ASX ANNOUNCEMENT

ASX : COI

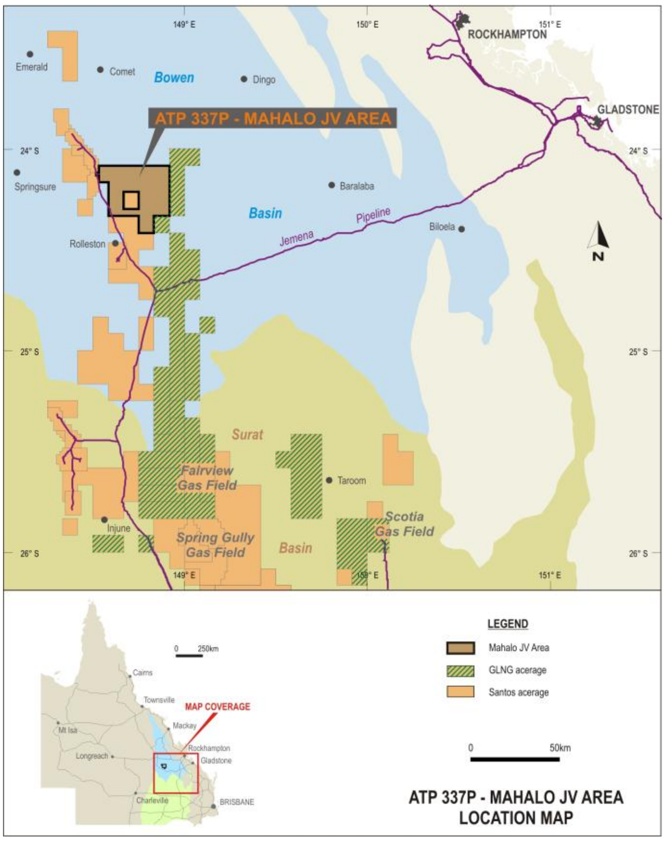
Comet Ridge Limited

12 July 2012

Drilling commences at Comet Ridge's Mahalo project

- **Mahalo 3 spudded 10 July 2012**
- **Comet Ridge share of well cost covered under agreement with Stanwell Corporation**

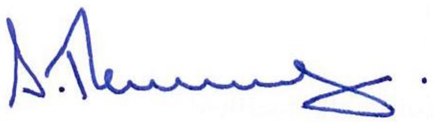
Coal seam gas explorer Comet Ridge Limited (ASX:COI) is pleased to announce that drilling has commenced at its ATP 337P Mahalo asset in Queensland's Bowen Basin with the spudding of Mahalo 3 at 1530 hours on 10 July 2012. The well lies approximately 260km west of Gladstone in central Queensland and will target the coals in the shallow Bandanna Formation, with drilling expected to reach a total depth (TD) of approximately 300 metres.



Comet Ridge has a 35% interest in ATP 337P Mahalo, having divested a 5% interest in the asset in late 2011. Under the terms of that divestment, Stanwell Corporation Limited will fund Comet Ridge's future expenditure at ATP 337P Mahalo up to A$8 million.

The objective of the Mahalo 3 well is to gather additional coal property data across the northern portion of the block, where reserves are being targeted. The well may also be completed as a producer.

Comet Ridge Limited Managing Director, Tor McCaul said "Under the terms of the Sale and Purchase Option Agreement with Stanwell, Comet Ridge could realise A$1 million in cash for every 1 PJ of 2P Reserves it has booked at the end of 2013, assuming Stanwell elects to acquire our remaining 35% interest in this asset."



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COMET RIDGE LIMITED - OVERVIEW

Comet Ridge Limited has significant Coal Seam Gas (CSG) projects in key regions of Queensland, northern New South Wales and New Zealand, as well as oil and gas interests in the United States. Gas resources have been independently certified at four projects. 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 has gained early entry into well-located exploration areas, allowing shareholders to gain substantial leverage into the 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, progressing into certified Reserves.

Where possible, Comet Ridge takes high equity positions in its large exploration permits, including a 100% interest in both its Galilee Basin and New Zealand assets. Comet Ridge has 35% equity in the ATP 337P Mahalo block in the Bowen Basin, and holds 25% and 40% equity respectively in PEL 427 and PEL 428 in NSW.

Certified Resources

In executing our strategy, Comet Ridge has successfully independently certified the following Prospective and Contingent Resources:

Comet Ridge Limited – Net Recoverable Resources			
Project	**Location**	**Contingent Resource (PJ)**	**Prospective Resource (PJ)**
Gunn Project Area (ATP 744P)	Galilee Basin, Qld	1,870	597*
Mahalo Block (ATP 337P)	Bowen Basin, Qld	387	-
PEL 427 and PEL 428	Northern NSW	231	1,022
PMP 50100 and PEP 50279	West Coast, Sth Island, NZ	244	-
Total		**2,732**	**1,619**

*Where the auditor has detailed Prospective Resources in a range (low, middle and high) the mid-range case has been listed in the table.

Work Program

Comet Ridge has an active exploration and appraisal work program for CSG projects in Queensland, northern NSW and New Zealand. The first Pilot Project for ATP 337P Mahalo is planned for 2012, with additional exploration and appraisal work planned for the Galilee Basin and northern NSW.

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