



13 March 2006

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

By Electronic Lodgement

Dear Sir/Madam

Mahalo Drilling Update

- **Coal permeabilities measured in Mira 1 and Humboldt 1 core holes**
- **Early desorption data is encouraging**
- **Mahalo 2 expected to drill by mid year**

The directors of Comet Ridge Limited (ASX Code: COI) are pleased to provide the following update on the Mahalo Phase II core program.

As previously reported, two core holes were drilled to verify the thickness, gas content and permeability of the Permian aged Bandanna Formation coals in the eastern part of the ATP 337P farmout block in the Bowen Basin of Queensland that Comet Ridge is earning a 40% working interest in. The holes, Mira 1 and Humboldt 1 were drilled in the middle of February.

Comet Ridge engaged Dr. John Seidle, Senior Reservoir Engineer of Denver, Colorado based Sproule Associates, to derive permeability measurements from the results of the 4 drill stem tests run in the two holes. Dr. Seidle is a recognised expert on coal seam gas reservoir engineering and has experience in many countries and coal seam gas developments.

Permeability, the measure of how well a coal reservoir can flow gas and water, can be determined by careful analysis of the pressures recorded down hole when a drill stem test is conducted. A drill stem test comprises of a series of flowing and shut-in periods during which the pressure changes are measured by accurate down hole pressure gauges. These pressure data are analysed by the reservoir engineers to determine the permeability and also to indicate any damage during the drilling process (mud and mud filtrate are quickly imbibed into the coal and fill up the cleats or microfractures in the coal).

In essence the tested zones have interpreted coal permeabilities in the range of 6 to 56 millidarcies that are similar to those recorded at other producing coal seam gas developments in Queensland. Each of the tests showed drilling induced formation damage as indicated by a positive skin factor.

We have summarised the results of the tests below.

Mira 1

Mira 1 was drilled and cored to a total depth of 252m on 13 February 2006. A total of 9m of coal was prognosed for the well and 9m of coal was intersected in the Bandanna Formation.

Two drill stem tests were undertaken:

Test 1

Coal Seam Tested: Castor

Type: straddle packer test (to allow specific test of the seam)

Test interval: 210 – 221m

Net coal tested: 4.2m

Determined permeability: 13.4 milli-darcies (md)

Skin (damage): 55

Test 2

Coal Seam Tested: Pollux

Type: bottom hole test

Test interval: 225 – 252m

Net coal tested: 4.0m

Determined permeability: 6.0 md

Skin (damage): 18

Humboldt 1

Humboldt 1 was drilled and cored to a total depth of 253m on 19 February 2006. A total of 6m of coal was prognosed for the well and ~ 5.5m of coal was intersected in the Bandanna Formation.

Two drill stem tests were also undertaken:

Test 1

Coal Seam Tested: Castor

Type: straddle packer test

Test interval: 220 – 229m

Net coal tested: 3.5m

Determined permeability: 19.5 md

Skin (damage): 15

Test 2

Coal Seam Tested: Pollux

Type: bottom hole test

Test interval: 233 – 253m

Net coal tested: 2.0m

Determined permeability: 55.9 md

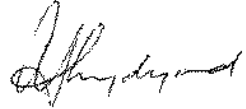
Skin (damage): 61

The level of permeability encountered leads to the consideration of a range of well completion options. For higher permeability zones this may not require expensive stimulation to achieve commercial flow rates. It should be noted that these test analyses and conclusions have not yet been reviewed with the other Joint Venture parties.

Currently all coal cores are undergoing gas desorption analyses. Final figures for gas contents and saturations are expected in the coming months but early observations are encouraging.

Mahalo 2, the third well in Comet's Phase II earning program, a production test of the inferred free gas cap encountered in Mahalo 1, is due to commence drilling mid year 2006. Following completion of this well, Comet Ridge will own a 40% majority interest in the project with Santos QNT Ltd and Origin Energy owning 30% each.

Yours sincerely



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The test results used in this statement were determined by Dr. John Seidle Senior Reservoir Engineer of international petroleum engineering consultancy Sproule Associates Inc, Denver, Colorado, USA. Dr Seidle has consented to the use of the DST results in this announcement.

