

26 July 2017

JUNE 2017 QUARTERLY REPORT



Figure 1. Diamond drilling graphite core from hole HD0013 (77 to 80.4 meters)

HIGHLIGHTS

- Appointment of Canaccord as sole Lead Manager to \$1,500,000 Capital Raising
- \$997,500 has been completed with capital being raised from clients and/or principals of Canaccord
- Second diamond drill program completed at Springdale (results pending)
- Diamond drilling used to define a selected graphite zone
- Drill core is now at laboratory for photography and assaying
- Further graphene and graphite metallurgical testwork
- Air magnetic survey to be conducted at Springdale
- All tenements at Springdale now granted
- Follow up aircore drilling planned to commence during this quarter
- Located in Western Australia, only 150km from the port of Esperance

BACKGROUND

The Comet Resources Limited (ASX: CRL) (“Comet” or the “Company”) Springdale Project is located approximately 30 km east of Hopetoun, Western Australia. The tenements lie within the deformed southern margin of the Yilgarn Craton and constitute part of the Albany-Fraser Orogen, which hosts the historic Halberts Graphite mine near Munglinup (50km away). The Munglinup area has produced the bulk of Western Australia’s recorded graphite production. The tenement is over freehold land with sealed road access within 20km and is located approximately 150km from the port of Esperance.

Comet owns 100% of the three tenements E74/562, E74/583 and E74/612 that make up Springdale project and all tenements have now been granted. The total land holding at Springdale is approximately 220 square kilometres.

The Company completed a successful first pass 11 hole aircore drilling program in February 2016 which confirmed that graphite was present in a prospective zone/horizon. Comet has now drilled 113 aircore holes for 2,901 metres and 17 diamond holes for 972m. Graphite mineralisation is still open along strike and at depth.

Comet has just completed a diamond drilling program (results pending) at the Springdale Project and metallurgical testwork is continuing. Further drilling and an Air Magnetic survey is planned this coming quarter.

Recent metallurgical testwork managed by the Company’s metallurgical consultant IMO Project Service Pty Ltd, has identified graphene (several layers thick) from Springdale ore produced by the electrical exfoliation method.

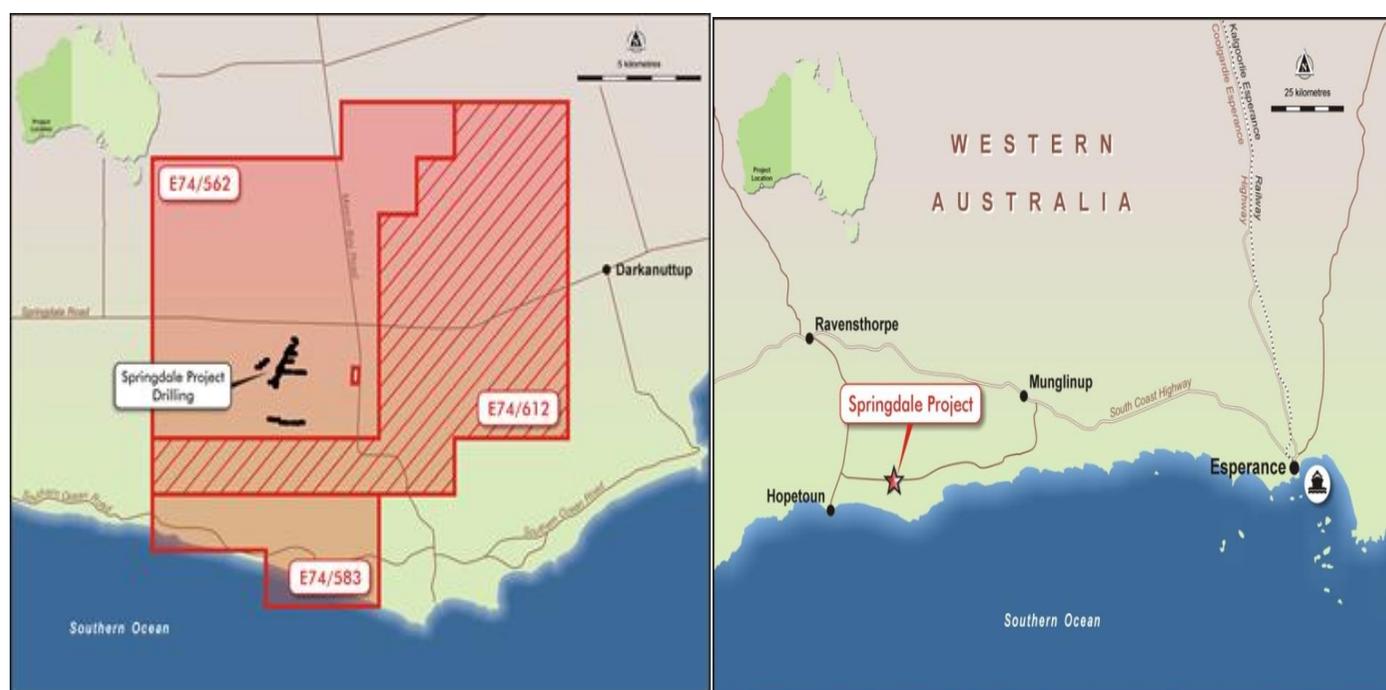


Figure 2: Plan Showing Location, Tenements and Area Drilled

WHAT IS GRAPHENE?

Graphene is a natural material. Researchers discovered graphene in the 1940s; it was only in 2004 that a graphene sheet was isolated. In 2010 this achievement was awarded a Nobel Prize.

Graphite is stacked graphene sheets (a 1mm thick piece of graphite would be made from approximately 3 million sheets of graphene). Consider graphene as being a 2 dimensional (**2D**) material and graphite a 3 dimensional material, the challenge is to separate the sheet. Graphene is the most expensive material in the world and some commentator’s call 2004 the start of the graphene Era.

WHY GRAPHENE

- It is the thinnest and toughest 2D material. 200 times stronger than steel.
- Graphene is flexible and transparent, has the largest surface area of all materials, and is the most stretchable crystal. The material is also extremely impermeable, even helium atoms cannot go through it.
- Graphene is currently the best electricity conductor known to man and is the perfect thermal conductor.
- Graphene is light - it weighs just 0.77 milligrams per square meter. Because it is a single 2D sheet, it has the highest surface area of all materials.

CORPORATE

Comet entered into a capital raising mandate (“Mandate”) with Canaccord Genuity (Australia) Ltd (“Canaccord”) to act as sole Lead Manager and Bookrunner.

Canaccord is a global financial services firm recognised for its expertise in the graphene sector.

In line with its ongoing engagement, Cicero Advisory Services Pty Ltd has assisted with the introductions and negotiations regarding the Mandate.

Comet proposes to issue 30,000,000 fully paid shares (“Shares”) at an issue price of \$0.05 to raise approximately \$1,500,000. These funds will be used for evaluation of the Springdale Project and ongoing working capital. This issue will comprise of two tranches:

- 19,950,00 Shares have already been issued to clients and/or principals of Canaccord pursuant to Comet’s existing placement capacity raising \$975,000; and
- Up to 10,050,000 Shares to be issued subject to shareholder approval, to Directors or associates of Comet and clients and/or principals of Canaccord, at a meeting planned in august 2017.

For managing the capital raising Canaccord (or its nominee) will receive a 5% capital raising fee to be paid in shares at an issue price of \$0.05.

DRILLING PROGRAM

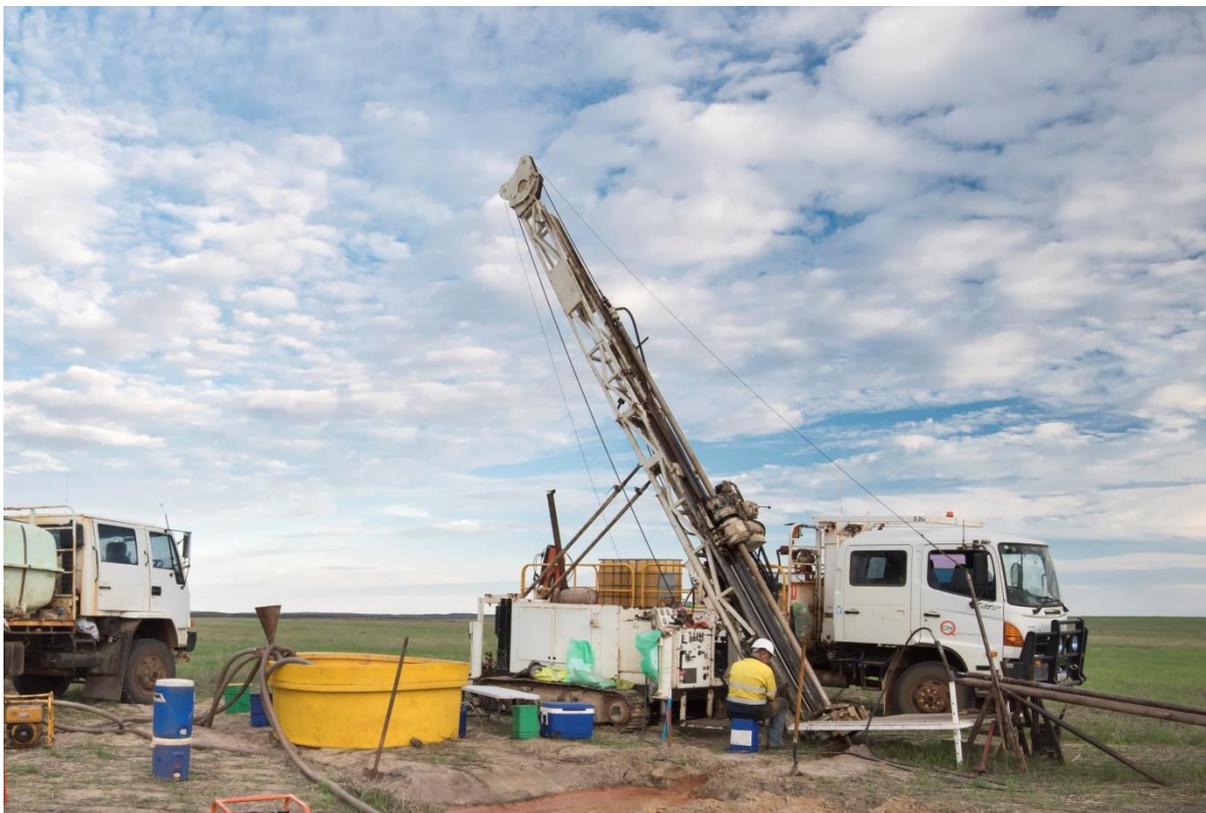


Figure 3: Diamond drilling at Springdale

During the quarter Comet commenced diamond drilling at Springdale. The program of 13 diamond drill holes for approximately 690 metres (m) has now been completed (results pending).

The diamond drilling program was designed to:

- a) Produce samples to allow for metallurgical testing over the Springdale project to assess the grade and quality of graphene from the ore and also to aid with further graphite battery testwork.
- b) Demonstrate ore continuity and grade over a selected area. This will also include twinning of historic aircore holes to test the proposal that samples produced from aircore drilling are reporting lower graphite grade than the true in ground value (graphite being washed from the collected aircore sample).
- c) To drill test in the vicinity of aircore hole H0065 (**13 m at 10.9% Total Graphitic Carbon (TGC)**). The most northern intersection and also included the **highest 1 m intersection of 39.7% TGC**. The drilling will also be conducted around aircore hole H0082 (**8 m at 3.8% TGC and 2 m at 25.9% TGC**). This hole was stopped in mineralisation and is the most eastern intersection. Graphite mineralisation is still open along strike and at depth.

All core from this program has now been submitted to Australian Laboratory Services Pty Ltd in Perth, Western Australia, for photographing, cutting and assaying.

Aircore drilling is planned to commence this quarter to test strike extensions to graphite mineralisation.

An Air Magnetic survey is also due to commence this quarter. This will enhance the Company's understanding of the ore body for more targeted drilling and resource definition.

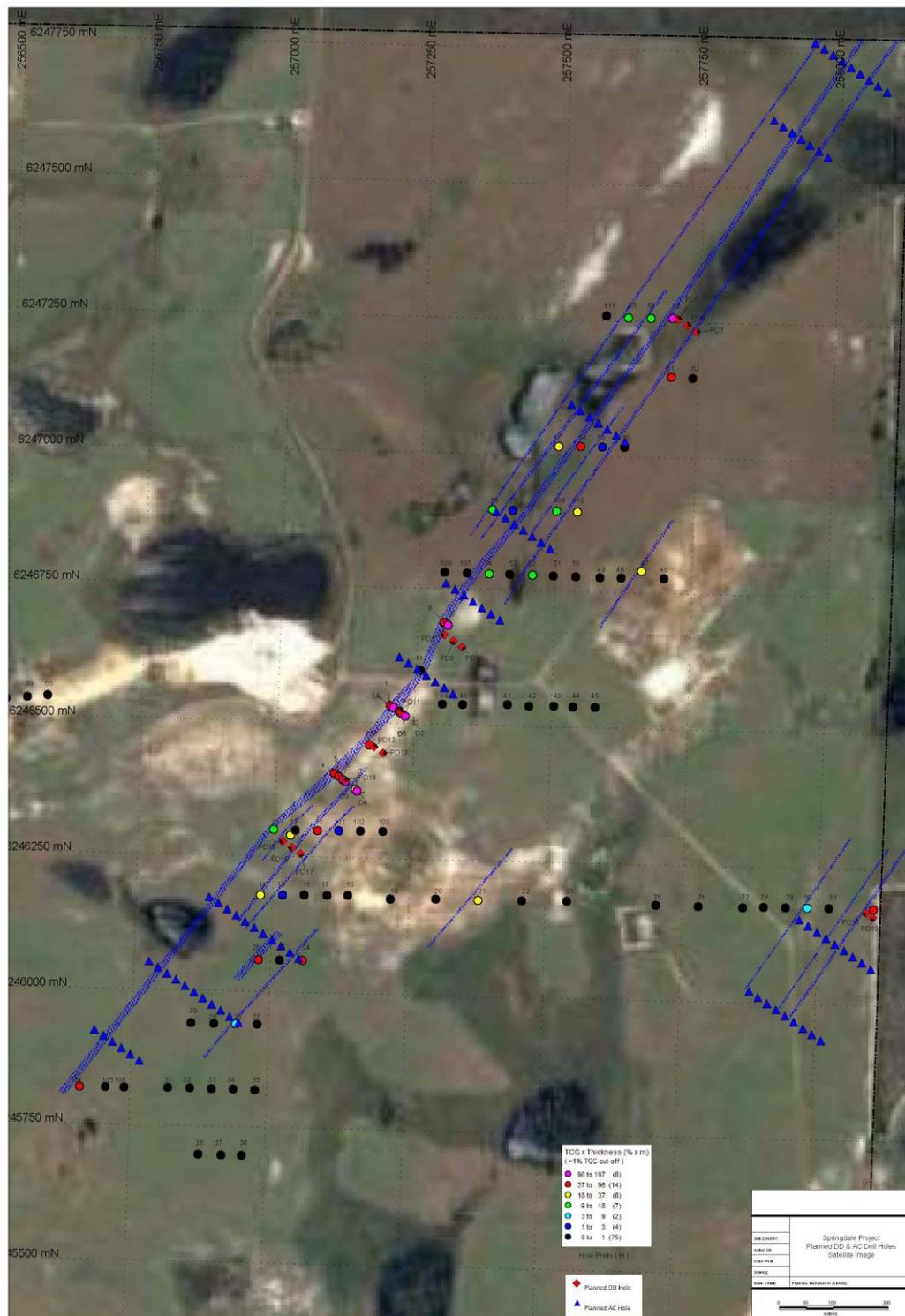


Figure 4. Plan Showing Planned and Current Drill Holes

METALLURGICAL TESTWORK

Metallurgical testwork continues during this quarter. Several sections of core have been exfoliated to produce a bulk sample for further test work. Further work and results are expected during the next quarter.

Comet has submitted several samples to determine the amenability of Comet's high grade beneficiated graphite concentrate as a lithium ion battery feedstock. This is part of Comet's plan to assess all potential commercial products from Springdale ore.



Figure 5: Exfoliation of HD002 Core

GILMORE PROJECT (EL8282)

Ultramag Geophysics Pty Ltd completed a Deep Ground Penetrating Radar (DGPR) survey at the Gilmore Project during May 2017. DGPR is a new geophysical surveying technique capable of rapidly recording the combined electrical conductivity and dielectric conduction (current resulting from polarisation of poor conductors) of subsurface geology to a depth of 200 metres. The processed data is presented as high resolution, located, sectional images in which subsurface features such as intrusive bodies (e.g. porphyry intrusives), faults and changes in cover sequences, weathering profiles and bedrock geology can be interpreted.

A total of 8 line kilometres of DGPR surveying was performed, incorporating one strike-parallel traverse and three cross-strike traverses. Sectional images are viewed in real time during data acquisition and as a result, an additional six short unplanned traverses were completed over DGPR anomalies of interest.

The Main Ridge North Prospect has been recognised by Comet as a priority gold target due to the presence of gold mineralisation with anomalous rock chip Ag, Mo, Bi and Se geochemistry in the vicinity of a possible shallow intrusive body (proximal style of intrusive related gold mineralisation). The latter intrusive body has been interpreted from aeromagnetic 3D inversion and 2D forward modelling and appears to have been clearly imaged in a DGPR cross-sectional profile which depicts it as a prominent deep response with a distinctive weathering profile (Figure 6a). The body is bound to the east by the regional Snubba Range shear and sits within a volcano-sedimentary sequence locally comprising quartz and feldspar phyric felsic volcanics, lithic and crystal tuffs and felsic breccias. The acquired DGPR data will be used to assist with targeting of planned RC drilling at the Main Ridge North Prospect.

A second area of interest was highlighted in the course of DGPR surveying at a location one kilometre south of the Main Ridge North Prospect. Rocks in the area are similar to the volcano-sedimentary sequence described above and are locally intruded by a coarse quartz porphyry. Previous rock chip traverse sampling (50m composite rock chips) by Comet, immediately north of the area, recorded weak gold mineralisation accompanied by elevated sulphur and tellurium geochemistry (average 0.2g/t Au over 150m). The DGPR cross-sectional profile (Figure 6b) reveals an unusual weathering profile with discrete bodies extending to 40m vertical depth and a distinctive underlying conductivity/dielectric response extending to 170m vertical depth.

Further rock chip sampling and geological mapping are planned in the area as a precursor to drill planning.

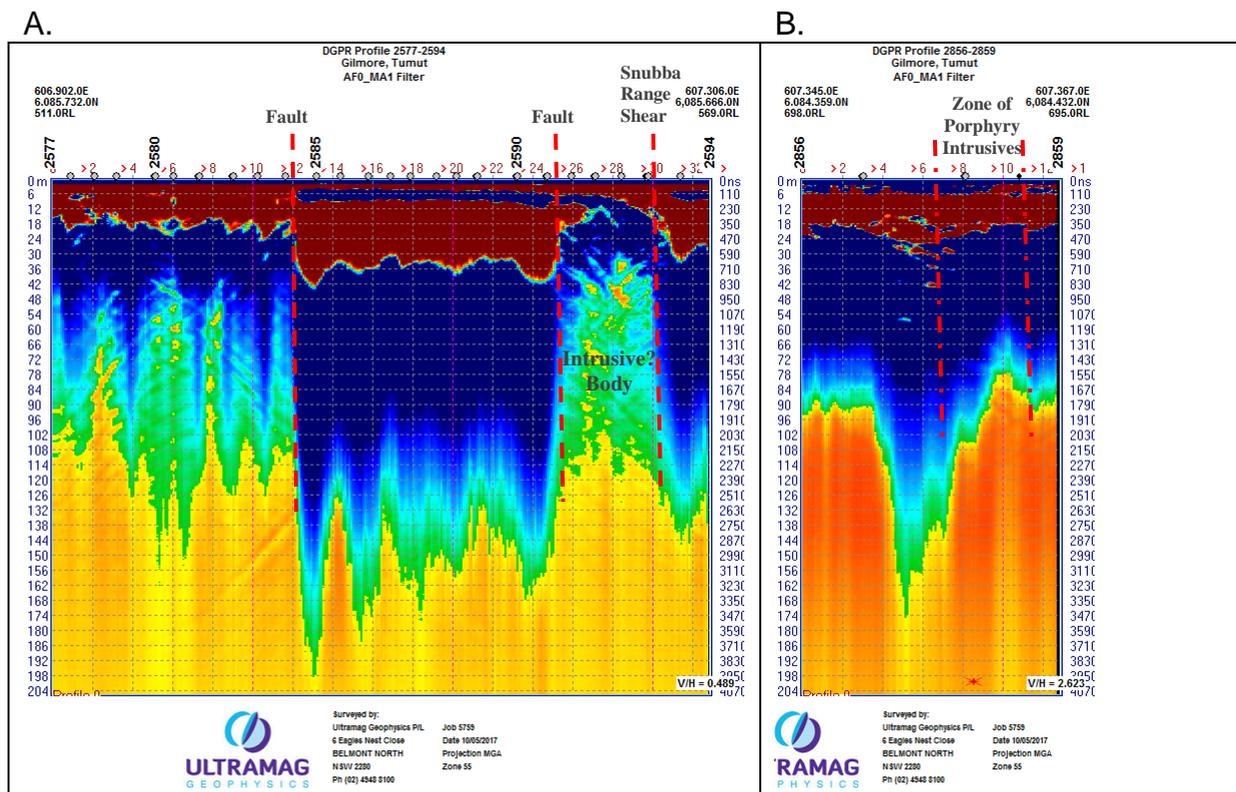


Figure 6. Gilmore Project - DGPR Cross-sectional Images

For further information please contact:

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Comet listed on the Australian Stock Exchange in 1994. The Company discovered and studied the Ravensthorpe Nickel Project. In 2001 Comet successfully sold its final equity to BHP Billiton and returned to Comet shareholders \$32 million. Comet has a number of exciting projects that it is currently exploring and advancing. Comet has cash assets of approximately \$1.6 million and has approximately 153 million shares on issue.

The information in the report to which this statement is attached relates to Exploration Results, Mineral Resources or Ore Reserves compiled by Mr. A Cooper, who is a Consultant and director to Comet is also a Member of The Australian Institute of Mining and Metallurgy, with over 30 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 "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Cooper consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.