

27 January 2022

December 2021 Quarterly Activities Report

Highlights

- **APLNG acquisition** completion on track and all conditions materially progressed during the quarter.
- **Mahalo North appraisal drilling** completed during the quarter, with very positive results from Mahalo North 1 (vertical well) and Mahalo North 2 (dual lateral well).
- **Mahalo North 1 completion** equipment installed in mid-December ready for commencement of production test, followed by installation of production testing equipment in mid-January 2022.
- **Mahalo North 1 production test** commenced 14 January 2022.
- **Very strong domestic and international gas market conditions** continued in December 2021 quarter.
- **Strong cash position** at end of December 2021 of \$7.2m (unaudited) and undrawn finance facilities of \$3.5m.

Mahalo Gas Hub Area, Bowen Basin, QLD

Comet Ridge holds 100% equity in three project areas in the Mahalo Gas Hub area, and a 40% interest (increasing to 70%) in the Mahalo Gas Project. The current net acreage 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. This is the fairway that has been extensively appraised and importantly has produced 1.4 MMcf/d (million standard cubic feet of gas per day) from a lateral pilot well (Mira 6) drilled only 924 metres in coal (refer ASX announcement 26 June 2018).

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

Project name & opportunity	Permit	COI % interest	Area (km ²)	Status
Mahalo Gas Project (CSG)	PL 1082, 1083; PCA 302, 303, 304	40%*	911**	Petroleum Leases awarded for Development
Mahalo North (CSG & deeper conventional gas)	ATP 2048	100%	450	Appraisal program commenced in Oct 2021 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

*COI equity interest increasing to 70%; **Mahalo Gas Project will increase slightly on deal completion

A compelling east coast gas play

Comet Ridge Limited | ABN 47 106 092 577 | ASX: COI

Level 3, 410 Queen Street
Brisbane Queensland 4000
GPO Box 798 Brisbane Qld 4001
Phone +61 7 3221 3661
Email: comet@cometridge.com.au
cometridge.com.au



Mahalo Gas Project (PL 1082 & 1083, PCA 302 to 304) – Comet Ridge 40%, increasing to 70%

Overview

The Mahalo Gas Project, with two Petroleum Leases (PL's) formally awarded, is Comet Ridge's flagship gas project and once 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, with Comet Ridge acquiring APLNG's equity share (refer ASX announcements on 3 August 2021).

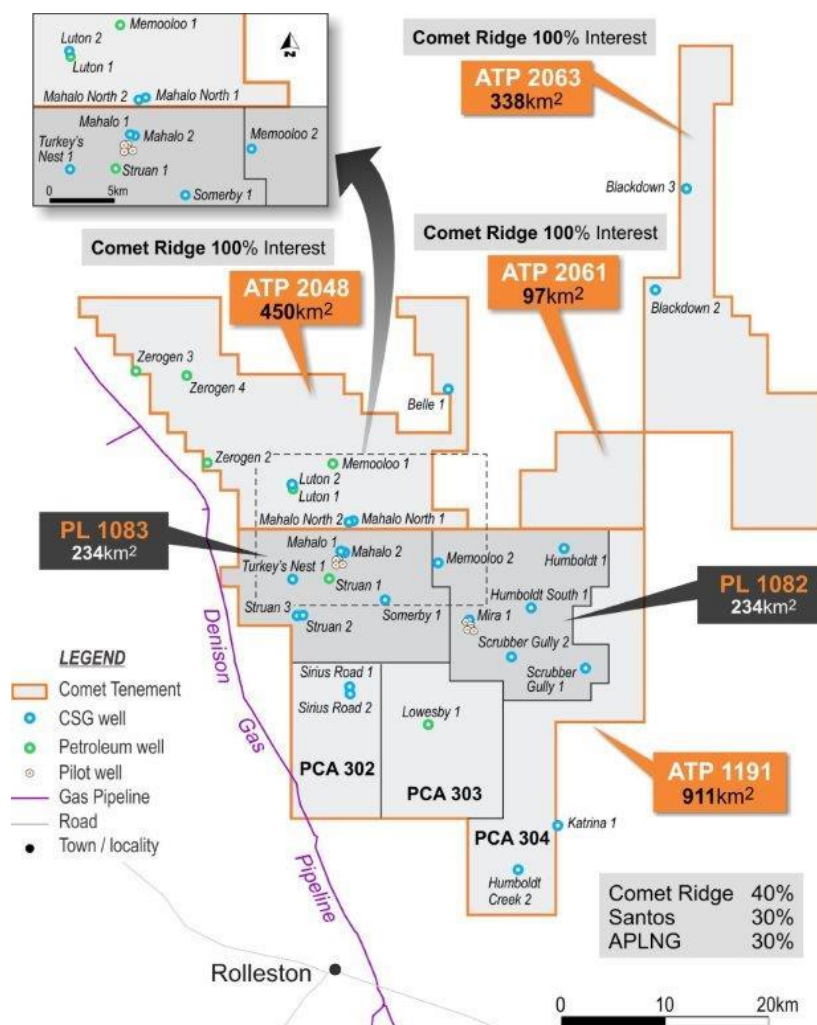


Figure 1 – Mahalo Gas Project, showing the initial development focus area of PL 1082 and 1083 and the wider Mahalo Gas Hub area (including Comet Ridge's 100% owned ATP 2048, 2061 and 2063)

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 2P 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*).

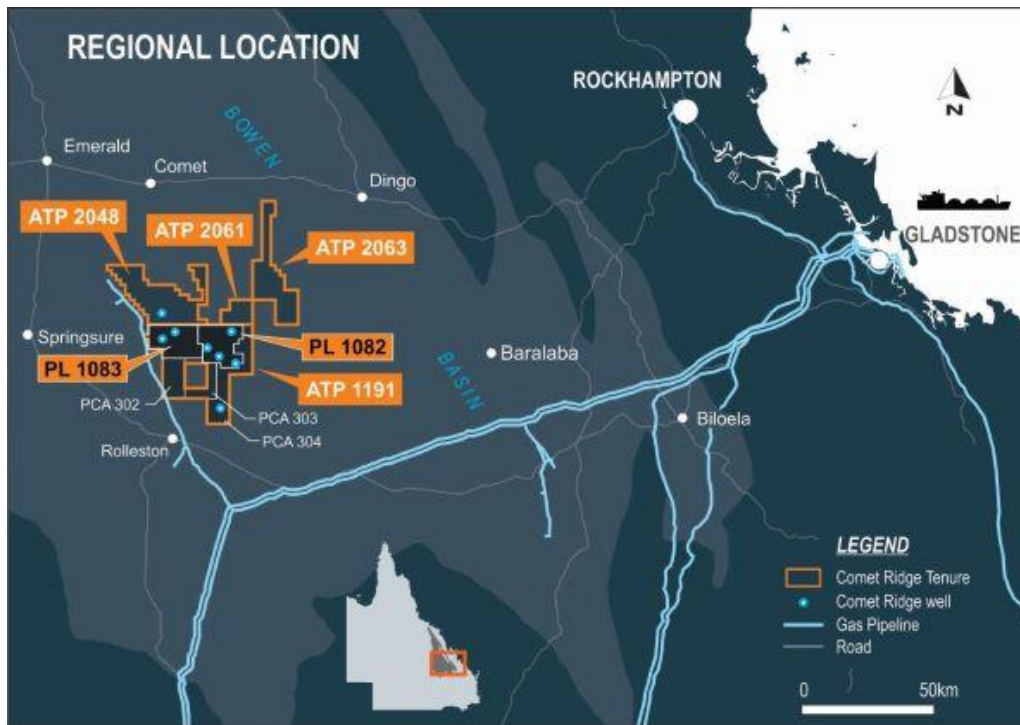


Figure 2 – Regional location of the very large Mahalo Gas Hub area showing proximity to pipeline infrastructure and domestic and LNG market

APLNG acquisition update

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**). At the same time, Comet Ridge executed a funding and option agreement with continuing Mahalo Gas Project partner, Santos QNT Limited, whereby Santos may increase its equity interest in Mahalo from 30% to 50% and acquire 50% interests in Mahalo North (ATP 2048) and Mahalo East (ATP 2061).

During the December 2021 quarter, the Mahalo joint venture parties have materially progressed the conditions required to be satisfied prior to completion of the Acquisition. The conditions are broadly grouped into four categories and the current status is summarised in *Table 2* below.

Condition category	Status	Comments
Environmental Authority (EA) for Mahalo (PL 1082 and PL 1083)	EA completed, pending security.	A new Mahalo EA has been awarded by the Queensland Department of Environment and Science for PL 1082 and PL 1083 following de-amalgamation from the historical Denison Trough (APLNG and Santos) EA. Condition will be satisfied on lodgement of required security deposit.
Financing	Completed.	Loan agreement executed by Comet Ridge and Santos in August 2021. Drawdown will occur at completion of the Acquisition.
Mahalo Joint Venture agreements and approvals	Materially progressed.	Awaiting satisfaction of other conditions prior to execution by the Mahalo Joint Venture parties.
Indicative approval for the transfer of PL 1082 and PL 1083	Submitted for indicative approval.	Application has been lodged and awaiting indicative approval by the Minister of the Queensland Department of Resources. This is expected to be received in the coming weeks.

Table 2 – Status of conditions relating to the Acquisition of APLNG’s 30% Mahalo interests



Mahalo North (ATP 2048) – Comet Ridge 100%

Overview

Mahalo North (Comet Ridge 100%, Operator) is highly prospective (450km² block) located directly north of, and contiguous with, the Mahalo Gas Project. The block was formally awarded to Comet Ridge by the Queensland Government in 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 the Company's confidence in the productive coal fairway and the ability of strategically placed pilots to deliver meaningful gas volumes. This means that appraisal and initial development well locations can be chosen based on the available data.

Drilling and Appraisal Program

During the December quarter and into January 2022, Comet Ridge has undertaken the following appraisal work program:

- Drilled Mahalo North 1 vertical well and cored to confirm key coal reservoir data from lab analysis;
- Drilled a dual lateral well (Mahalo North 2), which intersected Mahalo North 1 through the target coal reservoir;
- Completed Mahalo North 1 with downhole pump, production tubing and pressure gauge in preparation for production testing;
- Installed surface production equipment including water storage tanks, gas-water separator, flowlines and flare stack; and
- Commenced production testing of Mahalo North 1 on 14 January 2022.

Interpretation of drilling and appraisal results to date

Drilling Results

Results from drilling the Mahalo North 1 vertical well and Mahalo North 2 dual lateral well have been very positive and exceeded Comet Ridge's pre-drilling expectations. *Figure 3* below shows a schematic of the wells and *Figure 4* shows water storage and production test facilities on site.

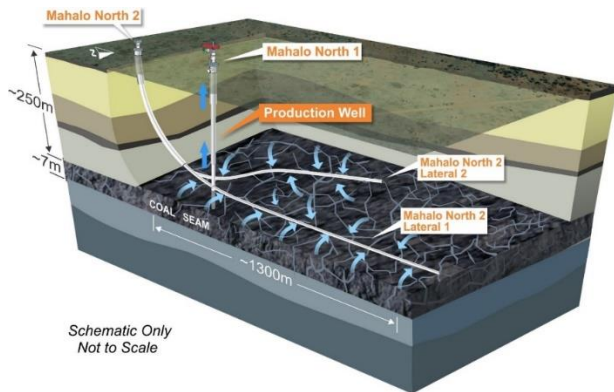


Figure 3 - Cutaway diagram of the Mahalo North 2 dual lateral well sections and Mahalo North 1 vertical well



Figure 4: Mahalo North 1 well pad with water storage tank and well test facilities installed

The key results of the drilling program are summarised in the table below.

Mahalo North 1 Vertical well	• Drilled to 314m, intercepted a net coal package of 9.03m • Short downhole flow test measured permeability of 250 millidarcies (md) in the combined Castor Pollux coal reservoirs • Coal recovered from coring operations was vigorously bubbling gas prior to being placed in canisters for lab analysis
Mahalo North 2 Dual lateral well	• Over 2100m of total lateral section drilled with almost 1900m in-seam for production across two lateral sections • Significant fluid losses while drilling indicating connection to an extensive natural fracture network (evident from the Mahalo North 1 scanning log image)

Production testing

The Mahalo North production test commenced on 14 January 2022 with the downhole pump started at low speed and water being produced to the on-site water storage tanks.

After starting the downhole pump and initially achieving 110 barrels of water per day (bwpd) the pump speed has been increased and the water rate has increased to 141 bwpd. Over the coming weeks, the pump speed will be progressively increased to draw the bottomhole pressure down in a controlled manner, which will significantly increase water flow from the well. This will reduce pressure in the reservoir over a wide area around the well to enable gas desorption from the surface of the coal and production of both water and gas to surface for measurement. Based on the Company's experience from the very successful Mahalo 7 and Mira 6 production tests in the main Mahalo Gas Project just to the south, a slow and controlled reduction in pressure in the reservoir in this manner, allows these particularly productive fractures in the coal seam to remain open and the best possible gas flowrate to be achieved. This process follows how production wells would be brought on line in development.



Comet Ridge expects that based on the excellent permeability already observed in Mahalo North 1 and the high fluid losses experienced whilst drilling both lateral sections of Mahalo North 2, that strong water and gas rates should be expected. In anticipation of these higher water and gas rates Comet Ridge has secured a larger water storage tank which is now expected to be installed next month.

Refer to Comet Ridge's ASX releases of 25 October 2021 and 15 November 2021 for more detail on both Mahalo North 1 and 2 drilling results and ASX releases of 8 December 2021, 22 December 2021 and 17 January 2022 for Mahalo North operations updates.

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 secure tenure via renewal of certain areas of Authorities to Prospect (ATP) 743 and ATP 744, and 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, including the Koburra structure in the north-west of the permit (PCA 318) and an area in the south-east of the permit (PCA 319), which is 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 this block under PCAs with the remainder relinquished.

ATP 744

This permit came 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 strong 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 in the shallower sections, held 100% by Comet Ridge.

ATP 1015

This permit term ends on 30 November 2022. In October 2021, Comet Ridge submitted PCA applications over two areas within the permit – Schmitt (PCA 323) and Ophir (PCA 324). Both of these areas are prospective for CSG and conventional sandstone gas.

Figure 5 below shows the PCA application areas within Comet Ridge's Galilee Basin permits.

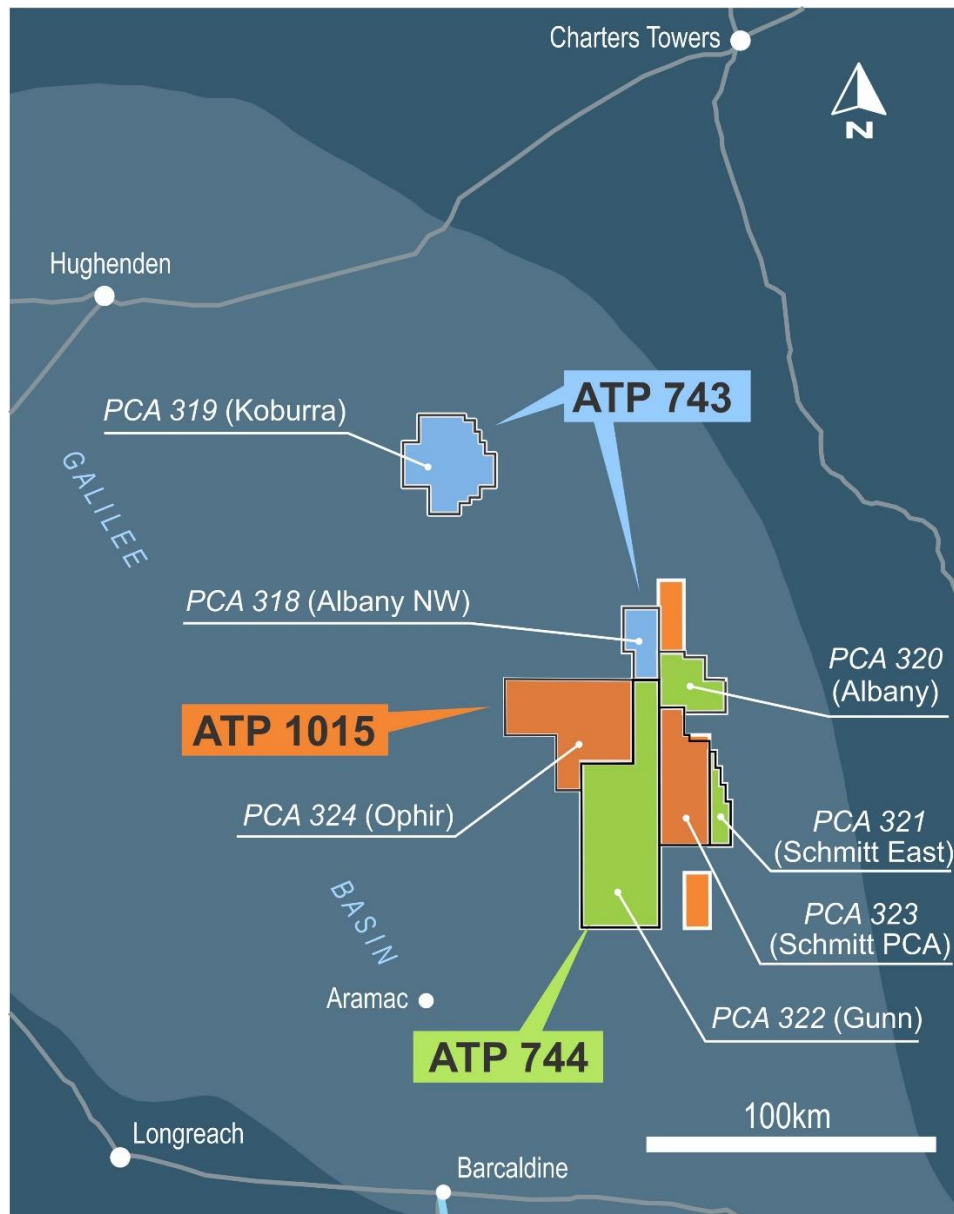


Figure 5 – Comet Ridge PCA application areas with the Galilee Basin permits

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 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 the PCA areas from within 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 427 and PEL 6) cover a total area of 10,926 km² 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.

There has been minimal activity in the NSW licences during the current quarter following the NSW Government Future of Gas Statement release on 21 July 2021. In this Statement, the NSW Government on one hand seems to support a gas industry as critical 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 will keep the market updated on developments.

Gas Markets

Bowen Basin Concept Study

The Queensland Government's Department of Resources released a report prepared by KPMG, GHD and NSAI in December 2021 (Report) which investigates the potential of unlocking future gas supply from the Bowen Basin in Queensland. The Report confirms new upstream sources of gas supply are required from as early as the mid-2020s to avoid long-term shortfalls in the East Coast Gas and export markets. The Report concludes the Bowen Basin is potentially in a prime position to meet the State's needs due to its existing infrastructure, existing production and extensive exploration and appraisal activity. In particular, the Moranbah, Blackwater and Mahalo regions were noted as the most likely to provide the new production sources to fill demand with the Mahalo region already being close to existing infrastructure.

The Report also examined a number of options for gas pipeline export from the Basin and noted at least two of the routes pass very close to the Mahalo Gas Hub area to connect with existing infrastructure near Rolleston.

East Coast Gas Markets

East coast wholesale domestic gas prices (both spot and contract) continue to strengthen and increased by 28.7% in Q3 2021, followed by spot prices increasing in November 2021 to \$10-13/GJ. Domestic spot prices remain well below international spot prices, which are around \$40/GJ, with high international spot prices encouraging strong exports from Gladstone, including high-priced spot cargoes. *Figure 6* below shows the strengthening gas prices on a monthly basis since November 2020 (source: EnergyQuest, December 2021).

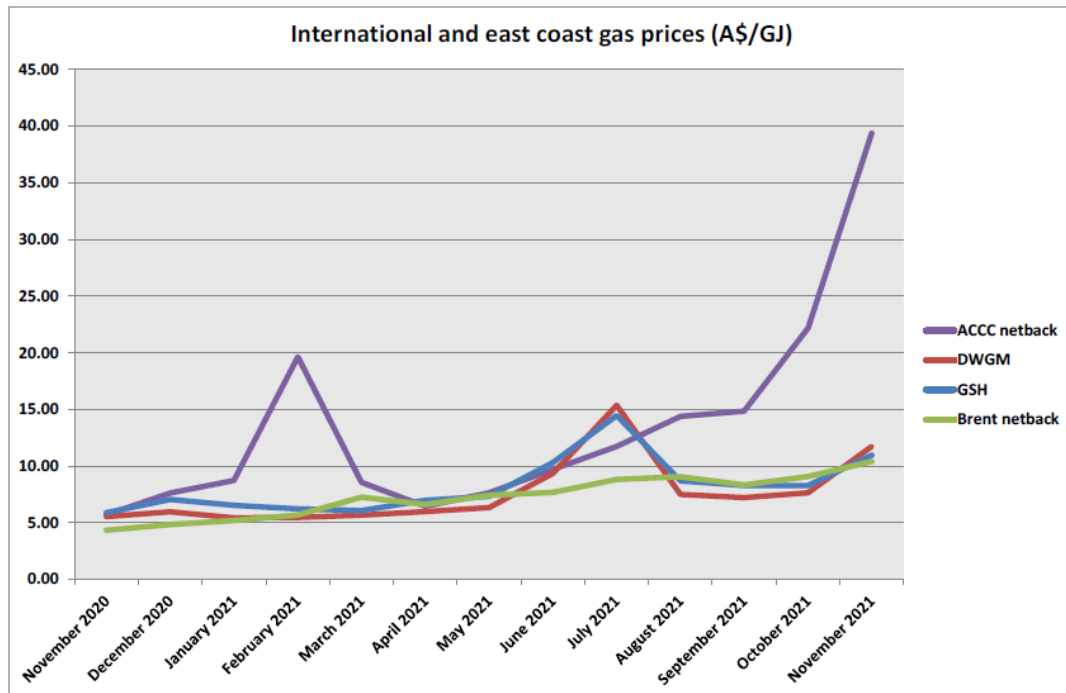


Figure 6: East Coast Gas Prices (\$/GJ) (DWGM = Declared Wholesale Gas Market, GSH = Wallumbilla Gas supply Hub)

Corporate Activities

Cash Position

At 31 December 2021, Comet Ridge had \$7.2m cash on hand (unaudited) and undrawn loan facilities of \$3.5m.

Payments to Related Parties

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

At 31 December 2021, the total number of shares on issue was 860,034,445 and the total number of warrant shares on issue was 39,393,939.

The Company issued a further 12,135,000 performance rights in December 2021 to staff and long-term contractors, including 2,580,000 performance rights to Mr Tor McCaul (Managing Director). The total number of performance rights on issue at 31 December 2021 was 17,145,000.



By Authority of Board per: Tor McCaul, Managing Director

For more information or photos:

Tor McCaul
Managing Director
Phone +61 7 3221 3661
tor.mccaul@cometridge.com.au

Phil Hicks
Chief Financial Officer
Phone +61 7 3221 3661
phil.hicks@cometridge.com.au

About Comet Ridge

Comet Ridge Limited (ASX: COI) is a publicly listed Australian energy company focused on the development of natural gas resources for the east coast Australian market. The company has tenement interests and a suite of prospective projects in Queensland and New South Wales. Our flagship Mahalo Gas Hub projects are low cost, sales spec natural gas blocks, close to Gladstone. Our exploration assets in the Galilee and Gunnedah basins offer further upside amid increasing domestic and international demand for natural gas as a source for cleaner energy and as a key manufacturing feedstock that makes thousands of products, used daily.

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")

31 December 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)	(2)
(b) development		-	-
(c) production		-	-
(d) staff costs		(311)	(453)
(e) administration and corporate costs		(799)	(1,433)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		1	2
1.5 Interest and other costs of finance paid		(194)	(194)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	-
1.8 Other - JV recoveries		1	32
1.9 Net cash from / (used in) operating activities		(1,303)	(2,048)
2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities		-	-
(b) tenements		-	-
(c) property, plant and equipment		(1)	(1)
(d) exploration & evaluation		(3,505)	(4,407)
(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)
2.6 Net cash from / (used in) investing activities		(3,506)	(5,408)

Consolidated statement of cash flows		Current quarter	Year to date (12 months)
		\$A'000	\$A'000
3. Cash flows from financing activities			
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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)
3.5	Proceeds from borrowings	-	6,500
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	(234)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	11,236
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1	Cash and cash equivalents at beginning of period	11,979	3,390
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,303)	(2,048)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,506)	(5,408)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	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	7,170	7,170
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	7,170	11,979
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	7,170	11,979
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	-	
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.			
7. Financing facilities		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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.			
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)	(1,303)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(3,505)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(4,808)
8.4	Cash and cash equivalents at quarter end (item 4.6)	7,170
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)	10,670
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.2
<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>		
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? 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? 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? <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>	

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: 27/01/2022



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.