



2014 ANNUAL REPORT

COMET RESOURCES LIMITED

and its

CONTROLLED ENTITIES

ABN 88 060 628 202

COMET RESOURCES LTD
and its Controlled Entities
CONTENTS

	Page No.
Corporate Directory	1
Chairman's Report	2
Directors' Report	3
Consolidated Statement of Profit or Loss and Other Comprehensive Income	10
Consolidated Statement of Financial Position	11
Consolidated Statement of Cash Flows	12
Consolidated Statement of Changes in Equity	13
Notes to the Financial Statements	14
Directors' Declaration	39
Independent Audit Report	40
Auditor's Independence Declaration	42
ASX Additional Information	43
Corporate Governance Statement	45
Tenement Schedule	47

CORPORATE DIRECTORY

Directors

RO Jones (Chairman)
AR Cooper (Chief Executive Officer)
E Czechowski
NJ Featherby

Company Secretary

E Czechowski

Registered Office & Principal Place of Business

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

Share Registry

Advanced Share Registry Limited
110 Stirling Highway
NEDLANDS WA 6009
Telephone: 61 8 9389 8033
Facsimile: 61 8 9262 3723

Auditors

Stantons International
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
CRLO

Web Page www.cometres.com.au

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

21st August 2014

Dear Fellow shareholder,

Your Directors present the Annual Report and Audited Financial Statements of the Company for the year ended 30 June 2014.

During the year the Company has continued to progress its 100% owned properties as well as evaluate opportunities for acquiring new tenements, either in our own right or by dealing with others. Many projects were assessed throughout the year. The Company did acquire one new exploration licence in New South Wales with potential for gold and base metals.

The Browns Reef project was sold for \$500,000 cash.

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

Yours faithfully,



R.O.JONES
Chairman

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

The directors present their report together with the consolidated financial report of Comet Resources Limited ("Comet" or "the Company") and its controlled entities, for the year ended 30 June 2014 and the auditor's report thereon.

Directors

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

Mr Robert (Roj) Oswald Jones BSc (Joint Hons), FAusIMM, 66 (**Chairman**)

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

Director since 1993 – appointed Chairman in 1999.

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

Mr Anthony (Tony) Roy Cooper B.AppSc (Geol), MAusIMM, 55 (**Chief Executive Officer**)

Mr Cooper joined Comet in 1994. From 1996 to 2001 Mr Cooper was responsible for the geological and resource management of the Ravensthorpe Nickel Project.

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

Director since March 2001.

Mr Cooper resigned as a Director of Alicanto Minerals Limited on 28 August 2013. No other Directorships in listed companies in the last 3 years.

Mr Nathan John Featherby B.Comm, 34 (**Non-Executive Director**)

Mr Featherby holds a Bachelor of Commerce degree from Curtin University. His working career has been in stockbroking and merchant banking with a focus on small to medium mining and exploration companies.

Mr Featherby is a Director of Rico Resources Ltd. and was a Director of Emerald Oil and Gas NL.

Director since 12 April 2012.

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

Mr Edmund Czechowski FCPA, FAICD, 65 (**Executive Director & Company Secretary**)

Director since 30 May 2013 and Company Secretary since 20 September 2007.

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

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

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

Directors' interests

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

Ordinary fully paid shares

RO Jones	14,459,953
AR Cooper	8,506,312
E Czechowski	90,000
NJ Featherby	Nil

Earnings per Share

	Cents
Basic loss per share	(0.11)
Diluted loss per share	(0.11)

Dividends

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

Nature of Operations and Principal Activities

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

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

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

Results

The net loss after income tax of the consolidated entity for the financial year was \$87,202 (2013: \$626,825 loss).

Operating and Financial Review

Comet will continue to take a range of approaches to attempt to increase shareholder value.

Canning Basin Project (100% Comet)

Historical exploration by Stockdale Prospecting Limited drill tested geophysical diamond targets over a large area in the Canning Basin during 1997. During this program the drill logs showed that several holes intersected sedimentary units that contained material describe as coal, lignite, bituminous and carbonaceous (**carbonaceous material**) within Permian sediments. The largest intersection of this carbonaceous material being 32m in KID 528 (KID 528 was terminated in the carbonaceous material at 110m). Comet's tenement has been pegged to cover KID 528.

The quality of this intersection is hard to ascertain from the drill logs and Stockdale did not conduct any further investigation on the carbonaceous material. However, Comet considered this area to have potential for the discovery of Permian coal deposits.

Comet is planning an exploration program in 2014 to locate and redrill KID 528 so that samples can be obtained for further test work and also test for extensions to this unit of carbonaceous material. Comet will need heritage approval before this exploration program can commence.

Browns Reef Base Metal Project (100% Comet)

Comet has sold the Browns Reef Project to Crawl Creek Exploration Limited, a subsidiary of Kidman Resources Limited, for \$500,000 cash.

Utopia Project (100% Comet)

Sipa Exploration Pty Ltd (**Sipa**) withdrew from the 2007 Utopia Farmin and Joint Venture Agreement in September 2013.

After collecting exploration data from Sipra and the mines department the project was evaluated. The project did not fit Comet's exploration guidelines so it was surrendered.

Environmental Oil Solutions

Work has focused on the development and trialling of micro-organisms isolated during research, which have been shown to significantly enhance the degradation and remediation of oil wastes. The business climate for developing new technologies continues to be difficult so Comet has decided to put this project on hold.

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

Competent Person Statement

The information in the report to which this statement is attached relates to Exploration Results, Mineral Resources or Ore Reserves compiled by Mr Anthony Cooper, who is a Consultant and Director to Comet is also a Member of the Australasian Institute of Mining and Metallurgy, with over 20 years' experience in the mining industry. Mr Cooper has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Cooper consents to the inclusion in this Annual Report of the matters based on his information in the form and context in which they appear.

This Report may include forward-looking statements that are based on management's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risk, uncertainties and other factors, many of which are outside the control of Comet Resources that could cause actual results to differ materially from such statements. Comet Resources makes no undertaking to subsequently update or revise forward-looking statements made in this Report to reflect events or circumstances after the date of this Report.

Review of Financial Condition

The Group has cash reserves of \$1,846,552 at 30 June 2014 and a net asset position of \$1,860,373. The Company considers this to be adequate to:

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

Capital Structure

During the year no ordinary shares, incentive shares or options were issued.

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

Under option to Directors and Executives:	2,520,000
Under option to those other than Directors and Executives:	5,831,132

No person entitled to exercise any options, referred to above, had or has any right by virtue of any option to participate in any share issue of any other body corporate.

Risk Management

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

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

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

Significant Events since Reporting Date

There were no significant events that need to be reported since reporting date.

Likely Developments

The consolidated entity will focus on the exploration of its portfolio of mining tenements and the acquisition of new projects and/or assets.

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

Environmental Regulation and Performance

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

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

Indemnification of Officers

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

The indemnity only applies to the extent and in the amount that the directors and officers are not indemnified under any other indemnity, including an indemnity contained in any insurance policy taken out by the Company (or 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 \$7,452 in respect of directors and officers liability and corporate reimbursement, for directors and officers of the Company. The insurance premiums relate to:

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

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

- indemnifying the Company against any payment which it has made and was legally permitted to make arising out of any claim, by reason of any wrongful act, committed by any director or officer in their capacity as a director or officer, first made against the director or officer during the period of insurance.

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

Remuneration Report (Audited)

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

Remuneration philosophy

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

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

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

Remuneration Structure

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

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

Employment Agreements

Comet has entered into the following agreements with Directors:

- An agreement with Alberta Resources Pty Ltd for the services of Mr Tony Cooper with fees of \$162,000 per year. The agreement is on commercial terms and can be terminated at 1 months' notice; and
- An agreement with Rojex Mining Services Pty Ltd for the services of Mr Roj Jones with fees of \$162,000 per year. The agreement is on commercial terms and can be terminated at 1 months' notice; and
- An agreement with Huntworth Pty Ltd for the services of Edmund Czechowski with fees of \$36,000 per year. The agreement is on commercial terms and can be terminated at 1 months' notice.

Directors' Fees and Benefits

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

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

- a) a total of \$162,000 was paid to Rojex Mining Services Pty Ltd, an entity in which Mr Jones has a substantial financial interest for services provided in the normal course of business and at normal commercial rates.

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

- b) geological consulting and management fees paid or due and payable to Alberta Resources Pty Ltd of \$162,000, an entity in which Mr Cooper has a substantial financial interest for services provided in the normal course of business and at normal commercial rates.
- c) a total of \$36,000 was paid to Huntworth Pty Ltd, an entity in which Mr Czechowski has a substantial financial interest for company secretarial services provided in the normal course of business and at normal commercial rates.

Directors' & Key Management Personnel remuneration for the Year ended 30 June 2014

		Short-term			Post-employment		Share-based			
Name		Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Retirement benefits	Incentive shares or options	Total	Performance based	Remuneration consisting of incentive shares or options
		\$	\$	\$	\$	\$	\$	\$	%	%
RO Jones (i) <i>Chairman</i>	2014	162,000	-	1,863	-	-	-	163,863	-	-
	2013	112,500	-	51,638	-	-	-	164,138	-	-
AR Cooper <i>CEO</i>	2014	162,000	-	7,658	-	-	-	169,658	-	-
	2013	162,000	-	1,638	-	-	-	163,638	-	-
RN Hill (i) * <i>Non-executive</i>	2014	-	-	-	-	-	-	-	-	-
	2013	15,000	-	16,638	2,700	-	-	34,338	-	-
E Czechowski** <i>Company Secretary</i>	2014	36,000	-	1,863	-	-	-	37,863	-	-
	2013	36,000	-	1,638	-	-	-	37,638	-	-
NJ Featherby <i>Non-executive</i>	2014	-	-	1,863	-	-	-	1,863	-	-
	2013	-	-	1,638	-	-	-	1,638	-	-
Total 2014		360,000	-	13,247	-	-	-	373,247		
Total 2013		325,500	-	73,190	2,700	-	-	401,390		

*RN Hill ceased as a Director on 23 May 2013.

** E Czechowski was appointed a Director on 30 May 2013 and also holds the position of Company Secretary.

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

- (i) Included in 2013 non-monetary benefits are the following fees settled via the issue of shares:

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

Directors' interests

The numbers of ordinary shares and options 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:

30 June 2014

Name	Balance at the start of the year	Acquired during the year	Disposed of during the year	Balance at the end of the year
RO Jones	14,459,953	-	-	14,459,953
AR Cooper	8,506,312	-	-	8,506,312
E Czechowski	90,000	-	-	90,000
NJ Featherby	-	-	-	-

No incentive shares were held by directors or key management personnel at reporting date.

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

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

30 June 2014

Name	Balance at the start of the year	Acquired during the year	Balance at the end of the year
RO Jones	1,500,000	-	1,500,000
AR Cooper	1,020,000	-	1,020,000
E Czechowski	-	-	-
NJ Featherby	-	-	-

End of Remuneration Report.

Directors' meetings

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

Director	Board Meetings	
	A	B
RO Jones	5	4
AR Cooper	5	5
NJ Featherby	5	0
E Czechowski	5	5

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 consolidated entity.

Auditor's Independence and non-audit services

The Company's auditor, Stantons International, did not provide any non-audit services during the year.

A copy of the Auditor's independence declaration as required by Section 307c of the Corporations Act 2001 is set out on page 42.

Corporate governance

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

Signed in accordance with a resolution of directors.


AR Cooper
Executive Director

Dated at Perth this 21st day of August 2014

COMET RESOURCES LTD
and its Controlled Entities
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2014

	Note	CONSOLIDATED	
		2014	2013
		\$	\$
Administration expenses		(397,022)	(430,166)
Exploration expenses		(266,014)	(468,806)
Operating result		(663,036)	(898,972)
Loss before interest and taxes and depreciation		(663,036)	(898,972)
Depreciation	3(b)	(1,211)	(4,722)
Loss before interest and taxes		(664,247)	(903,694)
Net other income	3(a)	577,045	101,745
Loss before taxes		(87,202)	(801,949)
Income tax (R & D tax refund)	5	-	175,124
Net loss for the year	14	(87,202)	(626,825)
Other comprehensive income			
Items that may be reclassified to profit or loss		-	-
Items that will not be reclassified subsequently to profit or loss		-	-
Total comprehensive loss for the year		(87,202)	(626,825)
Net loss attributable to the members of the parent entity		(87,202)	(626,825)
Total comprehensive loss attributable to the members of the parent entity		(87,202)	(626,825)
Basic loss per share	15	(0.11) cents	(0.76) cents
Diluted loss per share		(0.11) cents	(0.76) cents

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 14 to 38.

COMET RESOURCES LTD
and its Controlled Entities
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

		CONSOLIDATED	
	NOTE	2014	2013
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	6	1,846,552	1,929,936
Trade and other receivables	7	19,696	20,938
Available-for-sale financial assets	9	4,660	12,815
Total current assets		1,870,908	1,963,689
Non-current assets			
Plant and equipment	8	84	1,295
Other financial assets	10	10,500	10,940
Total non-current assets		10,584	12,235
TOTAL ASSETS		1,881,492	1,975,924
LIABILITIES			
Current liabilities			
Trade and other payables	11	21,119	28,349
Total current liabilities		21,119	28,349
TOTAL LIABILITIES		21,119	28,349
NET ASSETS		1,860,373	1,947,575
EQUITY			
Issued capital	12	5,796,192	5,796,192
Reserves	13	606,493	606,493
Accumulated losses	14	(4,542,312)	(4,455,110)
TOTAL EQUITY		1,860,373	1,947,575

The consolidated statement of financial position should be read in conjunction with the notes to the financial statements set out on pages 14 to 38.

COMET RESOURCES LTD
and its Controlled Entities
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2014

	NOTE	CONSOLIDATED	
		2014	2013
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(664,961)	(849,164)
Receipt of R&D tax rebate & tax refund		-	175,124
Sale of tenement		500,000	-
Rent received		16,246	6,250
Interest received		65,331	98,177
Net cash flows (used in) operating activities	16(b)	(83,384)	(569,613)
Cash flows from investing activities			
Security Bond		-	40,000
Net cash flows provided by investing activities		-	40,000
Cash flows from financing activities			
Costs associated with the issue of shares		-	(4,992)
Net cash flows (used in) financing activities		-	(4,992)
Net (decrease) in cash and cash equivalents		(83,384)	(534,605)
Cash and cash equivalents at the beginning of the year		1,929,936	2,464,541
Cash and cash equivalents at the end of the year	16(a)	1,846,552	1,929,936

The consolidated statement of cash flows should be read in conjunction with the notes to the financial statements set out on pages 14 to 38.

COMET RESOURCES LTD
and its Controlled Entities
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2014

	Issued Capital \$	Accumulated losses \$	Other Reserves \$	Total \$
CONSOLIDATED				
As at 1 July 2012	5,736,183	(3,828,285)	606,493	2,514,391
Net loss for the year	-	(626,825)	-	(626,825)
Total comprehensive loss for the year	-	(626,825)	-	(626,825)
Shares issued	65,000	-	-	65,000
Costs associated with shares issued	(4,991)	-	-	(4,991)
As at 30 June 2013	5,796,192	(4,455,110)	606,493	1,947,575
Net loss for the year	-	(87,202)	-	(87,202)
Total comprehensive loss for the year	-	(87,202)	-	(87,202)
As at 30 June 2014	5,796,192	(4,542,312)	606,493	1,860,373

The consolidated statement of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 14 to 38.

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

1. CORPORATE INFORMATION

The financial report of Comet Resources Limited ("Comet") for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 21st August 2014.

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

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

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

(a) Basis of preparation

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

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.

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

The financial report is presented in Australian dollars.

(b) New and amended standards adopted by the Group

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- AASB 10: *Consolidated Financial Statements*;
- AASB 11: *Joint Arrangements*;
- AASB 12: *Disclosure of Interests in Other Entities*;
- AASB 13: *Fair Value Measurement*;
- AASB 119: *Employee Benefits*; and
- AASB 127: *Separate Financial Statements*

**COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2014**

Account Standard and Interpretation

AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and provides a revised definition of "control" such that an investor controls an investee when:

- a) it has power over an investee;
- b) it is exposed, or has rights, to variable returns from its involvement with the investee; and
- c) has the ability to use its power to affect its returns.

All three of these criteria must be met for an investor to have control over an investee. This may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.

There have been no changes to the treatment of investees compared to prior year.

AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'

AASB 11 replaces AASB 131 'Interests in Joint Ventures'. AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances.

Application of this standard has not impacted on the financial statements of the Group.

AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 results in more extensive disclosures in the consolidated financial statements. As the Company's subsidiaries are 100% owned application of this standard has not impacted on the financial statements of the Group.

AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

**COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2014**

AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'

AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of AASB 119 and accelerate the recognition of past service costs.

All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

Application of AASB 119 Employee Benefits has not impacted on the financial statements for the year ended 30 June 2014.

(c) Principles of consolidation

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

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

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

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

(d) Revenue recognition

Interest income

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

Government grants

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

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

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

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2014

Sale of non current assets

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

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

(e) Cash and cash equivalents

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

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

(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 lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research and development costs

Research costs are expensed as incurred.

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

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

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

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

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2014

(f) Intangible assets (cont'd)

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

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

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

(g) Impairment of assets

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

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

(h) Investments and other financial assets

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

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

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

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

(ii) Available-for-sale-investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as the preceding category. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the

**COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2014**

(h) Investments and other financial assets (cont'd)

investment is derecognised or until the investment is determined to be impaired, at which the time the cumulative gain or loss previously reported in equity is recognized in profit or loss.

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

(i) Other taxes

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

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

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

(j) Foreign currency transactions

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

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

(k) Borrowing costs

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

(l) Income Tax

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

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

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

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

**COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2014**

Income tax (cont'd)

- 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.

(n) Plant and equipment

Acquisition

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

Depreciation and amortisation

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

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

Assets are depreciated or amortised from the date of acquisition.

(o) Leased assets

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

Finance leases

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

Operating leases

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

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2014

(p) Exploration and Evaluation Expenditure

All exploration and evaluation expenditure is expensed as incurred.

(q) Trade and other payables

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

(r) Employee entitlements

Wages, salaries and annual leave

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

Superannuation plan

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

(s) Share-based payment transactions

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

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

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

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

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

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

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

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

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

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2014

(s) Share-based payment transactions (cont'd)

new award are treated as if they were a modification of the original award, as described in the previous paragraph.

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

(t) Contributed equity

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

(u) Segment reporting

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

(v) Earnings per share

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

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

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

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

(w) Significant accounting estimates

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

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date which they are granted. The fair value is determined by the Company using a binomial model.

Provision for loans to subsidiaries

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

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2014

(w) Significant accounting estimates (cont'd)

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 2014 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.

(x) New accounting standards and interpretations for application in future periods

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- *AASB 9 Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2017)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The 2010 revisions introduce additional changes relating to financial liabilities.

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments it is impractical at this stage to provide a reasonable estimate of such impact.

- *Other standards not yet applicable*

These standards are not expected to have a material impact on the entity in the current or future reporting periods.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 1031 'Materiality' (2013)	1 January 2017	30 June 2018
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2014

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

AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015

CONSOLIDATED
2014 2013
\$ \$

3. REVENUES AND EXPENSES

(a) Revenue

Interest – other parties	61,039	95,495
Sale of tenement	500,000	-
Other income	16,006	6,250
	<u>577,045</u>	<u>101,745</u>

(b) Expenses

Depreciation - plant & equipment	<u>1,211</u>	<u>4,722</u>
-------------------------------------	--------------	--------------

(c) Lease payments, included in statement of profit or loss and other comprehensive income

Operating leases	<u>45,569</u>	<u>43,183</u>
------------------	---------------	---------------

(d) Employee/consultants benefits expense, included in statement of profit or loss and other comprehensive income

Consulting fees	360,000	390,500
Superannuation costs	-	2,700
	<u>360,000</u>	<u>393,200</u>

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2014

4. SEGMENT INFORMATION

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

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

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

Operating segments

The following tables' present revenue and loss information and certain asset and liability information regarding operating segments for the years ended 30 June 2014 and 30 June 2013.

	<i>Exploration</i>	<i>R&D</i>	<i>Total</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>
Year ended 30 June 2014			
Revenue			
Management fee	120,000	-	120,000
Total segment revenue	<u>120,000</u>	<u>-</u>	<u>120,000</u>
Interest and rent revenue			77,045
Sale of tenement			500,000
Inter segment elimination			<u>(120,000)</u>
Total consolidated revenue			<u>577,045</u>
Result			
Segment expenses	(777,245)	(149,002)	(926,247)
Intersegment elimination			262,000
Unallocated income			<u>577,045</u>
Loss before tax			<u>(87,202)</u>
Net loss for the year			<u>(87,202)</u>
Assets and liabilities			
Segment assets	29,240	7,402	36,642
Unallocated assets			1,844,850
Total assets			<u>1,881,492</u>
Segment liabilities	<u>(21,119)</u>	<u>-</u>	<u>(21,119)</u>
Total liabilities			<u>(21,119)</u>
Other segment information			
Depreciation	<u>1,211</u>	<u>-</u>	<u>1,211</u>

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2014

4. SEGMENT INFORMATION (cont'd)

	<i>Exploration</i>	<i>R&D</i>	<i>Total</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>
Year ended 30 June 2013			
Revenue			
Management fee	120,000	-	120,000
Total segment revenue	<u>120,000</u>	<u>-</u>	120,000
Interest revenue			101,745
Inter segment elimination			<u>(120,000)</u>
Total consolidated revenue			<u>101,745</u>
Result			
Segment expenses	(836,649)	(162,695)	(999,344)
Intersegment elimination			95,650
Unallocated income			<u>101,745</u>
Loss before tax			(801,949)
Income tax benefit		175,124	<u>175,124</u>
Net loss for the year			<u>(626,825)</u>
Assets and liabilities			
Segment assets	40,588	14,404	54,992
Unallocated assets			<u>1,920,932</u>
Total assets			<u>1,975,924</u>
Segment liabilities	<u>(28,349)</u>	<u>-</u>	<u>(28,349)</u>
Total liabilities			<u>(28,349)</u>
Other segment information			
Depreciation	<u>4,722</u>	<u>-</u>	<u>4,722</u>

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2014

5. TAXATION

CONSOLIDATED
2014 2013
\$ \$

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 2014 is as follows:

Accounting loss before income tax	(87,202)	(801,949)
Prima facie income tax benefit on loss from ordinary activities at 30% (2013: 30%)	(26,161)	(240,585)
Tax effect of amounts which are not deductible in calculating taxable income:	351	460,866
	(25,810)	220,281
Movement in unrecognised temporary differences	361	(318,044)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	25,449	97,763
Australian Taxation Office R & D tax rebate (gross)	-	(175,124)
Income tax refund	-	(175,124)

Unrecognised temporary differences
Deferred Tax Assets (at 30%)

Investment	33,552	31,106
Prepaid expenses	5,948	6,255
Provision for expenses	5,700	3,300
Capital raising costs	11,435	16,991
Carry forward revenue tax losses	3,242,096	3,066,647
Carry forward capital tax losses	5,443	155,443
	3,304,174	3,279,742

Deferred Tax Liabilities

Unearned Revenue	1,683	2,971
	1,683	2,971

The Group has revenue losses arising in Australia of \$10,806,988 (2013: \$10,222,158) and capital losses of \$18,143 (2013: \$518,143) that are available indefinitely for offset against future taxable profits of the companies in which the loss arose.

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2014

CONSOLIDATED

2014 **2013**
\$ **\$**

6. CASH AND CASH EQUIVALENTS

Cash	28,307	49,287
Bank bills and short term deposits, maturing within 90 days and paying interest at a weighted average interest rate of 3.83% (2013: 4.80%)	1,818,245	1,880,649
	<u>1,846,552</u>	<u>1,929,936</u>

7. TRADE AND OTHER RECEIVABLES

Current

Trade debtors	14,085	11,035
Accrued interest	5,611	9,903
	<u>19,696</u>	<u>20,938</u>

As of 30 June 2014 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 20.

8. PLANT AND EQUIPMENT

Non-current

At cost	100,260	103,627
Accumulated depreciation	(100,176)	(102,332)
Total plant and equipment net book value	<u>84</u>	<u>1,295</u>

Reconciliation

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

Carrying amount at beginning of year	1,295	6,017
Additions	-	-
Depreciation	(1,211)	(4,722)
Carrying amount at end of year	<u>84</u>	<u>1,295</u>

9. AVAILABLE- FOR- SALE FINANCIAL ASSETS

Current

Securities in listed companies (at market value 30 June)	<u>4,660</u>	<u>12,815</u>
--	--------------	---------------

Listed securities

The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

Securities held in Ferrowest Limited have a fair value of \$4,660 at 30 June 2014 (2013:\$12,815).

10. OTHER FINANCIAL ASSETS

Non-current

Security bonds	<u>10,500</u>	<u>10,940</u>
----------------	---------------	---------------

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2014

CONSOLIDATED
2014 **2013**
\$ **\$**

11. TRADE AND OTHER PAYABLES

Current

Trade creditors and accruals	21,119	28,349
------------------------------	--------	--------

12. ISSUED CAPITAL

	2014 No.	2013 No.	2014 \$	2013 \$
Issued and paid-up capital	83,003,370	83,003,370	5,796,192	5,796,192
Movements in ordinary share capital				
Balance at the beginning of the financial year	83,003,370	81,406,319	5,796,192	5,736,183
Shares issued during the year net of capital raising costs	-	1,597,051	-	60,009
Balance at the end of the financial year	83,003,370	83,003,370	5,796,192	5,796,192

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

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

Options

There are on issue 8,351,132 listed options expiring on 31 March 2015 exercisable at \$0.20. There are no incentive options outstanding or on issue.

Incentive Shares

There are no incentive shares outstanding or on issue.

The market price of the Company's fully paid ordinary shares at 30 June 2014 was 1.8 cents (2013: 2.6 cents) per share.

CONSOLIDATED
2014 **2013**
\$ **\$**

13. RESERVES

Option premium reserve	294,707	294,707
Share-based payments reserve	311,786	311,786
	606,493	606,493

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2014

13. RESERVES (cont'd)

	CONSOLIDATED	
	2014	2013
	\$	\$
Movement in reserves		
Balance at beginning of year	606,493	606,493
Net unrealised gains on available-for-sale financial assets	-	-
Balance at end of year	<u>606,493</u>	<u>606,493</u>

Nature and Purpose of Reserves

Option Premium Reserve

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

Share-Based Payments Reserve

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

Net Unrealised Gains Reserve

This reserve records movements in the fair value of available-for-sale financial assets. At 30 June 2014 the balance of the net unrealised gain reserve is \$nil (2013: \$nil)

	CONSOLIDATED	
	2014	2013
	\$	\$
14. ACCUMULATED LOSSES		
Accumulated losses at beginning of year	(4,455,110)	(3,828,285)
Net loss attributable to members of the parent entity	(87,202)	(626,825)
Accumulated losses at the end of the year	<u>(4,542,312)</u>	<u>(4,455,110)</u>

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2014

15. EARNINGS PER SHARE

	CONSOLIDATED	
	2014	2013
	\$	\$
(a) Basic earnings (loss) per share (cents per share)	(0.11)	(0.76)
(b) Reconciliation of earnings used in calculating earnings per share		
Loss attributable to ordinary entity	(87,202)	(626,825)
Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS	83,003,370	82,584,471
(c) As the options outstanding during the year would reduce the loss per share from continuing ordinary operations on conversion, the potential ordinary shares are not dilutive.		

16. STATEMENT OF CASH FLOWS

(a) Reconciliation of cash and cash equivalents

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

	CONSOLIDATED	
	2014	2013
	\$	\$
Cash	28,307	49,287
Bank bills and short term deposits, maturing within 90 days and paying interest at a weighted average interest rate of 3.83% (2013:4.80%)	1,818,245	1,880,649
	1,846,552	1,929,936

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

Operating loss after income tax	(87,202)	(626,825)
Add non-cash items:		
Depreciation and impairment	1,211	4,722
Diminution in value of available for sale assets	8,155	8,155
Bonds	440	-
Add items classified as financing activities:		
Issue of shares in lieu of director's and consulting fees	-	65,000
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables and prepayments	1,242	4,860
Increase/(decrease) in trade and other payables	(7,230)	(25,525)
Net cash flow (used in) operating activities	(83,384)	(569,613)

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2014

17. 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 RO Jones - Chairman
Mr AR Cooper - Chief Executive Officer
Mr E Czechowski – Executive Director and Company Secretary
Mr NJ Featherby – Non-executive Director

Compensation by Category: Key Management Personnel, Directors and Executives

	CONSOLIDATED	
	2014	2013
	\$	\$
Short-term	373,247	398,690
Post employment	-	2,700
	<u>373,247</u>	<u>401,390</u>

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

Other transactions with directors and key management personnel

- (i) Consultancy fees of \$162,000 were paid at normal commercial rates to Rojex Mining Services Pty Ltd, a company controlled by Mr RO Jones, for the provision of management, administrative and technical services.
- (ii) Consultancy fees of \$162,000 were paid or are payable at normal commercial rates to Alberta Resources Pty Ltd, a company controlled by Mr AR Cooper, for the provision of technical and administrative services.
- (iii) Consultancy fees of \$36,000 were paid at normal commercial rates to Huntworth Pty Ltd, a company controlled by Mr E Czechowski, for the provision of company secretary services.

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

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

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

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

	CONSOLIDATED	
	2014	2013
	\$	\$
Current payables		
Trade creditors	-	14,850

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2014

18. AUDITORS' REMUNERATION

	CONSOLIDATED	
	2014	2013
	\$	\$
Audit services:		
Auditors of the Company – Stantons International	15,905	18,855

19. COMMITMENTS

Exploration expenditure commitments

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

20,000	260,000
--------	---------

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

Rental commitments

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2014 are as follows:

	CONSOLIDATED	
	2014	2013
	\$	\$
Not longer than one year	46,118	44,796
Longer than one year but not longer than two years	19,216	44,796
Longer than two years	-	18,665
	<u>65,334</u>	<u>108,257</u>

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations 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 3.83% per annum. The Group's operating accounts do not attract interest. The Group's cash

**COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2014**

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

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 2014 and 2013.

Consolidated Entity 30 June 2014	Carrying Amount \$	Interest Rate Risk -1%		Interest Rate Risk +1%	
		Net Loss \$	Equity \$	Net Loss \$	Equity \$
<i>Financial assets</i>					
Cash & cash equivalents	1,818,245	(18,182)	(18,182)	18,182	18,182

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

Consolidated Entity 30 June 2013	Carrying Amount \$	Interest Rate Risk -1%		Interest Rate Risk +1%	
		Net Loss \$	Equity \$	Net Loss \$	Equity \$
<i>Financial assets</i>					
Cash & cash equivalents	1,880,649	(18,806)	(18,806)	18,806	18,806

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

Foreign currency risk

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

Price risk

The Group and the parent entity are exposed to equity securities price risk. This arises from investments held by the Group and classified on the consolidated statement of financial position as available-for-sale assets or at fair value through profit or loss. At 30 June 2014 the fair value of equity securities is \$4,660 (2013:\$12,815). A 10% movement would increase/decrease profit or loss for the year by \$466 (2013:\$1,281). The Group and the parent entity are exposed to minimal commodity price risk.

Credit risk

The Group trades only with recognised, creditworthy third parties.

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

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

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2014

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

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

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

Liquidity risk

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

21. FINANCIAL INSTRUMENTS

The Group held the following financial instruments:

	Note	Floating Interest	Fixed interest maturing in:		Non Interest bearing	Total	Weighted average interest rate
			1 year or less	1-5 years			
CONSOLIDATED		\$	\$	\$	\$	\$	
2014							
Financial assets							
Cash and cash equivalents	6	1,818,245	-	-	28,307	1,846,552	3.83%
Trade and other receivables	7	-	-	-	19,696	19,696	0%
Listed securities	9	-	-	-	4,660	4,660	0%
Bonds	10	-	-	-	10,500	10,500	0%
		<u>1,818,245</u>	<u>-</u>	<u>-</u>	<u>63,163</u>	<u>1,881,408</u>	
Financial liabilities							
Trade and other payables	11	-	-	-	21,119	21,119	0%
		<u>-</u>	<u>-</u>	<u>-</u>	<u>21,119</u>	<u>21,119</u>	
Net financial assets		<u>1,818,245</u>	<u>-</u>	<u>-</u>	<u>42,044</u>	<u>1,860,289</u>	

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2014

21. FINANCIAL INSTRUMENTS (cont'd)

	Note	Floating Interest	Fixed interest maturing in:		Non Interest bearing	Total	Weighted average interest rate
			1 year or less	1-5 years			
CONSOLIDATED		\$	\$	\$	\$	\$	
2013							
Financial assets							
Cash and cash equivalents	6	1,880,649	-	-	49,287	1,929,936	4.8%
Trade and other receivables	7	-	-	-	20,938	20,938	0%
Listed securities	9	-	-	-	12,815	12,815	0%
Bonds	10	-	-	-	10,940	10,940	0%
		<u>1,880,649</u>	<u>-</u>	<u>-</u>	<u>93,980</u>	<u>1,974,629</u>	
Financial liabilities							
Trade and other payables	11	-	-	-	28,349	28,349	0%
		<u>-</u>	<u>-</u>	<u>-</u>	<u>28,349</u>	<u>28,349</u>	
Net financial assets		<u>1,880,649</u>	<u>-</u>	<u>-</u>	<u>65,631</u>	<u>1,946,280</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	
	2014	2013
	\$	\$
FINANCIAL ASSETS		
Level 1		
Available-for-sale financial assets		
- listed investments	<u>4,660</u>	<u>12,815</u>

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

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2014

22. PARENT ENTITY DISCLOSURES

(a) Financial Position

	2014	2013
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	1,844,850	1,920,932
Trade and other receivables	13,996	15,538
Available-for-sale financial assets	4,660	12,815
Total current assets	<u>1,863,506</u>	<u>1,949,285</u>
Non-current assets		
Plant and equipment	84	1,295
Other financial assets (i)	10,500	10,940
Total non-current assets	<u>10,584</u>	<u>12,235</u>
TOTAL ASSETS	<u>1,874,090</u>	<u>1,961,520</u>
LIABILITIES		
Current liabilities		
Trade and other payables	21,119	28,349
Total current liabilities	<u>21,119</u>	<u>28,349</u>
TOTAL LIABILITIES	<u>21,119</u>	<u>28,349</u>
NET ASSETS	<u>1,852,971</u>	<u>1,933,171</u>
EQUITY		
Issued capital	5,796,192	5,796,192
Reserves	606,493	606,493
Accumulated losses	(4,549,714)	(4,469,514)
TOTAL EQUITY	<u>1,852,971</u>	<u>1,933,171</u>

(b) Financial Performance

	2014	2013
	\$	\$
Loss for the year	(80,200)	(616,183)
Other comprehensive loss	-	-
TOTAL COMPREHENSIVE LOSS	<u>(80,200)</u>	<u>(616,183)</u>

(i) Other financial assets

	2014	2013
	\$	\$
Investments in controlled entities	1	1
Loans to controlled entities	2,194,843	1,932,843
Provision for diminution	(2,194,844)	(1,932,844)
Security bonds	10,500	10,940
	<u>10,500</u>	<u>10,940</u>

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

COMET RESOURCES LTD
and its Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 30 June 2014

23. RELATED PARTY DISCLOSURES

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

	2014	2013
	%	%
Comet Resources Limited – controlled entities		
Ravensthorpe Management Pty Ltd*^	100	100
Environmental Oil Solutions Pty Ltd*	100	100

* incorporated in Australia

^ dormant

Comet Resources Limited is the ultimate parent entity.

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

Related party		Management fee	Amount owed by related parties	Amounts owed to related parties
		\$	\$	\$
Subsidiary:				
Environmental Oil Solutions	2014	120,000	2,194,843	-
	2013	120,000	1,932,484	-

Transactions with key management personnel are disclosed in Note 17.

24. EVENTS SUBSEQUENT TO REPORTING DATE

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

25. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

The Directors of Comet Resources Limited declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) the attached financial statements are in compliance with International Financial Reporting Standards;
- (c) in the Directors' opinion, the attached financial statements and notes thereto set out in pages 10 to 38 are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

On behalf of the Directors



AR Cooper
Executive Director

Dated at Perth this 21st day of August 2014

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

Report on the Financial Report

We have audited the accompanying financial report of Comet Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2014, 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, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation 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 note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

Independence

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

Opinion

In our opinion:

- (a) the financial report of Comet Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 7 to 9 of the directors' report for the year ended 30 June 2014. 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

In our opinion the remuneration report of Comet Resources Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd


Martin Michalik
Director

West Perth, Western Australia
21 August 2014

21 August 2014

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

Dear Sirs

RE: COMET RESOURCES LIMITED

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

As Audit Director for the audit of the financial statements of Comet Resources Limited for the year ended 30 June 2014, 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 AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)



Martin Michalik
Director

**COMET RESOURCES LTD
and its Controlled Entities**

ASX ADDITIONAL INFORMATION

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

The information is made as at 18th August 2014.

Twenty largest shareholders		
	Number	%
Rojex Mining Services Pty Ltd	12,400,264	14.94
Pillage Investments Pty Ltd	5,000,000	6.02
A & M Poli	4,810,000	5.80
Alberta Resources Pty Ltd	4,282,000	5.16
Broomehill Pty Ltd	3,653,503	4.40
Alberta Resources Pty Ltd	3,059,689	3.69
Zero Nominees Pty Ltd	3,015,000	3.63
Piat Corp Pty Ltd	3,000,000	3.61
Rojex Mining Services Pty Ltd	2,059,689	2.48
Clodene Pty Ltd	2,014,854	2.43
Dunmohr Capital Pty Ltd	2,000,000	2.41
Alberta Resources Pty Ltd	1,788,774	2.15
Yandal Investments Pty Ltd	1,600,000	1.93
Alford Bay Pty Ltd	1,476,000	1.78
Mr J Tobias	1,405,393	1.69
Mr I Semerdziev	1,262,348	1.52
Mr P Holmewood	1,235,937	1.49
HSBC Custody Nominees	1,228,000	1.48
Mr HG Dawson	1,188,206	1.43
Mr A Negus	1,017,000	1.22
TOTAL	57,496,657	69.27

Number of shareholders

83,003,370 fully paid ordinary shares are held by 563 shareholders.

There are on issue 8,351,132 options exercisable at \$0.20 expiring on 31 March 2015.

**COMET RESOURCES LTD
and its Controlled Entities**

ASX ADDITIONAL INFORMATION (CONT'D)

Distribution of shareholders

	Fully Paid
1-1,000	26
1,001-5,000	85
5,001-10,000	141
10,001-100,000	234
100,001 & over	77
TOTAL	563

Holders of non-marketable parcels

There are 399 shareholders that hold less than a marketable parcel totalling 4,212,519 fully paid ordinary shares.

Voting rights

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

Substantial shareholders

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

Mr Robert (Roj) Jones & Rojex Mining Services Pty Ltd – 14,459,953 fully paid shares – 17.42%

Mr Anthony Cooper & Alberta Resources Pty Ltd – 10,006,312 fully paid shares – 12.05%

Mr Roger Hill, Alford Bay Pty Ltd & Broomehill Pty Ltd – 5,524,188 fully paid shares – 6.65%

Mr A & Mrs M Poli – 4,810,000 fully paid shares – 5.79%

Mr G Kirke – 4,500,000 fully paid ordinary shares – 5.42%

Stock Exchange listing

The Company's fully paid shares (CRL) and Options exercisable at \$0.20 expiring 31 March 2015 (CRLO) are quoted by the Australian Securities Exchange Limited.

Restricted securities

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

On-market buy-back

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

COMET RESOURCES LTD
and its Controlled Entities

CORPORATE GOVERNANCE STATEMENT

Corporate Governance Statement

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

Subject to the exceptions outlined below the Company will adopt the ASX Corporate Governance Council's 2nd edition of the *Principles and Recommendations with 2010 Amendments* to determine an appropriate system of control and accountability to best fit its business and operations commensurate with these guidelines.

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

Disclosure of Corporate Governance Practices

Summary Statement

	ASX P & R ¹	If not, why not ²		ASX P & R ¹	If not, why not ²
Recommendation 1.1	✓		Recommendation 4.3		✓
Recommendation 1.2	✓		Recommendation 4.4	✓	
Recommendation 1.3	✓		Recommendation 5.1	✓	
Recommendation 2.1		✓	Recommendation 5.2	✓	
Recommendation 2.2		✓	Recommendation 6.1	✓	
Recommendation 2.3	✓		Recommendation 6.2	✓	
Recommendation 2.4		✓	Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2		✓
Recommendation 2.6	✓		Recommendation 7.3	✓	
Recommendation 3.1		✓	Recommendation 7.4		✓
Recommendation 3.2		✓	Recommendation 8.1		✓
Recommendation 3.3		✓	Recommendation 8.2		✓
Recommendation 4.1		✓	Recommendation 8.3	✓	
Recommendation 4.2		✓			

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

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

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

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

**COMET RESOURCES LTD
and its Controlled Entities**

CORPORATE GOVERNANCE STATEMENT

		director. However, the Board believes that the Chairman is able and does bring quality and independent judgement to all relevant issues falling within the scope of the role of Chairman.
2.4	A separate Nomination Committee has not been formed	The Board considers that the Company is not currently of a size to justify the formation of a Nomination Committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification of attributes required in new Directors. Where appropriate, independent consultants will be engaged to identify possible new candidates for the Board.
3.1, 3.2 & 3.3	Diversity	The Board considers that the Company is currently not of a size to justify implementing a Diversity Policy.
4.1, 4.2 & 4.3	A separate Audit Committee has not been formed and there is no Charter	The Board considers that the Company is not of a size, nor are its financial affairs of such complexity to justify the formation of an Audit Committee. The Board as a whole undertakes the selection and application of accounting policies, the integrity of financial reporting, the identification and management of risk and review of the operation of the internal control systems.
7.2	Not all management risk internal control systems are in place	Whilst the Company does consider risk management (refer to Annual Report, Note 20) not all of the recommendations regarding internal control systems are in place.
7.4	No report from management	No report received from management regarding Recommendation 7.2.
8.1 & 8.2	A separate Remuneration Committee has not been formed	The Board considers that the Company is not of a size, nor are its financial affairs of such complexity to justify the formation of a Remuneration Committee. The Board as a whole is responsible for remuneration arrangements for Directors and Executives of the Company and considers it more appropriate to set aside time at Board meetings each year to specifically address matters that would ordinarily fall to a Remuneration Committee.

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

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

The responsibilities of the Board include:

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

COMET RESOURCES LTD
and its Controlled Entities

TENEMENT SCHEDULE

Tenement Listing		
Project	Interest	Tenement
Bells Find	25%	M74/1055
Calula Project	20%	EL7971
Canning Basin Project	100%	E45/3894