

31 July 2020

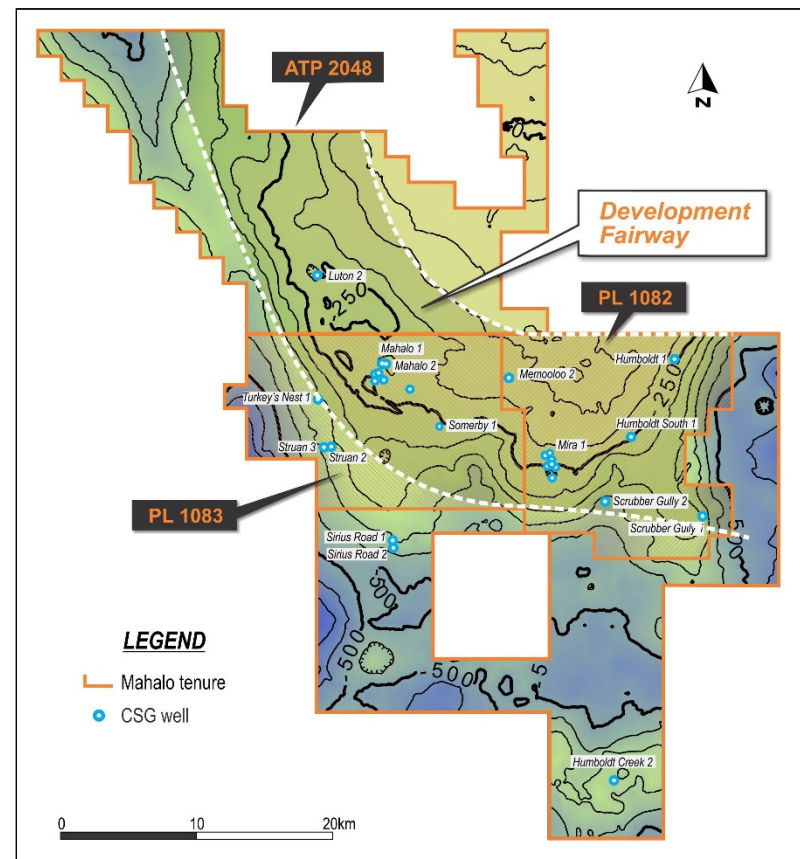
June 2020 Quarterly Activities Report & Appendix 5B

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

ATP 2048 Update

At the end of April 2020, Comet Ridge Limited (ASX:COI) announced it had formally met the conditions for award of the Authority to Prospect No 2048 (ATP 2048) and had been awarded the block by Queensland's Department of Natural Resources, Mines and Energy (DNRME).

The award of the block to Comet Ridge as 100% equity holder followed the Environmental Authority (EA) approval from the Department of Environment and Science and formal execution of a Native Title Agreement over the block.



This is the first block the Company has held that is close to infrastructure and with 100% equity.

The block is also large and highly prospective, given it sits just north of the Mahalo JV area where Comet Ridge is a 40% equity holder and has a deep geologic understanding and a significant amount of geological data.

Figure 1 details the CSG Fairway running up into the Mahalo North block from Mahalo.

Figure 1 – Map of the CSG Fairway running from Mahalo into the Mahalo North acreage

A compelling east coast gas play

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Recently integrated (additional) third party, high quality, seismic data has increased our confidence in the productive coal fairway and the ability of strategically placed pilots to deliver meaningful gas volumes. The high quality of the newly obtained seismic data means it is likely that a further planned seismic survey will not be necessary and that appraisal and initial development wells can be located based on the data already available and interpreted.

Based on the extensive data set within the Mahalo Gas Project, Comet Ridge has modelled that a dual lateral well in this fairway could flow in the range of 2 to 3 TJ/d. This is consistent with observed well performance from both Mahalo 7 and Mira 6 lateral wells and will be refined following testing of the initial Mahalo North pilot wells. Both the Mahalo 7 and Mira 6 lateral wells at Mahalo, although drilled in the same highly prospective fairway at the same depth range, were significantly shorter wells than are currently planned for Mahalo North (361m and 924m actual “in-coal” lateral lengths versus 1500m to 1800m planned lateral lengths for new wells).

Modelling of Mahalo North production suggests that the block has the potential to deliver up to approximately 20 TJ/d, which at 100% equity provides a very meaningful gas sales volume in addition to Comet Ridge’s 40% share of planned production from the Mahalo Gas Project.

A number of parties have expressed an interest in purchasing gas from Mahalo North, which has a domestic market requirement. Whilst COVID-19 has restricted the Company’s ability to conduct field work, Comet Ridge is progressing options for pilot appraisal and development funding, gas transportation and gas sales.

Existing infrastructure near to Mahalo North, as well as the potential to supply gas to substitute diesel at nearby coal mines, provides for a staged development profile and early production from Mahalo North. Figure 2 (below) shows the location of Mahalo North to nearby coal mines and the Greater Mahalo Development Area.

At the end of the quarter, Comet Ridge made an application to Queensland Government for a Petroleum Survey Licence (PSL) for the Greater Mahalo Development Area. When granted, this will permit the Company to better locate gas facilities, flowlines and pipelines.



Figure 2 – Map of Greater Mahalo Development Area with Comet Ridge’s 100% Mahalo North & 40% Mahalo Gas Project



Mahalo (PL 1082 and 1083) – (Comet Ridge 40%)

Significant Government Approvals Achieved

While the Company's recent focus has been primarily on Mahalo North, over the course of the June quarter the Mahalo Joint Venture received three key government approvals for the Mahalo Gas Project. These were:

1. The Department of Agriculture, Water and the Environment approval under the Commonwealth Government Environment Protection and Biodiversity Conservation Act (EPBC). This was the first of two environmental steps required for the project to move forward to production.
2. Approximately one month later, the Queensland Department of Environment and Science gave its environmental approval for the Mahalo Gas Project.
3. Finally, at the end of the quarter, the Queensland DNRME granted Queensland Petroleum Leases (PLs) 1082 ("Humboldt") and 1083 ("Mahalo") for a term of 30 years. These Petroleum Lease awards are the final joint venture regulatory approval required for the project to move forward to production.

The Mahalo Gas Project is held 40% by Comet Ridge, 30% by Santos (ASX:STO) and 30% by APLNG (where Origin Energy (ASX:ORG) is the development Operator) and is located in Figure 2 (above). The Joint Venture participants have undertaken many years of exploration, appraisal and development planning activities to prove up Mahalo as a valuable development-ready gas project and the Company is very pleased full regulatory approval has been received. Comet Ridge is now able to realise full value for the asset.

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

Albany Drilling Campaign

Since the decision to demobilise, COVID-19 developments have caused Comet Ridge to suspend the planning of field operations in the Galilee Basin, to ensure the safety and well-being of employees and contractors. This includes any further stimulation testing at Albany. The Company's short-term focus remains on bringing Mahalo North (100% equity) on-line as quickly as possible, to achieve a positive revenue stream. Planning of future evaluation and appraisal activities for both of the Company's assets (100% in shallow coals from the Betts Creek Formation and 70% JV in the Deeps for the Lake Galilee Sandstone conventional targets) in the Galilee Basin continues – see Figure 3.

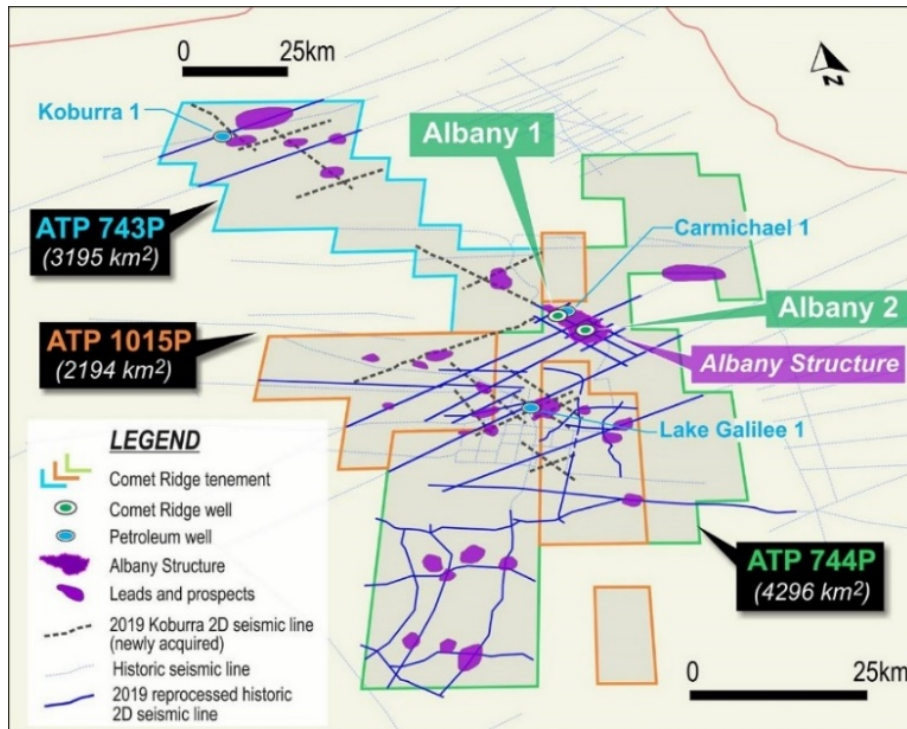


Figure 3 – Comet Ridge extensive Galilee Basin position in both “Shallows” for coal targets and “Deeps” for conventional targets

A number of invoices relating to Albany 2 and Albany 1 side-track drilling, stimulation and nitrogen lifting costs were paid in the early part of the June quarter to finalise the field programme that ran from 3Q 2019 to 1Q 2020. All Galilee costs from 2019 and early 2020 are now fully paid, including all equipment demobilisation charges.

Corporate Activities

Management Change

In support of the Company’s sharpened drive for efficiency, and particular focus on the 100% held and newly awarded Mahalo North block (ATP 2048), the board decided that the CFO role is more cost effectively filled on a part-time rather than full time basis. Subsequently, Mr Peter Harding-Smith left the Company, effective 22 May 2020.

The Company subsequently announced the appointment of Mr Phil Hicks as Chief Financial Officer, effective 1 July 2020. Mr Hicks is a qualified Chartered Accountant with significant capital markets, corporate and project finance experience. He has worked across the resources sector in many areas including M&A, strategy, financing and investor relations. After completing a Bachelor of Business (Accounting) degree, and later a Graduate Diploma of Applied Finance and Investment, Mr Hicks commenced his career with KPMG in an audit role. He later worked for Ernst & Young before spending 13 years at Wilson HTM where he became Head of Corporate Finance. In 2012, he co-founded Integra Advisory Partners Pty Ltd and has been an advisor and consultant to ASX listed companies, including Comet Ridge. The appointment of Mr Hicks as CFO is on a part-time contract basis.



Research and Development Tax Incentive Refund

The Company made an 'advanced finding' application to AusIndustry to confirm the drilling and testing activities undertaken in relation to Albany 1 in the Galilee basin are eligible core and supporting research and development activities; as defined in the Income Tax Assessment Act 1997 (Cth). The Company received a favourable finding in June 2020, confirming its eligibility to receive a refundable R&D tax offset for costs incurred on these activities conducted in the 2018, 2019 and 2020 financial years. Comet Ridge expects to receive a refund in the September quarter of approximately \$1.1 million net of costs for the 2018 and 2019 years. An application for the 2020 financial year will also be made in the coming months and a further refund may be received in the December quarter.

Cash Position

As at 30 June 2020, Comet Ridge had \$4.636m cash on hand (un-audited).

As outlined above, the cash balance at 30 June 2020 was impacted by the finalisation of all contractor payments for the Galilee Deeps program (COI 70% share) at the beginning of the June quarter. With a significantly reduced exploration and evaluation spend planned for future quarters, project funding initiatives, expected R&D refunds and expenditure reductions announced on 31 March 2020, the Company has a cash runway late into 2021.

Payments to Related Parties

The aggregate amount of payments to related parties and their associates of \$165k for the June quarter (shown in item 6.1 of the attached Quarterly Cashflow Report) relates to cash fees paid to Directors (including the Managing Director).

Shares and Performance Rights Position

No shares were issued during the quarter, with the total number of shares on issue at 30 June 2020 of 789,000,030. The Company also has 4,100,000 performance rights on issue at 30 June 2020.

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. 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.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

COMET RIDGE LIMITED

ABN

47 106 092 577

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows		Current quarter	Year to date (12 months)
		\$A'000	\$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		-	-
1.2 Payments for:			
(a) exploration & evaluation		(3)	(20)
(b) development		-	-
(c) production		-	-
(d) staff costs		(144)	(1,001)
(e) administration and corporate costs		(451)	(1,668)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		46	125
1.5 Interest and other costs of finance paid		-	-
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	-
1.8 Other - JV recoveries		381	-
1.9 Net cash from / (used in) operating activities		(171)	(2,564)
2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities		-	-
(b) tenements		-	-
(c) property, plant and equipment		(2)	(13)
(d) exploration & evaluation		(4,172)	(16,873)
(e) investments		-	-
(f) other non-current assets		-	-
2.2 Proceeds from the disposal of:			
(a) entities		-	-
(b) tenements		-	-
(c) property, plant and equipment		-	-
(d) investments		-	-
(e) other non-current assets		-	-
2.3 Cash flows from loans to other entities		-	-
2.4 Dividends received (see note 3)		-	-
2.5 Other (Restricted cash term deposits)		-	(2)
2.6 Net cash from / (used in) investing activities		(4,174)	(16,888)


Consolidated statement of cash flows		Current quarter	Year to date (12 months)
		\$A'000	\$A'000
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	11,614
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(524)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	11,090
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,981	12,998
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(171)	(2,564)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,174)	(16,888)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	11,090
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,636	4,636
5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,636	8,981
5.2	Call Deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,636	8,981
6.	Payments to related parties of the entity and their associates	Current quarter \$A'000	
6.1	Aggregate amount of payments to related parties and their associates included in item 1	165	
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-	
Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.			
7.	Financing facilities Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the source of finance available to the entity.	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have not been entered into or are proposed to be entered into after the quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(171)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(4,172)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(4,343)
8.4	Cash and cash equivalents at quarter end (item 4.6)	4,636
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	4,636
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.1
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise a figure for the estimated quarters of funding available must be included in item 8.7.</i>		
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows from the time being and, if not, why not?		
<div>Answer:</div> <p>No. The net operating cash flows of the Company for future quarters will be significantly lower compared to the quarter ended 30 June 2020. Of the \$4,172k capitalised exploration & evaluation expenditure included in item 8.2 above, \$3,547k related to the finalisation of the Galilee Deeps work program in ATP744. Expenditure for this project for future quarters will be reduced to tenure management activities. As announced to ASX on 31 March 2020, the Company has made reductions to its staff and contractor costs as well as agreeing to pay directors in equity rather than cash (subject to shareholder approval) from the commencement of the June 2020 quarter.</p>		
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?		
<div>Answer:</div> <p>No. The Company has no plans to raise further cash for the reasons outlined in question 8.8.1 above. The Company also expects to receive a Research & Development Tax Incentive refund relating to expenditure on the Galilee Deeps exploration program for the 2018 and 2019 financial years of approximately \$1.1 million (net of costs) during the September 2020 quarter. A further refund for the 2020 financial year may be received in the December 2020 quarter.</p>		
8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?		
<div>Answer:</div> <p>Yes. The Company is able to continue its operations and meet its business objectives based on its current cash balance and for the reasons outlined in 8.8.1 and 8.8.2 above.</p>		
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>		

Compliance statement

1. This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
2. This statement gives a true and fair view of the matters disclosed.

Date: 31-07-20

Authorised by: 
By the Authority of the Board

Print Name: Stephen Rodgers
Company Secretary

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: *Exploration for and Evaluation of Mineral Resources* and AASB 107: *Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the *[name of board committee – eg Audit and Risk Committee]*". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.