Comet Ridge

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QUARTERLY ACTIVITIES REPORT

TO 30 SEPTEMBER 2004

Highlights

- Significant increase in gas production rate at the Tipton West Pilot
- Three new pilot wells drilled and placed on production at Tipton West
- PEL's 427 and 428 in the Gunnedah Basin of NSW renewed.

Planned Forward Work Program

Remainder of 2004 (up to 5 holes)

ATP 683P Dalby (Tipton West)	Continued operation of pilot & reserves certification
ATP 689P	Drill 3 wells
ATP 337P (Mahalo Project)	Drill 2 core holes
ATP 683P Dalby South (Meenawarra)	Permit 5 wells
ATP 683P Milmerran	Permit 3 wells

2005 (up to 9 holes plus development drilling)

ATP 683P Dalby (Tipton West)	Commence development
ATP 683P Dalby South (Meenawarra)	Drill up to 5 wells
ATP 683P Millmerran	Drill up to 3 wells
ATP 337P	Drill Mahalo-2
PEL 427	Seismic
PEL 428	Seismic

Project Review

Walloon Coal Measure Project

Tipton West
ATP683P, Dalby Block, Comet Ridge 20%

As reported on 5 October, 2004, a rapid increase in gas production at the Tipton West Pilot has resulted from the addition of three new wells to the existing four well pilot.

Production from Tipton West Pilot 13 (TWP 13) increased rapidly to rates between 120 and 140 thousand cubic feet per day (mcfd) after being placed on production on 11 September, 2004.

The second pilot well, TWP 9, was brought on stream on the 29th September and is producing between 15 and 20 mcfd and rising. Water production from the well is being gradually increased which will result in further gas increases.

The third pilot well, TWP 11, commenced production on 30 September and was producing 55 mcfd.

Some evidence of flow restriction into the down hole pumps has been seen on the TWP 13 and 11 wells and routine maintenance (workover) is planned for both wells in the third week of October. This work will entail pulling the pump out of the hole, flushing the loose material at the bottom of the hole out and then servicing and reinstalling the pump. Periodic cleaning out of the well bore is a normal facet of producing coal seam gas wells.

These workovers are anticipated to result in a gas flow in excess of 200 mcfd from one or both of the holes. An average flow of 200 mcfd has been indicated by our reserves consultants to be the "economic rate" required for these wells based upon on anticipated development costs, revenues from sales and operating costs. The Dalby Block JV has retained reserve consultants, US based Netherland Sewell and Associates (NSAI), to certify reserves for the project.

Conditional gas sales contracts totaling 10.2 petajoules (PJ) per year starting in early 2006, have been negotiated with Ergon Energy, BP Bulwer Island and Wambo Power Ventures. All three contracts are conditional upon reserves certification.

The initial 4 pilot wells were placed on production in May of this year. Gas production was achieved immediately and pressure responses were observed in monitoring wells up to 7 km away. This information plus the data gathered from a carefully laid out core hole drilling program, enabled NSAI, to provide a certified resource estimate of 1,086 petajoules (PJ) in July of this year. (For comparative purposes, this equates to approximately 11 years of current gas consumption in the State of Queensland). NSAI advised that the more commercially significant "Proven and Probable" (or "2P") reserve designation would be assigned when one or more wells demonstrated economic production rates of 200 mcfd.

Reserve Certification

Production information from the new wells is being provided to NSAI for incorporation into a reserves certification report that we expect to receive in the fourth quarter. Along with many of our industry peers we have seen a slight slippage of schedule due to ongoing difficulties in securing drilling and workover rigs.

Development Planning

Planning is underway in anticipation of the Tipton West area development in 2005. Preliminary designs have been established for well, pipeline and infrastructure layouts.

Meenawarra
ATP683P, Dalby South., Comet Ridge 36.67%

Planning for a multi-well 2005 drilling program to follow up on the encouragement in the Meenawarra 1 and 3 wells has commenced. Both wells encountered well developed gassy coals in the Taroom coal section at around 400 metres.

The program will comprise up to 5 low cost exploration chip and core holes. Drilling at Tipton West will take priority over further drilling on Meenawarra. .

ATP683P, Millmerran, Comet Ridge 30%

A three well drilling program is being planned for 2005 to assess the potential of gas flows in the Bora Creek 1 well drilled by Arrow Energy in September 2001. Bora Creek 1 flowed gas at rates up to 52.4 mcfd from the Walloon coal measures section, possibly from conventional sands versus the coals.

ATP689P - Comet Ridge 30%

ATP 689P is in its fourth permit year and is subject to renewal in November 2004. A three (3) well drilling program is planned to commence late October/ early November to further assess coal intersections encountered in previous coal exploration drilling.

Mahalo Project - Bowen Basin, Queensland

ATP 337P, Comet Ridge earning 40%

Comet Ridge has earned a 20% interest in the Mahalo Project by drilling two core holes, Mahalo 1 and Somerby 1. Comet Ridge has elected to earn the full 40% interest available and will fund a second phase of drilling comprising a follow up well to Mahalo -1 plus two core holes designed to extend the play to the east. Drilling of the core holes is expected to occur in the late 4th quarter of 2004, with the Mahalo 2 well likely to be drilled in early in the New Year.

Mahalo -1 is interpreted to have encountered a free gas cap (i.e. gas rather than water fills the cleats in the coals) over a structural high. The presence of free gas is encouraging as it could potentially lead to gas sales more quickly than might be expected from typical coal seam gas projects where water has to pumped out of the coals before gas production commences.

Shallow Gas Play – Surat Basin, New South Wales

PEL 427, Comet Ridge 100%

Comet Ridge has successfully renewed PEL 427 as of 20 May, 2004. This permit is strategically located between Mosiac Oil's new oil and gas discoveries in southern Queensland to the north and the Eastern Star Gas exploration and development activities to the south in PEL 238. Eastern Star recently commenced supplying gas to its gas fired power generation plant near Narrabri, NSW.

Our planned program focuses on the conventional exploration potential that has been highlighted by the Mosaic and Eastern Star successes.

PEL 428, Comet Ridge 80%

The JV was advised by the NSW Department of Mineral Respurces that its application to renew permit PEL 428 permit was successful. The new permit term commences on 14 September, 2004. This permit lies immediately to the west of PEL 427 and to the north of Eastern Star's PEL 238.

Future work will be focused on the deeper conventional targets that Eastern Star is pursuing to the south in PEL 238.

PSPA 9, Comet Ridge 50%

No activity to report. PSPA 9 will expire in November 2004. Despite there being some indications of the presence of gas in the shallow Surat Basin sequence, Comet Ridge will not seek to apply for a full Petroleum

Exploration Permit, preferring to focus its management efforts and capital on more advanced projects close to infrastructure

Galilee Basin Play – Galilee Basin, Queensland

ATP 743P (Application), Comet Ridge 100%

The Company has been advised by the Queensland Department of Natural Resources and Mines that grant of the ATP 743P exploration permit is dependent on the Company negotiating an Indigenous Land Use Agreement (ILUA). Another option is for Comet Ridge to enter a Right to Negotiate (RTN) process. Comet Ridge remains interested in the permit and will develop a strategy to advance the application in the next quarter.

ATP 744P (Application), Comet Ridge 100%

No activity to report. It is likely this permit application will also require an ILUA to proceed.

Financial

At the end of the quarter the Company had $2.7 million in cash reserves.

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Comet Ridge Limited Permit Interests