



Comet Ridge Limited
Quarterly Report

Quarter ended 31 December 2008

Highlights:

- Executive Management changes; Jeff Schneider appointed Executive Chairman
- Discussions on future funding of the Company well advanced
- Drilling about to commence in PEL 427 and 428 in NSW
- Native Title process well advanced in Queensland, Galilee Basin permits – ATP 743 and ATP744
- Oil discovered in 4 exploration wells at Florence oil field, Colorado, USA – production testing on 3 wells continues
- 3D and 2D seismic program completed at Grays Harbour, Washington State, USA

Corporate and Funding:

The upheaval on world equity and credit markets which came to a head in October 2008 caused the board to move decisively to contain costs to preserve capital. On 14 November, Mr David Bradshaw resigned as Managing Director and in the interests of shareholders released the company from any requirement to make any contract termination payments. The board is very appreciative of Mr Bradshaw's decisions in this regard.

On 14 November Mr Jeff Schneider, then non-executive Chairman was appointed as Executive Chairman and moved to Brisbane to undertake the role.

From 14 November all directors, including the Executive Chairman, agreed to undertake their duties without cash payment until such time as the financial resources of the company changed.

As at 31 December the company's cash balance was \$437,000. The company has no significant financial commitment or work program obligations in the near term to maintain its permits in good standing. With the cost containment measures in place the current monthly spend rate (not including exploration) averages approximately \$30,000 to \$40,000. Corporate expenditure in the December quarter (refer attached 5B) included a number of compliance and other one off costs which will not be incurred in the coming quarter.

The company has been in discussion with a number of parties on offers of funding both at the permit level and the corporate level. Firm farm-in offers have been received as have offers of equity funding. The present level of monthly expenditure means that capital will need to be raised in the coming months but the board is determined that any funding will be in the long term interests of shareholders. The board expects to finalise funding discussions in the near future and will advise shareholders accordingly.

As of 31 December 2008 the company's functional currency became Australian dollars and all financial reports, including the attached Appendix 5b, will now be stated in Australian dollars.

AUSTRALIA

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ASX CODE: COI

ASX Listed: 19 April 04
Shares on Issue: 105 million
Unlisted Options: 8.275 million

Top 20: 37%
Directors: 10%

The exploration activity level in the company is expected to increase significantly in 2009 with shareholders exposed to an active program in the United States and drilling in our NSW permits (2 wells). This program is fully funded. In addition a three well program is possible in the Mahalo Project area and subject to funding arrangements field activity could be expected to commence in the Galilee Basin

Australian Projects:

PEL 427 and PEL 428; NSW - Gunnedah Basin; Comet Ridge 25-20%: The drilling of a core hole in each of PEL427 and PEL428 is now expected to be commenced in late February 2009. The two core holes will be operated and paid for by Eastern Star Gas (Code:ESG) as part of their earning obligation when they farmed-in to these permits. After the completion of these farm-in wells, Comet Ridge will have a 25% interest in PEL427 and a 20% interest in PEL428.

ATP743 and ATP744; Queensland - Galilee Basin; Comet Ridge 100%: Comet Ridge has rights to two very extensive permits (ATP743 and ATP744) in the Galilee Basin south west of Townsville which have a total area of 13,000 sq km. Both permits are considered prospective for coal seam gas with extensive coals known to be present throughout the permit, with coals at depths conducive to CSG production and with gas shows in the coals evident from past conventional oil and gas exploration.

Both permits are subject to Native Title. These processes have been completed for ATP743 and formal award by the Queensland Government is expected in Q1/2009. Discussions with Native Title claimant groups in ATP744 have been progressed and finalisation is anticipated in the near future.

ATP337P; Queensland – Bowen Basin; Comet Ridge 40%: Santos as exploration Operator in the Mahalo Project area (ATP337P) is proposing a three well exploration/appraisal program in the permit for later in 2009. The details and timing of the program is expected to be resolved by the Joint Venture in Q1/2009.

Comet Ridge Resources; USA; Comet Ridge 27%:

Florence Oil Field Redevelopment; Colorado: Production testing of three wells drilled on the Florence project in the second half of 2008 continues. An average daily production rate of 140 BOPD is being maintained from the three wells.

The operator, Comet Ridge Resources, continues to expand its acreage position at Florence and is planning additional drilling in the second quarter to take advantage of anticipated lower rig and services costs.

Grays Harbour Basin; Washington State: Processing of the 2D and 3D seismic surveys shot in the fourth quarter of 2008 over prospective areas at Grays Harbor is well advanced. Mapping and prospect generation will commence shortly with drilling anticipated in the summer months subject to seismic interpretation.



Jeff Schneider
Executive Chairman

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Comet Ridge Limited

ABN

47 106 092 577

Quarter ended (“current quarter”)

31 December 08

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(295)	(342)
	(b) development	-	-
	(c) production	-	(1)
	(d) administration	(158)	(422)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	5	11
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Net cash inflows (outflows) attributable to joint venture partners on operated projects	-	229
	Net Operating Cash Flows	(448)	(525)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects	-	-
	(b)equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	-	-
1.13	Total operating and investing cash flows (carried forward)	(448)	(525)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(448)	(525)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(448)	(525)
1.20	Cash at beginning of quarter/year to date	799	798
1.21	Exchange rate adjustments to item 1.20	86	164
1.22	Cash at end of quarter	437	437

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	168
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	101
4.2 Development	-
Total	101

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	437	799
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	437	799

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-	-	-	-
6.2 Interests in mining tenements acquired or increased	-	-	-	-

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	105,375,950	105,375,950		
7.4 Changes during quarter (a) Increases through securities released from escrow				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	450,000 75,000 1,000,000 955,000 3,500,000 1,900,000 30,000 65,000 300,000		<i>Exercise price</i> 40 cents each 45 cents each 45 cents each 45 cents each 45 cents each 45 cents each 45 cents each 45 cents each 45 cents each	<i>Expiry date</i> 11 May 2009 26 June 2009 31 July 2009 10 November 2009 31 December 2009 31 July 2011 4 September 2011 2 December 2011 6 December 2011
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter				
7.10 Expired during quarter	1,500,000		20 cents each	31 December 2008

+ See chapter 19 for defined terms.

7.11	Debentures <i>(totals only)</i>		
7.12	Unsecured notes <i>(totals only)</i>		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX \(see note 4\)](#).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

(Company secretary)

Date: 30 January 2009

Print name:

Gillian Swaby

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** [ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic \(if any\) must be complied with.](#)

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