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DECEMBER QUARTER ACTIVITIES REPORT

Highlights

Drilling at Browns Reef has recommenced after Xmas break.

First hole at Browns Reef intersects 40 metres at 1.5% Zn, 0.7% Pb, 0.17% Cu, and 5.8g/t Ag.

Results from more holes expected late February.

New lease EL 6657 granted extending potential strike of prospective unit at Browns Reef to 30 Km.

Environmental Oil Solutions testwork achieves significant reduction in viscosity of tank bottoms in initial scale up.



New South Wales Exploration Projects

Browns Reef Zinc Lead Project (100% Comet)

A high powered Reverse Circulation drilling rig was used to explore an area 500m along strike from CDB DD 001 for oxide and shallow sulphide mineralisation. Comet is current awaiting result from 4 holes The Diamond drilling programme is planned to commence in mid February.

Hole (CDB DD 001) at 437087 m GDA East and 6312610 m GDA North with an azimuth of 71° and a dip of 65° drilled late in 2006 by Comet was completed at 407 metres. This hole intersected **40 metres at 1.5% Zinc (Zn), 0.7% Lead (Pb), 0.17% Copper (Cu), and 5.8g/t Silver (Ag) from 333 metres.** The width and style of mineralisation is consistent with historic drill intersections which drill tested a 4 km strike length of the mineralisation zone. This zone is still open along strike and at depth. The intersection in CDB DD 001 supports the potential of this wide and extensive zone of mineralisation to host a large tonnage (+50 million tonne) ore body.

The Brown Reef Zinc Lead Project was explored in the late 70's to mid 80's by Electrolytic Zinc Company of Australasia Ltd (EZ). After site inspection and reviewing the stored historic core Comet calculated an **inferred resource of 20.5 Million Tonnes at 2% Zinc, 1.1% Lead, 0.1% Copper, and 9g/t Silver.**

The 20.5 Million Tonne resource covers a 1 km strike length and is open along strike and at depth. Surface expression of mineralisation (defined by gossans, surface sampling and auger sampling) can be traced for over 10 km in a north-north-west direction. Table 1 lists all EZ drilling into the mineralised zone.

Table 1. Drill Hole Intersections.

Hole No	Easting m	Northing m	From m	To m	Width m	Zinc %	Lead %	Copper %	Silver ppm
BR1	437,144	6,312,667	165	200.4	35.4	0.83	1.33	0.20	11.5
BR2	437,082	6,312,656	291	336.3	45.3	3.01	1.71	0.10	8.1
BR3	437,148	6,312,513	256	299.3	43.3	1.88	1.17	0.13	12.7
BR3A	437,148	6,312,513	286.8	306	19.2	1.94	0.99	0.08	5.8
BR4	437,043	6,312,802	266.3	328.8	62.5	1.72	0.81	0.08	4.7
BR5	437,064	6,312,654	312.8	322.8	10	2.34	0.92	0.13	10.2
BR5			340.8	380	39.2	2.07	0.92	0.11	8.9
BR6	436,976	6,313,146	161.5	177.5	16	1.83	1.06	0.18	10.3
BS1	437,752	6,311,014	184.5	194.3	9.8	1.44	0.68	0.16	8.6
BS1			201.4	209.2	7.8	1.11	0.52	0.20	2.7
BS2	437,799	6,311,032	256.7	266	9.3	4.28	2.67	0.18	12.4
BS3	437,681	6,311,245	286.1	298.1	12	1.25	0.42	0.12	4.7
WS1	436,072	6,314,907	443.5	459.3	15.8	1.45	1.17	0.14	7.5

Best drill hole intersection is in BR-2 intersected **45.3m @ 3.01%Zn, 1.71%Pb, 0.10%Cu and 8.1ppm Ag from 288m**. This intersection contains **20m @ 4.95%Zn, 2.77%Pb, 0.16%Cu, 13.5g/tAg** from 302 metres down hole. Gold was not included in the analysis and may add value to the mineralised zone.

Comet commissioned Tony Showell & Associates Pty Ltd to undertake a 4 million tonne per annum Case Study for the proposed Browns Reef Zinc Lead Project.

Key project assumptions were provided by Comet, and the estimates generated by the study are summarised in Table 2.

Table 2. Assumptions and Study Estimates.

Assumed Ore Grade		
Zn	%	2.0
Pb	%	1.1
Ag	g/t	0.9
Assumed Ore Treatment		
Treatment rate	Mt/year	4.0
Life Of Mine treatment	Mt	40
Project Life	Years	10
Marketing		
Assumed Zinc Price	US\$/lb	1.40
Assumed Lead Price	US\$/lb	0.45
Simple Project Financials		
NPV (10% Disc)	\$A	247,000,000
IRR	%	28.3

The study suggests that the project may be economically viable. It needs to be noted that this study is based on a number of key assumptions which have not been tested or proven. A significant amount of metallurgical, geological, engineering and financial test work needs to be completed.

The results of this case study have confirmed Comets belief in the Browns Reef Zinc Lead Project potential to become a significant base metal project.

Comet has been granted a new lease which extends the potential strike of the prospective Preston beds unit (mineralised unit) to approximately 30 km. Past explorers have defined a base metal geochemical anomaly over the Preston beds unit for 10 km of this strike length. This geochemical anomaly is still open. The Browns Reef project area now covers approximately 240 sq Km.

Western Australia

Utopia Project (100% Comet).

The Utopia project has been joint ventured to Sipa Gold Ltd (**Sipa**). The main points of the joint venture are:-

Sipa may earn a 70% interest in Exploration Licences E28/1494, E28/1495, E28/1657 and E28/1412 by exploration expenditure of \$1.25 million within 5 years. On earning a 70/30 joint venture is formed with Sipa as manager.

Sipa commits to \$100,000 of exploration expenditure in year one and may withdraw at any time later, providing tenements are kept pro-rata in good standing

Environmental Oil Solutions (A wholly owned subsidiary of Comet Resources Limited)

The Initial Period as defined in the BIO-Tec Intellectual Property Agreement came to an end at the end of October 2006. Comet and BIO-Tec agreed to modify the Agreement to accommodate ongoing R and D planning. Comet paid BIO-Tec \$200,000, instead of issuing 3 million Comet shares or extending. Mr A. Roberts employment through a contract with BIO-Tec has been terminated.

Research is continuing at Flinders and Murdoch Universities where encouraging results have been achieved on new oil samples. This has demonstrated that a significant improvement in the “pumpability” of very sticky waste oils in a relatively short time.

Image 1. Oil before treatment.

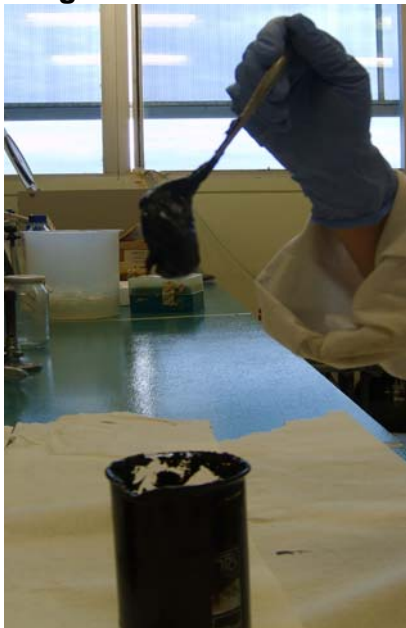
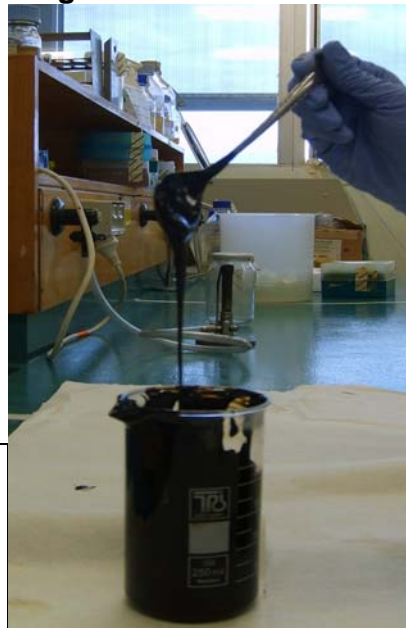


Image 2. Oil after treatment.



The BIO-Tankcleaning process is now undergoing scale up, with successful demonstration in 10l bioreactors already observed. Testwork at larger volumes (200l) and an assessment of the business implications of the results are in progress.

Comet is in the process of extending the R and D Agreement with Flinders and Murdoch Universities.

Applications for 2 provisional patents are planned for the current quarter.

For further information please 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 projects that it is currently exploring and advancing. Comet has cash assets of approximately \$2.7 million, 8.7 million Ferrowest shares 0.5 million Prosperity shares, and has approximately 68 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 Member of The Australian Institute of Mining and Metallurgy, with over 20 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 2004 edition of the "Australian Code for Reporting of 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.