



2021 ANNUAL REPORT

COMET RESOURCES LIMITED

and its

CONTROLLED ENTITIES

ABN 88 060 628 202

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and its Controlled Entities
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CORPORATE DIRECTORY

Directors

M O'Kane
HP Halliday
D Prentice
A Molyneux

Company Secretary

S Cheema

Registered Office & Principal Place of Business

Suite 9
330 Churchill Avenue
SUBIACO WA 6008
Telephone: 61 8 6489 1600

Share Registry

Advanced Share Registry Limited
110 Stirling Highway
NEDLANDS WA 6009
Telephone: 61 8 9389 8033
Facsimile: 61 8 6370 4203

Auditors

Stantons
Level 2
1 Walker Avenue
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
DIRECTORS' REPORT**

The directors present their report together with the consolidated financial report of Comet Resources Limited ("Comet" or "the Group") and its controlled entities for the year ended 30 June 2021 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 Matthew O'Kane (Managing Director)

Mr. O'Kane is an experienced mineral industry executive and company director with over 25 years' experience in the mining, commodities and automotive sectors. He has held senior leadership roles in Australia, the USA and Asia, in both developed and emerging markets, from startup companies through to MNC's. He has served on the board of mining companies in Canada, Hong Kong and Australia. During his career he has worked with companies involved in exploration and development and with producing mining companies.

Mr O'Kane is currently a non-executive director of Azarga Uranium Corporation (TSX:AZZ) and Roto-Gro International Limited (ASX:RGI). Mr O'Kane resigned as director of Pursuit Minerals Limited (ASX: PUR) on 28 April 2021 and Cervantes Corporation Limited (ASX:CVS).

Director since 12 November 2019

Mr Hamish Peter Halliday BSc (Geology), MAusIMM, (Non-Executive Chairman)

Mr Halliday founded Adamus Resources Limited and grew that Company to a multi-million-ounce emerging gold producer. Mr Halliday also co-founded Gryphon Minerals Limited and Venture Minerals Ltd, both highly successful junior explorers. Mr Halliday is a Director of Blackstone Minerals Ltd, McTavish Industries Pty Ltd and Venture Minerals Ltd.

He previously resigned from Renaissance Minerals Limited on 26 September 2016 and Alicanto Minerals Ltd on 7 August 2020. He has held no other Directorships in listed companies in the last three years.

Director since 16 December 2014, appointed Chairman in October 2018.

Mr Alex Molyneux BEd, Grad. Dip. MinExplGeoSc (Non-Executive Director)

Mr Molyneux is an experienced mining industry executive and financier. He currently serves as Non-Executive Chairman of Argosy Minerals Ltd (ASX: AGY) (2016 – present) and as a Director of: Galena Mining Ltd (ASX: G1A) (2018 – present); Metalla Royalty & Streaming Ltd (TSXV: MTA / NYSE: MTA); and Tempus Resources Ltd (ASX: TMR / TSXV: TMRR) (2018 – present). Mr Molyneux was Managing Director and CEO of Galena Mining Ltd (2018 – 2021) where he led various transactions for the injection of A\$115 million of new equity capital and US\$110 million in project financing debt to finance the Abra Base Metals Project (now in construction). He was also CEO of Paladin Energy Ltd (ASX: PDN) (2015 – 2018) where he led an operational turnaround and US\$700 million recapitalisation and re-listing on the ASX. Prior to Paladin, Mr Molyneux was CEO of SouthGobi Resources Limited (Ivanhoe Mines Group) (TSX:SGQ / HKEX:1878) (2009 – 2012). Prior to SouthGobi, Mr Molyneux was Managing Director, Head of Metals and Mining Investment Banking, Asia Pacific, with Citigroup. In his position as a specialist resources investment banker he spent approximately 10 years providing advice and investment banking services to natural resources corporations.

Director since 15 February 2019

Mr David Prentice Grad. Dip BA, MBA, (Non-Executive Director)

Mr Prentice is a senior resources executive with 25 plus years domestic and international experience. Mr Prentice started his career working in commercial and business development roles within the resources sector working for some of Australia's most successful gold and nickel exploration and production companies. During the last 16 years, Mr Prentice has gained international oil and gas exploration and production sector experience (with a specific focus on the Mid-Continent region of the United States) working in both executive and non-executive director roles with Australian publicly traded companies.

Mr Prentice is currently Managing Director of Brookside Energy Limited (ASX: BRK), Chairman and CEO of Black Mesa Energy LLC, Non-Executive Chairman of Noronex Ltd (ASX: NRX).

Director since 11 October 2018

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DIRECTORS' REPORT (CONT'D)**

Mr Sonu Cheema (Company Secretary)

Company Secretary since 22 May 2018.

Mr Cheema is a Certified Practising Accountant and has over 10 years' experience as Company Secretary and Director of publicly listed companies within Australia and abroad.

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	Incentive Shares	Options	Incentive Options
M O'Kane	-	-	-	12,000,000
HP Halliday	9,400,000	-	-	3,000,000
A Molyneux	-	-	-	3,000,000
D Prentice	683,333	-	-	3,000,000

Earnings per Share

	Cents
Basic loss per share	(0.59)
Diluted loss per share	(0.59)

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 was mineral exploration.

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 \$3,344,394 (2020: \$1,509,482 loss).

Operating and Financial Review

Comet Resources Ltd is pleased to report the following key operational and financial activities for the year ending 30 June 2021 (FY21).

Review of Operations

Operations Report

The Company proactively progressed various exploration work programs across its projects and successfully completed the acquisition of a portfolio of copper-gold and base metals assets in Australia's Northern Territory. Post Quarter end, the Company provided an update regarding the status of ongoing metallurgical test work on graphite from its Springdale Graphite Project located in Western Australia.

Santa Teresa Gold Project

On 9 June 2021, Comet announced commencement of diamond drilling at the Santa Teresa Gold Project (the "ST Project") in Baja California, Mexico. This drilling program is the first drilling at the ST Project to be undertaken by the Company and the first since the drilling undertaken by Premier Gold Mines in 2008.

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The proposed program consists of up to 2,000m of diamond-core drilling using experienced contractors from the neighbouring state of Sonora. Drilling aims to test extensions of known gold mineralisation along strike and at depth, as well as target areas of interest identified from prior drilling results, combined with information gained from a detailed structural mapping completed by consultant geologists Minera Cascabel (see *Comet ASX announcement of 3 February 2021*).

Post year end, on 1 September 2021, Comet announced the results of several work programs at its Santa Teresa Gold Project (the "Project") in Baja California, Mexico, including results from re-assaying of historical drill-core from the 2008 diamond drilling program, assays from a surface sampling program and results from phase 1 metallurgical test work. Prior to commencing the 2021 diamond drilling program, the Company's Mexico-based geological consultants completed a detailed review of historical drill-core including some re-sampling, and also conducted a surface sampling program at Santa Teresa. These activities were undertaken to better understand the geochemistry of the Project and the correlation between veins that outcrop at surface and the veins that were intercepted at depth in the 2008 drilling program (see Figures 1 and 2 respectively for details on the location of the diamond drilling holes that were re-sampled and the location of surface samples).

Comet has now received assay results from the re-assaying program of 22 drill-holes that were drilled in 2008. The results included a number of significant high-grade gold intersections, including 'bonanza' grades in some (note: a JORC Table 1 is provided in Appendix 3 of the ASX release dated 1 September 2021).

Significant intersections included:

- **1.0m at 132.0g/t gold** from 112.7m (ST-0013)
- **1.0m at 52.8g/t gold** from 20.0m (ST-0003)
- **1.0m at 27.9g/t gold** from 142.0m (ST-0026)
- **1.0m at 24.9g/t gold** from 217.0m (ST-0001)

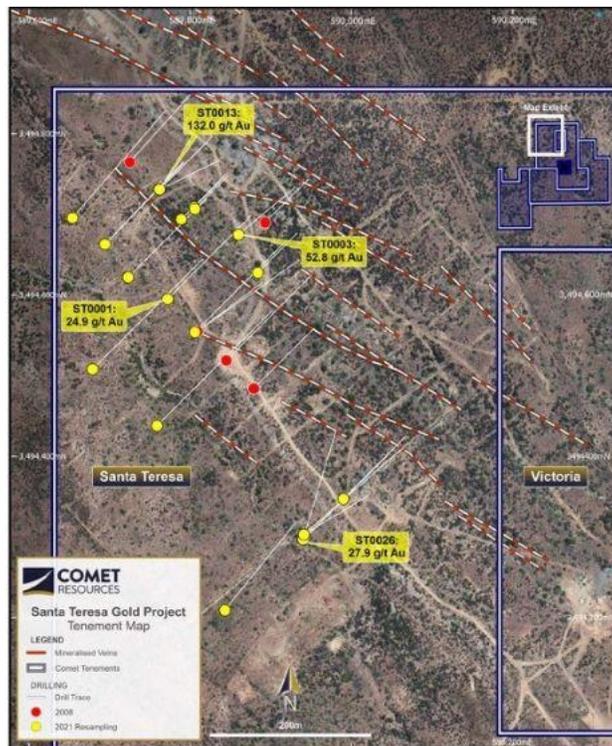


Figure 1: Location of 2008 drill collars and 2021 re-assayed collars

The assays came from 95 samples that were selected after reviewing 7,025 metres (from a total of 32 drill-holes) of diamond HQ drill core from the 2008 drilling program at Santa Teresa. The aim was to correlate significant intersections previously sampled under the Company's own, more modern QA/QC protocols. Following selection, the samples were prepared at ALS in Hermosillo and then sent to ALS in Vancouver for assaying, which returned the results contained in Appendix 1 of the ASX Release dated 1 September 2021.

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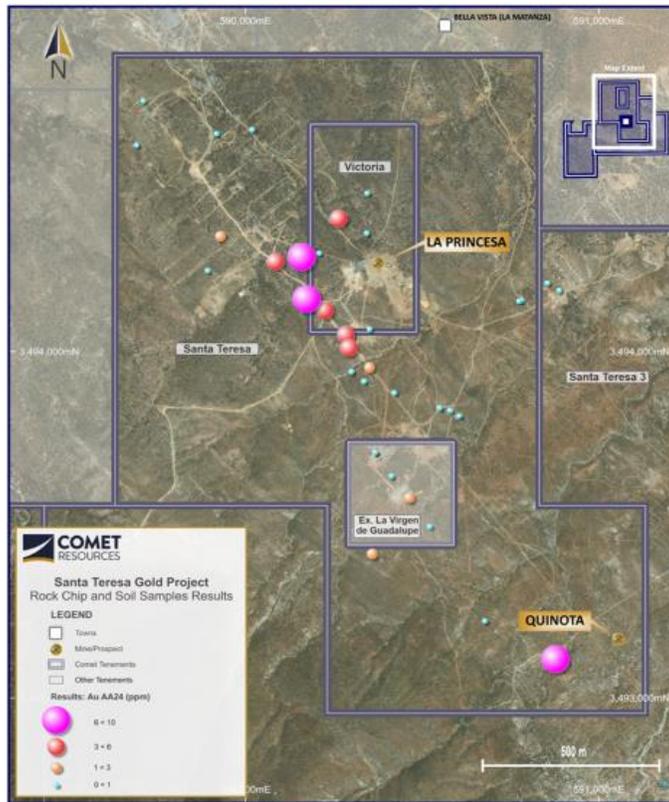


Figure 2: Location and grade of surface samples

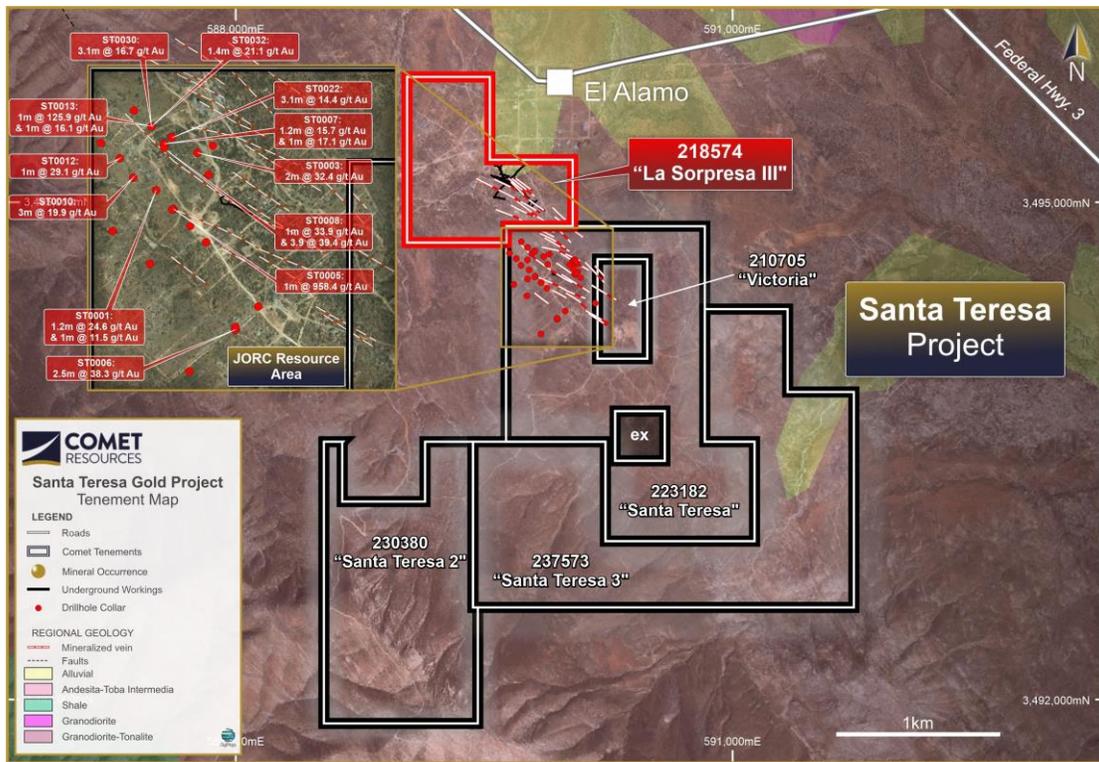


Figure 3: Santa Teresa Gold Project showing the historical drilling and JORC resource locations, as well as the location of the La Sorpresa III Tenement and the location of historical underground workings on that Tenement.

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Northern Territory Copper-Gold Projects

On 11 May 2021, Comet announced the finalisation of due diligence and completion of the acquisition of a portfolio of highly prospective copper-gold-zinc-silver-lead assets in the Northern Territory of Australia (“**Portfolio**”) from Bath Resources Pty Ltd (“**Vendor**” or “**Bath**”).



Figure 4: Location of the Oonagalabi and Paradise Wells projects in the NT

Acquisition Portfolio Overview

The Portfolio of Northern Territory exploration licenses and exploration license applications covers an area of approximately 840km². Although historical exploration results were indicative of near surface gold and copper mineralisation, very limited modern exploration has occurred. Comet plans to utilise modern exploration techniques to advance the scale of known mineralisation, especially where known geophysical and geochemical anomalies exist that have not been comprehensively drill tested.

Oonagalabi Project

The Oonagalabi Project exploration licence and exploration license application (EL32279 and ELA32664) contains ~1.7km of outcropping copper, zinc and lead mineralisation, hosted in anthophyllite-cordierite and forsterite marble sitting within the Strangways Metamorphic Complex. The mineralised Oonagalabi Formation represents a very similar geological setting as other known copper deposits in the region, including KGL Resources Jervois Copper Project, which is host to a 20.97 million tonne JORC resource at 2.03% copper and 31.9g/t silver, for 426,200 tonnes of contained copper and 21.4 million ounces of silver (see KGL Resources ASX announcement 15 September 2020).

Paradise Well

The Paradise Well Copper-Gold Prospect exploration licence application (ELA32190) sits approximately 10km due south of the Oonagalabi exploration licence and covers an area of ~250km². Two prospects have been identified on the tenement through historical rock chip sampling programs which returned copper grades of up to **8.88% copper** (Manny Prospect) and copper/gold rock chips of **6.24% copper and 2.15g/t gold** (New Paradise Well Prospect). Neither prospect has been subject to ground geophysics or drill testing and presents an opportunity for Comet to follow up historical work with a systematic program geophysics to identify drill targets.

Silver Valley:

The Silver Valley Copper-Gold-Silver-Lead exploration licence application (ELA32241) sits approximately 300km north of the Oonagalabi Project exploration licence and sits within the Davenport Province, a folded succession of Paleoproterozoic shallow marine sedimentary rocks and volcanic units. Four outcropping lead / silver bearing quartz veins, which have been worked by historical pits and shafts, are present within the tenement. Key prospects include the Chablo Prospect which is prospective for lead, silver, copper and gold. A sample of 130 rock chip assays collected produced results up to **554 g/t silver, 20% lead, 11.9% copper and 2 g/t gold**.

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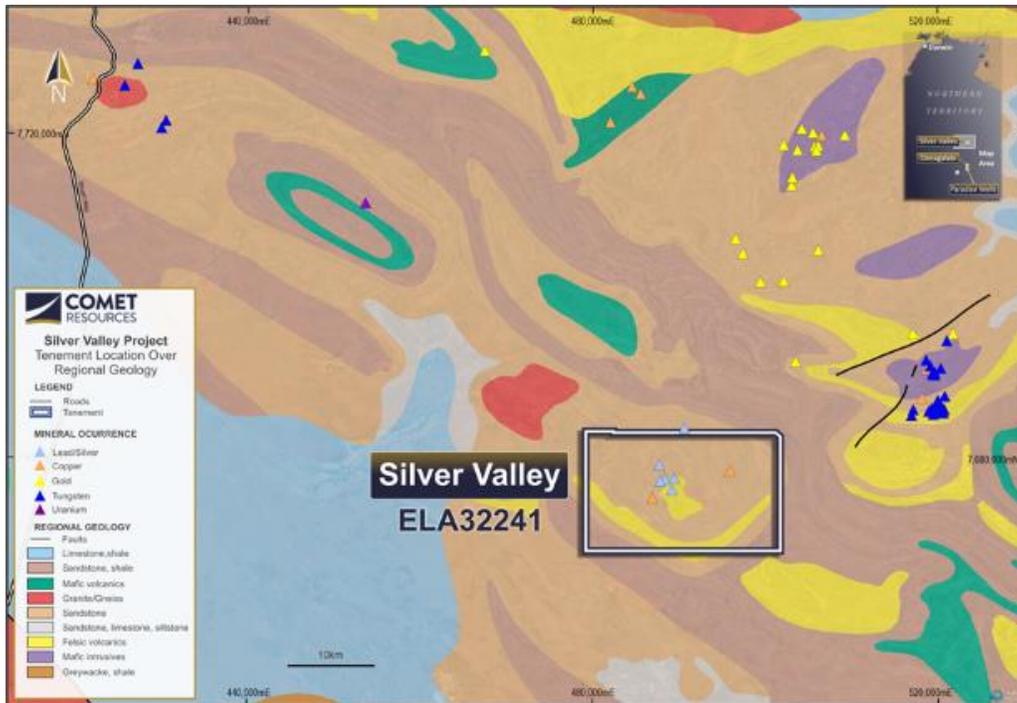


Figure 5: Silver Valley Regional Geology

Springdale Graphite Project

During the period the Company continued to progress metallurgical test work on material obtained during the diamond drilling program undertaken in 2019 at its Springdale Graphite Project (**Springdale**) located in Western Australia.

Initially, on 21 August 2020, the Company announced the successful production of a graphite concentrate from Springdale, grading 96.9% TGC (Total Graphitic Content) with recovery of 92.5% of the total carbon in the sample.

On 14 April 2021, we further announced the commencement of production of a bulk sample of concentrate material from Springdale which would be sent to Germany for testing in specialist facilities to determine amenability of the material to produce electric vehicle (**EV**) quality battery anode precursor material.

Three different key processes were to be tested:

- Purification to carbon content above 99.9%, as these carbon levels pave the way for high tech applications like usage in EV batteries;
- Micronising for products which require well defined small flake graphite particles for their end uses; and
- Spheronisation for usage in lithium-ion-battery anodes

Subsequent to the end of the June quarter, the Company provided an update by way of an ASX release on 19 July 2021 with regard to on ongoing test work on natural flake graphite from its Springdale, and then on 21 September 2021, we provided the results of the initial test programs completed in Germany by Pro-Graphite. These test work programs confirmed that the bulk concentrate of graphite produced from Springdale was amenable to, and met industry benchmarks for, the key processes of micronisation, spheronisation and purification. The spheronised product purified to 99.96% (carbon content) using an alkaline caustic roasting process, and to 99.99% using Hydrofluoric acid. The standard benchmark for material that can be used in the manufacture of anodes for EV's is 99.95%, and therefore both purification processes exceeded this benchmark level.

Assay of the purified material produced via the alkaline caustic roasting process was then undertaken using the Inductively Coupled Plasma (ICP) technique. Essentially all elements present in the gangue were found to be at a low level after the purification, especially the critical detrimental elements for use in batteries, such as Iron, Silicon, Chromium and Copper, which were measured at levels below the typical specification limits for battery anode material (**BAM**). Three element assays were slightly elevated, Sodium, Nickel and Calcium. Sodium is very likely a residue from the alkaline digestion (Sodium Hydroxide) and can presumably be reduced significantly by further optimization of the purification process. The same applies for Nickel, which is most probably coming from the Nickel crucible used during purification. The only element which was found in higher concentration than usual was Calcium. Presumably, a

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modified acid treatment can lower the Calcium value. Often a limit of 25 ppm is given for Ca. This should be achievable without great effort.

Further test work to optimise the processes, and also to try to improve upon results for tap density, which was lower than best specification, and also yield in the processing, will be undertaken in the future.

Barraba Copper Project

Work at the Barraba Copper Project ("Barraba") continued during the reporting period commencing with an initial site by the Company's NSW based consultant geologist in July of 2020 to assess access and topography at the project to enable planning of future physical exploration programs.

In October 2020, we announced that exploration access agreements had been completed over a large majority of the freehold land contained with EL8492, to single license of the Barraba Project. The Barraba project contains areas of freehold land and Crown Land, the latter being subject to a Native Title claim filed by members of the Gomeroi People. The access agreements executed allowed the Company to commence exploration works on freehold land that included the historic Murchison Mine, as well as in an area that included several exploration targets that were delineated by a prior induced polarisation (IP) survey.

Results of the initial field exploration program were reported on 13 January 2021. Copper assay results were recorded up to 4.6%, zinc up to 4.0% and cobalt up to 0.7% from mine dump samples at the historic Murchison Mine site. Further, soil geochemical sampling and analysis confirmed surface copper mineralisation around the Murchison Mine, with mineralisation open to the West and East

During the period a geophysics survey was also flown at Barraba. The results of this survey are pending as the provider of the services has encountered issues with processing of the data recorded. The Company has been advised that these issues require significant work to rectify, and data is not yet available for interpretation. We hope to receive this data for interpretation during Q3, 2021.

Further work was also undertaken regarding permitting of drilling activities at Barraba around the Gulf Creek Mine. This is the priority area for commencement of drilling activity at Barraba. The land around the Gulf Creek Mine is covered by a native title claim, and the Company has been working with the Native Title claimants, The Gomeroi People, the NSW Government and other stakeholders for approximately 18 months to reach a resolution. Being unable to do so in a time frame acceptable to the Company we have now entered into a process with the National Native Title Tribunal to bring the matter to a conclusion. This process is presently underway and updates will be provided as they become available. Drilling activity at Gulf Creek is contingent upon a successful resolution to this matter.

Corporate Activities

In September 2020, Comet announced the completion of the first tranche of its placement of 100,000,000 fully paid ordinary shares (Shares)(Placement) at a price of \$0.02 per share to raise \$2,000,000 before costs. The Company issued 98,500,000 Shares under the Placement to raise \$1,970,000 pursuant to its placement capacity under ASX Listing Rules 7.1 (59,100,000 Shares) and 7.1A (39,400,000 Shares). The remaining 1,500,000 fully paid ordinary shares from the placement were issued on 16 October 2020. The issue of the shares was subsequently approved by shareholders at the Company's AGM held on 30 November 2020.

On 5 October 2020, the Company announced that it had received applications from existing shareholders worth \$2.3 million at an offer price of \$0.02 per share under its Share Purchase Plan (SPP), which closed on Thursday 1 October 2020. Due to the strong demand from shareholders for the SPP offer, with oversubscriptions of \$1.8 million being received, the Company decided to accept oversubscriptions of \$500,000 in addition to the original offer for \$500,000, meaning the SPP raised a total of \$1,000,000 before costs of the offer.

On 8 February 2021, Comet announced that it had received commitments for a placement of 50,000,000 new fully paid ordinary shares in Comet (Placement Shares) to eligible sophisticated and institutional investors at \$0.02 per New Share (the Placement) with a 1 for 2 free attaching option exercisable at \$0.03 and expiring 2 years from date of issue (Placement Options). The Placement raised \$1 million (before costs) and was closed on 12 February 2021.

On 23 March 2021, the Company as issued 2,250,000 FPO Shares upon the exercise of unlisted options exercisable at \$0.02 each on or before 30 June 2021. Comet also issued 2,151,394 FPO shares to an advisor (being an unrelated party of the Company) for nil cash consideration. The deemed issue price for advisory services was \$0.025 per share.

On 14 May 2021, Comet as issued 18,000,000 FPO shares for initial consideration following completion of agreement (to an unrelated party of the Company) for project acquisitions. The deemed issue price for initial consideration was \$0.025 per share.

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On 25 June 2021, Comet issued 1,601,424 FPO shares to an advisor (being an unrelated party of the Company) for nil cash consideration. The deemed issue price for advisory services was \$0.0187 per share.

On 30 June 2021, the Company issued 5,000,000 FPO Shares upon the exercise of unlisted options exercisable at \$0.02 each on or before 30 June 2021.

Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

Options

At the date of this report, the unissued ordinary shares of Comet Resources Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
21/09/20	30/06/23	\$0.018	10,500,000
21/09/20	30/06/23	\$0.022	10,500,000
14/12/20	08/10/25	\$0.035	1,500,000
14/12/20	08/10/25	\$0.025	1,500,000
14/12/20	01/12/23	\$0.03	1,000,000
15/09/20	30/06/23	\$0.0325	20,869,565
12/02/21	12/02/23	\$0.03	6,125,873
12/02/21	12/02/23	\$0.05	6,125,873
12/02/21	12/02/23	\$0.07	6,125,873
08/02/21	12/02/23	\$0.03	25,000,000
			89,247,184

Option holders do not have any rights to participate in any issues of shares or other interests of the Company or any other entity.

For details of options issued to directors and executives as remuneration, refer to the remuneration report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

ASX Listing Rules Compliance

In preparing the full year review for the period ended 30 June 2021 and subsequent, the Company has relied on the following ASX announcements.

ASX Announcement	23 rd July 2020	Barraba Copper Project Update
ASX Announcement	15 th July 2020	Excellent Graphite Grades - Initial Metallurgical Test Work
ASX Announcement	2 nd July 2020	Update on High Grade Santa Teresa Gold Project
ASX Announcement	21 st August 2020	Excellent Graphite Grades - Initial Metallurgical Test Work
ASX Announcement	25 th August 2020	Santa Teresa Gold Project Acquisition Completion
ASX Announcement	2 nd September 2020	Comet Investor Presentation - September 2020
ASX Announcement	13 th October 2020	Initial JORC Resource - Santa Teresa Gold Project
ASX Announcement	15 th October 2020	Appointment of Project Manager - Santa Teresa Gold Project
ASX Announcement	22 nd October 2020	Comet Gains Access to Explore Barraba Copper Project
ASX Announcement	26 th November 2020	Extensive Surface Copper Mineralisation at Barraba Project
ASX Announcement	16 th December 2020	Santa Teresa Gold Project Drilling to Commence Q1 2021
ASX Announcement	13 th January 2021	High Grade Copper and Zinc Mineralisation Confirmed
ASX Announcement	29 th January 2021	Quarterly Activities Report and Appendix 5B Dec 2020
ASX Announcement	3 rd February 2021	Santa Teresa Gold Project Update
ASX Announcement	2 nd March 2021	Aeromagnetic Survey to Commence at Barraba Copper Project
ASX Announcement	19 th March 2021	Acquisition of Highly Prospective Copper-Gold Project in NT
ASX Announcement	14 th April 2021	Graphite Metallurgical Test Work Update

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DIRECTORS' REPORT (CONT'D)**

ASX Announcement	27 th April 2021	Quarterly Activities Report and Appendix 5B Mar 2021
ASX Announcement	5 th May 2021	CRL Investor Presentation - RIU Sydney Resources Round-up
ASX Announcement	10 th May 2021	Drilling Permit for Santa Teresa Gold Project Received
ASX Announcement	11 th May 2021	Acquisition Completion of NT Copper Projects
ASX Announcement	19 th May 2021	HOA signed for Highly Prospective Santa Teresa Gold Project
ASX Announcement	19 th July 2021	Graphite Metallurgical Test Work Progress Update
ASX Announcement	1 st September 2021	Historical assays up to 132 g/t at Santa Teresa
ASX Announcement	21 st September 2021	Exceptional performance from Graphite Battery Anode Testing

Compliance Statement This report contains information extracted from reports cited herein. These are available to view on the website www.cometres.com.au. In relying on the above ASX announcements, the Company confirms that it is not aware of any new information or data that materially affects the information included in the abovementioned announcements or this Full Year Report for the period ended 30 June 2021 and subsequent.

Competent Person Statement - The information in this announcement and the Company's announcements that relates to exploration results in respect of the Santa Teresa Gold Project is based on information compiled by Mr Kirstopher J Raffle, a Competent Person who is registered with the Association of Professional Engineers and Geoscientists of British Columbia (a Recognised Professional Organisation recognised by ASX), and is a principal of APEX Geoscientists Limited. Mr Raffle has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Tenement List

Project	Location	Tenement	Interest
Springdale	WA	E74/562	100%
		E74/612	100%
Bell's find	NSW	M74/1055	25%
Barraba	NSW	EL8492	80%
Northern Territory Assets	NT	EL32279	100%
		ELA32664	100%
		ELA32190	100%
		ELA32241	100%
Santa Teresa	Mexico	223182	50%
		210705	50%
		230380	50%
		237573	50%

Covid-19

The outbreak of COVID-19 continues to impact global financial and commodity markets. The Directors are monitoring the situation closely and have considered the impact of COVID-19 on the Company's business, however the situation is continuing to change and evolve. In compliance with its continuous disclosure obligations, the Company will continue to update the market in regard to any material impact of COVID-19 on its operations, work programs or any other material adverse impact on the Company.

Review of Financial Condition

The Group has cash reserves of \$2,351,083 at 30 June 2021 (2020: \$673,692) and a net asset position of \$4,580,729 (2020: \$994,020). The Company considers this to be adequate to:

- meet the tenement exploration commitments; and
- assess new exploration projects.

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.

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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

On 19 July 2021, the Company provided an update on ongoing test work on natural flake graphite from its Springdale Graphite Project (Springdale) located in Western Australia. Both excellent grade and recoveries were achieved on initial tests, leading to commencement of work earlier this year to produce a concentrate bulk sample for further testing. The production of the concentrate material was completed in June in a lab in Perth, Western Australia, and was subsequently air-freighted to a specialist testing provider in Germany. That material has now arrived, been dried, and prepared for testing, with testing works now commenced. In addition to the tests being performed by the specialist lab for Comet, a sample of the concentrate material has also been provided to a third-party producer of natural flake graphite products for battery anodes for their own evaluation.

On 21 September 2021, we provided the results of the initial test programs completed in Germany by Pro-Graphite. These test work programs confirmed that the bulk concentrate of graphite produced from Springdale was amenable to, and met industry benchmarks for, the key processes of micronisation, spheronisation and purification. The spheronised product purified to 99.96% (carbon content) using an alkaline caustic roasting process, and to 99.99% using Hydrofluoric acid. The standard benchmark for material that can be used in the manufacture of anodes for EV's is 99.95%, and therefore both purification processes exceeded this benchmark level. Please see the Review of Operations section of this report for further details.

There have not been any other significant changes in the state of affairs that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company.

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.

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.

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 A Molyneux, Mr D Prentice, Mr M O'Kane, Mr HP Halliday and Mr S Cheema 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 subsidiaries), 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 \$29,332 in respect of directors and officer's 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 Resources Ltd.

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 Group are disclosed below:

Remuneration Committee

Due to the size and composition of the current board, remuneration related matters are collectively discussed and resolved in accordance with Company requirements.

Employment Agreements

Comet has entered into the following agreements with Directors:

- Agreement with Matthew O'Kane for the services as Managing Director (MD), with fees of \$275,000 per year plus statutory superannuation and a three-month termination period. This Agreement supersedes the prior Agreement up to 30 October 2020 with fees of \$225,000 plus statutory superannuation.
- Agreement with Alex Molyneux and David Prentice for the services as Non-Executive Director, with fees of \$55,000 per year and \$40,000 per year.
- Prior to resignation, the agreement with Philippa Leggat for the services as Chief Executive Officer (CEO) was for fees of \$225,000 per year.

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

Directors', Key Management Personnel Fees and Benefits

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

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

- a) a total of \$75,000 was paid to Mr Halliday during the period, \$15,000 of which were director fees and the remaining \$60,000 as Corporate Consulting fees. Share based payment recognised with respect to incentive option issued is \$43,898.
- b) a total of \$49,999 was paid to Mr Molyneux as Director of the Company during the year ended 30 June 2021. Share based payment recognised with respect to incentive option issued is \$43,898.
- c) a total of \$40,000 was paid to Mr Prentice as Director of the Company during the year ended 30 June 2021. Share based payment recognised with respect to incentive option issued is \$43,898.
- d) a total of \$279,899 was paid to Mr O'Kane as a Managing Director of the Company during the year ended 30 June 2021. Share based payment recognised with respect to incentive option issued is \$175,591.

The remuneration amount mentioned above as disclosed in the table below.

Directors' & Key Management Personnel remuneration for the Year ended 30 June 2021

Name		Short-term			Post-employment		Share-based	Total	Perform-ance based	Remun-eration consisting of incentive shares or options
		Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Retire-ment benefits	Incentive shares or options			
		\$	\$	\$	\$	\$	\$	%	%	
M O'Kane	2021	255,616	-	-	24,283	-	175,591	455,490		39%
<i>Managing Director</i>	2020	140,913	-	-	12,469	-	-	153,382	-	0%
HP Halliday	2021	75,000 ¹	-	-	-	-	43,898	118,898		37%
<i>Non-executive</i>	2020	75,000 ¹	-	-	-	-	-	75,000	-	0%
A Molyneux	2021	49,999	-	-	-	-	43,898	93,897		47%
<i>Non-executive</i>	2020	39,693	-	-	-	-	-	39,693	-	0%
D Prentice	2021	40,000	-	-	-	-	43,898	83,898		52%
<i>Non-executive</i>	2020	40,000	-	-	-	-	-	40,000	-	0%
P Leggat ²	2021	-	-	-	-	-	-	-		0%
<i>CEO</i>	2020	159,495	-	-	14,250	-	-	173,745	-	0%
Total 2021		420,615	-	-	24,283	-	307,285	752,183		
Total 2020		455,101	-	-	26,719	-	-	481,820	-	

The Company undertakes to apply for official quotation by ASX of all ordinary Shares allotted pursuant to the convert of any Incentive Options.

¹During the year, Mr Halliday received a total of \$60,000 as Corporate Consultant fees.

² Resigned 12 November 2019.

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

Directors' interests

The numbers of ordinary shares in the Company held during the financial year by each director and key management personnel of Comet, including their personally-related entities, are set out below. Shares held by directors and key management personnel are as follows:

Name	Balance at the start of the year	Acquired during the year	Disposed of during the year	Balance at Resignation	Balance at the end of the year
M O'Kane	-	-	-	-	-
H Halliday	9,400,000	-	-	-	9,400,000
D Prentice	683,333	-	-	-	683,333
A Molyneux	-	-	-	-	-

Options held by directors and key management personnel at reporting date are as follows:

Name	Balance at the start of the year	Expired during the year	Granted as compensation during the year	Balance at the end of the year
M O'Kane	-	-	-	-
H Halliday	-	-	-	-
D Prentice	-	-	-	-
A Molyneux	-	-	-	-

Incentive shares held by directors or key management personnel at reporting date are as follows:

Name	Balance at the start of the year	Granted as compensation during the year	Converted to Ordinary Shares during the year	Balance at the end of the year
M O'Kane	-	-	-	-
H Halliday	-	-	-	-
D Prentice	-	-	-	-
A Molyneux	-	-	-	-

Incentive Options held by directors and key management personnel at reporting date are as follows:

Name	Balance at the start of the year	Acquired during the year	Exercised during the year	Balance at the end of the year
M O'Kane	-	12,000,000	-	12,000,000
H Halliday	-	3,000,000	-	3,000,000
D Prentice	-	3,000,000	-	3,000,000
A Molyneux	-	3,000,000	-	3,000,000

Details of the options granted as remuneration to those KMP listed in the table above are as follows:

Options granted to directors	Number of Options Issued	Grant Date	Expiry Date	Exercise Price	Value per Option
Tranche 1	10,500,000	21/09/20	30/06/23	\$0.018	0.015
Tranche 2	10,500,000	21/09/20	30/06/23	\$0.022	0.014

Incentive Options received by Directors were in accordance with shareholder approval for resolutions 9, 10, 11 and 12 at the general meeting held on 21 September 2020.

End of Remuneration Report.

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**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
M O'Kane	4	4
H Halliday	4	4
D Prentice	4	4
A Molyneux	4	4

A = Number of meetings eligible to attend

B = Number of meetings attended 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 Group.

Auditor's Independence and Non-Audit Services

The Company's auditor, Stantons, 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 51.

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.



**H Halliday
Chairman**

Dated at Perth this 30th September 2021

COMET RESOURCES LTD
and its Controlled Entities
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2021

	Note	CONSOLIDATED	
		2021	2020
		\$	\$
Administration expenses		(816,201)	(841,515)
Finance expenses		(275,000)	-
Exploration expenses		(711,037)	(1,138,466)
Share based payments	20(a)	(1,695,298)	(114,500)
Share of loss of joint venture	21	(318,367)	-
Operating result		(3,815,903)	(2,094,481)
Loss before interest and taxes and depreciation		(3,815,903)	(2,094,481)
Depreciation	3(b)	-	-
Loss before interest and taxes		(3,815,903)	(2,094,481)
Net other income	3(a)	471,509	584,999
Loss before taxes		(3,344,394)	(1,509,482)
Income tax expense	5	-	-
Net loss for the year after income tax	12	(3,344,394)	(1,509,482)
Other comprehensive income			
Items that may be reclassified to profit or loss		(6,879)	-
Items that will not be reclassified subsequently to profit or loss		-	-
Total comprehensive loss for the year		(3,351,273)	(1,509,482)
Net loss attributable to the members of the parent entity		(3,344,394)	(1,509,482)
Total comprehensive loss attributable to the members of the parent entity		(3,351,273)	(1,509,482)
Basic loss per share	13	(0.59)	(0.50)
Diluted loss per share		(0.59)	(0.50)

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the financial statements set out on pages 20 to 43.

COMET RESOURCES LTD
and its Controlled Entities
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
for the year ended 30 June 2021

	NOTE	CONSOLIDATED	
		2021	2020
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	6	2,351,083	673,692
Trade and other receivables	7	30,635	28,197
Prepayments		-	114,500
Total current assets		2,381,718	816,389
Non-current assets			
Other financial assets	8	2,000	2,000
Investment in Joint Venture	21	1,669,609	-
Capitalised Exploration and Evaluation Expenditure	4	1,107,728	300,000
Total non-current assets		2,779,337	302,000
TOTAL ASSETS		5,161,055	1,118,389
LIABILITIES			
Current liabilities			
Trade and other payables	9	543,471	114,573
Provisions for Employee Benefits		36,855	9,796
Total current liabilities		580,326	124,369
TOTAL LIABILITIES		580,326	124,369
NET ASSETS		4,580,729	994,020
EQUITY			
Issued capital	10	18,305,888	12,202,828
Shares to be issued		-	85,000
Reserves	11	1,839,135	926,092
Accumulated losses	12	(15,564,294)	(12,219,900)
TOTAL EQUITY		4,580,729	994,020

The consolidated statement of financial position should be read in conjunction with the notes to the financial statements set out on pages 20 to 43.

COMET RESOURCES LTD
and its Controlled Entities
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2021

	NOTE	CONSOLIDATED	
		2021 \$	2020 \$
Cash flows from operating activities			
Payments to suppliers and employees		(1,797,455)	(1,944,971)
Grants and Rebates received		486,017	568,607
Interest received		992	892
Net cash flows (used in) operating activities	14(b)	(1,310,446)	(1,375,472)
Net Cash flows from investing activities			
Investment in Joint Venture		(761,619)	-
Exploration and Evaluation Expenditure		(157,728)	(100,000)
Net cash flows (used in) investing activities		(919,347)	(100,000)
Cash flows from financing activities			
Issue of shares and options net of issue costs		3,907,184	772,696
Shares to be issued		-	85,000
Net cash flows from financing activities		3,907,184	857,696
Net increase/(decrease) in cash and cash equivalents		1,677,391	(617,776)
Cash and cash equivalents at the beginning of the year		673,692	1,291,468
Cash and cash equivalents at the end of the year	14(a)	2,351,083	673,692

The consolidated statement of cash flows should be read in conjunction with the notes to the financial statements set out on pages 20 to 43.

COMET RESOURCES LTD
and its Controlled Entities
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2021

	Issued Capital \$	Shares to be issued \$	Accumulated losses \$	Other Reserves \$	Total \$
CONSOLIDATED					
As at 30 June 2019	9,896,132	1,105,000	(10,710,418)	907,962	1,198,676
Net loss for the year	-	-	(1,509,482)	-	(1,509,482)
Total comprehensive loss for the year	-	-	(1,509,482)	-	(1,509,482)
Options issued	-	-	-	18,130	18,130
Shares issued (net of costs)	2,306,696	(1,105,000)	-	-	1,201,696
Shares to be issued	-	85,000	-	-	85,000
As at 30 June 2020	12,202,828	85,000	(12,219,900)	926,092	994,020
Net loss for the year	-	-	(3,344,394)	-	(3,344,394)
Total comprehensive loss for the year	-	-	(3,344,394)	-	(3,344,394)
Options issued	-	-	-	919,922	919,922
Foreign currency translation reserve	-	-	-	(6,879)	(6,879)
Shares issued (net of costs)	6,103,060	(85,000)	-	-	6,018,060
Shares to be issued	-	-	-	-	-
As at 30 June 2021	18,305,888	-	(15,564,294)	1,839,135	4,580,729

The consolidated statement of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 20 to 43.

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

1. CORPORATE INFORMATION

The financial report of Comet Resources Limited ("Comet") for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 30th September 2021.

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 the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

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

The financial statements of Comet Resources Limited comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

It has been prepared on the basis of accrual accounting and historical costs, modified where applicable, by the measurement at fair value of selected financial assets.

The financial report is presented in Australian dollars.

Going Concern Basis

The consolidated financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

For the year ended 30 June 2020, the Group incurred a loss after tax of \$3,344,394 (2020: \$1,509,482), and a net cash outflow from operations of \$1,310,446 (2020: \$1,375,472). At 30 June 2021, the Group had a working capital of \$1,801,392 (2020: working capital of \$692,020) and non-current liabilities of nil (2020: nil). As at 30 June 2021, the Group had a cash balance of \$2,351,083. The Group's ability to continue as a going concern and pay its debts as and when they fall due, given the Group's intended operational plans, assumes active management of the current level of discretionary expenditure in line with the funds available to the Group.

The directors have reviewed the business outlook and cash flow forecasts and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will continue to be successful in securing additional funds through the debt and/or equity issues as and when the need to raise working capital arises.

Should the Group be unable to continue as a going concern, it may be required to monetise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the consolidated financial statements.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2021

(b) New amended standards adopted by the Group

The Group has considered the implications of new and amended Accounting Standards which have become applicable for the current financial reporting period. The Group had to change its accounting policies as a result of adopting the following Standard:

Initial adoption of AASB 2020-04: COVID-19-Related Rent Concessions

AASB 2020-4: *Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions* amends AASB 16 by providing a practical expedient that permits lessees to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and, if certain conditions are met, account for those rent concessions as if they were not lease modifications.

Initial adoption of AASB 2018-6: Amendments to Australian Accounting Standards – Definition of a Business

AASB 2018-6 amends and narrows the definition of a business specified in AASB 3: *Business Combinations*, simplifying the determination of whether a transaction should be accounted for as a business combination or an asset acquisition. Entities may also perform a calculation and elect to treat certain acquisitions as acquisitions of assets.

Initial adoption of AASB 2018-7: Amendments to Australian Accounting Standards – Definition of Material

This amendment principally amends AASB 101 and AASB 108 by refining the definition of material by improving the wording and aligning the definition across the standards issued by the AASB.

Initial adoption of AASB 2019-3: Amendments to Australian Accounting Standards – Interest Rate Benchmark

This amendment amends specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by interest rate benchmark reform.

Initial adoption of AASB 2019-1: Amendments to Australian Accounting Standards – References to the Conceptual Framework

This amendment amends Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of Conceptual Framework for Financial Reporting by the AASB.

The standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(c) Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2021

(d) Revenue Recognition

Interest Income

Interest income is recognised using the effective interest method.

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. Grants reallocated to expense items are recognised as incurred over the period necessary to match the Grant to the costs it is compensating. Grants relating to expense items are recognised as income over the periods necessary to match the grants to the costs it is compensating.

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.

(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 a maturity of six 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.

(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, excluding 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 lives 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. 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 in profit or loss when the asset is de-recognised.

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2021

(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 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) Financial Instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial instruments (except for trade receivables) are measured initially at fair value adjusted by transaction costs, except for those carried at 'fair value through profit or loss', in which case transaction costs are expensed to profit or loss. Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation techniques are adopted. Subsequent measurement of financial assets and financial liabilities are described below. Trade receivables are initially measured at the transaction price if the receivables do not contain a significant financing component in accordance with AASB 15. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Classification and measurement

Financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVPL).

Classifications are determined by both:

- the contractual cash flow characteristics of the financial assets; and
- the Group's business model for managing the financial asset.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet with the following conditions (and are not designated as FVPL);

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. Financial assets at fair value through other comprehensive income (Equity instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling the financial asset.

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2021

(h) Financial Instruments (cont)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 Financial Instruments: Presentation and are not held for trading.

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

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, gains and losses arising on changes in fair value are recognised in profit or loss.

Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1:** Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- **Level 2:** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- **Level 3:** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(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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(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 profit or loss and other 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

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. 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 profit or loss and other comprehensive income.

(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.

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(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) 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.

(p) 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.

Superannuation Plan

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

(q) 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 or Black-Scholes model. Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 20.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve. Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. For cash-settled share-based payments, liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

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(r) 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.

(s) 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 profit or loss and other comprehensive income and statement of financial position.

(t) 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.

(u) Exploration and Evaluation Expenditure

Exploration and evaluation costs are written off in the year they are incurred. Costs of acquisition are capitalised to areas of interest and carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. When an area of interest is abandoned, or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated acquisition costs written off to the extent that they will not be recoverable in the future. Where projects have advanced to the stage that directors have made a decision to mine, they are classified as development properties. When further development expenditure is incurred in respect of a development property, such expenditure is carried forward as part of the cost of that development property only when substantial future economic benefits are established. Otherwise such expenditure is classified as part of the cost of production or written off where production has not commenced.

(v) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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(w) Joint Venture

Joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. The joint venture is accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Any goodwill or fair value adjustment attributable to the Group's share in the joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in joint venture is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group. Unrealised gains and losses on transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in those entities. Where unreleased losses are eliminated, the underlying asset is also tested for impairment.

(x) Joint Operation

A joint operation is a type of joint arrangement in which the parties with joint control of the arrangement have rights to the assets and obligations for the liabilities in relation to the arrangement.

The Group recognises in relation to its joint operations:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities held jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

As at 30 June 2021, the Group did not have any joint operation.

(y) 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:

Exploration and evaluation acquisition costs

Costs of acquisition are capitalised to areas of interest and carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Share-based payment transactions

The Group measures the cost of equity-settled transactions 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 or Black-Scholes model.

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 2020 no deferred tax asset has been recognised in relation to the unused tax losses as it is not considered probable that taxable profits will be available.

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	CONSOLIDATED	
	2021	2020
	\$	\$
3. REVENUES AND EXPENSES		
(a) Revenue		
Interest – other parties	992	892
R&D Tax Rebate	423,117	479,064
Government Grant Funds ¹	47,400	105,043
	471,509	584,999
(b) Expenses		
Depreciation - plant & equipment	-	-
(c) Directors/KMP benefits expense, included in statement of profit or loss and other comprehensive income		
Consulting & Directors' fees	420,615	455,101
Superannuation costs	24,283	26,719
Share-based payment expense	307,285	-
	752,183	481,820

4. CAPITALISED EXPLORATION AND EVALUATION

Carrying value

	Consolidated	
	2021	2020
	\$	\$
Capitalised Exploration and evaluation costs	1,107,728	300,000

Reconciliation

		Consolidated	
		2021	2020
		\$	\$
Opening balance	Notes	300,000	-
Acquisitions - Barraba Copper Project	i	50,000	300,000
Acquisitions – NT Project	ii	747,728	-
Acquisition – other smelter royalty		10,000	-
Closing balance		1,107,728	300,000

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

- (i) \$50,000 paid on execution of the Agreement, \$50,000 paid on execution of the variation deed and 20,000,000 Fully Paid Ordinary Shares issued by the Company on 16 April 2020 at a deemed issue price of \$0.01 per fully paid ordinary Share. A further \$50,000 paid 6 months from 16 April 2020 being the date of the variation deed.
- (ii) On 19 March 2021, Comet announced the Binding Option Agreement (“Agreement”) with Bath Resources Pty Ltd to acquire a portfolio of highly prospective copper-gold-zinc-silver-lead assets in the Northern Territory of Australia. Under the Agreement Comet paid a non-refundable deposit of \$50,000 to secure an exclusive right to acquire the Sale Shares;
 Completion fee: The Company paid Bath Resources \$47,728 (GST exclusive) upon completion of the Agreement; Initial Consideration: The Company issued to Bath Resources fully paid ordinary shares in the capital of the Company (CRL Shares) to the value of \$450,000 based on an amount per share equal to the greater of \$0.025 or the 20-Day VWAP, upon completion of the Agreement (Initial Consideration Shares); Secondary Consideration: The Company will issue CRL Shares to Bath Resources to the value of \$200,000, based on an amount per share equal to the greater of \$0.025 or the 20-Day VWAP of CRL Shares as traded on ASX payable to Bath Resources twelve (12) months after the completion of the Agreement. This is accrued as at 30 June 2021. Comet acquired 100% interest of Kalk Exploration Pty Ltd (“Kalk”), which held the NT Project. The Board had assessed the acquisition of Kalk and concluded it’s an asset acquisition of the NT Project in accordance with AASB 3. Therefore, the acquisition costs were accounted for as capitalised Exploration and Evaluation expenditures.

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5. TAXATION

	CONSOLIDATED	
	2021	2020
	\$	\$
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 2021 is as follows:		
Accounting loss before income tax	(3,344,394)	(1,509,482)
	<u>(3,344,394)</u>	<u>(1,509,482)</u>
Prima facie tax benefit on loss from ordinary activities at 26% (2020: 27.5%)	(869,542)	(415,108)
Tax effect of amounts which are not deductible in calculating taxable income		
Non-deductible expenses	440,777	-
Non assessable income	(122,334)	(150,580)
Adjustments recognised in the current year in relation to the current tax of previous years	252,897	302,670
Share base payments	-	-
Effect of temporary differences that would be recognised directly in equity	(81,407)	(69,136)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	14,601	440,323
Temporary differences not recognised	365,008	(108,169)
Income tax expense	<u>-</u>	<u>-</u>
Unrecognised temporary differences		
Deferred Tax Assets at 25% (2020: 27.5%)		
Financial assets	(79,592)	-
Provision for expenses & accruals	(123,340)	(8,030)
Carry forward revenue tax losses	(4,240,684)	(4,102,927)
Carry forward capital tax losses	(397,650)	(360,718)
	<u>(4,841,266)</u>	<u>(4,471,675)</u>
Deferred Tax Liabilities at 25% (2020: 27.5%)		
Intangibles	(4,583)	-
	<u>(4,583)</u>	<u>-</u>

The Group has revenue losses arising in Australia of \$16,962,737 (2020: \$16,411,709) and capital losses of \$1,133,083 (2020: \$1,442,872) that are available indefinitely for offset against future profits of the companies in which the loss arose.

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	CONSOLIDATED	2020
	2021	2020
	\$	\$
6. CASH AND CASH EQUIVALENTS		
Cash	2,331,083	653,692
Short term deposits, maturing within 90 days and paying interest at a weighted average interest rate of 1.0% (2020: 2.0%)	20,000	20,000
	2,351,083	673,692

	CONSOLIDATED	2020
	2021	2020
	\$	\$
7. TRADE AND OTHER RECEIVABLES		
Current		
Government Grant Receivable	-	15,500
Other Receivables	30,635	12,697
	30,635	28,197

As of 30 June 2021, trade and other receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The Group does not have any collateral in relation to these receivables.

Details regarding the effective interest rate and credit risk of current receivables are disclosed in Note 18.

	CONSOLIDATED	2020
	2021	2020
	\$	\$
8. OTHER FINANCIAL ASSETS		
Non-current		
Security bonds	2,000	2,000

	CONSOLIDATED	2020
	2021	2020
	\$	\$
9. TRADE AND OTHER PAYABLES		
Current		
Trade creditors	78,231	59,865
Other payable	8,736	4,878
Accruals	456,504	49,830
	543,471	114,573

At the reporting date none of the payables were past due. The normal credit terms from suppliers is 30 days.

	2021	2020	2021	2020
	No.	No.	\$	\$
10. ISSUED CAPITAL				
Issued and paid-up capital	691,590,087	382,500,000	18,305,888	12,202,828
Movements in ordinary share capital				
Balance at the beginning of the financial year	382,500,000	240,000,000	12,202,828	9,896,132
Shares issued during the year net of capital raising costs	-	112,500,000	-	1,877,696
Shares issued during the year to Lead Manager	-	10,000,000	-	229,000
Placement shares issued Sep 20	8,500,000	-	85,000	-
Advisor shares issued Sep 20	3,000,000	-	45,000	-
Placement shares issued Sep 20	98,500,000	-	1,970,000	-
Share purchase plan Oct 20	50,000,000	-	1,000,000	-
Placement shares issued Oct 20	1,500,000	-	30,000	-
Consultant shares issued Oct 20	5,263,158	-	60,000	-
Acquisition shares issued Dec 20	40,000,000	-	1,000,000	-
Financing shares issued Dec 20	20,869,565	-	493,430	-

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Marketing shares issues Dec 20	818,182	-	18,000	-
Advisor shares issued Dec 20	1,636,364	-	36,000	-
SPP shares Feb 21	50,000,000	-	1,000,000	-
Advisor shares issued Mar 21	2,151,394	-	53,785	-
Options exercise Mar 21	2,250,000	-	45,000	-
Tenement acquisition shares May 21	18,000,000	-	450,000	-
Advisor shares issued June 21	1,601,424	-	29,947	-
Options exercise Jun 21	5,000,000	-	100,000	-
Shares issued during the year for tenement acquisition	-	20,000,000	-	200,000
Capital raising costs	-	-	(313,102)	-
Balance at the end of the financial year	<u>691,590,087</u>	<u>382,500,000</u>	<u>18,305,888</u>	<u>12,202,828</u>

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

As at 30 June 2021, the Company had the following Options on issue.

Options Numbers	Option Terms	Vesting conditions
1,000,000	Unlisted Options exercisable at \$0.03 on or before 1/12/2023	Not applicable
25,000,000	Unlisted Options exercisable at \$0.03 on or before 12/02/2023	Not applicable
6,125,873	Unlisted Options exercisable at \$0.03 on or before 12/02/2023	10-Day VWAP greater than strike price
6,125,873	Unlisted Options exercisable at \$0.05 on or before 12/02/2023	10-Day VWAP greater than strike price
6,125,873	Unlisted Options exercisable at \$0.07 on or before 12/02/2023	10-Day VWAP greater than strike price
10,500,000	Unlisted Options exercisable at \$0.018 on or before 30/06/2023	Not applicable
10,500,000	Unlisted Options exercisable at \$0.022 on or before 30/06/2023	Not applicable
20,869,565	Unlisted Options exercisable at \$0.0325 on or before 30/6/2023	Not applicable
1,500,000	Unlisted Options exercisable at \$0.025 on or before 08/10/2025	Completion of first drilling campaign of at least 3,000 metres
1,500,000	Unlisted Options exercisable at \$0.035 on or before 08/10/2025	Upon decision to mine being made

The Options are transferable subject to any restriction or escrow agreements imposed by ASX or under applicable Australian securities laws. Shares allotted pursuant to the convert of the Options will rank equally with the then issued ordinary Shares of the Company.

Movement in Options during the year

The following reconciles the options outstanding at the beginning and end of the year:

	2021		2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	No.	\$	No.	\$
Balance at beginning of the year	56,250,000	0.080	84,000,000	0.097
Granted during the year	165,647,184	0.027	41,250,000	0.060
Forfeited during the year	-	-	-	-
Exercised during the year	(7,250,000)	0.02	-	-
Expired during the year	(125,400,000)	0.045	(69,000,000)	0.080
Balance at end of year	89,247,184	0.035	56,250,000	0.080
Exercisable at end of year	67,869,565	0.032	56,250,000	0.080

The Company undertakes to apply for official quotation by ASX of all ordinary Shares allotted pursuant to the exercise of any Options.

Incentive Shares

There are no Incentive shares on issue.

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	CONSOLIDATED	2020
	2021	2020
	\$	\$
11. RESERVES		
Option premium reserve	298,307	298,307
Foreign currency translation reserve - JV	(6,879)	-
Share-based payments reserve	1,547,707	627,785
	1,839,135	926,092

	CONSOLIDATED	2020
	2021	2020
	\$	\$
Movement in reserves		
Balance at beginning of year	926,092	907,962
Options issued for consideration	-	-
Share based payments during the year (Note 20(c))	919,922	18,130
Foreign currency translation reserve - JV	(6,879)	-
Balance at end of year	1,839,135	926,092

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/consultants as part of their remuneration.

Foreign Currency Translation Reserve

The reserve reflects the movement in foreign currency related to the JV.

	CONSOLIDATED	2020
	2021	2020
	\$	\$
12. ACCUMULATED LOSSES		
Accumulated losses at beginning of year	(12,219,900)	(10,710,418)
Net loss attributable to members of the parent entity	(3,344,394)	(1,509,482)
Accumulated losses at the end of the year	(15,564,294)	(12,219,900)

13. EARNINGS PER SHARE

	CONSOLIDATED	2020
	2021	2020
	\$	\$
(a) Basic earnings (loss) per share (cents per share)	(0.59)	(0.50)
(b) Reconciliation of earnings used in calculating earnings per share		
Loss attributable to ordinary entity	(3,351,273)	(1,509,482)
Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS	565,577,580	304,756,831

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14. 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	
	2021	2020
	\$	\$
Cash	2,331,083	653,692
Short term deposits maturing within 90 days and paying interest at a weighted average interest rate of 1.0% (2020: 2.0%)	20,000	20,000
	2,351,083	673,692

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

Operating loss after income tax	(3,344,394)	(1,509,482)
Add non-cash items:		
Share based payments	1,695,298	132,630
Share of loss of joint venture	318,367	-
Changes in assets and liabilities:		
(Increase)/Decrease in trade and other receivables	(2,438)	(28,197)
Increase/(Decrease) in trade and other payables	(4,338)	32,275
(Decrease)/Increase in current provisions	27,059	(2,698)
Net cash flow (used in) operating activities	(1,310,446)	(1,375,472)

Non-cash financing activities: 29,777,619 lead manager options with a fair value of \$75,285.

Non-cash investing activities: 40 million shares for JV investment with a fair value of \$1,000,000. 18 million shares for asset acquisition (NT prospect) with a fair value of \$450,000.

15. DIRECTOR AND KEY MANAGEMENT PERSONNEL DISCLOSURES

Details of Key Management Personnel

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

Mr M O'Kane – Managing Director
 Mr HP Halliday – Non-Executive Chairman
 Mr D Prentice – Non-Executive Director
 Mr A Molyneux – Non-Executive Director

Compensation by Category: Key Management Personnel, Directors and Executives

	CONSOLIDATED	
	2021	2020
	\$	\$
Short-term	420,615	455,101
Post-employment	24,283	26,719
Share based payments	307,285	-
	752,183	481,820

**COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2021**

15. DIRECTOR AND KEY MANAGEMENT PERSONNEL DISCLOSURES (cont)

Other transactions with directors and key management personnel

- (i) a total of \$75,000 was paid to Mr Halliday during the period, \$15,000 of which were director fees and the remaining \$60,000 as Corporate Consulting fees. Share based payment recognised with respect to incentive option issued is \$43,898. These options were issued to Mr Halliday for his services as Corporate Consultant.
- (ii) a total of \$49,999 was paid to Mr Molyneux as Director of the Company during the year ended 30 June 2021. Share based payment recognised with respect to incentive option issued is \$43,898.
- (iii) a total of \$40,000 was paid to Mr Prentice as Director of the Company during the year ended 30 June 2021. Share based payment recognised with respect to incentive option issued is \$43,898.
- (iv) a total of \$279,899 was paid to Mr O'Kane as a Managing Director of the Company during the year ended 30 June 2021. Share based payment recognised with respect to incentive option issued is \$175,591.

The above fees have been included in directors' and key management personnel remuneration disclosed in the remuneration report and the table above.

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.

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

	CONSOLIDATED	
	2021	2020
	\$	\$
Current payables		
Trade creditors (net of GST)	36,855	13,041
	36,855	13,041

16. AUDITOR'S REMUNERATION

	CONSOLIDATED	
	2021	2020
	\$	\$
Audit services:		
Auditors of the Company – Stantons	41,211	36,368
	41,211	36,368

17. 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	670,261	155,325
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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.

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2021

18. 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 and in addition listed shares.

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 0.02% 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 2021 and 2020.

Consolidated Entity 30 June 2021	Carrying Amount \$	Interest Rate Risk -1%		Interest Rate Risk +1%	
		Net Loss \$	Equity \$	Net Gain \$	Equity \$
<i>Financial assets</i>					
Cash & cash equivalents	2,351,083	(23,511)	(23,511)	23,511	23,511

Consolidated Entity 30 June 2020	Carrying Amount \$	Interest Rate Risk -1%		Interest Rate Risk +1%	
		Net Loss \$	Equity \$	Net Gain \$	Equity \$
<i>Financial assets</i>					
Cash & cash equivalents	673,692	(6,737)	(6,737)	6,737	6,737

None of the Group's financial liabilities is interest bearing. The remaining cash and cash equivalents at the reporting date are non-interest bearing.

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2021

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

Foreign currency risk

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

19. 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							
2021							
Financial assets							
Cash and cash equivalents	6	2,351,083	-	-	-	2,351,083	0.024%
Trade and other receivables		-	-	-	-	-	0%
Bonds	8	-	-	-	2,000	2,000	0%
		<u>2,351,083</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>2,353,083</u>	
Financial liabilities							
Trade and other payables	9	-	-	-	543,471	543,471	0%
		<u>-</u>	<u>-</u>	<u>-</u>	<u>543,471</u>	<u>543,471</u>	
Net financial assets		<u>2,351,083</u>	<u>-</u>	<u>-</u>	<u>(541,471)</u>	<u>1,809,612</u>	

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2021

19. FINANCIAL INSTRUMENTS (cont)

	Note	Floating Interest	Fixed interest maturing in:		Non Interest bearing	Total	Weighted average interest rate
			1 year or less	1-5 years			
		\$	\$	\$	\$	\$	
CONSOLIDATED							
2020							
Financial assets							
Cash and cash equivalents	6	673,692	-	-	-	673,692	0.11%
Trade and other receivables	7	-	-	-	28,197	28,197	0%
Bonds	8	-	-	-	2,000	2,000	0%
		<u>673,692</u>	<u>-</u>	<u>-</u>	<u>30,197</u>	<u>703,889</u>	
Financial liabilities							
Trade and other payables	9	-	-	-	114,573	114,573	0%
		<u>-</u>	<u>-</u>	<u>-</u>	<u>114,573</u>	<u>114,573</u>	
Net financial assets		<u>673,692</u>	<u>-</u>	<u>-</u>	<u>(84,376)</u>	<u>589,316</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	
	2021	2020
	\$	\$
FINANCIAL ASSETS		
Level 1		
Cash and cash equivalents	2,351,083	673,692
Trade and other receivables	-	28,197
Bonds	2,000	2,000
Trade and other payables	(543,471)	(114,573)
	<u>1,809,612</u>	<u>589,316</u>

20. SHARE BASED PAYMENTS

(a) Recognised share-based payment transactions

Share based payment transactions recognised either as operational expenses in the statement of profit or loss and other comprehensive income or as capitalised project acquisition costs or capital raising costs in equity during the period were as follows:

	2021	2020
	\$	\$
Consultant share based payments (note 20 (b))	850,661	114,500
Share based payments to suppliers and directors (note 20(c))	844,637	-
Share based payments expense	1,695,298	114,500
Share based payments – capital raising costs (note 20(c))	75,285	-
Share based payments for investment in JV (note 20(d))	1,000,000	-
Share based payments for tenement acquisition (note 20(d))	450,000	200,000
Share based payments to suppliers and directors (note 20(c))	-	18,130
	<u>3,220,583</u>	<u>332,630</u>

COMET RESOURCES LTD
and its Controlled Entities
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for the year ended 30 June 2021

(b) Consultant share based payments through the issue of shares

During the year ended 30 June 2021, the Company issued the following shares to consultants and advisors for a total fair value of \$850,661:

- 10,000,000 fully paid ordinary Comet Resources Limited shares issued in prior year to Empire Capital Partners Pty Ltd as a corporate advisor to the Company. The fair value recognised for the fully paid ordinary shares issued is \$229,000 for the services provided between January 2020 and December 2020, \$114,500 has been recognised as an expense in the financial year.
- 8,389,182 fully paid ordinary Comet Resources Limited shares to Peloton Capital or its nominees as advisory fees. The fair value recognised for the fully paid ordinary shares issued is \$164,731 for the services provided.
- 818,182 fully paid ordinary Comet Resources Limited shares to Spark Plus or its nominees as marketing fees. The fair value recognised for the fully paid ordinary shares issued is \$18,000 for the services provided.
- 5,263,158 fully paid ordinary Comet Resources Limited shares to Empire Capital Partners Pty Ltd or its nominees as advisory fees for project acquisition. The fair value recognised for the fully paid ordinary shares issued is \$60,000 for the services provided.
- 20,869,565 fully paid ordinary Comet Resources Limited shares to Empire Capital Partners Pty Ltd or its nominees as success fees for project acquisition. The fair value recognised for the fully paid ordinary shares issued is \$493,430 for the success fee.

(c) Share based payments to Advisors, Consultants, Directors and Suppliers through grant of options

During the year ended 30 June 2021, the Company issued unlisted options to advisors, consultants and suppliers for services rendered during the period. The total fair value of the options of \$919,922 was determined at the grant date using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share and the risk-free interest rate for the term of the option.

Options issued	Number of Options Issued	Grant Date	Expiry Date	Exercise Price	Total Value (\$)	Underlying Share Value	Expected Volatility	Risk Free rate
Empire Capital	20,869,565	NA	30/06/23	\$0.033	493,430*	NA	NA	NA
Directors of the Company	10,500,000	21/09/20	30/06/23	\$0.018	160,358	0.026	80%	0.24%
Directors of the Company	10,500,000	21/09/20	30/06/23	\$0.022	146,927	0.026	80%	0.24%
Peloton Capital	6,000,000	21/10/20	30/06/21	\$0.02	47,741	0.024	80%	0.35%
Peloton Capital	1,500,000	23/09/20	30/06/21	\$0.02	12,150	0.025	80%	0.16%
Empire Capital	3,900,000	24/04/20	30/06/21	\$0.02	2,730	0.011	80%	0.24%
Interminco	1,500,000	14/12/20	08/10/25	\$0.035	16,469	0.021	80%	0.35%
Interminco	1,500,000	14/12/20	08/10/25	\$0.025	18,577	0.021	80%	0.35%
Spark Plus	1,000,000	14/12/20	01/12/23	\$0.03	8,876	0.021	80%	0.23%
Peloton Capital	6,125,873	12/02/21	12/02/23	0.03	8,018**	0.025	80%	0.85%
Peloton Capital	6,125,873	12/02/21	12/02/23	0.05	3,445**	0.025	80%	0.85%
Peloton Capital	6,125,873	12/02/21	12/02/23	0.07	1,201**	0.025	80%	0.85%

* valuation determined by reference to fair value as stated in the agreements for services. All options granted during the current period were for nil cash consideration and the expected dividend yield of nil.

** represent share-base payment accounted for as capital raising cost during the year.

Unless otherwise stated, the fair value of the options at grant date was determined using a Black Scholes pricing method that took into account the exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The table above lists the inputs to the model used for valuation of the options. During the period, \$844,637 has been recognised as an expense with \$75,285 accounted for as capital raising cost.

(d) Share based payments for investment in joint venture and tenement acquisition

During the year ended 30 June 2021, the Company issued 40,000,000 fully paid ordinary Comet Resources Limited shares for the 50% acquisition of the El Alamo Resources Limited. The fair value recognised for the fully paid ordinary shares issued is \$1,000,000 and is capitalised under investment in joint venture (refer to Note 21).

During the year ended 30 June 2021, the Company issued to Bath Resources fully paid ordinary shares in the capital of the Company (CRL Shares) to the value of \$450,000 based on an amount per share equal to the greater of \$0.025 or the 20-Day VWAP, upon completion of the Agreement (Initial Consideration Shares).

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2021

21: INVESTMENT IN JOINT VENTURE

The Company announced the completion of the acquisition of 50% of the Santa Teresa Gold Project, in August 2020 through a 50% investment in El Alamo Resources Limited (EARL). On 14 December 2020 and pursuant to shareholder approval received at General Meeting of Shareholders held on 21 September 2020, the Company had issued 40,000,000 FPO as consideration. As part of the acquisition, Comet entered a Joint Venture Agreement to manage El Alamo Resources Limited. Until such time as a decision to mine has been made, the Project will be operated as an incorporated Joint Venture with Comet holding a 50% interest in EARL. Comet will sole fund all expenditure on the Project during the period prior to it acquiring the remaining 50% interest in EARL. The balance as at 30 June 2021 of \$1,669,609 are the acquisition costs and joint venture costs associated with exploration recorded for the year ended 30 June 2021.

	2021	2020
	\$	\$
Payments for JV acquisition – Cash Consideration	200,000	-
Consulting Payments for JV acquisition – Empire Capital Partners	52,500	-
Share based payments for JV acquisition (note 20(d))	1,000,000	-
Cash calls	742,355	-
Share of (loss)/profit – JV	(318,367)	-
Share of post-acquisition movement in reserve	(6,879)	-
	<u>1,669,609</u>	<u>-</u>

Summarised statement of financial position

	2021
	\$
Current assets	18,881
Non-current assets	15,494
Total assets	<u>34,375</u>
Current liabilities	(70,729)
Non-current liabilities	-
Total liabilities	<u>(70,729)</u>
Net assets	<u>(36,354)</u>

Summarised statement of profit or loss and other comprehensive income*

Revenue	-
Expenses	(636,734)
Loss for the year	<u>(636,734)</u>

22. PARENT ENTITY DISCLOSURES

(a) Financial Position

	2021	2020
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	2,351,083	673,692
Trade and other receivables	30,635	28,197
Prepayment	-	114,500
Total current assets	<u>2,381,718</u>	<u>816,389</u>
Non-current assets		
Other financial assets (i)	2,000	2,000
Investment in Joint Venture	1,669,609	-
Capitalised Exploration and Evaluation Expenditure	1,107,728	300,000
Total non-current assets	<u>2,779,337</u>	<u>302,000</u>

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2021

22. PARENT ENTITY DISCLOSURES (cont)

TOTAL ASSETS	5,161,055	1,118,389
LIABILITIES		
Current liabilities		
Trade and other payables	543,471	114,573
Provisions	36,855	9,796
Total current liabilities	580,326	124,369
TOTAL LIABILITIES	580,326	124,369
NET ASSETS	4,580,729	994,020
EQUITY		
Issued capital	18,305,888	12,202,828
Shares to be issued	-	85,000
Reserves	1,839,135	926,092
Accumulated losses	(15,564,294)	(12,219,900)
TOTAL EQUITY	4,580,729	994,020

(b) Financial Performance

	2021	2020
	\$	\$
Loss for the year	(3,344,394)	1,509,482)
TOTAL COMPREHENSIVE LOSS	(3,344,394)	(1,509,482)

(i) Other Financial Assets

	2021	2020
	\$	\$
Security bonds	2,000	2,000
	2,000	2,000

Commitments and Contingencies

The parent company has not provided any guarantees and does not have any other commitments or contingent assets or liabilities that are not disclosed elsewhere in the financial report except for those disclosed in Note 17 and 26.

23. RELATED PARTY DISCLOSURES

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

	2021	2020
	%	%
Comet Resources Limited – controlled entities		
Ravensthorpe Management Pty Ltd*^	100	100
Environmental Oil Solutions Pty Ltd*^	100	100
Kalk Exploration Pty Ltd*	100	-
* incorporated in Australia		
^ dormant		

Comet Resources Limited is the ultimate parent entity.

Investment in JV: El Alamo Resources Limited	50	-
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Transactions with key management personnel are disclosed in Note 15.

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2021

24. 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 Company operates predominately in two geographical segments, being Australia & Mexico. Both of which are in mineral exploration. These activities in Mexico only relate to the investment in joint venture. Mineral exploration in Australia relates to the exploration activities and work programs for exploration assets held in Australia.

	Australia \$	Mexico \$	Total \$
2021			
Total other income	471,509	-	471,509
Total expenses	(3,497,536)	(318,367)	(3,815,903)
Total segment loss before income tax	<u>(3,026,027)</u>	<u>(318,367)</u>	<u>(3,344,394)</u>
Total segment assets	3,491,365	1,669,690	5,161,055
Total segment liabilities	(580,326)	-	(580,326)
2020			
Total other income	584,999	-	584,999
Total expenses	(2,094,481)	-	(2,094,481)
Total segment loss before income tax	<u>(1,509,482)</u>	<u>-</u>	<u>(1,509,482)</u>
Total segment assets	1,118,389	-	1,118,389
Total segment liabilities	(124,369)	-	(124,369)

25. EVENTS SUBSEQUENT TO REPORTING DATE

On 19 July 2021, the Company provided an update on ongoing test work on natural flake graphite from its Springdale Graphite Project (Springdale) located in Western Australia. Both excellent grade and recoveries were achieved on initial tests, leading to commencement of work earlier this year to produce a concentrate bulk sample for further testing. The production of the concentrate material was completed in June in a lab in Perth, Western Australia, and was subsequently air-freighted to a specialist testing provider in Germany. That material has now arrived, been dried, and prepared for testing, with testing works now commenced. In addition to the tests being performed by the specialist lab for Comet, a sample of the concentrate material has also been provided to a third-party producer of natural flake graphite products for battery anodes for their own evaluation.

On 21 September 2021, we provided the results of the initial test programs completed in Germany by Pro-Graphite. These test work programs confirmed that the bulk concentrate of graphite produced from Springdale was amenable to, and met industry benchmarks for, the key processes of micronisation, spheronisation and purification. The spheronised product purified to 99.96% (carbon content) using an alkaline caustic roasting process, and to 99.99% using Hydrofluoric acid. The standard benchmark for material that can be used in the manufacture of anodes for EV's in 99.95%, and therefore both purification processes exceeded this benchmark level. Please see the Review of Operations section of this report for further details.

There have not been any other significant changes in the state of affairs during the year ended 30 June 2021 that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company.

26. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Post settlement obligations for the Barraba Copper Project acquisition as announced to the market in the Company's press release on 23 January 2020 and varied in the ASX release on 16 April 2020 are as follows:

- The Vendors are free-carried until a decision to mine has been reached at which point they contribute pro rata in a JV or dilute to a 2% NSR Royalty;
- Comet has the option to purchase the remaining 20% interest in the first 36 months for \$2.5 million; and

COMET RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2021

- A minimum exploration expenditure of \$600,000 with a minimum of 1,250m of RC or Diamond Drilling to be completed within a period of 18 months from the settlement date. If the minimum exploration expenditure and minimum drilling requirement are not satisfied within 18 months from the settlement date, the interest in the assets will revert to zero. If the option is exercised and the payment made before 18 months from the settlement date, Comet will not be obliged to satisfy the above minimum exploration expenditure and minimum drilling requirement.

In addition to the Consideration following execution of the Santa Teresa Gold Project (Project) Share Purchase and Joint Venture Agreement (SPA) with shareholders of El Alamo Resources Limited (EARL) for the 100% acquisition (Acquisition) of the Project the Company will granted a 1% net smelter royalty over all minerals produced from the existing concessions held by Grupo that comprise the Project to EARL on customary commercial terms.

As per Note 4, Comet acquired a portfolio of highly prospective copper-gold exploration assets in the Northern Territory of Australia through a Binding Option Agreement with Bath Resources Limited. The Final Consideration is contingent, the Company will issue CRL Shares to Bath Resources to the value of \$200,000 on the delineation of the maiden JORC resource of no less than 5 million tonnes at a Cu-equivalent of 1% or greater (as verified by an independent qualified competent person under the JORC Code) and based on an amount per share equal to the greater of \$0.025 or the 20-day VWAP of CRL Shares as traded on ASX at the time the resource is announced to ASX.

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

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**COMET RESOURCES LTD
and its Controlled Entities
DIRECTORS' DECLARATION
for the year ended 30 June 2021**

The Directors of Comet Resources Limited declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Group 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, as outlined in Note 2;
- (c) in the Directors' opinion, the attached financial statements and notes thereto set out in pages 16 to 43 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



**H Halliday
Chairman**

Dated at Perth this 30th day of September 2021

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
COMET RESOURCES LIMITED****Report on the Audit of the Financial Report****Opinion**

We have audited the financial report of Comet Resources Limited (the Company), and its controlled entities (the Group), which comprises the consolidated statement of the financial position as at 30 June 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Relating to Going Concern

Without modifying our audit opinion expressed above, attention is drawn to the following matter.

As referred to in Note 2 to the financial statements, the consolidated financial statements have been prepared on the going concern basis. At 30 June 2021, the Group had cash and cash equivalents of \$2,351,083, and incurred a loss after income tax of \$3,344,394.

The ability of the Group to continue as a going concern and meet its planned exploration, administration and other commitments is dependent upon the Group raising further working capital and/or successfully exploiting its mineral assets. In the event that the Group is not successful in raising further equity or successfully exploiting its mineral

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assets, the Group may not be able to meet its liabilities as and when they fall due and the realisable value of the Group's current and non-current assets may be significantly less than book values.

Key Audit Matters

We have determined the matters described below to be key audit matters to be communicated in the report.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report, and in forming our opinion thereon, we do not provide a separate opinion on these matters. We have determined the following to be the key audit matters to be communicated in our report.

Key Audit Matters	How the matter was addressed in the audit
<p>Capitalised exploration and evaluation expenditure</p> <p>As referred to in Note 4 of the financial report, the Group's accounting policy is to capitalise project acquisition costs whilst the exploration and evaluation costs are expensed in the year they are incurred. As at 30 June 2021, the Capitalised Exploration and Evaluation expenditure totalled \$1,107,728.</p> <p>The carrying value of the Capitalised Exploration and Evaluation expenditure is a key audit matter due to:</p> <ul style="list-style-type: none">• The significance of the expenditure capitalised representing 24% of net assets;• The necessity to assess management's application of the requirements of the accounting standard Exploration for and Evaluation of Mineral Resources ("AASB 6"), in light of any indicators of impairment that may be present; and• The assessment of significant judgements made by management in relation to the capitalised exploration and evaluation expenditure.	<p>In assessing the carrying value of capitalised exploration and evaluation expenditure, our procedures included, amongst others:</p> <ol style="list-style-type: none">i. Assessing the Group's right to tenure over exploration assets by corroborating the ownership of the relevant licences for mineral resources to government registries and relevant third-party documentation;ii. Evaluating Group documents for consistency with the intentions for acquiring new tenement while continuing exploration and evaluation activities in areas of interest and corroborating in discussions with management. The documents we evaluated included:<ul style="list-style-type: none">• Minutes of the board and management;• Announcements made by the Group to the Australian Securities Exchange; and• Signed agreement with third parties; andiii. Considering the requirements of accounting standard AASB 6 and reviewed the financial statements to ensure appropriate disclosures are made.

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Key Audit Matters
How the matter was addressed in the audit
Valuation of share-based payments

As referred to in Note 20 of the financial report, the Company granted ordinary shares and share options to directors, lead managers, consultants, suppliers and also as consideration for acquiring interests in joint venture and tenements during the year.

These shares and share options are subject to the measurement and recognition criteria of *AASB 2 Share-based payment* ("AASB 2"). There are various inputs applied to the model used to calculate the fair value of the options and management's judgements in determining the vesting conditions.

The valuation of share-based payments has been deemed a key audit matter due to the judgement involved in determining the fair value of the equity instruments granted, the grant date, vesting conditions and vesting period, in addition to the value of the share-based payments made for the year.

In assessing the valuation of share options, our audit procedures included, among others:

- i. Obtaining an understanding of the underlying transactions, reviewing agreements, minutes of the Board meetings and ASX announcements;
- ii. Obtaining a reconciliation of the share-based payments in existence during the year;
- iii. Enquiring with management whether there have been any new shares and share options granted as share-based payment during the year and agreeing to relevant documentation and announcements;
- iv. Reviewing the inputs used in the valuation models, the underlying assumptions used and discussing with management the justification for these inputs;
- v. Assessing the accounting treatment and its application in accordance with AASB 2; and
- vi. Assessing whether the Company's disclosures met the requirements of the accounting standards.

Key Audit Matters
How the matter was addressed in the audit
Joint venture accounted for under the equity method

As referred to in note 21 of the financial report, during the year, the Company acquired a 50% interest in El Alamo Resources Limited ("EARL") and also entered into a joint venture agreement with the other shareholders of EARL forming the EARL Joint Venture ("JV").

Management have determined that the arrangement constitutes a joint venture as per *AASB 11 Joint Arrangements* ("AASB 11") due to the following reasons:

- Comet has joint control over the EARL JV together with the other shareholders; and
- Comet has the rights to its respective share of the net assets of the EARL JV.

In accordance with *AASB 128 - Investments in Associates and Joint Ventures* ("AASB 128"), the Company has initially recognised the investment in the JV at cost and then applied the equity method, decreasing the carrying amount to recognise the investor's share of the loss and movement in the reserves.

In assessing the investment in JV accounted for using the equity method, our audit procedures included, among others:

- i. Reviewing management's assessment and judgement in concluding that the arrangement is a joint venture;
- ii. Ensuring that management correctly applied the Equity method as per *AASB 128 - Investments in Associates and Joint Ventures*. We reviewed management's workings to ensure initial recognition of the investment at cost and subsequent recognition of the share of the loss and the movement in reserves recorded in the period post-acquisition by the JV;
- iii. Performing substantive audit procedures over the joint venture's accounts in relation to the assets, liabilities and expenses of the joint venture;

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Key Audit Matters**How the matter was addressed in the audit*****Joint venture accounted for under the equity method (con't)***

The Group accounted for 50% of the total loss incurred by the JV in the period (amounting to \$318,367) and recognised an investment in the JV as at 30 June 2021 amounting to \$1,669,609.

Accounting for the EARL JV is a key audit matter due to:

- The significance of the investment in the joint venture; and
- The nature and complexities involved in accounting for, in addition to, the judgement applied in determining whether the Company has an interest in the net assets or the rights to the assets and obligations for the incurred liabilities.

- iv. Understanding management's process for identifying the existence of impairment indicators in respect of its interest in the joint venture; and
- v. Assessing the adequacy of the disclosures included in the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance opinion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional skepticism throughout the audit. 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 Group's preparation of the financial report that gives a true and fair view 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 Group's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 14 of the directors' report for the year ended 30 June 2021. 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.

Opinion on the Remuneration Report

In our opinion, the Remuneration Report of Comet Resources Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd

A handwritten signature in blue ink that reads "Martin Michalik".

Martin Michalik
Director

West Perth, Western Australia
30 September 2021

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30 September 2021

Board of Directors
Comet Resources Limited
Suite 9, 330 Churchill Avenue
SUBIACO WA 6008

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 Audit Director for the audit of the financial statements of Comet Resources Limited for the year ended 30 June 2021, 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 faithfully

STANTONS INTERNATIONAL AUDIT & CONSULTING PTY LTD
(Authorised Audit Company)

Martin Michalik
Director



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Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report. The information is made as at 28th September 2021.

Position	Holder Name	Holding	% IC
1	OIC NOMINEES LIMITED	32,200,000	4.66%
2	CITICORP NOMINEES PTY LIMITED	32,122,623	4.64%
3	MRS JUDITH SUZANNE PIGGIN & MR DAMIEN JAYE PIGGIN & MR GLENN ADAM PIGGIN <PIGGIN FAMILY S/F A/C>	18,000,000	2.60%
4	ALBERTA RESOURCES PTY LTD <BRITISH COLUMBIA S/F A/C>	16,778,561	2.43%
5	MR LAYTON HENRY POTTER	15,000,000	2.17%
6	CHETAN ENTERPRISES PTY LTD	14,600,000	2.11%
7	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	13,839,128	2.00%
8	MR ROBERT OSWALD JONES <THE ROJEX A/C>	12,000,000	1.74%
9	MS LISA MARIE LONGLAND	11,598,000	1.68%
10	MR DAVID WILLIAM MOSS	10,693,751	1.55%
11	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	8,150,221	1.18%
12	MR MARTIN CHRISTOPHER SAVILLA	8,000,000	1.16%
12	MS YU ZHANG	8,000,000	1.16%
13	HAMISH HALLIDAY	7,000,000	1.01%
13	LDU PTY LTD <VESTY SUPER FUND A/C>	7,000,000	1.01%
14	CHETAN ENTERPRISES PTY LTD <HEGDE SUPER FUND A/C>	5,900,000	0.85%
15	SLIPSTREAM RESOURCES INTERNATIONAL PTY LTD <SLIPSTREAM CAPITAL A/C>	5,750,000	0.83%
16	MR STEPHEN KAM LO TONG & MRS PATSY LIN HAP TONG <BIALLA SUPER FUND A/C>	5,500,000	0.80%
17	ALBERTA RESOURCES PTY LTD <BRITISH COLUMBIA S/F A/C>	5,179,311	0.75%
18	MR RYAN BOYD	5,000,000	0.72%
18	MR ROBERT JAMES CROMPTON	5,000,000	0.72%
18	MR JOHN DUGARD & MRS ROSALIND DUGARD <THE RF DUGARD S/F A/C>	5,000,000	0.72%
19	MR ANDREW PAPAS	4,922,601	0.71%
20	COMSEC NOMINEES PTY LIMITED	4,856,055	0.70%
	Total	262,090,251	37.90%
	Total issued capital - selected security class(es)	691,590,087	100.00%

UNLISTED OPTIONS

Grant Date	Date of Expiry	Exercise Price	Number under Option
21/09/20	30/06/23	\$0.018	10,500,000
21/09/20	30/06/23	\$0.022	10,500,000
14/12/20	08/10/25	\$0.035	1,500,000
14/12/20	08/10/25	\$0.025	1,500,000
14/12/20	01/12/23	\$0.03	1,000,000
15/09/20	30/06/23	\$0.0325	20,869,565
12/02/21	12/02/23	\$0.03	6,125,873
12/02/21	12/02/23	\$0.05	6,125,873
12/02/21	12/02/23	\$0.07	6,125,873
08/02/21	12/02/23	\$0.03	25,000,000
			89,247,184

Distribution of shareholders

Number of shareholders

Holding Ranges	Holders	Total Units	% Issued Share Capital
above 0 up to and including 1,000	33	13,877	0.00%
above 1,000 up to and including 5,000	88	301,691	0.04%
above 5,000 up to and including 10,000	140	1,225,481	0.18%
above 10,000 up to and including 100,000	853	39,226,449	5.67%
above 100,000	669	650,822,589	94.11%
Totals	1,783	691,590,087	100.00%

Holders of non-marketable parcels

There are 324 shareholders that hold less than a marketable parcel.

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

There are no substantial shareholders:

Securities 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.

CORPORATE GOVERNANCE STATEMENT

In accordance with ASX Listing Rule 4.10.3 the Company's Corporate Governance Statement can be found on the Company's website at: <https://www.cometres.com.au/corporate-governance>

Tenement Schedule

Project	Location	Tenement	Interest
Springdale	WA	E74/562	100%
		E74/612	100%
Bell's find	NSW	M74/1055	25%
Barraba	NSW	EL8492	80%
		EL32279	100%
Northern Territory Assets	NT	ELA32664	100%
		ELA32190	100%
		ELA32241	100%
Santa Teresa ¹	Mexico	223182	50%
		210705	50%
		230380	50%
		237573	50%

1. Post 30 June 2020, the 50% interest in the Santa Teresa tenements are in process of being transferred to the Company as part of completion of the conditions subsequent to the announcement of 25 August 2020.