



9 February 2009

Merger of Comet Ridge and Chartwell Energy

The Directors of Comet Ridge Limited (“Comet Ridge” - COI.ASX) and Chartwell Energy Limited (“Chartwell Energy”) are pleased to announce the merger of their companies to create a well funded coal seam gas (“CSG”) company with a diverse portfolio of exploration assets in Australia and New Zealand (the “Merger”). The merged entity will continue to be named Comet Ridge and the headquarters will be located in Brisbane, Australia.

Chartwell Energy is an unlisted public company with prospective CSG assets in the North Island and South Island of New Zealand as well as ~A\$8m in cash.

The merged entity is planning a high level of drilling activity in 2009 including in New Zealand, Australia and the United States.

Transaction Highlights

- Chartwell Energy shareholders will receive approximately 128 million Comet Ridge shares, in return for their Chartwell Energy shares, resulting in the merged entity being owned 55% by Chartwell Energy shareholders and 45% by Comet Ridge shareholders, respectively.
- The merged entity will have:
 - approximately A\$8 million cash;
 - prospective coal seam gas assets in New Zealand (a total of ~12500 sq km) in the North Island and South Island;
 - prospective coal seam gas acreage in Australia in the Mahalo Project area in the Bowen Basin, the Galilee Basin, and permits in Northern New South Wales;
 - investment in Comet Ridge Resources LLC providing a high impact, low risk exploration and appraisal project in the United States;
 - new board members that bring a wealth of CSG technical and business experience from their involvement in Sunshine Gas Limited (“Sunshine Gas”); and
 - a Brisbane based organisation with highly experienced management and technical staff.

Further financial information on Chartwell Energy, and a profile on the merged entity, will be included in the Notice of Meeting and Explanatory Memorandum to be provided to Comet Ridge shareholders in connection with the Merger, including an Independent Expert's Report.

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ASX Listed: 19 April 04
Shares on Issue: 105 million
Unlisted Options: 8.275 million
Top 20: 44%
Directors: 12%

The Board of Chartwell Energy and the Board of Comet Ridge together believe that the new entity will be better positioned for growth than either company on a standalone basis. The Merger will provide a number of benefits to shareholders of both companies including:

- increased scale and liquidity;
- a diversified portfolio of exploration projects;
- financial strength to enhance exploration activities; and
- strong management, technical and operating skills.

The Directors of Comet Ridge unanimously recommend the Merger to its shareholders, and each Comet Ridge Director intends to vote in favour of the Merger in respect of all of the shares they own or control. Comet Ridge will convene a shareholders' meeting to approve the Merger which is expected to be held in late March 2009.

Upon completion of the Merger, the following Chartwell Energy representatives will join the Board of Comet Ridge:

- Mr James McKay (previously Chairman of Sunshine Gas) as a non-executive Director;
- Mr Chris Pieters (previously Chief Commercial Officer of Sunshine Gas) as a non-executive Director; and
- Mr Tor McCaul (the existing Chief Executive Officer of Chartwell Energy) will be appointed Managing Director.

Ms Gill Swaby and Mr Jeff Schneider (as non-executive Chairman) will remain on the Board. Mr Andy Lydyard and Mr Gary Drobnaek will resign from the board on the completion of the Merger.

Mr Anthony (Tony) Gilby, previously Managing Director of Sunshine Gas, intends to join the board after May this year.

Profiles of each of the proposed new Directors are attached in Appendix A.

Commenting on the Merger, Comet Ridge Executive Chairman Mr Jeff Schneider stated:

“The board of Comet Ridge is very pleased to recommend to its shareholders this Merger with Chartwell Energy. The assets of the merged entity offer shareholders substantial upside potential and with immediate access to capital, the merged entity is well placed to realise this potential.”

“What we believe is more significant however are the people associated with Chartwell Energy. They have an outstanding record of success at Sunshine Gas both technically and commercially. That they have faith in the potential of the merged entity should give shareholders of Comet Ridge every confidence in the future.”

Commenting on the Merger, Chartwell Energy Chairman Mr James McKay stated:

“We believe the Merger will provide additional value to the shareholders through a solid foundation of exploration assets, access to capital and a strong Board and management team.

“Being part of an ASX listed company will also provide Chartwell Energy shareholders with greater liquidity and access to capital markets. The merged entity will be well supported with A\$8 million in cash to fund exploration programs in Australia, New Zealand and the USA.”

Summary of Key Elements of the Merger

- 1) Comet Ridge and Chartwell Energy have signed a Merger Implementation Agreement (“MIA”) which governs the implementation of the merger and sets out certain conditions, which are referred to below;
- 2) Comet Ridge will acquire all of the shares of Chartwell Energy by the issue of approximately 128 million shares to the shareholders of Chartwell Energy. This represents 5.15 Comet Ridge shares for each Chartwell Energy share. Unlisted Chartwell Energy options will be converted to 20,224,000 unlisted Comet Ridge options. On completion the merged entity will have approximately 234 million shares and 31 million options;
- 3) Coincident with the execution of the MIA, Chartwell Energy will make a loan to Comet Ridge in the amount of A\$1 million in the form of a Convertible Note. This Convertible Note provides Comet Ridge with immediate access to funding prior to completion of the Merger. The Convertible Note is secured against Comet Ridge assets. The number of Comet Ridge shares issued to Chartwell Shareholders will take in account any shares issued on any conversion of the Convertible Note, so that no more than approximately 128 million Comet Ridge shares are issued pursuant to the Merger;
- 4) The merged entity will remain as Comet Ridge (COI.ASX);
- 5) Comet Ridge will be based in Brisbane, Queensland;
- 6) The parties intend that the Merger will be fully implemented having received the necessary approvals by 30 April 2009 and will use all reasonable endeavours to complete the transaction by that date;
- 7) The Merger is subject to following principal conditions:
 - a. completion of due diligence by both parties (high level due diligence having already been done);
 - b. necessary regulatory approvals;

- c. the approval of the Comet Ridge shareholders via an Extraordinary General Meeting for the purposes of item 7, section 611 of the Corporations Act 2001 ("Act") (as the issue of Comet Ridge shares to the shareholders of Chartwell Energy will result in one shareholder having voting power of more than 20% in Comet Ridge), Listing Rule 7.1 (since the issue of Comet Ridge shares and Comet Ridge options will exceed Comet Ridge's 15% placement capacity), section 208 of the Act (since some of Comet Ridge options will be issued to prospective directors of Comet Ridge) and Listing Rule 11.1.2 (due to a significant change in the scale of Comet Ridge's activities);
 - d. the holders of at least 90% of Chartwell Energy shares and the holders of at least 90% of Chartwell Energy options have executed share (or option) purchase agreements with Comet Ridge; and
 - e. the execution of a restriction agreement as required by Chapter 9 of the Listing Rules by the Chartwell Energy shareholder which will acquire more than 20% of shares in Comet Ridge if the Merger proceeds;
- 8) An Independent Expert is being appointed to opine on the fairness and reasonableness of the transaction for the benefit of Comet Ridge shareholders. The target date for dispatch of the Notice of Meeting including the Independent Expert's Report is around end February 2009. This would permit the General Meeting of Comet Ridge shareholders to approve the Merger to be held around the end of March 2009;
- 9) The Directors of Comet Ridge intend to unanimously recommend the Merger to Comet Ridge shareholders, in the absence of a superior proposal. Each Comet Ridge Director intends to vote in favour of the Merger in respect of all of the shares they own or control, in the absence of a superior proposal; and
- 10) Comet Ridge has agreed to pay a break fee to Chartwell Energy of a maximum of \$350,000 in certain circumstances, including a successful competing takeover proposal.



Jeff Schneider
Executive Chairman
Comet Ridge Limited



James McKay
Chairman
Chartwell Energy Limited

For further information concerning the merger please contact

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Description of Chartwell Energy Limited:

Chartwell Energy is an Australian private coal seam gas exploration, appraisal and development company focused on New Zealand. Chartwell Energy's assets include:

- 60% interest in Petroleum Exploration Permit (PEP) # 50279 situated in the northwest of New Zealand's south island spanning an area of ~8,700 sq km;
- 60% Interest on PEP # 50280 situated in the Waikato region of the New Zealand north island spanning an area of ~3,650 sq km; and
- 20% interest in Petroleum Mining Permit (PMP) # 50100 situated adjacent to PEP # 50279 in the south island of New Zealand;
- Entitlement to increase percentage participation in PMP # 50100 through Farmin Agreement increasing up to 60%.

Description of Comet Ridge Limited

Comet Ridge is an oil and gas company listed on the Australian Securities Exchange. The company has a number of prospective assets including:

- 40% interest in the Mahalo tenement (Bowen Basin) with Santos (30%) and Origin Energy (30%);
- 100% interest in ATP 743 and ATP 744 located in the Galilee Basin, Queensland, spanning an area of ~13,000 sq km;
- 20 - 25% diluting interest in PEL 427 and 428 located in the Gunnedah Basin, New South Wales; and
- 27% interest in Comet Ridge Resources, LLC, who holds prospective oil and gas projects in Colorado and Washington State (USA);

Appendix A - Profiles of Proposed New Directors**Mr James McKay
BCom, LLB**

James McKay has a strong commercial background, with sound finance, business management and legal expertise. He holds degrees in commerce and law, and has been involved in the establishment and development of a number of other businesses. James was previously Chairman of Sunshine Gas, before its takeover by QGC in 2008.

James is a shareholder and director of a privately-owned funeral services group with interests in two cemeteries and crematoria. He is a past president of the Australasian Cemeteries and Crematoria Association, having served on its board for over 8 years.

**Mr Chris Pieters
B.Sc (Hons) B.Business**

Chris Pieters is Managing Director and co-founder of Walcot Capital, a private venture capital business specialising in energy investment. Prior to that he was Chief Commercial Officer of Sunshine Gas Limited where he was a key member of the team that built the company taken over by Queensland Gas Company in 2008. Chris also held other technical and business development roles whilst at Sunshine Gas.

He has a Bachelor of Science (Geology) and a Bachelor of Business from The University of Queensland, and an Honours degree in Petroleum Geology & Geophysics from The Australian School of Petroleum. Chris is a member of the Petroleum Exploration Society of Australia.

**Mr Tor McCaul
B.E. (Hons/Petroleum), B.Econ, MBA**

Tor McCaul has 21 years oil and gas experience. He graduated with honours in Petroleum Engineering from UNSW in 1987 and spent the next 9 years based in Brisbane working for operating companies in technical roles on projects in Queensland, New Zealand and Papua New Guinea. He spent the following 11 years in Asia (Karachi, Jakarta, Chennai and Delhi) working for British independent companies in technical, finance, commercial and management roles which included 4 years on the 23 million ton per annum Bontang LNG project in Indonesia, the world's largest, providing LNG into Japan, South Korea and Taiwan. In 2008 he joined Chartwell Energy Limited in Brisbane as CEO.

He is a member of the Society of Petroleum Engineers, having served in several positions, including Chairman, on the executive committee for Queensland Section over several years. He is also a past member of the UNSW Centre for Petroleum Engineering Advisory Committee.

**Mr Anthony (Tony) Gilby – after May this year
B.Sc (First Class Honours)**

Anthony Gilby was awarded a Bachelor of Science (First Class Honours) degree in Geology from the University of Adelaide in 1984, and also won the University Medal in Geology. He began his career as a geologist for Delhi Petroleum in the Cooper Basin. He subsequently held positions with Delhi Petroleum and with ESSO (after the Delhi acquisition). His roles included exploration geology, geophysics, petrophysics and working in the Exxon Production Research Centre in Houston. On his return to Australia, he continued to work with ESSO prior to relocating to Brisbane where he worked for MIM Petroleum and the Louisiana Land and Exploration Company (LL&E). In 1996, he left LL&E to take on a variety of consulting roles as well as the acquisition of prospective Queensland acreage in a private capacity. This work culminated with the founding of Sunshine Gas where he acted as Managing Director. In 2008 Sunshine Gas was acquired by QGC.