

Ms Elizabeth Harris
Manager, Listing Compliance (Perth)
ASX Compliance Pty Ltd

By email: ListingsCompliancePerth@asx.com.au

Dear Ms Harris

Comet Resources Limited (CRL): Response to ASX Aware Query

We refer to your letter dated 10 June 2022 (Letter). Set out below is the response of Comet Resources Limited (**CRL** or the **Company**) to each of the questions in the Letter.

1. No.
2. On the basis that the Santa Teresa Gold Project was to be fully impaired, it became an immaterial asset of the Company (see below in Q3). Following this, the Board determined that it would be appropriate to disclose the status of the Santa Teresa Gold Project in the half yearly report (being the document that confirmed the full impairment), which is a continuous disclosure document, and noting that the Company has already been in a suspension since 31 January 2022 so its shares were not trading.
3. The agreement to acquire the Santa Teresa Gold Project in Mexico was staged into two tranches – an initial 50%, and the final 50%. In order to be able to acquire the final 50%, the Company was required to make a decision to mine by August 22, 2022 (within 2 years of the acquisition of the initial 50%), and then pay the balance of the consideration, comprising \$1,000,000 in shares and \$1,000,000 in cash. Should the Company not elect to make a decision to mine, it had the option to convert its 50% interest into either a minority equity interest or a 1.5% NSR. During the preparation of the mid-year accounts, the Company and its auditor discussed impairment testing of the carrying value of the Santa Teresa Gold Project. Due to the requirement to make a decision to mine by August 2022, the auditors asked the Company if it knew what the decision would be.
The Company had, at that stage, not formally considered the matter at a board level, however, the question from the auditor provided a catalyst for us to do that. Upon reviewing our results from the exploration programs undertaken in 2021, it was determined that there was not sufficient geological confidence to enable a decision to mine to be made, and that it would not be possible to fund and conduct further work in the required time period. As a result, the Company made the decision instead to impair the asset fully on that basis, and exercise its right under the contract to convert its existing interest into a 1.5% NSR, which was determined to have more likelihood of a positive future value than the minority equity interest. No decision on this matter had been made prior to preparation of the HY accounts.
4. N/A.
5. The Company had been in suspension since January 31, 2022. As the decision regarding Santa Teresa was made as part of the preparation of the HY accounts, and as a result of the decision being made the asset became immaterial, with the Company still in suspension it was determined the HY accounts, as a continuous disclosure document, would suffice for disclosure.
6. The Company is in compliance with the Listing Rules and with LR 3.1 specifically.
7. The above responses have been authorized by the Board of Comet Resources Limited.

This announcement has been authorised by the Board of Comet Resources Limited

For further information please contact:
MATTHEW O'KANE
Managing Director

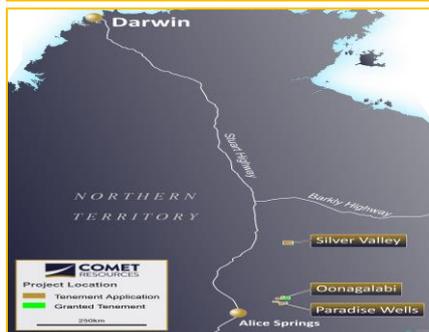
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About Comet Resources



Barraba Copper Project (NSW)

The 2,375ha exploration license that covers the project area, EL8492, is located near the town of Barraba, approximately 550km north of Sydney. It sits along the Peel Fault line and encompasses the historic Gulf Creek and Murchison copper mines. The region is known to host volcanogenic massive sulphide (VMS) style mineralisation containing copper, zinc, lead and precious metals. Historical workings at Gulf Creek produced high-grade copper and zinc for a short period around the turn of the 19th century, and this area will form a key part of the initial exploration focus.



Northern Territory Projects (NT)

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

Forward-Looking Statement

This announcement includes forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Comet Resources Limited's planned exploration programs, corporate activities and any, and all, statements that are not historical facts. When used in this document, words such as "could," "plan," "estimate," "expect," "intend," "may," "potential," "should" and similar expressions are forward-looking statements. Comet Resources Limited believes that its forward-looking statements are reasonable; however, forward looking statements involve risks and uncertainties and no assurance can be given that actual future results will be consistent with these forward-looking statements. All figures presented in this document are unaudited and this document does not contain any forecasts of profitability or loss.



10 June 2022

Mr Sonu Cheema
Company Secretary
Comet Resources Limited
Suite 9, 330 Churchill Avenue
SUBIACO, WA 6008

By email: s.cheema@cicerogroup.com.au

Dear Mr Cheema

Comet Resources Limited ('CRL'): General – Aware Query

ASX refers to the following:

- A. CRL's announcement titled 'Acquisition of Santa Teresa Gold Project and Stream Financing of up to US\$20M' released on the ASX Market Announcements Platform ('MAP') on 4 June 2020, disclosing that CRL had entered into a binding heads of agreement for the acquisition of the high-grade Santa Teresa Gold Project in Baja California, Mexico from El Alamo Resources Limited ('EARL'). The announcement stated that the acquisition was to be completed on a staged basis with CRL acquiring a 50% interest upon satisfaction of due diligence and an initial \$6 million financing being made available to CRL, with the remaining 50% interest to be acquired upon a decision to mine being made in respect of the Project.
- B. CRL's announcement titled 'Santa Teresa Gold Project Acquisition Complete' released on MAP on 25 August 2020 in which CRL stated that the final agreement had been executed with the shareholder of EARL. The announcement contained the following statement from the managing director Matthew O'Kane
"From the initial announcement of this transaction to closing, the gold price has increased over US\$200 per ounce. This has increased the potential value of Santa Teresa for Comet and we are now looking forward to commencing work on the historical drill core and a maiden JORC resource. In parallel, we will plan our initial field activities. The relatively under explored nature of the Project and the richness of the district provides a lot of scope to extend mineralisation."
- C. CRL's announcement titled 'Santa Teresa Gold Project Update' released on MAP on 3 February 2021 which stated:
"Recent detailed geological mapping of the Project area has identified numerous potential mineral structures at surface in addition to the known vein structure intersected in the 2008 drilling campaign."
- D. CRL's announcement titled 'Drilling Permit for Santa Teresa Gold Project Received' released on MAP on 10 May 2021 which stated:
"Comet Resources Limited is pleased to announce that the drilling permit for the Santa Teresa Gold Project has now been received from the Environmental Impact and Risk department of the Baja California Sub-Delegation for Environmental and Protection and Natural Resources. This significant milestone for the Company, paves the way for the commencement of diamond drilling at the Project."
- E. CRL's announcement titled 'Re-assayed historical drill core confirmed up to 132g/t at Comet's Santa Teresa Gold Project' released on MAP on 1 September 2021 which stated:
"Comet Resources Limited is pleased to announce the results of several work programs at its Santa Teresa Gold Project (the "Project") in Baja California, Mexico, including results from re-assaying of historical drill-holes from the 2008 diamond drilling program, assays from a surface sampling program and results from the phase 1 metallurgical test work."

Comet managing director, Matthew O’Kane commented, **“The re-assay of the historical drill core confirms the prior assay results, with intersections of very high-grade material. It also confirms the coarse gold/nugget effect apparent in the deposit, with variances being observed between some of the prior assay results and the current assay results, both higher and lower. The coarse gold seen in the assay results correlates well with the excellent metallurgical test results, where with the use of only gravity and flotation, we were able to achieve very high recoveries in excess of 90%. This is positive news as it is likely that a low-cost, free milling processing solution can be employed if a decision to mine is made.”**

F. CRL’s announcement titled ‘Santa Teresa Gold Project drilling returns ‘bonanza’ gold assays’ released on MAP on 2 November 2021 which stated:

- Assays from the drilling program completed at the Santa Teresa Gold Project in Mexico in Q3 2021 deliver multiple high-grade intersections, including ‘bonanza’ grades
- Significant intersections include:
 - STDDH-21-006:
1.2m at 63.2 g/t gold from 124.8m; and
0.7m at 27.5 g/t gold from 140.9m
 - STDDH-21-007: 1.6m at 31.0 g/t gold from 239.8m
 - STDDH-21-001: 1.0m at 26.9 g/t gold from 91.9m
- The results from the drilling will now be incorporated into resource modelling

G. The Half year accounts for CRL for the half year ended 31 December 2021 released on MAP on 15 March 2022 (‘Relevant Date’) which stated at page 4 in relation to the Santa Teresa Gold Project:

“The final 50% interest in the project was to be acquired after the Company made a decision to mine, at which time the Company would also pay the Stage 2 consideration. The decision to mine under the SPA [Sale and Purchase Agreement] must be made by Comet by 24 August 2022. Based on the information available to the Board, including the results of the 2021 diamond drilling program at Santa Teresa, the Board have [sic] recently determined that the Company will be unable to make a decision to mine by the required date. As a result of this decision the Company must under the terms of the SPA return its 50% interest in the Santa Teresa Gold Project to EARL [El Alamo Resources Limited] and elect to convert it into either a minority equity interest based on a formula provided for in the SPA, or a Net Smelter Royalty (NSR) of 1.5% over the tenements of the Santa Teresa Gold Project. The board has determined that it will opt for the NSR and is working with EARL to execute agreements to have that effect.

The investment in the Santa Teresa Project has been as a result been [sic] fully impaired as at 31 December 2021.”

The information in paragraph G above is defined in this letter as the “Information”.

H. ASX Guidance Note 8 (Continuous Disclosure), paragraph 4.3 which states:

The need to assess information in context also means that new information may need to be disclosed because of its impact on information previously disclosed. For example, information that an entity has investigated and decided not to pursue a particular material business opportunity may not be market sensitive, if the market has no knowledge or expectation that the entity has been considering the opportunity. However, if the entity has previously announced that it was intending to pursue the opportunity, the fact that it has changed its mind may well be market sensitive and therefore need to be disclosed under Listing Rule 3.1.

I. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities.

J. The definition of “aware” in Chapter 19 of the Listing Rules, which states that:

“an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity” and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information.”

K. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

“3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed.”

L. ASX’s policy position on the concept of “confidentiality”, which is detailed in section 5.8 of Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B. In particular, the Guidance Note states that:

“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”

Request for information

Having regard to the above, ASX asks CRL to respond separately to each of the following questions and requests for information:

1. Does CRL consider the Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is “no”, please advise the basis for that view.
3. When did CRL first become aware of the Information?
4. If the answer to question 1 is “yes” and CRL first became aware of the Information before the Relevant Date, did CRL make any announcement prior to the Relevant Date which disclosed the Information? If so, please provide details. If not, please explain why this Information was not released to the market at an earlier time, commenting specifically on when you believe CRL was obliged to release the Information under Listing Rules 3.1 and 3.1A and what steps CRL took to ensure that the Information was released promptly and without delay.

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5. Noting that CRL had made a number of announcements marked as sensitive about the Santa Teresa Gold Project (set out in paragraphs A- F above) why did CRL release the Information in its Half Year Report rather than as a stand-alone announcement?
 6. Please confirm that CRL is complying with the Listing Rules and, in particular, Listing Rule 3.1.
 7. Please confirm that CRL's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of CRL with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **10:00 AM AWST Tuesday, 14 June 2022**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, CRL's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require CRL to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsCompliancePerth@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in CRL's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in CRL's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to CRL's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that CRL's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Elizabeth Harris
Manager, Listings Compliance (Perth)