



Comet Resources Limited

ABN 88 060 628 202

and its

Controlled Entities

Half-Year Financial Report

31 December 2020

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 88 060 628 202

DIRECTORS' REPORT

Directors

Mr Hamish Halliday – Non-Executive Chairman – Appointed 16 December 2014
Mr David Prentice – Non-Executive Director - Appointed on 11 October 2018
Mr Alexander Molyneux – Non-Executive Director - Appointed 15 February 2019
Mr Matthew O’Kane – Managing Director – Appointed 12 November 2019

Company Secretary

Mr Sonu Cheema

Registered Office & Principal Place of Business

Suite 9, 330 Churchill Avenue
Subiaco WA 6008

Telephone: (08) 6489 1600

Email: comet@cometres.com.au

Share Registry

Automic Registry Services
Level 2/267 St Georges Terrace
Perth, WA 6000

Auditor

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, Western Australia

ASX Codes: CRL

Web Page

www.cometres.com.au

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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DIRECTORS' REPORT

Your Directors are happy to present the Comet Resources Limited's (**Comet** or the **Company**) (ASX:**CRL**) report for the half-year ended 31 December 2020.

Directors

The names of the Company's Directors in office during the half-year and until the date of their report are set out below. Directors were in office for this entire period unless otherwise stated.

Hamish Halliday

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

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

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

David Prentice

Mr Prentice is a senior resources executive with 25 plus years domestic and international experience. Mr Prentice started his career working in commercial and business development roles within the resources sector working for some of Australia's most successful gold and nickel exploration and production companies. During the last 13 years, Mr Prentice has gained international oil and gas exploration and production sector experience (with a specific focus on the Mid-Continent region of the United States) working in both executive and non-executive director roles with Australian publicly traded companies.

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

Director since 11 October 2018.

Alexander Molyneux

Mr Molyneux was CEO of Paladin Energy Limited (ASX: PDN) (2015 – 2018) one of the world's largest uranium companies, where he optimized its operating business and completed a US\$700M successful recapitalisation of the company and a re-listing on the ASX. Prior to that, Alex spent approximately five years with Ivanhoe Mines Group and Ivanhoe Energy in various leadership capacities including as CEO and Director of SouthGobi Resources Ltd. (TSX: SGQ) (2009 – 2012). Mr Molyneux is currently Managing Director of Galena Mining Ltd. (ASX: G1A) and serves on a number of public company boards, including: Argosy Minerals Ltd. (ASX: AGY), Metalla Royalty & Streaming Ltd. (TSX-V: MTA), Tempus Resources Ltd. (ASX: TMR) and Azarga Metals Corp. (TSX-V: AZR).

Director since 15 February 2019.

Matthew O'Kane

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

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Mr. O'Kane is currently a non-executive director of Azarga Uranium Corporation (TSX:AZZ), Pursuit Minerals Limited (ASX:PUR) and Roto-Gro International Limited (ASX:RGI).

Director since 12 November 2019.

RESULTS OF OPERATIONS

The net loss of the consolidated entity for the six months to 31 December 2020 is \$2,353,254 (31 December 2019: \$1,259,771 loss). The net loss was comprised mainly of share-based payment expenditure on mineral exploration together with administration costs.

During the half-year the consolidated entity carried out its principal activities being:

Highlights

- Successful completion of a Share Placement and Share Purchase Plan, which raised a combined total of \$3 million.
- Acquisition of Santa Teresa Gold Project with initial JORC compliant Inferred Mineral Resource estimate of 88.6koz at 7.47g/t gold – Knowledge gained to be used to assist in planning for Comet's upcoming drilling program.
- Appointment of Interminco Services as Project Manager for Santa Teresa.
- Initial Field Program completed at the Murchison Mine at the Barraba Copper Project – Extensive surface mineralisation identified.

Operations Report

The Company announced the completion of the acquisition of 50% of the Santa Teresa Gold Project, in August 2020 through the acquisition of 50% of EARL. During the second quarter the work has focussed on establishment of the field office for Santa Teresa, as well as engagement of local geological consultants, to enable the project to move towards its initial drilling program in 2021. At the Barraba Copper Project work focussed on the Initial Field Program at the Murchison Mine and the collection of soil, mine dump and rock chip samples for assaying, results of which were announced in January 2021.

Santa Teresa Gold Project

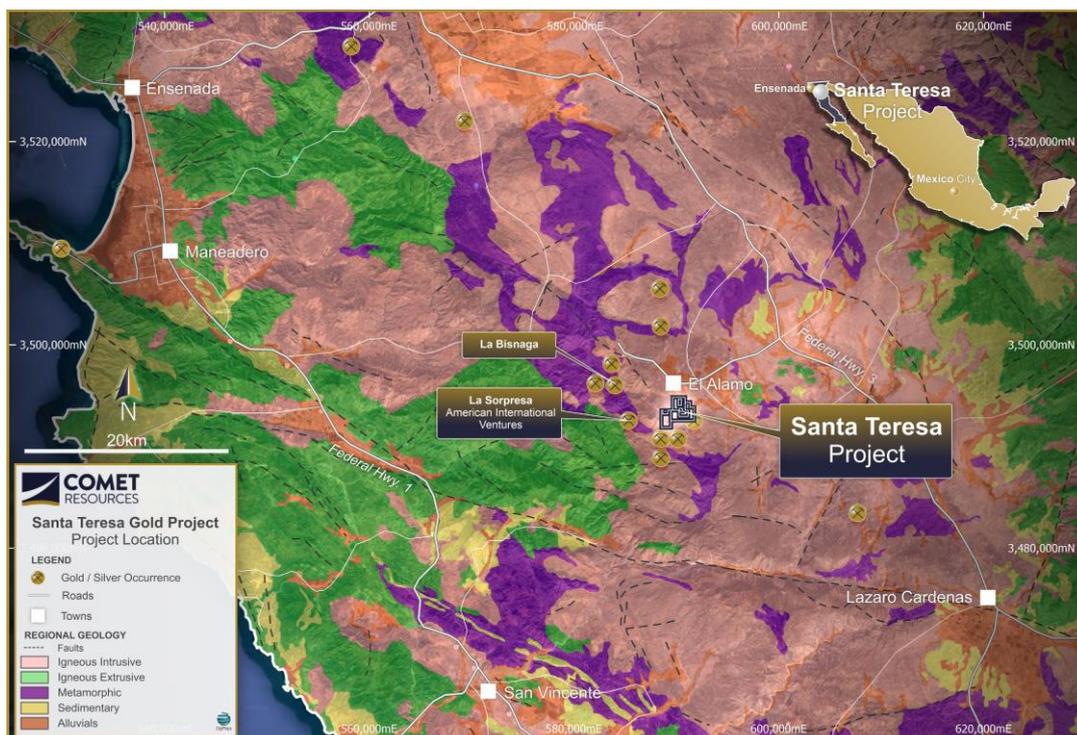


Figure 1: Regional Geology of the Santa Teresa Gold Project

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As announced on 13 October 2020, the JORC Inferred Mineral Resource estimate for the Santa Teresa Gold Project (shown in Table 1 below) was calculated based on the application of top cap grades on a lode by lode basis as assessed by the Competent Person, and a gold cut-off grade of 2.5g/t. Please refer to the ASX release dated 13 October 2020 for full details.

| Classification | Tonnes ('000) | Gold grade | Contained gold ('000 ounces) |
|----------------|---------------|------------|------------------------------|
| Inferred | 369 | 7.47g/t | 88.6 |

Table 1: Santa Teresa Gold Project JORC Mineral Resource estimate.

The Company appointed Interminco Services Ltd (Interminco) as Project Manager for Santa Teresa. Interminco has a track record spanning over 20 years in Latin America. The Company's experience and that of its executives includes roles with Rio Tinto and Xstrata, delivering a number of projects from successful exploration through to mine production in Chile, Mexico and the USA. The team is also experienced in commercial strategy, advising on projects for leading global mining companies, as well as Juniors at various stages of development.

Interminco have a team based in Ensenada, approximately 100Km from site. Their initial focus at the project will be planning for the upcoming drilling program and associated permitting, managing the drilling program itself as well as sampling, assaying and database management. To allow planning for the initial drilling program to progress a site based exercise of creating a GIS database of all prior drill collar locations as well as historical shafts, trenches and surface outcroppings on the mineralised veins will be undertaken.

Barraba Copper Project

During the Quarter the Company provided an update on its Barraba Copper Project, located in the New England region of New South Wales, approximately 550km north of Sydney. The Company's Consulting Geologist, Mr Mart Rampe, completed the Initial Field Program in November 2020, during which a soil sampling program was undertaken, as well as taking samples of mine dump material and rock chips from outcrops.

The Barraba Copper Project has never been systematically tested by modern exploration techniques. There are a number of known historical mineral deposits on the license, being the Gulf Creek Mine, the Murchison Mine and the Four Mile lode. The initial drilling program will focus on the drill-testing of areas below and along strike of the historically mined lodes at the Gulf Creek Mine. The drilling will be complemented with downhole geophysical surveys with the aim of providing additional information about potential parallel and blind lodes. Prior to drilling commencing at the Gulf Creek Mine, which is drill ready pending permitting, exploration works have been focused on the historic Murchison Mine.

On 13 January 2021, the Company announced the assay results from mineralised samples taken during the field program undertaken in November 2020 at the Murchison Mine. The Field Program included grid based geochemical soil sampling and rock chip sampling. Evidence of copper mineralisation was widespread around the Murchison Copper Mine. Historical mine workings that were previously unknown to the Company around the Gulf Creek North area and proximate to a number of chargeability anomalies identified by a prior induced polarisation (IP) survey were also assessed.

Historical data indicates that the historic Murchison Copper Mine is a volcanogenic massive sulphide (VMS) style deposit, the same as that found at the Gulf Creek Copper Mine. These deposits often occur in clusters due to the nature of the hydrothermal processes that form them. This is the case at the Barraba Copper Project with three historic VMS deposits identified within the Project area. The Murchison Copper Mine (Figure 2) produced ore in the early 1900's. Historical production records state copper was produced at an average grade of 3%, with historical assays up to 5.1%.

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Figure 2: Panorama of Murchison Mine location showing the historical workings in the centre

The initial Field Program at the Murchison Mine focused on delineating the tenor of the visible mineralisation as well as its extent. Accordingly, a number of mine dump and outcrop samples were taken for laboratory analysis. In addition, a number of grid-based soil samples were taken across the perceived strike of the mineralisation. The program entailed the analysis of rocks and soils by SGS laboratories (SGS) in conjunction with in-situ field analysis utilizing a Niton personal XRF analyser (p-XRF). All soil sampling was based on a grid array, with samples taken every 5 metres on the two central lines and then every 10 metres on the outer two lines. All four survey lines were orientated approximately South-North. A plan of the sampling locations and results is illustrated in Figure 3.

The results of the soil sampling for the main elements of interests are summarised as follows:

- a) In general terms, strongly elevated values for copper, zinc and iron were recorded over Soil Sample Line 1, which was placed directly over the Murchison workings. A comparison of the p-XRF results for in-situ analysis v's the -80# sieved sample analysis by SGS indicates similar trends and orders of magnitude for the main elements of interest.
- b) Strongly elevated values for copper, zinc and iron were recorded for Soil Line 2.
- c) Elevated values for zinc and copper were recorded on Soil sample Lines 3 and 4. The lower results appear to reflect the greater distance of the sampling from the old workings.

Full results are available in the Company's press release from January 13, 2021.

A number of outcrops (see Figure 3 for sample locations) were analysed with the p-XRF and included a number of samples from the mine dump. In addition, rock chip samples from the same general locations were also forward to SGS Laboratories with the view to verifying the p-XRF data. These data clearly highlighted strong copper and zinc mineralization, whether by p-XRF or laboratory testing. Notable observations include:

- Copper values up to 4.6% and zinc values up to 4.0%
- High cobalt values up to 0.7%

These results are strongly supportive of further exploration being required, including geophysical surveys. Planning for this work is now complete and the Company expects work to commence in March 2021. Please refer to the ASX release dated 2 March 2021 for full details.

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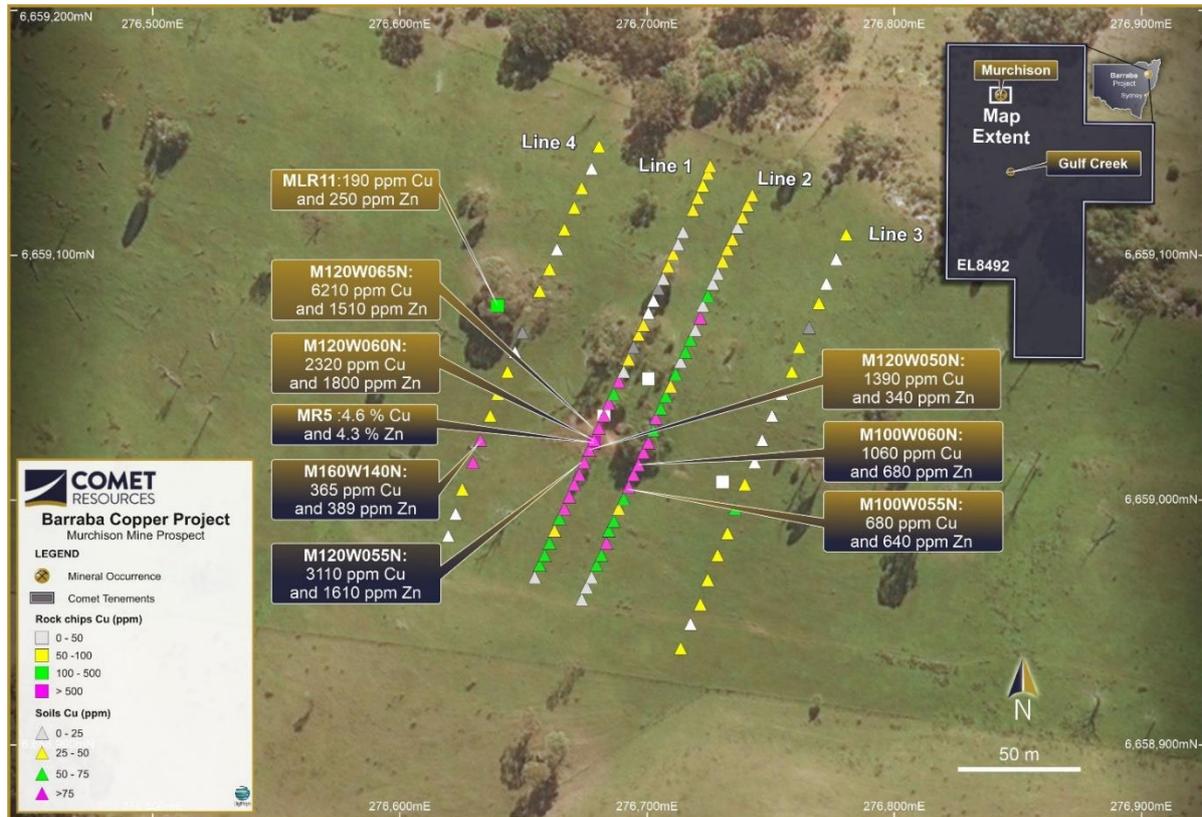


Figure 3: Location of soil and rock chip samples at the Murchison Mine – analysis by p-XRF or SGS Laboratories

Gulf Creek North Prospect

A reconnaissance program was also undertaken over ground to the north of the Gulf Creek Mine within freehold land where exploration access has been granted. The focus of the program was to determine whether historically identified IP anomalies, some of which coincided with an orange/red oxidised soil profile, represented a mineralising event.

During the investigation of the area, the presence of several pits and an 18-metre-deep shaft were noted, evidencing past workings. Mullock from these workings exhibited strong iron oxide alteration.

In-situ soil analysis by a Niton p-XRF was carried out along three soil lines, the locations of which are illustrated in Figure 4. Sample spacings were at either 10 or 20 metres. In addition, a number of rock faces were analysed by the Niton p-XRF, and a representative selection of the samples were collected and forwarded to SGS for laboratory analysis. The location of the rock chip samples is also illustrated in Figure 4.

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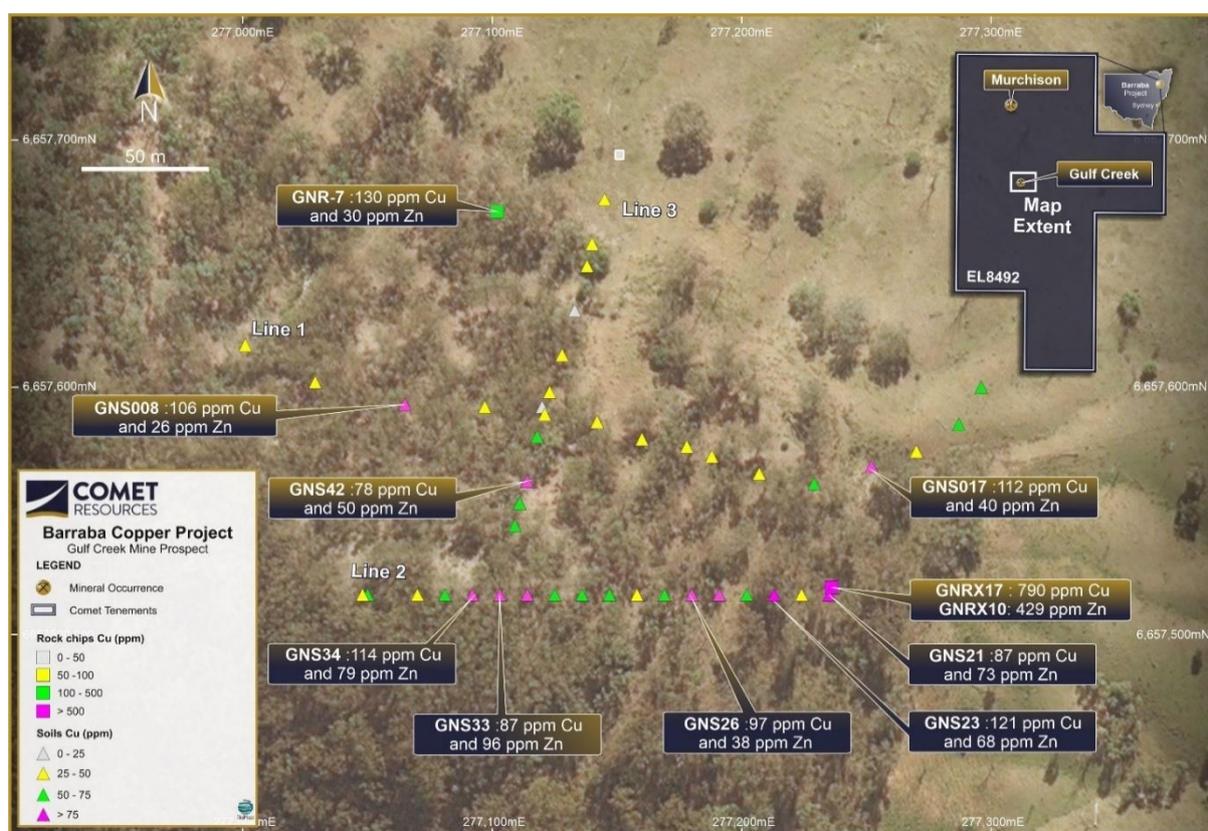


Figure 4: Location of rock and soil sample locations at the Gulf Creek North Prospect area.

A number of elements from the soil sampling were assessed and plotted. Only Soil Sample Line No 1 exhibited any significant trends. Please see appendices four to six for full results.

Of the elements that were analysed, only the copper and zinc values show a modest increase towards the east, perhaps indicating a slight influence from historic workings located in that general area. However, in-situ values for all other elements are quite low.

A number of outcrops (see Figure 4 for sample locations) were spot-analysed with the p-XRF and a number of rock chips were also forwarded to SGS laboratories for additional analysis.

The p-XRF sampling indicated moderately elevated values for copper (up to 0.08%) and zinc (up to 0.04%), with two samples also demonstrating high cobalt values (up to 0.35%). No significant values were recorded by laboratory analysis.

Overall, the soil and rock sampling results from the Gulf Creek North Prospect area indicate the presence of some subdued copper and zinc mineralisation, but of a relatively low tenor. Further soil sampling is however justified to better define the relationship between the elevated soil values, the previously defined IP anomalies and the historical workings.

Corporate Activities

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

On 5 October 2020, the Company announced that it had received applications from existing shareholders worth \$2.3 million at an offer price of \$0.02 per share under its Share Purchase Plan (SPP),

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which closed on Thursday 1 October 2020. Due to the strong demand from shareholders for the SPP offer, with oversubscriptions of \$1.8 million being received, the Company decided to accept oversubscriptions of \$500,000 in addition to the original offer for \$500,000, meaning the SPP raised a total of \$1,000,000 before costs of the offer.

ASX Listing Rules Compliance

In preparing the half year Review for the period ended 31 December 2020, the Company has relied on the following ASX announcements.

| | | |
|------------------|--------------------------------|---|
| ASX Announcement | 23 rd July 2020 | Barraba Copper Project Update |
| ASX Announcement | 15 th July 2020 | Excellent Graphite Grades - Initial Metallurgical Test Work |
| ASX Announcement | 2 nd July 2020 | Update on High Grade Santa Teresa Gold Project |
| ASX Announcement | 21 st August 2020 | Excellent Graphite Grades - Initial Metallurgical Test Work |
| ASX Announcement | 25 th August 2020 | Santa Teresa Gold Project Acquisition Completion |
| ASX Announcement | 2 nd September 2020 | Comet Investor Presentation - September 2020 |
| ASX Announcement | 13 th October 2020 | Initial JORC Resource - Santa Teresa Gold Project |
| ASX Announcement | 15 th October 2020 | Appointment of Project Manager - Santa Teresa Gold Project |
| ASX Announcement | 22 nd October 2020 | Comet Gains Access to Explore Barraba Copper Project |
| ASX Announcement | 29 th October 2020 | Quarterly Activities Report and Appendix 5B Sep 2020 |
| ASX Announcement | 26 th November 2020 | Extensive Surface Copper Mineralisation at Barraba Project |
| ASX Announcement | 16 th December 2020 | Santa Teresa Gold Project Drilling to Commence Q1 2021 |

Compliance Statement This report contains information extracted from reports cited herein. These are available to view on the website www.cometres.com.au. In relying on the above ASX announcements and pursuant to ASX Listing Rule 5.23.2, the Company confirms that it is not aware of any new information or data that materially affects the information included in the abovementioned announcements or this Half Year Report for the period ended 31 December 2020. **Competent Person Statement** - The information in this announcement and the Company's announcements that relates to exploration results in respect of the Santa Teresa Gold Project is based on information compiled by Mr Kirstopher J Raffle, a Competent Person who is registered with the Association of Professional Engineers and Geoscientists of British Columbia (a Recognised Professional Organisation recognised by ASX), and is a principal of APEX Geoscientists Limited. Mr Raffle has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Tenement List

| Project | Location | Tenement | Interest |
|--------------|----------|----------|----------|
| Springdale | WA | E74/562 | 100% |
| | | E74/612 | 100% |
| Bell's find | NSW | M74/1055 | 25% |
| Barraba | NSW | EL8492 | 80% |
| Santa Teresa | Mexico | 223182 | 50% |
| | | 210705 | 50% |
| | | 230380 | 50% |
| | | 237573 | 50% |

EVENTS SUBSEQUENT TO BALANCE DATE

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

There has not been any other matter or circumstance occurring subsequent to the end of the financial period that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the Group in future financial years.

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DIRECTORS' REPORT

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is set out on page 21.

Signed in accordance with a resolution of the Directors.



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Hamish Halliday
Chairman

Perth, 15 March 2021

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

| | | Consolidated | |
|--|-------------|--|--------------------------------------|
| | | Half-year ended 31 Dec 20 | Half-year ended 31 Dec 19 |
| | | \$ | \$ |
| | Note | | |
| Administration expenses | | (702,181) | (393,111) |
| Exploration expenses | | (510,725) | (900,589) |
| Share based payments | 10 | (1,611,567) | - |
| Operating result | | <u>(2,824,473)</u> | <u>(1,293,700)</u> |
| Loss before interest and taxes and depreciation | | (2,824,473) | (1,293,700) |
| Depreciation | | - | - |
| Loss before interest and taxes | | (2,824,473) | (1,293,700) |
| Other income | 2(a) | 471,219 | 33,929 |
| Loss before taxes | | <u>(2,353,254)</u> | <u>(1,259,771)</u> |
| Net (loss) for the period | | (2,353,254) | (1,259,771) |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | - | - |
| Items that may be reclassified subsequently to profit or loss | | - | - |
| Total comprehensive (loss) for the period | | <u>(2,353,254)</u> | <u>(1,259,771)</u> |
| Net (loss) attributable to the parent entity | | <u>(2,353,254)</u> | <u>(1,259,771)</u> |
| Total comprehensive (loss) attributable to the members of the parent entity | | <u>(2,353,254)</u> | <u>(1,259,771)</u> |
| Basic loss per share (cents) | 4 | (0.50) | (0.45) |
| Diluted loss per share (cents) | 4 | (0.50) | (0.45) |

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying condensed notes.

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**ABN 88 060 628 202****CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2020**

| | | Consolidated | |
|---|------|--------------------------|---------------------------|
| | Note | As at 31 Dec 20 \$ | As at 30 June 20 \$ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 2,385,947 | 673,692 |
| Trade and other receivables | | 35,851 | 28,197 |
| Prepayments | | 40,909 | 114,500 |
| TOTAL CURRENT ASSETS | | <u>2,462,707</u> | <u>816,389</u> |
| NON-CURRENT ASSETS | | | |
| Other financial assets | | 2,000 | 2,000 |
| Investment in Joint Venture | 11 | 1,252,500 | - |
| Capitalised Exploration and Evaluation Expenditure | | 360,001 | 300,000 |
| TOTAL NON-CURRENT ASSETS | | <u>1,614,501</u> | <u>302,000</u> |
| TOTAL ASSETS | | <u>4,077,208</u> | <u>1,118,389</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 92,769 | 114,573 |
| Provision for Employee Benefits | | 24,422 | 9,796 |
| TOTAL CURRENT LIABILITIES | | <u>117,191</u> | <u>124,369</u> |
| TOTAL LIABILITIES | | <u>117,191</u> | <u>124,369</u> |
| NET ASSETS | | <u>3,960,017</u> | <u>994,020</u> |
| EQUITY | | | |
| Issued capital | 7 | 16,699,821 | 12,202,828 |
| Shares to be issued | | - | 85,000 |
| Reserves | 8 | 1,833,350 | 926,092 |
| Accumulated losses | | (14,573,154) | (12,219,900) |
| TOTAL EQUITY | | <u>3,960,017</u> | <u>994,020</u> |

The consolidated statement of financial position should be read in conjunction with the accompanying condensed notes.

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**ABN 88 060 628 202****CONSOLIDATED STATEMENT OF CASH FLOWS****FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

| | | Consolidated | |
|---|-------------|---|---|
| | | Half-year ended 31 Dec 20 \$ | Half-year ended 31 Dec 19 \$ |
| | Note | | |
| Cash flows from operating activities | | | |
| Payments to suppliers and employees | | (1,293,583) | (1,225,666) |
| Interest and grant received | 2(a) | 486,719 | 33,929 |
| Net cash flows (used in) operating activities | | <u>(806,864)</u> | <u>(1,191,737)</u> |
| Cash flows from investing activities | | | |
| Investment in Joint Venture | | (252,500) | - |
| Exploration and Evaluation Expenditure | | (60,001) | - |
| Net cash flows (used in) investing activities | | <u>(312,501)</u> | <u>-</u> |
| Cash flows from financing activities | | | |
| Issue of share capital, net of issue costs | | <u>2,831,620</u> | <u>327,500</u> |
| Net cash flows from financing activities | | <u>2,831,620</u> | <u>327,500</u> |
| Net increase/(decrease) in cash and cash equivalents | | 1,712,255 | (864,237) |
| Cash and cash equivalents at beginning of period | | 673,692 | 1,291,468 |
| Cash and cash equivalents at end of period | | <u>2,385,947</u> | <u>427,231</u> |

The consolidated statement of cash flows should be read in conjunction with the accompanying condensed notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

| | Issued Capital \$ | Shares to be issued | Accumulated Losses \$ | Other Reserves \$ | TOTAL \$ |
|--|----------------------------------|--------------------------------|--------------------------------------|----------------------------------|---------------------|
| As at 1 July 2019 | 9,896,132 | 1,105,000 | (10,710,418) | 907,962 | 1,198,676 |
| Net loss for the period | | | (1,259,771) | | (1,259,771) |
| Total comprehensive (loss) for the period | | | (1,259,771) | | (1,259,771) |
| Incentive shares deemed value | | | | | |
| Shares and options issued | 1,432,500 | (1,105,000) | | | 327,500 |
| As at 31 December 2019 | 11,328,632 | - | (11,970,189) | 907,962 | 266,405 |
| As at 1 July 2020 | 12,202,828 | 85,000 | (12,219,900) | 926,092 | 994,020 |
| Net loss for the period | | | (2,353,254) | | (2,353,254) |
| Total comprehensive (loss) for the period | | | (2,353,254) | | (2,353,254) |
| Options issued | | | | 907,258 | 907,258 |
| Shares issued (net of costs) | 4,496,993 | (85,000) | | | 4,411,993 |
| As at 31 December 2020 | 16,699,821 | - | (14,573,154) | 1,833,350 | 3,960,017 |

The consolidated statement of changes in equity should be read in conjunction with the accompanying condensed notes.

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CONDENSED CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Note 1: Summary of Significant Accounting Policies

a. Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2020 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Comet Resources Limited and its controlled entities (referred to as the "Consolidated Group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2020, together with any public announcements made during the following half-year.

These interim financial statements were authorized for issue on 15 March 2021.

b. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements. The Group has considered the implications of new and amended Accounting Standards that became applicable on or after 1 January 2020 but determined that their application to the financial statements is either not relevant or not material.

c. Going Concern

As per the interim financial statements, the consolidated financial statements have been prepared on the going concern basis. At 31 December 2020, the Group had cash and cash equivalents of \$2,385,947 and incurred a loss after income tax of \$2,353,254.

The ability of the Group to continue as a going concern and meet its planned exploration, administration and other commitments is dependent upon the Group raising further working capital and/or successfully exploiting its mineral assets. In the event that the Group is not successful in raising further equity or successfully exploiting its mineral assets, the Group may not be able to meet its liabilities as and when they fall due and the realisable value of the Group's current and non-current assets may be significantly less than book values.

d. Joint Venture

Joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities.

The joint venture is accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture.

Any goodwill or fair value adjustment attributable to the Group's share in the joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in joint venture is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in those entities. Where unreleased losses are eliminated, the underlying asset is also tested for impairment.

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CONDENSED CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

e. Exploration and evaluation

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

When an area of interest is abandoned, or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated acquisition costs written off to the extent that they will not be recoverable in the future. Where projects have advanced to the stage that directors have made a decision to mine, they are classified as development properties. When further development expenditure is incurred in respect of a development property, such expenditure is carried forward as part of the cost of that development property only when substantial future economic benefits are established. Otherwise such expenditure is classified as part of the cost of production or written off where production has not commenced.

| | Consolidated | |
|--|--------------|-----------|
| | 31 Dec 20 | 31 Dec 19 |
| | \$ | \$ |

Note 2: Loss from Ordinary Activities

(a) Net Other Income

| | | |
|--|----------------|---------------|
| Interest received – other entities | 702 | 386 |
| Government Grant received ¹ | 47,400 | 33,543 |
| R&D Refund | 423,117 | - |
| Total net other income | 471,219 | 33,929 |

In addition to the Grant received shown above, the Group had received Grant payment of \$15,500 in the current period that was included in Trade and Other Receivables as at 30 June 2020.

¹ Government grant received in the current period relates to cashflow boost and jobkeeper payment. For the period ended 31 December 2019, government grant received relates to DMP Grant.

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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CONDENSED CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

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Note 3: Segment Reporting

The Group has identified its operating segments based on the internal reports that are provided to the Board (Chief Operating Decision Maker) for making strategic decisions.

The Company operates predominately in one geographical segment, being Australia, and one operating segment being mineral exploration.

Note 4: Earnings per share

| | 2020 Number | 2019 Number |
|--|------------------------|------------------------|
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | 474,395,506 | 280,915,761 |
| | 2020 Number | 2019 Number |
| Weighted average number of ordinary shares used in the calculation of diluted earnings per share | 474,395,506 | 280,915,761 |

Note 5: Contingent Liabilities and Contingent Assets

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

- The Vendors are free-carried until a decision to mine has been reached at which point they contribute pro rata in a JV or dilute to a 2% NSR Royalty;
- Comet has the option to purchase the remaining 20% interest in the first 36 months for \$2.5 million; and
- A minimum exploration expenditure of \$600,000 with a minimum of 1,250m of RC or Diamond Drilling to be completed within a period of 18 months from the settlement date. If the minimum exploration expenditure and minimum drilling requirement are not satisfied within 18 months from the settlement date, the interest in the assets will revert to zero. If the option is exercised and the payment made before 18 months from the settlement date, Comet will not be obliged to satisfy the above minimum exploration expenditure and minimum drilling requirement.

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

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

Note 6: Dividends

There are no dividends paid or payable during the half-year.

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FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Note 7: Issued Capital

| | 31 Dec 20 | 30 Jun 20 | 31 Dec 20 | 30 Jun 20 |
|---|--------------------|--------------------|-------------------|-------------------|
| | No. | No. | \$ | \$ |
| (a) Share Capital | | | | |
| Issued Capital | 612,587,269 | 382,500,000 | 16,699,821 | 12,202,828 |
| (b) Share movement during the period | | | | |
| Balance brought forward | 382,500,000 | 240,000,000 | 12,202,828 | 9,896,132 |
| Issued during year ended 30 June 20 net of share issue cost | - | 142,500,000 | - | 2,306,696 |
| Placement shares issued Sep 20 | 8,500,000 | - | 85,000 | - |
| Advisor shares issued Sep 20 | 3,000,000 | - | 45,000 | - |
| Placement shares issued Sep 20 | 98,500,000 | - | 1,970,000 | - |
| Share purchase plan Oct 20 | 50,000,000 | - | 1,000,000 | - |
| Placement shares issued Oct 20 | 1,500,000 | - | 30,000 | - |
| Consultant shares issued Oct 20 | 5,263,158 | - | 60,000 | - |
| Acquisition shares issued Dec 20 | 40,000,000 | - | 1,000,000 | - |
| Financing shares issued Dec 20 | 20,869,565 | - | 493,430 | - |
| Marketing shares issues Dec 20 | 818,182 | - | 18,000 | - |
| Advisor shares issued Dec 20 | 1,636,364 | - | 36,000 | - |
| Share issue costs | - | - | (240,437) | - |
| At the end of the period | 612,587,269 | 382,500,000 | 16,699,821 | 12,202,828 |

Note 8: Reserves

| | Options Premium | Share Based Payments | Total |
|----------------------------------|----------------------------|---------------------------------|------------------|
| | \$ | \$ | \$ |
| As at 1 July 2020 | 298,307 | 627,785 | 926,092 |
| Options issued during the period | - | 907,258 | 907,258 |
| As at 31 December 2020 | 298,307 | 1,535,043 | 1,833,350 |
| As at 1 July 2019 | 298,307 | 609,655 | 907,962 |
| Options issued during the period | - | 18,130 | 18,130 |
| As at 30 June 2020 | 298,307 | 627,785 | 926,092 |

Note 9: Subsidiaries

Environmental Oil Solutions Pty Ltd – 100%

Ravensthorpe Management Pty Ltd – 100%

The Subsidiaries are incorporated in Australia and remain dormant at the date of this report.

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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CONDENSED CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Note 10: SHARE BASED PAYMENTS

(a) Recognised share-based payment transactions

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

| | 31 Dec 20 | 31 Dec 19 |
|--|------------------|-----------|
| | \$ | \$ |
| Consultant share based payments (note 10 (b)) | 766,930 | - |
| Share based payments to suppliers and directors (note 10(c)) | 844,637 | - |
| Share based payments expense | 1,611,567 | - |
| Share based payments – capital raising costs (note 10(c)) | 62,621 | - |
| Share based payments for JV acquisition (note 10(d)) | 1,000,000 | - |
| | <u>2,674,188</u> | <u>-</u> |

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

During the half year ended 31 December 2020, the Company issued the following shares to consultants and advisors:

- 10,000,000 fully paid ordinary Comet Resources Limited shares to Empire Capital Partners Pty Ltd as a corporate advisor to the Company. The fair value recognised for the fully paid ordinary shares issued is \$229,000 for the services provided between January 2020 and December 2020. In the half year ended 31 December 2020, \$114,500 has been recognised as an expense.
- 4,636,364 fully paid ordinary Comet Resources Limited shares to Peloton Capital or its nominees as advisory fees. The fair value recognised for the fully paid ordinary shares issued is \$81,000 for the services provided.
- 818,182 fully paid ordinary Comet Resources Limited shares to Spark Plus or its nominees as marketing fees. The fair value recognised for the fully paid ordinary shares issued is \$18,000 for the services provided.
- 5,263,158 fully paid ordinary Comet Resources Limited shares to Empire Capital Partners Pty Ltd or its nominees as advisory fees for project acquisition. The fair value recognised for the fully paid ordinary shares issued is \$60,000 for the services provided.
- 20,869,565 fully paid ordinary Comet Resources Limited shares to Empire Capital Partners Pty Ltd or its nominees as success fees for project acquisition. The fair value recognised for the fully paid ordinary shares issued is \$493,430 for the success fee.

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

During the half year ended 31 December 2020, the Company issued unlisted options to advisors, consultants and suppliers for capital raising related services rendered during the period. The fair value of the options was determined at the grant date using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share and the risk-free interest rate for the term of the option.

| Options issued | Number of Options Issued | Grant Date | Expiry Date | Exercise Price | Total Value (\$) | Underlying Share Value | Expected Volatility | Risk Free rate |
|--------------------------|--------------------------|------------|-------------|----------------|------------------|------------------------|---------------------|----------------|
| Empire Capital | 20,869,565 | NA | 30/06/23 | \$0.033 | 493,430* | NA | NA | NA |
| Directors of the Company | 10,500,000 | 21/09/20 | 30/06/23 | \$0.018 | 160,357 | 0.026 | 80% | 0.24% |
| Directors of the Company | 10,500,000 | 21/09/20 | 30/06/23 | \$0.022 | 146,927 | 0.026 | 80% | 0.24% |
| Peloton Capital | 6,000,000 | 21/10/20 | 30/06/21 | \$0.02 | 47,741 | 0.024 | 80% | 0.35% |

COMET RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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CONDENSED CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

| | | | | | | | | |
|-----------------|-----------|----------|----------|---------|--------|-------|-----|-------|
| Peloton Capital | 1,500,000 | 23/09/20 | 30/06/21 | \$0.02 | 12,150 | 0.025 | 80% | 0.16% |
| Empire Capital | 3,900,000 | 24/04/20 | 30/06/21 | \$0.02 | 2,730 | 0.011 | 80% | 0.24% |
| Interminco | 1,500,000 | 14/12/20 | 08/10/25 | \$0.035 | 16,469 | 0.021 | 80% | 0.35% |
| Interminco | 1,500,000 | 14/12/20 | 08/10/25 | \$0.025 | 18,577 | 0.021 | 80% | 0.35% |
| Spark Plus | 1,000,000 | 14/12/20 | 01/12/23 | \$0.03 | 8,877 | 0.021 | 80% | 0.23% |

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

Unless otherwise stated, the fair value of the options at grant date was determined using a Black Scholes pricing method that took into account the exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The table above lists the inputs to the model used for valuation of the options. During the period, \$844,637 has been recognised as an expense with \$62,621 accounted for as capital raising cost.

(d) Share based payments for tenement acquisition

During the half year ended 31 December 2020, the Company issued 40,000,000 fully paid ordinary Comet Resources Limited shares for the 50% acquisition of the Santa Teresa Gold Project. The fair value recognised for the fully paid ordinary shares issued is \$1,000,000 in the half year ended 31 December 2020 and is capitalised under investment in joint venture (refer to Note 11).

Note 11: INVESTMENT IN JOINT VENTURE

The Company announced the completion of the acquisition of 50% of the Santa Teresa Gold Project, in August 2020. On 14 December 2020 and pursuant to shareholder approval received at General Meeting of Shareholders held on 21 September 2020, the Company had issued 40,000,000 FPO Shares for the 50% acquisition of the Santa Teresa Project (**Acquisition Shares**). As part of the acquisition, the Share Purchase Agreement and Joint Venture Agreement contemplate the acquisition of El Alamo Resources Limited (EARL). Until such time as a decision to mine has been made, the Project will be operated as an incorporated Joint Venture with Comet holding a 50% interest in EARL. Comet will sole fund all expenditure on the Project during the period prior to it acquiring the remaining 50% interest in EARL. As the Joint Venture was only completed on 14 December 2020, the balance as at 31 December 2020 of \$1,252,500 are initial costs of acquisition and therefore no adjustment for equity accounting is recorded for the half year ended 31 December 2020.

| | 31 Dec 20 | 30 Jun 20 |
|---|------------------|------------------|
| | \$ | \$ |
| Payments for Project acquisition – Cash Consideration | 200,000 | - |
| Consulting Payments for Project acquisition – Empire Capital Partners | 52,500 | - |
| Share based payments for tenement acquisition (note 10(d)) | 1,000,000 | - |
| | <u>1,252,500</u> | <u>-</u> |

Note 12: Events Subsequent to Reporting Date

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

Note 13: Commitments

There were no material commitments or contingencies at the reporting date for the parent company except for those disclosed in Note 5.

The Directors of Comet Resources Limited declare that:

- (a) the financial statements and notes, set out on pages 10 to 19 are in accordance with the Corporations Act 2001:
- give a true and fair view of the financial position as at 31 December 2020 and of the performance for the half-year ended 31 December 2020 of the Group; and
 - comply with Accounting Standards and the Corporations Regulations 2001;
- (b) 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.

This declaration is made in accordance with a resolution of the Board of Directors.



.....
Hamish Halliday
Chairman

Perth, 15 March 2021

15 March 2021

The Directors
Comet Resources Limited
Suite 9, 330 Churchill Avenue
Subiaco WA 6008

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 review of the financial statements of Comet Resources Limited for the half-year ended 31 December 2020, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED



Martin Michalik
Director

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Comet Resources Limited ('the Company') and the entities it controlled ('the Group'), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* has been given to the directors of the Group on 15 March 2021.

Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

Stantons International Audit & Consulting Pty Ltd



Martin Michalik
Director

15 March 2021
West Perth, Western Australia