



Comet Resources Limited

ABN 88 060 628 202

and its

Controlled Entities

Half Year Financial Report

31 December 2007

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 88 060 628 202

DIRECTORS' REPORT

Directors

RO Jones - Chairman

AR Cooper

RN Hill

Company Secretary

E Czechowski

**Registered Office &
Principal Place of Business**

Unit 2
23 Belgravia Street
BELMONT WA 6104

Telephone: (08) 9475 7100

Facsimile: (08) 9277 4147

Email: comet@cometres.com.au

Share Registry

Advanced Share Registry Services Pty Ltd
110 Stirling Highway
NEDLANDS WA 6009

Auditors

Stantons International
1 Havelock Street
WEST PERTH WA 6005

Stock Exchange Listing

The Company is listed on the Australian Securities Exchange Limited

Home Exchange: Perth, Western Australia

ASX Code: CRL

Web Page

www.cometres.com.au

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 88 060 628 202

DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 31 December 2007.

Directors

The names of the Company's Directors in office during the half year and until the date of their report are set out below. Directors were in office for this entire period unless otherwise stated.

Robert (Roj) Oswald Jones (Chairman)

Mr Jones was a founding Director of Comet and has been involved in the management of the Company's growth to date. Mr Jones has in excess of 30 years experience in the mining industry with major resource development companies, worldwide.

Director since 1993, appointed Chairman in 1999.

Anthony Roy Cooper

Mr Cooper has been with Comet since 1994. He currently holds the position as technical director. From 1996 to 2002 Mr Cooper was responsible for the geological management of the Ravensthorpe Nickel Project.

Mr Cooper has over 20 years experience in the mining and mineral exploration industries, with particular expertise on gold and base metals.

Director since 2001.

Roger Hill

Mr Hill was a founding Director of Comet and was a Board member initially until 1997. He has experience as a Director of public and private companies in a number of industries, including mining and resource. Mr Hill currently manages his own business interests.

Mr Hill was formerly a partner in a Perth law firm for 10 years.

Director since 2004.

Company Secretary

Edmund Czechowski

Edmund Czechowski is a Fellow of the Australian Society of Certified Practising Accountants and a Fellow of the Australian Institute of Company Directors. He has significant experience in accounting and secretarial roles within the resource sector.

RESULTS OF OPERATIONS

The net loss of the consolidated entity for the six months to 31 December 2007 is \$388,179 (31 December 2006: \$2,204,512 profit). The net loss was largely due to exploration expenditure.

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 88 060 628 202

DIRECTORS' REPORT

REVIEW OF OPERATIONS

During the half year the consolidated entity carried out its principal activities being:

- o Exploration on a number of its wholly owned exploration tenements and continued to identify and evaluate a number of resource assets/projects for acquisition and/or joint venture. In particular the Company continued with its drilling at its Browns Reef project which will continue in the second half of the financial year; and
- o Research and development of biotechnology products for use in the oil industry by its wholly owned subsidiary Environmental Oil Solutions Pty Ltd (EOS).

It is recommended that this half-yearly report be read in conjunction with the 30 June 2007 Annual Report and any public announcements made by the Company during the half year.

In accordance with the continuous disclosure requirements, readers are referred to the announcements lodged with the Australian Securities Exchange regarding exploration and other activities of the consolidated entity.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes have occurred in the state of affairs of the consolidated entity.

EVENTS SUBSEQUENT TO BALANCE DATE

As at the date of this report the fair value of shares and options in Ferrowest Limited has decreased by \$1,185,125 since 31 December 2007 and is now \$3,289,500.

Other than the above, there have been no matters or circumstances that have arisen since 31 December 2007 that has significantly affected or may significantly affect:

- (a) the economic entity's operations in future years; or
- (b) the results of those operations in future years; or
- (c) the economic entity's state of affairs in future years.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is set out on page 13.

Signed in accordance with a resolution of the Directors.



.....
AR COOPER
Director

Perth, 12 February 2008

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 88 060 628 202

CONSOLIDATED INCOME STATEMENT

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

		Consolidated	
	Note	Half year ended 31 Dec 07 \$	Half year ended 31 Dec 06 \$
Revenue	2(a)	294,887	299,959
		<u>294,887</u>	<u>299,959</u>
Other income	2(b)	547,065	1,750,000
Administration expenses		(325,600)	(295,540)
Research and development expenses		(131,853)	(374,890)
Exploration expenditure expenses		(772,678)	(309,372)
Other expenses		-	(26,580)
Profit/(loss) before related income tax expense		<u>(388,179)</u>	<u>1,043,667</u>
Income tax (expense)/benefit	5	-	1,160,845
Net profit/ (loss)		<u>(388,179)</u>	<u>2,204,512</u>
Basic earnings/(loss) per share (cents)		(0.58)	3.25
Diluted earnings/(loss) per share (cents)		(0.58)	3.24

The consolidated income statement should be read in conjunction with the accompanying condensed notes.

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 88 060 628 202

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2007

Consolidated			
	Note	As at 31 Dec 07 \$	As at 30 Jun 07 \$
CURRENT ASSETS			
Cash and cash equivalents	4	2,249,587	2,434,021
Trade and other receivables		51,428	98,006
Prepayments		10,224	3,025
Other financial assets		4,707,500	7,327,056
TOTAL CURRENT ASSETS		<u>7,018,739</u>	<u>9,862,108</u>
NON-CURRENT ASSETS			
Other financial assets		59,160	50,660
Plant and equipment		16,753	9,432
TOTAL NON-CURRENT ASSETS		<u>75,913</u>	<u>60,092</u>
TOTAL ASSETS		<u>7,094,652</u>	<u>9,922,200</u>
CURRENT LIABILITIES			
Trade and other payables		138,955	171,088
TOTAL CURRENT LIABILITIES		<u>138,955</u>	<u>171,088</u>
TOTAL LIABILITIES		<u>138,955</u>	<u>171,088</u>
NET ASSETS		<u>6,955,697</u>	<u>9,751,112</u>
EQUITY			
Issued capital		4,758,265	4,758,265
Reserves		3,422,680	5,829,916
Accumulated losses		(1,225,248)	(837,069)
TOTAL EQUITY		<u>6,955,697</u>	<u>9,751,112</u>

The consolidated balance sheet should be read in conjunction with the accompanying condensed notes.

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 88 060 628 202

CONSOLIDATED CASH FLOW STATEMENT

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Note	Consolidated	
		Half year ended 31 Dec 07 \$	Half year ended 31 Dec 06 \$
Cash flows from operating activities			
Payments to suppliers and employees		(1,184,177)	(1,178,833)
Receipts from government grants		214,931	234,020
Receipt of tax refund		-	986,441
Interest received		79,956	86,882
Net cash flows provided by/(used in) operating activities		<u>(889,290)</u>	<u>128,510</u>
Cash flows from investing activities			
Proceeds from sale of investments		702,597	440,575
Proceeds from sale of mining tenements		-	10,000
Repayment of loans from other entities		10,425	45,637
Payments for intellectual property		-	(200,000)
Security deposit for exploration tenements		-	(10,000)
Payments for plant and equipment		(8,166)	(1,196)
Net cash flows from (used in) investing activities		<u>704,856</u>	<u>285,016</u>
Cash flows from financing activities			
Proceeds from issue of incentive shares		-	6,850
Net cash flows from financing activities		<u>-</u>	<u>6,850</u>
Net increase/(decrease) in cash and cash equivalents		(184,434)	420,376
Cash and cash equivalents at beginning of period		2,434,021	2,316,327
Cash and cash equivalents at end of period	4	<u>2,249,587</u>	<u>2,736,703</u>

The consolidated statement of cash flows should be read in conjunction with the accompanying condensed notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Issued Capital \$	Accumulated Losses \$	Other Reserves \$	TOTAL \$
As at 1 July 2006	4,698,265	(2,298,034)	330,472	2,730,703
Net profit for the period	-	2,204,512	-	2,204,512
Incentive shares issued	-	-	6,850	6,850
Cost of share-based payments	-	-	18,174	18,174
As at 31 December 2006	<u>4,698,265</u>	<u>(93,522)</u>	<u>355,496</u>	<u>4,960,239</u>
As at 1 July 2007	4,758,265	(837,069)	5,829,916	9,751,112
Net unrealised losses on available-for-sale assets	-	-	(1,903,363)	(1,903,363)
Transfer of fair value reserve to income	-	-	(549,104)	(549,104)
Cost of share based payments	-	-	45,231	45,231
Net loss for the period	-	(388,179)	-	(388,179)
As at 31 December 2007	<u>4,758,265</u>	<u>(1,225,248)</u>	<u>3,422,680</u>	<u>6,955,697</u>

The consolidated statement of changes in equity should be read in conjunction with the accompanying condensed notes.

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 88 060 628 202

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

Note 1: Basis of Preparation of the Half-Year Financial Report

This general purpose condensed financial report for the half year ended 31 December 2007 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the the *Corporations Act 2001*.

It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2007 and considered with any public announcements made by Comet Resources Limited during the half-year ended 31 December 2007 in accordance with continuous disclosure obligations of the *ASX Listing Rules*.

The half-year report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

Apart from the changes in accounting policy noted below, the accounting policies and methods of compilation are the same as those adopted in the most recent annual financial report.

Changes in Accounting Policy

Since 1 July 2007 the Group has adopted the following Standards and Interpretations mandatory for annual periods beginning on or after 1 January 2007. Adoption of these Standards and Interpretations did not have any effect on the financial performance or position of the Group.

- AASB 7 *Financial Instruments: Disclosures*
- AASB 2005-10 *Amendments to Australian Accounting Standards (AASB 132, 101, 114, 117, 133, 1, 4, 1023 and 1038)*
- AASB 2007-04 *Amendments to Australian Accounting Standards arising from ED 151 and other amendments*
- AASB 2007-7 *Amendments to Australian Accounting Standards (AASB 1, 2, 4, 5, 107 and 108)*

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 88 060 628 202

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Consolidated	
	31 Dec 07	31 Dec 06
	\$	\$
Note 2: Revenue		
(a) Other Revenue		
Interest received – other entities	79,956	87,214
Government grant income	214,931	212,745
Total Revenue	294,887	299,959
(b) Other income		
(Loss) on disposal of investments	(16,989)	-
Profit on disposal of plant & equipment	14,950	-
Transfer from fair value reserve	549,104	-
Profit on sale of iron ore rights	-	1,740,000
Profit on sale of mining tenements	-	10,000
Total Other Income	547,065	1,750,000
Note 3: Expenses		
Depreciation expense	3,543	4,252
Loss on sale of investments	-	26,580
Note 4: Cash and cash equivalents		
Cash at bank	42,370	2,691,703
Cash deposits	107,363	45,000
Commercial Bills	2,099,854	-
	2,249,587	2,736,703
Reconciliation of cash and cash equivalents		
Cash at the end of the financial period as shown in the Statement of Cash Flows is reconciled to items in the balance sheet as follows:		
Cash and cash equivalents	2,249,587	2,736,703

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

Note 5: Income tax (expense)/benefit

	31 Dec 07	31 Dec 06
	\$	\$
R&D Tax rebate	-	174,404
Tax refund	-	986,441
	<u>-</u>	<u>1,160,845</u>

Note 6: Segment Reporting

The economic entity operates entirely in Australia and predominantly in the field of mineral exploration and bio-technology.

31 December 2006	Bio-Tech	Exploration	Unallocated	Total
Revenue	212,745	1,750,000	87,214	2,049,959
Expenses	(374,890)	(309,372)	(322,030)	(1,006,292)
Income tax (expense)/benefit	174,404	-	986,441	1,160,845
Segment results	<u>12,259</u>	<u>1,440,628</u>	<u>751,625</u>	<u>2,204,512</u>

31 December 2007	Bio-Tech	Exploration	Unallocated	Total
Revenue	217,294	-	624,658	841,952
Expenses	(289,749)	(772,678)	(167,704)	(1,230,131)
Income tax (expense)/benefit	-	-	-	-
Segment results	<u>(72,455)</u>	<u>(772,678)</u>	<u>456,954</u>	<u>(388,179)</u>

Note 7: Earnings per share

	2007 Number	2006 Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	68,317,903	67,817,903
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	<u>68,317,903</u>	<u>67,942,982</u>

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

Note 8: Contingent Liabilities and Contingent Assets

The economic entity does not have any contingent assets or liabilities outstanding at 31 December 2007.

Note 9: Dividends

There are no dividends paid or payable during the half year.

Note 10: Events Subsequent to Reporting Date

As at the date of this report the fair value of shares and options in Ferrowest Limited has decreased by \$1,185,125 since 31 December 2007 and is now \$3,289,500.

Other than the above, there has been no matters or circumstances that have arisen since 31 December 2007 that has significantly affected or may significantly affect:

- (a) the economic entity's operations in future years; or
- (b) the results of those operations in future years; or
- (c) the economic entity's state of affairs in future years.

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 88 060 628 202

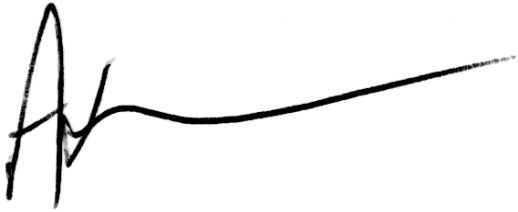
DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Comet Resources Limited, I state that

In the opinion of the Directors:

1. the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the financial position as at 31 December 2007 and the performance for the half year ended on that date of the consolidated entity; and
 - (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



.....
A R Cooper
Executive Director

Perth, 12 February 2008.

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 88 060 628 202

AUDITOR'S INDEPENDENCE DECLARATION

Stantons International

ABN 41 103 088 697

LEVEL 1, 1 HAVELOCK STREET
WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
www.stantons.com.au

12 February 2008

Board of Directors
Comet Resources Limited
Unit 2, 23 Belgravia Street
BELMONT WA 6104

Dear Sirs

RE: COMET RESOURCES LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Comet Resources Limited.

As Audit Director for the review of the financial statements of Comet Resources Limited for the period ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

STANTONS INTERNATIONAL
(Authorised Audit Company)



K G Lingard
Director

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
COMET RESOURCES LIMITED**

Stantons International

ABN 41 103 088 697

LEVEL 1, 1 HAVELOCK STREET
WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
COMET RESOURCES LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Comet Resources Limited, which comprises the consolidated condensed balance sheet as at 31 December 2007, and the consolidated condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Comet Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
COMET RESOURCES LIMITED**

obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Comet Resources Limited on 12 February 2008.

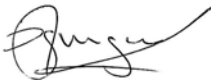
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Comet Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

**STANTONS INTERNATIONAL
(Authorised Audit Company)**

Stantons International



K G Lingard
Director

West Perth, Western Australia
12 February 2008