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

Dear Sir/Madam

MARCH QUARTER ACTIVITIES REPORT

HIGHLIGHTS

ENVIRONMENTAL OIL SOLUTIONS PROJECT

- **R & D contracts signed with Flinders and Murdoch universities.**
- **Research commenced early February.**
- **Encouraging results from early research work.**

EXPLORATION

- **Ferrowest to list on ASX with Comet to receive 8.7 million shares.**
- **Historic intersection at Browns Reef of 14m @ 2.77%Pb, 4.95%Zn, 0.16%Cu, 13.5g/tAg to be followed up.**
- **Murrumbateman soil anomaly confirmed and enhanced.**
- **Utopia soil anomaly extended and new radiometric (uranium) anomaly delineated.**

ENVIRONMENTAL OIL SOLUTIONS

In late January Comet announced that it's Environmental Oil Solutions Project had received **\$1,048,268 grant funding support from the Government of South Australia**. The first amount of \$405,661.00 was received after the grant deed was signed by The Hon. Karlene Maywald MP, Minister for Science and Information Economy, Government of South Australia.

The funding enabled the **project to commence in February** with an announcement by Comet that it had entered into an **R&D Contract with Flinders and Murdoch Universities** to carry out a 9 month research program required to demonstrate the commercialisation of the BIO-Paragone Platform technology.

The technology is being developed as a cost effective commercial solution for the waste oil problem, commencing with waste components left in oil storage tanks. Development of the tank cleaning system using tank bottom samples obtained by Contract Resources Pty Ltd is advancing with preparations in place to treat a range of oil wastes.

Personnel and equipment were sourced during the quarter with the some start up delays. These issues have now been addressed and the project has moved into detailed confirmation and scale up of the bacteria formulation The work will form the basis for the development of this and other commercial products for use in the oil industry.

Flinders University is optimising the bacterial formulation in preparation for scale-up to commercial volumes. This work involves testing various aspects of the tank cleaning system to develop the best and most cost effective conditions to grow and operate the BIO-Paragone formulation.

Murdoch University is conducting detailed hydrocarbon analysis to identify the recoverable hydrocarbon products of the system with separation science being used to fully understand the mechanisms of biotransformation of heavy hydrocarbons in tank bottoms. The objective of this work is to identify what hydrocarbon chains the bacteria are altering and focus on the recovery of the most valuable hydrocarbon products

- **Encouraging results from early optimisation work**

Early optimisation work in the laboratory has shown rapid changes in the state of the tank bottom samples after treatment with the BIO-Paragone formulation. The samples have been changed from a viscous residue difficult to handle into a state that can be poured and is able to be pumped using conventional equipment.

The bacterial formulation remains viable after being subjected to various test conditions simulating the harsh physical conditions that exist in a commercial environment.

- **Development work showing improved product recovery**

Work to date has shown the action of the bacteria through biotransformation of the heavy hydrocarbons in the tank bottoms produces an improved hydrocarbon product that can be recovered for recycling.

This has significance for the commercial application of the system as a value-adding process, for improved environmental performance with reduced volumes of waste entering the environment and the associated reduction in treatment costs.

- **Mechanisms of biotransformation being optimised in preparation for scale-up to commercial volumes**

Detailed work to optimise the mechanisms of biotransformation is well progressed with arrangements being finalised for scale-up to produce commercial volumes of BIO-Paragone for pilot field trials initially treating small volumes of waste oil from crude oil storage tanks. Pilot field trials will be undertaken in collaboration with established tank cleaner, Contract Resources Pty Ltd, within their compound at the Port Stanvac oil refinery site.

- **Patent attorney appointed with development of patent strategy**

Mr Greg Bartlett has been appointed as Comet's patent attorney for the Environmental Oil Solutions Project. Greg is an Adelaide based Partner of Phillips, Ormonde & Fitzpatrick and qualified with BEng (Hons) in chemical engineering at Monash University

Comet is working with Greg to consolidate its patent strategy in preparation for filing of further patent applications in the near future to strengthen protection of the IP portfolio.

EXPLORATION ACTIVITIES

New South Wales

Browns Reef (EL6321)

Comet has been re-accessing this project as historic data becomes available. The mineralisation (defined by gossans, surface sampling and auger sampling) can be traced for over 10 km in a north-north-west direction.

Best drill hole intersection is **BR-2 from 288m with 32.5m @ 2.08%Pb, 3.68%Zn, 0.11%Cu and 10.3ppm Ag**. This intersection contains **14m @ 2.77%Pb, 4.95%Zn, 0.16%Cu, 13.5g/tAg s** from 302 metres down hole (no gold assaying was done). This represent a high grade target zone.

Access was negotiated with Land Owners at Browns Reef which enabled an orientation soil sampling program to be completed. Six lines were selected in the vicinity of previous drill holes which have reported anomalous base metal and gold values.

This project will be drilled when a rig becomes available.

Kerrs Creek (EL6240)

Successful negotiations with selected Landowners at Kerrs Creek have been completed. Field investigations of old workings have identified the Day Dawn area of Kerrs Creek as having potential for epithermal style gold mineralisation. A program of soil and stream sediment sampling has been completed with anomalous zones identified. Additional re-sampling of previous diamond drill core is planned for the June quarter 2006.

Murrumbateman (EL6339)

An Access Agreement with the land owner over the Murrumbateman Prospect was signed. A work program including soil sampling and ground magnetic traversing has been completed during the March quarter with results as high as 0.9g/t Au in soils. This project will be drilled when a rig becomes available.

Western Australia

Utopia (EL's 28/1412, 1294, 1295)

Soil and rock chip samples were collected from three gold soil anomalies. The results from the Socrates and Polemarchus anomalies confirmed and enhanced the previous results.

Aeromagnetic and radiometric data has been purchase and initial interpretation indicated significant structures are located in this tenement holding. It was also noted that two radiometric anomalies occur within the tenement. Consultants have advised Comet that these anomalies are significant and have a radiometric signature that is similar to the Yeelirrie uranium deposit.

Comet has booked a RAB rig to drill both the Au anomalies and other targets at Utopia during the June quarter 2006.

CORPORATE ACTIVITIES

Ferrowest Joint Venture

In October Comet entered into a Joint Venture with newly formed Ferrowest Pty Ltd to investigate Comet's Yalgoo Iron Project.

Ferrowest proposes to combine the existing sealed road and natural gas infrastructure that pass through the Yalgoo Iron Project with newly developed iron nugget manufacturing technology to produce up to 1 million tonnes per annum of high grade pig iron for export through the existing facilities at the Port of Geraldton.

Ferrowest's is expecting to list on the ASX in early July. **Comet has agreed to swap its equity in the project for 8.7 million shares in the newly listed company.**

Company Secretary

Comet has appointed Narelle Lloyd as Company secretary after the resignation of Malcolm Smartt.

Ms Lloyd is a Chartered Accountant and has considerable experience as a Company Secretary and Financial Officer. Ms Lloyd currently acts as Company Secretary and Financial Officer to both publicly listed and private companies in the Biotechnology and Mining sectors.

Ms Lloyd also acts as a consultant responsible for the project management and co-ordination of acquisitions, capital raisings and the associated due diligence procedures,

having previously gained experience with a Perth based corporate advisory group, HSBC in London and KPMG.

Comet thanks Mr Smartt for his help and contribution and wishes him the best for the future

For further information on Comet and its Environmental Oil Solutions Project and exploration projects 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 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.