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The Company Announcements Office
Australian Stock Exchange Limited
4th Floor
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

SEPTEMBER QUARTER ACTIVITIES REPORT

During the September quarter Comet Resources Limited has continued to review mining and energy investment opportunities within Australia and overseas.

Comet's cash position is approximately \$2.6 million and the Company continues to maintain a tight capital structure, with only 68 million shares on issue. In addition, the Company holds 6 million shares in Prosperity Resources Limited (approximate value \$900,000).

Yalgoo Iron Project

Comet Resources Limited entered into a Joint Venture with newly formed Ferrowest Pty Ltd to investigate the Comets Yalgoo Iron Project (**Yogi**).

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:

Study Stage	Estimated Expenditure
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.

Charmed Project

A further field trip has been completed. No results were generated that would recommend further work. The tenement has been surrendered.

NSW

Progress is being made with land access in NSW. Access Agreements have been signed with three property owners at Kerrs Creek and two others, which are proving more difficult, are still being negotiated. The agreements which have been signed permit access into the Day Dawn and Calula areas which are of primary interest.

An Access Agreement has been signed with the Hillview property owner at Murrumbateman.

For further information on Comet and its exploration projects please visit Comet's web page 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 1.7 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. Comet has a number of exciting exploration projects that it is currently exploring and advancing. Comet has cash assets of approximately \$2.6 million, 6 million Prosperity shares and has approximately 68 million shares on issue.