



2010 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**

20 August 2010

Dear Fellow shareholder,

Your Directors present the Annual Report and Audited Financial Statements of the Company for the year ended 30 June 2010.

During the year the Company has carried out exploration on a number of its wholly owned mineral properties and continued to progress commercial trials with the Environmental Oil Solutions technology.

Ongoing funding of Projects largely was maintained, with no dilution to shareholders, through the sale of listed security investments.

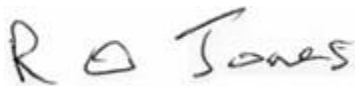
The Browns Reef Project in New South Wales is seen as having the potential for a large base metal resource. Current base metal prices have led to the project being shelved until the prices improve. The Kerrs Creek Project returned some low grade anomalous gold and manganese. Discussions are being held with prospective joint venture partners.

New projects are being evaluated.

Research into the development of technology that will assist remediation of waste oil, a significant world issue, is ongoing. The progress in carrying out commercial trials has been slow. The Company hopes that negotiations will deliver some small scale jobs by the end of 2010.

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 consolidated financial report of Comet Resources Limited ("Comet or the Company") and its controlled entities, for the year ended 30 June 2010 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	
RO Jones	10,566,951
AR Cooper	6,468,811
RN Hill	4,790,388

Earnings per Share

	Cents
Basic loss per share	0.76
Diluted loss per share	0.76

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 net loss after income tax of the consolidated entity for the financial year was \$535,428 (2009: \$1,330,816 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)

A broad spaced Reverse Circulation thirty one hole drilling programme was completed for 1,642 metres.

The best intersection includes K05 with 10m @ 1.22% Zinc and 3.4% Manganese from 25 metres, K25 4m @ 9.9% Mn from 54m and 1 m @ 0.61g/t Au from 36m.

The significance of the drill results and the available geophysical data are being assessed in planning follow up work.

**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 through research at Flinders University.

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 with industry groups to deliver commercially attractive solutions to operational and environmental issues.

The Company is continuing negotiations to carry out some small scale commercial test work at a site in the Eastern States.

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 \$2,001,667 at 30 June 2010 and a net asset position of \$2,426,585. 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 year no incentive shares or options were issued.

During the year the Company issued 2,397,032 shares with a value of \$115,000 in lieu of Director's and consulting fees.

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 Reporting Date

As at the 19 August 2010 the fair value of shares and options held in Ferrowest Limited was \$539,838 which is \$96,603 greater than the fair value at 30 June 2010.

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

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

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 and officers 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 \$4,596 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.

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 2010 the Directors have accepted shares in lieu of fees as follows:
 - Mr RO Jones (Rojex Mining Services Pty Ltd) - \$50,000;
 - Mr AR Cooper (Alberta Resources Pty Ltd) - \$50,000; and
 - Mr RN Hill - \$15,000.

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:

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

Remuneration Report (Audited) (cont'd)

- a) a total of \$162,000 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 \$162,000, 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 2010**

Name		Short-term			Post-employment		Share-based	Total	Perform-ance based	Remun-eration consisting of incentive shares
		Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Retire-ment benefits	Incentive shares			
		\$	\$	\$	\$	\$	\$	%	%	
RO Jones (i)	2010	112,000	-	51,149	-	-	7,789	170,938	4.56	4.56
Chairman	2009	117,000	-	2,802	-	-	25,703	145,505	17.66	17.66
AR Cooper (i)	2010	112,000	-	51,149	-	-	9,937	173,086	5.74	5.74
CEO	2009	126,000	-	2,802	-	-	32,789	161,591	20.29	20.29
RN Hill (i)	2010	15,000	-	16,149	2,700	-	4,969	38,818	12.80	12.80
Non-executive	2009	27,000	-	2,802	2,430	-	16,395	48,627	33.72	33.72
Total 2010		239,000	-	118,447	2,700	-	22,695	382,842		
Total 2009		270,000	-	8,406	2,430	-	74,887	355,723		

**Table 2
Remuneration of Key Executives for the Year ended 30 June 2010**

Name		Short-term			Post-employment		Share based	Total	Perform-ance based	Remun-eration consisting of incentive shares
		Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Retire-ment benefits	Incentive Shares			
		\$	\$	\$	\$	\$	\$	%	%	
*appointed 20 September 2007										
** resigned 20 September 2007										
*** resigned 3 July 2007										
N Lloyd**	2010	-	-	-	-	-	-	-	-	-
Company Secretary	2009	-	-	-	-	-	7,388	7,388	100.00	100.00
E Czechowski*	2010	36,000	-	1,149	-	-	-	37,149	-	-
Company Secretary	2009	36,000	-	2,802	-	-	-	38,802	-	-
S Matheson***	2010	-	-	-	-	-	-	-	-	-
Exploration Manager	2009	-	-	-	-	-	10,970	10,970	100.00	100.00
Total 2010		36,000	-	1,149	-	-	-	37,149		
Total 2009		36,000	-	2,802	-	-	18,358	57,160		

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

None of the incentive shares vested as the performance milestones were not achieved.

(i) Included in non-monetary benefits are the following fees settled via the issue of shares:

Mr RO Jones - \$50,000
Mr AR Cooper - \$50,000
MR RN Hill - \$15,000

**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	10	10
AR Cooper	10	10
RN Hill	9	10

A = Number of meetings attended B = Number of meetings held 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 Company's auditor, Stantons International, did not provide any non-audit services during the year.

A copy of the Auditor's independence declaration as required by Section 307c of the Corporations Act 2001 is set out on page 45.

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 20 day of August 2010

COMET RESOURCES LTD
and its Controlled Entities
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2010

	Note	CONSOLIDATED	
		2010	2009
		\$	\$
Administration expenses		(442,029)	(500,696)
Research and development expenses		-	(65,313)
Exploration expenses		(260,667)	(147,432)
Impairment of available-for-sale assets		-	(938,000)
Operating result		(702,696)	(1,651,441)
Earnings before interest and taxes and amortisation (EBITA)		(702,696)	(1,651,441)
Amortisation		(2,561)	(3,994)
Earnings before interest and taxes		(705,257)	(1,655,435)
Net other income	3(a),(b)	169,829	115,869
Loss before taxes		(535,428)	(1,539,566)
Income tax		-	208,750
Net loss for the year	14	(535,428)	(1,330,816)
Other comprehensive income for the year			
Net unrealised fair value gains/(losses) on available-for-sale financial assets		94,960	(1,531,749)
Transfer of fair value reserve to income on disposal of investments		(49,500)	(40,000)
Transfer of fair value reserve to impairment account		-	938,000
Total comprehensive loss for the year		(489,968)	(1,964,565)
Net loss attributable to the parent entity		(535,428)	(1,330,816)
Total comprehensive loss attributable to the parent entity		(489,968)	(1,964,565)
Basic loss per share	15	(0.76) cents	(1.95) cents
Diluted loss per share		(0.76) cents	(1.95) cents

The consolidated statement of comprehensive income should be read in conjunction with the notes to the financial statements set out on pages 14 to 41

COMET RESOURCES LTD
and its Controlled Entities
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2010

	NOTE	CONSOLIDATED	
		2010	2009
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	6	2,001,667	2,269,164
Trade and other receivables	7	14,622	13,205
Available-for-sale financial assets	9	443,235	512,000
Total current assets		2,459,524	2,794,369
Non-current assets			
Plant and equipment	8	6,385	8,946
Other financial assets	10	48,940	48,940
Total non-current assets		55,325	57,886
TOTAL ASSETS		2,514,849	2,582,255
LIABILITIES			
Current liabilities			
Trade and other payables	11	88,264	73,612
Total current liabilities		88,264	73,612
TOTAL LIABILITIES		88,264	73,612
NET ASSETS		2,426,585	2,778,643
EQUITY			
Issued capital	12	4,873,265	4,758,265
Reserves	13	651,954	583,584
Accumulated losses	14	(3,098,634)	(2,563,206)
TOTAL EQUITY		2,426,585	2,778,643

The consolidated statement of financial position should be read in conjunction with the notes to the financial statements set out on pages 14 to 41

COMET RESOURCES LTD
and its Controlled Entities
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2010

	NOTE	CONSOLIDATED	
		2010	2009
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(540,019)	(633,156)
Receipt of R&D tax rebate & tax refund		-	208,750
Interest received		95,071	142,939
<hr/>			
Net cash flows used in operating activities	16(b)	(444,948)	(281,467)
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Cash flows from investing activities			
Proceeds from sale of investments		187,628	15,886
Security deposit for mining tenements refunded/(paid)		-	10,000
<hr/>			
Net cash flows provided by investing activities		187,628	25,886
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Cash flows from financing activities			
Unclaimed monies repaid		(10,177)	-
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Net cash flows used in financing activities		(10,177)	-
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Net decrease in cash and cash equivalents		(267,497)	(255,581)
Cash and cash equivalents at the beginning of the year		2,269,164	2,524,745
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Cash and cash equivalents at the end of the year	16(a)	2,001,667	2,269,164
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The consolidated statement of cash flows should be read in conjunction with the notes to the financial statements set out on pages 14 to 41

COMET RESOURCES LTD
and its Controlled Entities
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2010

	Issued Capital \$	Accumulated losses \$	Other Reserves \$	Total \$
CONSOLIDATED				
As at 1 July 2008	4,758,265	(1,232,390)	1,123,382	4,649,257
Net loss for the year	-	(1,330,816)	-	(1,330,816)
Other comprehensive income for the year	-	-	(633,749)	(633,749)
Total comprehensive loss for the year	-	(1,330,816)	(633,749)	(1,964,565)
Cost of share-based payments	-	-	93,951	93,951
As at 30 June 2009	4,758,265	(2,563,206)	583,584	2,778,643
Net loss for the year	-	(535,428)	-	(535,428)
Other comprehensive income for the year	-	-	45,460	45,460
Total comprehensive (loss)/income for the year	-	(535,428)	45,460	(489,968)
Shares issued	115,000	-	-	115,000
Cost of share-based payments	-	-	22,910	22,910
As at 30 June 2010	4,873,265	(3,098,634)	651,954	2,426,585

The consolidated statement of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 14 to 41

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

1. CORPORATE INFORMATION

The financial report of Comet Resources Limited ("Comet") for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on 18 August 2010.

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 Comet and its subsidiaries ("the Group") are described in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Separate financial statements for Comet as an individual entity are no longer presented as a consequence of changes to the Corporations Act 2001, however required financial information for Comet as an individual entity is included in note 22.

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 as noted below 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, that are now mandatory, have been adopted for the annual reporting period ended 30 June 2010. 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

The Group has applied the revised AASB 101 which became effective on 1 July 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity.

**COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2010**

(b) Statement of Compliance (cont'd)

All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence the Group had to change the presentation of the financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(c) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Comet Resources Limited ("Comet") at the end of the reporting period. A controlled entity is any entity over which Comet has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 23 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

(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 statement of comprehensive income 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 Statement of Financial Position 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 Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdraft.

COMET RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2010

(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 statement of comprehensive income 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 statement of comprehensive income 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

COMET RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2010

(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 reporting 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 statement of financial position.

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for the year ended 30 June 2010

(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 reporting 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 statement of comprehensive income 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 reporting 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 reporting 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 reporting 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 reporting date.

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

**COMET RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2010**

(m) Trade and other receivables

The collectability of debts is assessed at reporting 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 reporting date, calculated at undiscounted amounts based on expected wage and salary rates including related on-costs.

COMET RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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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 reporting 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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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2010

(u) Segment reporting

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of comprehensive income and statement of financial position.

(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 2010 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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(x) New accounting standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows;

- AASB 9: Financial Instruments and AASB 2009-11; Amendments to Australian Accounting Standards arising from AASB 9 (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 138, 139, 1023 & 1038 and Interpretations 10 & 121 (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of those investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
 - (a) the objective of the entity's business model for managing the financial assets; and
 - (b) the characteristics of the contractual cash flows.

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

- AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements project [AASB 5, 8, 101, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

- AASB 2009-8: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for accounting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these to Interpretations are superseded by the amendments. The amendments are not expected to impact the Group.

- AASB 2009-9: Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

COMET RESOURCES LTD
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for the year ended 30 June 2010

(x) New accounting standards for application in future periods (cont'd)

These amendments specify requirements for entities using full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

- AASB 2009-10: Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (applicable for annual reporting periods on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also reflects AASB 8 to require entities to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purpose of certain operating segment disclosures. These amendments are not expected to impact the Group.

- AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

- AASB 2009-14: Amendments to Australian Interpretation – Prepayments of Minimum Funding Requirements [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. This standard will not impact the Group.

- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

COMET RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2010

CONSOLIDATED

2010 **2009**
\$ **\$**

3. REVENUES AND EXPENSES

(a) Revenue

Interest – other parties	96,426	139,984
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(b) Other income

Net (loss)/profit on sale of listed securities	73,403	(24,115)
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Net profit /(loss) on sale of listed securities comprises:

Profit on disposal of listed securities	23,903	15,885
Transfer from fair value reserve	49,500	(40,000)
Total	73,403	(24,115)

A government grant has been received in prior years for research activities within Australia. There are no unfulfilled conditions or contingencies attaching to this grant at reporting date.

(c) Lease payments, included in statement of comprehensive income

Operating leases	41,874	39,880
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(d) Employee/consultants benefits expense, included in statement of comprehensive income

Consulting fees	371,347	288,690
Wages and salaries	-	12,000
Superannuation costs	2,700	3,510
Expense of share-based payments	22,910	93,951
	396,957	398,151

COMET RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2010

4. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are provided to the Board (Chief Operating Decision Maker) for making strategic decisions. The entity has two reportable operating segments namely exploration and research and development.

The exploration segment is involved in the exploration of minerals in Australia.

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

Operating segments

The following tables present revenue and loss information and certain asset and liability information regarding operating segments for the years ended 30 June 2010 and 30 June 2009.

	<i>Exploration</i>	<i>R&D</i>	<i>Total</i>
	\$	\$	\$
Year ended 30 June 2010			
Revenue			
Profit on sale of securities and assets	73,403	-	73,403
Management fee	120,000	-	120,000
Total segment revenue	<u>193,403</u>	-	193,403
Interest revenue			96,426
Inter segment elimination			(120,000)
Total consolidated revenue			<u>169,829</u>
Result			
Segment result	(619,754)	(264,000)	(883,754)
Intersegment elimination			251,900
Unallocated income			96,426
Loss before tax			(535,428)
Income tax benefit			-
Net loss for the year			<u>(535,428)</u>
Assets and liabilities			
Segment assets	506,993	16,611	523,604
Unallocated assets			1,991,245
Total assets			<u>2,514,849</u>
Segment liabilities	(73,964)	(14,300)	(88,264)
Total liabilities			<u>(88,264)</u>
Other segment information			
Depreciation	<u>2,211</u>	<u>350</u>	<u>2,561</u>

COMET RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2010

4. SEGMENT INFORMATION (cont'd)

	<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>	-	125,885
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>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			
Depreciation	<u>3,155</u>	<u>839</u>	<u>3,994</u>

COMET RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2010

5. TAXATION

CONSOLIDATED

2010 **2009**
\$ **\$**

Statement of Comprehensive Income

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 2010 is as follows:

Accounting loss before income tax	(535,428)	(1,330,816)
<hr/>		
Prima facie income tax expense/(benefit) calculated at 30% on the loss	(160,628)	(399,245)
Non-deductible items	9,273	(34,306)
Temporary differences and tax losses not brought to account as future income tax benefits	151,355	433,551
Australian Taxation Office R&D tax rebate (gross)	-	(208,750)
<hr/>		
Income tax expense/(benefit) attributable to operating loss	-	(208,750)
<hr/> <hr/>		

Deferred income tax

Deferred income tax at 30 June relates to the following:

On Income Tax Account

Losses available for offset against future taxable income	8,487,216	7,976,134
Plant and equipment temporary differences	49,546	56,110
Accruals temporary difference	1,969	908
Gross deferred income tax assets	<u>8,538,731</u>	<u>8,033,152</u>

On Capital Account

Fair value adjustment on investments	281,400	281,400
Losses available for offset against future taxable income	<u>(34,899)</u>	<u>(34,899)</u>
Gross deferred capital gains tax assets/(liabilities)	<u>246,501</u>	<u>246,501</u>

The Group has tax losses arising in Australia of \$8,487,216 (2009: \$7,976,134) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

At 30 June 2010, there is no recognised or unrecognised deferred income tax liability (2009: \$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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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2010

	CONSOLIDATED	
	2010	2009
	\$	\$
6. CASH AND CASH EQUIVALENTS		
Cash	36,940	36,886
Bank bills and short term deposits, maturing within 60 days and paying interest at a weighted average interest rate of 4.71% (2009: 5.77%)	1,964,727	2,232,278
	2,001,667	2,269,164
7. TRADE AND OTHER RECEIVABLES		
Current		
Trade debtors	11,886	11,826
Accrued interest	2,736	1,379
	14,622	13,205
<p>As of 30 June 2010 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.</p> <p>Details regarding the effective interest rate and credit risk of current receivables is disclosed in Note 20.</p>		
8. PLANT AND EQUIPMENT		
Non-current		
At cost	98,127	111,435
Accumulated depreciation	(91,742)	(102,489)
Total plant and equipment net book value	6,385	8,946
Reconciliation		
Reconciliation of the carrying amount for plant and equipment is set out below:		
Carrying amount at beginning of year	8,946	12,940
Depreciation	(2,561)	(3,994)
Carrying amount at end of year	6,385	8,946
9. AVAILABLE- FOR- SALE FINANCIAL ASSETS		
Current		
Securities in listed companies (at market value 30 June)	443,235	512,000

Listed securities

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 FeroWest Limited have a fair value of \$443,235 at 30 June 2010.

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2010

CONSOLIDATED
2010 **2009**
\$ **\$**

10. OTHER FINANCIAL ASSETS

Non-current

Security bonds		48,940	48,940
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11. TRADE AND OTHER PAYABLES

Current

Trade creditors and accruals		56,894	32,065
Unclaimed funds		31,370	41,547
		88,264	73,612

12. ISSUED CAPITAL

	2010 No.	2009 No.	2010 \$	2009 \$
Issued and paid-up capital	70,714,935	68,317,093	4,873,265	4,758,265
Movements in ordinary share capital				
Balance at the beginning of the financial year	68,317,093	68,317,093	4,758,265	4,758,265
Shares issued during the year	2,397,032	-	115,000	-
			4,873,265	4,758,265
Balance at the end of the financial year	70,714,935	68,317,093	4,873,265	4,758,265

During the year the Company issued 2,397,032 fully paid ordinary shares at 4.8 cents per share to Directors in lieu of consulting and Director's fees as approved by the Shareholders on 7 October 2009.

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

There are no incentive shares outstanding or on issue.

The market price of the Company's fully paid ordinary shares at 30 June 2010 was 4.0 cents (2009: 4.2 cents) per share.

**COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2010**

CONSOLIDATED

	2010	2009
	\$	\$
13. RESERVES		
Option premium reserve	294,707	294,707
Share-based payments reserve	311,787	288,877
Fair value reserve	45,460	-
	651,954	583,584
	651,954	583,584

Movement in reserves

Balance at beginning of year	583,584	1,123,382
Expense of incentive shares to directors and executives	22,910	93,951
Net unrealised gains/(losses) on available-for-sale financial assets	94,960	(1,531,749)
Transfer of fair value reserve to impairment account	-	938,000
Transfer of fair value reserve to income on disposal of investments	(49,500)	(40,000)
	651,954	583,584
	651,954	583,584

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 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 included:

- 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 Class A and B Incentive Shares lapsed on 31 October 2009 as the milestones had not been achieved. The Class A and B Incentive Shareholders waived their right to receive ordinary shares in the Company.

Net Unrealised Gains Reserve

This reserve records movements in the fair value of available-for-sale financial assets. At 30 June 2010 the balance of the net unrealised gain reserve is \$45,460 (2009: \$Nil)

**COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2010**

	CONSOLIDATED	
	2010	2009
	\$	\$
14. ACCUMULATED LOSSES		
Accumulated losses at beginning of year	(2,563,206)	(1,232,390)
Net loss attributable to members of the parent entity	(535,428)	(1,330,816)
Accumulated losses at the end of the year	<u>(3,098,634)</u>	<u>(2,563,206)</u>
	2010	2009
15. EARNINGS PER SHARE		
Weighted average number of ordinary shares for basic earnings (loss) per share	<u>70,071,348</u>	<u>68,317,903</u>
Effect of dilution:		
Share options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>70,071,348</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.

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2010

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 statement of financial position as follows:

	CONSOLIDATED	
	2010	2009
	\$	\$
Cash	36,940	36,886
Bank bills and short term deposits, maturing within 60 days and paying interest at a weighted average interest rate of 4.71% (2009: 5.77%)	1,964,727	2,232,278
	2,001,667	2,269,164
	2,001,667	2,269,164

(b) Reconciliation of operating loss after income tax to net cash used in operating activities

Operating loss after income tax	(535,428)	(1,330,816)
Add items classified as investing activities:		
Loss/(Profit) on sale of listed securities	(73,403)	24,115
Add non-cash items:		
Depreciation and impairment	2,561	3,994
Share-based payments	22,910	93,951
Transfer of fair value reserve to impairment account	-	938,000
Add items classified as financing activities:		
Issue of shares in lieu of director's and consulting fees	115,000	-
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables and prepayments	(1,417)	7,805
Increase/(decrease) in trade and other payables	24,829	(18,516)
	(444,948)	(281,467)
Net cash flow used in operating activities	(444,948)	(281,467)

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2010

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 RN Hill - Non-executive Director

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

Mr E Czechowski - Company Secretary

Compensation by Category: Key Management Personnel, Directors and Executives

	CONSOLIDATED	
	2010	2009
	\$	\$
Short-term	394,596	317,208
Post employment	2,700	2,430
Share-based payment	22,695	93,245
	419,991	412,883

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 reporting date (2009:Nil).

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 2010

Name	Balance at the start of the year	Granted during the year as remuneration	Expired 31/10/09	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 1,250,000	-	Nil Nil	Nil Nil
AR Cooper	1,000,000 class A 1,500,000 class B	- -	750,000 1,250,000	-	Nil Nil	Nil Nil
RN Hill	500,000 class A 750,000 class B	- -	500,000 750,000	-	Nil Nil	Nil Nil

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2010

17. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

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

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 2010

Name	Balance at the start of the year	Acquired during the year	Balance at the end of the year
RO Jones	9,524,763	1,042,188	10,566,951
AR Cooper	5,426,623	1,042,188	6,468,811
RN Hill	4,477,732	312,656	4,790,388

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	4,452,623	974,000	5,426,623
RN Hill	4,175,045	302,687	4,477,732

Other transactions with directors

(i) Consultancy fees of \$162,000 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 \$162,000 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 reporting date arising from these transactions.

**COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2010**

17. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

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

	CONSOLIDATED	
	2010	2009
	\$	\$
Current payables		
Trade creditors	14,300	9,900
	<u>14,300</u>	<u>9,900</u>

18. AUDITORS' REMUNERATION

Audit services:

Auditors of the Company – Stantons International

	<u>20,760</u>	<u>16,041</u>
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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	<u>194,000</u>	<u>194,000</u>
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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 2010 are as follows:

Not longer than one year	19,375	38,750
Longer than one year but not longer than two years	-	19,375
	<u>19,375</u>	<u>58,125</u>

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2010

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.

There is a limited amount of credit risk relating to the cash and cash equivalents that the Group holds in deposits. The Group received interest on its cash and cash equivalents based on daily balances and at balance date was exposed to a variable interest rate of 5.3% per annum. The Group's operating accounts do not attract interest. The Group's cash reserves are only placed with major Australian banks. The Group is not materially exposed to changes in market interest rates.

The Group does not presently have customers and consequently does not have credit exposure to outstanding receivables. The Group may in the future be exposed to interest rate risk should it borrow funds for acquisition and development.

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 2010 and 2009.

Consolidated Entity & Parent Entity 30 June 2010	Carrying Amount \$	Interest Rate Risk -1%		Interest Rate Risk +1%	
		Net Loss \$	Equity \$	Net Loss \$	Equity \$
<i>Financial assets</i>					
Cash & cash equivalents	2,001,667	(20,017)	(20,017)	20,017	20,017

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

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

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

Foreign currency risk

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

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2010

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 statement of financial position 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 held 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							
2010							
Financial assets							
Cash and cash equivalents	6	1,964,727	-	-	36,940	2,001,667	4.71%
Trade and other receivables	7	-	-	-	14,622	14,622	0%
Listed securities	9	-	-	-	443,235	443,235	0%
Bonds	10	-	-	-	48,940	48,940	0%
		<u>1,964,727</u>	<u>-</u>	<u>-</u>	<u>543,737</u>	<u>2,508,464</u>	
Financial liabilities							
Trade and other payables	11	-	-	-	88,264	88,264	0%
		<u>-</u>	<u>-</u>	<u>-</u>	<u>88,264</u>	<u>88,264</u>	
Net financial assets		<u>1,964,727</u>	<u>-</u>	<u>-</u>	<u>455,473</u>	<u>2,420,200</u>	

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2010

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			
		\$	\$	\$	\$	\$	
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>	

Net fair values of financial assets and liabilities

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

	CONSOLIDATED	
	2010	2009
	\$	\$
FINANCIAL ASSETS		
Level 1		
Available-for-sale financial assets		
- listed investments	<u>443,235</u>	<u>512,000</u>

Included within level 1 are listed investments. The fair values of these financial assets have been based on the closing quoted bid prices at reporting date, excluding transaction costs.

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2010

22. PARENT ENTITY DISCLOSURES

(a) Financial Position

	2010	2009
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	1,991,245	2,254,716
Trade and other receivables	8,433	1,379
Available-for-sale financial assets (i)	443,235	512,000
Total current assets	2,442,913	2,768,095
Non-current assets		
Plant and equipment	6,385	8,596
Other financial assets	48,940	48,940
Total non-current assets	55,325	57,536
TOTAL ASSETS	2,498,238	2,825,631
LIABILITIES		
Current liabilities		
Trade and other payables	73,964	61,399
Total current liabilities	73,964	61,399
TOTAL LIABILITIES	73,964	61,399
NET ASSETS	2,424,274	2,764,232
EQUITY		
Issued capital	4,873,265	4,758,265
Reserves	651,954	583,584
Accumulated losses	(3,100,945)	(2,577,617)
TOTAL EQUITY	2,424,274	2,764,232

(b) Financial Performance

	2010	2009
	\$	\$
Loss for the year	(523,328)	(1,328,062)
Other comprehensive income	45,460	(633,749)
TOTAL COMPREHENSIVE LOSS	(477,868)	(1,961,811)

**COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2010**

22. PARENT ENTITY DISCLOSURES (cont'd)

(i) Other financial assets

	2010	2009
	\$	\$
Investments in controlled entities	1	1
Loans to controlled entities	1,358,757	1,106,857
Provision for diminution	(1,358,758)	(1,106,858)
Security bonds	48,940	48,940
	48,940	48,940

The loan to the controlled entity, Environmental Oil Solutions Pty Ltd, is unsecured, interest free and of no fixed term. Refer to Note 23 for detail regarding transactions within the controlled entity in the current year.

23. RELATED PARTY DISCLOSURES

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

	2010	2009
	%	%
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.

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

		Management fee	Amount owed by related parties	Amounts owed to related parties
Related party		\$	\$	\$
Subsidiary:				
Environmental Oil Solutions	2010	120,000	1,358,758	-
	2009	150,000	1,106,858	-

Transactions with key management personnel are disclosed in Note 17.

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2010

24. EVENTS SUBSEQUENT TO REPORTING DATE

As at 19 August 2010 the fair value of shares and options held in Ferrowest Limited was \$539,838 which is an increase of \$96,603 since 30 June 2010.

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.

25. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group does not have any contingent assets or liabilities at balance date or date of this report.

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

The Directors of Comet Resources Limited declare that:

- (a) 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;
- (b) the attached financial statements are in compliance with International Financial Reporting Standards;
- (c) in the Directors' opinion, the attached financial statements and notes thereto set out in pages 10 to 41 are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



AR Cooper
Executive Director

Dated at Perth this 20 day of August 2010

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

Report on the Financial Report

We have audited the accompanying financial report of Comet Resources Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cashflows 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.

Directors' responsibility for the Financial 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 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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 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.

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

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 consolidated entity's financial position as at 30 June 2010 and of its 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 also complies with International Financial Reporting Standards as disclosed in note 2.

Report on the Remuneration Report

We have audited the remuneration report included in pages 7 to 8 of the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Auditor's opinion

In our opinion the remuneration report of Comet Resources Limited for the year ended 30 June 2010 complies with section 300 A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL
(An Authorised Audit Company)



J P Van Dieren
Director

West Perth, Western Australia
20 August 2010

20 August 2010

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 2010, 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)



J P Van Dieren
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 16 August 2010.

Twenty largest shareholders		
	Number	%
Rojex Mining Services Pty Ltd	9,471,763	13.39
UBS Wealth Management Aust Noms Pty Ltd	6,944,976	9.82
Danari Holdings Ltd	4,810,000	6.80
Pillage Investments Pty Ltd	3,500,000	4.94
Broomehill Pty Ltd	2,979,703	4.21
Alberta Resources Pty Ltd	2,782,000	3.93
Clodene Pty Ltd	2,510,854	3.55
Piat Corp Pty Ltd	2,250,000	2.62
Alberta Reosurces Pty Ltd	1,788,774	2.53
Mr Philip Holmewood	1,635,937	2.31
Yandal Investments Pty Ltd	1,600,000	2.26
Alford Bay Pty Ltd	1,456,000	2.06
Mr HG Dawson & Mrs LV Dawson	1,188,206	1.68
Rojex Mining Services Pty Ltd	1,042,188	1.47
Alberta Resources Pty Ltd	1,042,188	1.47
Mr Alex Negus	1,017,000	1.44
Abancourt Pty Ltd	798,343	1.13
Pasco Holdings Pty Ltd	776,000	1.10
Tansearch Pty Ltd	721,850	1.02
Mr A Cooper	713,538	1.01

Number of shareholders

70,714,935 fully paid ordinary shares are held by 628 shareholders.

There are no options on issue.

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ASX ADDITIONAL INFORMATION (CONT'D)

Distribution of shareholders

	Fully Paid
1-1,000	25
1,001-5,000	101
5,001-10,000	168
10,001-100,000	264
100,001 & over	70
TOTAL	628

Holders of non-marketable parcels

There are 297 shareholders that hold less than a marketable parcel totalling 1,895,408 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 – 10,566,951 fully paid shares;
UBS Wealth Management - 6,944,976 fully paid shares;
Mr Anthony Cooper & Alberta Resources Pty Ltd – 6,468,811 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 – 4,790,388 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

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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

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CORPORATE GOVERNANCE STATEMENT

		able and does bring quality and independent judgement to all relevant issues falling within the scope of the role of Chairman.
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	Not all management risk internal control systems are 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.
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 of 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*.

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TENEMENT SCHEDULE

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