



Comet Resources Limited

ABN 88 060 628 202

**and its
Controlled Entities**

Half-Year Financial Report

31 December 2009

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 88 060 628 202

DIRECTORS' REPORT

Directors

RO Jones - Chairman

AR Cooper

RN Hill

Company Secretary

E Czechowski

**Registered Office &
Principal Place of Business**

Unit 2
23 Belgravia Street
BELMONT WA 6104

Telephone: (08) 9475 7100

Facsimile: (08) 9277 4147

Email: comet@cometres.com.au

Share Registry

Advanced Share Registry Services Pty Ltd
150 Stirling Highway
NEDLANDS WA 6009

Auditors

Stantons International
1 Havelock Street
WEST PERTH WA 6005

Stock Exchange Listing

The Company is listed on the Australian Securities Exchange Limited

Home Exchange: Perth, Western Australia

ASX Code: CRL

Web Page

www.cometres.com.au

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 88 060 628 202

DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 31 December 2009.

Directors

The names of the Company's Directors in office during the half-year and until the date of their report are set out below. Directors were in office for this entire period unless otherwise stated.

Robert (Roj) Oswald Jones (Chairman)

Mr Jones was a founding Director of Comet and has been involved in the management of the Company's growth to date. Mr Jones has in excess of 30 years experience in the mining industry with major resource development companies, worldwide.

Director since 1993, appointed Chairman in 1999.

Anthony Roy Cooper

Mr Cooper has been with Comet since 1994. He currently holds the position of technical director. From 1996 to 2002, Mr Cooper was responsible for the geological management of the Ravensthorpe Nickel Project.

Mr Cooper has over 20 years experience in the mining and mineral exploration industries, with particular expertise on gold and base metals.

Director since 2001.

Roger Hill

Mr Hill was a founding Director of Comet and was a Board member initially until 1997. He has experience as a Director of public and private companies in a number of industries, including mining and resources. Mr Hill currently manages his own business interests.

Mr Hill was formerly a partner in a Perth law firm for 10 years.

Director since 2004.

Company Secretary

Edmund Czechowski

Edmund Czechowski is a Fellow of the Australian Society of Certified Practising Accountants and a Fellow of the Australian Institute of Company Directors. He has significant experience in accounting and secretarial roles within the resource sector.

RESULTS OF OPERATIONS

The net loss of the consolidated entity for the six months to 31 December 2009 is \$222,307 (31 December 2008: \$357,320 loss). The net loss was largely due to research and development expenditure.

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 88 060 628 202

DIRECTORS' REPORT

REVIEW OF OPERATIONS

During the half-year the consolidated entity carried out its principal activities being:

- o Exploration on a number of its wholly owned exploration tenements and continued to identify and evaluate a number of resource assets/projects for acquisition and/or joint venture; and
- o Research and development of biotechnology products for use in the oil industry by its wholly owned subsidiary Environmental Oil Solutions Pty Ltd ("EOS").

It is recommended that this half-yearly report be read in conjunction with the 30 June 2009 Annual Report and any public announcements made by the Company during the half year.

In accordance with the continuous disclosure requirements, readers are referred to the announcements lodged with the Australian Securities Exchange regarding exploration and other activities of the consolidated entity.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes have occurred in the state of affairs of the consolidated entity.

EVENTS SUBSEQUENT TO BALANCE DATE

As at the date of this report the fair value of shares and options in Ferrowest Limited has decreased by \$308,625 since 31 December 2009 and is now \$714,075.

Other than the above, there have been no matters or circumstances that have arisen since 31 December 2009 that has significantly affected or may significantly affect:

- (a) the economic entity's operations in future years; or
- (b) the results of those operations in future years; or
- (c) the economic entity's state of affairs in future years.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is set out on page 14.

Signed in accordance with a resolution of the Directors.



.....
RO Jones
Director

Perth, 22 February 2010

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 88 060 628 202

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

		Consolidated	
	Note	Half-year ended 31 Dec 09 \$	Half-year ended 31 Dec 08 \$
Administration expenses		(241,225)	(264,495)
Research and development expenses		-	(63,000)
Exploration expenses		(60,279)	(110,234)
Operating result		(301,504)	(437,729)
Earnings before interest and taxes and amortisation (EBITA)		(301,504)	(437,729)
Amortisation		(1,464)	(3,831)
Earnings before interest and taxes		(302,968)	(441,560)
Net financial income	2(a)	80,661	84,240
Loss before taxes		(227,307)	(357,320)
Income tax		-	-
Net loss for the period		(222,307)	(357,320)
Other comprehensive income for the period			
Net fair value gains/(losses) on available-for-sale financial assets		560,925	(1,627,000)
Total comprehensive income/(loss) for the period		338,618	(1,984,320)
Net loss attributable to the parent entity		(222,307)	(357,320)
Total comprehensive income/(loss) attributable to the parent entity		388,618	(1,984,320)
Basic earnings/(loss) per share (cents)		(0.32)	(0.53)
Diluted earnings/(loss) per share (cents)		(0.32)	(0.53)

The consolidated statement of comprehensive income should be read in conjunction with the accompanying condensed notes.

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**ABN 88 060 628 202****CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2009**

Consolidated			
	Note	As at 31 Dec 09 \$	As at 30 Jun 09 \$
CURRENT ASSETS			
Cash and cash equivalents	3	2,144,683	2,269,164
Trade and other receivables		23,295	13,205
Prepayments		66,277	-
Other financial assets		1,022,700	512,000
TOTAL CURRENT ASSETS		<u>3,256,955</u>	<u>2,794,369</u>
NON-CURRENT ASSETS			
Other financial assets		48,940	48,940
Plant and equipment		7,482	8,946
TOTAL NON-CURRENT ASSETS		<u>56,422</u>	<u>57,886</u>
TOTAL ASSETS		<u>3,313,377</u>	<u>2,852,255</u>
CURRENT LIABILITIES			
Trade and other payables		58,806	73,612
TOTAL CURRENT LIABILITIES		<u>58,806</u>	<u>73,612</u>
TOTAL LIABILITIES		<u>58,806</u>	<u>73,612</u>
NET ASSETS		<u>3,254,571</u>	<u>2,778,643</u>
EQUITY			
Issued capital	8	4,873,266	4,758,265
Reserves	9	1,166,818	583,584
Accumulated losses		(2,785,513)	(2,563,206)
TOTAL EQUITY		<u>3,254,571</u>	<u>2,778,643</u>

The consolidated statement of financial position should be read in conjunction with the accompanying condensed notes.

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 88 060 628 202

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

		Consolidated	
		Half-year ended 31 Dec 09 \$	Half-year ended 31 Dec 08 \$
	Note		
Cash flows from operating activities			
Payments to suppliers and employees		(250,662)	(424,296)
Interest received		44,329	63,485
Net cash flows used in operating activities		<u>(206,333)</u>	<u>(360,811)</u>
Cash flows from investing activities			
Proceeds from sale of listed securities		85,131	-
Repayment of unclaimed monies		(3,279)	-
Security deposit & bonds		-	10,000
Net cash flows from investing activities		<u>81,852</u>	<u>10,000</u>
Net decrease in cash and cash equivalents		(124,481)	(350,811)
Cash and cash equivalents at beginning of period		2,269,164	2,524,744
Cash and cash equivalents at end of period	3	<u>2,144,683</u>	<u>2,173,933</u>

The consolidated statement of cash flows should be read in conjunction with the accompanying condensed notes.

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 88 060 628 202

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Issued Capital \$	Accumulated Losses \$	Other Reserves \$	TOTAL \$
As at 1 July 2008	4,758,265	(1,232,390)	1,123,382	4,649,257
Net loss for the period	-	(357,320)	-	(357,320)
Other comprehensive income for the period	-	-	(1,627,000)	(1,627,000)
Total comprehensive loss for the period	-	(357,320)	(1,627,000)	(1,984,320)
Cost of share-based payments	-	-	56,157	56,157
As at 31 December 2008	4,758,265	(1,589,710)	(447,461)	2,721,094
As at 1 July 2009	4,758,265	(2,563,206)	583,584	2,778,643
Net loss for the period	-	(222,307)	-	(222,307)
Other comprehensive income for the period	-	-	560,925	560,925
Total comprehensive income for the period	-	(222,307)	560,925	338,618
Shares issued	115,001	-	-	115,001
Cost of share-based payments	-	-	22,309	22,309
As at 31 December 2009	4,873,266	(2,785,513)	1,166,818	3,254,571

The consolidated statement of changes in equity should be read in conjunction with the accompanying condensed notes.

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 88 060 628 202

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Note 1: Basis of Preparation of the Half-Year Financial Report

This general purpose condensed financial report for the half-year ended 31 December 2009 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

It is recommended that the half-year financial statements be read in conjunction with the annual financial report for the year ended 30 June 2009 and considered with any public announcements made by Comet Resources Limited during the half-year ended 31 December 2009 in accordance with continuous disclosure obligations of the *ASX Listing Rules*.

The half-year financial statements do not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial statements have been prepared on accrual basis and on a historical cost basis, except for certain financial assets carried at fair value.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial statements have been rounded off to the nearest dollar, unless otherwise stated.

Going Concern Basis

The half-year financial statements have been prepared on the going concern basis, which contemplate continuity of normal business activities and realization of assets and settlement of liabilities in the ordinary course of business. The going concern of the Group is dependent upon it maintaining sufficient funds for its operations and commitments. The Directors continue to monitor the ongoing funding requirements of the Group. The Directors are confident that sufficient funding can be secured if required to enable the Group to continue as a going concern and as such are of the opinion that the financial statement has been appropriately prepared on a going concern basis.

Changes in Accounting Policy

The same accounting policies and methods of computation have been followed in these interim financial statements as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

Accounting Standards not previously applied

The Company has adopted the following new and revised Australian Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement on income statement with statement of comprehensive income. Items of income and expenditure not recognized in profit or loss are now disclosed as components of 'other comprehensive income'. In this regards, such items are no longer reflected as equity movements in the statement of changes in equity.
- the adoption of the single statement approach to the presentation of the statement of comprehensive income;

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 88 060 628 202

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Note 1: Basis of Preparation of the Half-Year Financial Report (cont'd)

Accounting Standards not previously applied (cont'd)

- other financial statements are renamed in accordance with the Standard; and
- presentation of a third statement of financial position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

Operating Segments

From 1 July 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of comprehensive income and statement of financial position.

Business Combinations and Consolidation Procedures

Revised AASB 3 is applicable prospectively from 1 July 2009. Changes introduced by this Standard, or as a consequence of amendments to other Standards relating to business combinations which are expected to affect the Group, include the following:

- All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method which prohibits the recognition of contingent liabilities of the acquiree at the acquisition date that do not meet the definition of a liability. Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on consolidation. Changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments and are recognised through profit or loss unless the change relates to circumstances which existed at acquisition date.
- Unrecognised deferred tax assets of the acquiree may be subsequently realised within 12 months of acquisition date on the basis of facts and circumstances existing at acquisition date with a consequential reduction in goodwill. All other deferred tax assets subsequently recognised are accounted for through profit or loss.
- The proportionate interest in losses attributable to non-controlling interests is assigned to non-controlling interests irrespective of whether this results in a deficit balance. Previously, losses causing a deficit to non-controlling interests were allocated to the parent entity.
- Where control of a subsidiary is lost, the balance of the remaining investment account shall be remeasured to fair value at the date that control is lost.

	Consolidated	
	31 Dec 09	31 Dec 08
	\$	\$

Note 2: Loss from Ordinary Activities

(a) Net Financial Income

Interest received – other entities	45,755	84,240
Profit on sale of listed securities	34,906	-
Total Revenue	80,661	84,240

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**ABN 88 060 628 202****CONDENSED NOTES TO THE FINANCIAL STATEMENTS****FOR THE HALF-YEAR ENDED 31 DECEMBER 2009****Consolidated****Note 3: Cash and cash equivalents**

	31 Dec 09	30 Jun 09
	\$	\$
Cash at bank	43,259	36,886
Cash deposits	59,302	2,000,294
Commercial Bills	2,042,122	231,984
	<u>2,144,683</u>	<u>2,269,164</u>

Reconciliation of cash and cash equivalents

Cash at the end of the financial period as shown in the Statement of Cash Flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	<u>2,144,683</u>	<u>2,269,164</u>
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Note 4: Segment Reporting

The economic entity operates entirely in Australia and predominantly in the field of mineral exploration and bio-technology.

31 December 2008	Bio-Tech	Exploration	Unallocated	Total
Revenue	-	-	84,240	84,240
Expenses	(137,825)	(110,234)	(193,501)	(441,560)
Segment results	<u>(137,825)</u>	<u>(110,234)</u>	<u>(109,261)</u>	<u>(357,320)</u>

31 December 2009	Bio-Tech	Exploration	Unallocated	Total
Revenue	-	-	80,661	80,661
Expenses	(83,735)	(60,279)	(158,954)	(302,968)
Segment results	<u>(83,735)</u>	<u>(60,279)</u>	<u>(78,293)</u>	<u>(222,307)</u>

From 1 July 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of comprehensive income and statement of financial position.

Note 5: Earnings per share

	2009 Number	2008 Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	69,425,228	68,317,903

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 88 060 628 202

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Note 5: Earnings per share (cont'd)

	2009 Number	2008 Number
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	69,425,228	68,317,903

Note 6: Contingent Liabilities and Contingent Assets

The economic entity does not have any contingent assets or liabilities outstanding at 31 December 2009.

Note 7: Dividends

There are no dividends paid or payable during the half-year.

Note 8: Issued Capital

	31 Dec 09 No.	30 June 09 No.	31 Dec 09 \$	30 June 09 \$
(a) Share Capital				
Issued share capital	70,714,935	68,317,903	4,873,266	4,758,265
(b) Share movements during the period				
Balance brought forward	68,317,903	68,317,903	4,758,265	4,758,265
Issued at 4.8 cents each	2,397,032	-	115,001	-
At the end of the period	70,714,935	68,317,903	4,873,266	4,758,265

During the period the Company issued 2,397,032 fully paid ordinary shares at 4.8 cents per share to Directors in lieu of consulting and director's fees.

Note 9: Reserves

	Fair Value	Share Based Payments	Total
As at 1 July 2008	633,750	489,632	1,123,382
Net fair value losses on available-for-sale financial assets	(1,627,000)	-	(1,627,000)
Cost of share-based payments	-	56,157	56,157
As at 31 December 2008	(993,250)	545,789	(447,461)
	Fair Value	Share Based Payments	Total
As at 1 July 2009	-	583,584	583,584
Net fair value gains on available-for-sale financial assets	560,925	-	560,925
Cost of share-based payments	-	22,309	22,309
As at 31 December 2009	560,925	605,893	1,166,818

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 88 060 628 202

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Note 10: Events Subsequent to Reporting Date

As at the date of this report the fair value of shares and options in Ferrowest Limited has decreased by \$308,625 since 31 December 2009 and is now \$714,075.

Other than the above, there has been no matters or circumstances that have arisen since 31 December 2009 that has significantly affected or may significantly affect:

- (a) the economic entity's operations in future years; or
- (b) the results of those operations in future years; or
- (c) the economic entity's state of affairs in future years.

Note 11: Share Based Payments

During the period the Company issued 2,397,032 fully paid ordinary shares at 4.8 cents per share to Directors in lieu of consulting and director's fees.

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 88 060 628 202

DIRECTORS' DECLARATION

The Directors of Comet Resources Limited declare that:

- (a) the financial statements and notes, set out on pages 4 to 12 are in accordance with the Corporations Act 2001:
 - give a true and fair view of the financial position as at 31 December 2009 and of the performance for the half-year ended 31 December 2009 of the Company and the economic entity; and
 - comply with Accounting Standards and the Corporations Regulations 2001;
- (b) in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the half-year ended 31 December 2009.

This declaration is made in accordance with a resolution of the Board of Directors.



.....
RO Jones
Director

Perth, 22 February 2010

Stantons International

ABN 141 103 088 697

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WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
www.stantons.com.au

22 February 2010

Board of Directors
Comet Resources Limited
Unit 2, 23 Belgravia Street
BELMONT WA 6005

Dear Sirs

RE: COMET RESOURCES LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Comet Resources Limited.

As Audit Director for the review of the financial statements of Comet Resources Limited for the period ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

STANTONS INTERNATIONAL
(Authorised Audit Company)



John P Van Dieren
Director

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF COMET RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Comet Resources Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the half-year ended on that date, a condensed statement of accounting policies, other selected explanatory notes and the directors' declaration for Comet Resources Limited (the consolidated entity). The consolidated entity comprises both Comet Resources Limited (the company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Comet Resources Limited (the company) are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410 *Review of Interim Financial and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Comet Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

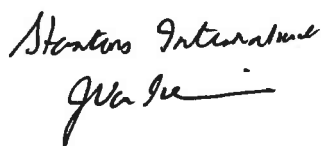
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Comet Resources Limited on 22 February 2010.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Comet Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

STANTONS INTERNATIONAL
(An Authorised Audit Company)



John P Van Dieren
Director

West Perth, Western Australia
22 February 2010