin, Qld (Comet Ridge 100%, farming down ‘Deeps’ to 70%)**

Comet Ridge has a large acreage position of 9,685 km<sup>2</sup> in the eastern part of the Galilee Basin. This acreage contains 2,287 PJ of 3C Contingent Resources, which has been independently certified at two stratigraphic levels. These comprise sandstone gas (from a depth of approximately 2800m) in the Albany structure and also coal seam gas (CSG) in the Gunn project area (from a depth of approximately 700m).

## Vintage Energy Farm-in to Galilee 'Deeps' goes unconditional

During November 2017, Comet Ridge announced that an agreement to farm-out the Sandstone reservoir sequence of its Galilee Basin permits ATP743, ATP744, and ATP1015 (Galilee Permits) was executed with Vintage Energy Ltd (Vintage).

The farm-out does not include Comet's Galilee CSG project and relates only to the 'Deeps Area' (Deeps) within each of the Petroleum blocks, which is defined as all strata commencing underneath the Permian coals with the main target being the Lake Galilee Sandstone sequence. This reservoir section previously flowed gas to surface during formation testing at the Lake Galilee 1 and Carmichael 1 wells more than two decades ago.

Vintage, through this two-stage farm-in, plans to earn up to a 30% interest in the Deeps (Sandstone targets) by committing to spend approximately \$8.5 million, commencing with the majority funding of one conventional gas appraisal well on the Albany sandstone structure, close to where the Carmichael 1 well flowed gas in 1995.

All of the conditions relating to this transaction (including confirmation by Vintage that it has raised the funds for the Stage1 farm-in obligation), have been met and the agreement became unconditional during the March quarter. Figure 2 shows the very large Galilee Basin blocks and also the Albany 1 well position on structure.

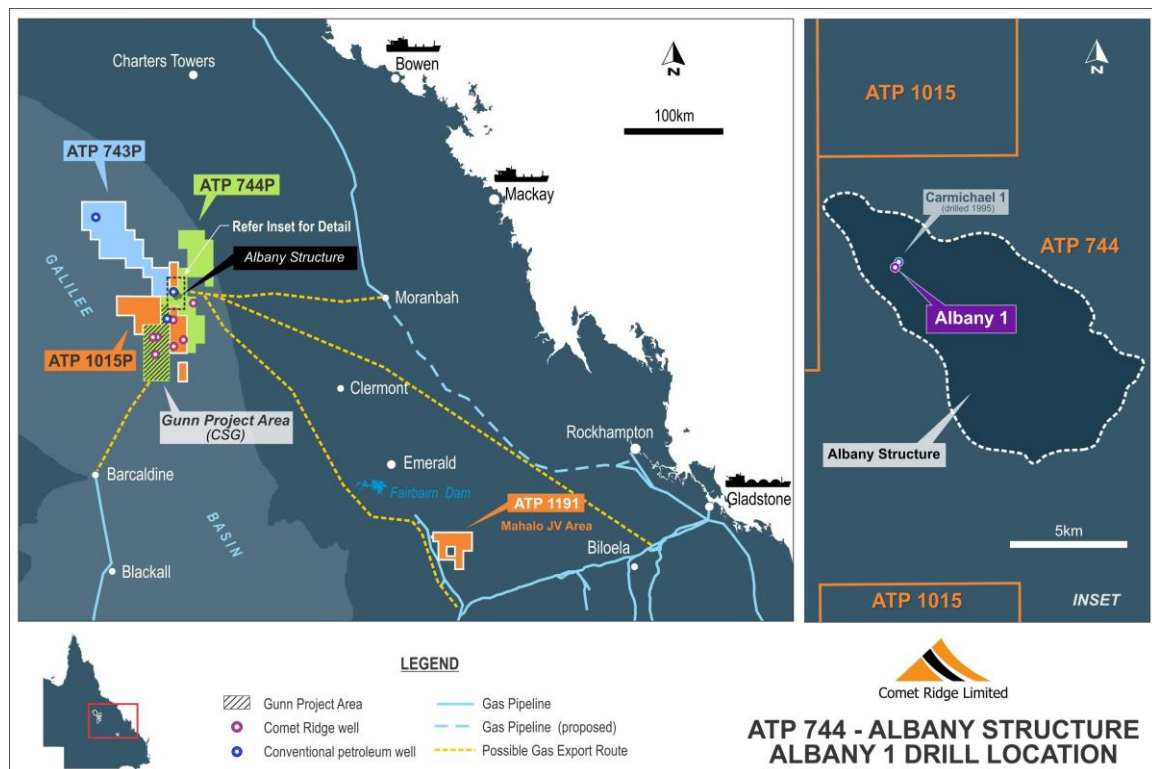


Figure 2 - Galilee Basin position with some of the possible pipeline connection options for Galilee Basin gas and Albany 1 location (inset)

### Albany 1 appraisal well drilling

Detailed design and planning for the first well to target the Lake Galilee Sandstones to a depth of 2,800m at Albany has been concluded. All major services contracts, including with Easternwell for Rig 101, are in



place. The drilling lease has been constructed (see Figure 3) with the cellar and conductor to be installed over the next few days.

The Company expects the rig to arrive on location in the middle of May after the current work the rig is undertaking is completed with another Operator. The last few hundred metres in the well will be drilled with nitrogen (rather than a water-based drilling mud) to minimise any damage from clay swelling or mud particles across the Lake Galilee Sandstone reservoir section.

### **Pipeline Export**

Pressure on east coast gas markets for more gas supply has not reduced and a number of available forecasts show a growing supply shortfall over the next several years. Work around a Galilee Basin pipeline connecting into the east coast market continues on a range of fronts. The focus for the Company over the next six to eight weeks, will be drilling and testing Albany 1.



Figure 3 - Albany 1 drilling lease ready for Easternwell Rig 101 in mid-May

### **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%)**

The Company continues to await approval of the renewals for PEL 6, PEL 427 and PEL 428.

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## Listing Rule 5.42

+ The details of Reserves and Contingent Resources referenced at page 3 of this Quarterly Activities report was originally contained in the Company's market announcement of 28 August 2014 and subsequently updated in an announcement dated 2 December 2015 and were further updated as detailed in the Company's announcement 6 March 2018 and were estimated using the deterministic method with the estimate of contingent resources for ATP1191 not having been adjusted for commercial risk.

COI confirms that it is not aware of any new information or data that materially affects the information included in any of the announcements relating to ATP1191 referred to above and that all of the material assumptions and technical parameters underpinning the estimates in the announcements continue to apply and have not materially changed.

## COMET RIDGE LIMITED – OVERVIEW

Comet Ridge Limited has a 40% interest in the Mahalo Coal Seam Gas (CSG) project located in Queensland's Bowen Basin. The Company also holds 100% interests in the Albany conventional gas project and Gunn CSG project in the Galilee Basin together with interests in three prospective licenses in 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 for the Mahalo project. 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's early entry into well-located exploration areas, has allowed shareholders to gain substantial leverage into the considerable upside value potential associated with exploration success.

Comet Ridge conducts gas 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 three blocks in the Galilee Basin. Comet Ridge has 40% equity in the ATP1191 Mahalo Block in the Bowen Basin and is now acting as agent for the Exploration Operator in order to manage work on the block. The Company also has 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.



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