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MANAGING DIRECTOR'S AGM ADDRESS 2014

Before I speak specifically about Comet Ridge, I think it's useful to set the scene a little as we move into a very exciting time for the gas business in eastern Australia. With many other commodity prices now perhaps near the bottom of their cycles, Australian east coast gas prices are expected to be very robust going forward as the three LNG plants at Gladstone start operations over the next nine months. This year the east coast gas market has seen a fall in short term gas prices as the LNG ramp up phase commences, but this is expected to be short lived as QGC starts their first LNG train this year and the APLNG and GLNG projects start next year.

Comet Ridge has had a different focus this year, as we have concentrated on pilot production and reserves in our Mahalo project in the southern Bowen basin. There have been three key events for us this year at Mahalo which I will talk about in turn – increasing our equity back to 40%, getting our maiden reserves (both for the block and for the Company) and successfully drilling the first horizontal well in the block with our other Joint Venture participants, Santos and APLNG. We also drilled a long distance step-out well in the Galilee Basin this year and are now perhaps starting to see the first signs of life in the NSW gas story, after two or three years of relative quiet.

We were also pleased to successfully increase our funding to be able to take Mahalo forward this year and well into next year with an \$8 million placement and an SPP that a number of our shareholders supported increasing our funding by a further \$1.1 million.

Mahalo

The Mahalo story has been an exciting one this year for a number of reasons. Located only about 240 km west of Gladstone and near pipeline infrastructure, the Mahalo block is to the north of the very large Fairview and Spring Gully fields and also to other pilot schemes operating at Arcadia Valley and Kia Ora. Comet Ridge has long held the view that this block is highly prospective for CSG, initiating a farm-in 10 years ago and taking 20% equity from each of Santos and Origin who were 50% equity holders in the block at that time. In 2011, Comet Ridge brought Stanwell Corporation into the block through the sale of a 5% equity position and with an option for Stanwell to buy Comet Ridge partially or fully out of the block in the future. This provided \$15 million funding into the block and largely carried Comet Ridge's share of expenditure through the pilot drilling and construction phase that started in 2012 and moved into the middle of 2013.

Based on the excellent pilot well results that were achieved, and the expectation that the ownership of Stanwell may change due to state government privatisation, Comet Ridge and Stanwell agreed to modify the original agreement in March of this year, which returned the 5% equity to Comet Ridge. Stanwell gave up the ability to buy Comet Ridge out of the block and in exchange, now has an option to take 20 to 40 PJ of gas from Comet Ridge in a market based gas sales agreement, or a cash payment of \$20 million (escalated at CPI). The timing of the GSA option for Stanwell centres around the final investment decision for the block. We believe this is a great deal for both Stanwell and Comet Ridge as it returns both parties to their core business, one as a power generator and the other as a gas explorer and developer.

From an operational perspective, the year started with stimulation work on two Mahalo wells and saw the Mahalo field pilot scheme go back on line in March as the field was dewatered and gas continued to be flared. We have been pleased to see steady week on week improvement in gas rate since that time, which led in August to an initial independent reserve certification at the Mahalo Block for Comet Ridge. Whilst the Company has had a large contingent resource base, these are the first certified reserves which are a major milestone for the company. Pleasingly, the certification also included an increase in contingent resources for the Mahalo Block, which in total saw an improvement in total recoverable gas (reserves and resources) of just over 30%. Given that the 2P and 3P reserves certified this year account for only 5% and 25% of the block area respectively, we believe that there is considerably more reserve available in the block.

Gas comes out of the coal matrix and makes its way to the production well via the natural cleat and fracture system. Intersection of fractures is a key objective of any coal seam gas well and our joint venture undertook some detailed technical work this year on horizontal wells and how they could be applicable in this block. There has certainly been more coverage of horizontal wells in general in the media lately and how some of the big LNG companies may be planning quite a number in the future. By about August our joint venture had a plan taking shape to trial a horizontal well in the Mahalo field, and this plan included use of existing space and infrastructure as best as possible, to minimise cost and also minimise the total project timetable. A plan to locate and drill the Mahalo 7 horizontal (surface to in-seam well) was finalised, with the well to intersect the Mahalo 6 vertical production well – a well that already had surface facilities in place and was connected into the network via water and gas flowlines.

This well was spudded in the early part of November and took a little more than a week to drill with no surprises. Pleasingly the drilling team was able to stay in the coal seam for almost the whole way through to the intercept with Mahalo 6. The well was also fully lined with a 3-1/2" liner all the way through to the intercept. In total, over 86% of the horizontal section is in the coal seam. All that remains is the pump to be re-run in Mahalo 6 so that water and gas production can re-commence via the vertical well. We expect the pump to be installed in about the next 10 days and then the Mahalo 6 vertical well brought on line at a low and steady pumping rate immediately after that.

We will watch the performance of the Mahalo horizontal well with great interest over the coming weeks leading into the new year. The vertical wells in the Mira field pilot continue to dewater and flare gas and subject to Mahalo well performance, horizontal technology could be applied at Mira to accelerate the dewatering in that field. The joint venture may also apply more conventional vertical core hole drilling to step out from the pilot areas in the Mahalo block in order to build out 2P and 3P reserves.

Comet Ridge sees optimisation of value from the Mahalo block in terms of building both reserves and deliverability. We believe that as LNG trains come on line, keeping these very costly investments full of gas will be a key consideration for both the LNG sellers and given Mahalo's proximity to Gladstone and its yet to be allocated reserves and resource base will be very valuable.

Galilee

We maintain a very large acreage position in the Galilee Basin, with most of it at 100% equity. Our ATP 743P and 744P blocks this year saw a routine one third relinquishment with the Queensland Government, but this still leaves us with over 8500 km². We also hold 20% of the ATP 1015P farm-in block which has an area of about 870 km².

This year our CSG work focussed on a long distance step out core hole that we drilled in ATP 1015P. Harrington 1 was a bold step out drilled 24km to the northeast of the Gunn 2 well and confirmed 19 metres of coal. The well was cored through the entire Betts Creek section, reaching a TD of 1042 metres and had observed gas bubbling from the core. Concurrent with the large 1870 PJ 3C contingent resource base that we have established in the Galilee Basin, we have also been putting significant effort into understanding sandstone prospectivity from our part of the Galilee Basin.

Three older wells in the basin, not drilled by us and drilled between the 1960s and 1990s, have flowed gas to surface or recovered oil, over a distance of about 120 km. These wells were all drilled targeting oil and were not drilled for the evaluation of gas prospectivity – high mud weights were used and often testing was done after logging, therefore leaving mud over the gas zones for long periods of time before testing. The Carmichael 1 well for example, located not far north of where we drilled Harrington 1, flowed gas from there zones with another zone, about 50 metres thick, not even tested at all – perhaps

because gas was flowed from zones above and below it so there may have been little doubt what it contained. It was only oil that was of interest from the basin in those days.

We believe that Galilee gas may ultimately be developed for LNG supply, for domestic use or for powering the proposed mega coal mines down the eastern basin margin, close to Comet Ridge's tenements. Subsequently we have been pleased to see the Queensland Government announcement that it will provide funding to assist the basin rail solution. Four projects accounting for up to 160 Mtpa of coal exports have secured conditional environmental approval and we believe that given the proximity of these mines to Comet Ridge's Gunn Project Area, that locally sourced gas could improve the economics of these mines. Whilst Comet Ridge has been engaged in a range of discussions on gas supply and appraisal funding with a variety of potential customers, we have not yet reached a stage where the conditions are right to go forward. We believe that as the LNG schemes start and the coal mines further progress their approvals, that conditions will change.

Gunnedah Basin NSW

The gas story in NSW is vastly different from what we have observed first hand here in Queensland and to many the difference in approach by the respective state governments is difficult to reconcile. Over the past couple of years, Comet Ridge has gradually increased equity in the northern Gunnedah Basin and now holds a position of approximately 18,000 km² with a CSG equity level of 22.5%, 50% and 60% respectively in PEL 6,427 and 428. We have mapped a number of troughs in these blocks, hold 3C contingent and prospective resources and believe there is yet more gas to be found that can be safely and efficiently produced into the NSW market.

We have been pleased recently to see the Chief Scientists report published in late September after a period of study of 19 months. Given the backlash expressed by some of the anti-gas lobby, it would be fair to conclude that the Chief Scientists conclusions were that gas can indeed be safely produced in NSW under the right regulatory and engineering framework.

In the past two weeks we have also seen the NSW government release a new policy it called the NSW Gas Plan. This policy has accepted all of the Chief Scientist's recommendations articulates a clear, strategic framework to deliver world's best standards and regulation for the industry and plans to secure vital gas supplies for the state of NSW. Over 1 million retail and 450 industrial customers in NSW should be very pleased to see the NSW government starting to be proactive in fostering the re-start of the industry. Given our large acreage position in NSW, we are hopeful of being able to re-start exploration on our three blocks, with joint venture participants Santos and Energy Australia as we head into 2015.

In Conclusion

To conclude, our focus for the coming one to two quarters is to build both gas reserves and gas deliverability in the Mahalo block centred around both pilot schemes and the area immediately to the south as we step out further into the block. We are now funded to do this and the start-up of the Mahalo horizontal well is an exciting time for our joint venture.

Our 50 year old industry in Queensland is about to go through a major long term shift in gas demand as the first LNG cargoes leave Gladstone. We believe gas will be a critical form of clean energy in Australia and Asia for at least the next several decades and that our large and high equity Galilee and Gunnedah basin positions will become valuable as development proceeds in the Galilee basin and as policy changes just coming into place by the NSW government start to lead to a return to exploration and appraisal in NSW.