
COMET INDUSTRIES LTD.
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
OCTOBER 31, 2023 AND 2022
(unaudited)

Notice to No Auditor Review of Condensed Interim Financial Statements

The accompanying unaudited condensed interim financial statements have been prepared by management and approved by the Board of Directors. The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established for a review of interim financial statements by an entity's auditors.

COMET INDUSTRIES LTD.**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian Dollars)

(Unaudited)

	Note	October 31, 2023	January 31, 2023
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash		9,901,930	730,980
Accounts receivable		18,609	-
Prepaid expenses		14,476	27,320
		9,935,015	758,300
LONG-TERM INVESTMENTS	6	226,794	242,194
INVESTMENT PROPERTIES	7	1,369,451	1,504,518
		11,531,260	2,505,012
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	5	32,527	168,795
Loan payable	9	60,000	60,000
Current portion of long-term debt	10	-	655,408
		92,527	884,203
EQUITY			
SHARE CAPITAL	12	3,836,760	3,836,760
SHARE BASED PAYMENT RESERVE		837,273	541,186
RETAINED EARNINGS/(DEFICIT)		6,764,700	(2,757,137)
		11,438,733	1,620,809
		11,531,260	2,505,012

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)

Approved on Behalf of the Board on December 27, 2023

"Michael O' Reilly"

Michael O' Reilly, Director

"Richard J. Angus"

Richard J. Angus, Director

(The Accompanying Notes are an Integral Part of These Financial Statements)

COMET INDUSTRIES LTD.**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended October 31, 2023	Three months ended October 31, 2022	Nine months ended October 31, 2023	Nine months ended October 31, 2022
REVENUE				
Rental income	\$ 40,651	\$ 151,712	\$ 323,984	\$ 463,731
EXPENSES				
Amortization	\$ -	\$ 265	\$ 500	\$ 795
Automotive	-	48	-	2,349
Bank charges	144	115	678	389
Development expenses	71,735	-	253,158	-
Insurance	6,136	6,427	23,489	21,675
Interest on long term debt (Note 10)	4,419	9,958	17,025	23,483
Management fees (Note 5)	18,900	12,000	53,800	36,000
Office supplies and sundry	849	4,565	1,489	6,179
Professional fees	26,725	88,016	73,959	155,661
Property taxes and utilities	25,893	45,347	75,784	112,092
Rent	-	1,500	-	1,500
Repairs and maintenance	1,309	3,874	14,109	12,261
Salary and benefits (Note 5)	21,000	13,500	66,523	43,500
Share-based compensation (Note 13)	-	-	296,087	-
Telephone	303	233	1,518	1,395
Transfer agency	6,893	6,169	15,455	15,570
Travel and entertainment	96	2,050	387	2,059
	184,402	194,067	893,961	434,908
INCOME (LOSS) FROM OPERATION	(143,751)	(42,355)	(569,977)	28,823
OTHER ITEMS				
Share of (loss) in equity method investments (Note 6)	(15,186)	(260)	(15,400)	(1,158)
Gain on disposal of investment property (Note 7)	9,784,359	-	10,107,214	-
Other income – Canada Emergency Wage Subsidy (Note 11)	-	-	-	3,774
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	9,625,422	(42,615)	9,521,837	31,439
EARNING (LOSS) PER SHARE – BASIC AND DILUTED				
	\$ 2.06	\$ (0.01)	\$ 2.04	\$ 0.01
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING				
	4,666,901	4,666,901	4,666,901	4,666,901

(The Accompanying Notes are an Integral Part of These Financial Statements)

COMET INDUSTRIES LTD.**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**

(Expressed in Canadian Dollars)

(Unaudited)

	Number of Common Shares	Share Capital	Share-Based Payment Reserve	Deficit	Total Equity
		\$	\$	\$	\$
Balance, January 31, 2022	4,666,901	3,836,760	541,186	(2,635,993)	1,741,953
Comprehensive income	–	–	–	31,439	31,439
Balance, October 31, 2022	4,666,901	3,836,760	541,186	(2,604,554)	1,773,392
Balance, January 31, 2023	4,666,901	3,836,760	541,186	(2,757,137)	1,620,809
Comprehensive income (loss)	–	–	296,087	9,521,837	9,817,924
Balance, October 31, 2023	4,666,901	3,836,760	837,273	(6,764,700)	11,438,733

(The Accompanying Notes are an Integral Part of These Financial Statements)

COMET INDUSTRIES LTD.**CONDENSED INTERIM STATEMENTS OF CASH FLOWS****FOR THE NINE MONTHS ENDED OCTOBER 31, 2023 AND 2022**

(Expressed in Canadian Dollars)

(Unaudited)

	Note	2023	2022
			\$
OPERATING ACTIVITIES			
Net income (loss) for the period		9,521,837	34,439
Items not involving cash:			
Amortization		500	795
Gain on disposal of investment property		(10,425,460)	-
Share-based compensation		296,087	-
Share of (profit) loss in equity investments	6	15,400	1,159
		(591,636)	36,393
Changes in non-cash working capital items:			
Accounts receivable		(18,609)	-
Prepaid expenses		12,844	(1,733)
Accounts payable and accrued liabilities		(136,268)	(82,173)
		(733,669)	(47,513)
INVESTING ACTIVITY			
Purchase of investment property	7	(159,973)	-
Disposal of investment property	7	10,720,000	-
		10,560,027	-
FINANCING ACTIVITIES			
Repayment of long-term debt	10	(655,408)	(31,102)
		(655,408)	(31,102)
INCREASE (DECREASE) IN CASH		9,170,950	(78,615)
CASH, BEGINNING OF PERIOD		730,980	826,703
CASH, END OF PERIOD		9,901,930	748,088
SUPPLEMENTAL DISCLOSURES			
Income taxes		-	-
Interest paid		17,025	23,483

(The Accompanying Notes are an Integral Part of These Financial Statements)

COMET INDUSTRIES LTD.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED OCTOBER 31, 2023 AND 2022**

(Expressed in Canadian Dollars)

(Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Comet Industries Ltd. (“Comet” or the “Company”) was incorporated in the Province of British Columbia and is listed on the TSX Venture Exchange. The address of the Company’s corporate office and its principal place of business is 1177 West Hastings Street, Suite 1710, Vancouver, British Columbia, Canada V6E 2K3.

The Company is in the business of holding mineral properties, and holding and managing real properties, all in British Columbia (“BC”). The Company owns unimproved land in Kamloops, Terrace, Pender Harbour, and Green Bay on Nelson Island, BC on a freehold basis. It holds various resource properties related to the Kamloops land and it has previously explored these resource properties for copper, gold, silver and other mineralization. It has not yet been determined whether these properties contain reserves that are economically feasible.

The Company is considered to be in the exploration stage with respect to unimproved land and its resource properties as planned principal operations have not commenced. The Company is currently relying on other junior mining companies to conduct the necessary exploration and development work on its Kamloops resource properties. The exploration activities of the Company have been funded primarily by both equity and debt financing.

2. BASIS OF PREPARATION**a) Statement of compliance and basis of measurement**

These condensed interim financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. These condensed interim financial statements should be read in conjunction with the Company’s financial statements for the year ended January 31, 2023.

These condensed interim financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 3. All amounts are expressed in Canadian dollars unless otherwise stated.

b) Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, 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. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

COMET INDUSTRIES LTD.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED OCTOBER 31, 2023 AND 2022**

(Expressed in Canadian Dollars)

(Unaudited)

2. BASIS OF PREPARATION (continued)**b) Use of estimates and judgements (continued)**

Critical accounting estimates with a significant risk of material adjustment include the determination of the fair value of land, impairment of investment properties, impairment of exploration and evaluation assets, recoverability of advances to related parties and long-term investments, decommissioning liabilities, realization of deferred income tax assets and disclosure of the fair value of investment properties described in Note 7.

Critical accounting judgements 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.

(i) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. The directors monitor future cash requirements to assess the Company's ability to meet these future funding requirements.

(ii) Classification of investment properties

The application of the Company's accounting policy to classify properties as investment properties requires judgement, which may be based on decisions made on assumptions about future events or circumstances. Management may have planned to utilize the properties for operation at acquisition. If management's intention changes due to new business information becoming available, management can decide to classify the properties from property and equipment used in operations to investment properties. As of October 31, 2023 and 2022, the Company has identified the Pender Harbor, Kamloops, Green Bay on Nelson Island, and Terrace properties as investment properties.

(iii) Impairment of advances to related parties, recoverability of long-term investments and exploration and evaluation assets

Judgement is required in assessing whether certain factors would be considered an indicator of impairment. Annually, the Company must assess its long-term investment balance for impairment by reviewing various impairment indicators. As at October 31, 2023 and 2022, management determined there were no impairment indicators present.

(iv) Assessment of deferred income tax assets and liabilities

Judgement is required in determining whether it is probable that the Company's deferred tax assets will be recovered because of future taxable income. Management has determined that the recoverability of the Company's deferred tax assets is remote due to the history of losses. As a result, no deferred income tax assets have been recognized as of October 31, 2023 and 2022.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Functional currency

The Company's mineral properties and other properties are in Canada and most transactions are in Canadian dollars and therefore the reporting and functional currency of the Company is the Canadian dollar.

b) Cash and cash equivalents

The Company considers deposits with banks or highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash and those that have maturities of 90 days or less when acquired to be cash equivalents.

c) Long-term investments

These financial statements include the Company's 26.6% investment in DVO Industries Ltd., and 35.8% investment in Initial Developers Limited, which are accounted for using the equity method. Under this method, the investments are initially carried at cost and are adjusted annually to reflect the Company's share of the investees' income or loss.

d) Financial instruments

Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL).

Measurement – initial recognition

All financial assets and financial liabilities are initially recorded on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All financial asset and liabilities are initially recorded at fair value, net of attributable transaction costs, except for those classified as fair value through profit or loss ("FVTPL"). Subsequent measurement of financial assets and financial liabilities depends on the classifications of such assets and liabilities.

Classification – financial assets

Amortized cost:

Financial assets that are held within a business model whose objective is to hold financial assets to collect contractual cash flows, and that the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured after initial recognition at amortized cost.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method, and is recognized in Interest and other income, on the statements of comprehensive income (loss).

COMET INDUSTRIES LTD.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED OCTOBER 31, 2023 AND 2022**

(Expressed in Canadian Dollars)

(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**d) Financial Instruments (continued)**

As of October 31, 2023, the Company classifies its accounts receivable and advances to related entities as amortized cost.

Fair value through other comprehensive income ("FVTOCI"):

Financial assets that are held within a business model whose objective is to hold financial assets to both collect contractual cash flows and selling financial assets, and that the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition of equity securities, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate its equity securities that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the instrument; instead, it is transferred to retained earnings.

The Company currently has no financial assets designated as FVTOCI.

Fair value through profit or loss ("FVTPL"):

By default, all other financial assets are measured subsequently at FVTPL. The Company's cash is designated as FVTPL.

Classification – financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method.

Financial liabilities at amortized cost include accounts payable, long-term debt, and loan payable.

Financial liabilities classified FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in the statements of loss and comprehensive loss. The Company does not have any financial liabilities at FVTPL.

The Company has no hedging arrangements and does not apply hedge accounting.

Impairment

The Company recognizes a loss allowance for expected credit losses on its financial assets when necessary. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments.

(Expressed in Canadian Dollars)

(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**e) Property and equipment**

Property and equipment are stated at cost less accumulated amortization and any impairment charges. Amortization is recorded over the useful lives of the assets on the declining balance basis, with a half year's provision in the year of acquisition, at the following annual rates:

Furniture and fixtures	20%
Equipment	30%

f) Investment properties

Investment properties are held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured under the cost model. After initially being measured at cost, they are stated at cost less accumulated amortization which is recorded over the useful lives of the assets on the declining balance basis, with a half year's provision in the year of acquisition, at a rate of 5%.

g) Exploration and evaluation assets

All expenditures related to the cost of exploration and evaluation of mineral resources including acquisition costs for interests in mineral claims, are capitalized as mineral property and exploration and evaluation assets. General exploration costs not related to specific mineral properties are expensed as incurred. If economically recoverable reserves are developed, capitalized costs of the related property are reclassified as mining assets and upon commencement of commercial production, are amortized using the units of production method over estimated recoverable reserves. Impairment is assessed at the level of cash-generating units.

The recoverability of mineral properties and capitalized exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values. Management regularly assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if one of the following factors are present; the rights to explore have expired or are near to expiry with no expectation of renewal, no further substantive expenditures are planned or budgeted, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, indications that in an area with development likely to proceed the carrying amount is unlikely to be recovered in full by development or sale. Mineral properties are regularly reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amount of reserve properties may exceed its recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of a value in use (being the present value of expected future cash flows of the relevant cash-generating unit) and fair value less costs to sell. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED OCTOBER 31, 2023 AND 2022

(Expressed in Canadian Dollars)

(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Impairment

The Company's tangible and intangible assets are regularly reviewed for indications of impairment at each statement of financial position date. If indications of impairment exist, the asset's recoverable amount is estimated. An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

i) Decommissioning liabilities

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities and may from time to time incur asset retirement obligations and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for a decommissioning liability is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at October 31, 2023, the Company had not incurred any decommissioning liabilities related to the exploration and development of its mineral properties.

j) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Revenue recognition

Rental revenue is recorded when persuasive evidence of a contract or similar arrangement exists, the amount is fixed and determinable and is considered collectible. The Company's revenue consists primarily of commercial rental revenue on its investment property and small amounts of incidental rent revenue on other undeveloped properties. Revenue is measured at fair value of consideration received.

l) Share-based payments

The Company records all share-based payments at their fair value. The share-based compensation costs are charged to operations over the stock option vesting period and agents' options and warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based payments.

m) Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issue costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred share issue costs related to financing transactions that are not completed are charged to expenses.

n) Income taxes

The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred income taxes and liabilities are recognized to reflect the expected deferred tax consequences arising from temporary differences between the carrying value and the tax bases of the deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. A valuation allowance is recorded against any deferred income tax asset if it is probable that the asset will not be realized.

The following temporary differences do not result in deferred tax assets or liabilities: the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit, goodwill; and investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

COMET INDUSTRIES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED OCTOBER 31, 2023 AND 2022

(Expressed in Canadian Dollars)

(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Earnings (Loss) per share

Basic earnings (loss) per share ("EPS") is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of common shares outstanding (denominator) during the period. The Company applies the treasury stock method in calculating diluted EPS. Diluted EPS excludes all dilutive potential common shares if their effect is anti-dilutive.

4. CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

New Accounting Standards Issued But Not Yet Effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the IFRIC that are mandatory for future accounting periods. The Company has not identified any new standards, interpretations or amendments to existing standards that are expected to have an impact on the Company's financial statements.

5. RELATED PARTY BALANCES AND TRANSACTIONS AND KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that the key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

During the period, the Company paid management fees of \$38,700 (2022 - \$36,000) to the Company's President. Salary of \$18,000 (2022 - \$Nil) was also paid to the President. Included in accounts payable and accrued liabilities at October 31, 2023 was \$4,965 (2022 - Nil) owed to the President.

During the period, management fees, and benefits of \$17,123 (2022 - \$Nil) were paid to an officer of the Company. The Company also paid \$45,000 (2022 - \$43,500) to a related person for management service on the Carrall Street property.

Related party transactions and amounts paid or received are established by contract or as agreed upon by the Company and the related party.

COMET INDUSTRIES LTD.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED OCTOBER 31, 2023 AND 2022**

(Expressed in Canadian Dollars)

(Unaudited)

6. LONG-TERM INVESTMENTS

	October 31, 2023	January 31, 2023
DVO Industries Ltd.:	\$	\$
315,302 common shares of DVO Industries Ltd. ("DVO"), 26.6% owned and common directors with Comet		
Carrying value at beginning of year / period	234,298	235,698
Share of current year's gain (loss)	(15,400)	(1,400)
<u> Carrying value at end of year / period</u>	<u>218,898</u>	<u>234,298</u>
 Advances to DVO:		
Advances beginning of year / period	7,896	7,896
Settlement during the year	-	-
Advances during the year	-	-
<u> Advances end of year / period</u>	<u>7,896</u>	<u>7,896</u>
 <u>Long-term investment in DVO Industries Ltd. at end of year / period</u>	<u>226,794</u>	<u>242,194</u>
 During the year ended January 31, 2022, 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 transferred 51% interest in a parcel of land on Nelson Island, BC to the Company (Note 7).		
 Initial Developers Limited.:		
1,800,000 common shares of Initial Developers Limited ("Initial"), 35.8% owned, carrying value at beginning and end of year / period	-	-
 Advances to Initial, beginning and end of year / period	-	51,974
Impairment of advances to Initial	-	(51,974)
 <u>Long-term investment in Initial Developers Limited at end of year / period</u>	<u>-</u>	<u>-</u>
 Total long-term investment end of year / period	226,794	242,194

The Company, DVO and Initial have a combined interest of 25% in Property B comprised of exploration and evaluation assets (Note 8). The three companies are entitled to receive a total of 25% of the net project derived from this mining operation. Currently, the only activity for DVO is property rental and Initial is inactive. During the year ended January 31, 2023, the Company impaired the advances receivable from Initial totaling \$51,974.

As required by the IAS 28 – *Investments in associates and joint ventures*, the Company records its investments using the equity method, whereby the investment is initially recorded at cost and the carrying value, adjusted thereafter to include the Company's pro-rata share of post-acquisition earnings or loss in DVO and Initial. The Company's share in the associate's gains or losses resulting from intercompany transactions is eliminated.

COMET INDUSTRIES LTD.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED OCTOBER 31, 2023 AND 2022**

(Expressed in Canadian Dollars)

(Unaudited)

6. LONG-TERM INVESTMENTS (continued)

For both DVO and Initial, the principal place of business is BC and the country of incorporation is Canada.

The Company's unrecognized share of Initial's loss, as at January 31, 2023 is \$Nil (2022 - \$NIL) and cumulatively is \$178,082 (2022 - \$178,082).

The following is summarized financial information for DVO, which has an April 30 year-end.

	2023	2022
	\$	\$
Current assets	1,594	4,745
Non-current assets	725,953	751,574
TOTAL ASSETS	727,547	756,319
Current liabilities and financial liabilities	350	350
Due to related parties	68,625	93,916
TOTAL LIABILITIES	68,975	94,266
	Year ended	Year ended
	January 31,	January 31,
	2023	2022
	\$	\$
Revenue	22,310	28,294
Gain on debt settlement	-	312,368
Depreciation and amortization	(330)	(476)
Interest expense	(97)	(173)
Loss from continuing operations	(5,263)	(7,907)
Comprehensive income (loss)	(5,263)	320,275

The following is summarized financial information for Initial. Since Initial is inactive, no Statement of Comprehensive Income is available. Initial holds 750,000 common shares of the Company (Note 12).

	2023	2022
	\$	\$
Current assets	22,423	22,423
Non-current assets	157,793	157,793
TOTAL ASSETS	180,216	180,216
Current liabilities and financial liabilities	203,501	203,501
TOTAL LIABILITIES	203,501	203,501

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7. INVESTMENT PROPERTIES

	Land – Carrall St.	Building – Carrall St.	Land – Kamloops	Land – Pender Harbor	Land – Terrace	Land – Nelson Island	Total
Balance - January 31, 2022							
Cost	99,471	145,925	544,053	305,307	152,300	383,246	1,630,302
Accumulated amortization	–	(124,724)	–	–	–	–	(124,724)
	99,471	21,201	544,053	305,307	152,300	383,246	1,505,578
Movements during 2023							
Additions	–	–	–	–	–	–	–
Amortization	–	(795)	–	–	–	–	(795)
	–	(795)	–	–	–	–	(795)
Balance - October 31, 2022							
Cost	99,471	145,925	544,053	305,307	152,300	383,246	1,630,302
Accumulated amortization	–	(125,519)	–	–	–	–	(125,519)
	99,471	20,406	544,053	305,307	152,300	383,246	1,504,783
Balance - January 31, 2023							
Cost	99,471	145,925	544,053	305,307	152,300	383,246	1,630,302
Accumulated amortization	–	(125,784)	–	–	–	–	(125,784)
	99,471	20,141	544,053	305,307	152,300	383,246	1,504,518
Movements during 2024							
Additions	–	–	–	–	–	159,973	159,973
Disposal	(99,471)	(19,641)	–	(175,429)	–	–	(294,541)
Amortization	–	(500)	–	–	–	–	(500)
	(99,471)	(20,141)	–	(175,429)	–	159,973	(135,068)
Balance - October 31, 2023							
Cost	–	126,284	544,053	129,878	152,300	543,219	1,495,734
Accumulated amortization	–	(126,284)	–	–	–	–	(126,284)
	–	–	544,053	129,878	152,300	543,219	1,369,450

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7. INVESTMENT PROPERTIES (continued)

During the year ended January 31, 2022, a portion of the Pender Harbor land was disposed for a net cash consideration of \$608,376.

During the year ended January 31, 2022, 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 (Note 6).

On April 18, 2023, the Company acquired an additional 11% interest in a waterfront property located on Nelson Island, BC from DVO Industries Ltd. for a total consideration of \$159,973.

During the period ended April 30, 2023, the Company sold a property at 4338 Garden Bay Road, Pender Harbour for \$520,000.

During the period ended October 31, 2023, the Company sold the Carrall Street land and building for \$10,200,000. The property was pledged as security for the debt described in Note 10.

In the absence of current prices in an active market, the fair value is estimated based on the 2023 property tax assessment. The estimated fair values of the Kamloops, Pender Harbor, Nelson Island and Terrace properties at January 31, 2023 were \$3,438,700, \$1,187,700, \$581,720 and \$240,000 respectively.

8. EXPLORATION AND EVALUATION ASSETS

All of the Company's mineral claims are held jointly with others and are located in the Kamloops Mining Division, BC. The Company owns a 100% working interest in the Big Onion zone on the Iron Mask Property ("Property A"), which consists of five crown granted mineral claims.

The adjoining property, Property "B", is held under the BC mineral claims system and is operated by KGHM International Ltd. The Company has a 10% net profits royalty interest in this property, which is a mix of various claims, crown grants and a mineral lease. DVO Industries Ltd. and Initial Developers Limited own an additional combined 15% net profit royalty interest.

The Company does not have any current plans to explore the mineral claims. As of January 31, 2023, the Company assessed the value and determined the acquisition costs should be impaired.

9. LOANS PAYABLES

During the year ended January 31, 2021, the Company received a loan from the Canadian government's Canada Emergency Business Account ("CEBA") Program in the amount of \$40,000 on April 24, 2020 and an additional \$20,000 on December 18, 2020 for a total of \$60,000. The CEBA is a government guaranteed loan of up to \$60,000 that is interest-free until January 18, 2024. The loan is available to help businesses with operating costs during COVID-19. A prescribed portion of the loan amount (\$20,000) is eligible for forgiveness if the business pays back \$40,000 on or before January 18, 2024. If the business cannot pay back the loan by January 18, 2024, it will be converted into a three-year term loan at an interest rate of 5%.

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10. LONG-TERM DEBT

	October 31, 2023	January 31, 2023
	\$	\$
Mortgage repayable in monthly instalments of \$6,065 including interest of 3.98% per annum, maturing on January 1, 2024	-	655,408
Current portion	-	(655,408)
Long-term portion	-	-

The mortgage payable is secured as follows:

- General security agreement;
- Collateral mortgage on land and building and an assignment of rents (Note 7); and
- Estoppel Certificates from all of the tenants.

Total interest expense incurred for the mortgage payable for the period ended October 31, 2023, was \$17,025 (2022 - \$23,483).

During the period ended October 31, 2023, the Company repaid the mortgage with proceeds from the sale of the Carrall Street land and building as described in Note 7.

11. GOVERNMENT GRANT**Canada Emergency Wage Subsidy (CEWS)**

The Federal Government of Canada passed legislation, providing Canada Emergency Wage Subsidy ("CEWS") on April 11, 2020. CEWS is a wage subsidy for eligible Canadian employer whose business has been affected by COVID-19. The CEWS helps businesses keep employees on the payroll and encourage employers to re-hire workers previously laid off, and better positions businesses to bounce back following the crisis. The CEWS is originally for up to 24 weeks, retroactive from March 15, 2020 to June 6, 2020.

On October 31, 2023, an amount of \$Nil (2022 – \$3,774) was credited to wages and benefits in the statement of operations and comprehensive income (loss). There are no unfulfilled conditions and outstanding contingencies regarding the CEWS.

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12. SHARE CAPITAL

Authorized: 50,000,000 common shares without par value

	Number of Shares	Amount
		\$
Issued and outstanding: October 31, 2022	4,666,901	3,836,760
Issued and outstanding: October 31, 2023	4,666,901	3,836,760

The issued and outstanding common shares above are presented net of 370,694 of the Company's common shares representing a value of \$77,510 owned by investees of the Company.

There are no shares held in escrow.

13. SHARE-BASED PAYMENTS

The Company's Stock Option Plan ("the Plan") provides certain directors, officers, employees and consultants of the Company an opportunity to purchase common shares and to benefit from their appreciation.

The Company has in place a rolling stock option plan whereby a maximum of 10% of the issued shares will be reserved for issuance under the plan.

Options vest as set forth in the Option Agreement as determined by the Board at the time of granting the Option.

During the period ended April 30, 2023, the Company recorded stock-based compensation of \$296,087 with respect to 180,000 options granted to directors which fully vested upon grant. The fair value of these stock options was estimated using the Black-Scholes option pricing model. The assumptions used in calculating the fair value are as follows:

Risk free interest rate	2.85%
Expected life of options	5 years
Expected dividend yield	0.0%
Expected stock price volatility	50%

The following table summarizes stock options outstanding at October 31, 2023:

Expiry Date	Exercise Price \$	Number of shares	Outstanding and Exercisable	
			Weighted average remaining contractual life (years)	Weighted average exercise price \$
April 03, 2028	3.55	180,000	4.43	3.55

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14. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to maintain the rental business and to pursue the sourcing and exploration of mineral properties. The Company does not have any externally imposed capital requirements to which it is subject.

As of October 31, 2023, the Company considers capital to consist of all components of shareholders' equity, and loans payable. The Company manages the capital structure and adjusts it considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares or dispose of assets.

15. FINANCIAL INSTRUMENTS AND RISK**Fair Values and Classification of Financial Instruments**

As of October 31, 2023, the Company's financial instruments consist of cash, accounts receivable, advances to related entities (including advance balances recorded in long-term investments), and accounts payable (excluding GST payable). The fair values of these financial instruments approximate their carrying values because of their current nature except for long-term debt carried at amortized cost and long-term investments, which are accounted under the equity method as described in Note 3(c).

The Company classifies its fair value measurements in accordance with the three level fair value hierarchies as follows:

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Assets and liabilities measured at fair value on a recurring basis as of October 31, 2023 are as follows:

	<u>Fair Value Measurements Using</u>			Balance,
	(Level 1)	(Level 2)	(Level 3)	October 31, 2023
	\$	\$	\$	\$
Assets:				
Cash	9,901,930	—	—	9,901,930
Total assets measured at fair value	9,901,930	—	—	9,901,930

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15. FINANCIAL INSTRUMENTS AND RISK (continued)

Financial risk management objectives and policies

The Company's financial instruments include cash, amounts receivable, advances to related entities, and accounts payable. The risks associated with these financial instruments and policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash, amounts receivable and advances to related entities. To minimize its credit risk the Company deposits its cash with financial institutions.

The Company's amounts receivable primarily consists of cost recoveries owing from tenants who rent the Company's investment property and are less than 30 days, which is not considered as past due. Credit risk from amounts receivable encompasses the default risk of its tenants. The Company manages its exposure to credit risk by only working with reputable tenants. In addition, on an ongoing basis, management monitors the level of amounts receivable attributable to each tenant and the length of time taken for amounts to be settled and where necessary, takes appropriate action to follow up on those balances considered overdue.

Management does not believe that there is significant credit risk arising from any of the Company's tenants. However, should one of the Company's main tenants be unable to settle amounts the maximum exposure to loss arising from amounts receivable is equal to their total carrying amounts.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 14.

The following are the contractual maturities of financial liabilities as at October 31, 2023:

	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years	Within 3 + years
	\$	\$	\$	\$	\$
Accounts payable	35,527	(35,527)	(35,527)	-	-
Loan payable	60,000	(60,000)	(60,000)	-	-
Total	95,527	(95,527)	(95,527)	-	-

The Company monitors its ability to meet its short-term exploration and administrative expenditures by raising additional funds through share issuance when required. Most of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset-backed deposits.

15. FINANCIAL INSTRUMENTS AND RISK (continued)

Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The sale of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity prices. The Company is exposed to market risk and unfavourable market conditions could result in dispositions of investments at less than favourable prices. The Company's investments are accounted for at estimated fair values and are sensitive to changes in market prices, such that changes in market prices result in a proportionate change in the carrying value of the Company's investments. The Company's ability to raise capital to fund mineral resource exploration is subject to risks associated with fluctuations in mineral resource prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

a) Currency Risk

The Company does not have significant foreign exchange risk as all its transactions and financial instruments are denominated in Canadian dollars.

b) Interest Rate Risk

The Company is not subject to interest rate risk on its long-term debt which are at fixed rates of interest.

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16. SEGMENTED INFORMATION

Operating segments are defined as components of an enterprise for which separate financial information is available and which are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Corporation operates rental properties, holds properties for development and mineral exploration in BC, Canada. Details of these three segments (see Note 1) are as follows:

	October 31, 2023			
	Rental	Exploration	General / Administration	Total
	\$	\$	\$	\$
Investment properties	1,369,451	–	–	1,369,451
Accounts payable and accrued liabilities	–	–	(32,527)	(32,527)
Loans payable	–	–	(60,000)	(60,000)
Rental revenue	323,984	–	–	323,984
Amortization	500	–	–	500
Building maintenance	14,109	–	–	14,109
Insurance	23,489	–	–	23,489
Interest on long-term debt	17,025	–	–	17,025
Property taxes	21,989	–	–	21,989

	January 31, 2023			
	Rental	Exploration	General / Administration	Total
	\$	\$	\$	\$
Investment properties	1,504,518	–	–	1,504,518
Accounts payable and accrued liabilities	–	–	(168,795)	(168,795)
Loans Payable	–	–	(60,000)	(60,000)
Long-term debt	(655,408)	–	–	(655,408)
Rental revenue	609,499	–	–	609,499
Gain on disposal of investment property	3,774	–	–	3,774
Amortization	(1,060)	–	–	(1,060)
Building maintenance	(22,210)	–	–	(22,210)
Insurance	(25,960)	–	–	(25,960)
Interest on long-term debt	(29,961)	–	–	(29,961)
Property taxes	(118,004)	–	–	(118,004)

17. SUBSEQUENT EVENTS

On November 28, 2023, the Company approved the grant of a total of 20,000 stock options to directors of the Company. The options are exercisable at \$4.25 per share and expires on April 3, 2028. The Company also sold two rural properties in Terrace, BC for gross proceeds of \$137,859.

On December 15, 2023, the Company acquired an additional 95.7-acre waterfront property located on Green Bay, Nelson Island, BC for a consideration of \$1,125,000.