

30th January 2018

DECEMBER 2017 QUARTERLY REPORT

Highlights.

- **HD018 discovery intersection of 11 metres at 25.6% TGC including 9 metres at 30.2% TGC;**
- **Highest 1 metre intersection to date 44.8% TGC;**
- **Aeromagnetic survey has identified 26 Kilometres of graphite target zones;**
- **A 5,000 metre RC drilling program has commenced;**
- **Drilling to test 5 high priority graphite targets;**
- **Results expected this quarter.**



Cut core from 55 metres HD018



Exfoliation of Core from HD018

CORPORATE.

Comet Resources Limited (ASX: CRL) ("Comet" or the "Company") has submitted a R & D rebate application for research conducted during 2017 financial year.

A compensation agreement has been signed with a new landowner giving Comet access to all its current priority targets.

PQ DRILLING PROGRAM.

During the December Quarter Comet conducted a large diameter (PQ) diamond drilling program at the Springdale Graphite Project located in Western Australia. Results from the the program included:

HD018 was a vertical hole drilled designed to test the eastern target area to a depth of 66.2m. Significant intersections included;

- 5.6 metres @ 7% Total Graphitic Carbon (TGC) from 15.5 metres,
- 2.6 metres @ 5.3% TGC from 33.3 metres,
- **4.6 Metres @ 15.8% TGC from 39.8 metres including 3.1 metres @ 21% TGC and**
- **11 metres @ 25.6% TGC from 49.4 metres including 9 metres @ 30.2% TGC (new high grade zone).**

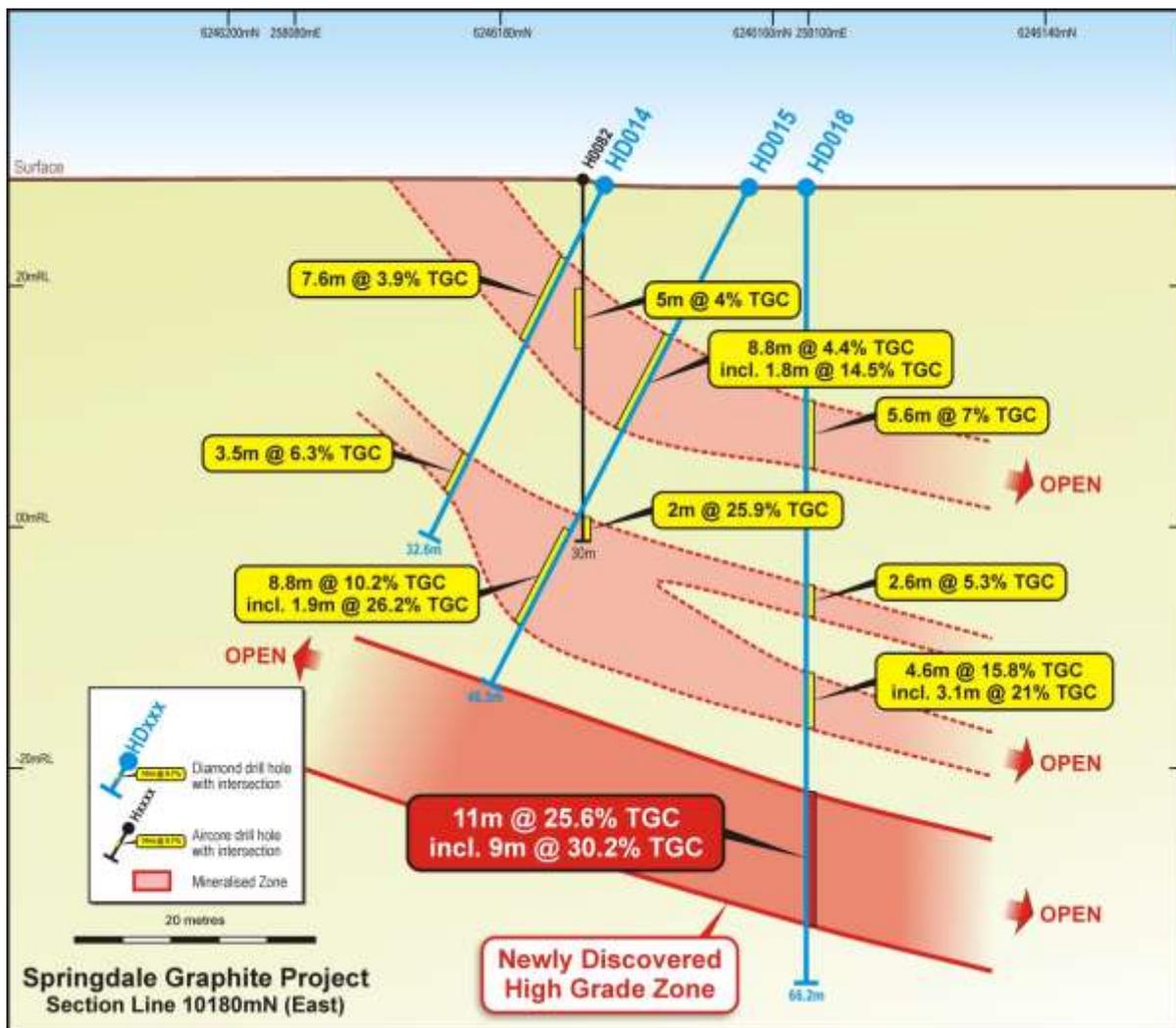


Figure 1: Section Line 10180mE (East)

This hole is currently undergoing metallurgical test work where the core is subjected to a technique called exfoliation, which suspends the core in a conductive chemical solution and then runs a charge through the core (anode) with the cathode being placed in the solution (Figure 2).



Figure 2: Exfoliation of core from HD018.

This exfoliation process utilised Springdale graphitic rock as it was extracted from the ground (in this case diamond core) with no crushing or grinding. The exfoliation method is used to peel graphene flakes from the graphite in the core. The graphene particles are then separated from the product produced by exfoliation using a series of process steps.

It is very rare for a graphite deposit to be able to produce graphene using the exfoliation method. Graphene production is normally expensive to scale up, however the exfoliation method is believed to be a lower cost and scalable process.

Diamond drilling has confirmed significant thicknesses of graphitic material; some core was not cut and assayed and will be used for larger metallurgical test work studies.

Aeromagnetic Survey

Comet recently conducted a 220 sq. km detailed aeromagnetic survey over the Springdale Graphite Project. The survey has been interpreted by Southern Geoscience Consultants (**SGC**) who focused on identifying stratigraphy deemed to be prospective for graphite mineralisation.

The interpretation has **delineated 26 Km of stratigraphy deemed to be prospective for graphite mineralisation. Comet has only drilled 1.8 km or 7% of this stratigraphy to date and has already discovered multiple graphite zones.** Structural interpretation identified tight folding of the

stratigraphy within Comet's tenements, highlighting the potential for repetition and thickening of prospective units. By combining existing drillhole data and the geological and structural interpretation from the aeromagnetics, Comet has identified five high priority drill targets.

The aeromagnetic survey covered approximately 220 Sq Km and was flown at 50m line spacing at a nominal height of 35 metres. Line direction is East – West.

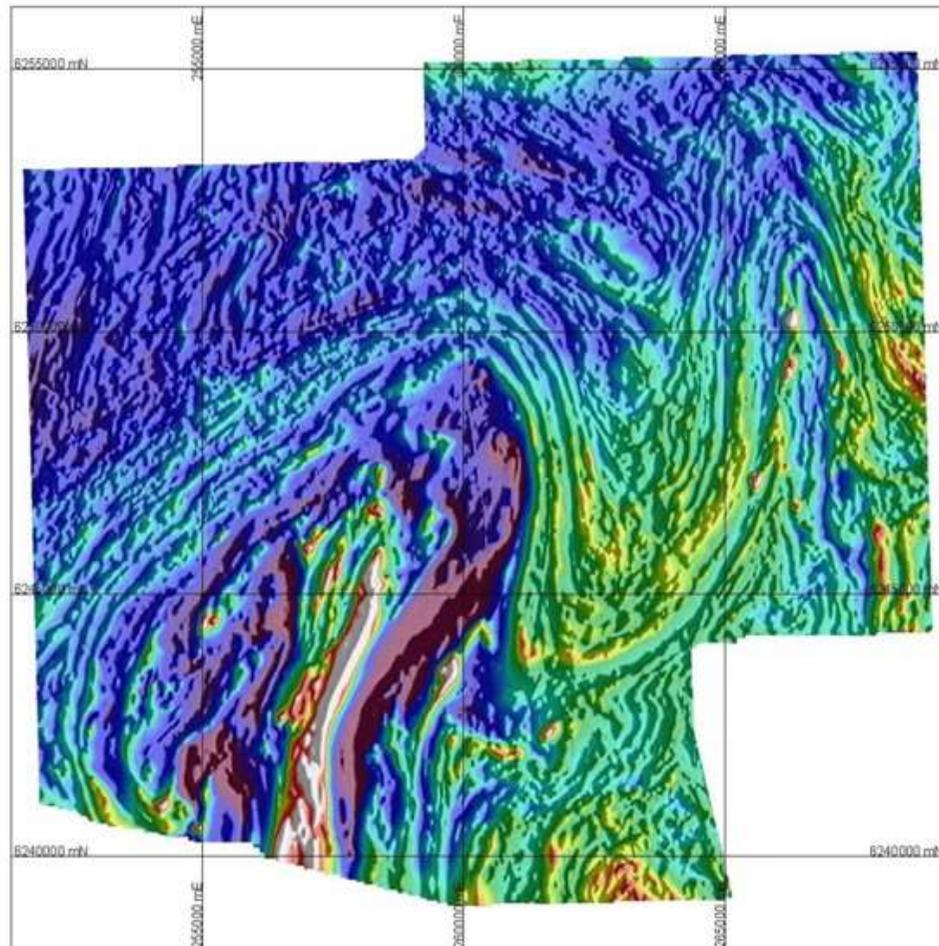


Figure 3: Aeromagnetic survey covering all of Comet's Springdale tenements.

Current Drilling.

Comet commenced on a 5,000 metres of reverse circulation (RC) drilling program at the Springdale Graphite Project. This program will test **five high priority graphite targets** and a cobalt and nickel target identified by Southern Geoscience Consultants (SGC).

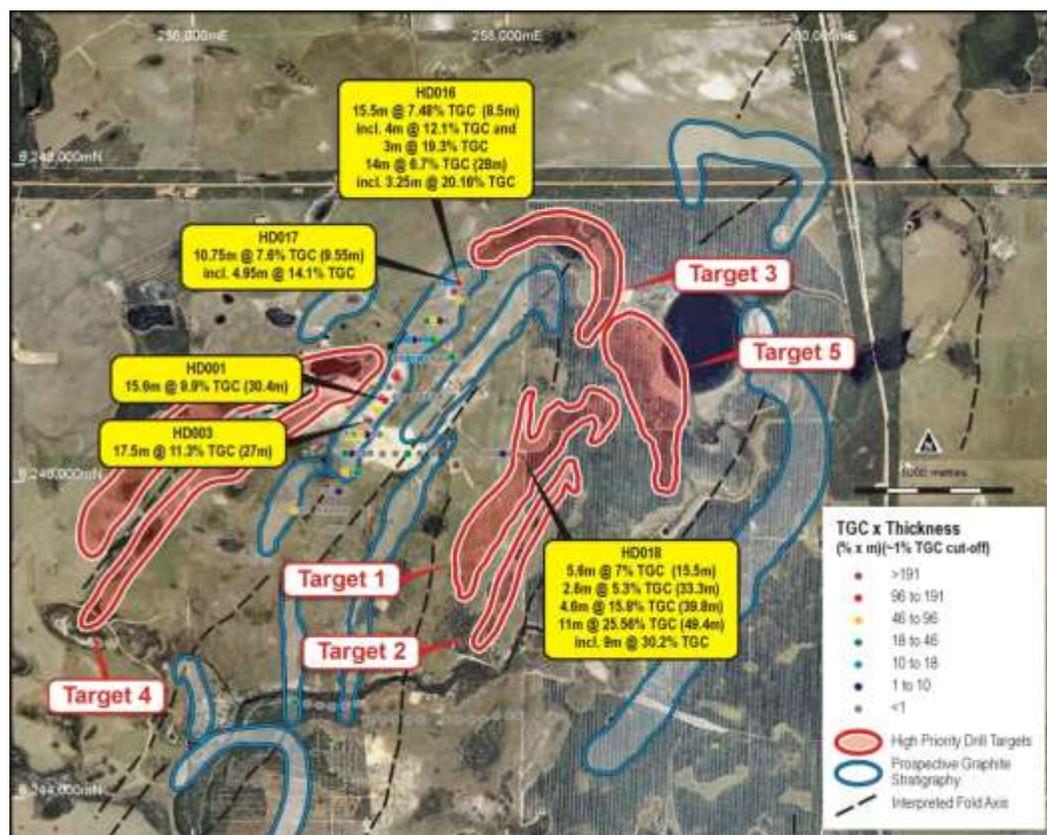


Figure 4: Map showing all targets prospective for graphite mineralisation.

Target 1: This target contains HD018 which intersected 5.6 metres @ 7% Total Graphitic Carbon (TGC) from 15.5 metres, 2.6 metres @ 5.3% TGC from 33.3 metres, 4.6 Metres @ 15.8% TGC from 39.8 metres including 3.1 metres @ 21% TGC and **11 metres @ 25.6% TGC from 49.4 metres including 9 metres @ 30.2% TGC (high grade zone)**. Planned drilling with test depth and strike extensions to these graphite intersections.

Target 2: Immediately adjacent to Target 1 with a comparable geological setting. There has been no drill testing to date.

Target 3: Area interpreted to be a fold closure, a promising prospective structural setting that is now a priority drill target for Comet. It is believed that this target may host a wide graphite horizon resulting from thickening of the prospective stratigraphy within the fold closure. Comet has already identified broad zones of graphite mineralisation proximal to Target 3 including HD016 which intersected 15.5 metres @ 7.5% TGC and 14 metres @ 6.6% TGC representing approximately 30 metres of graphite mineralisation in one hole. **The recently completed diamond drill program confirmed significant thicknesses of graphitic material in this area.**

Target 4: This target sits in an area interpreted to be an isoclinal fold meaning the prospective horizon is essentially doubled in thickness. Graphite has been recorded in historical drilling, but there are no associated assays. Early drilling in the area has been difficult with most holes attempted stopping in the first 5 metres due to hard caprock. The upcoming drilling program will use a more powerful rig to resolve past penetration issues.

Target 5: This target has a similar geological setting to the 1.8 km zone that has produced the majority of reported intersections to date.

Comet will also drill test a cobalt nickel target. This potential mafic-ultramafic target was identified by SGC. SGC has highlighted that the Springdale Project lies within the Albany-Fraser Orogen which hosts the Nova Nickel Project (Independence Group N.L.) approximately 340 km to the North East.

Results from this program are expected this quarter. Follow-up diamond drilling is being planned.

BACKGROUND

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

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

Comet completed a successful first pass aircore drilling program in February 2016. This program confirmed that graphite was present in a prospective zone/horizon. Comet has now drilled 113 aircore holes for 2,901 metres, 31 RC holes for 1,571 metres and 20 diamond holes for 972 metres. Springdale's highest grade intercept to date is **9 metres at 30.2% TGC**.

Comet discovered in April 2017 that graphene can be produced from Springdale graphite by electrical exfoliation. It is very rare for a graphite deposit to be able to produce graphene using the exfoliation method.

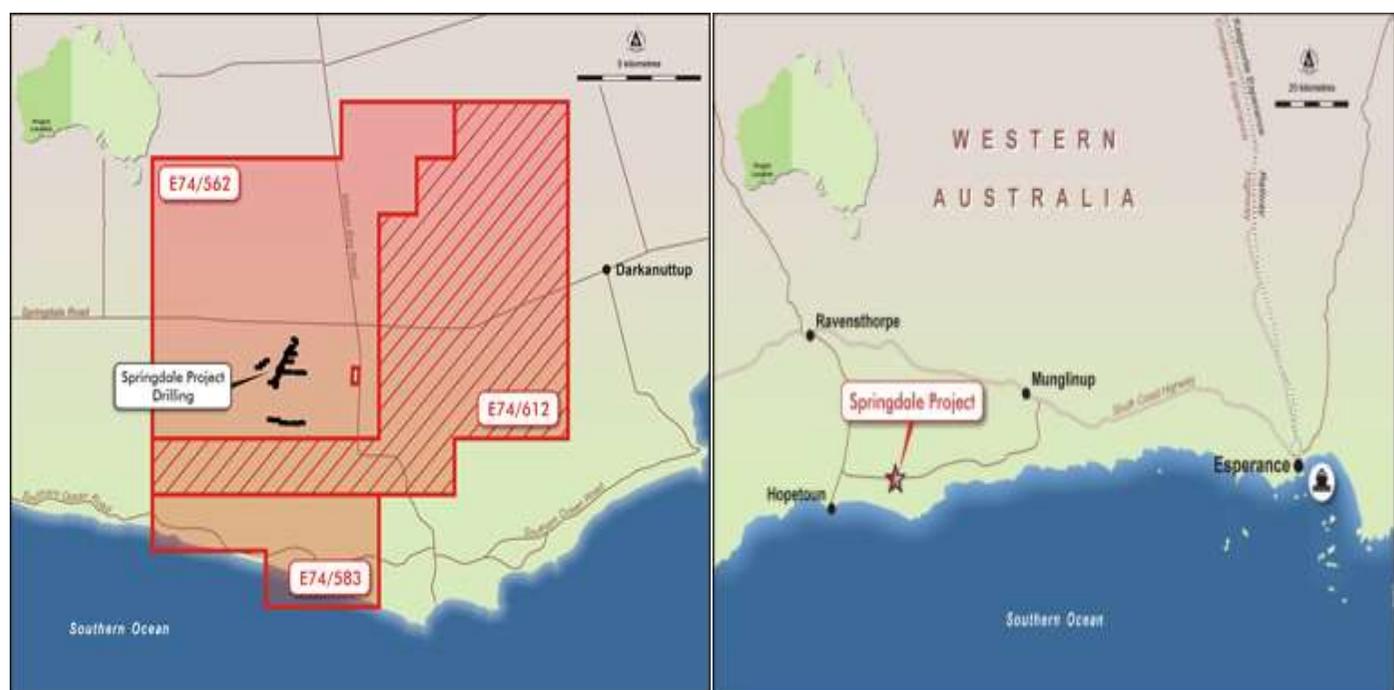


Figure 5: Plan Showing Location, Tenements and Area Drilled

WHAT IS GRAPHENE?

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

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

graphene Era.

WHY GRAPHENE

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

METALLURGICAL TESTWORK

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

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



Figure 6: Exfoliation of HD002 Core

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Comet listed on the Australian Stock Exchange in 1994. The Company discovered and studied the Ravensthorpe Nickel Project. In 2001 Comet successfully sold its final equity to BHP Billiton and returned to Comet shareholders \$32 million. Comet has a number of exciting projects that it is currently exploring and advancing. Comet has cash assets of approximately \$1 million and has approximately 170 million shares on issue.

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