



# ASX Announcement

29 January 2021

## December 2020 Quarterly Activities Report

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### Highlights

- Comet Ridge is positioning the multi-block Mahalo Gas Hub to provide meaningful gas volumes into the east coast gas market, where southern production is forecast to commence declining.
- Significant data analysis completed for Mahalo North (ATP 2048), which is expected to lead initially to a material gas resource booking, followed by conversion to gas reserves from 2021 drilling campaign.
- Mahalo North (ATP 2048) drilling program advancing with well locations selected and scouted.
- Mahalo Gas Project joint venture discussions progressed during the quarter with pathway for the timely development of the project expected during the 1st half of 2021.
- The Mahalo Gas Hub area project funding process is ongoing and will be concluded following the finalisation of Mahalo Gas Project development pathway.
- R&D tax incentive application for FY20 expenditure submitted towards the end of the quarter, with \$1.961 million of cash received in January 2021.

### East Coast Gas Market

#### Southern Gas Production Decline

EnergyQuest's December 2020 quarterly report continues to highlight the gas production supply cliff facing southern Australia as shown in *Figure 1* below. Production from offshore Victoria, which supplies Victoria, Tasmania and a substantial share of NSW and South Australian demand, is forecast to decline from around 2023, however it is entirely possible that decline could occur even sooner than forecast. Otway Basin production is already declining and Cooper Basin production, which is also important for NSW and South Australia, is expected to start declining from 2026.

**A compelling east coast gas play**

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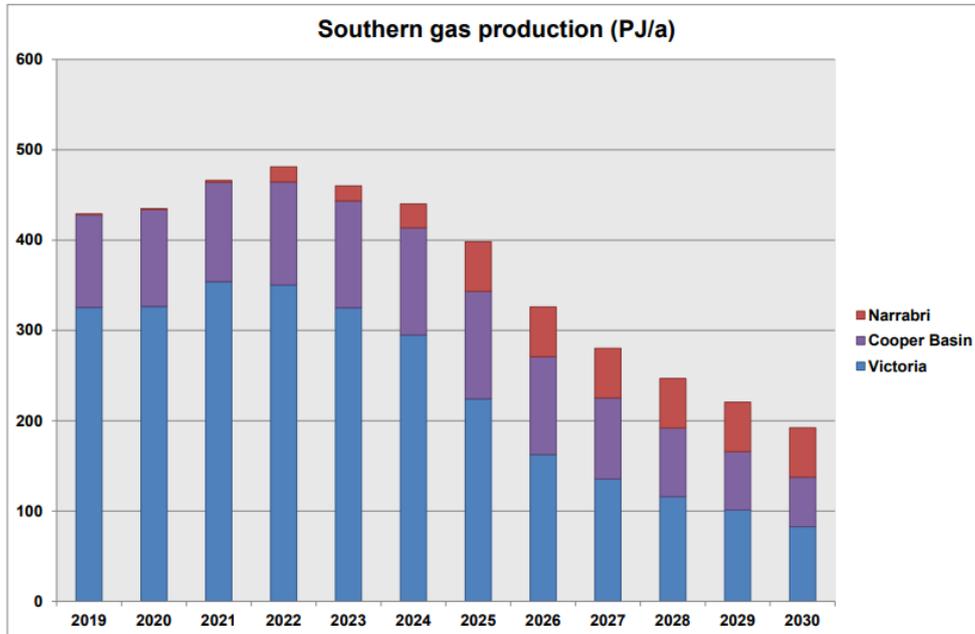


Figure 1 – Southern gas production outlook (PJ/a). Source: EnergyQuest, December 2020

### South West Queensland Gas Flows

Queensland continues to supply significant (and ever increasing) volumes of gas west to Moomba in South Australia and then onto southern users from there, particularly during the winter months as shown in *Figure 2* below. During the September 2020 quarter, Queensland was a net exporter of 19.6 PJ via the South West Queensland Pipeline.

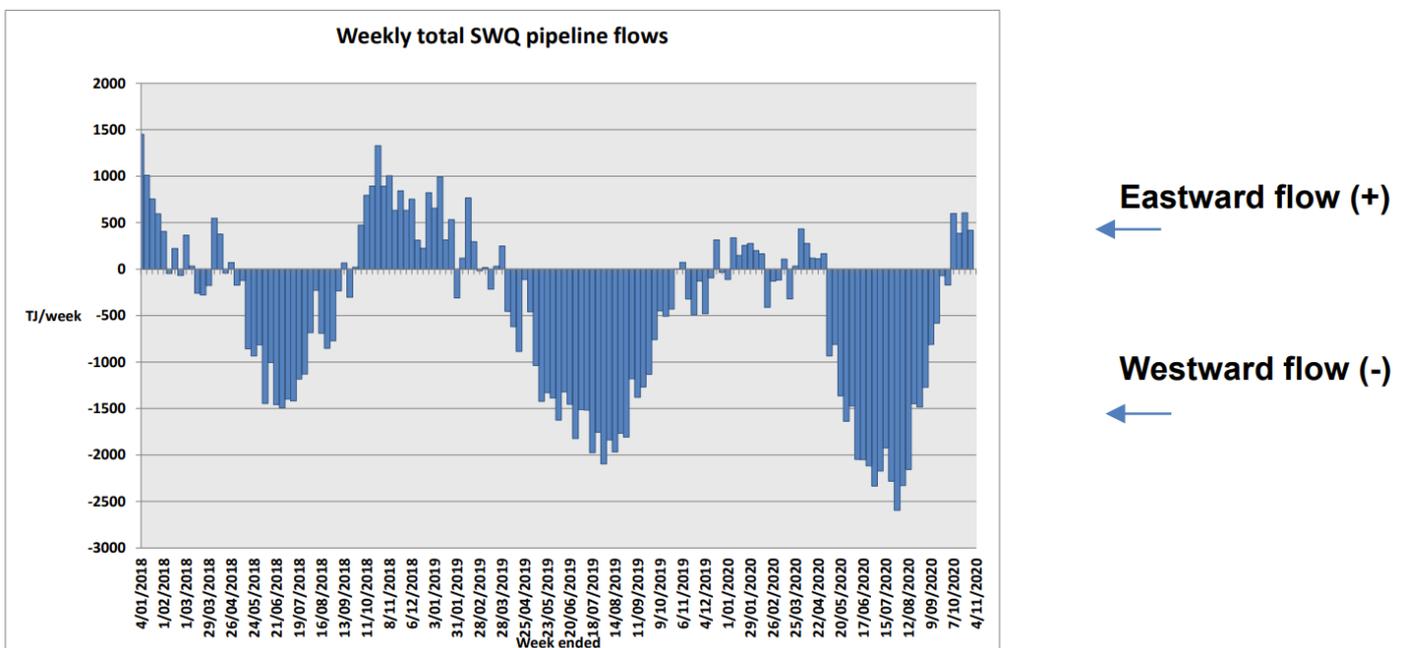


Figure 2 – South West Queensland Pipeline flows, January 2018 to October 2020. Source: EnergyQuest, December 2020



## Wallumbilla Netback Gas Prices

Figure 3 below shows a strong recovery in netback gas prices in the December 2020 quarter as estimated by ACCC. Netback gas prices bottomed in July 2020 at \$2.29/GJ and were recovering late in the year, reaching \$7.61/GJ in December 2020.

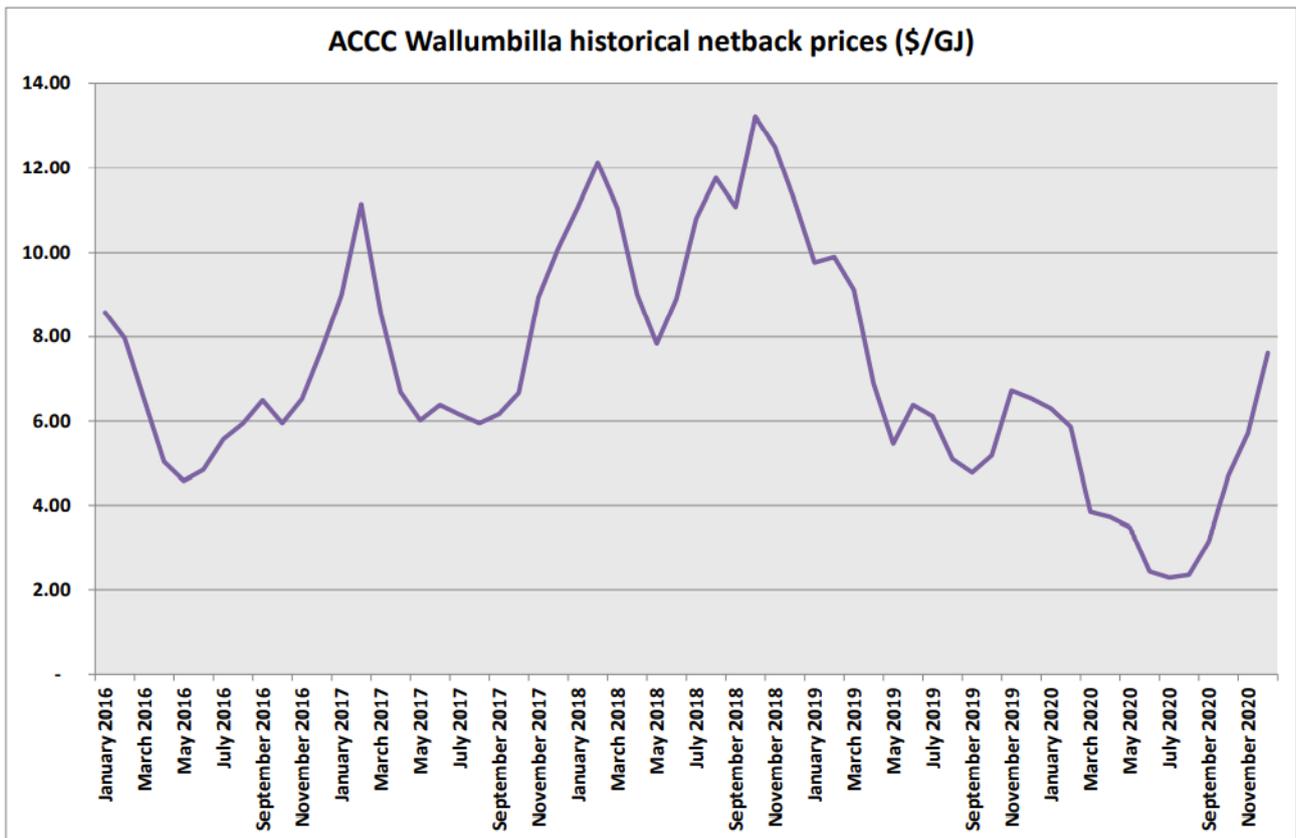


Figure 3 – Wallumbilla historical netback gas prices (\$/GJ). Source: ACCC; reported by EnergyQuest, December 2020

## Opportunity for Comet Ridge

Since late 2019, Comet Ridge has established a significant gas acreage position at the Mahalo Gas Hub, with three large 100% equity block awards from the Queensland Government, to complement Comet Ridge's 40% equity interest in the Mahalo Gas Project with Santos (30%) and APLNG (30%) where Origin is the Upstream Operator for APLNG. This gives Comet Ridge a net area position of 1250 km<sup>2</sup> and flexibility around how and when development occurs in the Company's 100% blocks. Field export pipeline capacity lies just to the west and trunklines into Gladstone for both domestic gas and LNG options lie just south of the Mahalo Gas Hub.

Given the increasing need for further gas supply to come rapidly into the East Coast Gas Market to replace the declining southern production, Comet Ridge believes the Mahalo Gas Hub is well positioned to come on-line and deliver meaningful volumes of gas into that market, at a critical time.



## Mahalo Gas Hub Area

### Status of Mahalo Gas Hub permits

Comet Ridge's Mahalo Gas Hub Area includes a number of large, high quality gas blocks, covering a significant area located approximately 240 km west of Gladstone in central Queensland.

Comet Ridge announced at the end of the last quarter that the Company was awarded two additional gas blocks by the Queensland Government in the Company's emerging Mahalo Gas Hub area, in addition to the Mahalo North project (ATP 2048) which had been awarded in an earlier bidding round.

When combined with the Mahalo Gas Project and the 100% owned Mahalo North project (ATP 2048), these two new 100% awarded blocks provide Comet Ridge with a dominant position in this emerging Mahalo Gas Hub area (refer *Figure 4* below).

Comet Ridge entered into an overlap agreement with a nearby coal tenure holder which has resulted in Comet Ridge receiving a significant dataset of seismic data and core wells. During the current quarter, Comet Ridge has undertaken internal subsurface analysis of this dataset, particularly for the Mahalo North (ATP 2048) and Mahalo East (ATP 2061) permits.

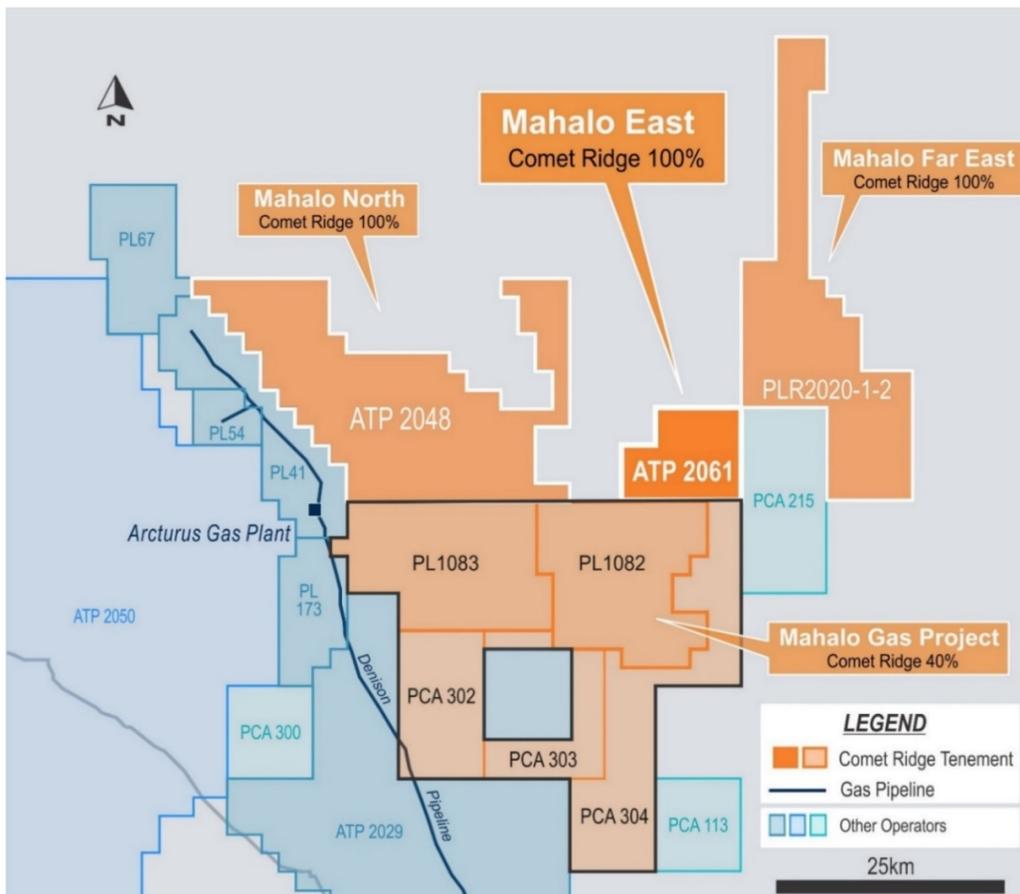


Figure 4 – Comet Ridge's growing Mahalo Gas Hub Area



A summary of each of the permits in the Mahalo Gas Hub and their current status is shown in *Table 1* below.

Project name	Permit	COI % interest	Area (km <sup>2</sup> )	Status
<b>Mahalo Gas Project</b> (CSG)	PL 1082, 1083; PCA 302, 303, 304	40%	911	Development ready, Government approved, pending JV FID pathway
<b>Mahalo North</b> (CSG)	ATP 2048	100%	450	Gas resources and 2021 appraisal program being finalised
<b>Mahalo East</b> (CSG)	ATP 2061	100%	97	ATP awarded, data interpretation and appraisal program planning ongoing
<b>Mahalo Far East</b> (CSG & conventional gas)	PLR 2020-1-2 (to become ATP 2063)	100%	338	Native title agreement expected next quarter, followed by ATP award

Table 1 – Comet Ridge permit and equity position in Mahalo Gas Hub

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

### **Appraisal program planning**

During the quarter, Comet Ridge continued planning activities for the Mahalo North project (ATP 2048) appraisal program, expected to commence later in 2021 following the wet season. With the easing of some COVID related travel restrictions, movement of operational people back into the field has resumed. This appraisal program can now be combined with the Mahalo East block (ATP 2061) given that the ATP has been formally awarded to Comet Ridge. The objective of the appraisal program will be to demonstrate 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 continue to build Comet Ridge’s gas development portfolio.

The 2020 Memorandum of Understanding with Mine Energy Solutions Pty Ltd and IntelliGas Group Limited, to assess the feasibility of the supply of Mahalo North (ATP 2048) pilot gas to displace diesel and/or for the generation of behind the fence power in nearby coal mines, continues to provide the Company an opportunity for an early revenue stream. Additional environmental benefits are gained via sales of gas that would otherwise be flared during the testing phase. Comet Ridge would see a significantly reduced facility capex requirement for this early gas opportunity.

Comet Ridge is finalising an internal gas resource assessment for Mahalo North (ATP 2048) based on the detailed 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 contemplated seismic survey will not be necessary and that appraisal and initial development wells can be located based on the data already available.



From this 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 (ATP 2048) pilot wells. Both the Mahalo 7 and Mira 6 lateral wells in the Mahalo Gas Project, although drilled in the same highly prospective fairway at the same depth range, were significantly shorter wells than are currently planned for Mahalo North (the older wells had 361m and 924m actual “in-coal” lateral lengths versus up to 1500m planned lateral lengths for new wells).

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

### Petroleum Leases awarded

The Mahalo Gas Project is now approved to proceed to development via the grant of Queensland Petroleum Leases (PLs) 1082 (“Humboldt”) and 1083 (“Mahalo”) for a term of 30 years (refer *Figure 4* above) during 2020. These Petroleum Lease awards are the final government regulatory approval required for the project to move forward to production.

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. The joint venture has been making progress in discussions around how best to take the Mahalo Gas Project forward.

In the second half of 2020, Petroleum Survey Licence (PSL) 2048 has been issued to Comet Ridge over a wide area of 1962 km<sup>2</sup> for a period of two years, covering a large part of the Mahalo Gas Hub area (refer *Figure 5* 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).

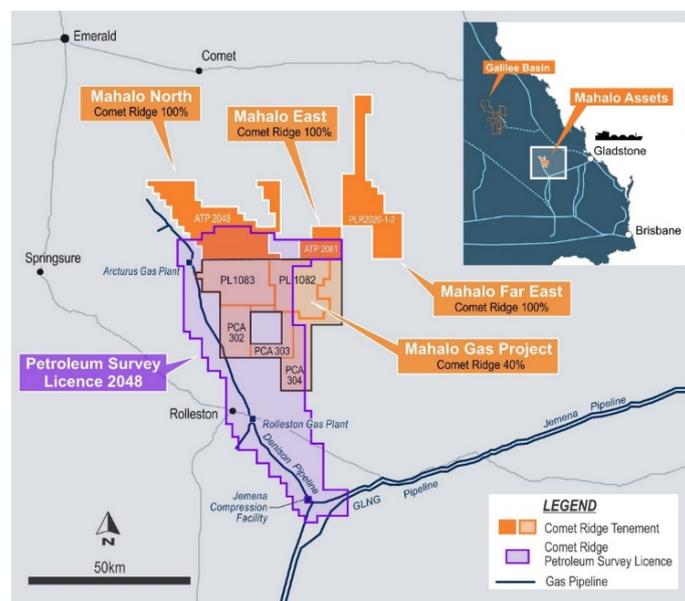


Figure 5 – Petroleum Survey Licence 2048 for the Mahalo Gas Hub area, marked in purple



## 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 focused on technical work that will underpin securing the large prospective CSG and conventional resource areas (see *Figure 6* below) with Potential Commercial Area (PCA) tenure applications to the Queensland Government.

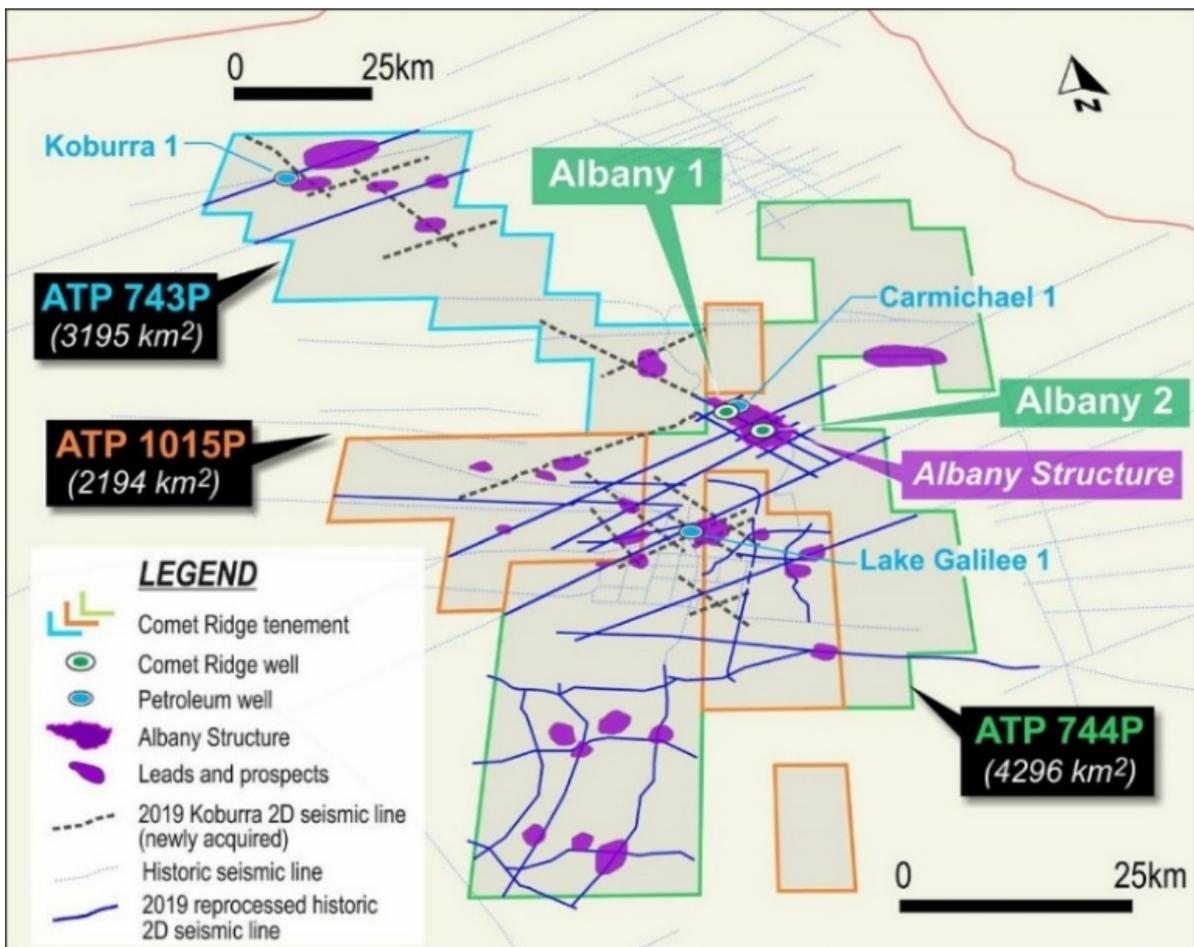


Figure 6 – Comet Ridge’s extensive Galilee Basin position in both “Shallows” for coal targets and “Deeps” for conventional targets

### Updating and quantifying very large CSG resource potential

Detailed geological and geophysical work is progressing to refine the geological model for the Gunn CSG Project Area across ATP 744 and ATP 1015. This area is in excess of 2100 km<sup>2</sup> in total with an initial CSG focus area of approximately 950 km<sup>2</sup>. Refer to *Figure 7* below.



This upgraded model will be used to identify 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.

During the quarter, the Queensland Department of Environment and Science (DES) approved the amalgamation of the Environmental Authority's (EA) for ATP 743, ATP 744 & ATP 1015 into a single EA across the very large Galilee Project Area. The amalgamation of the three Galilee permits under one single EA will aid efficient, cost effective operations and management of the permits into the future.

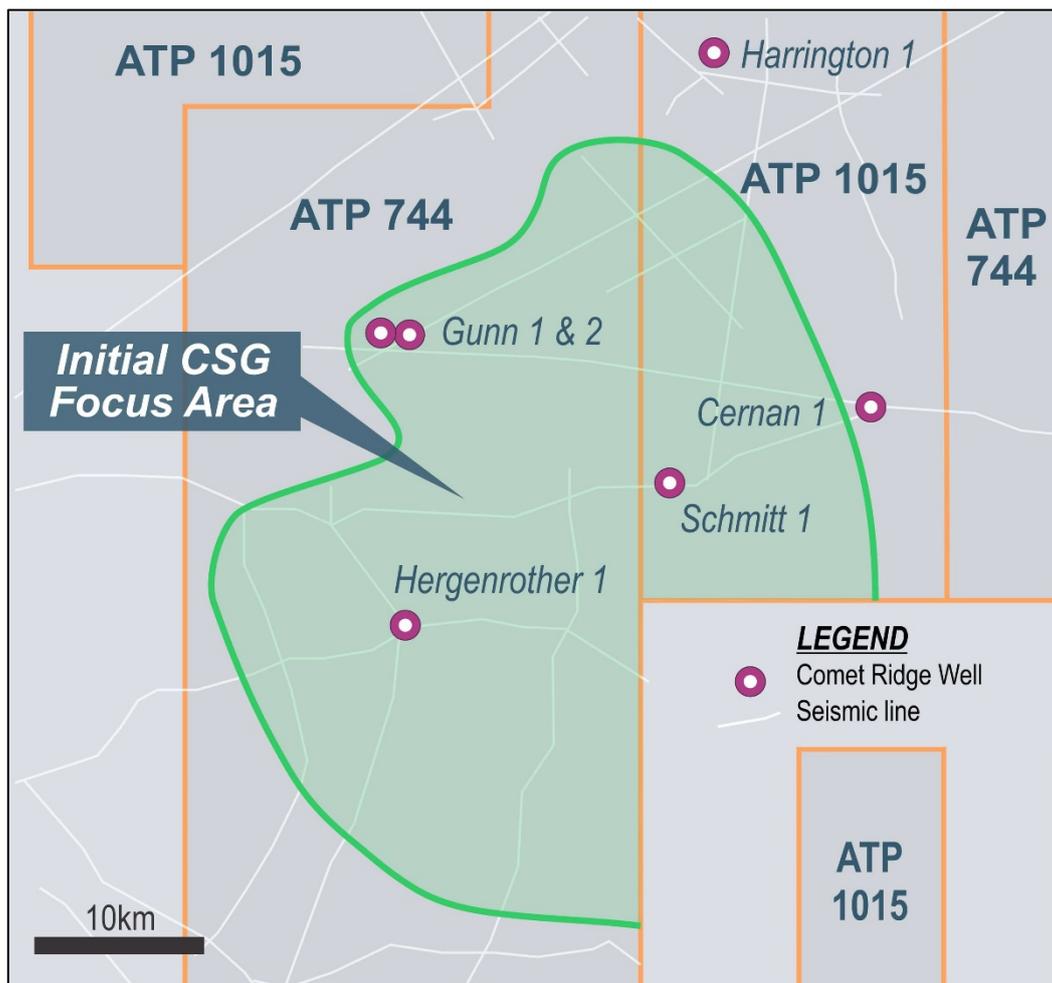


Figure 7 – Initial CSG focus area of approximately 950 km<sup>2</sup> across ATP 744 and ATP 1015 in the Galilee Basin.

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

The New South Wales Government released a report in November 2020 titled “Strategic Opportunities for Gas in Regional NSW” stating the Government is committed to ensuring NSW industries are supported by a diverse energy mix as we transition toward lower-emission energy sources. Alongside other energy sources, gas will play an important role in maintaining downward price pressure on energy costs and ensuring security of supply and job creation.



Comet Ridge's equity position in three large regional NSW exploration blocks is shown in *Table 2* below. Technical work continues to relinquish part of the area of the three Comet Ridge PELs and to extend the permit terms.

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

Table 2 – Comet Ridge equity position for CSG and Sandstone Gas in NSW blocks

## Corporate Activities

### Mahalo Project Funding update

The Company has progressed 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 (ATP 2048) 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. A resolution on this process is expected once the Mahalo Joint Venture has resolved timing around Mahalo Gas Project development.

### Cash Position

As at 31 December 2020, Comet Ridge had \$3.145m cash on hand (un-audited). The cash position has been further bolstered post 31 December 2020 by the receipt of the R&D tax incentive for the 2020 financial year totalling \$1.961m on 12 January 2021. The cash position on a proforma basis, including the R&D tax incentive, is \$5.106m.

### Payments to Related Parties

The aggregate value of payments to related parties and their associates of \$202k for the December quarter (shown in item 6.1 of the attached Quarterly Cashflow Report) relates to the salary of the Managing Director and fees paid to Directors (including PAYG and superannuation payments made on their behalf).



### Shares and Performance Rights Position

2,211,689 shares were issued to non-executive directors on 8 December 2020 as consideration for the cash component of their monthly fees which the directors agreed to forgo for the period April 2020 to October 2020. These shares were approved for issue at the Company's annual general meeting held on 27 November 2020. The total number of shares on issue at 31 December 2020 is 791,211,719.

The Company also has 11,580,000 performance rights on issue at 31 December 2020.

**By Authority of Board per: Tor McCaul, Managing Director**

**For more information or photos:**

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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.

## 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")

**31 December 2020**

Consolidated statement of cash flows		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	-
1.2	Payments for:		
	(a) exploration & evaluation	(2)	(3)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(319)	(494)
	(e) administration and corporate costs	(465)	(702)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	6	16
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	1,293
1.8	Other - JV recoveries	5	55
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(775)</b>	<b>165</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(1)	(1)
	(d) exploration & evaluation	(525)	(1,481)
	(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)	(172)	(172)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(698)</b>	<b>(1,654)</b>

<b>Consolidated statement of cash flows</b>		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
<b>3. Cash flows from financing activities</b>			
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	(2)	(2)
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(2)</b>	<b>(2)</b>
<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>			
4.1	Cash and cash equivalents at beginning of period	4,620	4,636
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(775)	165
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(698)	(1,654)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2)	(2)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period - refer to end note regarding post quarter cash</b>	<b>3,145*</b>	<b>3,145*</b>
<b>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</b>		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,145	4,620
5.2	Call Deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above) - refer to end note regarding post quarter cash</b>	<b>3,145*</b>	<b>4,620</b>
<b>6. Payments to related parties of the entity and their associates</b>		Current quarter \$A'000	
6.1	Aggregate amount of payments to related parties and their associates included in item 1		202
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>			
<b>7. Financing facilities</b>		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>			
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	<b>Total financing facilities</b>		
7.5	<b>Unused financing facilities available at quarter end</b>		
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)	(775)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(525)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(1,300)
8.4 Cash and cash equivalents at quarter end (item 4.6)	3,145
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5) - refer to end note regarding post quarter cash	3,145*
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.4
<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 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?	
Answer:	
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?	
Answer:	
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?	
Answer:	
<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: 29/01/2021

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.

\* **THE CASH BALANCE AT 31/12/2020 EXCLUDES AN R&D TAX REFUND OF \$1.961M RELATING TO FY2020 EXPENDITURE AND RECEIVED BY THE COMPANY ON 12/01/2021. THE CASH BALANCE AT 31/12/2020 ON A PROFORMA BASIS INCLUDING THE R&D TAX REFUND IS \$5.106M**