



2009 ANNUAL REPORT

COMET RESOURCES LIMITED

and its

CONTROLLED ENTITIES

ABN 88 060 628 202

**COMET RESOURCES LTD
and its Controlled Entities
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CORPORATE DIRECTORY

Directors

RO Jones (Chairman)
AR Cooper (Chief Executive Officer)
RN Hill

Company Secretary

E Czechowski

Registered Office & Principal Place of Business

Unit 2
23 Belgravia Street
BELMONT WA 6104
Telephone: 61 8 9475 7100
Facsimile: 61 8 9277 4147

Share Registry

Advanced Share Registry Services Pty Ltd
150 Stirling Highway
NEDLANDS WA 6009
Telephone: 61 8 9389 8033
Facsimile: 61 8 9389 7871

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
ASX Code: CRL

Web Page www.cometres.com.au

**COMET RESOURCES LTD
and its Controlled Entities
CHAIRMAN'S REPORT**

28 August 2009

Dear Fellow shareholder,

Your Directors present the Annual Report and Audited Financial Statements of the Company for the year ended 30 June 2009.

During the year the Company has adopted a cautious view in uncertain financial markets. We have continued to evaluate wholly owned projects and have reduced company expenditure.

Ongoing funding of Projects was maintained, with no dilution to shareholders, through tax refunds, grants and sale of listed security investments.

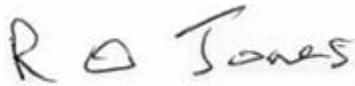
The Browns Reef Project in New South Wales is seen as having the potential for a large base metal resource. Current base metal prices have lead to the project being reviewed.

Research into the development of technology that will assist remediation of waste oil, a significant world issue, is ongoing. Environmental Oil Solutions is negotiating with related businesses to carry out small scale commercial trials in the Eastern States.

As the past year has placed financial pressures on many companies your Directors reduced and waived consulting and directors' fees amounting to \$84,000.

We will continue to manage your funds in a sensible and judicious manner and look forward to providing further tangible rewards to shareholders in the future.

Yours faithfully,



R.O.JONES
Chairman

**COMET RESOURCES LTD
and its Controlled Entities
DIRECTORS' REPORT**

The directors present their report together with the financial report of Comet Resources Limited ("Comet or the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2009 and the auditor's report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Mr Robert (Roj) Oswald Jones (Chairman) BSc (Joint Hons), FAusIMM(CP)

Mr Jones was a founding director of Comet. Mr Jones has over 35 years experience in the mining industry with major resource development companies worldwide.

Director since 1993 – appointed Chairman in 1999.

Mr Jones resigned as a Director of Prosperity Resources Limited on 23 October 2006 having been a director since 12 September 2003 and has had no other Directorships in listed companies in the last 3 years.

Mr Anthony (Tony) Roy Cooper (Chief Executive Officer) B(app)Sc (Geol), FAusIMM

Mr Cooper joined Comet in 1994. From 1996 to 2001 Mr Cooper was responsible for the geological and resource 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 March 2001.

No other Directorships in listed companies in the last 3 years.

Mr Roger Norman Hill (Non Executive Director) LLB

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

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

Director since 22 March 2004.

No other Directorships in listed companies in the last 3 years.

Company Secretary

Mr Edmund Czechowski FCPA, FAICD

Secretary since 20 September 2007.

Mr Czechowski is a Certified Practising Accountant and has over 30 years experience as Company Secretary and Financial Officer of both private and publicly listed companies.

**COMET RESOURCES LTD
and its Controlled Entities
DIRECTORS' REPORT (CONT'D)**

Directors' interests

The relevant interest of each director in the share capital of the companies within the consolidated entity, as notified by the directors to the Australian Securities Exchange Limited in accordance with section 205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary fully paid shares	Class A Incentive Shares	Class B Incentive Shares
RO Jones	9,524,763	750,000	1,250,000
AR Cooper	5,406,623	1,000,000	1,500,000
RN Hill	4,477,732	500,000	750,000

Earnings per Share

	Cents
Basic loss per Share	1.95
Diluted loss per share	1.95

Dividends

No dividends have been paid or will be recommended to be paid.

Nature of Operations and Principal Activities

The principal activities of Comet Resources Ltd and its subsidiaries during the course of the financial year were:

- mineral exploration; and
- research and development of biotechnological products for environmentally sound issues in the oil remediation industry.

There has been no significant change in the nature of this activity during the year.

Results

The operating loss after income tax of the consolidated entity for the financial year was \$1,330,816 (2008: \$395,321 loss).

Operating and Financial Review

New South Wales Exploration Projects

Browns Reef Base Metal Project (100% Comet)

The Browns Reef Project is located approximately 5 kms west of the township of Lake Cargelligo. Lake Cargelligo is serviced by the New South Wales rail network and there is a gas pipeline within approximately 100 kms.

Comet has completed 13 diamond drill holes for a total of 4,775 metres (including pre-collars).

Kerrs Creek Project (100% Comet)

The project is located 20km north of Orange, a major mining centre hosting Newcrest's Cadia mine.

A drilling programme is planned for this financial year.

**COMET RESOURCES LTD
and its Controlled Entities
DIRECTORS' REPORT (CONT'D)**

Murrumbateman Project (100% Comet)

This Project is located approximate 80km north of Canberra and is being re-evaluated.

Western Australia Exploration Projects

Utopia Project (100% Comet)

The Utopia Project is located approximately 125 kilometres (km) east-southeast of Kalgoorlie. The Project is joint ventured to Sipa Resources Ltd (**Sipa**).

Environmental Oil Solutions

During the year work has continued though research at Flinders University. The research has been supported by a grant from the South Australian Government, through the Science Technology and Innovation Directorate of the Department of Further Education, Employment, Science and Technology. The full amount of this grant has now been received and the company is exploring avenues for commercial development grants.

Work has focused on the development and trialling of micro-organisms isolated during research, which have been shown to significantly enhance the degradation and remediation of oil wastes. The Project continues to work closely with industry groups to deliver commercially attractive solutions to operational and environmental issues. The company is negotiating to carry out some small scale commercial test work at a site in the Eastern States. It is planned that this will be carried out during 2009.

Further detail on work carried out during the year can be found in Comet's Quarterly Reports on the website www.cometres.com.au.

Review of Financial Condition

The Group has cash reserves of \$2,269,164 at 30 June 2009 and a net asset position of \$2,778,643. The Company considers this to be adequate to:

- meet the research and development commitments of Environmental Oil Solutions;
- meet the tenement exploration commitments; and
- assess new exploration projects.

Capital Structure

During the period no incentive shares were issued:

The following incentive shares remain outstanding:

- 2,725,000 Class A Incentive Shares and 4,125,000 Class B Incentive Shares for which \$6,850 was paid. These shares may convert to ordinary shares upon meeting particular milestones on or before 18 October 2009.

Risk Management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Group believes that it is crucial for all Board members to be part of this process, and as such the Board has not established a separate risk management committee and the whole Board acts in that role.

The Board has a number of mechanisms in place to ensure that the management's objectives and activities are aligned with the risks identified by the Board.

Significant Events since Balance Sheet Date

As at the 25 August 2009 the fair value of shares and options held in Ferrowest Limited was \$826,000 which is \$314,000 greater than the fair value at 30 June 2009.

Other than the above there were no significant events that need to be reported since Balance Sheet date.

Likely Developments

The consolidated entity will focus on:

- the exploration of its portfolio of mining tenements and the acquisition of new projects and/or assets; and
- the development and commercialisation of the EOS technology.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations on future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental Regulation and Performance

The consolidated entity's operations were subject to environmental regulations under both Commonwealth and State legislation in relation to its exploration activities and its research and development activities.

The directors are not aware of any breaches during the period covered by this report.

Indemnification of Officers

The Company has agreed to indemnify and keep indemnified the following officers, Mr RO Jones, Mr AR Cooper, Mr RN Hill and Mr E Czechowski against all liabilities incurred by the directors and officers as a director or officer of the Company (and subsidiaries) and all legal expenses incurred by the directors as a director of the Company (and subsidiaries).

The indemnity only applies to the extent and in the amount that the directors are not indemnified under any other indemnity, including an indemnity contained in any insurance policy taken out by the Company (or subsidiary), under the general law or otherwise.

The indemnity does not extend to any liability:

- to the Company or a related body corporate of the Company; or
- arising out of conduct of the directors involving a lack of good faith; or
- which was incurred prior to 15 April 1994 and which is in respect of any negligence, default, breach of duty or breach of trust of which the directors may be guilty in relation to the Company or related body corporate.

Insurance of Officers

Since the end of the previous financial year the Company has paid insurance premiums of \$11,208 in respect of directors and officers liability and corporate reimbursement, for directors and officers of the Company. The insurance premiums relate to:

- any loss for which the directors and officers may not be legally indemnified by the Company arising out of any claim, by reason of any wrongful act committed by them in their capacity as a director or officer, first made against them jointly or severally during the period of insurance; and
- indemnifying the Company against any payment which it has made and was legally permitted to make arising out of any claim, by reason of any wrongful act, committed by any director or officer in their capacity as a director or officer, first made against the director or officer during the period of insurance.

The insurance policy outlined above does not allocate the premium paid in respect of each individual officer of the Company.

Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for directors and key management personnel of Comet.

Remuneration philosophy

The performance of the Group depends upon the quality of its directors and key management personnel. To prosper the Company must attract, motivate and retain appropriately skilled directors and executives.

The Company's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The Company bases its remuneration of employees and consultants on industry standards and the Australasian Institute of Mining and Metallurgy Remuneration and Membership Survey. Whilst in the exploration and acquisition phase, the Company targets the lowest quartile of remuneration levels.

Short term incentives

The Company has a short term incentive programme which is designed to link the achievement of the Group's operational targets with the remuneration received by the directors and key management personnel charged with meeting those targets. The total potential short term incentive available is set at a level so as to provide sufficient incentive to the directors and key management personnel to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

The operational targets consist of a number of key performance indicators covering both financial and non-financial measures of performance. Typically included are measures such as reaching a share price milestone, a resource milestone, contribution to net profit after tax or a takeover bid becoming unconditional.

Benefits granted under the short term incentive scheme are in the form of incentive shares that are convertible to ordinary shares on achieving one of the performance indicators.

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-executive director and Executive remuneration is separate and distinct.

Details of the nature and amount of each element of the emoluments of each director of the Company and the consolidated entity are:

Employment Agreements

Comet has entered into the following agreements with Directors:

- An agreement with Alberta Resources Pty Ltd for the services of Mr Tony Cooper with fees of \$162,000 per year. The agreement is on commercial terms and can be terminated at 1 months notice; and
- An agreement with Rojex Mining Services Pty Ltd for the services of Mr Roj Jones with fees of \$162,000 per year. The agreement is on commercial terms and can be terminated at 1 months notice.
- For the year ended 30 June 2009 the Directors have agreed to reduce and waive fees as follows:
Mr RO Jones (Rojex Mining Services Pty Ltd) by \$45,000;
Mr AR Cooper (Alberta Resources Pty Ltd) by \$36,000; and
Mr RN Hill by \$3,000.

**COMET RESOURCES LTD
and its Controlled Entities
DIRECTORS' REPORT (CONT'D)**

Directors' Fees and Benefits

Directors' fees are determined within an aggregate fee pool limit, which is periodically recommended for approval by Shareholders. This amount is separate from any specific tasks the Directors may take on for the Company.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the accounts of the Company) because of a contract made by the Company or a related body corporate with the Director or with a firm of which the Director has a substantial financial interest, other than:

- a) a total of \$117,000 was paid to Rojex Mining Services Pty Ltd an entity in which Mr Jones has a substantial financial interest for services provided in the normal course of business and at normal commercial rates;
- b) geological consulting and management fees paid or due and payable to Alberta Resources Pty Ltd of \$126,000 an entity in which Mr Cooper has a substantial financial interest for services provided in the normal course of business and at normal commercial rates.

**Table 1
Directors' remuneration for the Year ended 30 June 2009**

Name		Short-term			Post-employment		Share-based	Total	Perform-ance based	Remun-eration consisting of options
		Cash salary and fees	Cash bonus	Non-monetary benefits	Super-Annua-tion	Retire-ment benefits	Incentive shares			
		\$	\$	\$	\$	\$	\$	%	%	
RO Jones	2009	117,000	-	2,802	-	-	25,703	145,505	17.66	17.66
Chairman	2008	162,000	-	2,685	-	-	25,703	190,388	13.50	13.50
AR Cooper	2009	126,000	-	2,802	-	-	32,789	161,591	20.29	20.29
CEO	2008	162,906	-	2,685	-	-	32,789	198,380	16.53	16.53
RN Hill	2009	27,000	-	2,802	2,430	-	16,395	48,627	33.72	33.72
Non-executive	2008	30,000	-	2,685	2,700	-	16,395	51,780	31.66	31.66
Total 2009		270,000	-	8,406	2,430	-	74,887	355,723		
Total 2008		354,906	-	8,055	2,700	-	74,887	440,548		

**Table 2
Remuneration of Key Executives for the Year ended 30 June 2009**

Name		Short-term			Post-employment		Share based	Total	Perform-ance based	Remun-eration consisting of options
		Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annua-tion	Retirem-ent benefits	Incentive Shares			
		\$	\$	\$	\$	\$	\$	%	%	
*appointed 20 September 2007										
** resigned 20 September 2007										
*** resigned 3 July 2007										
N Lloyd**	2009	-	-	-	-	-	7,388	7,388	100.00	100.00
Company Secretary	2008	9,000	-	602	-	-	5,669	15,271	37.12	37.12
E Czechowski*	2009	36,000	-	2,802	-	-	-	38,802	-	-
Company Secretary	2008	28,500	-	2,082	-	-	-	30,582	-	-
S Matheson***	2009	-	-	-	-	-	10,970	10,970	100.00	100.00
Exploration Manager	2008	12,692	-	-	1,142	-	8,420	22,254	37.83	37.83
Total 2009		36,000	-	2,802	-	-	18,358	57,160		
Total 2008		50,192	-	2,684	1,142	-	14,089	68,107		

During the year no incentive shares or options were issued or exercised.

No incentive shares have yet vested as the performance milestones have not yet been achieved.

**COMET RESOURCES LTD
and its Controlled Entities
DIRECTORS' REPORT (CONT'D)**

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings	
	A	B
RO Jones	5	5
AR Cooper	5	5
RN Hill	5	5

A = Number of meetings attended B = Number of meetings during the time the Director held office during the year.

Committee Memberships

As at the date of this report the Company does not have a Remuneration, Nomination or Audit Committee. This role is assumed by the full Board.

Significant changes in State of Affairs

During the financial year there were no significant changes in the state of affairs of the consolidated entity.

Auditor's Independence and non-audit services

The Directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the service disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board
- during the year an associated firm to the auditors provided taxation services of \$4,500 (2008: \$Nil).

A copy of the Auditor's independence declaration as required by Section 307c of the Corporations Act 2001 is set out on page 44.

Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Comet Resources Limited support and have substantially adhered to the best practice recommendations set by the ASX Corporate Governance Council. The Company's corporate governance statement is contained on its web page at www.cometres.com.au.

Signed in accordance with a resolution of directors.



AR Cooper
Executive Director

Dated at Perth this 28 day of August 2009

COMET RESOURCES LTD
and its Controlled Entities
INCOME STATEMENT
for the year ended 30 June 2009

	Note	CONSOLIDATED		THE COMPANY	
		2009 \$	2008 \$	2009 \$	2008 \$
Finance income	3(a)	139,984	164,283	139,903	156,887
Revenue		139,984	164,283	139,903	156,887
Other income	3(b)	(24,115)	1,081,851	125,885	771,989
Expenses					
Administration expenses		(504,690)	(445,371)	(312,341)	(445,371)
Research and development expenses		(65,313)	(394,210)	-	-
Exploration expenditure expenses		(147,432)	(960,908)	(147,432)	(960,908)
Write off/ diminution of investments and loans	3(c)	-	-	(271,517)	25,939
Impairment of available-for-sale assets	9	(938,000)	-	(938,000)	-
Loss before related income tax		(1,539,566)	(554,355)	(1,403,502)	(451,464)
Income tax benefit	5	208,750	159,034	75,440	50,363
Net loss for the year	14	(1,330,816)	(395,321)	(1,328,062)	(401,101)
Basic earnings/ (loss) per share	15	(1.95) cents	(0.58) cents		
Diluted earnings/ (loss) per share		(1.95) cents	(0.58) cents		

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 14 to 40

COMET RESOURCES LTD
and its Controlled Entities
BALANCE SHEET
As at 30 June 2009

	NOTE	CONSOLIDATED		THE COMPANY	
		2009 \$	2008 \$	2009 \$	2008 \$
ASSETS					
Current assets					
Cash and cash equivalents	6	2,269,164	2,524,745	2,254,716	2,517,638
Trade and other receivables	7	13,205	21,010	1,379	12,141
Prepayments		-	-	-	-
Available-for-sale financial assets	9	512,000	2,123,750	512,000	2,123,750
Total current assets		2,794,369	4,669,505	2,768,095	4,653,529
Non-current assets					
Plant and equipment	8	8,946	12,940	8,596	11,751
Other financial assets	10	48,940	58,940	48,940	58,940
Total non-current assets		57,886	71,880	57,536	70,691
TOTAL ASSETS		2,852,255	4,741,385	2,825,631	4,724,220
LIABILITIES					
Current liabilities					
Trade and other payables	11	73,612	92,128	61,399	92,128
Total current liabilities		73,612	92,128	61,399	92,128
TOTAL LIABILITIES		73,612	92,128	61,399	92,128
NET ASSETS		2,778,643	4,649,257	2,764,232	4,632,092
EQUITY					
Issued Capital	12	4,758,265	4,758,265	4,758,265	4,758,265
Reserves	13	583,584	1,123,382	583,584	1,123,382
Accumulated losses	14	(2,563,206)	(1,232,390)	(2,577,617)	(1,249,555)
TOTAL EQUITY		2,778,643	4,649,257	2,764,232	4,632,092

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 14 to 40

**COMET RESOURCES LTD
and its Controlled Entities
STATEMENTS OF CASHFLOWS
for the year-ended 30 June 2009**

	NOTE	CONSOLIDATED		THE COMPANY	
		2009 \$	2008 \$	2009 \$	2008 \$
Cash flows from operating activities					
Payments to suppliers and employees		(633,156)	(1,713,310)	(235,589)	(1,305,965)
Receipt of R&D tax rebate & tax refund		208,750	159,034	75,440	50,363
Receipts of government grants		-	429,862	-	-
Interest received		142,939	165,945	142,858	158,549
Net cash flows used in operating activities	16(b)	(281,467)	(958,469)	(17,291)	(1,097,053)
Cash flows from investing activities					
Loans to controlled entities		-	-	(271,517)	(564,000)
Repayment of loans from controlled entities		-	-	-	709,939
Repayment of loans from other entities		-	10,106	-	10,106
Payments for plant and equipment		-	(11,710)	-	(11,710)
Proceeds from sale of plant & equipment		-	14,950	-	14,950
Proceeds from sale of investments		15,886	1,044,127	15,886	1,044,127
Proceeds from sale of exploration assets		-	-	-	-
Security deposit for mining tenements refunded/(paid)		10,000	(8,280)	10,000	(8,280)
Net cash flows provided by/(used in) investing activities		25,886	1,049,193	(245,631)	1,195,132
Cash flows from financing activities					
Proceeds from issue of securities		-	-	-	-
Net cash flows provided by financing activities		-	-	-	-
Net (decrease)/increase in cash and cash equivalents		(255,581)	90,724	(262,922)	98,079
Cash and cash equivalents at the beginning of the year		2,524,745	2,434,021	2,517,638	2,419,559
Cash and cash equivalents at the end of the year	16(a)	2,269,164	2,524,745	2,254,716	2,517,638

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 14 to 40

COMET RESOURCES LTD
and its Controlled Entities
STATEMENT OF CHANGES IN EQUITY
for the year-ended 30 June 2009

	Issued Capital \$	Accumulated losses \$	Other Reserves \$	Total \$
CONSOLIDATED				
At 1 July 2007	4,758,265	(837,069)	5,829,916	9,751,112
Loss for the year	-	(395,321)	-	(395,321)
Net unrealised losses on available-for-sale financial assets	-	-	(3,887,114)	(3,887,114)
Transfer of fair value reserve to income	-	-	(909,104)	(909,104)
Conversion of options	-	-	-	-
Cost of share-based payments	-	-	89,684	89,684
At 30 June 2008	4,758,265	(1,232,390)	1,123,382	4,649,257
Loss for the year	-	(1,330,816)	-	(1,330,816)
Net unrealised losses on available-for-sale assets	-	-	(1,531,749)	(1,531,749)
Transfer of fair value reserve to income	-	-	(40,000)	(40,000)
Transfer of fair value reserve to impairment account	-	-	938,000	938,000
Cost of share-based payments	-	-	93,951	93,951
At 30 June 2009	4,758,265	(2,563,206)	583,584	2,778,643
PARENT				
At 1 July 2007	4,758,265	(848,454)	5,829,916	9,739,727
Loss for the year	-	(401,101)	-	(401,101)
Net unrealised losses on available-for-sale financial assets	-	-	(3,887,114)	(3,887,114)
Incentive shares issued	-	-	-	-
Transfer of fair value reserve to income	-	-	(909,104)	(909,104)
Cost of share-based payments	-	-	89,684	89,684
At 30 June 2008	4,758,265	(1,249,555)	1,123,382	4,632,092
Loss for the year	-	(1,328,062)	-	(1,328,062)
Net unrealised losses on available-for-sale assets	-	-	(1,531,749)	(1,531,749)
Transfer of fair value reserve to income	-	-	(40,000)	(40,000)
Transfer of fair value reserve to impairment account	-	-	938,000	938,000
Cost of share-based payments	-	-	93,951	93,951
At 30 June 2009	4,758,265	(2,577,617)	583,584	2,764,232

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 14 to 40

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

1. CORPORATE INFORMATION

The financial report of Comet Resources Limited ("Comet") for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 27 August 2009.

Comet Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies, which have been adopted in the preparation of this financial report, are:

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Australian Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of accrual accounting and historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with those of the previous year.

The financial report is presented in Australian dollars.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS).

Australian Accounting Standards that have recently been issued or amended, but are not mandatory, have not been adopted for the annual reporting period ended 30 June 2009, these are outlined in the table below:

- AASB 3 <i>Business Combinations</i>	Effective for annual reporting period ending on 30 June 2010
- AASB 8 <i>Operating Segments</i>	Effective for annual reporting period ending on 30 June 2010
- AASB 101 <i>Presentation of Financial Statements</i> – revised standard	Effective for annual reporting period ending on 30 June 2010
- AASB 123 <i>Borrowing Costs</i> - revised	Effective for annual reporting period ending on 30 June 2010
- AASB 127 <i>Consolidated and Separate Financial Statements</i> – revised	Effective for annual reporting period ending on 30 June 2010
- AASB 2008-1 <i>Amendments to Australian Accounting Standard – Share Based Payment: Vesting Conditions and Cancellations</i>	Effective for annual reporting period ending on 30 June 2010

With the exception of AASB 101, the revised Accounting Standards listed above are not expected to have a material impact on the Company's financial statements. AASB 101 will result in significant changes to the presentation of the financial statements but there will be no measurement or recognition impact on the Group.

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for the year ended 30 June 2009**

(c) Principles of consolidation

The consolidated financial statements comprise the financial statements of Comet Resources Limited and its subsidiaries as at 30 June each year (the Group).

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Comet Resources Limited has control.

(d) Revenue recognition

Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income amount and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Sale of non current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(e) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short terms deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdraft.

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(f) Intangible assets

Acquired both separately and from a business combination

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the income statement through the 'research and development expenses' line item.

Intangible assets, including development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research and development costs

Research costs are expensed as incurred.

Development expenditure incurred on an individual project in the future may be carried forward when its future recoverability can reasonably be regarded as assured.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

A summary of the policies applied to the Group's intangible assets is as follows:

	Patents and Licences	Development Costs
<i>Useful lives</i>	<i>Finite</i>	<i>Finite</i>
<i>Method used</i>	<i>Amortised on a straight line basis</i>	<i>Amortised over the period of the expected future benefit on a straight line basis</i>
<i>Internally generated/ Acquired</i>	<i>Internally generated</i>	<i>Internally generated</i>
<i>Impairment test / Recoverable amount testing</i>	<i>Annually and more frequently when an indication of impairment exists</i>	<i>Annually for assets not yet available for use and more frequently when an indication of impairment exists.</i>

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised on the income statement when the asset is de-recognised.

(g) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell

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(g) Impairment of assets (cont'd)

and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(h) Investments and other financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognitions and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available for sale financial assets. When financial assets are recognised initially, they are measured at fair value plus, in the case if investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are required for the purpose of selling in the near term with the intention of making a profit. Gains or losses on investments held for trading are recognised in profit and loss.

(ii) Available-for-sale-investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as the preceding category. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which the time the cumulative gain or loss previously reported in equity is recognized in profit or loss.

The fair values of investments that are actively traded in organized financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and options pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

(i) Other taxes

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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(j) Foreign currency transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the income statement in the financial year in which the exchange rates change.

(k) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges. Borrowing costs are expensed as incurred.

(l) Income Tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax to be recovered.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

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(m) Trade and other receivables

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts. Trade debtors to be settled within 60 days are carried at amounts due.

(n) Plant and equipment

Acquisition

Items of plant and equipment are initially stated at cost less accumulated depreciation and impairment losses.

Depreciation and amortisation

Items of plant and equipment are depreciated/amortised using the straight-line method over their estimated useful lives.

The depreciation rates used for plant and equipment range between 13% and 50%.

Assets are depreciated or amortised from the date of acquisition.

(o) Leased assets

Leases under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

Operating leases

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(p) Exploration and Evaluation Expenditure

All exploration and evaluation expenditure is expensed as incurred.

(q) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 30 days.

(r) Employee entitlements

Wages, salaries and annual leave

The provisions for employee entitlements to wages, salaries and annual leave represent present obligations resulting from employees' services provided up to the balance date, calculated at undiscounted amounts based on expected wage and salary rates including related on-costs.

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(r) Employee entitlements (cont'd)

Superannuation plan

The Company contributes to defined contribution superannuation plans. Contributions are charged against income as they are made.

(s) Share-based payment transactions

The Group provides benefits to employees or consultants (including directors) of the Group in the form of share-based payment transactions, whereby employees or consultants render services in exchange for shares or rights over shares ('equity-settled transactions').

The directors may provide these benefits at their discretion by a resolution or there is currently a plan in place to provide these benefits, the Employee Share Option Plan (ESOP), which provides benefits to directors, executives and employees.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in Note 13.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Comet (market conditions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 15).

(t) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share or options are shown in equity as a deduction, net of tax, from the proceeds.

**COMET RESOURCES LTD
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(u) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

(v) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- a. costs of servicing equity (other than dividends) and preference share dividends;
- b. the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have not been recognized as expenses; and
- c. other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(w) Significant accounting estimates

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date which they are granted. The fair value is determined by the company using a binomial model, using the assumptions detailed in Note 13.

Provision for loans to subsidiaries

The Company has provided in full for funds advanced to its subsidiary. Dependent on the successful commercialisation of the EOS products being developed by its subsidiary, the loan may be recoverable in which case the provision would be written back.

Deferred taxation

Deferred income tax assets are recognised for carry forward unused tax losses to the extent that it is probable that taxable profits will be available against which the tax losses can be utilised. At 30 June 2009 no provision for deferred tax has been recognised in relation to the unused tax losses as it is not considered probable that taxable profits will be available.

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	CONSOLIDATED		THE COMPANY	
	2009	2008	2009	2008
	\$	\$	\$	\$
3. REVENUES AND EXPENSES				
(a) Revenue				
Interest – other parties	139,984	164,283	139,903	156,887
(b) Other income				
Government grant income	-	429,862	-	-
Net (loss)/profit on sale of listed securities	(24,115)	637,039	(24,115)	637,039
Profit on sale of assets	-	14,950	-	14,950
Management fees – intercompany	-	-	150,000	120,000
	<u>(24,115)</u>	<u>1,081,851</u>	<u>125,885</u>	<u>771,989</u>
Net profit /(loss) on sale of listed securities comprises:				
Profit/(loss) on disposal of listed securities	15,885	(272,065)	15,885	(272,065)
Transfer from fair value reserve	(40,000)	909,104	(40,000)	909,104
Total	<u>(24,115)</u>	<u>637,039</u>	<u>(24,115)</u>	<u>637,039</u>
A government grant has been received for research activities within Australia. There are no unfulfilled conditions or contingencies attaching to this grant at balance date.				
(c) Other expenses				
Provision for diminution in loan to controlled entity	-	-	271,517	(25,939)
(d) Depreciation, included in income statement				
Included in administrative expenses:				
Depreciation of plant and equipment	3,994	8,038	3,155	6,354
Impairment	-	164	-	164
(e) Lease payments, included in income statement				
Operating leases	39,880	48,708	39,880	48,708
(f) Employee/consultants benefits expense, included in income statement				
Consulting fees	288,690	386,631	145,690	243,040
Wages and salaries	12,000	136,381	12,000	136,381
Superannuation costs	3,510	14,317	3,510	14,317
Expense of share-based payments	93,951	89,684	93,951	89,684
	<u>398,151</u>	<u>627,013</u>	<u>255,151</u>	<u>483,422</u>

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4. SEGMENT INFORMATION

The Group's primary reporting format is business segments and the Group only operates within one geographical segment.

The operating businesses are organised and managed separately according to the nature of the activities, with each segment representing a different business.

The exploration segment is involved the exploration of minerals.

The research and development segment is involved in the research and development of the EOS Technology.

Business segments

The following tables present revenue and loss information and certain asset and liability information regarding business segments for the years ended 30 June 2009 and 30 June 2008.

	<i>Exploration</i>	<i>R&D</i>	<i>Total</i>
	\$	\$	\$
Year ended 30 June 2009			
Revenue			
Loss on sale of securities and assets	(24,115)	-	(24,115)
Grant revenue	-	-	-
Management fee	150,000	-	150,000
Total segment revenue	<u>125,885</u>	<u>-</u>	<u>125,885</u>
Interest revenue			139,984
Inter segment elimination			<u>(150,000)</u>
Total consolidated revenue			<u>115,869</u>
Result			
Segment result	(1,543,405)	(407,662)	(1,951,067)
Intersegment elimination			271,517
Unallocated income			139,984
Loss before tax			<u>(1,539,566)</u>
Income tax benefit			208,750
Net loss for the year			<u>(1,330,816)</u>
Assets and liabilities			
Segment assets	570,915	12,176	583,091
Unallocated assets			2,269,164
Total assets	<u>-</u>	<u>-</u>	<u>2,852,255</u>
Segment liabilities	<u>(61,399)</u>	<u>(12,213)</u>	<u>(73,612)</u>
Total liabilities			<u>(73,612)</u>
Other segment information			
Capital expenditure	-	-	-
Depreciation	<u>3,155</u>	<u>839</u>	<u>3,994</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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4. SEGMENT INFORMATION (cont'd)

	<i>Exploration</i>	<i>R&D</i>	<i>Total</i>
	\$	\$	\$
Year ended 30 June 2008			
Revenue			
Profit on sale of securities and assets	651,989	-	651,989
Grant revenue	-	429,862	429,862
Management fee	120,000	-	120,000
Total segment revenue	<u>771,989</u>	<u>429,862</u>	<u>1,201,851</u>
Interest revenue			164,283
Inter segment elimination			(120,000)
Total consolidated revenue			<u>1,246,134</u>
Result			
Segment result	(608,315)	(84,384)	(692,699)
Intersegment elimination			(25,939)
Unallocated income			164,283
Loss before tax			(554,355)
Income tax benefit			159,034
Net loss for the year			<u>(395,321)</u>
Assets and liabilities			
Segment assets	2,206,582	10,058	2,216,640
Unallocated assets			2,524,745
Total assets	-	-	<u>4,741,385</u>
Segment liabilities	(92,128)	-	(92,128)
Total liabilities			<u>(92,128)</u>
Other segment information			
Capital expenditure	11,710	-	11,710
Depreciation	<u>6,354</u>	<u>1,684</u>	<u>8,038</u>

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5. TAXATION

	CONSOLIDATED		THE COMPANY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Income Statement				
A reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended 30 June 2009 is as follows:	(1,330,816)	(554,355)	(1,328,062)	(451,464)
Prima facie income tax expense/(benefit) calculated at 30% on the loss	(399,245)	(166,307)	(398,419)	(135,439)
Non-deductible items	(34,306)	27,107	5,651	27,107
Temporary differences and tax losses not brought to account as future income tax benefits	433,551	139,199	392,768	108,332
Australian Taxation Office R&D tax rebate (gross)	(208,750)	(159,034)	(75,440)	(50,364)
Income tax expense/(benefit) attributable to operating profit/ (loss)	(208,750)	(159,034)	(75,440)	(50,364)
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
<i>On Income Tax Account</i>				
Losses available for offset against future taxable income	2,392,840	1,958,381	2,252,782	1,939,867
Plant and equipment temporary differences	14,919	19,166	14,919	19,166
Accruals temporary difference	4,780	4,400	4,086	4,400
Fair value adjustments on loans	-	-	332,057	250,602
Gross deferred income tax assets	<u>2,412,539</u>	<u>1,981,947</u>	<u>2,603,844</u>	<u>2,214,035</u>
<i>On Capital Account</i>				
Fair value adjustment on investments	281,400	(190,125)	281,400	(190,125)
Losses available for offset against future taxable income	10,469	10,469	10,469	10,469
Gross deferred capital gains tax assets/(liabilities)	<u>291,869</u>	<u>(179,656)</u>	<u>291,869</u>	<u>(179,656)</u>

The Group has tax losses arising in Australia of \$7,976,134 (2008: \$6,484,738) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

At 30 June 2009, there is no recognised or unrecognised deferred income tax liability (2008: \$nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associate or joint venture, as the Group has no liability for additional taxation should such amounts be remitted.

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	CONSOLIDATED		THE COMPANY	
	2009	2008	2009	2008
	\$	\$	\$	\$
6. CASH AND CASH EQUIVALENTS				
Cash	36,886	55,470	22,438	48,363
Bank short term deposits, maturing within 60 days and paying interest at a weighted average interest rate of 5.77% (2008: 7.23%)	2,232,278	2,469,275	2,232,278	2,469,275
	2,269,164	2,524,745	2,254,716	2,517,638

7. TRADE AND OTHER RECEIVABLES

Current

Trade debtors	11,826	-	-	-
Accrued interest	1,379	4,334	1,379	4,334
GST	-	16,676	-	7,807
	13,205	21,010	1,379	12,141

As of 30 June 2009 trade and other receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The Group does not have any collateral in relation to these receivables.

Details regarding the effective interest rate and credit risk of current receivables is disclosed in Note 21.

8. PLANT AND EQUIPMENT

Non-current

At cost	111,435	111,435	108,068	108,068
Accumulated depreciation	(102,489)	(98,495)	(99,472)	(96,317)
Total plant and equipment net book value	8,946	12,940	8,596	11,751

Reconciliation

Reconciliation of the carrying amount for plant and equipment is set out below:

Carrying amount at beginning of year	12,940	9,432	11,751	6,559
Additions	-	11,710	-	11,710
Impairment	-	(164)	-	(164)
Depreciation	(3,994)	(8,038)	(3,155)	(6,354)
Carrying amount at end of year	8,946	12,940	8,596	11,751

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	CONSOLIDATED		THE COMPANY	
	2009	2008	2009	2008
	\$	\$	\$	\$
9. AVAILABLE- FOR- SALE FINANCIAL ASSETS				
Current				
Securities in listed companies (at cost)	1,450,000	1,490,001	1,450,000	1,490,001
Net unrealised (losses)/gains	(938,000)	633,749	(938,000)	633,749
	512,000	2,123,750	512,000	2,123,750
<i>Listed securities</i>				
The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.				
Securities held in Ferrowest Limited have a fair value of \$512,000 at 30 June 2009.				
10. OTHER FINANCIAL ASSETS				
Non-current				
Investments in controlled entities	-	-	1	1
Loans to controlled entities	-	-	1,106,857	835,340
Provision for diminution	-	-	(1,106,858)	(835,341)
	-	-	-	-
Security bonds	48,940	58,940	48,940	58,940
	48,940	58,940	48,940	58,940
11. TRADE AND OTHER PAYABLES				
Current				
Trade creditors and accruals	32,065	50,581	19,852	50,581
Unclaimed funds	41,547	41,547	41,547	41,547
	73,612	92,128	61,399	92,128

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	<i>CONSOLIDATED</i>		<i>THE COMPANY</i>	
	2009	2008	2009	2008
	\$	\$	\$	\$
12. CONTRIBUTED EQUITY				
Issued and paid-up capital				
68,317,903 (2008: 68,317,903) ordinary shares	4,758,265	4,758,265	4,758,265	4,758,265
Movements in ordinary share capital				
Balance at the beginning of the financial year	4,758,265	4,758,265	4,758,265	4,758,265
Balance at the end of the financial year	4,758,265	4,758,265	4,758,265	4,758,265

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at a shareholders meeting.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Options

There are no options outstanding or on issue.

Incentive Shares

2,725,000 class A Incentive shares expiring on or before 18 October 2009

4,125,000 class B Incentive shares expiring on or before 18 October 2009

The market price of the Company's fully paid ordinary shares at 30 June 2009 was 4.2 cents (2008: 6.6 cents) per share.

	<i>CONSOLIDATED</i>		<i>THE COMPANY</i>	
	2009	2008	2009	2008
	\$	\$	\$	\$
13. RESERVES				
Option premium reserve	294,707	294,707	294,707	294,707
Share based payments reserve	288,877	194,926	288,877	194,926
Net unrealised gains reserve	-	633,749	-	633,749
	583,584	1,123,382	583,584	1,123,382

**COMET RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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	<i>CONSOLIDATED</i>		<i>THE COMPANY</i>	
	2009 \$	2008 \$	2009 \$	2008 \$
13. RESERVES (cont'd)				
Movement in reserves				
Balance at beginning of year	1,123,382	5,829,916	1,123,382	5,829,916
Expense of options and incentive shares to directors and executives	93,951	89,684	93,951	89,684
Net unrealised losses on available-for-sale financial assets	(1,531,749)	(3,887,114)	(1,531,749)	(3,887,114)
Transfer of fair value reserve to impairment account	938,000	-	938,000	-
Transfer of fair value reserve to income on disposal of investments	(40,000)	(909,104)	(40,000)	(909,104)
Balance at end of year	583,584	1,123,382	583,584	1,123,382

Nature and Purpose of Reserves

Option Premium Reserve

The Option premium reserve reflects the amounts received on issue of options other than remuneration options.

Share-Based Payments Reserve

The reserve reflects the value of equity benefits provided to executives as part of their remuneration.

On 31 January 2006, 500,000 options with a fair value of \$0.0715 each were granted over ordinary shares with an exercise price of \$0.15 each, exercisable until 31 January 2009.

Other relevant terms and conditions applicable to options granted include:

- the options vest upon issue.
- upon exercise, these options will be settled in ordinary shares of Comet Resources Limited.

The fair value of the options are estimated at the date of grant using the binomial model. The following table gives the assumptions made in determining the fair value of the options granted in the year to 30 June 2006.

	<u>2006</u>
Dividend yield (%)	-
Expected volatility (%)	75
Risk-free interest rate (%)	5.91
Expected life of option (years)	3
Option exercise price (\$)	0.15
Share price at grant date (\$)	0.14

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

COMET RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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13. RESERVES (cont'd)

On 18 October 2006, 2,725,000 class A incentive shares with a fair value of \$0.058 each, exercisable until 31 October 2009 and 4,125,000 class B incentive shares with a fair value of \$0.027 each, exercisable until 31 October 2009, were issued.

Other relevant terms and conditions applicable to incentive shares granted include:

- the incentive shares can be exercised upon meeting particular milestones.
- upon exercise, the incentive shares will be settled in ordinary shares of Comet Resources Limited.
- If the milestones are not met each 100,000 shares are converted into 1 ordinary share.

The fair value of the incentive shares were estimated at the date of grant using the binomial model. The following table gives the assumptions made in determining the fair value of the incentive shares granted in the year to 30 June 2007.

Class A Incentive shares	
Dividend yield (%)	-
Expected volatility (%)	56.00
Risk-free interest rate (%)	5.72
Expected life of Incentive shares (years)	3
Incentive shares conversion price (\$)	0.40
Share price at grant date (\$)	0.18
Non-marketability discount (%)	0.25

Class B Incentive shares	
Dividend yield (%)	-
Expected volatility (%)	79.5
Risk-free interest rate (%)	5.72
Expected life of Incentive shares (years)	3
Incentive shares conversion price (\$)	0.60
Share price at grant date (\$)	0.18
Non-marketability discount (%)	0.25

The expected life of the incentive shares is based on historical data and is not necessarily indicative of conversion patterns that may occur.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Net Unrealised Gains Reserve

This reserve records movements in the fair value of available-for-sale financial assets. At 30 June 2009 the balance of the net unrealised gain reserve is \$Nil (2008: \$633,749)

CONSOLIDATED		THE COMPANY	
2009	2008	2009	2008
\$	\$	\$	\$

14. ACCUMULATED LOSSES

Accumulated losses at beginning of year	(1,232,390)	(837,609)	(1,249,555)	(848,454)
Net loss attributable to members of the parent entity	(1,330,816)	(395,321)	(1,328,062)	(401,101)
Accumulated losses at the end of the year	<u>(2,563,206)</u>	<u>(1,232,390)</u>	<u>(2,577,617)</u>	<u>(1,249,555)</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2009**

	CONSOLIDATED	
	2009	2008
15. EARNINGS PER SHARE		
Weighted average number of ordinary shares for basic earnings (loss) per share	68,317,903	68,317,903
Effect of dilution:		
Share options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>68,317,903</u>	<u>68,317,903</u>

There are no instruments excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for either of the years presented.

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

Information on the classification of securities

Options

Options granted to key management personnel as described in note 13 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. There are no options on issue at the date of this report.

Incentive Shares

Incentive shares granted to directors and key management personnel as described in note 13 are not considered to be potential ordinary shares and have not been included in the determination of diluted earnings per share.

16. STATEMENT OF CASH FLOWS

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	CONSOLIDATED		THE COMPANY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash	36,886	55,470	22,438	48,363
Bank short term deposits, maturing within 60 days and paying interest at a weighted average interest rate of 5.77% (2008: 7.23%)	2,232,278	2,469,275	2,232,278	2,469,275
	<u>2,269,164</u>	<u>2,524,745</u>	<u>2,254,716</u>	<u>2,517,638</u>

**COMET RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2009**

16. STATEMENT OF CASH FLOWS (cont'd)

	CONSOLIDATED		THE COMPANY	
	2009	2008	2009	2008
	\$	\$	\$	\$
(b) Reconciliation of operating loss after income tax to net cash used in operating activities				
Operating loss after income tax	(1,330,816)	(395,321)	(1,328,062)	(401,101)
Add items classified as investing activities:				
Loss/(Profit) on sale of listed securities and plant and equipment	24,115	(651,989)	24,115	(651,989)
Add non-cash items:				
Depreciation and impairment	3,994	8,202	3,155	6,518
Share-based payments	93,951	89,684	93,951	89,684
Diminution in value of investments	-	-	271,517	(145,939)
Transfer of fair value reserve to impairment account	938,000	-	938,000	-
Changes in assets and liabilities:				
(Increase)/decrease in trade and other receivables and prepayments	7,805	69,915	10,762	60,859
Increase/(decrease) in trade and other payables	(18,516)	(78,960)	(30,729)	(55,085)
Net cash flow used in operating activities	(281,467)	(958,469)	(17,291)	(1,097,053)

17. DIRECTOR AND EXECUTIVE DISCLOSURES

Details of Key Management Personnel

The following persons were directors of Comet Resources Limited during the financial year:

Mr RO Jones - Chairman
Mr AR Cooper - Chief Executive Officer
Mr R N Hill - Non-executive Director

The following persons were executives of Comet Resources Limited during the financial year:

Mr E Czechowski - Company Secretary

COMET RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2009

17. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

Compensation by Category: Key Management Personnel, Directors and Executives

	CONSOLIDATED		THE COMPANY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Short-term	317,208	415,837	171,968	415,837
Post employment	2,430	3,842	2,430	3,842
Share-based payment	93,245	88,976	93,245	88,976
	412,883	508,655	267,643	508,655

During the year no options or incentive shares were issued to key management personnel, directors or executives.

Equity instruments disclosures relating to directors and executives

Option holdings and Incentive shares

No options were held by directors at balance date (2008:0).

The number of incentive shares in the Company held during the financial year by each director of Comet, including their personally-related entities, are set out below.

30 June 2009

Name	Balance at the start of the year	Granted during the year as remuneration	Expired during the year	Incentive shares converted during the year	Balance at the end of the year	Vested and exercisable at the end of the year
RO Jones	750,000 class A 1,250,000 class B	-	-	-	750,000 class A 1,250,000 class B	Nil Nil
AR Cooper	1,000,000 class A 1,500,000 class B	-	-	-	1,000,000 class A 1,500,000 class B	Nil Nil
RN Hill	500,000 class A 750,000 class B	-	-	-	500,000 class A 750,000 class B	Nil Nil

30 June 2008

Name	Balance at the start of the year	Granted during the year as remuneration	Expired during the year	Incentive shares converted during the year	Balance at the end of the year	Vested and exercisable at the end of the year
RO Jones	750,000 class A 1,250,000 class B	-	-	-	750,000 class A 1,250,000 class B	Nil Nil
AR Cooper	1,000,000 class A 1,500,000 class B	-	-	-	1,000,000 class A 1,500,000 class B	Nil Nil
RN Hill	500,000 class A 750,000 class B	-	-	-	500,000 class A 750,000 class B	Nil Nil

COMET RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2009

17. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

Share holdings

The numbers of ordinary shares in the Company held during the financial year by each director of Comet, including their personally-related entities, are set out below.

30 June 2009

Name	Balance at the start of the year	Acquired during the year	Balance at the end of the year
RO Jones	9,413,341	111,422	9,524,763
AR Cooper	4,432,623	974,000	5,406,623
RN Hill	4,175,045	302,687	4,477,732

30 June 2008

Name	Balance at the start of the year	Acquired during the year	Balance at the end of the year
RO Jones	9,213,341	200,000	9,413,341
AR Cooper	4,402,623	30,000	4,432,623
RN Hill	4,175,045	-	4,175,045

Other transactions with directors

(i) Consultancy fees of \$117,000 were paid at normal commercial rates to Rojex Mining Services Pty Ltd, a company controlled by Mr RO Jones, for the provision of management, administrative and technical services.

(ii) Consultancy fees of \$126,000 were paid or are payable at normal commercial rates to Alberta Resources Pty Ltd, a company controlled by Mr AR Cooper, for the provision of technical and administrative services.

The above fees have been included in director's remuneration disclosed in the remuneration report.

The terms and conditions of the transactions with directors and director-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arms length basis.

No amounts were receivable from directors and their director-related entities at balance date arising from these transactions.

Amounts payable to directors and their director-related entities at balance date arising from these transactions were as follows:

	CONSOLIDATED		THE COMPANY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Current payables				
Trade creditors	9,900	13,500	-	13,500

COMET RESOURCES LTD
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18. AUDITORS' REMUNERATION

	CONSOLIDATED		THE COMPANY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Audit services:				
Auditors of the Company – Stantons International	16,041	22,080	16,041	22,080
Other services (tax)	4,500	-	4,500	-

19. COMMITMENTS

Exploration expenditure commitments

The obligations to perform minimum exploration work on leases are not provided for in the accounts and are payable as follows:
Not longer than one year

194,000	219,999	194,000	219,999
194,000	219,999	194,000	219,999

The Group may vary the exploration expenditure over the period by reducing its tenement holdings and/or applying for exemptions. Future expenditure will be based on the prospectivity of the tenements and/or the cash resources of the Group.

Rental commitments

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2009 are as follows:

38,750	38,750	38,750	38,750
19,375	38,750	19,375	38,750
58,125	77,500	58,125	77,500

**COMET RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2009**

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short-term deposits.

The main purpose of these financial instruments is to support the Group's operations.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the period under review, the Group's policy that trading in financial instruments may be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's cash and short-term deposits.

Sensitivity Analysis

The following tables summarise the sensitivity of the Group's financial assets to interest rate risk. Had the relevant variables, as illustrated in the tables, moved, with all other variables held constant, post tax loss and equity would have been affected as shown. The analysis has been performed on the same basis for 2009 and 2008.

Consolidated Entity & Parent Entity 30 June 2009	Carrying Amount	Interest Rate Risk -1%		Interest Rate Risk +1%	
		Net Loss	Equity	Net Loss	Equity
		\$	\$	\$	\$
<i>Financial assets</i>					
Cash & cash equivalents	2,269,164	(22,691)	(22,691)	22,691	22,691
Receivables	13,205	(132)	(132)	132	132
	<u>2,282,369</u>	<u>(22,823)</u>	<u>(22,823)</u>	<u>22,823</u>	<u>22,823</u>

None of the Group's financial liabilities are interest bearing.

Consolidated Entity & Parent Entity 30 June 2008	Carrying Amount	Interest Rate Risk -1%		Interest Rate Risk +1%	
		Net Loss	Equity	Net Loss	Equity
		\$	\$	\$	\$
<i>Financial assets</i>					
Cash & cash equivalents	2,524,745	(25,247)	(25,247)	25,247	25,247
Receivables	21,010	(210)	(210)	210	210
	<u>2,545,755</u>	<u>(25,457)</u>	<u>(25,457)</u>	<u>25,457</u>	<u>25,457</u>

None of the Group's financial liabilities are interest bearing.

Foreign currency risk

The Group operates solely within Australia at this time and subject to limited foreign currency risk.

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20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Price risk

The Group and the parent entity are exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as available-for-sale assets or at fair value through profit or loss. The Group and the parent entity are exposed to minimal commodity price risk.

Credit risk

The Group trades only with recognised, creditworthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and available-for-sale financial assets, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

There are no significant concentrations of credit risk within the Group.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of short-term deposits, grant funding and equity raising if required.

21. FINANCIAL INSTRUMENTS

The Group and the parent entity hold the following financial instruments:

	Note	Floating Interest	Fixed interest maturing in:		Non Interest bearing	Total	Weighted average interest rate
			1 year or less	1-5 years			
		\$	\$	\$	\$	\$	
CONSOLIDATED							
2009							
Financial assets							
Cash and cash equivalents	6	2,232,278	-	-	36,886	2,269,164	5.77%
Trade and other receivables	7	-	-	-	13,205	13,205	0%
Listed securities	9	-	-	-	512,000	512,000	0%
Bonds	10	-	-	-	48,940	48,940	0%
		<u>2,232,278</u>	<u>-</u>	<u>-</u>	<u>611,031</u>	<u>2,843,309</u>	
Financial liabilities							
Trade and other payables	11	-	-	-	73,612	73,612	0%
		<u>-</u>	<u>-</u>	<u>-</u>	<u>73,612</u>	<u>73,612</u>	
Net financial assets		<u>2,232,278</u>	<u>-</u>	<u>-</u>	<u>537,419</u>	<u>2,769,697</u>	

COMET RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2009

21. FINANCIAL INSTRUMENTS (cont'd)

	Note	Floating Interest	Fixed interest maturing in:		Non Interest bearing	Total	Weighted average interest rate
			1 year or less	1-5 years			
		\$	\$	\$	\$	\$	
PARENT							
2009							
Financial assets							
Cash and cash equivalents	6	2,232,278	-	-	22,438	2,254,716	5.77%
Trade and other receivables	7	-	-	-	1,379	1,379	0%
Listed securities	9	-	-	-	512,000	512,000	0%
Bonds	10	-	-	-	48,940	48,940	0%
		<u>2,232,278</u>	<u>-</u>	<u>-</u>	<u>584,757</u>	<u>2,817,035</u>	
Financial liabilities							
Trade and other payables	11	-	-	-	61,399	61,399	0%
		<u>-</u>	<u>-</u>	<u>-</u>	<u>61,399</u>	<u>61,399</u>	
Net financial assets		<u>2,232,278</u>	<u>-</u>	<u>-</u>	<u>523,358</u>	<u>2,755,636</u>	

	Note	Floating Interest	Fixed interest maturing in:		Non Interest bearing	Total	Weighted average interest rate
			1 year or less	1-5 years			
		\$	\$	\$	\$	\$	
CONSOLIDATED							
2008							
Financial assets							
Cash and cash equivalents	6	2,469,275	-	-	55,470	2,524,745	7.23%
Trade and other receivables	7	-	-	-	21,010	21,010	0%
Listed securities	9	-	-	-	2,123,750	2,123,750	0%
Bonds	10	-	-	-	58,940	58,940	0%
		<u>2,469,275</u>	<u>-</u>	<u>-</u>	<u>2,259,170</u>	<u>4,728,445</u>	
Financial liabilities							
Trade and other payables	11	-	-	-	92,128	92,128	0%
		<u>-</u>	<u>-</u>	<u>-</u>	<u>92,128</u>	<u>92,128</u>	
Net financial assets		<u>2,469,275</u>	<u>-</u>	<u>-</u>	<u>2,167,042</u>	<u>4,636,317</u>	

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2009

21. FINANCIAL INSTRUMENTS (cont'd)

	Note	Floating Interest	Fixed interest maturing in:		Non Interest bearing	Total	Weighted average interest rate
			1 year or less	1-5 years			
		\$	\$	\$	\$	\$	
PARENT							
2008							
Financial assets							
Cash and cash equivalents	6	2,469,275	-	-	48,363	2,517,638	7.23%
Trade and other receivables	7	-	-	-	12,141	12,141	0%
Listed securities	9	-	-	-	2,123,7500	2,123,750	0%
Bonds	10	-	-	-	58,940	58,940	0%
		<u>2,469,275</u>	<u>-</u>	<u>-</u>	<u>2,243,194</u>	<u>4,712,469</u>	
Financial liabilities							
Trade and other payables	11	-	-	-	92,128	92,128	0%
		<u>-</u>	<u>-</u>	<u>-</u>	<u>92,128</u>	<u>92,128</u>	
Net financial assets		<u>2,469,275</u>	<u>-</u>	<u>-</u>	<u>2,151,066</u>	<u>4,620,341</u>	

Net fair values of financial assets and liabilities

The net fair values of financial assets and financial liabilities at balance date approximates their carrying amount.

22. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Comet and the subsidiaries listed in the following table.

	2009 %	2008 %
Comet Resources Limited – controlled entities		
Ravensthorpe Management Pty Ltd*^	100	100
Environmental Oil Solutions Pty Ltd*	100	100

* incorporated in Australia

^ dormant

Comet Resources Limited is the ultimate parent entity.

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for the year ended 30 June 2009

22. RELATED PARTY DISCLOSURES (cont'd)

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year:

Related party		Management fee	Amount owed by related parties	Amounts owed to related parties
		\$	\$	\$
Subsidiary:				
Environmental Oil Solutions	2009	150,000	1,106,858	-
	2008	120,000	835,341	-

Transactions with key management personnel are disclosed in Note 17.

23. EVENTS SUBSEQUENT TO BALANCE DATE

As at the 25 August 2009 the fair value of shares and options held in Ferrowest Limited was \$826,000 which is an increase of \$314,000 since 30 June 2009.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

24. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group does not have any contingent assets or liabilities.

**COMET RESOURCES LTD
and its Controlled Entities
DIRECTORS' DECLARATION**

The Directors of Comet Resources Limited declare that:

- (a) the financial statements and notes, set out on pages 10 to 40 are in accordance with the Corporations Act 2001:
- give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the Company and economic entity; and
 - comply with Accounting Standards and the Corporations Regulations 2001;
- (b) in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2009.

This declaration is made in accordance with a resolution of the Board of Directors.



AR Cooper
Executive Director

Dated at Perth this 28 day of August 2009

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

Report on the Financial Report and the AASB 124 remuneration disclosures contained in the Directors' Report

We have audited the accompanying financial report of Comet Resources Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the Directors' Report under the heading "remuneration report" on pages 7 to 10.

Directors' responsibility for the Financial Report and the AASB 124 remuneration disclosures contained in the Directors' Report

The directors of the Company are responsible for the preparation and fair presentation of the 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 control relevant to the preparation and fair presentation of the 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. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the Company are also responsible for the remuneration disclosures contained in the Directors' Report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in the Directors' Report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the Directors' Report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the Directors' Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the Directors' Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the Directors' Report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion on the financial report

In our opinion:

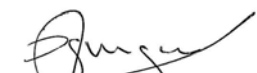
- (a) the financial report of Comet Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2(b).

Auditor's opinion on the AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in pages 7 to 10 of the Directors' Report comply with section 300 A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL (An Authorised Audit Company)

Stantons International



K G Lingard
Director

West Perth, Western Australia
22 August 2008

22 August 2008

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

Dear Directors

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 the Audit Director for the audit of the financial statements of Comet Resources Limited for the year ended 30 June 2008, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

STANTONS INTERNATIONAL
(Authorised Audit Company)



K G Lingard
Director

**COMET RESOURCES LTD
and its Controlled Entities
ASX ADDITIONAL INFORMATION**

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report.

The information is made as at 21 August 2009.

Twenty largest shareholders		
	Number	%
Rojex Mining Services Pty Ltd	9,471,763	13.86
UBS Wealth Management Aust Noms Pty Ltd	6,944,976	10.17
Danari Holdings Ltd	4,810,000	7.04
Pillage Investments Pty Ltd	3,173,050	4.64
Alberta Resources Pty Ltd	2,782,000	4.07
Broomehill Pty Ltd	2,667,047	3.90
Clodene Pty Ltd	2,510,854	3.67
Alberta Resources Pty Ltd	1,788,774	2.62
Mr Philip Holmewood	1,635,937	2.39
Yandal Investments Pty Ltd	1,600,000	2.34
Alford Bay Pty Ltd	1,456,000	2.13
Mr HG Dawson & Mrs LV Dawson	1,188,206	1.74
Mr Alex Negus	1,017,000	1.49
Piat Corp Pty Ltd	1,000,000	1.46
Tansearch Pty Ltd	946,850	1.39
Abancourt Holdings Pty Ltd	798,343	1.17
Pasco Holdings Pty Ltd	776,000	1.14
Mr Anthony Cooper	713,538	1.04
ANZ Nominees Limited	675,266	0.99
Mr Scott Matheson	500,000	0.73

Number of share, incentive share and option holders

68,317,903 fully paid ordinary shares are held by 642 shareholders.

2,725,000 class A incentive shares are held by 6 shareholders.

4,125,000 class B incentive shares are held by 6 shareholders.

**COMET RESOURCES LTD
and its Controlled Entities
ASX ADDITIONAL INFORMATION (CONT'D)**

Distribution of share, incentive shares and option holders

	Fully Paid	Class A Incentive shares	Class B Incentive shares
1-1,000	24	-	-
1,001-5,000	101	-	-
5,001-10,000	174	-	-
10,001-100,000	272	1	1
100,001 & over	71	5	5
TOTAL	642	6	6

Holders of non-marketable parcels

There are 299 shareholders that hold less than a marketable parcel totalling 1,929,137 fully paid ordinary shares.

Voting rights

On a show of hands each member is entitled to one vote and on a poll one vote for every fully paid share held.

Substantial shareholders

The following shareholders are recorded in the register of substantial shareholders:

Mr Robert (Roj) Jones & Rojex Mining Services Pty Ltd – 9,524,763 fully paid shares;
UBS Wealth Management - 6,944,976 fully paid shares;
Mr Anthony Cooper & Alberta Resources Pty Ltd – 5,406,623 fully paid shares;
Danari Holdings Pty Ltd – 4,810,000 fully paid shares; and
Mr Roger Hill, Alford Bay Pty Ltd and Broomehill Pty Ltd – 4,477,732 fully paid shares

Stock Exchange listing

The Company's fully paid shares (CRL) are quoted by the Australian Securities Exchange Limited.

Restricted securities

The Company has no securities on issue that are classified as "Restricted Securities".

On-market buy-back

Currently there is no on-market buy-back of the Company's securities

**COMET RESOURCES LTD
and its Controlled Entities
CORPORATE GOVERNANCE STATEMENT**

Corporate Governance Statement

The primary responsibility of the Board is to represent and advance Shareholders' interests and to protect the interests of all stakeholders. To fulfil this role the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring achievement of these goals.

Subject to the exceptions outlined below the Company will adopt the ASX Corporate Governance Council's 2nd edition *Corporate Governance Principles and Recommendations* to determine an appropriate system of control and accountability to best fit its business and operations commensurate with these guidelines.

As the Company's activities develop in size, nature and scope the implementation of additional corporate governance structures will be given further consideration.

Disclosure of Corporate Governance Practices

Summary Statement

	ASX P & R ¹	If not, why not ²		ASX P & R ¹	If not, why not ²
Recommendation 1.1	✓		Recommendation 4.3		✓
Recommendation 1.2	✓		Recommendation 4.4	✓	
Recommendation 1.3	✓		Recommendation 5.1	✓	
Recommendation 2.1		✓	Recommendation 5.1	✓	
Recommendation 2.2		✓	Recommendation 6.1	✓	
Recommendation 2.3	✓		Recommendation 6.1	✓	
Recommendation 2.4		✓	Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2		✓
Recommendation 2.6	✓		Recommendation 7.3	✓	
Recommendation 3.1	✓		Recommendation 7.4		✓
Recommendation 3.2	✓		Recommendation 8.1		✓
Recommendation 3.3	✓		Recommendation 8.2		✓
Recommendation 4.1		✓	Recommendation 8.3	✓	
Recommendation 4.2		✓			

¹ Indicates where the Company has followed the Principles & Recommendations.

² Indicates where the Company has provided a "if not, why not" disclosure.

The Board sets out below its "if not, why not" report in relation to those matters of corporate governance where the Company's practices depart from the recommendations.

Best Practice Recommendation	Notification of departure	Explanation of departure
2.1	Majority of Board not independent	The Board considers the Company is not currently of a size, nor are its affairs of such complexity to justify the appointment of a majority of independent non-executive directors. The Board believes that the individuals can make, and do make, quality and independent judgements in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item must absent themselves from the Board meeting before commencement of discussion on the topic.
2.2	Chairman is not independent	The Company's Executive Chairman, Mr RO Jones, is considered by the Board not to be independent in terms of the ASX Corporate Governance Council's definition of independent director. However, the Board believes that the Chairman is able and does bring quality and independent judgement to all relevant issues falling within the scope of the role of Chairman.

**COMET RESOURCES LTD
and its Controlled Entities
TENEMENT LISTING**

2.4	A separate Nomination Committee has not been formed	The Board considers that the Company is not currently of a size to justify the formation of a Nomination Committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification of attributes required in new Directors. Where appropriate, independent consultants will be engaged to identify possible new candidates for the Board.
4.1, 4.2 & 4.3	A separate Audit Committee has not been formed and there is no Charter	The Board considers that the Company is not of a size, nor are its financial affairs of such complexity to justify the formation of an Audit Committee. The Board as a whole undertakes the selection and application of accounting policies, the integrity of financial reporting, the identification and management of risk and review of the operation of the internal control systems.
7.2	There is no management risk internal control system in place	Whilst the Company does consider risk management (refer to Annual Report, Note 20) not all of the recommendations regarding internal control systems are in place. Procedures are now being implemented to ensure compliance.
7.4	No report from management	No report received from management regarding Recommendation 7.2.
8.1 & 8.2	A separate Remuneration Committee has not been formed	The Board considers that the Company is not of a size, nor are its financial affairs of such complexity to justify the formation of a Remuneration Committee. The Board as a whole is responsible for remuneration arrangements for Directors and Executives of the Company and considers it more appropriate to set aside time at Board meetings each year to specifically address matters that would ordinarily fall to a Remuneration Committee.

The Board recognises the need for the Company to operate with the highest standards of behaviour and accountability.

Details of each Director's qualifications and experience are set out in the Directors' Report.

Details of remuneration are contained in the "Remuneration Report" which forms part of the Directors' Report.

The responsibilities of the Board include:

- Protection and enhancement of Shareholder value;
- Formulation, review and approval of the objectives and strategic direction of the Company;
- Approving all significant business transactions including acquisitions, divestments and capital expenditure;
- Monitoring the financial performance of the Company by reviewing and approving budgets and monitoring results;
- Ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- The identification of significant business risks and ensuring that such risks are adequately managed;
- The review and performance and remuneration of executive directors and key management personnel;
- The establishment and maintenance of appropriate ethical standards; and
- Evaluating, and where appropriate, adopting with or without modification, the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*.

**COMET RESOURCES LTD
and its Controlled Entities
TENEMENT LISTING**

Tenement Listing		
Project	Interest	Tenement
Utopia	100%	EL 28/1412
	100%	EL 28/1494
	100%	EL 28/1495
Jilbadji	100%	EL 28/1657
	100%	ELA 77/1182
Kerrs Creek	100%	EL 6240
Browns Reef	100%	EL 6321
		EL 6657
Murrumbateman	100%	EL 6295