JUNE QUARTERLY REPORT

Highlights:

- Galilee Seismic programme to soon begin - data will better define Gunn project area
- Mahalo appraisal and pilot programme to commence in Bowen Basin with aim of quick maturation of resources to reserves
- Gunnedah Basin being re-rated as key CSG production area following recent M&A activity
- Drilling of first NZ CSG targets set to begin following successful aerial survey. Total NZ permit area increased to include key adjoining permit
- USA business investment achieves record production in May & sells Sweet Pea Exploration Area for US$28.5 million giving Comet Ridge Limited a milestone payment of $3.5 million cash

Australian Permits:

ATP 743P and ATP 744P – Galilee Basin, QLD (Comet Ridge 100%)

The planning for the Gunn Project Seismic Acquisition programme is progressing well with an estimated start date of mid-August.

The seismic contractor has been selected and landowner agreements, and environmental and cultural heritage clearances are nearing completion. Comet Ridge is working in conjunction with another Galilee Basin operator who has a similar seismic programme in the area which will help in reducing mobilisation and demobilisation costs.

As advised previously, the seismic programme is being implemented to better define the structural nose observed where the Gunn1 and Hergenrother 1 wells are positioned in the Gunn Project Area.

In July, Comet Ridge was able to data trade wells with another operator which we believe will help in increasing our understanding of the area that we are currently focused on.

Figure 1 – Comet Ridge wells drilled in the Galilee Basin & Gunn Project

28 July 2011
The Galilee Basin Operators’ Forum is making progress on a baseline water assessment in the Galilee Basin with collection of large amounts of historical water bore data nearing completion at the end of the quarter.

It is hoped that this first stage, being undertaken by the RPS Group on behalf of the operating companies, will be complete early in the third quarter. Several members of GBOF, including Comet Ridge, were present at the RAPAD (Remote Area Planning & Development Board) meeting in Longreach in May to continue dialogue with local councils and communities. GBOF provided information about the aquifer study that is underway and also answered questions and provided information on CSG exploration. The interaction between GBOF and RAPAD was very positive and more interaction is planned so that GBOF can provide updates on the progress of the aquifer studies work as it unfolds and work co-operatively with RAPAD.


**ATP 337P (Mahalo) - Bowen Basin, QLD (Comet Ridge 40%)**

The ATP 337P Mahalo Joint Venture is finalising the planning for its initial Pilot Project in the north of the Farm-in Area. The Joint Venture is scheduled to drill two appraisal wells in the second half of 2011 in order to identify the optimal location for its first pilot project in the area. The Pilot Project will consist of at least three additional wells, which are expected to be drilled shortly after the initial appraisal wells.

This programme subsequently consists of five wells which would include the first CSG Pilot Project for this part of the Bowen Basin.

The intention of the appraisal/pilot programme is to quickly mature the 2C and 3C Contingent Resources into 2P and 3P Reserves. Subject to the performance of the first Pilot Project in 2011, it is anticipated that a second Pilot Project will be progressed in 2012 to expand the reserves base for Mahalo.

Progress is also being made on preparing Production License applications to cover the Mahalo farm-in area.

**PEL 427 and PEL 428 - Gunnedah Basin, NSW (Comet Ridge 25% & 40%)**

The announcement on the planned acquisition of Eastern Star Gas (ESG) by Santos, made following the end of the June Quarter, highlights the Gunnedah Basin as a maturing CSG region.

This proposed transaction increases the possibility that infrastructure will be developed to take gas to Santos’ LNG project in Gladstone, as well as supplying the NSW market with gas. This is expected to increase the options for Comet Ridge to commercialise its CSG resources in PEL 427 and PEL 428.

Subsequently, this development is a positive outcome for Comet Ridge, which already has a very constructive working relationship with Santos in its ATP 337P Mahalo asset in the Bowen basin, where Santos is Operator.
The exploration programme planned for PEL 427 and PEL 428 was temporarily delayed as a result of external factors - initially extreme wet weather and then due to issues relating to a brief, and now lifted, Government moratorium.

The remaining exploration programme includes the acquisition of 80km of seismic data in PEL 427, followed by a CSG core hole in the Bellata Trough. In PEL 428, an additional 64 km of seismic data will be acquired in conjunction with the PEL 427 seismic acquisition program.

The seismic acquisition and exploration drilling programme scheduled for PEL 427 and PEL 428 was delayed initially by extreme wet weather across the area in late 2010 and the first quarter of 2011. This was brought to the attention of the NSW Department of Resources and Energy in December 2010, and a short renewal of the current term of the PEL 427 licence has been requested and the new term of the licence is also being discussed.

The newly-elected NSW Government’s brief moratorium on issuing of new CSG licences (which has now ended), combined with some concerns expressed by local Councils, has meant that the seismic acquisition programme did not start as planned in PEL 427 and PEL 428 during the quarter. Given the increased interaction and information sharing now occurring with the local councils, Comet Ridge anticipates these issues will be resolved, and the seismic acquisition programme will move forward.

**New Zealand Permits:**

- **PMP 50100 - Greymouth, West Coast** (Comet Ridge 100%)
- **PEP 50279 - Buller, West Coast** (Comet Ridge 100%)
- **PEP 50280 - North Waikato Region** (Comet Ridge 100%)

In May 2011, the Airborne Gravity Gradiometry (AGG) survey programme was completed and data processing and integration commenced. Drilling of the first CSG targets is expected to begin at the end of 2011 or early in 2012.

Comet Ridge has now completed surveying 2,910 km$^2$ of its key New Zealand CSG acreage, with the aircraft acquiring approximately 9,300 line-km of data. This completes Comet Ridge’s two-phase acquisition programme which began in 2010 with the acquisition of aeromagnetic data.
over all the New Zealand acreage, followed by this year’s acquisition of AGG data across key areas within the Waikato and Buller areas as well as all of the Greymouth area.

The data will be processed immediately and incorporated into Comet Ridge’s geologic models. This is expected to result in a high resolution dataset that will aid in the identification of targets ahead of the next drilling campaign.

Following the end of the Quarter, Comet Ridge announced that New Zealand Petroleum & Minerals (formerly Crown Minerals) had granted the Company an extension of its New Zealand West Coast exploration permit PEP 50279, increasing the total area of this permit to 4,802 km².

Comet Ridge has a 100% interest in both PEP 50279 and also in the adjoining mining permit PMP 50100 located immediately to the south. This extension provides one continuous area for exploration and future development of the CSG resources in the Greymouth area and adds strategic value to the resource potential.

![Figure 5 – Diagram Showing Extension of PEP 50279](image)

**USA**

**Comet Ridge Resources LLC (Comet Ridge 17.257%)**

Comet Ridge Resources LLC (CRR) drilled six appraisal wells in the Florence field in Colorado during April and May 2011. Five of those were completed and the field production rate reached a peak rate of 1100 barrels of oil per day (bopd). The increased production and strong oil prices have resulted in significant cash flow to CRR.

In May 2011 CRR signed a binding agreement to sell its interest in the Sweet Pea exploration area in the Southern Denver Julesburg Basin, Colorado to an undisclosed buyer for US$28.5 million. This transaction was completed in the first part of June.

CRR subsequently distributed a portion of the proceeds from the sale to its two major shareholders in late June. Comet Ridge Limited received a cash payment of approximately US$3.5 million and achieved a milestone as this is the first distribution of funds back to Comet Ridge Limited from the US based business.

At the current time, CRR is currently evaluating further oil targets in Florence and preparing to drill a well at Grays Harbor.
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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 three 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 40% 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:

<table>
<thead>
<tr>
<th>Project</th>
<th>Location</th>
<th>Contingent Resource (PJ)</th>
<th>Prospective Resource (PJ)</th>
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<tbody>
<tr>
<td>Gunn Project Area (ATP 744P)</td>
<td>Galilee Basin, Qld</td>
<td>1,870</td>
<td>597*</td>
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<tr>
<td>Mahalo Block (ATP 337P)</td>
<td>Bowen Basin, Qld</td>
<td>442</td>
<td>-</td>
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<td>PEL 427 and PEL 428</td>
<td>Northern NSW</td>
<td>231</td>
<td>1022</td>
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<td><strong>Total</strong></td>
<td></td>
<td><strong>2,543</strong></td>
<td><strong>1,619</strong></td>
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*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 2011, with additional exploration and appraisal work planned for the Galilee Basin, northern NSW and NZ.