



**Quarter Ending
July 31, 2008**

ASX: COI

- Private equity funding secured for US program
- US projects contributed into new joint venture company – Comet Ridge Resources, LLC
- Additional interest acquired and drilling commenced at Florence
- Lease option on 420,000 acres over Grays Harbor extended for 12 months
- Seismic planning for Grays Harbor nearing completion
- Galilee Basin native title negotiations nearing completion

INTRODUCTION

This past quarter marks a significant event in the Company's history when it closed a private equity funding deal with New York based Pine Brook Road Partners, LLC whereby Pine Brook will invest up to US\$100 million in Comet Ridge's US projects.

PRIMARY ELEMENTS OF TRANSACTION

- Pine Brook formed a new US based oil and gas company, Comet Ridge Resources, LLC, "CRR")
- Pine Brook contributed US\$7 million cash and US\$2 million of assets that it acquired from Strike Oil to CRR
- Comet Ridge Ltd contributed its US assets, valued at US\$7million, to CRR - in exchange for a 43.75% equity position in CRR
- Pine Brook retained a 56.25% equity interest in CRR and has the right to increase its ownership to 80% by investing another US\$19 million
- After the existing working capital in Comet Ridge Resources plus the next \$19 million of investment by Pine Brook, Comet Ridge Limited can maintain its 20% equity by funding its share of capital spending. If it elects not to fund its share of the capital, Comet Ridge Limited will not be diluted below 5%
- Comet Ridge's Denver based management team now employed by CRR
- CRR now controls its operated projects with interests ranging between 75% and 100%

The Rocky Mountain projects are owned and operated by Pine Ridge Oil and Gas, LLC and the Grays Harbor and Chehalis projects in the State of Washington are owned and, in the case of the Grays Harbor project, operated by St. Helens Energy, LLC. Both are wholly owned subsidiaries of CRR.

The Comet Ridge Limited board considers the transaction to be highly advantageous to shareholders. The US program is, as a consequence of the transaction, fully funded for approximately the next 18 months. This will enable the company's major projects to be de-risked without further capital injection by shareholders. In the event of exploration success shareholders remain exposed to substantial value upside.



Drill Rig at the Florence Project, Fremont County, CO

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ASX CODE: COI

ASX Listed:	19 April 04
Shares on Issue:	105 million
Unlisted Options:	9.775 million
Top 20:	44%
Directors:	12%

PROJECT ACTIVITIES

**ROCKIES, USA – Florence
(Fremont County, Colorado – Pine Ridge Oil & Gas. LLC
Operator with 97.25%)**

Prior to closing the private equity transaction with Pine Brook, Comet Ridge Limited acquired an additional 19.25% working interest from its US partners for \$135,000. Additional payments are due on certain production hurdles being achieved. The maximum additional amount payable is US\$495,000 after a daily oil production rate from the Florence project exceeds 300 BOPD. Via the Strike Oil acquisition, Pine Ridge acquired an additional 39% in the project. The combined interest owned by Pine Ridge is now 97.25%.

Xtreme Coil Drilling Corporation's Rig 4 moved on location in late June and drilling of the first well Golden 33-20 commenced on July 3rd.

**ROCKIES, USA – Tow Creek
(Routt County, Colorado – Pine Ridge Oil & Gas, LLC Operator
with 75%))**

Via Pine Ridge Oil and Gas, Pine Brook acquired a 37.5% interest in the Tow Creek project from Strike Oil and contributed the interest to the new joint venture company. After the transaction discussed previously the interest owned by Pine Ridge in the project is now 75%.

Preparations of the well location for the drilling of the Coal View Unit 18-14 well are underway. This will be a vertical well to test the crest of the Tow Creek structure.

**ROCKIES, USA – Bear River
(Routt County, Colorado – Pine Ridge Oil & Gas, LLC Operator
with 77.5%)**

Via the combination of the acquired Strike Oil and Comet Ridge interests, Pine Ridge Oil and Gas now owns a 77.5% working interest in the Bear River prospect. Ongoing technical work is aimed at developing an opportunity to re-drill the lower portion of the Peltier 11-12 (drilled by Comet Ridge Limited in the winter of 2006) in a different direction.

**PACIFIC NORTHWEST, USA – Grays Harbor
(Washington - St Helens Energy, LLC Operator with 100%))**

In June St. Helens successfully negotiated a 12 month extension to the lease option that it has over 420,000 acres in the play at a cost of \$300,000 (approximately US\$0.72 per acre). This extension provided time to consummate the Pine Brook transaction and to acquire the seismic.

Permitting and planning for the acquisition of seismic later in the year is ongoing.

**PACIFIC NORTHWEST, USA – Vader/Cedar Creek
(Chehalis Basin, Washington - St Helens Energy, LLC Non
Operator with 10%)**

Plans are ongoing for drilling of wells in the Chehalis Basin this year. These wells will be operated by Citrus Energy, the farminee on St. Helen's position.

AUSTRALIAN ACTIVITIES

The transaction between Pine Brook and Comet Ridge Limited does not include Comet Ridge's Australian permit interests. Comet Ridge retains significant interests in a number of eastern Australian permits and has recently announced its intention to refocus its effort on those projects.

Over the past few months, a series of major coal seam gas transactions have been announced that clearly indicate that Comet Ridge Limited's permits have significant value.

**ATP's 743 and 744P
(Galilee Basin, QLD - Comet Ridge 100%)**

Comet Ridge owns 100% of two large permit applications in the eastern part of the Galilee Basin in central Queensland. Negotiations with our Native Title claimants are progressing well and we expect to see agreements in place during the next quarter. The Company will then immediately apply to have the permits granted.

Interest in the Galilee Basin appears to be increasing with AGL (ASX Code: AGL) committing to spending \$37.5 million to earn 50% and operatorship in a nearby permit.

**Mahalo, Northern ATP 337P
(QLD - Comet Ridge 40%, Non
Operator)**

The Operator has not proposed any activity in the short term. Comet Ridge is committed to advancing this project and is reviewing its options including potential sole risk operations.

**PEL 427 & PEL 428
(Gunnedah Basin, NSW – Comet Ridge 70% & 60%)**

No material change from last report. Comet Ridge is to be free carried Orion Petroleum through a well on each permit this year.

*Andrew Lydyard, Managing Director
Comet Ridge Limited*

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