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Comet Ridge (ASX code – COI) recently announced that it had secured a critical lease position at Grays Harbor in Washington State, USA. Can you describe these oil and gas leases? Why are they critical?

MD Andy Lydyard

We acquired just over 17,200 acres under four leases from Grays Harbor County in a recent oil and gas lease auction. These leases fill in our existing acreage position over a number of our prospects, particularly two that we are planning to drill in 2008. Acquiring the rights to explore for and develop oil and gas in the USA can be a lengthy and costly challenge especially if the Company finds itself in a competitive situation. Over the past 12 months Comet Ridge has secured oil and gas leases from the State of Washington, from private owners and now the County. We now control all of the prospective acreage. The last thing we want is to drill a successful well and not have the offset acreage.

The leases we have acquired have a 10 year term, 12.5% royalty and cost us an average of US\$7.11 per acre.

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What are your total lease holdings in the Grays Harbor County? Can you describe the prospectivity and why you have pursued Grays Harbor leases so strongly?

MD Andy Lydyard

Comet Ridge, via its wholly owned subsidiary St. Helens Energy LLC, now controls in excess of 475,000 acres in the Grays Harbor play, either through lease options or oil and gas lease. There are a number of reasons we have been aggressive in this play:

- We have first mover advantage in a prospective, but overlooked, basin
- We now “own the play”
- Widespread presence of oil and gas shows – including measured gas flows and in a number of recorded cases, gas blowouts. This clearly demonstrates we’re in a basin where oil and gas have been generated and have migrated into traps
- Shows have been encountered in a number of sandstone reservoirs
- Numerous large structures (potential traps) have been mapped
- Only two wells in the basin have ever been drilled on seismic. One of the two, the 1-29 well drilled by Amoco in 1985, encountered a significant gas show over an extensive interval (1,100 feet or 335 m) some 800 feet down-dip from the crest of the structure
- Pipeline infrastructure already exists in the project area
- Gas prices in the Pacific Northwest are strong with continuing demand growth

This region has been the subject of oil and gas exploration since the late 1800’s. During much of that time, gas was considered effectively worthless and there was no infrastructure or market available. The most recent round of activity occurred in the mid 1980’s when gas prices were at US\$2 per mcf and falling rapidly with no infrastructure in place. With local gas prices currently at US\$6-7/mcf and a gas pipeline in place the economics of exploring for and developing gas resources in this region are compelling.

Since acquiring the initial lease option, Comet Ridge has reprocessed over 450 miles of 1980’s vintage 2D seismic data and has developed a prospect inventory that comprises of 30+ prospects and leads that offers in excess of 1.7 TCF (P50 or most likely) unrisked gas potential. To put that into some kind of perspective, the US industry is buying and selling proven gas reserves for around US\$2/mcf in the ground. At this price, each bcf is worth \$2 million and there are 1,000 BCF in a TCF (trillion cubic feet) giving a value of US\$2 Billion/TCF in ground.

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Now that you have completed the lease acquisition phase, what is your drilling and seismic program for 2008? What are the objectives of these programs and can you describe the two drill targets?

MD Andy Lydyard

We are planning to acquire over 10 square miles of 3D seismic, 60 miles of 2D seismic and drill two wells in 2008. The two wells will be targeting around 250 BCF of gas between them and will be drilled on two separate prospects, Caldwell Creek and Black Creek.

At Caldwell Creek we will be targeting a thick sand section in the Miocene aged Astoria Formation. Significant gas shows were encountered in the Amoco 1-29 well over a significant interval below 3,000 feet. Our mapping suggests we can drill perhaps as much as 800 feet updip from this well on the crest of the anticline and that the structure could hold as much as 250 BCF of recoverable gas (P90).

We have already secured surface use permits over the majority of the survey area and are in the process of submitting a detailed permit application to the State authority. A seismic contractor has already been secured and field operations are expected to commence in early April. Three drill locations are being permitted ahead of time to enable drilling to commence in the third quarter. The specific location that is to be drilled will be determined from the seismic.

The Black Creek prospect keys off of 3 wells all of which recorded good gas shows in the older Miocene Cowlitz and Lincoln Creek formation sands. The available 2D seismic suggests these wells are also "off-structure". The Cowlitz and Lincoln Creek sands are relatively clean and blocky sands deposited as turbidite sands in deep water. The 60 miles of 2D seismic is intended to better define a number of structures for drilling. Again, all surface use permits are in hand.

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When will you begin drilling? What rigs and personnel will you secure?

MD Andy Lydyard

We intend on drilling in the third quarter of 2008. We have initiated the search for a drilling rig with an emphasis on a solid track record and a highly experienced crew.

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What will the 2008 drilling program cost? What are your ongoing funding options for this major project?

MD Andy Lydyard

We are still developing our well plans which will dictate the cost of the wells. Budget-wise we have assumed \$2.5 million per well. The wells will be 4,000 to 7,000 feet deep. We could fund the wells 100%, but we are inclined to bring in a promoted partner to share the risk.

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What are your plans beyond the 2008 drilling campaign including other likely prospects you will target?

MD Andy Lydyard

Obviously our first priority will be to develop any discovery we make in the basin in 2008. At the same time, and as a result of success, we will be acquiring additional seismic data over a number of our other lead and prospect areas for drilling in 2009 and beyond.

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What is the potential value of Grays Harbor for the Company?

MD Andy Lydyard

We are always reticent to quote potential values as the numbers sound ridiculous and sound like “spruiking” the stock, but to provide readers with a sense of the “size of the prize” one discovery of around 100 BCF is potentially worth between US\$200 and \$250 million (to the 100%) which is based on recent industry transactions involving proven gas reserves in the USA. We have a number of prospects of that size. Given our current market capitalization of around A\$17 million, we will benefit from any success.

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On that question of value creation, why do you believe that your Florence project can add significant value for shareholders when the exploration targets are generally only around the 200,000 barrel mark?

MD Andy Lydyard

This question has been raised a couple of times after our recent AGM. The exploration target **per well** is around 200,000 barrels. At this point in time we are permitting 10 wells, but have an inventory of over 50 more locations that could be drilled if the initial round of wells proves successful. By the way, the 200,000 barrels is worth over \$17 million based on current oil prices. Also, the 200,000 barrels only addresses potential oil in the Pierre Formation. We have five other objectives at Florence including the Niobrara and Sharon Springs (fractured shales) and Codell, Dakota and Lytle sandstones. These targets are very lightly drilled and offer significant upside potential. If successful, these are highly economic wells offering significant cash flow to the company.

Beyond the Florence project specifically, the 3D seismic we acquired earlier this year has provided us with unique insight into the controls on production in the old Florence field. This has lead to Comet Ridge’s technical team developing a new geological concept that is potentially applicable up and down the Rockies. Florence, as with all of the plays we pursue, is part of a bigger picture, namely developing a tool set that provides the Company with a competitive advantage over a large area.

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What is your overall funding position? How will you fund the year of significantly higher activity in 2008?

MD Andy Lydyard

Currently, we have existing cash reserves of in excess of A\$2 million. The program in front of us represents spending of between US\$7 and \$11 million at our current interest levels. The broad project portfolio we have, provides us with a number of funding options.

At the moment we are focused on bringing in partners who will pay a disproportionate share of the capital costs providing Comet highly leveraged potential on the portion of costs it pays. We also expect to receive cash from those

transactions for investment into our drilling programs. We have engaged a financial advisor to help us secure US project capital.

In addition, we are expecting success at Florence. Success there will significantly benefit the company and provide additional funding options.

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You've positioned 2007 as a year of consolidation with, for example, the culmination of the aggregation of the Grays Harbor lease positions we've just discussed. When will Comet perform with the drill bit? What news flow and programs are planned for 2008?

MD Andy Lydyard

We expect to be drilling at Florence in the first quarter of 2008 and at Grays Harbor and Tow Creek later in the year. We're seeking partners for the Grays Harbor and Tow Creek projects.

We are also intent on realizing value for our shareholders from our Australian assets. We see 2008 as an important year with any drilling success likely to transform the Company.

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Thank you Andy.

For further information on Comet Ridge please call Andy Lydyard in Denver, Colorado on 0011 1 303 226 1303 or email andyl@cometridgeusa.com

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