



17 January 2013

Galilee Basin Project Update - Extended Production Test Commences

- **Gunn 2 well Extended Production Test (EPT) has commenced in the Galilee Basin**
- **Initial results confirm excellent coal productivity**
- **Gunn 2 is flowing at over 120 bwpd from a single coal interval**

Comet Ridge Limited (ASX:COI) is pleased to provide an operational update for the Extended Production Test (EPT) that has recently commenced at Gunn 2 in the Gunn Project Area (GPA) in ATP 744P in central Queensland. The GPA is approximately 90 km NNE of Aramac and 570 km NW of Gladstone and is immediately west of a number of the very large proposed Galilee Basin coal mines which are located on the eastern basin edge.

The Gunn 2 well was drilled in October 2012, intersecting a total net coal thickness of 16.2 metres. Downhole analysis confirmed the presence of significant natural fractures in the coal. Four separate coal intervals were individually flow tested with all zones demonstrating good to excellent productivity. Production casing was run and cemented in place.

During November 2012, the well was completed for production with tubing and a downhole pump installed to enable water to be produced. This operation involved perforating the casing into only one of the previously tested coal intervals - a four metre thick interval from 952.5 to 956.5 metres which is bounded above and below by impermeable mudstone. The Extended Production Test (EPT) was designed in this manner to ensure produced water would only come from the Betts Creek reservoir coal. Additionally, by excluding water from other zones in the well, surface water handling requirements could be optimised and dewatering time could also be minimised.

The objective of the EPT is to provide information to test the completion methodology for the full pilot scheme and to obtain good quality water samples from the Betts Creek coals.

During December 2012, surface facilities including water storage tanks, flowlines, metering facilities and power generation were installed on site and earlier this month these facilities were commissioned for operation.

The downhole pump was started on 11 January 2013 to commence the EPT. To date the pump and other equipment is performing as designed with no mechanical or electrical issues. The water rate is progressively being increased with the well currently producing over 120 bwpd (barrels of water per day) with minimal pressure drawdown on the coal, indicating that this coal has substantially more flow capacity.

Comet Ridge Managing Director, Tor McCaul, said he was pleased with the progress of the EPT to date, with this producing well an important milestone for the Company in the Galilee Basin. He said that although the Company had conducted a number of openhole tests on this well and other wells in the basin, which confirmed the Betts Creek coals were productive, the EPT is the first test for the company on a completed well, where the well has been set up for long term production.

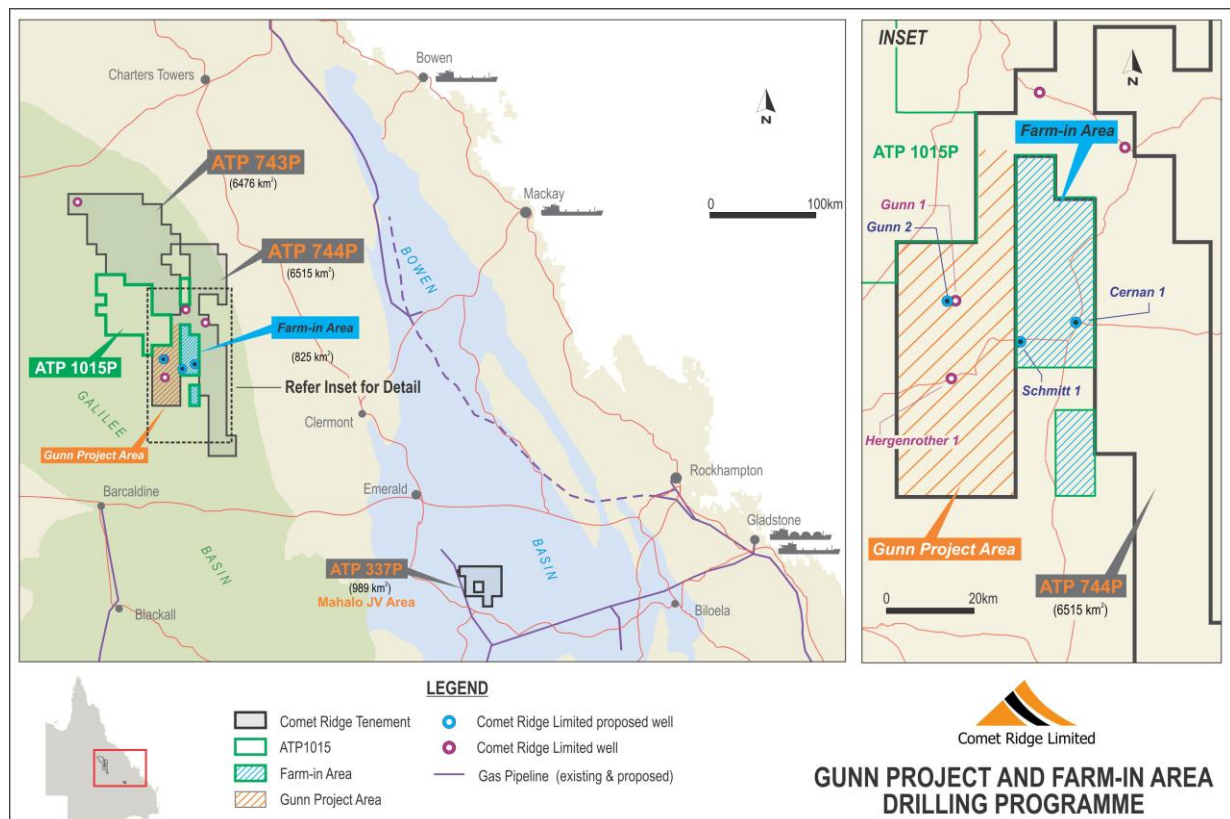
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Mr McCaul said early results from this EPT were indicating that the simple completion style employed here had proved very effective in connecting the wellbore to the fractures in the coal and could subsequently be applied to a pilot scheme to access selected coals.

He also indicated the four metre coal interval currently being tested in the Gunn 2 well, was capable of producing at significantly higher water rates and this would progressively occur over the coming weeks to fully evaluate this highly productive interval.

The Company plans to conduct the EPT on Gunn 2 over a number of months, before finalising the design for the pilot scheme in the Gunn Project Area with the intention of achieving independently certified gas reserves, which would be available to power, LNG or domestic gas markets.



Gunn Project Area – Galilee Basin – Background Summary of Progress to Date

- **Eight exploration and appraisal wells have been drilled in the Galilee Basin**
- **Five of these wells are in the Gunn Project Area and Farm-in Area and confirm a very large, independently certified gas resource**
- **Development of commercial options for gas continues**

The petroleum exploration permits ATP 743P and 744P were awarded to Comet Ridge by the Queensland Government in late 2009 and cover an area of approximately 13,000 km² (or 3.2 million acres). The Company holds 100% equity in both of these large blocks. Recently the Company farmed-in to an additional 825 km² in ATP 1015P, and has earned 20% equity in this Farm-in Area with the option to increase equity to 75% based on two further farm-in stages.

In the initial Galilee -Basin drilling campaign at ATP 743P and 744P in 2010, Comet Ridge undertook a five-corehole exploration programme. This identified the Gunn Project Area (GPA) as containing a structural nose and identifying the most prospective part of the Company's Galilee Basin acreage. The initial wells in the GPA (Gunn 1 and Hergenrother 1) identified productive coals with a total net thickness of

approximately 16 metres in the Permian aged Betts Creek Beds and indicated a peak gas content level of 7.3 m³/tonne (dry ash free) and an average gas content of 4.3 m³/tonne.

In order to better define structure, and also aid in location of further wells for the GPA, a 252 km 2D seismic survey was undertaken in 2011 which provided very high quality data. This data when combined with magnetic and gravity data analysis, provided the Company with a strong image of the GPA over a large area in the basin. Analysis of all available data to date, indicates that the GPA and Farm-in area coals containing recoverable gas, over an estimated area of approximately 1865 km².

An independent resource certification was made and previously released to the ASX in November 2010 which indicated 1,870 PJ of 3C Contingent Resource and 597 PJ of Prospective Resource (midcase) in the Gunn Project Area. Additional gas resource upside potential outside of the GPA was not considered in this initial resource certification.

A second phase of drilling was conducted in October and November 2012 with a three-well programme. These appraisal wells were designed to be retained as future production wells. The Gunn 2 well was the first well in this programme and was specifically designed and drilled for the Extended Production Test.

The second and third wells in the 2012 drilling programme, Schmitt 1 and Cernan 1, have been suspended for use as future production wells. These were drilled in the Farm-in Area, in ATP 1015P, as significant step-outs to define productive coals over a very wide area. Schmitt 1 is approximately 17 km east of Gunn 2 and Cernan 1 a further 12 km east of that. These wells showed increased thickness in net coal (both in excess of 20 metres), confirmed continuity of the main coal reservoirs over this large distance to the east, and confirmed the presence of productive coals that contain gas. Laboratory work on the core obtained in both of these wells is expected to take several months to complete.

The drilling of the three wells in late 2012 and conduct of the Extended Production Test in early 2013, are key steps in the progression of the Company's significant resource base to gas reserves. A pilot scheme, which includes drilling several additional wells in the Gunn field area, will be designed from the results and data obtained from the Extended Production Test and is expected later in 2013.

There are a number of commercial options available for gas from the eastern Galilee Basin. The Company continues progressing these commercial options in an environment where the market for gas is tightening in eastern Australia and the Company has a material volume of gas resource already independently certified.



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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 certified, by independent professional certifiers, 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, 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 both its Galilee Basin and New Zealand assets. Comet Ridge has 35% equity in the ATP 337P Mahalo block in the Bowen Basin, and announced on 21 June 2012 that it has signed an agreement to increase its equity to 22.5%, 50% and 60% respectively in PEL 6, PEL 427 and PEL 428 in the Gunnedah Basin in New South Wales. This transaction is subject to government consent to transfer.

Work Programme

Comet Ridge has an active exploration and appraisal work program for CSG projects in Queensland and northern New South Wales. Drilling for the first Pilot Project for ATP 337P Mahalo was undertaken in July 2012, with additional exploration and appraisal work planned for the Galilee Basin and Mahalo in early 2013.

