

COMET INDUSTRIES LTD.  
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ANNUAL REPORT TO SHAREHOLDERS - 2021

This Report to our Shareholders consists of the Company's First Quarter Management Discussion and Analysis dated June 29, 2021 — a copy of which is printed below. It covers the Company's fiscal quarter ended April 30, 2021 and the period to June 29, 2021.

No significant events have recently occurred with respect to the Company other than:

- (a) The sad passing of the Company's long time Director and former President — Jack Wiley on April 18, 2021. Mr. Wiley had been suffering from serious health problems for some time.
- (b) The termination of the Letter of Intent Agreement to sell 21 acres of its Kamloops land.

DATED: August 18, 2021

ON BEHALF OF THE BOARD OF DIRECTORS

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COMET INDUSTRIES LTD.

FIRST QUARTER MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE  
MONTHS ENDED APRIL 30, 2021

DATED: June 29, 2021

This document constitutes Management's Discussion and Analysis ("MD & A") of the financial and operational results of Comet Industries Ltd. ("Comet" or the "Company") for the fiscal quarter ended April 30, 2021. This MD & A supplements, but does not form part of, the financial statements of the Company, and should be read in conjunction with the audited financial statements for the year ended January 31, 2021 and the unaudited financial statements for the fiscal quarter which ended April 30, 2021.

All audited financial statements referred to herein have been prepared in accordance with International Financial Reporting Standards accounting policies.

The Company's fiscal quarter ended April 30, 2021 is herein called the "Quarter", and its fiscal year ended January 31, 2021 is herein called the "Fiscal Year". The period between May 1, 2021 and June 29, 2021 is herein called the "SubsequentPeriod".

FORWARD LOOKING STATEMENTS

Certain statements in this MD&A, other than statements of historical fact, constitute "forward-looking information" within the meaning of Canadian securities legislation. "Forward-looking information" includes, but is not limited to, statements with respect to the potential merits of the Company's properties, as well as the Company's future plans, objectives, business strategy, budgets, projected costs, financial results, and requirements for additional capital.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Some risks and uncertainties applicable to Comet are disclosed in Clause 10.

In making the statements in this MD&A containing forward-looking information, the Company has applied several material assumptions, including but not limited to, assumptions regarding the ability of the Company to obtain, on reasonable terms, any financing it may require in the future.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements.

The Company disclaims any intention or obligation to update or forward-looking information in this MD&A, whether as a result of new information, events or otherwise, except as required by applicable securities legislation. Accordingly, readers are cautioned not to put undue reliance on forward-looking information.

## 1. Overall Performance

Other than as described below, there have been no material changes in, or developments with respect to, the Company's business or assets since the fiscal year which ended January 31, 2021 — as discussed in the Company's annual MD & A dated May 28, 2021.

The outbreak of COVID-19 has resulted in the federal and provincial governments enacting numerous measures such as the implementation of a travel ban, self-imposed quarantine periods and social distancing. These measures have caused material disruption to businesses and has resulted in an economic slowdown.

During the year ended January 31, 2021, the Company has applied for the Canada Emergency Commercial Rent Assistance ("CECRA") for certain tenants whose business has been impacted as a result of the COVID-19 pandemic.

It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID19 and accordingly certain aspects of the Company's operations could be affected, including rent collection, occupancy rates, demands for space, capitalization rates, and the resulting value of the Company's properties. The full extent and duration of COVID-19 remains uncertain at this time.

### Properties and Property Interests Held by the Company:

#### (a) Iron Mask Crown Granted Mineral Claims

The Company holds a 40% working interest in the five Crown Granted ("Crown Grants") - known as the Iron Mask property, which is located in southwest Kamloops, B.C. The remaining interests are held 30% each by Initial Developers Ltd. ("Initial") and DVO Industries Ltd. ("DVO"). The Crown Grants cover approximately 190 contiguous acres (approximately 76.9 hectares). The names of the Crown Grants are:

Victor — 1340	Con Verdant - 1341
Norma - 1302	Ni thawk — Lot 1747
Mint - Lot 1342	

Because of the zoning changes by Katnloops described in sub clause (c), there is a risk that mineral deposits underlying portions of the Crown Grants will not be able to be mined. The zoning changes might also prohibit the owners of the Crown Grants from conducting exploration or testing to establish the extent to which, if any, the Crown Grants are underlain by otherwise recoverable mineral deposits. The Company does not presently anticipate attempting to further explore the mineral deposits and anticipates that - even if the presence of mineral deposits could be further confirmed, considering the Kamloops City zoning and other potential problems and requirements there is a substantial risk that the deposits might not be mineable.

The Crown Grants are, in Note 8 of the Company's financial statements, called "Property A".

(b) Net Profits Royalty Interests ("Royalty Interests")

Comet — as to a 10%, and Initial and DVO each as to 7.5% hold an aggregate 25% carried net profits interest in a contiguous block of mineral properties ("Property B" in Note 8 of the Company's financial statements) which are owned by KGHM International Ltd. ("KGHM"), the successor to Abacus Mining & Exploration Corp. and adjoin the Crown Grants — (hereinafter referred as the "Abacus Claims").

The Abacus Claims cover an area of 2,500.3 hectares (approximately 6,178 acres). The Company, Initial and DVO acquired the net profits interest in the Abacus Claims pursuant to an Agreement between them and KGHM's predecessor Afton Operating Corporation, dated August 24, 1987.

The Abacus Claims are a portion of a larger group of mineral properties owned by KGHM and called by it the Ajax Property. The Abacus Claims are known to contain three mineralized zones named "DM", "Audra" and "Crescent" (hereinafter referred to as the "Mineralized Zones"). Abacus Mining has provided some information about the Abacus Claims in a Feasibility Study Technical Report dated January 6, 2012 (the "Feasibility Report") which may be viewed on Abacus' website: [www.amemining.com](http://www.amemining.com) or on SEDAR.

The mining study in the Feasibility Report is limited to a portion of the Ajax property that is approximately 8.5 kilometers from the Abacus Claims, and does not include the DM-Audra-Crescent resource estimate as part of its analysis. The Feasibility Report also refers to subsequent drilling in the area of the Abacus claims. Unfortunately, because of opposition by the British Columbia Government to KGHM's plans to develop its Kamloops area properties, discontinued all further work on its properties and closed its B.C. offices.

Indirectly the Company holds a greater interest in the Crown Grants and the Royalty Interests through its shareholdings in Initial (35.8%) and DVO (26.6%). Comet, Initial and DVO have no plans to do any development work on the property.

(c) Iron Mask Surface Land Titles

The Company owns the surface land titles covering the Crown Grants ("Surface Lands"). The Surface Lands cover an area of 190.64 acres (approximately 77.15 hectares). The Surface Lands are within the boundaries of the City of Kamloops, BC and are designated, under the Kamloops Official Community Plan, as a "Special Industrial Development Area". This is a general zoning designation and provides flexibility to

Kamloops City development staff to specify the exact type of industrial zoning that will be applied to portions of the lands.

Comet's Management understands that there is a shortage of industrially zoned land in the City of Kamloops. Management believes that a change in their zoning status would greatly enhance the value of the Surface Lands.

Comet is exploring opportunities for a light industrial land development on the property and has signed a Letter of Intent with an arms-length company in that regard.

(d) Other Lands Owned

The Company owns a number of parcels of land at Pender Harbour, British Columbia. It also owns two parcels of undeveloped land — covering 9 contiguous acres — at Terrace, British Columbia. The Company has no plans for the development of the lands. It has received no revenue from the lands.

During the Quarter, DVO transferred 40% interest in an 86.6 hectare (214 acres) parcel of land on Nelson Island, BC to the Company for an agreed value of \$383,246 — to offset against DVO's indebtedness to the Company. The Company owns approximately 25% of the issued shares of DVO.

(e) Gastown Property

The Company owns land and a commercial building at the corner of Carrall and Powell Streets in the Gastown area of Vancouver, British Columbia (hereinafter called the "Gastown Property"). The building is 2-storey building with 8,632 square feet of commercially rentable space. The main street level floor is divided into 5 rental units. The second floor is leased by a single tenant who operates the space as a restaurant and night club. All of the leases are short term. Since April 1, 2009, the building has been fully rented. As a result of the short terms of the leases, and the terms of the leases, the Company is able to periodically increase the rents charged to the various tenants. While the revenue flow from the rentals is always subject to the possibility of portions of the building being vacant from time to time, Management does not consider that there are any trends toward increasing vacancies in the Gastown area of Vancouver, BC and anticipates being able to maintain a relatively full occupancy rate for the immediate future. However, during the Fiscal Year and the Quarter due to Covid-19 restrictions, the Company accepted reduced rent payments for the tenants. The rental revenue from the Gastown Property for the Quarter was \$83,071 (2020 -\$103,261).

## 2. Financing and Capital Resources

(a) Comet's cash flow is from the rental revenues from its Gastown Property — except for minor amounts it receives from month-to-month leases on portions of other properties. The Company realized lower revenues in the Quarter from the Gastown property due to the outbreak of COVID-19 as described in Clause 1. The Company is monitoring the situation closely and is in constant communications with the tenants.

Based on the Company's current cash on hand and the rate at which it expects to incur expenses during the Quarter, Management believes that the Company has sufficient cash resources to operate well beyond the current fiscal year.

(b) The Company did no debt or equity financing during the Quarter other than the mortgage on the Gastown property.

### 3. Selected Financial Information and Discussion of Operations

The Company's quarterly results for the past 8 quarters — detailed in Clause 4 below - have varied from quarter to quarter primarily due to the different dates that irregularly received rental payments are deposited or credited to the Company's bank account and the dates that various expenses that are not incurred on a regular monthly basis are posted to the Company's accounts.

The financial information given in Clause 4 below is taken from the Financial Statements and should be read in conjunction with those statements.

### 4. Summary of Quarterly Results

The following information is provided for each of the eight most recently completed quarters of the Company:

	Apr 30/21	Jan 31/21	Oct 31/20	Jul 31/20	Apr 30/20	Jan 31/20	Oct 31/19	Jul 31/19
a) Net sales or total rental revenue	83,071	89,036	78,269	54,861	87,813	134,406	128,746	129,109
b) Net Earnings (Loss) total per share*	23,388) 0.00)	179,331) 0.04)	65 .00	16,948) 0.00)	571) 0.00)	4,424) 0.00)	9,692 .01	,866 .01
c) Comprehensive income (Loss) total per share*	9,296 .01	67,619) 0.01)	,506 .00	7,058) 0.00)	1,763) 0.00)	59,632) 0.01)	0,510 .01	5,805 .01

\*The loss or gain per share figures are presented on an undiluted basis — as the effect of dilution is to reduce the reported loss or gain per share.

The fluctuations between the Quarters are largely as a result of the dates that various non-regular expenses and rental revenues are posted to the Company's financial records.

For the quarter ended January 31, 2021, a loss is shown as a result of reduced rent from tenants due to COVID-19.

### 5. Liquidity

At the end of the Quarter the Company had cash on hand of \$274,258 (2020 - \$345,897). At the end of the Quarter the Company had a working capital of \$48,612 (2020 — \$127,580).

The Company has no financial commitments other than to pay its monthly general and administrative expenses, its monthly mortgage payments and its ongoing fixed regular anticipated costs.

## 6. Transactions with Related Parties and Key Management Personnel in the Quarter

The Company paid or incurred management fees of \$9,000 (2020 - \$19,500) to Garden Bay Management Ltd. ("GBM") - which is controlled by the wife of the Company's former President — for the provision of the management services of R.J. (Jack) Wiley — who died on April 28, 2021.

During the Quarter, the Company paid management fees of \$12,000 (2020 - \$Nil) to the Company's new President.

Management salary of \$ 15,000 (2020 \$15,000) was paid to Richard Angus a director of the Company.

The Company incurred legal fees of \$3,348 (2020 - \$2,940) with the law firm in which Mr. Jonsson is a principal. At the end of the Quarter \$Nil (2020 - \$2,940) were due to the law firm.

As at April 30, 2021, demand loan of \$2, 100 (2020 \$2, 100) remain outstanding to a related party. During the period ended April 30, 2021, interest expense of \$Nil (2020 - \$151) was recorded on these loans. As at April 30, 2021, interest payable of \$Nil (2020 \$479) was outstanding and included in the demand loans balance. Since the loans are repayable on demand, they have been classified as current liabilities.

At the end of the Quarter, DVO owed the Company \$Nil (2020 \$383,246). DVO's indebtedness to the Company is payable on demand, bears no interest, and is unsecured. Refer to Clause I (d) for more information.

At the Quarter end there was \$51,974 (2020 - \$51,974) owing to the Company by Initial for advances made by the Company to or on behalf of Initial in previous years. This amount is payable on demand, bears no interest, and is unsecured. There were no amounts paid to, or advanced on behalf of Initial, by the Company during the Quarter.

Related party transactions are recorded at the amount paid or received as established by contract or as agreed upon by the Company and the related party. Some of the officers and directors of the Company are also officers, directors or shareholders of the related companies.

## 7. Outstanding share data

At the Quarter end, the Company had 5,038,995 common shares issued and outstanding. The shares are all voting shares and rank equally with each other. The Company's financial statements show only 4,668,301 shares issued. This is because 370,694 of the issued shares are held by Initial and DVO and are accordingly not considered to be issued and outstanding in financial statement disclosure due to applicable accounting rules.

At April 30, 2021 and January 31, 2021, the Company had no share purchase options outstanding. No shares were issued or options granted during the Quarter or the Subsequent Period.

## 8. Critical Accounting Estimates and Judgments

The Company's financial statements are prepared on a historical cost basis except for certain financial instruments, which are measured at fair value. The preparation of financial statements in conformity with

IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Significant areas requiring the use of management estimates include determination of impairment of property and equipment, impairment of investment property, impairment of exploration and evaluation assets, decommissioning liabilities, realization of deferred income tax assets, and assumptions used in valuing options and warrants in share-based compensation calculations.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments with a significant risk of material adjustment in the next year. These include (i) Going concern, (ii) Classification of investment properties, and (iii) Classification of property held for sale

## 9. Changes in Accounting Policies and Recent Accounting Pronouncement

Note 3 to the January 31, 2021 audited Financial Statements describes the significant Accounting Policies followed in preparing the Statements.

Note 4 of the Statements describes recent changes in accounting policies that the Company has had to adopt and changes which will become effective in the future.

## 10. Risks and Uncertainties

Comet's business is a speculative business and involves a high degree of risk which even a combination of professional evaluation and management experience may not eliminate. The following are some of the risks to the Company, recognizing that it may be exposed to other additional risks from time to time.

- Limited business history of the Company, including not having reached profitability and no assurance of reaching profitability
- Dependence on key management personnel
- Reliance on availability and performance of independent contractors
- Challenges by other unknown parties or Aboriginals to property titles
- Environmental issues
- Federal and provincial political risk
- Commodity price risk
- Financial markets

## 11. Other MD & A Requirements

Additional information relating to the Company has been filed on SEDAR and is available at [www.sedar.com](http://www.sedar.com).