

31 January 2020

December 2019 Quarterly Activities Report

Mahalo North (ATP 2048) - (Comet Ridge 100%)

Preferred Tender for ATP 2048

In October 2019, Comet Ridge was appointed preferred tenderer status for the natural gas acreage PLR 2019-1-2, in the Southern Bowen Basin, as part of the Queensland Government's most recent tender process. The block has subsequently been given the Authority to Prospect (ATP) number 2048, which the Company refers to as Mahalo North; see Figure 1.

Comet Ridge holds a 100% interest in, and is the operator of, the 450 km² Mahalo North. The block is located directly north and contiguous to the Mahalo Gas Project. Mahalo North is approximately half the size of the 911km² Mahalo block where the Company has an existing 40% non-operated interest and is the biggest equity holder. Mahalo North is subject to a domestic market obligation.

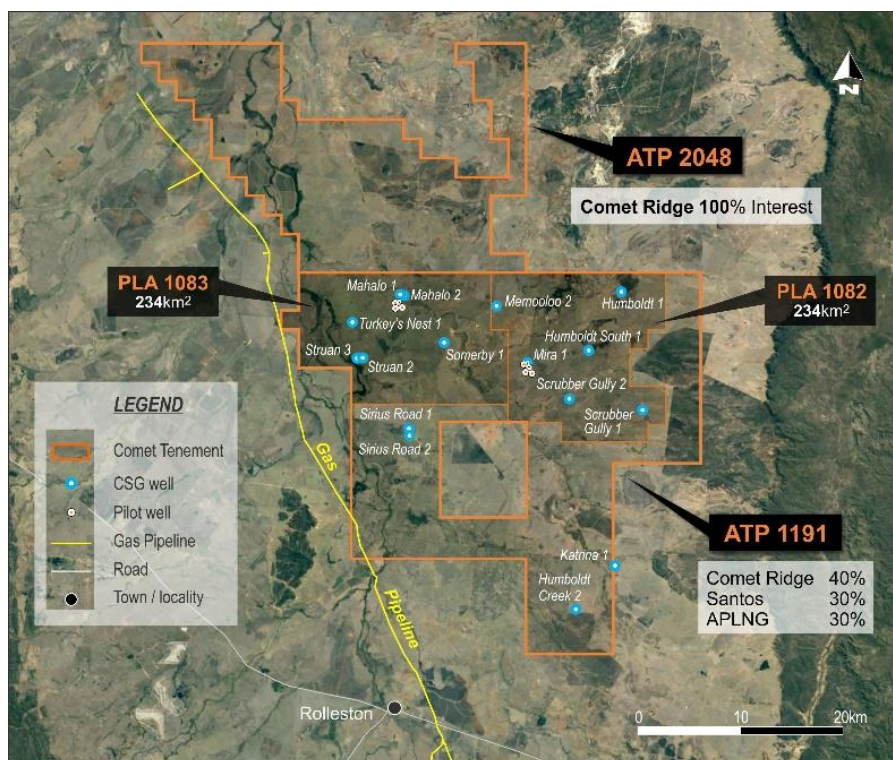


Figure 1 - Regional location of ATP 2048, Mahalo North and ATP 1191, Mahalo Gas Project.

A compelling east coast gas play

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Tor McCaul, Managing Director, said “this new block award was probably the most significant forward step for the company in the past 10 years, and as operator of the block, allows for a swift transition from appraisal to development. The most productive area of the Mahalo block are the shallow coals located in the northern part of the block which is contiguous to Mahalo North. It was very exciting to be awarded such a large new block, at 100% equity, that contains an extension of these same coal reservoirs.”

Since being appointed, Comet Ridge has commenced the processes required for the granting of ATP 2048, including environmental and native title clearances, and has held initial discussions with some of the landholders who will be included in the first-year work programme.

The initial development fairway identified in the Mahalo Gas Project area can be traced into the Mahalo North block through the same coal reservoir; see Figure 2. While there have been limited dedicated CSG wells drilled in Mahalo North to date, the extensive dataset of coal exploration boreholes and 2D seismic provide a very high confidence that the gas accumulation in the very prospective shallow coals extends into Mahalo North. Development of the Mahalo Gas Project is initially targeted around the productive shallow coals in the north, which are currently mapped to extend well into the new Mahalo North block and were confirmed by the Luton 2 well (see Figure 2) - drilled by a previous operator.

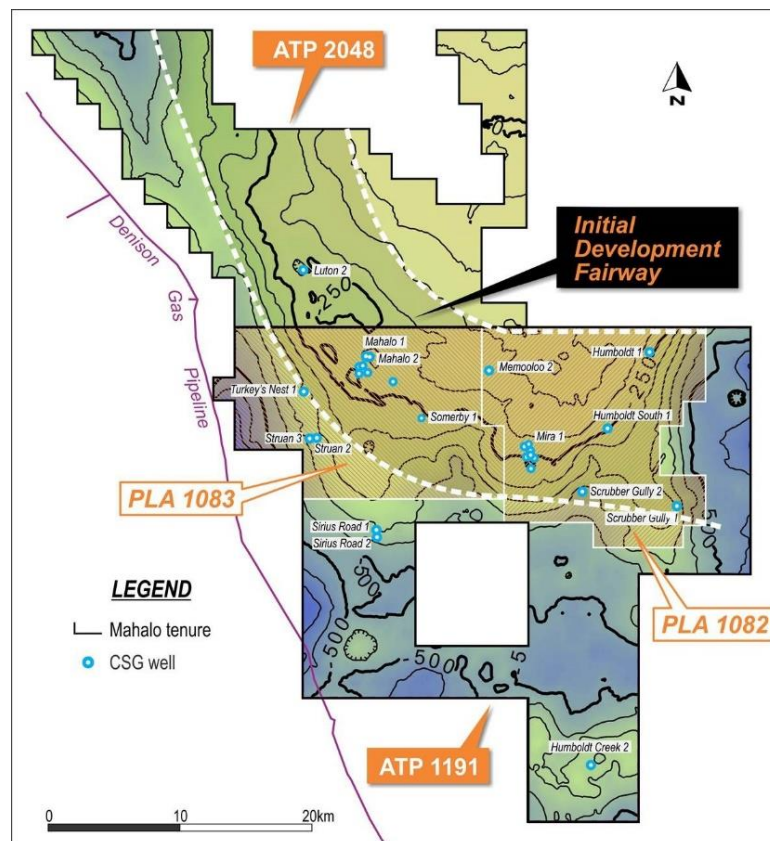


Figure 2 - Comet Ridge first assessment of the initial development fairway running up from the Mahalo Gas Project into ATP 2048, Mahalo North, including location of Luton 2 well.

Comet Ridge has divided the CSG fairway at Mahalo North into two zones. The zone around and south of Luton 2, and contiguous with the Mahalo Gas Project, will be targeted for immediate evaluation and development, and is expected to be brought into production in the same timeframe, or possibly before, the Mahalo Gas Project.



Signed Letter of Intent with Denison Gas

In November 2019, Comet Ridge signed a non-binding letter of intent with adjacent gas producer and infrastructure owner Denison Gas (Queensland) Pty Ltd, to explore the possible options of gas processing and transportation services. The deal will allow discussions for up to 10 terajoules per day (TJ/d) of Comet Ridge's Mahalo North gas to be processed and transported via the Denison Gas Pipeline, which runs down the western side of Mahalo North and connects to the Queensland Gas Pipeline, linking to Gladstone and the domestic market.

Tor McCaul said first gas from Comet's flagship Mahalo Project remained a priority for the company but early 100% gas from its neighbouring Mahalo North has strong economic appeal. Building up to 10 TJ/d of gas to market from the Mahalo North block, commencing in 2021, would generate solid revenue for Comet Ridge. This goal could be realised with minimal capital spend, including a short tie-in connection that could be just several kilometres long.

Mahalo (ATP 1191 becoming PLA 1082 and 1083) - (Comet Ridge 40%)

Continued refinement of the Initial Development Plan

The Joint Venture Development Operator, APLNG (Origin Energy (ASX:ORG) is the upstream operator for APLNG) has continued to work towards formalising the development plan and "start-up" scope of work for the Mahalo asset. Several engineering studies in gas and water handling facilities, well design and field layout have progressed during the quarter. Reservoir modelling work, focussed on development well designs of up to 1800 metres, has demonstrated increasingly more positive economic value for the project, due to increased gas rates and recoveries for the development wells, and an overall reduction in total wells for the project.

It is anticipated that both State and Federal environmental approvals for the development will be received by mid-year.

Reserve Revision

On 30 October 2019, Comet Ridge provided an update of the Mahalo Asset reserves and resources, which saw a downgrade.

These changes were due to the following key points:

- Significant well reduction from Comet Ridge's original development plan to the Operator's latest development plan, moving from vertical wells to largely lateral wells for production over two main coal seams;
- Revision of Petroleum Resource Management System in June 2018;
- Additional well data, updating our understanding of the field and recovery factors;
- Petroleum Lease Applications; and
- Contingent Resource development scenarios.

For further detail, please refer to ASX Announcement *Comet Ridge Awarded 100% Interest in Mahalo North Block/Mahalo Reserves and Resources Revision, dated 30 October 2019*.

The independent reserves auditor MHA Petroleum Consultants LLC Inc issued its updated estimate of reserves and resources for the Mahalo Asset, which resulted in a reduction, as detailed in the table below.



COI Net Equity Share ²	Gas Reserves (PJ) ³			Gas Contingent Resources (PJ)		
	1P ⁴	2P	3P	1C	2C	3C
5 Mar 2018 certification: Mahalo Gas Project (ATP 1191)	18	172	374	224	385	389
30 Oct 2019 certification: Mahalo Gas Project (ATP 1191)	Nil ⁵	106	183	53	89	154
<i>Change (PJ)</i>	-18	-66	-191	-171	-296	-235
<i>Change (%)</i>	N/A	-38%	-51%	-76%	-77%	-60%

Note: Gas Reserves and Resources numbers have been rounded to the nearest whole number. Refer to Competent Person's Statement in Appendix 2 of this Announcement.

1) COI through its subsidiary is in joint venture with Santos and APLNG (Origin Energy (ASX:ORG) is the upstream Operator for 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.

3) COI's net Reserves have not been adjusted for fuel or shrinkage (estimated at approximately 1%) and have been calculated at the wellhead (which is the reference point for the purposes of Listing Rule 5.26.5).

4) In accordance with the revised Petroleum Resources Management System guidelines introduced June 2018 1P Reserves have been determined as not viable on a standalone economic basis.

5) In consideration of 1P reserves, if the volume attributed is not considered economically developable in isolation from lower reserve categories (2P & 3P), then the Company has taken a view not to include this category of reserve.

Galilee Basin, Qld - ATP 743, 744 & 1015 (Comet Ridge 100% in "Shallows", 70% in "Deeps")

Albany Drilling Campaign

During the quarter, Comet Ridge drilled the Albany 1 ST and Albany 2 wells and commenced the stimulation programme for these wells.

Albany 2 was drilled to a total depth of 2702 metres and wireline logs were run, indicating good reservoir quality and the presence of gas in the target reservoir. Over 60m of conventional core was successfully recovered and is currently in various stages of analysis to aid in the understanding of the reservoir in the basin. Logging operations to take pressure measurements were interrupted by the logging tool getting stuck in the hole. Two weeks were spent fishing for the tool and part of the tool was successfully recovered.

The Albany 1 ST well was drilled to a total depth of 2822 metres, with strong gas shows being measured through the target reservoir. Logs, including standard conventional logs, a reservoir imaging log and a formation pressure log, were successfully run on Albany 1 ST.

In December 2019, Comet Ridge, as Operator of the Deeps JV, commenced the stimulation programme on Albany 2. Three prospective sandstone reservoir zones in the mid to upper portion of the Lake Galilee Sandstone sequence were successfully treated with significant volumes of ceramic proppant. Operations were paused during the Christmas break and during this break, wellhead pressure built up to approximately 100 psi. In early January 2020, nitrogen was used to help flow back stimulation fluid.

At the time of writing the Quarterly Activities report, the area around the Albany wells has received significant rain fall, resulting in a suspension of activities at the well sites.



Gunnedah Basin, NSW (PEL 6, 427 & 428) - (Comet Ridge 29.55%, 59.09%, 68.42% in CSG & 97.5%,100%,100% in conventional targets)

Comet Ridge notes the recent agreement between the Federal and NSW governments to facilitate increased gas supply, lower emissions and provide a more stable power supply. Comet Ridge has a large CSG and conventional gas acreage position (13,000 km²) in northern central NSW which has significant potential, with contingent resource volumes previously being independently certified. The Company believes that NSW needs to develop its own sources of natural gas to provide vital support to local industry.

Corporate

Board Appointment

On 16 October 2019, Mr Shaun Scott, former Arrow Energy CEO, was appointed as a non-executive director to the Board of Comet Ridge. Mr Scott is an experienced independent non-executive director on both public and private boards. As an executive, Mr Scott was CEO of Arrow Energy Limited and was instrumental in taking this business from a \$20 million coal seam gas explorer to a significant gas and energy producer and leader in the development of the Queensland LNG industry, until Arrow's \$3.5 billion acquisition by Shell and Petro-China in 2010.

At the Board level, Shaun has operated as Chairman and non-executive director of a number of publicly listed companies and Chaired numerous Board sub-committees. Mr Scott has specific expertise and experience in business strategy, negotiations, financial and risk management, executive remuneration, governance and safety leadership.

Strategic Review

On 11 November 2019, Comet Ridge announced it was undertaking a strategic review of the Company and its multiple assets. The asset portfolio has broadened and evolved significantly in recent years, leading to effectively two asset classes; near term production assets in Mahalo and Mahalo North and large earlier stage exploration and appraisal assets in the Galilee and Gunnedah Basins.

The strategic review is ongoing with the Board looking to provide further guidance before the end of the March 2020 quarter.

Capital Raising and Investment by Directors

On 27 November 2019, Comet Ridge announced it had successfully raised \$10 million at 19 cents per share via a placement with institutional investors and high net worth individuals. On the same day the Company launched a Share Purchase Plan (SPP), which closed on 17 December 2019, raising a further \$1.6 million, also at 19 cents per share.

Subsequent to the placement, non-executive directors Shaun Scott and Martin Riley purchased on market \$114,000 and \$76,000 in shares, respectively.

As part of the SPP, both James McKay (Chairman) and Tor McCaul (Managing Director), acquired \$30,000 in shares at 19 cents per share.



Cash Position

As at 31 December 2019, Comet Ridge had \$12.7m cash on hand (un-audited).

Shares and Performance Rights Position

From the placement and the SPP, 61,123,607 shares were issued bringing the total number of shares on issue at 31 December 2019 to 789,000,030.

At the AGM, shareholders approved the issue of a further 2,500,000 performance rights to the Managing Director. On 31 December 2019, 2,275,000 performance rights lapsed, resulting in 5,700,000 performance rights on issue at 31 December 2019.

By Authority of Board per: Tor McCaul, Managing Director

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About Comet Ridge

Comet Ridge Limited (ASX: COI) is a publicly-listed Australian energy company focused on the development of gas resources for the east coast Australian market. The company has tenement interests and a suite of prospective projects in Queensland and New South Wales. Our flagship Mahalo and Mahalo North projects are low cost, sales spec gas plays close to Gladstone, targeting first gas by 2021. Our exploration assets in the Galilee and Gunnedah basins offer further upside amid increasing domestic and international demand for gas as a source of cleaner energy.