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## **YALGOO IRON PROJECT JOINT VENTURE SIGNED**

Comet Resources Limited is pleased to announce that it has entered into a Joint Venture with newly formed Ferrowest Pty Ltd to investigate the Comets Yalgoo Iron Project.

### **The Yalgoo Iron Project**

- Based around the Yogi magnetite iron deposit located 14Km east of Yalgoo, the Yalgoo Iron Project proposes to combine the existing sealed road and natural gas infrastructure that pass through the site with newly developed iron nugget manufacturing technology to produce up to 1 million tonnes per annum of high purity iron nuggets for export through the existing facilities at the Port of Geraldton.
- The iron nuggets do not generate dust, do not require covered storage and can be readily transported by road from the mine site to bulk storage areas at the Port. Handling, storage and loading requirements will require minimal infrastructure and a dedicated loading berth will not be required.
- The ITmk3® nugget production process from Midrex Corporation is proposed to treat the Yogi magnetite ore. This process has been operated successfully at demonstration plant capacity of 25tph, with the first full scale production plant due to commence construction in the USA later this year. The ITmk3® process removes an entire process stage from the production of iron ore concentrates into pig iron with considerable savings in greenhouse emissions, capital and operating costs. The time required by the JV to conduct a bankable feasibility study for the Yalgoo Iron Project will position it to be one of the first projects to take advantage of this new technology.

## The Joint Venture

Ferrowest was chosen as Joint Venture partner, following discussions with a number of potential groups, because of their superior project development concept and the experience and expertise of the principals and their consulting team in completing studies necessary to bank iron related projects.

The key terms of the Joint Venture arrangements are:

- The JV is constituted on ferrometal rights currently held by Comet on EL59/642, P59/1508, MLA59/634 MLA59/635, MLA 59/636, MLA59/637 and ELA59/1097 at Yogi 14Km west of Yalgoo.
- Comet retains all rights in respect of Base Metals and other minerals on the areas subject to the JV and the JV will sterilize for possible gold and silver deposits in the banded iron and greenstone as part of its reconnaissance drilling.
- The initial JV will be constituted on a 50:50 basis with Ferrowest assuming all responsibility for project management and all funding through to the completion of a Bankable Feasibility Study (assuming the project studies support its commercial and technical viability), anticipated to cost in the order of \$15.5 million.
- Comet shall also receive a 'buy-in' fee from Ferrowest of \$100,000, payable within 6 months of execution of the JV to compensate Comet for a portion of the tenement costs expended to date.
- Ferrowest will undertake the following study stages in evaluating the Project:

<b>Study Stage</b>	<b>Estimated Expenditure</b>
Scoping Study	\$0.5 million
Pre-feasibility Study	\$2.5 million
Definitive Engineering Study	\$5.0 million
Bankable Feasibility Study	\$7.5 million

- Ferrowest will earn an increased percentage of the JV with each stage successfully funded and completed up to a maximum of 85% upon the successful completion of the Bankable Feasibility Study.
- The JV will be overseen by a JV Committee that will initially consist of three representatives from Ferrowest and one from Comet.
- The JV provides Ferrowest with the flexibility to fund the studies through a variety approaches including, among other things, introducing further participants or structuring public participation in the project funding.

- If Ferrowest is unable to fund any particular phase of the study work within prescribed time frames, management of the JV reverts to Comet and Ferrowest forfeits its right to earn additional interest in the JV.

Other terms are generally in line with normal JV practices.

Comet's guaranteed 15% free carried interest through to completion of a successful Bankable Feasibility Study would represent a significant asset growth over time, with no outlay, no risk and is additional to the its Base Metal exploration.

While it is Ferrowest's responsibility to determine the best funding approach for the studies, Comet's board would support transferring the Yalgoo Iron Project into a suitable corporate entity for the purpose of listing on a reputable stock exchange. Your directors feel that this option may yield the greatest benefit for Comet shareholders and will be working closely with Ferrowest to consider possible options in this regard.

The Yalgoo Iron Project is very much a 'green fields' project and it will take a number of years to complete a Bankable Feasibility Study. If the project is determined to be technically and financially feasible the project participants will then determine how best to fund the project through development and into operation.

For further information on Ferrowest please contact Barry Wyatt on [bwyatt@ferrowest.com.au](mailto:bwyatt@ferrowest.com.au) or Mobile: 0402 455 619.

For more information on Comet and its exploration projects please visit Comet's web site or contact:

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Comet listed on the Australian Stock Exchange in 1994. The Company discovered and studied the Ravensthorpe Nickel Project which is now part of a 1.8 billion dollar project being developed by BHP Billiton. In 2001 Comet successfully sold its final equity to BHP Billiton and returned to Comet shareholders 32 million dollars. Comet has a number of exciting exploration projects that it is currently exploring and advancing. Comet has approximately 2.5 million dollars of cash, 6 million Prosperity shares and has approximately 68 million shares on issue.