

26th October 2017

SEPTEMBER 2017 QUARTERLY REPORT



Figure 1. Graphite core from hole HD0013

HIGHLIGHTS

- 13 diamond drill holes completed. All holes intersecting graphite mineralisation;
- DH016 intersects widest zone to date, 15.5 metres @ 7.5% TGC and 14 metres @ 6.6% TGC (29.5 metre wide zone from 8 metres from surface);
- Exfoliation of diamond core has been conducted with graphene identification to follow;
- Eastern zone delivers, with high grade graphite from HD015: 8.8 metres at 10.2% TGC including 1.9 metres at 26.2% TGC;
- \$100,000 funding approval from Western Australian Government Exploration Incentive Scheme;
- Detailed aeromagnetic survey completed interpretation commenced;
- Next phase of large diameter drilling has been completed;
- Aircore and/or reverse circulation drill program is planned to commence this quarter.

CORPORATE

Capital Raising

Comet Resources Limited (ASX: CRL) (“Comet” or the “Company”) completed \$1.5 million capital raising with Canaccord Genuity (Australia) Ltd (“Canaccord”) as sole Lead Manager and Bookrunner. Canaccord is a global financial services firm recognised for its expertise in the graphene sector.

Western Australian Government Funding

Comet received funding approval for up to \$100,000 from the Western Australian Government’s Exploration Incentive Scheme (EIS) for planned drilling. Comet was the only graphite project to receive this grant. Comet would like to acknowledge the ongoing support provided by the WA Government through its EIS program. The EIS co-funded drilling program preferentially funds high quality, technical and economically based projects that promote new exploration concepts and are assessed by a panel on the basis of geoscientific and exploration targeting merit.

DRILLING PROGRAM

Comet completed a diamond drilling program at the Springdale Graphite Project Western Australia in the September quarter 2017. The program consisted of 13 HQ diamond drill holes for 690.1 metres.

The results are extremely positive with all holes intersecting graphite horizons. Significant intersections for each hole are provided in Table 1.

Positive outcomes from the program include;

- Holes HD016 and HD017 further tested high grade mineralisation identified in aircore hole H0065. Core recovery was poor in part, but the grade tenor and thickness (29.5 meter of graphite mineralisation in hole Hd016) of graphite intersected indicate a prospective graphite zone that remains untested. Exfoliation of some core has already been completed. The exfoliation process utilised Springdale graphitic rock as it was extracted from the ground (in this case diamond core). The exfoliation method is used to peel graphene flakes from the graphite in the core. Graphene identification will be conducted when more graphite has been exfoliated.
- Holes HD014 and HD015 further tested high grade mineralisation identified in aircore hole H0082. Again, core recovery was poor in part, but results obtained strongly suggested the potential for another significant graphite horizon east of the currently defined zones.
- Ample sample of weathered and fresh graphite material has been obtained for continuing graphene and battery technology testwork. The testwork has commenced with results to be released when complete.
- The results support the interpretation of multiple graphite horizons at Comet’s Springdale project. A detailed aeromagnetic survey is providing valuable data to assist in the interpretation of the graphite horizons and to focus future drilling campaigns. .
- Diamond drilling in main zone show continuity of mineralisation both down dip and along strike.

Table 1 – Significant intersections HD005 – HD017 (TGC >=1% up to 3m of internal waste)

HOLE	FROM	TO	Significant Intersection (TGC >=1%, up to 3m of internal waste)	RECOVERY%
HD005	5.4	6.2	0.8 metres at 3.49% TGC	100
HD005	12.35	22	9.65 metres at 7.13% TGC	99
and	28	29.6	1.6 metres at 8.45% TGC	100
HD006	9.9	19.6	9.7 metres at 4.58% TGC	70.1
and	27.4	28	0.6 metres at 3.2% TGC	100
HD007	1.2	5.4	4.2 metres at 4.12% TGC	33.3
and	34	35.7	1.7 metres at 17.75% TGC including 1.1 metres at 26.3% TGC	100
and	40.9	45.65	4.75 metres at 5.17% TGC	100
HD008	13.1	28.12	15.02 metres at 7.13% TGC including 7.37 metres at 12.09% TGC	88.7
and	32	35.4	3.4 metres at 2.49% TGC	100
HD009	32.75	33.65	0.9 metres at 7.11% TGC	100
and	46.05	49.6	3.55 metres at 1.09% TGC	100
HD010	50.5	54	3.5 metres at 11.07% TGC including 2.18 metres at 15.05% TGC	100
and	57.85	58.4	0.55 metres at 11.15% TGC	100

HOLE	FROM	TO	Significant Intersection (TGC >=1%, up to 3m of internal waste)	RECOVERY%
and	61.4	64	2.6 metres at 1.65% TGC	100
HD011	17.4	34.86	17.46 metres at 4.26% TGC including 3.8 metres at 10.84% and 1.76 metres at 10.06% TGC	98.3
and	39	40	1 metres at 1.36% TGC	100
HD012	14.75	15.65	0.9 metres at 3.49% TGC	100
and	40.65	60.85	20.2 metres at 5.76% TGC including 10.1 metres at 8.99% TGC	99
HD013	45.4	55.6	10.2 metres at 1.25% TGC	99
and	65.75	69.45	3.7 metres at 9.01% TGC including 0.95 metres at 22.6% TGC	97.3
and	73.2	79	5.8 metres at 10.96% TGC	100
and	83.45	89	5.55 metres at 3.53% TGC including 0.55 metres at 10% TGC	96.4
HD014	7.35	15	7.65 metres at 3.86% TGC including 2.25 metres at 8.3% TGC	79.1
and	26.1	29.6	3.5 metres at 6.31% TGC including 1.2 metres at 8.06% TGC	48.6
HD015	7.75	9.2	1.45 metres at 6.92% TGC including 0.8 metres at 9.87% TGC	93.1
and	14	22.8	8.8 metres at 4.39% TGC including 1.8 metres at 14.46% TGC	82.4
and	32.15	41	8.85 metres at 10.2% TGC including 1.9 metres at 26.22% TGC	62.1
HD016	8.5	24	15.5 metres at 7.48% TGC 4 metres at 12.08% and 1.9 metres at 19.31% TGC	69.7
and	28	42	14 metres at 6.66% TGC including 3.25 metres at 20.16% TGC	74.3
HD017	9.55	20.3	10.75 metres at 7.6% TGC including 4.95 metres at 14.08% TGC	48.8

Note: Sample recovery in the highly weathered portion of some holes was low (<80%) due to issues with the drilling methods employed. Loss of recovery often coincided with interpreted high-grade graphite zones (as defined from previous drilling). Where sample loss was within a mineralised zone and there was reasonable indication in the surrounding lithologies that the lost material was also graphitic an average grade of the sample above and below the core loss zone was applied to the interval to give a realistic intersection calculation. The percentage recovery provided each calculated intersection gives an indication of the confidence of the intersection.



Figure 1 – Diamond drilling July 2017.

More detail of this drilling can be found in “Comet’s Springdale Graphite Project Diamond Drilling Update” 15th September market release.

A large diameter diamond drill program has been completed. This drilling has obtain further sample for metallurgical testwork and helped in improving drilling methods to increase sample recovery in near surface weathered graphitic zones. Core is now in the assay laboratory and being processed.

A detailed aeromagnetic survey has been completed with 50 meter line spacing and a flight height of 35 metres. This will assist in the interpretation of graphite horizons allowing focussed drill planning and assessment of the graphite potential of the broader area.

Moving Forward

Comet plans to progress the assessment of the graphite at Springdale Project through the following work programs;

Detailed Aeromagnetic survey – Interpretation of the air magnetic survey has commenced. This data will help in drill hole planning and assessment of the graphite potential of the broader area.

Metallurgical Testwork – Metallurgical testwork on samples generated in the most recent diamond drill program has commenced. Understanding the amenability of the graphite at Springdale to convert to graphene or be used in battery technology is an integral part of understanding and realising its commercial value.

Aircore/RC Drilling – An aircore and/or reverse circulation drill program is planned to commence this quarter. This will provide important information on the extent of graphite mineralisation within Comet’s Springdale Project tenements.

BACKGROUND

Comet Springdale Project is located approximately 30 km east of Hopetoun, Western Australia. The tenements lie within the deformed southern margin of the Yilgarn Craton and constitute part of the Albany-Fraser Orogen. The graphite targets are on freehold land with sealed road access within 20km and the project is located approximately 150km from the port of Esperance.

Comet owns 100% of the three granted tenements E74/562, E74/583 and E74/612 that make up Springdale project. The total land holding at Springdale is approximately 220 square kilometres.

The Company completed a successful first pass 11 hole aircore drilling program in February 2016 which confirmed that graphite was present in a prospective zone/horizon. Comet has now drilled 113 aircore holes for 2,901 metres and 17 diamond holes for 972m. Graphite mineralisation is still open along strike and at depth.

Recent metallurgical testwork managed by the Company’s metallurgical consultant IMO Project Service Pty Ltd, has identified graphene (several layers thick) from Springdale ore produced by the electrical exfoliation method. The ability for Comets graphite mineralisation to produce graphene is a very rare property.

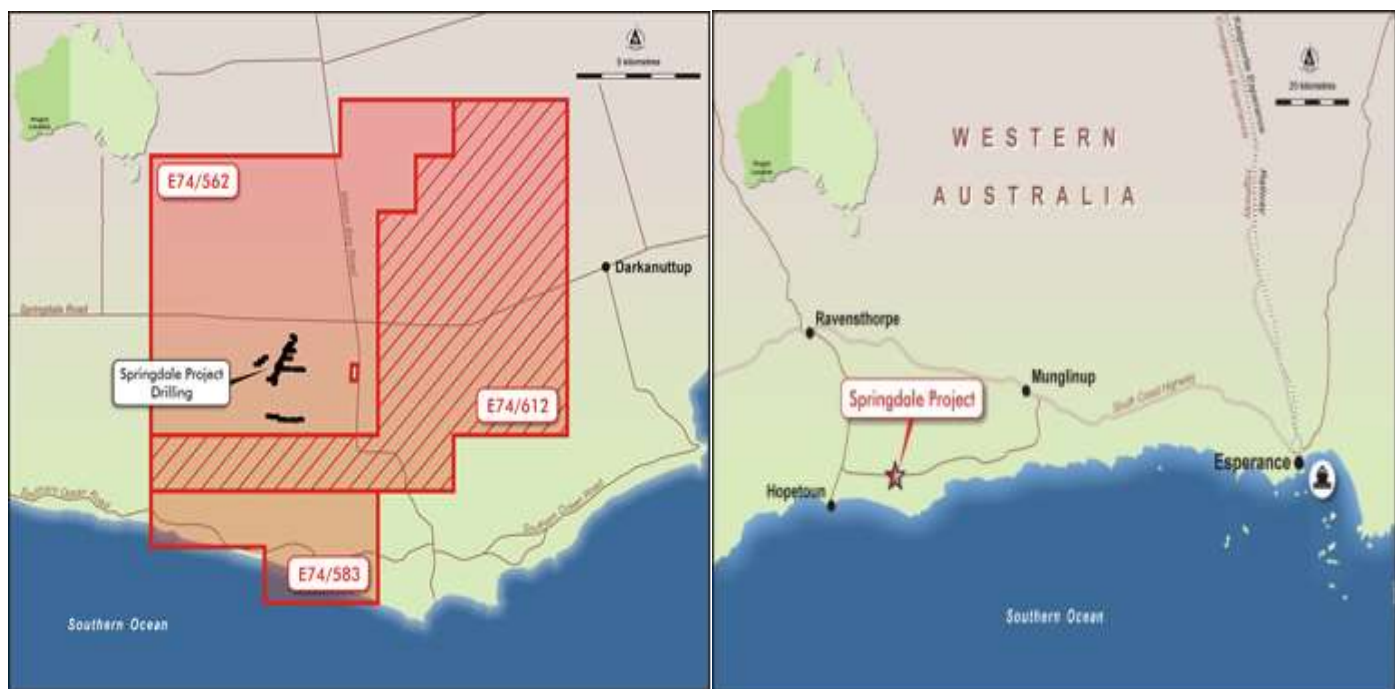


Figure 3: Plan Showing Location, Tenements and Area Drilled

WHAT IS GRAPHENE?

Graphene is a natural material. Researchers discovered graphene in the 1940s; it was only in 2004 that a graphene sheet was isolated. In 2010 this achievement was awarded a Nobel Prize.

Graphite is stacked graphene sheets (a 1mm thick piece of graphite would be made from approximately 3 million sheets of graphene). Consider graphene as being a 2 dimensional (**2D**) material and graphite a 3 dimensional material, the challenge is to separate the sheet. Graphene is the most expensive material in the world and some commentator’s call 2004 the start of the graphene Era.

WHY GRAPHENE

- It is the thinnest and toughest 2D material. 200 times stronger than steel.
- Graphene is flexible and transparent, has the largest surface area of all materials, and is the most stretchable crystal. The material is also extremely impermeable, even helium atoms cannot go through it.
- Graphene is currently the best electricity conductor known to man and is the perfect thermal conductor.
- Graphene is light - it weighs just 0.77 milligrams per square meter. Because it is a single 2D sheet, it has the highest surface area of all materials.

METALLURGICAL TESTWORK

Metallurgical testwork continues during this quarter. Several sections of core have been exfoliated to produce a bulk sample for further test work. Further work and results are expected during the next quarter.

Comet has submitted several samples to determining the amenability of Comet's high grade beneficiated graphite concentrate as a lithium ion battery feedstock. This is part of Comets plan to asses all potential commercial products from Springdale ore.

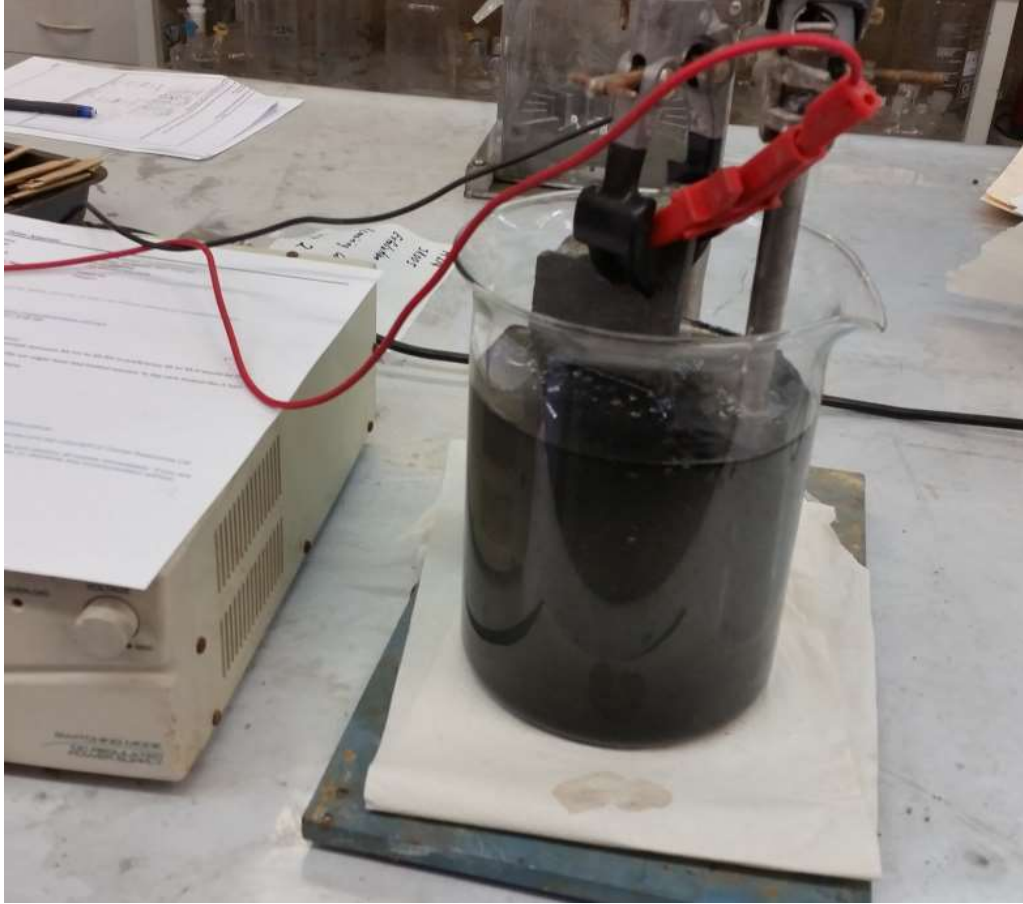


Figure 4: Exfoliation of HD002 Core

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Comet listed on the Australian Stock Exchange in 1994. The Company discovered and studied the Ravensthorpe Nickel Project. In 2001 Comet successfully sold its final equity to BHP Billiton and returned to Comet shareholders \$32 million. Comet has a number of exciting projects that it is currently exploring and advancing. Comet has cash assets of approximately \$1.6 million and has approximately 170 million shares on issue.

The information in the report to which this statement is attached relates to Exploration Results, Mineral Resources or Ore Reserves compiled by Mr. A Cooper, who is a Consultant and director to Comet is also a Member of The Australian Institute of Mining and Metallurgy, with over 30 years' experience in the mining industry. Mr. Cooper has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Cooper consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.