

**COMET INDUSTRIES LTD. (“Company”)****ANNUAL MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS AND FISCAL YEAR ENDED JANUARY 31, 2021****DATED: May 28, 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 three months and fiscal year ended January 31, 2021 and for the period to May 28, 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 years ended January 31, 2021 and 2020. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

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

The Company’s fourth fiscal quarter ended January 31, 2021 is herein called the “Quarter”, and its fiscal year ended January 31, 2021 is hereinafter called the “Fiscal Year”. The period between February 1, 2021 and May 28, 2021 is hereinafter called the “Subsequent Period”.

***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 12.

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 revise the 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. The applications were processed on a case-by-case basis.

It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 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    | Nighthawk – Lot 1747 |
| Mint – Lot 1342 |                      |

Because of the zoning changes by Kamloops 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 also 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 the change in zoning status greatly enhances the value of the 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 Subsequent Period, the Company completed a purchase of a 40% interest in an 86.6 hectare (214 acres) parcel of land on Nelson Island, BC from DVO Industries Ltd. (“DVO”). The purchase price of \$383,246 was not paid in cash and was instead off-set against a debt owing to the Company by DVO of \$383,246. The Company owns approximately 25% of the issues 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 Subsequent Period due to Covid-19 restrictions, the Company accepted reduced rent payments for the tenants. As a result the gross rental revenue from the Gastown Property for the Fiscal Year was \$309,979 (2020 - \$515,879). As shown in the Financial Statements for the Fiscal Year, the Company received Government rental financial assistance.

## 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 current Fiscal Year, the Management believes that the Company has sufficient cash resources to operate well beyond the next fiscal year.

(b) The Company did no debt financing during the Fiscal Year. It received equity financing during the Fiscal Year of \$300,000 from the exercise of share purchase options.

## 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:

|   | Jan. 31/21 | Oct 31/20 | Jul 31/20 | Apr 30/20 | Jan 31/20 | Oct 31/19 | Jul 31/19 | Apr 30/19 |
|---|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| (a) Net sales or total rental revenues  | 89,036     | 78,269    | 54,861    | 87,813    | 134,406   | 128,746   | 129,109   | 123,618   |
| (b) Net Earnings (Loss) total           | (179,331)  | 965       | (16,948)  | (571)     | (4,424)   | 29,692    | 6,866     | 23,065    |
| - per share*                            | (0.04)     | 0.00      | (0.00)    | (0.00)    | (0.00)    | 0.01      | 0.01      | 0.00      |
| (c) Comprehensive Income (Loss) - total | (67,619)   | 8,506     | (7,058)   | (1,763)   | (59,632)  | 40,510    | 25,805    | 43,347    |
| - per share*                            | (0.01)     | 0.00      | (0.00)    | (0.00)    | (0.01)    | 0.01      | 0.01      | 0.00      |

\* The loss per share figures are presented on an undiluted basis – as the effect of dilution is to reduce the reported loss 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, loss is shown as a result of reduced rent from tenants due to COVID-19.

## 5. Selected Annual Financial Information

The following table summarized selected financial information as at and for the last three fiscal year-ends of the Company:

|   | January 31, 2021<br>\$ | January 31, 2020<br>\$ | January 31, 2019<br>\$ |
|---|------------------------|------------------------|------------------------|
| (a) Net sales or total revenues                               | 309,979                | 515,879                | 558,095                |
| (b) Net income or (loss) before other or extraordinary items: |                        |                        |                        |
| – total   | (195,885)              | 55,201                 | 38,809                 |
| – per share undiluted   | (0.01)                 | 0.01                   | 0.01                   |
| - per share diluted *   |                        |                        |                        |
| (c) Net income or (loss)                                      |                        |                        |                        |
| - total   | (67,934)               | 50,030                 | 35,119                 |
| - per share undiluted   | (0.01)                 | 0.01                   | 0.01                   |
| - per share diluted *   |                        |                        |                        |
| (d) Total assets  | 2,395,099              | 2,157,566              | 2,157,810              |
| (e) Total long-term financial liabilities                     | 737,995                | 740,662                | 776,705                |
| (f) Cash dividends declared per share                         | Nil                    | Nil                    | Nil                    |

## 6. Liquidity

At the end of the Fiscal Year the Company had cash on hand of \$311,358 (2020 - \$70,401). At the end of the Fiscal Year the Company had a working capital of \$68,917 (2020 – deficiency \$250,280).

The significant increase in cash on hand during the year was due to the cash receipts from the exercise of share options as mentioned in Clause 7. As a result, working capital improvement was noted in the current year.

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.

## 7. Transactions with Related Parties and Key Management Personnel in the Fiscal Year

The Company paid or incurred management fees of \$66,000 (2020 - \$79,195) to Garden Bay Management Ltd. - which is controlled by the wife of the Company's former President – for the provision of the management services of (Jack) Wiley – who died on April 28, 2021.

During the year, the Company paid management fees of \$29,174 (2019 - \$Nil) to the Company's new President. Included in accounts payable and accrued liabilities at January 31, 2021 was \$4,200 (2020 - \$Nil) owed to the President for management fees.

During the year, salaries and benefits of \$45,000 (2020 - \$65,170) were paid to an officer of the Company. Benefits of \$2,188 (2020 – \$3,854) were also paid for the same officer. The Company also paid \$18,800 (2020 – \$Nil) to a related person for repair service on the Carrall Street property.

The Company incurred legal fees of \$13,147 (2020 - \$55,503) with the law firm in which Mr. Jonsson is a principal. At the end of the year, \$1,235 (2020 - \$23,856) was due to the law firm.

During the year ended January 31, 2021, two demand loans of \$3,000 and \$37,900 were settled in exchange for the exercise of 27,266 share options at \$1.50 per share with the spouses of an officer and a director. The Company also settled \$45,650 of interest owing in exchange for the exercise of 30,433 share options at \$1.50 per share. As at January 31, 2021, demand loan of \$2,100 (2020 - \$40,000) remain outstanding from a related party. During the year ended January 31, 2021, interest expense of \$151 (2020 - \$3,010) was recorded on these loans. As at January 31, 2021, interest payable of \$Nil (2020 - \$52,892) 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 Fiscal Year DVO owed the Company \$383,246 (2020 - \$383,246). DVO's indebtedness to the Company is payable on demand, bears no interest, and is unsecured. As shown in Clause 1(d) that amount was realized in the Subsequent Period.

At the Fiscal Year 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 year.

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.

## **8. Fourth Quarter**

There were no events or items in the Company's fourth quarter which significantly affected its financial condition, cash flow or results of operations.

## **9. Outstanding Share Data**

At January 31, 2021, the Company has 5,037,595 common shares issued and outstanding. The shares are all voting shares and rank equally with each other. The Company's financial statements show only 4,666,901 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.

As at January 31, 2020, the Company had 400,000 share options outstanding with an exercise price of \$1.50 per share and expiry date of February 24, 2020. During the Fiscal Year, the Company received \$300,000 for the exercise of 200,000 share options at \$1.50 per share, and settled \$86,550 of amounts owing by the Company in exchange for the exercise of 57,700 share options at \$1.50 per share. The remaining options expired unexercised.

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

## **10. 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.

## **11. Changes in Accounting Policies and Recent Accounting Pronouncement**

The mandatory adoption of new and revised accounting standards had no significant impact on the Company's financial statements for the years presented.

Note 3 to the January 31, 2021 audited Financial Statements describes the 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.

**12. 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.

- 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

**13. Subsequent Events**

Subsequent to year-end, the Company has settled a debt owed by DVO Industries Ltd. to the Company in the amount of \$383,246. As consideration for settlement of the debt, DVO has assigned 40% interest in a parcel of land on Nelson Island, BC to the Company.

**14. 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).