Comet Ridge

20 October 2005

The Company Announcements Officer
Australian Stock Exchange Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

***By Electronic Lodgement***

Dear Sir/Madam

**Quarterly Report, Period Ending September 2005**

Please find attached Comet Ridge Limited's Quarterly Report for the period ending September 2005.

Yours faithfully

Andy Lydyard
**Managing Director**

*For further information, please contact:*

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Comet Ridge

**ASX CODE: COI**

# QUARTERLY ACTIVITIES REPORT

# SEPTEMBER 2005

## HIGHLIGHTS:

- **Drilling rig secured for Mahalo drilling**
- **Minority interest in Tipton West Coal Seam Gas Project sold for cash, securities and a royalty**
- **Large acreage position secured in the State of Washington, USA**
- **US Rocky Mountain Oil and Gas Joint Venture initiated with acreage position secured over historic oil fields in Northern Colorado**

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## AUSTRALIAN BUSINESS

### Mahalo Project - Bowen Basin, Queensland

### ATP 337P Farmin Agreement, Comet Ridge earning 40%

The Operator of the Mahalo coal seam gas project, SANTOS QNT PTY LTD, has advised that it has secured Mitchell Drilling Contractors Rig 120 for the drilling of the two core holes, Mira 1 and Humboldt 1, in December of this year.

The same rig will be used to drill and case the Mahalo 2 test hole to just above the Pollux coal seam of the Permian aged Bandanna Formation. The 7 metre coal section will be air drilled with a completion rig to minimise any deterioration in productivity that might result from the drilling process. Strong gas shows were encountered in the Mahalo 1 core hole following the coring of the Pollux seam. The inferred presence of free gas in the fractures and pores of the coal precluded a formation test in the original hole due to rig equipment limitations and safety reasons. The Mahalo 2 well is being designed so that the interval can be flow tested thoroughly and safely.

The objective of the coring programme is to gather gas content and coal permeability data in the eastern part of the project area. These data will help confirm the size and commercial viability of the gas resource. Based on existing data the Operator has determined a range of potential volumes of gas in place ranging from a minimum of 181 billion cubic feet (BCF) up to a maximum of 990 BCF. The most likely volume is estimated to be in excess of 400 BCF.

Comet Ridge will fund the drilling of the three holes to fulfil the Phase 2 earning commitment. On completion of the programme the Company will have a 40% majority interest in the project.

## Tipton West Divestiture

On 19 August, 2005 the Company announced that it had negotiated the sale of its 20% minority interest in the Tipton West Coal Seam Gas Project and related exploration permits in southeastern Queensland (ATP's 683P and 689P) to Arrow Energy NL ("Arrow").

Consideration for the sale is to be received by way of cash payments, securities in Arrow and a 1.5% gross royalty (capped at $8 million) on gas sales from the Tipton West Project. Gas sales, from which Comet Ridge will receive its royalty payments, are forecast to commence in late 2006.

The sale has a transaction value of more than $12.5 million over the life of the royalty payment.

### Shareholder Approval and Completion of the Transaction

Subsequent to the end of the reporting period, shareholder approval for the transaction was received at a General Meeting held on 5 October, 2005. The transaction was completed and Comet Ridge received the first $2.25 million cash, along with the 2,000,000 Arrow Energy options, on 7 October, 2005. A further $2.25 million (either as cash or Arrow securities) is due on or before 31 December, 2005.

## Surat Basin, New South Wales

### PEL 427, Comet Ridge 100% (reducing to 25%)
### PEL 428, Comet Ridge 80% (reducing to 20%)

Farminee, Eastern Star Gas Limited, has recently advised that operations to acquire 50 km of 2D seismic in each permit are due to commence in the first quarter of 2006.

## Galilee Basin Play – Galilee Basin, Queensland

### ATP's 743P & 744P (Applications), Comet Ridge 100%

No change

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## USA BUSINESS

## Tow Creek Prospect Acquisition - Routt County, Colorado

### Comet Ridge is Operator with 50%

On 12 September, 2005 the Company announced the acquisition of leases covering a number of historic oil fields located on the Tow Creek anticline in Routt County, northern Colorado.

The Company acquired a 75% working interest and operatorship in 8,868 acres (36 sq km) from Houston based Ponder Exploration Limited and a private trust company in a transaction that comprises cash and drilling commitments.

The first of two scheduled payments of US$40 per acre (US$354,720) was made on 29 September, 2005, a second is due in early January, 2006. Comet Ridge will also carry the sellers through additional leasing (capped at US$150,000) and the drilling of two wells.

The opportunity lies within the Rocky Mountain Joint Venture area of mutual interest between Comet Ridge, AJ Lucas Group Limited ("Lucas") and Strike Oil Limited ("Strike") which was announced to the ASX on the 19 July 2005. Strike has exercised its option to participate with a 25% interest.

The Tow Creek anticline lies some 200 km to the northwest of Denver and 32 km west of Steamboat Springs in Northern Colorado. Access to the area is excellent.

There are seven named oil fields on the Tow Creek structure that have collectively produced in excess of 5 million barrels. The acreage position covers all or part of four of the fields.

The acreage were targeted for acquisition because Comet Ridge believes there to be significant undrained oil in the structure that can be accessed using the directional (sub horizontal) drilling capabilities provided by Lucas. Further oil and gas potential exists in deeper sandstone reservoirs where oil and gas shows have been encountered in old wells and shallow coal measures offer the possibility of a future coal seam gas development.

Tow Creek is a cornerstone project for the Company, providing numerous close-in field extension drilling locations at depths less than 1,700m. Comprehensive geological, geophysical and engineering studies, aimed at developing well locations for a spring 2006 drilling programme, are underway.

## Cedar Creek Project - Southwest Washington

### St. Helens Energy LLC 40%

Comet Ridge's wholly owned US subsidiary, St. Helens Energy LLC, entered into an exploration joint venture with Cascadia Energy Corporation (a wholly owned subsidiary of US listed Torrent Energy Corporation (Ticker Symbol OTCBB: TREN)) to explore for coal seam and conventional gas in the Pacific Northwest region of the USA. St. Helens holds a 40% interest in the joint venture.

The partners have executed a Lease Option Agreement (LOA) with one landowner on 100,000 acres (~400 sq km) in the south-western part of the State of Washington. Under the terms of the LOA, the joint venture has 60 days in which to select the 100,000 acres from an overall 365,000 acre (~1500 sq km) acreage block in the Cedar Creek area in Lewis, Cowlitz and Skamania Counties to conduct exploration activities. Initial cash consideration for this option was US$100,000. The partners have first right of refusal on the balance of the 365,000 acres.

Via this transaction, St. Helens and Cascadia have secured control of a dominant acreage position over an area known to be underlain by thick coals and excellent conventional sandstone reservoirs. Strong gas shows have been noted in water wells, coal exploration holes and previously drilled conventional oil and gas wells. The Williams' Northwest Pipeline that supplies natural gas to Portland, Oregon lies immediately to the west of the acreage position.

Technical studies aimed at developing an accelerated drilling programme are under way.

### FINANCIAL

At the end of the quarter the Company had $473,000 cash on hand but received the initial payment from the Tipton West divestiture from Arrow Energy of $2,250,000 on 7 October, 2005 and a further $158,000 from Strike Oil as its contribution to the Tow Creek acquisition on 3 October, 2005.

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