

27 October 2021

September 2021 Quarterly Activities Report

Highlights

- **Transformative acquisition** of APLNG's 30% interest in the Mahalo Gas Project (announced 3 August 2021), taking Comet Ridge's interest to 70%.
- **Acquisition funding** provided by continuing Mahalo JV partner, Santos Ltd (STO) in exchange for options to increase STO's equity to 50% in the Mahalo Gas Project and to acquire a 50% interest in Comet Ridge's 100% Mahalo North (ATP 2048) and Mahalo East (ATP 2061) assets.
- **\$10 million loan facility** agreed with Pure Asset Management to support the Company's Mahalo Gas Hub project development strategy, with Tranche 1 drawdown of \$6.5 million completed 17 September 2021.
- **\$5.0m placement** (net of costs) completed 16 September 2021.
- **Drilling commenced** at Mahalo North (ATP 2048) after quarter end, with very positive results from first well.

Mahalo Gas Hub Area, Bowen Basin, QLD

Comet Ridge holds equity in four project areas in the Mahalo Gas Hub area, with three of these currently held at 100% equity. The current net area for Comet Ridge across the Mahalo Gas Hub is substantial at 1,250 km² with a large part of these blocks sitting over the highest productivity Mahalo shallow fairway that saw the Mira 6 well in the Mahalo Gas Project produce 1.4 MMcf/d (million standard cubic feet of gas per day) from a horizontal pilot well drilled only 924 metres in coal.

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

Project name & opportunity	Permit	COI % interest	Area (km ²)	Status
Mahalo Gas Project (CSG)	PL 1082, 1083; PCA 302, 303, 304	40%*	911	Development ready *COI equity interest increasing to 70%
Mahalo North (CSG & deeper conventional gas)	ATP 2048	100%	450	Appraisal program commenced in Q2 FY2022 for reserves certification
Mahalo East (CSG and deeper conventional gas)	ATP 2061	100%	97	Appraisal program being planned for reserves certification
Mahalo Far East (CSG & deeper conventional gas)	ATP 2063	100%	338	ATP awarded and data interpretation is ongoing

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

A compelling east coast gas play

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Mahalo Gas Project (PL 1082 and 1083) – Comet Ridge 40%, increasing to 70%

Overview

The Mahalo Gas Project, with two Petroleum Leases (PLs) awarded, is Comet Ridge’s flagship gas project and when in production, will provide the scale and infrastructure to underpin development of Comet Ridge’s 100% owned blocks in the Mahalo Gas Hub. The Mahalo Gas Project, focussed initially on the shallow fairway in PL 1082 and 1083 (see *Figure 1*), is currently a joint venture between Comet Ridge (40%), Santos (30%) and APLNG (30%). Comet Ridge and APLNG have agreed a transaction for APLNG to exit the block.

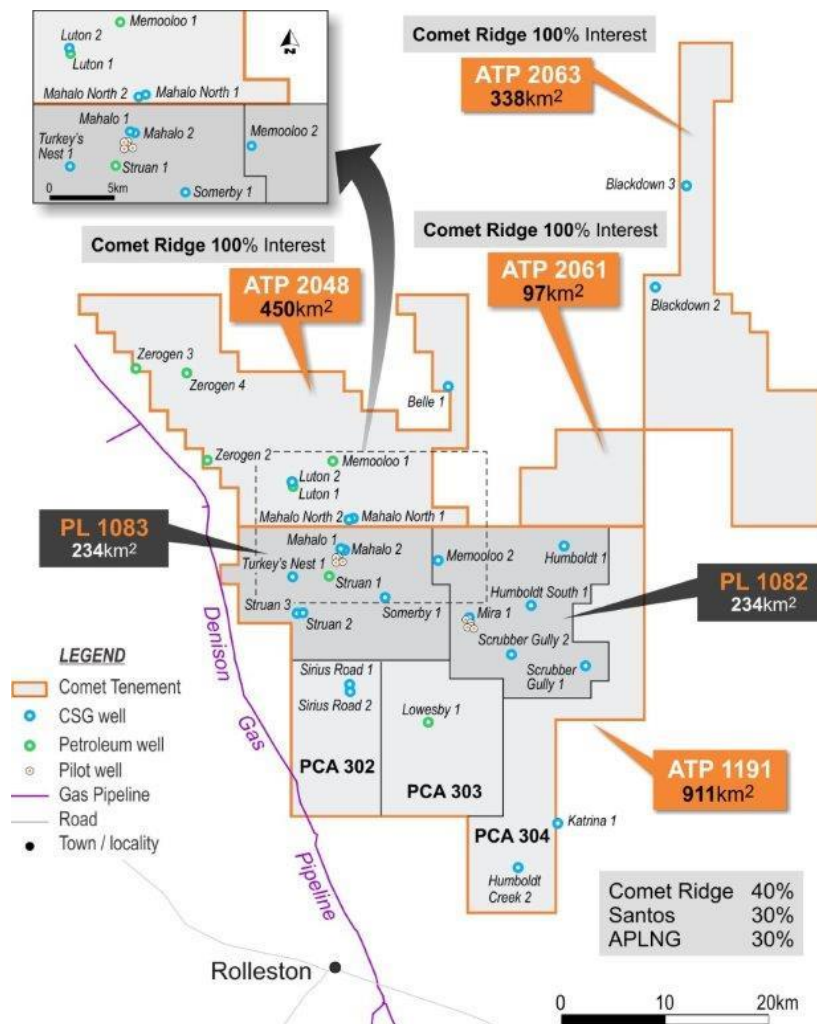


Figure 1 – Mahalo Gas Project, showing the initial development focus area of PL 1082 and 1083 and the wider Mahalo Gas Hub area (including Comet Ridge’s 100% owned ATP 2048, 2061 and 2063)

The initial focus for development of the Project will be in the two Petroleum Lease (PL 1082 and PL 1083) areas that were awarded to the Mahalo joint venture participants in June 2020, and have been heavily appraised to date, with strong flow rates and reserves independently certified. The project is located 65km to the north of infrastructure connecting to the east coast gas market and Gladstone LNG export terminals (see *Figure 2*).

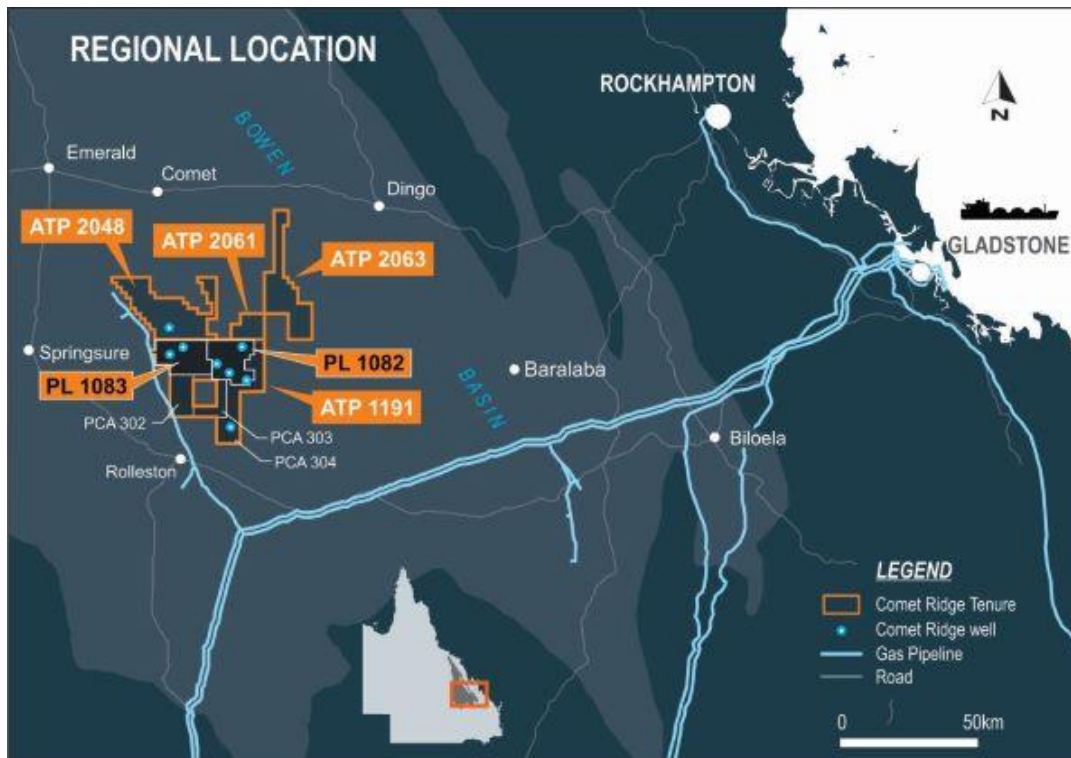


Figure 2 – Regional location of the very large Mahalo Gas Hub area showing proximity to pipeline infrastructure and Gladstone domestic and LNG market

Transformative acquisition

Comet Ridge entered into a binding agreement to acquire Australia Pacific LNG Pty Limited's (APLNG) 30% interest in the Mahalo Gas Project, announced on 3 August 2021, taking Comet Ridge's interest from 40% to 70% on completion (**Acquisition**). The Mahalo Gas Project area has also been expanded as part of the Acquisition via the inclusion of the Lowesby cut-out area and PL 1083 west area (see the green areas in *Figure 3 below*).

At the same time, Comet Ridge executed a funding and option agreement with continuing Mahalo Gas Project partner, Santos Limited.

The key terms of the Acquisition and Santos agreements are:

- Cash consideration of \$12 million payable to APLNG at completion of the Acquisition and \$8 million post-completion payment in deferred tranches.
- Comet Ridge has access to \$13.15 million of debt funding from Santos to fully fund the upfront Acquisition consideration (\$12 million) and stamp duty costs (\$1.15 million), due later in CY 2021.
- In exchange for receiving loan funding for the Acquisition, Comet Ridge is providing Santos with the following rights to acquire various interests in the Mahalo Gas Hub area:
 - Option 1 - Santos may elect to purchase a 12.86% interest in the Mahalo Gas Project from Comet Ridge at proportional Acquisition value (\$8.57 million); and
 - Expansion option – Santos has the right to negotiate, to purchase from Comet Ridge, an additional 7.14% interest in Mahalo Gas Project (equalising Santos and Comet Ridge interest at 50% each) as well as 50% interests in Mahalo North (ATP 2048) and Mahalo East (ATP 2061).

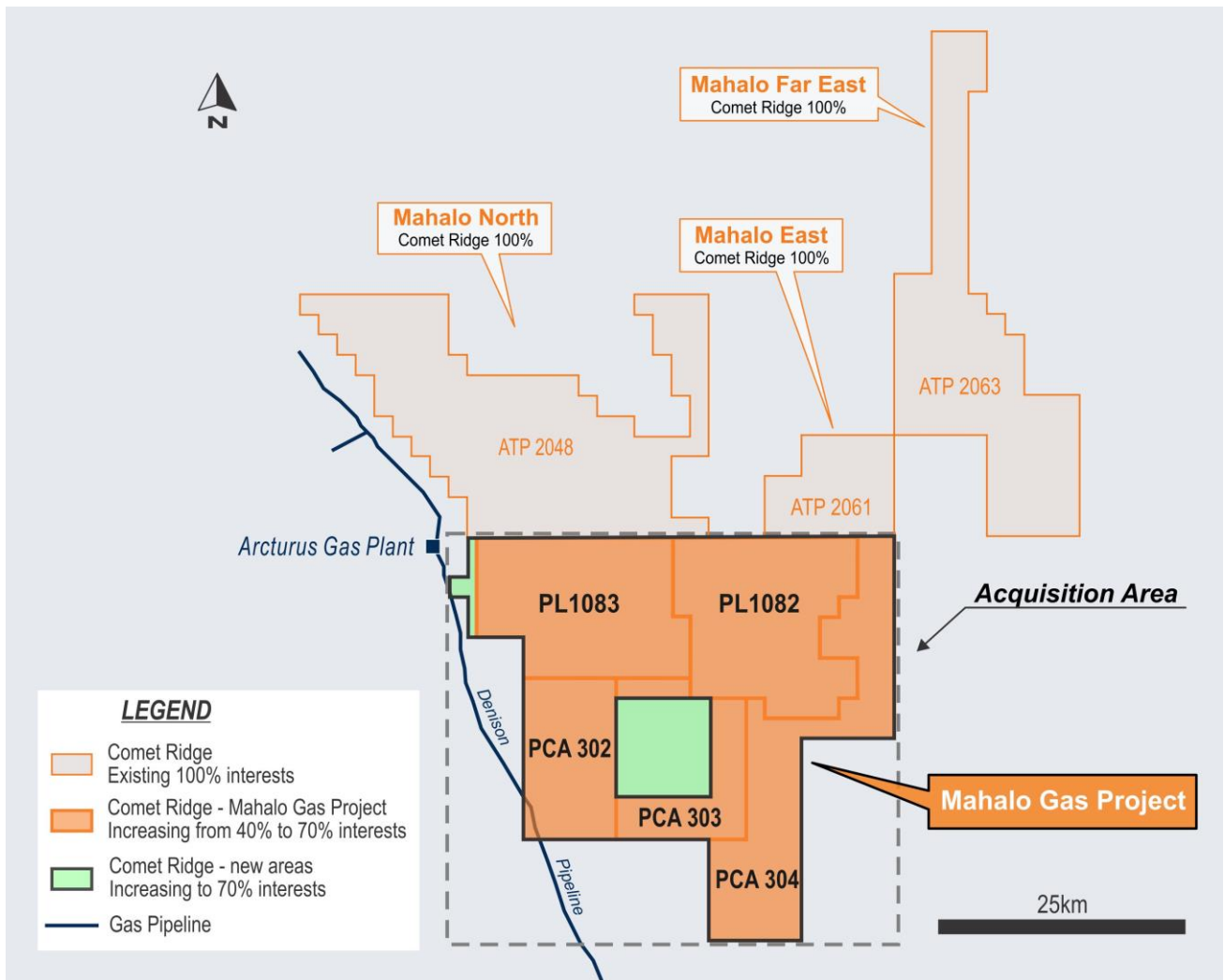


Figure 3 – Map of Mahalo Gas Hub area showing the asset interests being acquired by Comet Ridge

Mahalo North (ATP 2048) – Comet Ridge 100%

Overview

Mahalo North (450km² block) is highly prospective, given its location directly north of, and contiguous with, the Mahalo Gas Project. The block was formally awarded to Comet Ridge as 100% equity holder by the Queensland Government on 29 April 2020. Gas produced from Mahalo North is subject to domestic supply conditions, meaning that it cannot be supplied other than to the Australian domestic market (unless there is an offsetting domestic sales volume from another project via a swap arrangement).

Comet Ridge has undertaken subsurface analysis utilising the significant volume of detailed well and seismic data that exists for the permit, principally from historical coal and petroleum exploration. The 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 and means that appraisal and initial development well locations can be chosen based on the available data.



Drilling Program

During the September quarter, Comet Ridge finalised the timing, costs and scope of the of the Mahalo North work program. The program comprises:

- Drilling a vertical well (Mahalo North 1 core hole) to confirm key coal reservoir data from lab analysis;
- Drilling a long development style dual lateral well (Mahalo North 2), which will intersect Mahalo North 1 through the coal reservoir;
- Production testing of the Mahalo North 2 lateral well following the installation of a downhole pump in Mahalo North 1; and
- Following the interpretation of a large volume of recently acquired open file well data, determine if a third well location is likely to add value to the program and, if so, select the location for this step out vertical corehole.

Drilling operations at the Mahalo North 1 vertical well occurred between 16 October and 23 October with the rig then moved across to the Mahalo North 2 dual lateral well, spudding there on 25 October. Silver City Rig 23 (see *Figure 4*) is being utilised for this drilling program with Comet Ridge as the Operator.



Figure 4 - Silver City Rig 23 in the process of rigging up on the Mahalo North 2 location in ATP 2048



Mahalo North 1 is located on the high-quality fairway in the southern part of ATP 2048, approximately 3.75km to the north of the existing Mahalo Pilot Scheme (see Figure 5).

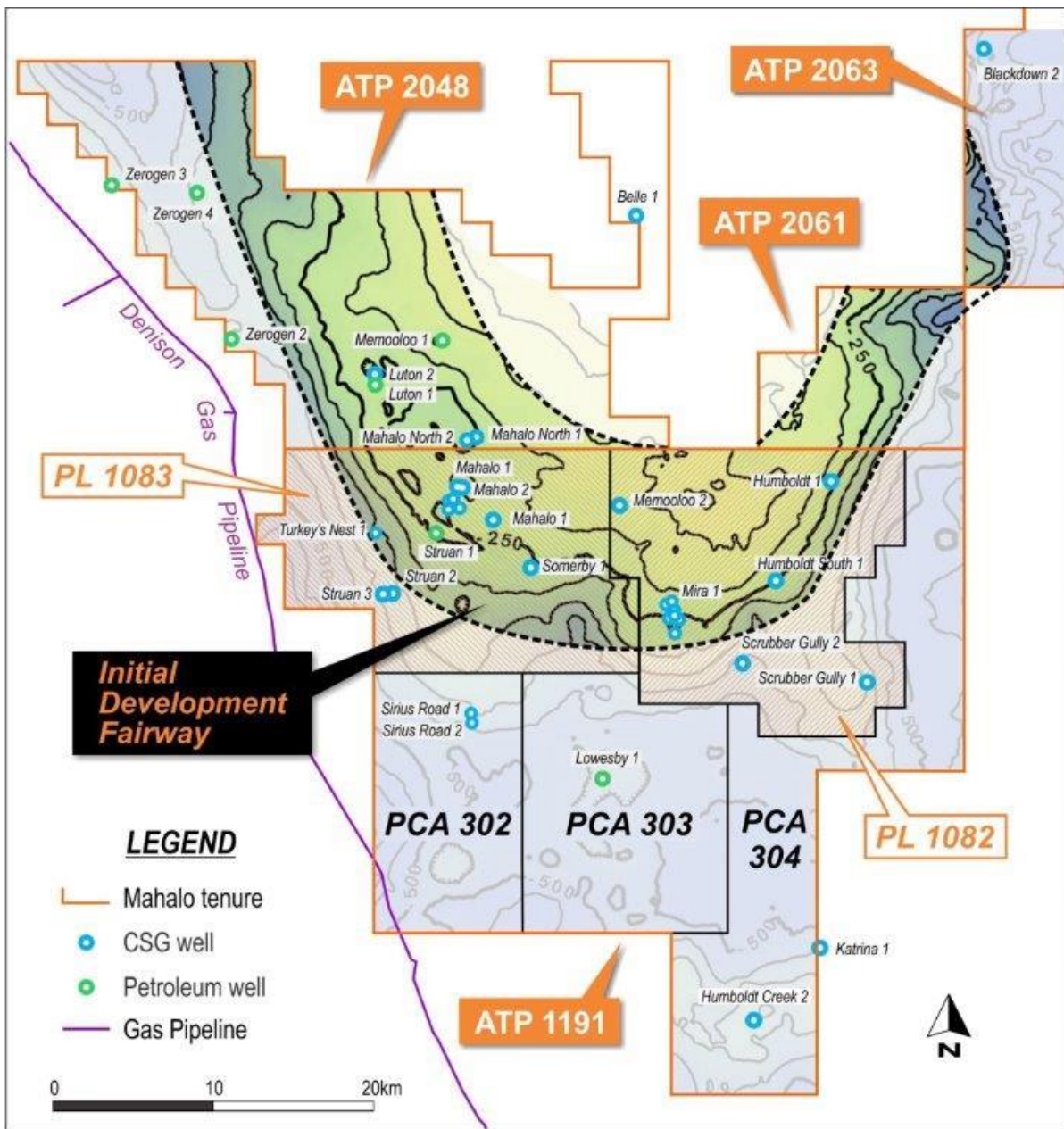


Figure 5 – Map showing the location of the development (high productivity) fairway for the Mahalo Gas Hub, comprising PL 1082 (Humboldt) and PL 1083 (Mahalo), ATP 2048 (Mahalo North) and ATP 2061 (Mahalo East)

Results from the Mahalo North 1 vertical well have been very positive with a total section of 9.03m of net coal penetrated, good evidence of gas bubbling from the recovered coal cores and 250 millidarcies permeability measured across the main Castor-Pollux reservoir package. Refer to Comet Ridge’s ASX releases of 25 and 26 October 2021 for more detail on both Mahalo North 1 and 2 drilling operations and results to date.



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

Tenure Renewal and Potential Commercial Area applications

Activities in the Galilee Basin projects in the current quarter have continued to focus on technical work that will (1) secure tenure via renewal of certain areas of Authorities to Prospect (ATP) 743 and ATP 744 and (2) underpin securing the large resource areas with Potential Commercial Area (PCA) applications to the Queensland Government.

ATP 743

The permit came to the end of its term on 3 September 2021 with all work program commitments up to date and the permit in good-standing with the Queensland Government. Comet Ridge has applied for permit renewal and PCA applications over the most prospective areas of this permit, namely the Koburra structure in the north-west of the permit (PCA 318) and an area in the south-east of the permit (PCA 319), being an extension of the Albany structure from ATP 744. Most of the remaining area of the ATP will be relinquished as part of the permit renewal and PCA application process, which were submitted to the Queensland Department of Resources in August 2021 and were subsequently formally accepted for evaluation. Comet Ridge is targeting retention of approximately 30% of the area of this block under PCAs with the remainder relinquished.

ATP 744

This permit will come to the end of its term on 31 October 2021, with all work program commitments up to date and the permit in good-standing with the Queensland Government. Comet Ridge submitted a permit renewal application for ATP 744 in September 2021 to the Queensland Department of Resources, along with three PCA applications – one over the Albany Structure (PCA 320), the second over the Schmitt East area (PCA 321) and the third over the Gunn CSG project area (PCA 322). A significant portion of ATP 744 is targeted to be retained by Comet Ridge due to a combination of the prospectivity and size of the Albany Structure (conventional sandstone gas) held by the Galilee Deeps Joint Venture (Comet Ridge 70% and Vintage Energy 30%) and also via the CSG Contingent Resource areas held 100% by Comet Ridge.

ATP 1015

This permit is not due to come to the end of its term until 30 November 2022. However, Comet Ridge is finalising PCA applications over two areas within the permit – Ophir and Schmitt. Both of these areas are prospective for CSG and conventional sandstone gas. The applications will be submitted to the Department of Resources in the coming weeks.

Updating and quantifying very large CSG resource potential

Detailed geological and geophysical work continues to progress to refine the geological model for the Gunn CSG Project Area across ATP 744 and ATP 1015. This area is in excess of 2,100 km² in total with an initial CSG focus area of approximately 950 km².

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 over ATP 744 and ATP 1015.



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

Comet Ridge's two contiguous NSW licences (PEL 428 and PEL 6) cover a total area of 10,926km² and are located in the northern Gunnedah Basin, immediately north and northeast of Santos' Narrabri CSG Project in the Bohena Trough. Comet Ridge currently holds between 29.55% and 59.09% CSG equity interests across these licences and between 97.5% and 100% conventional equity interest. Comet Ridge is the conventional operator whilst Santos operates the CSG interest.

In late May 2021, Renewal Application Amendments were submitted for PEL 6 and PEL 427, the most prospective of Comet Ridge's NSW permits, on the understanding that, after a decade of waiting, the Department of Regional NSW would favourably consider renewals of these permits. Discussions with the Department indicated that a minimum relinquishment of 25% of each block area was required and amended renewal applications were submitted by Comet Ridge on that basis. At the same time and at the insistence of the Department, it was agreed that the outstanding permit renewal for PEL 428 should be withdrawn, on the understanding that PEL 6 and PEL 427 would be renewed. Comet Ridge was prepared to accept the relinquishment of the Company's least prospective permit, in order to retain 75% of the two most prospective permits, particularly given the conventional gas potential in PEL 6 and the benefits for NSW to be able to supply its own gas to consumers and industry.

Formal acknowledgement of the PEL 428 withdrawal of renewal application was received from the Department of Regional NSW, effective 21 May 2021. Consequently, PEL 428 has ceased and Comet Ridge no longer has an interest in this permit. A 3C Contingent Resource of 73PJ was independently certified in PEL 428 in 2011 and has been removed from the Company's statement of reserves and contingent resources. This 3C Contingent Resource represents only 2.5% of the total 3C contingent resource held by Comet Ridge and is not considered material.

Following Comet Ridge's relinquishment of PEL 428, the NSW Government published its Future of Gas Statement on 21 July 2021. In this Statement, the NSW Government on one hand seems to support a gas industry for manufacturing, but at the same time has undertaken to restrict gas activity outside the Narrabri Gas Project area. The Company is unclear on the NSW Government's intentions for renewal of PEL 6 and PEL 427. The Company is extremely disappointed that the apparent intent of The Future of Gas Statement is to extinguish entire permit areas, over and above statutory obligations, with no indication of any regard for the investment made by Comet Ridge in these permits over the past 10 years (including annual fees charged by the NSW Government). Comet Ridge believes the Statement is a backward step for investment and job creation in regional NSW, particularly considering the half century of demonstrated economic and social benefit that natural gas has provided to regional areas, just across the border in Queensland.

The Company will keep the market updated on developments.



Corporate Activities

Cash Position

As at 30 September 2021, Comet Ridge had \$11.98m cash on hand (unaudited) and undrawn loan facilities of \$3.5m.

Funding activities

PURE Asset Management \$10 million loan facility

Comet Ridge announced on 3 August 2021, a binding agreement with PURE Asset Management Pty Ltd (PURE) to provide Comet Ridge access to a secured term loan facility of up to \$10 million. The facility is provided in two tranches of \$6.5 million (Tranche 1) and \$3.5 million (Tranche 2) respectively. The Tranche 1 loan was drawn on 17 September 2021 following execution of a facility agreement. The loan agreement with PURE also contains attached warrant shares. Comet Ridge issued the first tranche of warrant shares to PURE on 12 August 2021, being 39,393,939 warrant shares exercisable at \$0.165 per share for a period of 48 months from the utilisation of the Tranche 1 loan. If Comet Ridge draws down the Tranche 2 loan, additional warrant shares will be issued to PURE in accordance with the terms of the previously announced agreement.

Placement of new shares

On 10 August 2021, Comet Ridge announced a placement of new shares to institutional and sophisticated investors to raise \$5.0 million (net of costs). The placement comprised the issue of 64,472,726 new shares at an issue price of \$0.0825 per share. The placement shares were allotted to investors on 17 September 2021.

Payments to Related Parties

The aggregate value of payments to related parties and their associates of \$242k for the September 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

The total number of shares on issue at 30 September 2021 was 860,034,445. The Company also had 5,010,000 performance rights and 39,393,939 warrant shares on issue at 30 September 2021.

By Authority of Board per: Tor McCaul, Managing Director

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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 2021

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	(1)	(1)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(142)	(142)
	(e) administration and corporate costs	(634)	(634)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
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	31	31
1.9	Net cash from / (used in) operating activities	(745)	(745)
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	(902)	(902)
	(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 (Deposit relating to acquisition of APLNG Mahalo Interest)	(1,000)	(1,000)
2.6	Net cash from / (used in) investing activities	(1,902)	(1,902)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
3. Cash flows from financing activities			
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,319	5,319
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	(349)	(349)
3.5	Proceeds from borrowings	6,500	6,500
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(234)	(234)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	11,236	11,236
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1	Cash and cash equivalents at beginning of period	3,390	3,390
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(745)	(745)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,902)	(1,902)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	11,236	11,236
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period - refer to end note regarding post quarter cash	11,979	11,979
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	11,979	3,390
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) - refer to end note regarding post quarter cash	11,979	3,390
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		242
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		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	10,000	6,500
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	10,000	6,500
7.5	Unused financing facilities available at quarter end		3,500
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.		
	Lender: Pure Asset Management Pty Ltd Interest Rate: 12% p.a. Maturity Date: 17 September 2025 Secured loan		

	8. Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(745)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(902)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(1,647)
8.4	Cash and cash equivalents at quarter end (item 4.6)	11,979
8.5	Unused finance facilities available at quarter end (item 7.5)	3,500
8.6	Total available funding (item 8.4 + item 8.5)	15,479
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	9.4
<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

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: 27/10/2021



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.