Comet Ridge

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4 August 2020

Lucy Manderson
Committee Secretary
Economics and Governance Committee
Parliament House
George St
Brisbane 4000

egc@parliament.qld.gov.au

Dear Ms. Manderson,

Re: Royalty Legislation Amendment Bill 2020

Comet Ridge is a small cap, ASX listed gas explorer with a focus in Queensland, and is based in Brisbane. We wish to provide some feedback in relation to potential changes to Queensland gas royalties, the outcome of which could have a detrimental impact on exploration and development of natural gas in this state.

Comet Ridge operates a number of Authorities to Prospect (ATP) over a large area in Queensland:

- ATP 743, 744 and 1015 – Galilee Basin
- ATP 2048 – southern Bowen Basin

Comet Ridge is also a 40% equity holder in the Mahalo Gas Project (with Santos and APLNG) in PLs 1082 and 1083 in the southern Bowen Basin. We are hoping to bring this gas to market in the short to medium term.

In the exploration and early appraisal phase of our business we rely on equity funding from capital markets (largely based out of Sydney and Melbourne) to drive our business. As we move to development phase, we have the option of securing some commercial or government-based debt, in order to fund these projects. However, access to both this equity and debt funding could be negatively impacted by changes to the Queensland gas royalty regime, due to poorer project economics.

1. **Exclusions for deductions of transport cost or for new capital employed** will have a negative impact on project economics and could be the difference in getting project funding approved, or not. Many projects in Queensland suffer from the tyranny of distance (to infrastructure) and the Galilee Basin is an example of this. Increasing royalty payments out of the project cash stream, by not permitting appropriate deductions, could make projects (including possibly from the Galilee Basin) non-commercial and prevent development. This could ultimately mean no government royalty.

2. **Recovery of development costs before royalty payments commence**, allows the project to reach positive cash flow sooner, and potentially makes the project economics work, when without this assistance, the project could falter. This concept is often seen in other jurisdictions around the would and does seem to be applied in Queensland on coal mining projects. It would be appropriate to apply the same principle for natural gas projects in Queensland.

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The task of taking a gas project through early exploration, and appraisal, and then into development and production, in order to generate revenue and value for all the stakeholders, is often not an easy one. Comet Ridge believes the royalty structure should provide an equitable return to the people of Queensland but should also be structured so as to support the project economics, so the project is commercially sound and able to be funded. This should be possible no matter how big or small the project proponents are, nor how far from existing infrastructure and markets the project is located.

I am hopeful that you find these comments useful and would be happy to discuss at your convenience.

Yours sincerely,

Tor McCaul
Managing Director
Comet Ridge Limited