



2012 ANNUAL REPORT

COMET RESOURCES LIMITED

and its

CONTROLLED ENTITIES

ABN 88 060 628 202

COMET RESOURCES LTD
and its Controlled Entities
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CORPORATE DIRECTORY

Directors

RO Jones (Chairman)
AR Cooper (Chief Executive Officer)
RN Hill
NJ Featherby

Company Secretary

E Czechowski

Registered Office & Principal Place of Business

Unit 2
23 Belgravia Street
BELMONT WA 6104
Telephone: 61 8 9475 7100
Facsimile: 61 8 9277 4147

Share Registry

Advanced Share Registry Limited
150 Stirling Highway
NEDLANDS WA 6009
Telephone: 61 8 9389 8033
Facsimile: 61 8 9389 7871

Auditors

Stantons International
Level 2
1 Walker Avenue
WEST PERTH WA 6005

Stock Exchange Listing

The Company is listed on the Australian Securities Exchange Limited
Home Exchange: Perth
ASX Code: CRL
CRLO

Web Page www.cometres.com.au

**COMET RESOURCES LTD
and its Controlled Entities
CHAIRMAN'S REPORT**

27 August 2012

Dear Fellow shareholder,

Your Directors present the Annual Report and Audited Financial Statements of the Company for the year ended 30 June 2012.

During the year the Company entered into an option to purchase the Lake Dundas project located south of Norseman in Western Australia. We have also advanced the Canning Basin coal data and further evaluated wholly owned mineral properties.

The Lake Dundas property has potential for gold mineralisation and is scheduled to be drilled in September 2012. Four previously drilled Reverse Circulation drill holes returned interesting widths of gold anomalism and have not been followed up. The Canning basin tenements are targeting previously located "coal material" in the Permian Canning Basin. The targets are large thermal coal accumulations at shallow depths.

Over \$800,000 was raised by a combination of a Rights issue and Placement at 10 cents per share, which is considered reasonable in a difficult market.

We will continue to manage your funds in a sensible and judicious manner and look forward to providing further tangible rewards to shareholders in the future.

Yours faithfully,



R.O.JONES
Chairman

**COMET RESOURCES LTD
and its Controlled Entities
DIRECTORS' REPORT**

The directors present their report together with the consolidated financial report of Comet Resources Limited ("Comet" or "the Company") and its controlled entities, for the year ended 30 June 2012 and the auditor's report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Mr Robert (Roj) Oswald Jones (Chairman) BSc (Joint Hons), FAusIMM

Mr Jones was a founding director of Comet. Mr Jones has over 35 years experience in the mining industry with major resource development companies worldwide.

Director since 1993 – appointed Chairman in 1999.

No other Directorships in listed companies in the last 3 years.

Mr Anthony (Tony) Roy Cooper (Chief Executive Officer) B(app)Sc (Geol), MAusIMM

Mr Cooper joined Comet in 1994. From 1996 to 2001 Mr Cooper was responsible for the geological and resource 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 March 2001.

Mr Cooper is a Non-Executive Director in Alicanto Minerals Ltd a company that plans to list during 2012. No other Directorships in listed companies in the last 3 years.

Mr Roger Norman Hill (Non Executive Director) LLB

Mr Hill was a founding director of Comet and was originally a Board member until 1997. He has experience as a director of public and private companies in a number of industries, including mining and resource. Mr Hill presently manages his own business interests.

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

Director since 22 March 2004.

No other Directorships in listed companies in the last 3 years.

Mr Nathan John Featherby (Non Executive Director) B.Comm

Mr Featherby was appointed a Director on 12 April 2012.

Mr Featherby holds a Bachelor of Commerce degree from Curtin University. His working career has been in stockbroking and merchant banking with a focus on small to medium mining and exploration companies.

Mr Featherby is a Director of Rico Resources Ltd. and was a Director of Emerald Oil and Gas NL.

No other Directorships in listed companies in the last 3 years.

Company Secretary

Mr Edmund Czechowski FCPA, FAICD

Company Secretary since 20 September 2007.

Mr Czechowski is a Certified Practising Accountant and has over 30 years experience as Company Secretary and Financial Officer of both private and publicly listed companies.

**COMET RESOURCES LTD
and its Controlled Entities
DIRECTORS' REPORT (CONT'D)**

Directors' interests

The relevant interest of each director in the share capital of the companies within the consolidated entity, as notified by the directors to the Australian Securities Exchange Limited in accordance with section 205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Ordinary fully paid shares	
RO Jones	13,284,452
AR Cooper	8,506,312
RN Hill	5,155,638
NJ Featherby	Nil

Earnings per Share

	Cents
Basic loss per share	0.70
Diluted loss per share	0.70

Dividends

No dividends have been paid or will be recommended to be paid.

Nature of Operations and Principal Activities

The principal activities of Comet Resources Ltd and its subsidiaries during the course of the financial year were:

- mineral exploration; and
- research and development of biotechnological products for environmentally sound issues in the oil remediation industry.

There has been no significant change in the nature of this activity during the year.

Results

The net loss after income tax of the consolidated entity for the financial year was \$525,151 (2011: \$204,500 loss).

Operating and Financial Review

Lake Dundas (option to purchase 100%)

Exploration Licence E 63/1484 (57.9sq km) is located in the Eastern Goldfields of WA, 40 km south of the gold mining centre of Norseman. Despite its location, along strike from this major gold camp, the area has undergone minimal previous exploration.

Kinross Gold Australia Pty Ltd ("Kinross") explored the area between 1994 and 1999. The exploration comprised the flying of a detailed helimag survey, geological mapping, minor rock chip sampling, and the drilling of four RC holes for a total of 209m.

Each of the four drill-holes intersected anomalous gold. The mineralised intersections were:

- Hole SG1: **18m @ 0.15g/t Au from 18m**, including 1m @ 0.44g/t Au;
- Hole SG2: **4m @ 0.16g/t Au from 15m**;
- Hole SG3: **8m @ 0.43g/t Au from 1m**, including 2m @ 0.7g/t, 12m @ 0.18g/t Au from 29m, and **24m @ 0.22g/t Au from 46m**;
- Hole SG4: **3m @ 0.11g/t Au from 39m** and 1m @ 0.6g/t Au from 49m.

**COMET RESOURCES LTD
and its Controlled Entities
DIRECTORS' REPORT (CONT'D)**

Exploration Potential

The Lake Dundas project area is situated at the very southern end of the Norseman-Wiluna Greenstone Belt, which contains major gold and nickel deposits along its 800km length. Despite its prime location, minimal exploration has been conducted over the tenement.

Also of interest, is the location of the project on the margin of the terrain that was affected by Proterozoic metamorphism, within which are situated the AngloGold Ashanti Ltd-Independence Group Ltd Tropicana gold deposit and Beachcomber Prospect Initial resources for the Tropicana Deposit total 4.05Moz Au.

In summary, the area contains a belt of non-outcropping greenstones that are known to be strongly mineralised to the north along the same structural and stratigraphic trend. Approximately 5 Moz of gold has been produced from the same greenstone sequence in the Norseman district. The presence of significant intersections of gold in previous drilling and the low level of previous exploration makes this tenement very prospective.

Canning Basin Project (100% Comet)

Exploration Licences (E45/3893 and E45/3894) are in the Canning Basin and cover over 1,200 sq km. Comet's new tenements are considered to have potential for the discovery of a new Permian coal deposits.

Diamond exploration by Stockdale Prospecting Limited drill tested geophysical diamond targets over a large area of the Canning Basin during 1997. During this program several holes intersected material described as coal, lignite, bituminous and carbonaceous (coal material) within Permian sediments, with the best intersection of this material being 32m (the hole was terminated in coal material). Comet's tenements cover the following holes:

Anomaly KID 528 hole 1, 746333 E 7599270 N intersected 32 metres of coal material from 78 metres. The hole was terminated in coal material.

Anomaly KID 461 hole 1, 653300 E 7680110 N intersected 11 metres of coal material from 53 metres hole was terminated in coal material.

Anomaly KID 461 hole 2, 653510 E 7680040 N intersected 5 metres of coal material from 50 metres. The hole terminated at 58 metres.

The quality of these intersections is hard to ascertain from the drill logs and Stockdale did not conduct any further investigation on the coal material. However, the deposition environment is prospective for coal development and the material does highlight the potential of Comet's new tenements. There is no evidence of coal exploration in the area of Comet's tenements.

Tampu and Mollerin Project (100% Comet)

E70/4099 and E70/4100 cover prospective kaolin occurrences in the north eastern wheat belt.

Utopia Project (100% Comet)

The Utopia Project is located approximately 125 kilometres (km) east-southeast of Kalgoorlie. The Project is joint-ventured to Sipa Resources Ltd ("Sipa").

Browns Reef Base Metal Project (100% Comet)

The Browns Reef Project is located approximately 5 km west of the township of Lake Cargelligo. Lake Cargelligo is serviced by the New South Wales rail network and there is a gas pipeline within approximately 100 km.

Comet has completed 13 diamond drill holes for a total of 4,775 metres (including pre-collars).

Environmental Oil Solutions

During the year work has continued to commercialise COM001.

Work has focused on the development and trialling of micro-organisms isolated during research, which have been shown to significantly enhance the degradation and remediation of oil wastes. The Project Leader has now moved to the School of Applied Sciences, RMIT University in Melbourne and future research will be carried out in collaboration with RMIT University. Opportunities for large scale trials of COM001 are currently being sought.

**COMET RESOURCES LTD
and its Controlled Entities
DIRECTORS' REPORT (CONT'D)**

Further detail on work carried out during the year can be found in Comet's Quarterly Reports on the website www.cometres.com.au.

Review of Financial Condition

The Group has cash reserves of \$2,464,541 at 30 June 2012 and a net asset position of \$2,514,391. The Company considers this to be adequate to:

- meet the research and development commitments of Environmental Oil Solutions;
- meet the tenement exploration commitments; and
- assess new exploration projects.

Capital Structure

During the year 8,351,132 fully paid ordinary shares and 8,351,132 options exercisable at \$0.20 expiring on 31 March 2015 were issued. No incentive shares or options were issued.

At the date of this report, the unissued ordinary shares of Comet Resources Limited under option are as follows:

Under option to Directors and Executives:	2,580,000
Under option to those other than Directors and Executives:	5,771,132

No person entitled to exercise any options, referred to above, had or has any right by virtue of any option to participate in any share issue of any other body corporate.

Risk Management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Group believes that it is crucial for all Board members to be part of this process, and as such the Board has not established a separate risk management committee and the whole Board acts in that role.

The Board has a number of mechanisms in place to ensure that the management's objectives and activities are aligned with the risks identified by the Board.

Significant Events since Reporting Date

There were no significant events that need to be reported since reporting date.

Likely Developments

The consolidated entity will focus on:

- the exploration of its portfolio of mining tenements and the acquisition of new projects and/or assets; and
- the development and commercialisation of the EOS technology.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations on future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental Regulation and Performance

The consolidated entity's operations were subject to environmental regulations under both Commonwealth and State legislation in relation to its exploration activities and its research and development activities.

The directors are not aware of any breaches during the period covered by this report.

**COMET RESOURCES LTD
and its Controlled Entities
DIRECTORS' REPORT (CONT'D)**

Indemnification of Officers

The Company has agreed to indemnify and keep indemnified the following officers, Mr RO Jones, Mr AR Cooper, Mr RN Hill, Mr NJ Featherby and Mr E Czechowski against all liabilities incurred by the directors and officers as a director or officer of the Company (and subsidiaries) and all legal expenses incurred by the directors as a director of the Company (and subsidiaries).

The indemnity only applies to the extent and in the amount that the directors and officers are not indemnified under any other indemnity, including an indemnity contained in any insurance policy taken out by the Company (or subsidiaries), under the general law or otherwise.

The indemnity does not extend to any liability:

- to the Company or a related body corporate of the Company; or
- arising out of conduct of the directors involving a lack of good faith; or
- which was incurred prior to 15 April 1994 and which is in respect of any negligence, default, breach of duty or breach of trust of which the directors may be guilty in relation to the Company or related body corporate.

Insurance of Officers

Since the end of the previous financial year the Company has paid insurance premiums of \$7,385 in respect of directors and officers liability and corporate reimbursement, for directors and officers of the Company. The insurance premiums relate to:

- any loss for which the directors and officers may not be legally indemnified by the Company arising out of any claim, by reason of any wrongful act committed by them in their capacity as a director or officer, first made against them jointly or severally during the period of insurance; and
- indemnifying the Company against any payment which it has made and was legally permitted to make arising out of any claim, by reason of any wrongful act, committed by any director or officer in their capacity as a director or officer, first made against the director or officer during the period of insurance.

The insurance policy outlined above does not allocate the premium paid in respect of each individual officer of the Company.

Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for directors and key management personnel of Comet.

Remuneration philosophy

The performance of the Group depends upon the quality of its directors and key management personnel. To prosper the Company must attract, motivate and retain appropriately skilled directors and executives.

The Company's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The Company bases its remuneration of employees and consultants on industry standards and the Australasian Institute of Mining and Metallurgy Remuneration and Membership Survey. Whilst in the exploration and acquisition phase, the Company targets the lowest quartile of remuneration levels.

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-executive director and Executive remuneration is separate and distinct.

Details of the nature and amount of each element of the emoluments of each director of the Company and the consolidated entity are:

COMET RESOURCES LTD
and its Controlled Entities
DIRECTORS' REPORT (CONT'D)

Employment Agreements

Comet has entered into the following agreements with Directors:

- An agreement with Alberta Resources Pty Ltd for the services of Mr Tony Cooper with fees of \$162,000 per year. The agreement is on commercial terms and can be terminated at 1 months notice; and
- An agreement with Rojex Mining Services Pty Ltd for the services of Mr Roj Jones with fees of \$162,000 per year. The agreement is on commercial terms and can be terminated at 1 months notice.

Directors' Fees and Benefits

Directors' fees are determined within an aggregate fee pool limit, which is periodically recommended for approval by Shareholders. This amount is separate from any specific tasks the Directors may take on for the Company.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the accounts of the Company) because of a contract made by the Company or a related body corporate with the Director or with a firm of which the Director has a substantial financial interest, other than:

- a) a total of \$162,000 was paid to Rojex Mining Services Pty Ltd an entity in which Mr Jones has a substantial financial interest for services provided in the normal course of business and at normal commercial rates;
- b) geological consulting and management fees paid or due and payable to Alberta Resources Pty Ltd of \$162,000, an entity in which Mr Cooper has a substantial financial interest for services provided in the normal course of business and at normal commercial rates.

Table 1
Directors' remuneration for the Year ended 30 June 2012

Name		Short-term			Post-employment		Share-based	Total	Perform- -ance based	Remun- eration consisting of incentive shares
		Cash salary and fees	Cash bonus	Non- monetary benefits	Super- annuation	Retire- ment benefits	Incentive shares			
		\$	\$	\$	\$	\$	\$		%	%
RO Jones (i)	2012	162,000	-	1,752	-	-	-	163,752	-	-
Chairman	2011	112,000	-	52,245	-	-	-	164,245	-	-
AR Cooper (i)	2012	162,000	-	1,752	-	-	-	163,752	-	-
CEO	2011	112,000	-	52,245	-	-	-	164,245	-	-
RN Hill (i)	2012	30,000	-	1,752	2,700	-	-	34,452	-	-
Non-executive	2011	15,000	-	17,245	2,700	-	-	34,945	-	-
NJ Featherby *	2012	-	-	377	-	-	-	377	-	-
Non-executive										
Total 2012		354,000	-	5,633	2,700	-	-	362,333		
Total 2011		239,000	-	121,735	2,700	-	-	363,435		

*NJ Featherby appointed on 12 April 2012

COMET RESOURCES LTD
and its Controlled Entities
DIRECTORS' REPORT (CONT'D)

Table 2
Remuneration of Key Executives for the Year ended 30 June 2012

Name		Short-term			Post-employment		Share based	Total	Perform-ance based	Remun-eration consisting of incentive shares
		Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Retire-ment benefits	Incentive Shares			
		\$	\$	\$	\$	\$	\$		%	%
E Czechowski	2012	36,000	-	1,752	-	-	-	37,752	-	-
Company Secretary	2011	36,000	-	2,245	-	-	-	38,245	-	-
Total 2012		36,000	-	1,752	-	-	-	37,752		
Total 2011		36,000	-	2,245	-	-	-	38,245		

During the year no shares, incentive shares or options were issued or exercised.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings	
	A	B
RO Jones	12	12
AR Cooper	12	12
RN Hill	12	12
NJ Featherby	2	1

A = Number of meetings eligible to attend

B = Number of meetings attended during the time the Director held office during the year.

Committee Memberships

As at the date of this report the Company does not have a Remuneration, Nomination or Audit Committee. This role is assumed by the full Board.

Significant changes in State of Affairs

During the financial year there were no significant changes in the state of affairs of the consolidated entity.

Auditor's Independence and non-audit services

The Company's auditor, Stantons International, did not provide any non-audit services during the year.

A copy of the Auditor's independence declaration as required by Section 307c of the Corporations Act 2001 is set out on page 45.

**COMET RESOURCES LTD
and its Controlled Entities
DIRECTORS' REPORT (CONT'D)**

Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Comet Resources Limited support and have substantially adhered to the best practice recommendations set by the ASX Corporate Governance Council. The Company's corporate governance statement is contained on its web page at www.cometres.com.au.

Signed in accordance with a resolution of directors.



AR Cooper
Executive Director

Dated at Perth this 27 day of August 2012

COMET RESOURCES LTD
and its Controlled Entities
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2012

	Note	CONSOLIDATED	
		2012	2011
		\$	\$
Administration expenses		(398,556)	(398,792)
Exploration expenses		(238,422)	(242,238)
Operating result		(636,978)	(641,030)
Earnings before interest and taxes and amortisation (EBITA)		(636,978)	(641,030)
Amortisation		(3,959)	(1,909)
Earnings before interest and taxes		(640,937)	(642,939)
Net other income	3(a),(b)	115,786	369,311
Loss before taxes		(525,151)	(273,628)
Income tax	5	-	69,128
Net loss for the year	14	(525,151)	(204,500)
Other comprehensive income for the year			
Net unrealised fair value (losses)/gains on available-for-sale financial assets		(12,233)	7,572
Transfer of fair value reserve to income on disposal of investments		-	(40,800)
Total comprehensive loss for the year		(537,384)	(237,728)
Net loss attributable to the parent entity		(525,151)	(204,500)
Total comprehensive loss attributable to the parent entity		(537,384)	(237,728)
Basic loss per share	15	(0.70) cents	(0.28) cents
Diluted loss per share		(0.70) cents	(0.28) cents

The consolidated statement of comprehensive income should be read in conjunction with the notes to the financial statements set out on pages 15 to 41.

COMET RESOURCES LTD
and its Controlled Entities
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2012

	NOTE	CONSOLIDATED	
		2012	2011
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	6	2,464,541	2,193,905
Trade and other receivables	7	25,797	27,729
Available-for-sale financial assets	9	20,970	53,008
Total current assets		2,511,308	2,274,642
Non-current assets			
Plant and equipment	8	6,017	7,952
Other financial assets	10	50,940	48,940
Total non-current assets		56,957	56,892
TOTAL ASSETS		2,568,265	2,331,534
LIABILITIES			
Current liabilities			
Trade and other payables	11	53,874	27,677
Total current liabilities		53,874	27,677
TOTAL LIABILITIES		53,874	27,677
NET ASSETS		2,514,391	2,303,857
EQUITY			
Issued capital	12	5,736,183	4,988,265
Reserves	13	606,493	618,726
Accumulated losses	14	(3,828,285)	(3,303,134)
TOTAL EQUITY		2,514,391	2,303,857

The consolidated statement of financial position should be read in conjunction with the notes to the financial statements set out on pages 15 to 41.

COMET RESOURCES LTD
and its Controlled Entities
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2012

	NOTE	CONSOLIDATED	
		2012	2011
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(589,475)	(558,074)
Receipt of R&D tax rebate & tax refund		-	69,128
Interest received		116,217	105,278
Net cash flows used in operating activities	16(b)	(473,258)	(383,668)
Cash flows from investing activities			
Proceeds from sale of investments		-	606,681
Security Bond		(2,000)	-
Purchase of plant & equipment		(2,024)	(3,476)
Net cash flows (used in)/provided by investing activities		(4,024)	603,205
Cash flows from financing activities			
Unclaimed monies repaid		-	(27,299)
Proceeds from issue of shares		835,113	-
Costs associated with the issue of shares		(87,195)	-
Net cash flows provided by/(used in) financing activities		747,918	(27,299)
Net increase in cash and cash equivalents		270,636	192,238
Cash and cash equivalents at the beginning of the year		2,193,905	2,001,667
Cash and cash equivalents at the end of the year	16(a)	2,464,541	2,193,905

The consolidated statement of cash flows should be read in conjunction with the notes to the financial statements set out on pages 15 to 41.

COMET RESOURCES LTD
and its Controlled Entities
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2012

	Issued Capital \$	Accumulated losses \$	Other Reserves \$	Total \$
CONSOLIDATED				
As at 1 July 2010	4,873,265	(3,098,634)	651,954	2,426,585
Net loss for the year	-	(204,500)	-	(204,500)
Other comprehensive income for the year	-	-	(33,228)	(33,228)
Total comprehensive loss for the year	-	(204,500)	(33,228)	(237,728)
Shares issued	115,000	-	-	115,000
As at 30 June 2011	4,988,265	(3,303,134)	618,726	2,303,857
Net loss for the year	-	(525,151)	-	(525,151)
Other comprehensive income for the year	-	-	(12,233)	(12,233)
Total comprehensive (loss)/income for the year	-	(525,151)	(12,233)	(537,384)
Shares issued	835,113	-	-	835,113
Costs associated with shares issued	(87,195)	-	-	(87,195)
As at 30 June 2012	5,736,183	(3,828,285)	606,493	2,514,391

The consolidated statement of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 15 to 41.

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

1. CORPORATE INFORMATION

The financial report of Comet Resources Limited ("Comet") for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the Directors on 27 August 2012.

Comet Resources Limited is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of Comet and its subsidiaries ("the Group") are described in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Separate financial statements for Comet as an individual entity are no longer presented as a consequence of changes to the Corporations Act 2001, however required financial information for Comet as an individual entity is included in note 22.

The significant policies, which have been adopted in the preparation of this financial report, are:

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Australian Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements of Comet Resources Limited comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

It has been prepared on the basis of accrual accounting and historical costs, modified where applicable, by the measurement at fair value of selected financial assets.

These accounting policies have been consistently applied and, except where as noted below there is a change in accounting policy, are consistent with those of the previous year.

The financial report is presented in Australian dollars.

(b) Standards and Interpretations affecting amounts reported in the current period (and/or prior periods).

The following new and revised Accounting Standards and Interpretations have, where applicable, been adopted in the current year but have no significant effect on the amounts reported or disclosures.

Standards affecting presentation and disclosure

Amendments to AASB 7 'Financial Instruments' Disclosure'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting	AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards.

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2012

Standards arising
from Trans-Tasman
Convergence Project'

AASB 124 'Related
Party Disclosures'
(revised December
2009)

AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

AASB 2009-14
'Amendments to
Australian
Interpretation –
Prepayments of a
Minimum Funding
Requirement'

Interpretation 114 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of AASB 119.

AASB 2009-12
'Amendments to
Australian Accounting
Standards'

The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures' (2009).

AASB 2010-5
'Amendments to
Australian Accounting
Standards'

The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations.

AASB 2010-6
'Amendments to
Australian Accounting
Standards –
Disclosures on
Transfers of Financial
Assets'

The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments – Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets.

(c) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Comet Resources Limited ("Comet") at the end of the reporting period. A controlled entity is any entity over which Comet has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 23 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

**COMET RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2012**

(d) Revenue recognition

Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income amount and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

Sale of non current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(e) Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short terms deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdraft.

(f) Intangible assets

Acquired both separately and from a business combination

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the statement of comprehensive income through the 'research and development expenses' line item.

Intangible assets, including development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research and development costs

Research costs are expensed as incurred.

Development expenditure incurred on an individual project in the future may be carried forward when its future recoverability can reasonably be regarded as assured.

COMET RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2012

(f) Intangible assets (cont'd)

Research and development costs (cont'd)

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

A summary of the policies applied to the Group's intangible assets is as follows:

	Patents and Licences	Development Costs
<i>Useful lives</i>	<i>Finite</i>	<i>Finite</i>
<i>Method used</i>	<i>Amortised on a straight line basis</i>	<i>Amortised over the period of the expected future benefit on a straight line basis</i>
<i>Internally generated/ Acquired</i>	<i>Internally generated</i>	<i>Internally generated</i>
<i>Impairment test / Recoverable amount testing</i>	<i>Annually and more frequently when an indication of impairment exists</i>	<i>Annually for assets not yet available for use and more frequently when an indication of impairment exists.</i>

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised on the statement of comprehensive income when the asset is de-recognised.

(g) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(h) Investments and other financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognitions and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available for sale financial assets. When financial assets are recognised initially, they are measured at fair value plus, in the case if investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

COMET RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2012

(h) Investments and other financial assets (cont'd)

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are required for the purpose of selling in the near term with the intention of making a profit. Gains or losses on investments held for trading are recognised in profit and loss.

(ii) Available-for-sale-investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as the preceding category. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognized in profit or loss.

The fair values of investments that are actively traded in organized financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and options pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

(i) Other taxes

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

(j) Foreign currency transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at reporting date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of comprehensive income in the financial year in which the exchange rates change.

(k) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges. Borrowing costs are expensed as incurred.

COMET RESOURCES LTD
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for the year ended 30 June 2012

(l) Income Tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax to be recovered.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

(m) Trade and other receivables

The collectability of debts is assessed at reporting date and specific provision is made for any doubtful accounts. Trade debtors to be settled within 60 days are carried at amounts due.

(n) Plant and equipment

Acquisition

Items of plant and equipment are initially stated at cost less accumulated depreciation and impairment losses.

Depreciation and amortisation

Items of plant and equipment are depreciated/amortised using the straight-line method over their estimated useful lives.

The depreciation rates used for plant and equipment range between 13% and 50%.

Assets are depreciated or amortised from the date of acquisition.

**COMET RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2012**

(o) Leased assets

Leases under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

Operating leases

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(p) Exploration and Evaluation Expenditure

All exploration and evaluation expenditure is expensed as incurred.

(q) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 30 days.

(r) Employee entitlements

Wages, salaries and annual leave

The provisions for employee entitlements to wages, salaries and annual leave represent present obligations resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts based on expected wage and salary rates including related on-costs.

Superannuation plan

The Company contributes to defined contribution superannuation plans. Contributions are charged against income as they are made.

(s) Share-based payment transactions

The Group provides benefits to employees or consultants (including directors) of the Group in the form of share-based payment transactions, whereby employees or consultants render services in exchange for shares or rights over shares ('equity-settled transactions').

The directors may provide these benefits at their discretion by a resolution or there is currently a plan in place to provide these benefits, the Employee Share Option Plan (ESOP), which provides benefits to directors, executives and employees.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Comet (market conditions).

COMET RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2012

(s) Share-based payment transactions (cont'd)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 15).

(t) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share or options are shown in equity as a deduction, net of tax, from the proceeds.

(u) Segment reporting

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.

(v) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- a. costs of servicing equity (other than dividends) and preference share dividends;
- b. the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have not been recognized as expenses; and
- c. other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

COMET RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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(w) Significant accounting estimates

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date which they are granted. The fair value is determined by the Company using a binomial model.

Provision for loans to subsidiaries

The Company has provided in full for funds advanced to its subsidiary. Dependent on the successful commercialisation of the EOS products being developed by its subsidiary, the loan may be recoverable in which case the provision would be written back.

Deferred taxation

Deferred income tax assets are recognised for carry forward unused tax losses to the extent that it is probable that taxable profits will be available against which the tax losses can be utilised. At 30 June 2012 no provision for deferred tax has been recognised in relation to the unused tax losses as it is not considered probable that taxable profits will be available.

(x) New accounting standards and interpretations for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future accounting periods, some of which are relevant to the Group.

At the date of the authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 200911 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 19 (2011)'	1 January 2013	30 June 2014

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2012

(x) New accounting standards and interpretations for application in future periods (cont'd)

AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'.	1 January 2013	30 June 2014

The Group has decided not to early adopt any of the new and amended pronouncements. Of the above new and amended Standards and Interpretations the Group's assessment of those new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments (December 2010) and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in

COMET RESOURCES LTD
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(x) New accounting standards and interpretations for application in future periods (cont'd)

Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation - Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will only affect disclosures and is not expected to significantly impact the Group.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

- AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurements.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) measured at fair value.

These Standards are not expected to significantly impact the Group.

- AASB 2011-9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is not expected to significantly impact the Group.

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

- (i) for an offer that may be withdrawn – when the employee accepts;
- (ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and
- (iii) where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

The Group has not yet been able to reasonably estimate the impact of these changes to AASB 9.

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2012

	CONSOLIDATED	
	2012	2011
	\$	\$
3. REVENUES AND EXPENSES		
(a) Revenue		
Interest – other parties	115,786	115,558
Other income	-	4,072
	<u>115,786</u>	<u>119,630</u>
(b) Other income		
Net profit on sale of listed securities	-	249,681
Net profit on sale of listed securities comprises:		
Profit on disposal of listed securities	-	208,881
Transfer from fair value reserve	(12,233)	40,800
Total	<u>(12,233)</u>	<u>249,681</u>
A government grant has been received in prior years for research activities within Australia. There are no unfulfilled conditions or contingencies attaching to this grant at reporting date.		
(c) Expenses		
Depreciation		
- plant & equipment	3,959	1,909
(d) Lease payments, included in statement of comprehensive income		
Operating leases	<u>43,420</u>	<u>42,075</u>
(e) Employee/consultants benefits expense, included in statement of comprehensive income		
Consulting fees	365,300	386,045
Superannuation costs	2,700	2,700
	<u>368,000</u>	<u>388,745</u>

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2012

4. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are provided to the Board (Chief Operating Decision Maker) for making strategic decisions. The entity has two reportable operating segments namely exploration and research and development.

The exploration segment is involved in the exploration of minerals in Australia.

The research and development segment is involved in the research and development of the EOS Technology.

Operating segments

The following tables present revenue and loss information and certain asset and liability information regarding operating segments for the years ended 30 June 2012 and 30 June 2011.

	<i>Exploration</i>	<i>R&D</i>	<i>Total</i>
	\$	\$	\$
Year ended 30 June 2012			
Revenue			
Management fee	120,000	-	120,000
Total segment revenue	120,000	-	120,000
Interest revenue			115,786
Inter segment elimination			(120,000)
Total consolidated revenue			115,786
Result			
Segment result	(657,217)	(275,705)	(932,922)
Intersegment elimination			291,985
Unallocated income			115,786
Loss before tax			(525,151)
Income tax benefit		-	-
Net loss for the year			(525,151)
Assets and liabilities			
Segment assets	96,674	25,272	121,946
Unallocated assets			2,446,319
Total assets			2,568,265
Segment liabilities	(53,648)	(226)	(53,874)
Total liabilities			(53,874)
Other segment information			
Depreciation	3,959	-	3,959

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2012

4. SEGMENT INFORMATION (cont'd)

	<i>Exploration</i> \$	<i>R&D</i> \$	<i>Total</i> \$
Year ended 30 June 2011			
Revenue			
Profit on sale of securities and assets	249,681	-	249,681
Management fee	120,000	-	120,000
Total segment revenue	<u>369,681</u>	-	<u>369,681</u>
Interest revenue			119,630
Inter segment elimination			<u>(120,000)</u>
Total consolidated revenue			<u>369,311</u>
Result			
Segment result	(330,558)	(249,150)	(579,708)
Intersegment elimination			186,450
Unallocated income			119,630
Loss before tax			<u>(273,628)</u>
Income tax benefit		69,128	69,128
Net loss for the year			<u>(204,500)</u>
Assets and liabilities			
Segment assets	131,929	8,766	140,695
Unallocated assets			2,190,839
Total assets			<u>2,331,534</u>
Segment liabilities	<u>(27,677)</u>	-	<u>(27,677)</u>
Total liabilities			<u>(27,677)</u>
Other segment information			
Depreciation	<u>1,909</u>	-	<u>1,909</u>

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2012

5. TAXATION

CONSOLIDATED
2012 **2011**
\$ **\$**

Statement of Comprehensive Income

A reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended 30 June 2012 is as follows:

Accounting loss before income tax	(525,151)	(204,500)
Prima facie income tax benefit on loss from ordinary activities at 30% (2011: 30%)	(157,545)	(61,350)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:	377	223
	(157,168)	(61,127)
Movement in unrecognised temporary differences	(878)	(239,646)
Tax effect of current year tax losses/(recoupment of losses) For which no deferred tax asset has been recognised	158,044	300,773
Australian Taxation Office R & D tax rebate (gross)	-	69,128
Income tax expense	-	69,128
Unrecognised temporary differences		
Deferred Tax Assets (at 30%)		
Investment	28,659	19,048
Provision for expenses	3,000	4,800
Capital raising costs	20,927	-
Carry forward revenue tax losses	2,904,597	2,746,553
Carry forward capital tax losses	165,515	158,281
	<u>3,122,698</u>	<u>2,928,682</u>
Deferred Tax Liabilities		
Unearned Revenue	3,776	3,905
	<u>3,776</u>	<u>3,905</u>

The Group has revenue losses arising in Australia of \$9,681,989 (2011: \$9,155,177) and capital losses of \$551,718 (2011: \$527,603) that are available indefinitely for offset against future taxable profits of the companies in which the loss arose.

COMET RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2012

	CONSOLIDATED	
	2012	2011
	\$	\$
6. CASH AND CASH EQUIVALENTS		
Cash	30,089	30,116
Bank bills and short term deposits, maturing within 90 days and paying interest at a weighted average interest rate of 5.76% (2011: 5.61%)	2,434,452	2,163,789
	<u>2,464,541</u>	<u>2,193,905</u>

7. TRADE AND OTHER RECEIVABLES

Current		
Trade debtors	13,212	14,713
Accrued interest	12,585	13,016
	<u>25,797</u>	<u>27,729</u>

As of 30 June 2012 trade and other receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The Group does not have any collateral in relation to these receivables.

Details regarding the effective interest rate and credit risk of current receivables is disclosed in Note 20.

8. PLANT AND EQUIPMENT

Non-current		
At cost	103,627	101,603
Accumulated depreciation	(97,610)	(93,651)
	<u>6,017</u>	<u>7,952</u>

Reconciliation

Reconciliation of the carrying amount for plant and equipment is set out below:

Carrying amount at beginning of year	7,952	6,385
Additions	2,024	3,476
Depreciation	(3,959)	(1,909)
	<u>6,017</u>	<u>7,952</u>

9. AVAILABLE- FOR- SALE FINANCIAL ASSETS

Current		
Securities in listed companies (at market value 30 June)	<u>20,970</u>	<u>53,008</u>

Listed securities

The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

Securities held in Ferrowest Limited have a fair value of \$20,970 at 30 June 2012 (2011:\$53,008).

10. OTHER FINANCIAL ASSETS

Non-current		
Security bonds	<u>50,940</u>	<u>48,940</u>

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2012

	CONSOLIDATED	
	2012	2011
	\$	\$
11. TRADE AND OTHER PAYABLES		
Current		
Trade creditors and accruals	53,874	27,677

	2012	2011	2012	2011
	No.	No.	\$	\$
12. ISSUED CAPITAL				
Issued and paid-up capital	81,406,349	73,055,217	5,736,183	4,988,265
Movements in ordinary share capital				
Balance at the beginning of the financial year	73,055,217	70,714,965	4,988,265	4,873,265
Shares issued during the year	8,351,132	2,340,252	747,918	115,000
Balance at the end of the financial year	81,406,349	73,055,217	5,736,183	4,988,265

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at a shareholders meeting.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Options

There are on issue 8,351,132 listed options expiring on 31 March 2015 exercisable at \$0.20. There are no incentive options outstanding or on issue.

Incentive Shares

There are no incentive shares outstanding or on issue.

The market price of the Company's fully paid ordinary shares at 30 June 2012 was 4.4 cents (2011: 5.0 cents) per share.

	CONSOLIDATED	
	2012	2011
	\$	\$
13. RESERVES		
Option premium reserve	294,707	294,707
Share-based payments reserve	311,787	311,787
Fair value reserve	-	12,232
	606,494	618,726

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2012

13. RESERVES (cont'd)

	CONSOLIDATED	
	2012	2011
	\$	\$
Movement in reserves		
Balance at beginning of year	618,726	651,954
Net unrealised gains on available-for-sale financial assets	(12,233)	7,572
Transfer of fair value reserve to income on disposal of investments	-	(40,800)
Balance at end of year	<u>606,493</u>	<u>618,726</u>

Nature and Purpose of Reserves

Option Premium Reserve

The Option premium reserve reflects the amounts received on issue of options other than remuneration options.

Share-Based Payments Reserve

The reserve reflects the value of equity benefits provided to executives as part of their remuneration.

Net Unrealised Gains Reserve

This reserve records movements in the fair value of available-for-sale financial assets. At 30 June 2012 the balance of the net unrealised gain reserve is \$nil (2011: \$12,232)

	CONSOLIDATED	
	2012	2011
	\$	\$
14. ACCUMULATED LOSSES		
Accumulated losses at beginning of year	(3,303,134)	(3,098,634)
Net loss attributable to members of the parent entity	(525,151)	(204,500)
Accumulated losses at the end of the year	<u>(3,828,285)</u>	<u>(3,303,134)</u>

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2012

15. EARNINGS PER SHARE

	2012 \$	2011 \$
(a) Basic earnings (loss) per share (cents per share)	(0.70)	(0.28)
(b) Reconciliation of earnings used in calculating earnings per share		
Loss attributable to ordinary entity	(525,151)	(204,500)
Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS	74,493,092	72,465,315
(c) As the options outstanding during the year would reduce the loss per share from continuing ordinary operations on conversion, the potential ordinary shares are not dilutive.		

16. STATEMENT OF CASH FLOWS

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	CONSOLIDATED 2012 \$	2011 \$
Cash	30,089	30,116
Bank bills and short term deposits, maturing within 90 days and paying interest at a weighted average interest rate of 5.76% (2011: 5.61%)	2,434,452	2,163,789
	<u>2,464,541</u>	<u>2,193,905</u>

(b) Reconciliation of operating loss after income tax to net cash used in operating activities

Operating loss after income tax	(525,151)	(204,500)
Add items classified as investing activities:		
Loss/(Profit) on sale of listed securities	-	(249,681)
Add non-cash items:		
Depreciation and impairment	3,959	1,909
Diminution in value of available for sale assets	19,805	-
Other income	-	(4,072)
Add items classified as financing activities:		
Issue of shares in lieu of director's and consulting fees	-	115,000
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables and prepayments	1,932	(13,107)
Increase/(decrease) in trade and other payables	26,197	(29,217)
Net cash flow used in operating activities	<u>(473,258)</u>	<u>(383,668)</u>

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2012

15. EARNINGS PER SHARE

	2012 \$	2011 \$
(a) Basic earnings (loss) per share (cents per share)	(0.70)	(0.28)
(b) Reconciliation of earnings used in calculating earnings per share		
Loss attributable to ordinary entity	(525,151)	(204,500)
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For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	CONSOLIDATED 2012 \$	2011 \$
Cash	30,089	30,116
Bank bills and short term deposits, maturing within 90 days and paying interest at a weighted average interest rate of 5.76% (2011: 5.61%)	2,434,452	2,163,789
	<u>2,464,541</u>	<u>2,193,905</u>

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Loss/(Profit) on sale of listed securities	-	(249,681)
Add non-cash items:		
Depreciation and impairment	3,959	1,909
Diminution in value of available for sale assets	19,805	-
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Increase/(decrease) in trade and other payables	26,197	(29,217)
Net cash flow used in operating activities	<u>(473,258)</u>	<u>(383,668)</u>

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2012

17. DIRECTOR AND EXECUTIVE DISCLOSURES

Details of Key Management Personnel

The following persons were directors of Comet Resources Limited during the financial year:

Mr RO Jones - Chairman
Mr AR Cooper - Chief Executive Officer
Mr RN Hill - Non-executive Director
Mr NJ Featherby – Non-executive Director (appointed 12/4/2012)

The following persons were executives of Comet Resources Limited during the financial year:

Mr E Czechowski - Company Secretary

Compensation by Category: Key Management Personnel, Directors and Executives

	CONSOLIDATED	
	2012	2011
	\$	\$
Short-term	397,385	398,980
Post employment	2,700	2,700
	400,085	401,680

During the year no shares, incentive shares or options were issued to key management personnel, directors or executives.

Equity instruments disclosures relating to directors and executives

Share holdings

The numbers of ordinary shares in the Company held during the financial year by each director of Comet, including their personally-related entities, are set out below.

30 June 2012

Name	Balance at the start of the year	Acquired during the year	Balance at the end of the year
RO Jones	11,584,452	1,700,000	13,284,452
AR Cooper	7,486,312	1,020,000	8,506,312
RN Hill	5,095,638	60,000	5,155,638
NJ Featherby*	0	0	0

30 June 2011

Name	Balance at the start of the year	Acquired during the year	Balance at the end of the year
RO Jones	10,566,951	1,017,501	11,584,452
AR Cooper	6,468,811	1,017,501	7,486,312
RN Hill	4,790,388	305,250	5,095,638

The shares acquired during the year ended 30 June 2012 were acquired on market and pursuant to the Prospectus dated 1 February 2012.

The shares acquired during the year ended 30 June 2011 were in lieu of fees as disclosed in the prior year financial report.

*Mr NJ Featherby was appointed as a Director on 12 April 2012.

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2012

17. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

Option holdings and Incentive shares

No incentive shares were held by key management personnel at reporting date (2011:Nil). Options held by key management personnel are as follows:

30 June 2012

Name	Balance at the start of the year	Acquired during the year	Balance at the end of the year
RO Jones	0	1,500,000	1,500,000
AR Cooper	0	1,020,000	1,020,000
RN Hill	0	60,000	60,000
NJ Featherby*	0	0	0

The options acquired during the year ended 30 June 2012 were acquired pursuant to the Prospectus dated 1 February 2012.

*Mr NJ Featherby was appointed as a Director on 12 April 2012.

Other transactions with directors

(i) Consultancy fees of \$162,000 were paid at normal commercial rates to Rojex Mining Services Pty Ltd, a company controlled by Mr RO Jones, for the provision of management, administrative and technical services.

(ii) Consultancy fees of \$162,000 were paid or are payable at normal commercial rates to Alberta Resources Pty Ltd, a company controlled by Mr AR Cooper, for the provision of technical and administrative services.

The above fees have been included in director's remuneration disclosed in the remuneration report.

The terms and conditions of the transactions with directors and director-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arms length basis.

No amounts were receivable from directors and their director-related entities at reporting date arising from these transactions.

Amounts payable to directors and their director-related entities at reporting date arising from these transactions were as follows:

	CONSOLIDATED	
	2012	2011
	\$	\$
Current payables		
Trade creditors	14,850	9,900

18. AUDITORS' REMUNERATION

Audit services:

Auditors of the Company – Stantons International	15,553	16,080
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COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2012

19. COMMITMENTS

Exploration expenditure commitments

The obligations to perform minimum exploration work on leases are not provided for in the accounts and are payable as follows:
 Not longer than one year

464,000	194,000
---------	---------

The Group may vary the exploration expenditure over the period by reducing its tenement holdings and/or applying for exemptions. Future expenditure will be based on the prospectivity of the tenements and/or the cash resources of the Group.

Rental commitments

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2012 are as follows:

Not longer than one year	42,722	44,296
Longer than one year but not longer than two years	21,360	60,521
	64,082	104,817

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short-term deposits.

The main purpose of these financial instruments is to support the Group's operations.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations and in addition listed shares.

It is, and has been throughout the period under review, the Group's policy that trading in financial instruments may be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's cash and short-term deposits.

There is a limited amount of credit risk relating to the cash and cash equivalents that the Group holds in deposits. The Group received interest on its cash and cash equivalents based on daily balances and at balance date was exposed to a variable interest rate of 5.76% per annum. The Group's operating accounts do not attract interest. The Group's cash reserves are only placed with major Australian banks. The Group is not materially exposed to changes in market interest rates.

The Group does not presently have customers and consequently does not have credit exposure to outstanding receivables. The Group may in the future be exposed to interest rate risk should it borrow funds for acquisition and development.

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2012

Sensitivity Analysis

The following tables summarise the sensitivity of the Group's financial assets to interest rate risk. Had the relevant variables, as illustrated in the tables, moved, with all other variables held constant, post tax loss and equity would have been affected as shown. The analysis has been performed on the same basis for 2012 and 2011.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Consolidated Entity 30 June 2012	Interest Rate Risk -1%		Interest Rate Risk +1%	
	Carrying Amount	Net Loss	Equity	Net Loss
	\$	\$	\$	\$
<i>Financial assets</i>				
Cash & cash equivalents	2,434,452	(24,345)	(24,345)	24,345

None of the Group's financial liabilities are interest bearing.

Consolidated Entity 30 June 2011	Interest Rate Risk -1%		Interest Rate Risk +1%	
	Carrying Amount	Net Loss	Equity	Net Loss
	\$	\$	\$	\$
<i>Financial assets</i>				
Cash & cash equivalents	2,163,789	(21,638)	(21,638)	21,638

None of the Group's financial liabilities are interest bearing.

Foreign currency risk

The Group operates solely within Australia at this time and is subject to limited foreign currency risk.

Price risk

The Group and the parent entity are exposed to equity securities price risk. This arises from investments held by the Group and classified on the statement of financial position as available-for-sale assets or at fair value through profit or loss. At 30 June 2012 the fair value of equity securities is \$20,970 (2011:\$53,008). A 10% movement would increase/decrease profit or loss for the year by \$2,097 (2011:\$5,300). The Group and the parent entity are exposed to minimal commodity price risk.

Credit risk

The Group trades only with recognised, creditworthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and available-for-sale financial assets, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

There are no significant concentrations of credit risk within the Group.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of short-term deposits, grant funding and equity raising if required.

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2012

21. FINANCIAL INSTRUMENTS

The Group held the following financial instruments:

	Note	Floating Interest	Fixed interest maturing in:		Non Interest bearing	Total	Weighted average interest rate
			1 year or less	1-5 years			
CONSOLIDATED		\$	\$	\$	\$	\$	
2012							
Financial assets							
Cash and cash equivalents	6	2,434,452	-	-	30,089	2,464,541	5.76%
Trade and other receivables	7	-	-	-	25,797	25,797	0%
Listed securities	9	-	-	-	20,970	20,970	0%
Bonds	10	-	-	-	50,940	50,940	0%
		<u>2,434,452</u>	<u>-</u>	<u>-</u>	<u>127,796</u>	<u>2,562,248</u>	
Financial liabilities							
Trade and other payables	11	-	-	-	53,874	53,874	0%
		<u>-</u>	<u>-</u>	<u>-</u>	<u>53,874</u>	<u>53,874</u>	
Net financial assets		<u>2,434,452</u>	<u>-</u>	<u>-</u>	<u>73,922</u>	<u>2,508,374</u>	
	Note	Floating Interest	Fixed interest maturing in:		Non Interest bearing	Total	Weighted average interest rate
			1 year or less	1-5 years			
CONSOLIDATED		\$	\$	\$	\$	\$	
2011							
Financial assets							
Cash and cash equivalents	6	2,163,789	-	-	30,116	2,193,905	5.61%
Trade and other receivables	7	-	-	-	27,729	27,729	0%
Listed securities	9	-	-	-	53,008	53,008	0%
Bonds	10	-	-	-	48,940	48,940	0%
		<u>2,163,789</u>	<u>-</u>	<u>-</u>	<u>159,783</u>	<u>2,323,582</u>	
Financial liabilities							
Trade and other payables	11	-	-	-	27,677	27,677	0%
		<u>-</u>	<u>-</u>	<u>-</u>	<u>27,677</u>	<u>27,677</u>	
Net financial assets		<u>2,163,789</u>	<u>-</u>	<u>-</u>	<u>132,116</u>	<u>2,295,905</u>	

**COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2012**

21. FINANCIAL INSTRUMENTS (cont'd)

Net fair values of financial assets and liabilities

The net fair values of financial assets and financial liabilities at reporting date approximates their carrying amount.

		CONSOLIDATED	
		2012	2011
		\$	\$
FINANCIAL ASSETS			
Level 1			
Available-for-sale financial assets			
- listed investments		<u>20,970</u>	<u>53,008</u>

Included within level 1 are listed investments. The fair values of these financial assets have been based on the closing quoted bid prices at reporting date, excluding transaction costs.

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2012

22. PARENT ENTITY DISCLOSURES

(a) Financial Position

	2012 \$	2011 \$
ASSETS		
Current assets		
Cash and cash equivalents	2,446,319	2,190,839
Trade and other receivables	18,747	22,028
Available-for-sale financial assets	20,970	53,008
Total current assets	<u>2,486,036</u>	<u>2,265,875</u>
Non-current assets		
Plant and equipment	6,017	7,952
Other financial assets (i)	50,940	48,940
Total non-current assets	<u>56,957</u>	<u>56,892</u>
TOTAL ASSETS	<u>2,542,993</u>	<u>2,322,767</u>
LIABILITIES		
Current liabilities		
Trade and other payables	53,648	27,677
Total current liabilities	<u>53,648</u>	<u>27,677</u>
TOTAL LIABILITIES	<u>53,648</u>	<u>27,677</u>
NET ASSETS	<u>2,489,345</u>	<u>2,295,090</u>
EQUITY		
Issued capital	5,736,183	4,988,265
Reserves	606,493	618,726
Accumulated losses	(3,853,331)	(3,311,901)
TOTAL EQUITY	<u>2,489,345</u>	<u>2,295,090</u>

(b) Financial Performance

	2012 \$	2011 \$
Loss for the year	(541,341)	(210,955)
Other comprehensive (loss)/income	(12,233)	(33,228)
TOTAL COMPREHENSIVE LOSS	<u>(553,574)</u>	<u>(244,183)</u>

(i) Other financial assets

	2012 \$	2011 \$
Investments in controlled entities	1	1
Loans to controlled entities	1,837,193	1,545,207
Provision for diminution	(1,837,194)	(1,545,208)
Security bonds	50,940	48,940
	<u>50,940</u>	<u>48,940</u>

The loan to the controlled entity, Environmental Oil Solutions Pty Ltd, is unsecured, interest free and of no fixed term. Refer to Note 23 for detail regarding transactions within the controlled entity in the current year.

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2012

23. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Comet and the subsidiaries listed in the following table.

	2012 %	2011 %
Comet Resources Limited – controlled entities		
Ravensthorpe Management Pty Ltd*^	100	100
Environmental Oil Solutions Pty Ltd*	100	100

* incorporated in Australia

^ dormant

Comet Resources Limited is the ultimate parent entity.

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year:

Related party		Management fee \$	Amount owed by related parties \$	Amounts owed to related parties \$
Subsidiary:				
Environmental Oil Solutions	2012	120,000	1,837,193	-
	2011	120,000	1,545,208	-

Transactions with key management personnel are disclosed in Note 17.

24. EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

25. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group does not have any contingent assets or liabilities at balance date or date of this report.

**COMET RESOURCES LTD
and its Controlled Entities
DIRECTORS' DECLARATION**

The Directors of Comet Resources Limited declare that:

- (a) 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;
- (b) the attached financial statements are in compliance with International Financial Reporting Standards;
- (c) in the Directors' opinion, the attached financial statements and notes thereto set out in pages 11 to 41 are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



AR Cooper
Executive Director

Dated at Perth this 27th day of August 2012

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

Report on the Financial Report

We have audited the accompanying financial report of Comet Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

- (a) the financial report of Comet Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 7 to 9 of the directors' report for the year ended 30 June 2012. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Opinion

In our opinion the remuneration report of Comet Resources Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD

(Trading as Stantons International)

(An Authorised Audit Company)

stantons International Audit & Consulting Pty Ltd



Martin Michalik
Director

West Perth, Western Australia
27 August 2012

27 August 2012

The Directors

Comet Resources Limited
Unit 2, 23 Belgravia Street
Belmont WA 6104

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 audit of the financial statements of Comet Resources Limited for the year ended 30 June 2012, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)



Martin Michalik
Director

COMET RESOURCES LTD
and its Controlled Entities

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report.

The information is made as at 23 August 2012.

Twenty largest shareholders		
	Number	%
Rojex Mining Services Pty Ltd	11,171,763	13.72
Mr A & Mrs M Poli	4,810,000	5.91
Pillage Investments Pty Ltd	3,578,000	4.39
Broomehill Pty Ltd	3,284,953	4.03
Alberta Resources Pty Ltd	3,059,689	3.76
Alberta Resources Pty Ltd	2,782,000	3.42
Mr CP Lawrence	2,700,000	3.32
Piat Corp Pty Ltd	2,100,000	2.58
Rojex Mining Services Pty Ltd	2,059,689	2.53
Clodene Pty Ltd	2,014,854	2.47
Dunmohr Capital Pty Ltd	2,000,000	2.46
Alberta Resources Pty Ltd	1,788,774	2.20
Yandal Investments Pty Ltd	1,600,000	1.96
Alford Bay Pty Ltd	1,476,000	1.81
Mr J Tobias	1,275,393	1.57
Mr P Holmewood	1,235,937	1.52
HSBC Custody Nominees	1,228,000	1.51
Mr HG Dawson	1,188,206	1.46
Sassey Pty Ltd	1,186,032	1.45
Mr I Semerdziew	1,109,000	1.36
TOTAL	51,648,290	63.43

Number of shareholders

81,406,319 fully paid ordinary shares are held by 606 shareholders.

There are on issue 8,351,132 options exercisable at \$0.20 expiring on 31 March 2015.

**COMET RESOURCES LTD
and its Controlled Entities**

ASX ADDITIONAL INFORMATION (CONT'D)

Distribution of shareholders

	Fully Paid
1-1,000	28
1,001-5,000	91
5,001-10,000	145
10,001-100,000	258
100,001 & over	84
TOTAL	606

Holders of non-marketable parcels

There are 268 shareholders that hold less than a marketable parcel totalling 1,664,213 fully paid ordinary shares.

Voting rights

On a show of hands each member is entitled to one vote and on a poll one vote for every fully paid share held.

Substantial shareholders

The following shareholders are recorded in the register of substantial shareholders:

Mr Robert (Roj) Jones & Rojex Mining Services Pty Ltd – 13,284,452 fully paid shares

Mr Anthony Cooper & Alberta Resources Pty Ltd – 8,506,312 fully paid shares

Mr A & Mrs M Poli – 4,810,000 fully paid shares

Mr Roger Hill, Alford Bay Pty Ltd & Broomehill Pty Ltd – 5,155,638 fully paid shares

Stock Exchange listing

The Company's fully paid shares (CRL) and Options exercisable at \$0.20 expiring 31 March 2012 (CRLO) are quoted by the Australian Securities Exchange Limited.

Restricted securities

The Company has no securities on issue that are classified as "Restricted Securities".

On-market buy-back

Currently there is no on-market buy-back of the Company's securities

COMET RESOURCES LTD
and its Controlled Entities

CORPORATE GOVERNANCE STATEMENT

Corporate Governance Statement

The primary responsibility of the Board is to represent and advance Shareholders' interests and to protect the interests of all stakeholders. To fulfil this role the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring achievement of these goals.

Subject to the exceptions outlined below the Company will adopt the ASX Corporate Governance Council's 2nd edition of the *Principles and Recommendations with 2010 Amendments* to determine an appropriate system of control and accountability to best fit its business and operations commensurate with these guidelines.

As the Company's activities develop in size, nature and scope the implementation of additional corporate governance structures will be given further consideration.

Disclosure of Corporate Governance Practices

Summary Statement

	ASX P & R ¹	If not, why not ²		ASX P & R ¹	If not, why not ²
Recommendation 1.1	✓		Recommendation 4.3		✓
Recommendation 1.2	✓		Recommendation 4.4	✓	
Recommendation 1.3	✓		Recommendation 5.1	✓	
Recommendation 2.1		✓	Recommendation 5.2	✓	
Recommendation 2.2		✓	Recommendation 6.1	✓	
Recommendation 2.3	✓		Recommendation 6.2	✓	
Recommendation 2.4		✓	Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2		✓
Recommendation 2.6	✓		Recommendation 7.3	✓	
Recommendation 3.1		✓	Recommendation 7.4		✓
Recommendation 3.2		✓	Recommendation 8.1		✓
Recommendation 3.3		✓	Recommendation 8.2		✓
Recommendation 4.1		✓	Recommendation 8.3	✓	
Recommendation 4.2		✓			

¹ Indicates where the Company has followed the Principles & Recommendations.

² Indicates where the Company has provided a "if not, why not" disclosure.

The Board sets out below its "if not, why not" report in relation to those matters of corporate governance where the Company's practices depart from the recommendations.

Best Practice Recommendation	Notification of departure	Explanation of departure
2.1	Majority of Board not independent	<p>The Board considers the Company is not currently of a size, nor are its affairs of such complexity to justify the appointment of a majority of independent non-executive directors.</p> <p>The Board believes that the individuals can make, and do make, quality and independent judgements in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item must absent themselves from the Board meeting before commencement of discussion on the topic.</p>
2.2	Chairman is not independent	The Company's Executive Chairman, Mr RO Jones, is considered by the Board not to be independent in terms of the ASX Corporate Governance Council's definition of independent

COMET RESOURCES LTD
and its Controlled Entities

CORPORATE GOVERNANCE STATEMENT

		director. However, the Board believes that the Chairman is able and does bring quality and independent judgement to all relevant issues falling within the scope of the role of Chairman.
2.4	A separate Nomination Committee has not been formed	The Board considers that the Company is not currently of a size to justify the formation of a Nomination Committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification of attributes required in new Directors. Where appropriate, independent consultants will be engaged to identify possible new candidates for the Board.
3.1, 3.2 & 3.3	Diversity	The Board considers that the Company is currently not of a size to justify implementing a Diversity Policy.
4.1, 4.2 & 4.3	A separate Audit Committee has not been formed and there is no Charter	The Board considers that the Company is not of a size, nor are its financial affairs of such complexity to justify the formation of an Audit Committee. The Board as a whole undertakes the selection and application of accounting policies, the integrity of financial reporting, the identification and management of risk and review of the operation of the internal control systems.
7.2	Not all management risk internal control systems are in place	Whilst the Company does consider risk management (refer to Annual Report, Note 20) not all of the recommendations regarding internal control systems are in place.
7.4	No report from management	No report received from management regarding Recommendation 7.2.
8.1 & 8.2	A separate Remuneration Committee has not been formed	The Board considers that the Company is not of a size, nor are its financial affairs of such complexity to justify the formation of a Remuneration Committee. The Board as a whole is responsible for remuneration arrangements for Directors and Executives of the Company and considers it more appropriate to set aside time at Board meetings each year to specifically address matters that would ordinarily fall to a Remuneration Committee.

Details of each Director's qualifications and experience are set out in the Directors' Report.

Details of remuneration are contained in the "Remuneration Report" which forms part of the Directors' Report.

The responsibilities of the Board include:

- Protection and enhancement of Shareholder value;
- Formulation, review and approval of the objectives and strategic direction of the Company;
- Approving all significant business transactions including acquisitions, divestments and capital expenditure;
- Monitoring the financial performance of the Company by reviewing and approving budgets and monitoring results;
- Ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- The identification of significant business risks and ensuring that such risks are adequately managed;
- The review of performance and remuneration of executive directors and key management personnel;
- The establishment and maintenance of appropriate ethical standards; and
- Evaluating, and where appropriate, adopting with or without modification, the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*.

COMET RESOURCES LTD
and its Controlled Entities

TENEMENT SCHEDULE

Tenement Listing		
Project	Interest	Tenement
Utopia	100% 100% 100%	EL 28/1412 EL 28/1495 EL 28/1657
Browns Reef	100%	EL 6321 EL 6657
Murrumbateman	100%	EL 6295
Canning Basin Project	100%	E45/3893
Tampu	100%	E70/4099
Mollerin	100%	E70/4100
Lake Dundas	100%	E63/1484