

30 October 2020

September 2020 Quarterly Activities Report

Highlights

- Mahalo Gas Project awarded two Petroleum Leases by the Queensland Government.
- Two new gas blocks (Mahalo East and Mahalo Far East) competitively awarded to Comet Ridge by the Queensland Government in the emerging Mahalo Gas Hub area.
- One of the new blocks, Mahalo East, has been granted Authority to Prospect (ATP) 2061 for an initial term of six years, meaning appraisal activities can commence in parallel with the Mahalo North block.
- MOU signed to assess the feasibility of the supply of Mahalo North pilot gas to displace diesel and/or for the generation of behind the fence power in nearby coal mines.
- Petroleum Survey Licence (PSL) 2048 has been issued to Comet Ridge including the export route from the Mahalo Gas Hub area to pipeline infrastructure to the south.
- R&D tax incentives received during the quarter totaling \$1.293m.
- The Mahalo Gas Hub area project funding process is progressing with interested parties.

Mahalo Gas Hub Area

Two new 100% owned and operated blocks awarded to Comet Ridge

Comet Ridge announced on 21 September 2020 that it was awarded two additional gas blocks by the Queensland Government in the Company's emerging Mahalo Gas Hub area.

Details of the new blocks awarded 100% to Comet Ridge are noted below:

1. PLR2020-1-1 (**Mahalo East**) covers an area of 97 km² and is located immediately east of Mahalo North (and north of the Mahalo Gas Project) in the same high-quality gas fairway; and
2. PLR2020-1-2 (**Mahalo Far East**) covers an area of 338 km² and is located slightly further east again. This block is interpreted to contain the north-eastern extent of the high-quality gas fairway and to have a very large gas in place volume, providing significant potential upside within the Mahalo Gas Hub.

A compelling east coast gas play

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These blocks also contain conventional (sandstone) gas potential underneath the coals, which Comet Ridge will also hold at 100% equity. Appraisal and development of gas from these blocks will consider the entire gas volume available (coal seam gas and conventional gas).

Very close behind the announcement as preferred tenderer for these two new blocks, the Company was granted Authority to Prospect (ATP) 2061 for the Mahalo East block for an initial term of six years. Award of the ATP for the Mahalo Far East block will take a number of months to complete as more native title and environmental planning work is required across this larger area. The new blocks have an Australian domestic gas market requirement, with several industrial customers expressing interest in purchasing gas from these blocks.

When combined with the Mahalo Gas Project and the 100% owned Mahalo North project, these two new 100% awarded blocks provide Comet Ridge with a dominant position in this emerging Mahalo Gas Hub area (refer *Figure 1* below).

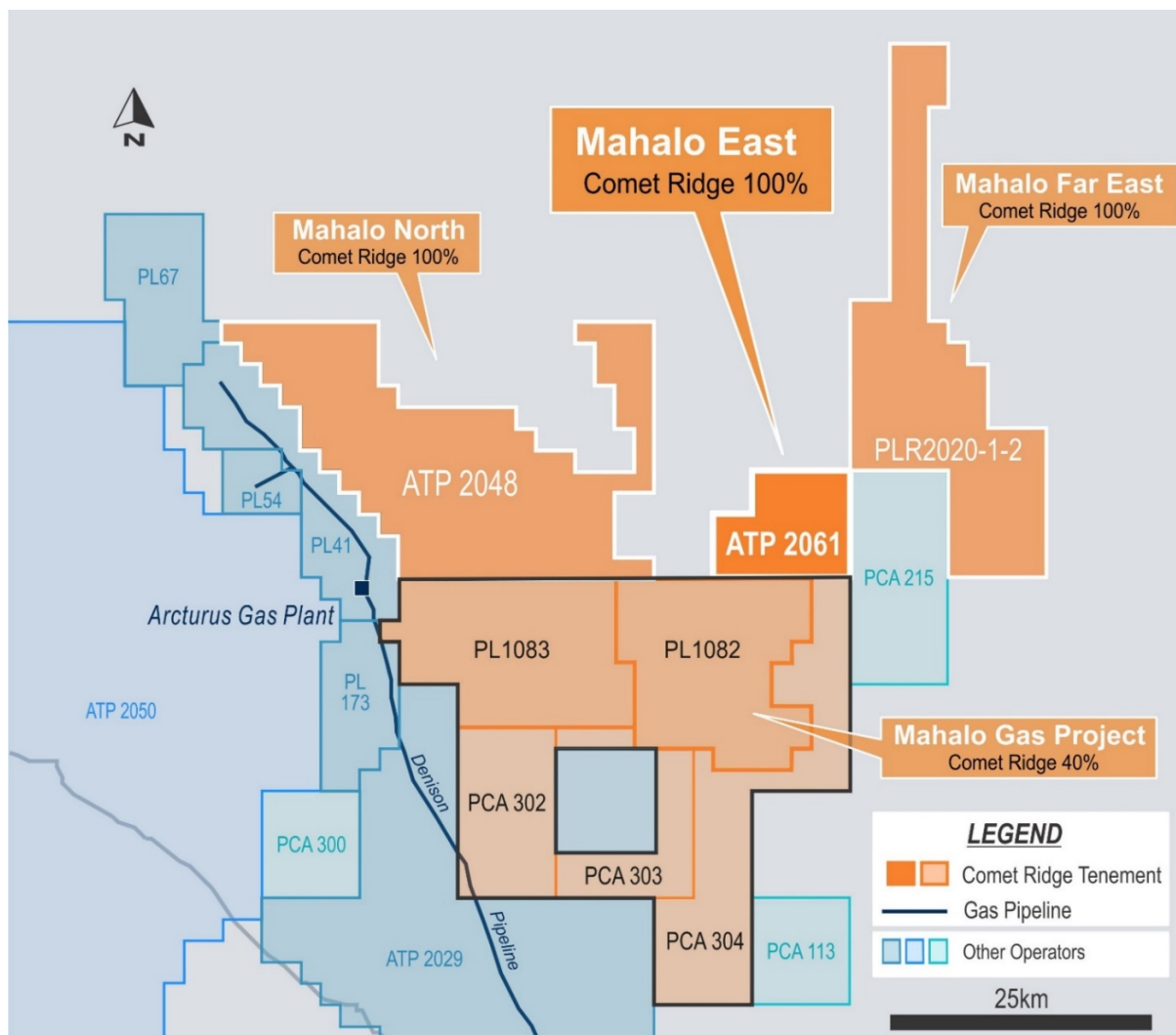


Figure 1 – Comet Ridge's growing Mahalo Gas Hub Area. PLR2020-1-2 (Mahalo Far East) is also expected to achieve ATP status over coming months.



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

Appraisal program planning

During the quarter, Comet Ridge has undertaken internal planning activities for the Mahalo North appraisal program, planned to commence in 2021 following the upcoming wet season. This appraisal program can now be combined with the Mahalo East block given that ATP has been formally awarded to Comet Ridge. The objective of the appraisal program will be to prove commercial gas flows from pilot wells (with the opportunity to monetise this pilot gas via the HDCNG® feasibility) and lead to independent certification of Reserves and Resources to add to Comet Ridge's gas portfolio.

During the quarter, Comet Ridge signed a Memorandum of Understanding with Mine Energy Solutions Pty Ltd and IntelliGas Group Limited, to assess the feasibility of the supply of Mahalo North pilot gas to displace diesel and/or for the generation of behind the fence power in nearby coal mines. Such an option could provide flexibility for initial gas production and provide an early revenue stream and environmental benefits for gas that would otherwise be flared. Comet Ridge would see a significantly reduced facility capex requirement for this early gas opportunity.

Comet Ridge is also finalising an internal contingent resource assessment for Mahalo North based on the significant drilling and seismic data that exists, principally from historical coal and petroleum exploration. Recently integrated (additional) third party, high quality, seismic data has increased 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.

Based on the extensive data set within the Mahalo Gas Project, Comet Ridge has modelled that a dual lateral well in this fairway, if drilled to 1500m in length, could flow in the range of 2 to 3 TJ/d. This is consistent with observed unit 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).

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

Petroleum Leases awarded

The Mahalo Gas Project achieved a significant milestone with an announcement at the start of the quarter of grant of Queensland Petroleum Leases (PLs) 1082 ("Humboldt") and 1083 ("Mahalo") for a term of 30 years (refer *Figure 1* above). These Petroleum Lease awards are the final government regulatory approval required for the project to move forward to production. The PL awards follow the federal and state environmental awards that were made during May and June 2020.



The Mahalo Gas Project is held 40% by Comet Ridge Limited, 30% by Santos (ASX:STO) and 30% by APLNG (where Origin Energy (ASX:ORG) is the development Operator). Mahalo is now a valuable, development-ready gas project.

Petroleum Survey Licence (PSL) 2048 has been issued to Comet Ridge over a wide area of 1962 km² for a period of two years, covering a large part of the Mahalo Gas Hub area (refer *Figure 2* below). The PSL area importantly includes the export route from the Mahalo Gas Hub area to the south where there are two existing large diameter pipelines running into Gladstone (Jemena Queensland Gas Pipeline for domestic gas and Santos GLNG pipeline for LNG).

Comet Ridge Managing Director, Mr Tor McCaul, said the most efficient way to develop the area would be with a common pipeline and gas plant, potentially built by a third-party infrastructure provider, so that scale economies would provide gas at a low unit cost.

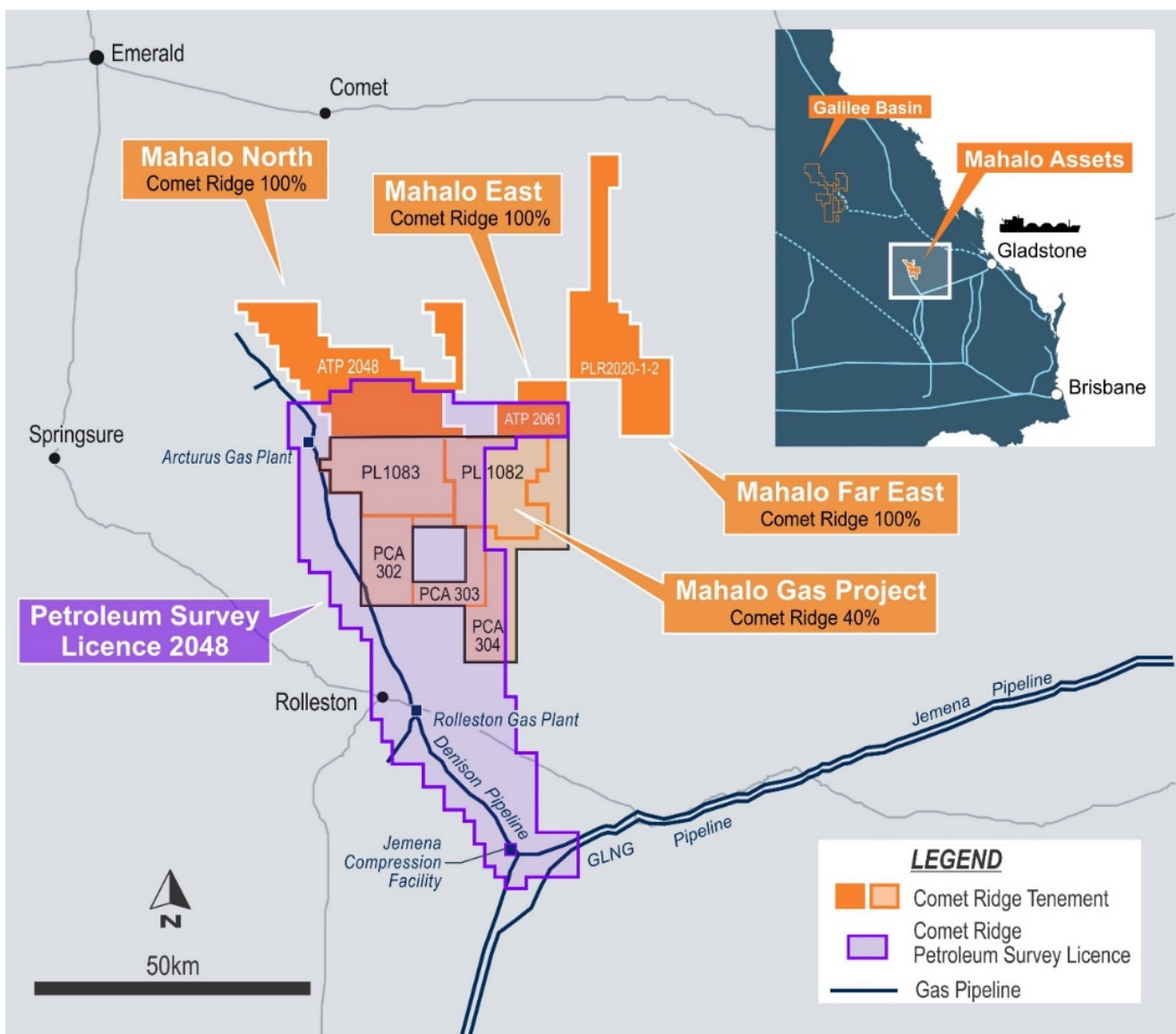


Figure 2 – Petroleum Survey Licence 2048 issued to Comet Ridge for the Mahalo Gas Hub area, marked in purple.



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

Potential Commercial Area applications

Activities in the Galilee Basin projects in the current quarter have included planning for future evaluation and appraisal activities for both the 100% owned shallow coals from the Betts Creek Formation and 70% JV in the Deeps for the Lake Galilee Sandstone conventional targets) – see *Figure 3* below; and securing the large prospective CSG and conventional resource areas with Potential Commercial Area (PCA) applications to the Queensland Government.

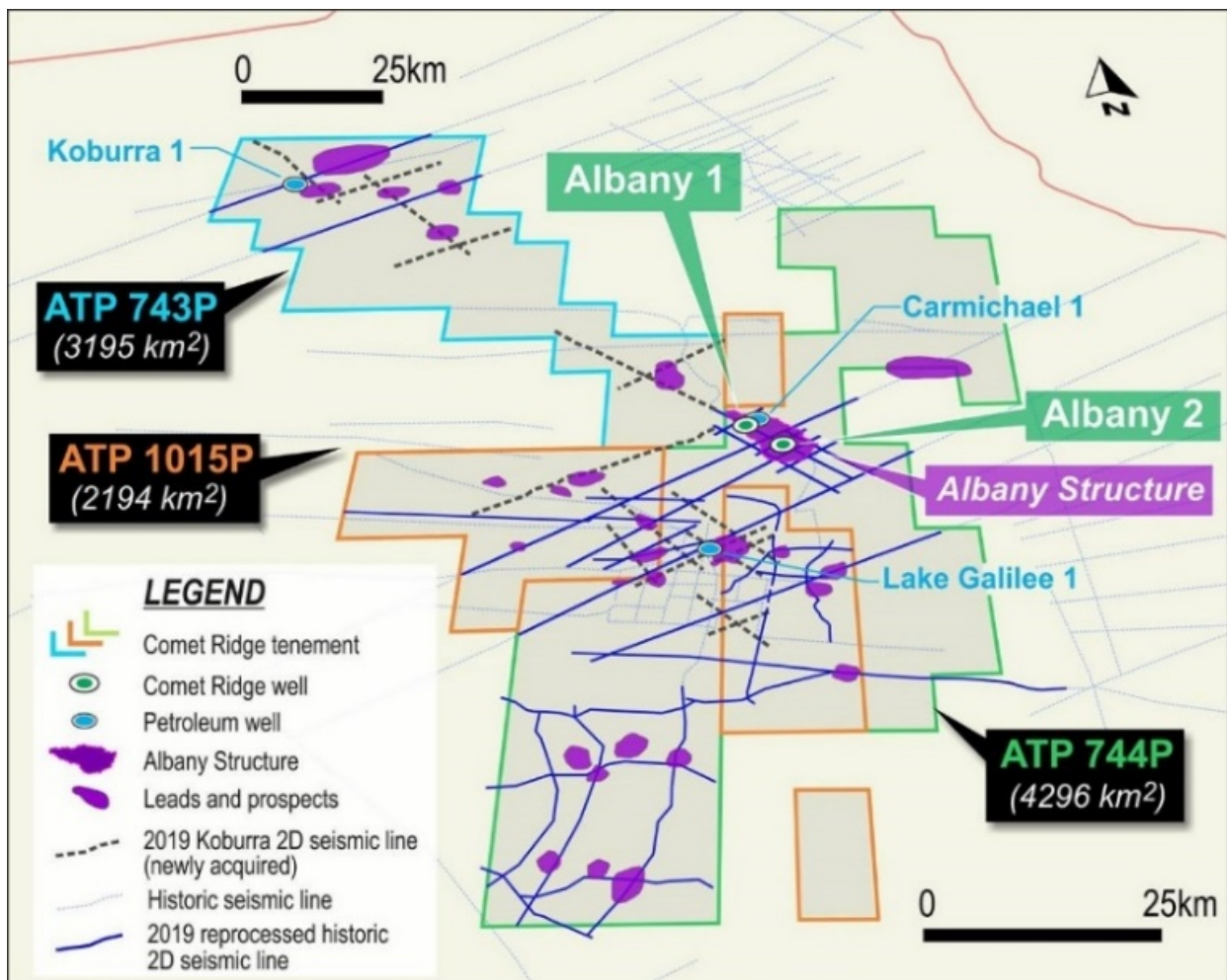


Figure 3 – Comet Ridge’s extensive Galilee Basin position in both “Shallows” for coal targets and “Deeps” for conventional targets

Updating and quantifying very large CSG resource potential

Detailed geological and geophysical work is currently underway to refine the geological model for the Gunn CSG Project Area across ATP 744 and ATP 1015. This area is in excess of 2100 km² in total with an initial CSG focus area of approximately 950 km². Refer to *Figure 4* below.



This upgraded model will be used to identify potential development options using geological characteristics and concept well designs. The geological model will also underpin a revised CSG resource assessment for the Gunn CSG Project area.

The revised Underground Water Impact Report (UWIR) for ATP 744 was approved by the Queensland Department of Environment and Science very early in the quarter.

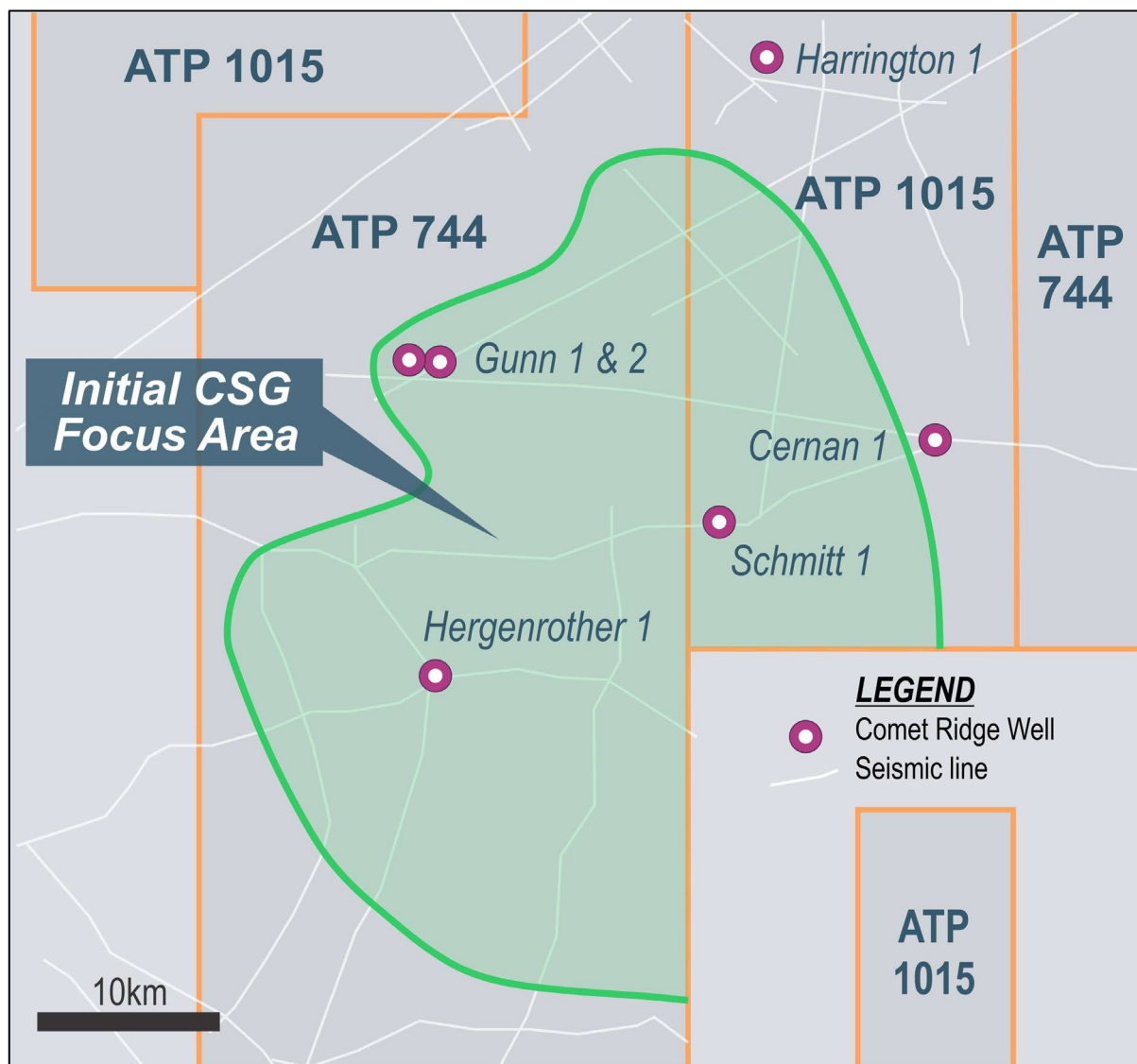


Figure 4 – Initial CSG focus area of approximately 950 km² across ATP 744 and ATP 1015 in the Galilee Basin.



Gunnedah Basin, NSW – PEL 6, PEL 427, PEL 428 (Comet Ridge 29.55% to 100%)

Progress around Santos' Narrabri project, south of Comet Ridge's extensive acreage position in NSW was announced during the quarter. Comet Ridge's equity position in the three nearby NSW exploration blocks is detailed in *Table 1* below.

Comet Ridge Permits	CSG Interest	Sandstone Interest	Area (km ²)
PEL 6	29.55%	97.5%	5,162
PEL 427	59.09%	100%	5,764
PEL 428	68.42%	100%	6,018

Table 1 – Comet Ridge equity position for CSG and Sandstone Gas in NSW blocks

Corporate Activities

Mahalo Project Funding update

The Company has progressed numerous discussions with interested parties with the aim of accessing project funding for the Mahalo Gas Hub area. Comet Ridge's priorities with this project funding process include:

- Commencement of appraisal work at the Mahalo North and the newly awarded Mahalo East projects during the first half of 2021; and
- Providing development funding for the Mahalo Gas Hub, including early revenue opportunities from Mahalo North and initial development of the Mahalo Gas Project.

Comet Ridge has established a data room of technical information relating to the Mahalo Gas Hub projects for review by interested parties, complimented by technical presentations by Comet Ridge management and technical staff. This process is progressing positively, and Comet Ridge hopes to be able to provide further updates to the market in the coming months.

Cash Position

As at 30 September 2020, Comet Ridge had \$4.62m cash on hand (un-audited).

The cash position at 30 September 2020 was positively impacted during the current quarter by the receipt of R&D tax incentives for the 2018 and 2019 financial years totalling \$1.293m. The Company also expects to receive a further R&D tax incentive refund in the December 2020 quarter for its eligible R&D expenditure for the 2020 financial year.

At the outset of the COVID-19 pandemic, Comet Ridge made the decision to slow the rate of expenditure to support the cash position of the Company. The Board elected to receive their net director fees in equity (subject to shareholder approval at the AGM to be held on 27 November 2020) and reduced the salary of



the Managing Director and other senior staff by 50%. Following the receipt of the abovementioned R&D tax incentives and in response to the increased operating activities of the Company from the award of the two new blocks in the Mahalo Gas Hub area, as well as the ongoing project funding process, Comet Ridge has reviewed these cost-saving measures and has made the following changes to senior staff and Board remuneration:

- During the September quarter, the Managing Director's salary, along with other senior staff, was increased from 50% to 80% with a further increase to 100% from 1 October 2020; and
- Directors will return to cash payment of their director fees from 1 November 2020.

These changes will continue to be monitored by the Board and management to ensure the Company maintains as long a runway as possible from its existing cash resources.

Payments to Related Parties

The aggregate amount of payments to related parties and their associates of \$123k for the September quarter (shown in item 6.1 of the attached Quarterly Cashflow Report) relates to the salary of the Managing Director and PAYG and superannuation payments made on behalf of the Directors.

Shares and Performance Rights Position

No shares were issued during the quarter, with the total number of shares on issue at 30 September 2020 at 789,000,030. The Company also has 11,580,000 performance rights on issue at 30 September 2020 following the lapse of 250,000 performance rights and the issue of 7,730,000 new performance rights during the quarter.

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 Gas Hub projects are low cost, sales spec gas blocks, 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.

Rule 5.5

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 September 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for:		
(a)	exploration & evaluation	(1)	(1)
(b)	development	-	-
(c)	production	-	-
(d)	staff costs	(175)	(175)
(e)	administration and corporate costs	(237)	(237)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	10	10
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	1,293	1,293
1.8	Other - JV recoveries	50	50
1.9	Net cash from / (used in) operating activities	940	940
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
(a)	entities	-	-
(b)	tenements	-	-
(c)	property, plant and equipment	-	-
(d)	exploration & evaluation	(956)	(956)
(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)	-	-
2.6	Net cash from / (used in) investing activities	(956)	(956)


Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3months) \$A'000
3. Cash flows from financing activities			
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
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	-	-
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1	Cash and cash equivalents at beginning of period	4,636	4,636
4.2	Net cash from / (used in) operating activities (item 1.9 above)	940	940
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(956)	(956)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,620	4,620
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	4,620	4,636
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)	4,620	4,636
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	123	
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-	
<i>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.</i>			
7. Financing facilities <i>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.</i>		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)	940
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(956)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(16)
8.4	Cash and cash equivalents at quarter end (item 4.6)	4,620
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	4,620
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	3.6 *
<p>* The answer provided in item 8.7 above has been calculated by excluding the R&D tax incentives received by the Company during the current quarter (refer item 1.7). This results in a 'normalised' level of cash used in operating activities during the quarter and the 'normalised' number of quarters of funding available. It should also be noted that the Company expects to receive R&D tax incentives in the December 2020 quarter for its eligible R&D expenditure incurred in the 2020 financial year and these have not been factored into the estimated quarters of funding available in item 8.7 above.</p> <p><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></p>		
8.8	<p>If item 8.7 is less than 2 quarters, please provide answers to the following questions:</p> <p>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?</p> <p>Answer:</p> <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?</p> <p>Answer:</p> <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?</p> <p>Answer:</p> <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></p>	

Compliance statement

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

Date: 30-10-20

Authorised by: 
By the Authority of the Board

Print Name: Stephen Rodgers
Company Secretary

Notes

- 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.
- 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.
- 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.
- 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".
- 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.