

14 November

Chairman's Address – Comet Ridge AGM

The first matter I would like to address is the restructuring of the board and management of the Company in light of the onerous market conditions. The Company's Managing Director, Mr David Bradshaw, has unselfishly stepped down and resigned from the Board, enabling the Company to extend its existing cash reserves. To ensure that the Company continues to advance its strategy in these trying times the board has also resolved that I be appointed Executive Chairman. Both will take place with immediate effect.

Let me give some background related to these changes.

At this point in time, the world wide economy, companies large and small, and individual investors face almost unprecedented challenges. Comet Ridge was first impacted by this in early 2008 when the risk appetite of investors materially diminished. Comet Ridge was then unable to raise equity to fund its exploration program in the US. Industry funding on suitable terms was also difficult to find.

Despite these challenges the Company was able to secure what we regard as a most favourable funding arrangement with Pine Brook Road Partners, (PBR) a highly recognised and reputable New York based, private equity firm. PBR has provided the Company with up to US\$100 million to fund our US projects. The first phase of this arrangement will see COI progressively diluted to a 20% holding in our US properties as PBR injects a total of US\$28M into our US exploration and development activities. The positives from this arrangement for shareholders were that our medium term exploration activity was fully funded, without risk to shareholders, and that our acreage position was expanded and preserved from relinquishment. The downside was that our organisational capability was transferred out of COI into a jointly-owned subsidiary, CRR. The arrangement was finalised and announced to the market on 10 June 2008.

With our organisation, including then Managing Director, Mr Andy Lydyard, transferred to CRR a new COI Managing Director, Mr David Bradshaw, was appointed with effect from 1 September. Mr Bradshaw was already a non-executive director of the company. At the time Mr Bradshaw commenced as Managing Director, the COI board had confidence that an equity raising could be undertaken to provide working capital. Discussions with parties to farm-in and fund exploration of COI's Australian coal seam gas acreage were also well advanced.

The world-wide financial market melt-down in October of this year fundamentally changed that outlook. The prospective farm-in partners were unable to conclude an arrangement and equity markets have dried up for the time being.

With the full co-operation of Mr Bradshaw, it has been resolved that the best course of action in the circumstances now facing the company is to move rapidly to cut our costs to gain maximum value from the company's current cash balance of approximately A\$750,000. What the company now needs most is time to arrange favourable funding arrangements going forward. As a consequence Mr Bradshaw has been good enough to sever his employment contract with company effective today. No termination payments will be made to Mr Bradshaw, nor is there any outstanding obligation in the form of cash or equity.

Accordingly, the motion dealing with Mr Bradshaw's incentive options will be later withdrawn from the notice of meeting.

The board is appreciative of Mr Bradshaw's decision as it leaves the company with significantly reduced ongoing calls on the Company's cash reserves. The board would like to thank Mr Bradshaw for taking this decision and for being prepared in the first place to make the move across the Pacific to take over the reins of the company in what has proved to be extraordinarily difficult times.

Going forward, the board has resolved that I be appointed Executive Chairman. This arrangement will remain in place until the company's financial circumstance permit a new Managing Director to be recruited. I plan to undertake the role from Brisbane as this is the business capital of our Australian operations and will work full-time in the role. I have agreed with the board that I be remunerated on a non-cash equity basis which be considered by the board in March 2009 and will be subject to the company's performance at that time. Any remuneration paid on this basis will be subject to approval by shareholders.

In an effort to further preserve cash balances all non-executive directors have agreed to also undertake their duties for the time being without drawing fees. This situation will be reviewed in March 2009 and either cash payments will be made if the company's financial circumstances permit, or non-cash equity based payments will be made in lieu. Payments of an equity nature will be put to shareholders for approval.

I also thank the non-executive directors and the company secretary for their decision to forego payment of fees for the time being. This initiative will also materially assist in extending the company's cash balances.

These and other cost saving initiatives mean that the company is able to function for at least the next year without any capital injection. While it is not the board's preferred strategy, we are in a position where we have very low commitment levels on our Australian exploration permits and, if we are prepared to accept further dilution in Comet Ridge Resources, we are not obligated to fund future cash calls in respect to our US activities.

The strategy favoured by the board is to find joint venture partners who are prepared to fund the exploration in our Australian permits and to raise sufficient equity in the next year to ensure the company is resourced for the task at hand. This includes funding our share of Comet Ridge Resources cash calls if the continued performance of our US investments warrants it. I'll now present the status of the Company's activities.

Hopefully, my brief description here and the material in the presentation will give you, as shareholders, the confidence to stick with the company. I expect it should also give potential investors the confidence to invest.

In summary, therefore, the Board's near term priorities for the company are:

1. Finalise Native Title agreements on our Galilee Basin permits and to get these permits awarded
2. Identify suitable partners at the project level to fund our exploration activities in Queensland
3. Secure sufficient equity capital to ensure the company is able to function effectively going forward, desirably meeting both the exploration needs in Australia and the expected capital calls in the USA

If shareholders and investors share the belief of the Board that energy prices will remain high into the long term, then the company's assets represent considerable potential value. The real value of the assets remains irrespective of shorter term fluctuations of energy prices, or for that matter, share prices. The company's challenge, in the short term is to find ways to unlock this value to the benefit of our shareholders.

In closing, I would like to thank the vast majority of shareholders who have continued to hold their stock despite its recent price decline. This price decline has occurred on relatively low traded volumes. The Company directors are also very cognisant of the financial pain to shareholders caused by the Company's existing share price. I trust you will see from our decisions not only are we concerned but we are doing all we can to remedy this situation. I would ask shareholders to give the Board and me, in my new role, the opportunity to put in place the building blocks that will potentially see significant value creation which I trust in time will be reflected in our share price.