



28 April 2017

## March 2017 Quarterly Activities Report

### Highlights:

- **Comet Ridge appointed agent by Santos to manage Mahalo Block subsurface work in respect of the Mahalo 2017 Joint Venture Exploration Work Program and Budget.**
- **Mahalo JV unanimously approves 2017 Joint Venture Exploration Work Program & Budget**
- **Current focus on Galilee Basin as a gas source for East Coast, continues**

The East Coast gas story has continued to dominate headlines during Q1 2017, with the most recent development being the intervention by the federal government to sure up security of supply to the domestic market.

While there has been much postulating on the causes of the shortage and who is to blame, the one undeniable fact to come out of all of this is that the east coast gas market is going to face a supply crisis and while gas might be made available through the imposition of export controls, the halcyon days of abundant cheap domestic gas have passed.

While there have been comments made about the anomaly that is the situation in Victoria, New South Wales and the Northern Territory, where gas exploration has effectively been stopped or banned, no definitive plan to get these States to unwind their anti-manufacturing policy decisions have been outlined. This must put an even stronger focus on available reserves and resources in Queensland to meet the expanding east coast LNG and domestic gas demand requirement.

The recent news that Comet Ridge has been appointed agent for Santos as exploration operator at Mahalo to manage the subsurface work in respect to the approved Work Programme puts the Company in a very strong position to capitalise on these events.

Comet Ridge continues to believe that central Queensland (Galilee and Southern Bowen Basins) will be integral in the short to medium term gas supply.

The Company, with a focus on the funding of its future operations, continues its dialogue with a number of parties in relation to gas supply from the Southern Bowen and Galilee Basins and the provision of infrastructure around that gas supply.

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**ATP 1191 Mahalo – Southern Bowen Basin, Qld (Comet Ridge 40%), Santos (30%), APLNG (30%)**

The Company was excited to announce just after the end of the Quarter that it had concluded an agency agreement with Santos, which saw Comet Ridge assume responsibility to manage the field subsurface work in respect of the Mahalo 2017 Joint Venture Exploration Work Program and Budget, in its capacity as agent for Santos as Exploration Operator, until 31 December 2018.

Following this announcement the Company advised that the Mahalo Joint Venture (Comet Ridge-40%, Santos-30%, and APLNG-30%) had unanimously approved the Mahalo 2017 Joint Venture Exploration Work Program.

The agreement between Santos and Comet Ridge is very promising as it will allow the Joint Venture to focus on moving 3P Reserves over into the 2P Reserves category in a cost effective way.

The Company currently has 219 PJ of 3P Reserves and 112 PJ of 1C Contingent Resources at Mahalo. Comet Ridge expects that the 2017 Exploration Work Program can add significant economic Reserves to each of the Joint Venture participant's portfolio.

The focus of the 2017 Exploration Work Program will be across the northern part of the block where the Mahalo JV has two operating pilot projects. The very positive production performance from the 2014 Mahalo horizontal well led to a Reserves upgrade for Comet Ridge in December 2015.

However, since that time, Comet Ridge had been unable to gain approval by the JV to progress further subsurface work around the Mira pilot or further to the northeast to lock in additional Reserve upgrades.

Finalising this agency agreement is a significant step in moving Mahalo forward by enabling Comet Ridge to manage the proposed 2017 subsurface work in a timely and cost effective manner.

This positive progress for the Mahalo block is particularly well timed given the significant amount of media commentary recently regarding the gas shortages being experienced in the east coast markets. Comet Ridge plans to maximise the growth of 2P Reserves from this work program to add supply to this growing demand.

The Mahalo field work for 2017, as approved by the Joint Venture, has several components and includes at this stage:

- Initial stimulation (under-reaming) of the four Mira vertical pilot wells to improve both water and gas offtake rates and the potential of drilling a horizontal well in the Mira pilot area to establish production performance consistent with that already achieved in the Mahalo pilot, which lies 13km northwest of Mira;
- drilling of a single step-out corehole to the northeast of Mira for reserves confirmation purposes; and
- studies work as required.

The total gross cost to the Joint Venture, of this subsurface program, is budgeted to be no greater than \$5m. Comet Ridge has agreed to not cash call Santos for its share of costs until after a gross 2P Reserves upgrade of at least 334PJ is achieved for the block.

Comet Ridge is confident that the 2017 Exploration Work Program has the potential to fulfil or even exceed this reserves requirement through the conversion of the existing 3P Reserves to 2P.

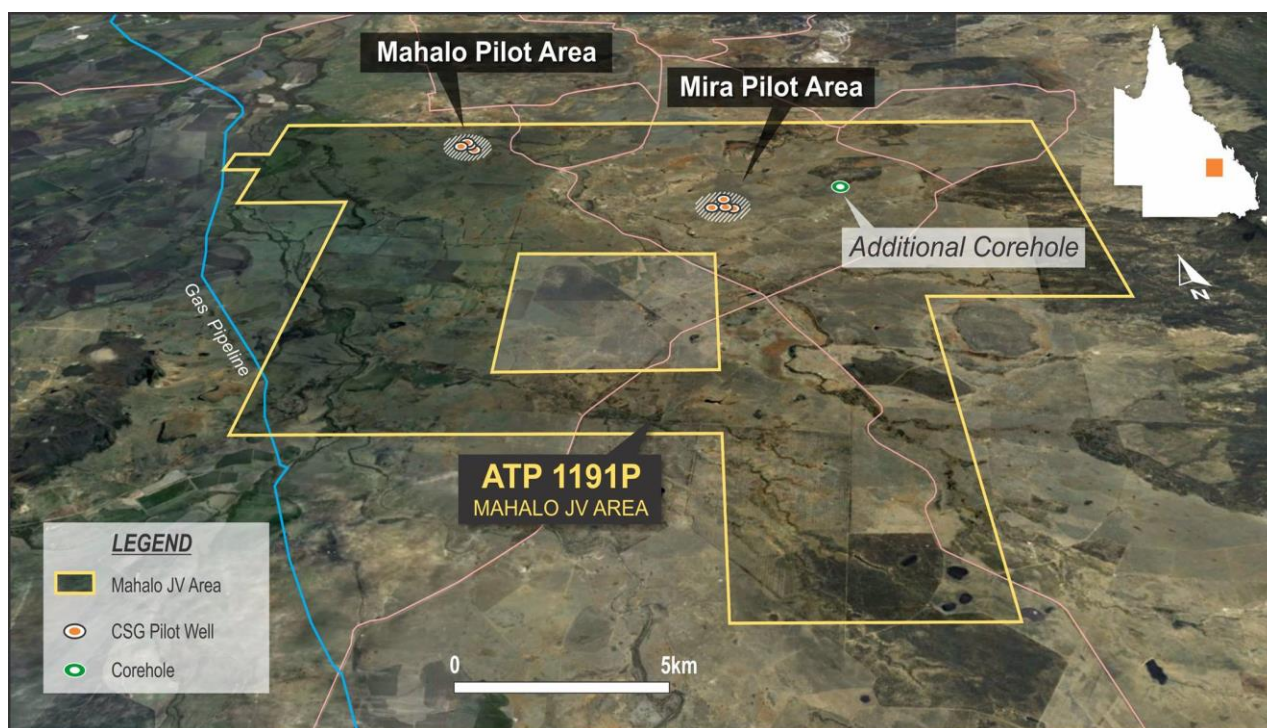


Figure 1 – Mahalo Block surface image looking north – proposed 2017 Work Program Focus

#### ATP 743, ATP 744 & ATP 1015 – Galilee Basin, Qld (Comet Ridge 100%)

During the Quarter the transfer of the interest in ATP 1015 from QER Limited to Comet Ridge Galilee Pty Ltd was approved and registered by the Department of Natural Resources and Mines. Comet Ridge is now the 100% equity holder of the ATP.

Comet Ridge continues to work with a number of gas customers, and with the Queensland Government, in relation to supply of gas from the Galilee Basin (both sandstone gas and CSG) and the associated infrastructure. There are several connection points and supply options available and the Company continues to evaluate the various options. LNG supply, industrial and domestic demand, and power generation sectors each have requirements for gas and may not be mutually exclusive – the volume of gas resources in the Galilee Basin is such that multiple requirements may be able to be met concurrently.

The Company is supportive of recent announcements by the Queensland Government in seeking Federal funding support for pipeline infrastructure to open up gas in the Galilee Basin and also of the Prime Minister's supportive comments for NAIF funding for this northern pipeline option.

Comet Ridge has a very large acreage position in the eastern part of the Galilee Basin which is prospective for both sandstone gas and CSG development, including 100% interests in ATP 743 and ATP 744 and has recently increased its interest in ATP 1015 to 100%. The Company holds an acreage position in excess of 9685 km<sup>2</sup>. (See Figure 2 below)

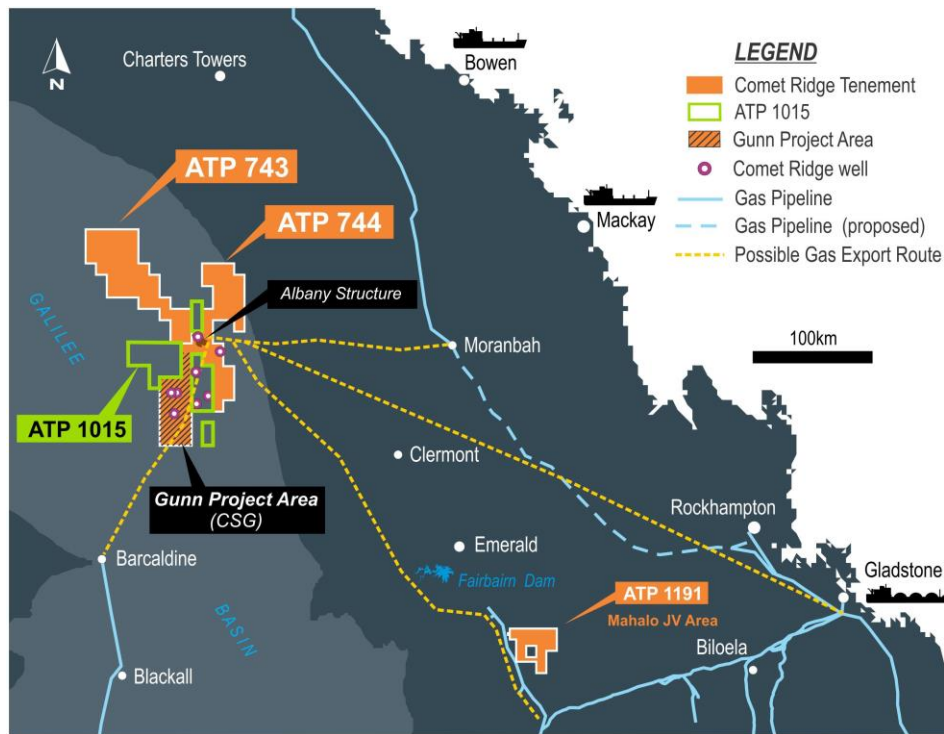


Figure 2 – Regional Location of Mahalo JV Area and Eastern Galilee Basin Blocks

**Gunnedah Basin, (Comet Ridge CSG equity: PEL 427: 59.09%, PEL 428: 68.42%, PEL 6: 29.55%)  
NSW (Comet Ridge Conventional equity: PEL 427: 100%, PEL 428: 100%, PEL 6: 99.7%)**

The Company continues to await approval of the renewals for PEL 6, PEL 427 and PEL 428. It is unclear when these approvals will be granted although we understand they are continuing to be progressed.

In keeping with the delay on the approval applications by the NSW government, the current spend on the permits is very low. Comet Ridge has a large acreage position in the Gunnedah Basin (See Figure 3) which could play a large role in supplying gas to the local and LNG markets.

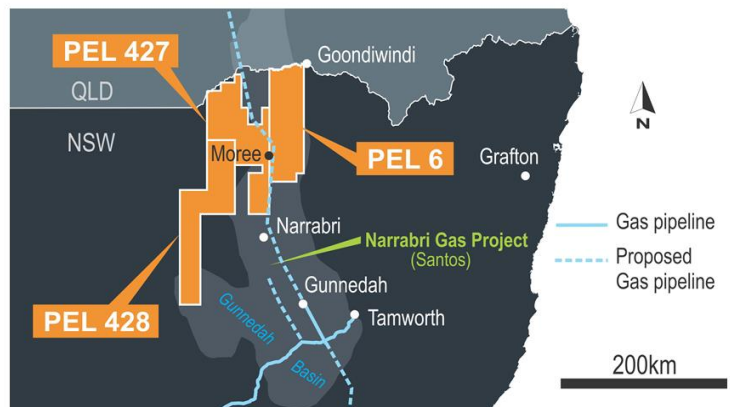


Figure 3 – Comet Ridge’s Gunnedah Basin position

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## COMET RIDGE LIMITED – OVERVIEW

Comet Ridge Limited has significant Coal Seam Gas (CSG) projects in key regions of Queensland and northern New South Wales. Gas resources have been certified, by independent professional certifiers, at several projects and gas reserves were certified in 2014 and expanded in 2015, at the Mahalo project in Queensland. The company is listed on the Australian Securities Exchange (ASX Code: COI) and is based in Brisbane. The Board and Management are experienced in establishing and developing energy projects.

### Corporate Strategy

Comet Ridge's early entry into well-located exploration areas, has allowed shareholders to gain substantial leverage into the considerable upside value potential associated with exploration success.

Comet Ridge conducts CSG exploration and appraisal, with the aim of maturing exploration acreage from Gas Resources into Proven and Probable Gas Reserves. This process initially involves drilling wells in order to certify Prospective and Contingent Resources and then through further appraisal via Pilot Projects, with the intention of progressing into certified Reserves.

Where possible, Comet Ridge takes high equity positions in its large exploration permits, including a 100% interest in three blocks in the Galilee Basin. Comet Ridge has 40% equity in the ATP 1191 Mahalo Block in the Bowen Basin, and CSG equity of 29.55%, 59.09% and 68.42% respectively in PEL 6, PEL 427 and PEL 428 in the Gunnedah Basin in New South Wales.

### Work Programme

Comet Ridge has an active exploration and appraisal work plan for CSG projects in eastern Australia, focused on the conversion of contingent resources to reserves.



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