

COMET INDUSTRIES LTD. (“Company”)

FIRST QUARTER MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED OCTOBER 31, 2024

DATED: November 29, 2024

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 October 31, 2024, and for the period to November 29, 2024. This MD&A supplements, but does not form part of, the condensed interim financial statements of the Company, and should be read in conjunction with the audited financial statements for the years ended January 31, 2024, and 2023 and the unaudited condensed interim financial statements for the fiscal quarter ended October 31, 2024. 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 fiscal quarter ended October 31, 2024, is herein called the “Quarter”, and its fiscal year ended January 31, 2024 is hereinafter called the “Fiscal Year”. The period between November 1, 2024 and November 29, 2024 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 because 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, 2024 – as discussed in the Company's annual MD&A dated May 21, 2024.

Properties and Property Interests Held by the Company:

(a) Iron Mask Crown Granted Mineral Claims

The Company holds a 100% working interest in the five Crown Granted ("Crown Grants") - known as the Iron Mask property (Property A), which is in southwest Kamloops, B.C. 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	

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

Because of the zoning changes by Kamloops described in sub clause (c), it is unlikely that mineral deposits underlying portions of the Crown Grants will 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 Kamloops land use plan allows for an expansion of available industrial land within the municipal boundaries including the whole of Property A. The Company is actively engaged in obtaining industrial zoning for the property. The change in zoning would substantially enhance the value of the surface rights.

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

Comet holds a 10%, and Initial and DVO each hold 7.5% for 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 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 Abacus claims. Due to opposition by the British Columbia Government to KGHM's plans to develop the Kamloops area properties they discontinued

all further work and closed most of their offices in B.C.

Indirectly the Company holds an additional interest in the Crown Grants and Royalty Interests through its shareholdings in Initial (35.8%) and DVO (26.6%). Comet has no plans to do any development work on the properties.

(c) Iron Mask Surface Land Titles (“Property A”)

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 actively pursuing the rezoning of “Property A” to allow for a light industrial land development on the property.

During the year significant earthworks have been done in 2024 to allow for light industrial lots to be ready for sale in Q4 2025 or Q1 2026. Concurrently to the earthworks program The Company has applied for approvals from the Ministry of Environment, Ministry of Transportation and Infrastructure, Ministry of water land and resource stewardship and Ministry of Heritage and Archeology.

During the quarter ended July 31, 2024, the Company transferred all remaining land previously held in Kamloops to Property under development.

(d) Other Lands Owned

The Company owns 51% of a parcel of land on Nelson Island, BC. DVO owns the remaining 49%. The Company owns 26.6% of DVO’s issued shares.

During the year ended January 31, 2024 the Company sold property in Pender Harbor for \$520,000.

During the year ended January 31, 2024, the Company disposed of all land previously held in Terrace.

During the quarter ended April 30, 2024, the Company disposed of all remaining land previously held in Pender Harbor.

(e) Powell Street Property

During the year ended January 31, 2024, the Company disposed of the Gastown property for proceeds of \$10,200,000.

(f) Nelson Island

During the year ended January 31, 2024, the Company purchased land on Nelson Island for \$1,147,865.

2. Financing and Capital Resources

- (a) 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 did not receive any equity financing during the Fiscal Year.

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:

	Oct 31, 2024	Jul 31, 2024	Apr 30, 2024	Jan 31, 2024
Net revenues	-	-	-	(7,581)
Income (loss) from operations	(106,983)	(173,653)	(169,087)	(427,424)
-per share basic	(0.02)	(0.04)	(0.04)	(0.09)
-per share diluted	(0.02)	(0.04)	(0.03)	(0.09)
Comprehensive income (loss)				
- total	(29,546)	(131,588)	(75,089)	(1,366,490)
- per share basic	(0.01)	(0.03)	(0.02)	(0.29)
- per share diluted	(0.01)	(0.03)	(0.02)	(0.28)

	Oct 31, 2023	Jul 31, 2023	Apr 30, 2023	Jan 31, 2023
Net revenues	40,651	124,491	158,842	145,768
Income (loss) from operations	(143,751)	(145,208)	(286,591)	(100,367)
-per share basic	(0.03)	(0.03)	(0.06)	(0.02)
-per share diluted	(0.03)	(0.03)	(0.06)	(0.02)
Comprehensive income (loss)				
- total	9,625,422	(145,161)	36,004	(152,583)
- per share basic	2.06	(0.03)	0.01	(0.03)
- per share diluted	2.06	(0.03)	0.01	(0.03)

During the nine months ended October 31, 2024, the rental income was \$Nil (2023 - \$323,984). The decrease was due to the sale of the Gastown property in the fourth quarter of 2024.

During the nine months ended October 31, 2024 the comprehensive loss was \$236,224 (2023 - \$9,521,837 gain). The loss was primarily due to pre-development expenses of \$86,654, accounting fees of \$107,005, and management fees of \$81,566.

5. Liquidity

At the end of the Quarter the Company had cash on hand of \$4,400,415 (2023 - \$9,901,930). At the end of the Quarter the Company had a working capital of \$4,835,901 (2023 - \$9,842,488). The significant decrease in cash on hand during the year was due to the sale of the Gastown Property as mentioned in Clause 1 (e) in 2023 combined with 3,060,672 spent on property under development in 2024.

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

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

During the nine months ended October 31, 2024, the Company paid management fees of \$41,566 (2023 - \$38,700) to the Company's President. Salary of \$17,976 (2023 - \$18,000) was also paid to the President. Included in accounts payable and accrued liabilities at October 31, 2024 was \$Nil (2023 - \$4,965) owed to the President for salary and management fees.

During the nine months ended October 31, 2024, management fees of \$40,000 (2023 - \$17,123) were paid to an officer of the company.

During the nine months ended October 31, 2024, accounting fees of \$63,000 (2023 - \$Nil) were paid to a company controlled by the Company's Chief Financial Officer.

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

7. Off Balance Sheet Transactions

There are currently no off balance sheet arrangements which could have a material effect on current, or future results of operations, or the financial condition of the Company.

8. Financial Instruments

The Company's financial instruments include cash, advances to related entities, accounts payable, loan payable and long-term debt. 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 and advances to related entities. To minimize its credit risk the Company deposits its cash with financial institutions.

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 aims to ensure that there is sufficient capital to meet short-term operating requirements after considering the Company's holdings of cash. The Company believes that the capital sources, along with the large cash balance, will be sufficient to cover the expected cash requirements by obtaining financing through the issuance of debt or shares.

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 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.

9. Outstanding Share Data

As of October 31, 2024, the Company has 5,037,595 common shares issued and outstanding. All the shares are voting shares and rank equally. 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.

At October 31, 2024, the Company had 200,000 (2023 - 180,000) share purchase options outstanding. 140,000 of the options were exercisable at October 31, 2024 (2023 - 100,000).

On April 3, 2023, 110,000 options were granted to the Company's President. 30,000 of these options vested immediately. 80,000 of these options vest over a four-year period, with 20,000 options vesting per year. All options contain an exercise price of \$3.55 per option and have an expiry date of April 3, 2028. The stock options were valued using the Black-Scholes model based on the following assumptions: expected life: 5 years, volatility: 50.11%, dividend yield: 0%, risk-free interest rate: 2.85%, expected fair value: \$1.65.

On April 3, 2023, 70,000 options were granted to various directors of the Company. All options vested immediately, contain an exercise price of \$3.55 per option, and have an expiry date of April 3, 2028. The stock options were valued using the Black-Scholes model based on the following assumptions: expected life: 5 years, volatility: 50.11%, dividend yield: 0%, risk-free interest rate: 2.85%, expected fair value: \$1.65.

On November 27, 2023, 20,000 options were granted to various directors of the Company. All options vested immediately, contain an exercise price of \$4.25 per option, and have an expiry date of April 3, 2028. The stock options were valued using the Black-Scholes model based on the following assumptions: expected life: 4.35 years, volatility: 46.23%, dividend yield: 0%, risk-free interest rate: 3.74%, expected fair value: \$1.98.

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 and environmental 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, (iii) Impairment of advances to related parties, recoverability of long-term investments and exploration and evaluation assets, and (iv) Assessment of deferred income tax assets and liabilities.

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, 2024, audited Financial Statements describes the Accounting Policies followed in preparing the Statements.

Note 4 to the January 31, 2024, audited Financial 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 migrating from a speculative business involving a high degree of risk to a real estate holding and management company with a portfolio of assets and properties which carry less risk and uncertainty than mining exploration. 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 Aboriginals to some property titles
- Environmental issues
- Federal, provincial, and municipal political risk
- Financial markets

13. Other MD&A Requirements

Additional information relating to the Company has been filed on SEDAR and is available at www.sedarplus.ca.