

COMET INDUSTRIES LTD. (“Company”)**ANNUAL MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS AND FISCAL YEAR ENDED JANUARY 31, 2024****DATED: May 21, 2023**

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, 2024, and for the period to May 21, 2024. 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, 2024, and 2023. 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, 2024, is herein called the “Quarter”, and its fiscal year ended January 31, 2024 is hereinafter called the “Fiscal Year”. The period between February 1, 2024, and May 21, 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 40% 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 remaining interests are held 30% each by two associated companies, 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	

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 because the mineral rights are controlled by Comet and its associated companies.

(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 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.

(d) Other Lands Owned

During the year ended January 31, 2022, the Company 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 an unencumbered 40% interest in a parcel of land on Nelson Island, BC to the Company. DVO holds the remaining 60%. The Company owns 26.6% of the issued shares of DVO.

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

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

(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:

	Jan 31/24	Oct 31/23	Jul 31/23	Apr 30/23	Jan 31/23	Oct 31/22	Jul 31/22	Apr 30/22
(a) Net sales or total rental revenues	(7,581)	40,651	124,491	158,842	145,768	151,712	152,394	159,625
(b) Income (loss) from operations	(427,424)	(143,751)	(145,208)	(286,591)	(100,367)	(42,355)	11,425	59,753
- per share basic	(0.09)	(0.03)	(0.03)	(0.06)	(0.02)	(0.01)	0.00	0.01
- per share diluted	(0.09)	(0.03)	(0.03)	(0.06)	(0.02)	(0.01)	0.00	0.01
(c) Comprehensive income (Loss)								
- total	(1,366,490)	9,625,422	(145,161)	36,004	(152,583)	(42,615)	11,000	63,054
- per share basic	(0.29)	2.06	(0.03)	0.01	(0.03)	(0.01)	0.00	0.01
- per share diluted	(0.28)	2.06	(0.03)	0.01	(0.03)	(0.01)	0.00	0.01

During the three months ended January 31, 2024, the rental income was (\$7,581) (2023 - \$145,768). The decrease was due to the sale of the Gastown property and recognition of uncollectible rents.

During the three months ended January 31, 2024 the comprehensive loss was \$1,366,490 (2023 - \$152,583). The increased loss was primarily due to income tax expense of \$1,060,000 and pre-development expenses of \$282,518.

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, 2024 \$	January 31, 2023 \$	January 31, 2022 \$
(a) Net sales or total revenues	352,903	609,499	424,649
(b) Net income or (loss) before other or extraordinary items:			
- total	(1,002,974)	(71,544)	(120,387)
- per share basic	(0.21)	(0.02)	(0.03)
- per share diluted	(0.21)	(0.02)	(0.03)
(c) Net income or (loss)			
- total	8,149,775	(121,144)	360,195
- per share basic	1.75	(0.03)	0.08
- per share diluted	1.67	(0.03)	0.08
(d) Total assets	11,267,329	2,505,012	2,651,669
(e) Total long-term financial liabilities	-	-	692,378
(f) Cash dividends declared per share	Nil	Nil	Nil

Year-to-Date

During the year ended January 31, 2024, the Company reported net income and comprehensive income of \$8,149,775 compared to a net loss of \$121,144 for the year ended January 31, 2023. Three investment properties were sold during the year, resulting in a decrease in rental income, and an increase in gain on sale of investment properties. During the year, the Company recorded rental income of \$316,403 (2023 - \$609,499). Expense for the year mainly included pre-development expenses of \$535,676 (2023 - \$110,166), share based compensation of \$261,882 (2023 - \$Nil), management fees of \$97,849 (2023 - \$68,700), professional fees of \$162,767 (2023 - \$166,699), property taxes and utilities of \$76,609 (2023 - \$144,500), and salaries and wages of \$79,900 (2023 - \$76,500). The operating loss before other items of \$1,002,974 (2023 - \$71,544) is increased by impairment of advances to Initial Developers of \$Nil (2023-\$51,974) but offset by the gain on sale of investment properties of \$10,133,697 (2023 - \$Nil), resulting in a net gain for the year ended January 31, 2024.

6. Liquidity

At the end of the Fiscal Year the Company had cash on hand of \$8,530,879 (2023 - \$730,980). At the end of the Fiscal Year the Company had a working capital of \$7,375,895 (2023 – deficit of \$125,903).

The significant increase in cash on hand during the year was due to the sale of the Gastown Property as mentioned in Clause 1 (e). 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 and its ongoing fixed regular anticipated costs.

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

During the year, the Company paid management fees of \$62,452 (2023 - \$50,700) to the Company's President. Salary of \$40,000 (2023 - \$18,000) was also paid to the President. Included in accounts payable and accrued liabilities at January 31, 2024 was \$4,965 (2023 - \$25,035) owed to the President for salary and management fees.

During the year, management fees of \$44,123 (2023 - \$18,000) were paid to officers of the Company. The Company also paid \$37,877 (2023 - \$62,000) to a related person for management service on the Powell Street property. Included in accounts payable and accrued liabilities at January 31, 2024 was \$23,450 (2023 - \$32,900) owed to the officers of the Company

During the year ended January 31, 2024, the Company incurred legal fees of \$Nil (2023 - \$4,473) to a firm in which one of the former directors is a principal. Included in accounts payable and accrued liabilities at January 31, 2024 was \$3,970 (2023 - \$9,565) owed for legal fees.

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

8. Fourth Quarter

During the three months ended January 31, 2024, the rental income (loss) was (\$7,581) (2023 - \$145,768).

9. 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.

10. 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.

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 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 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 of 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 is at fixed rates of interest.

11. Outstanding Share Data

As of January 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 January 31, 2024, the Company had 200,000 (2023 - Nil) share purchase options outstanding. 120,000 of the options were exercisable at the end of the Fiscal Year (2023 - Nil). During the year ended January 31, 2024 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. 90,000 options were granted to various directors of the Company. All of these options vested immediately.

12. 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.

13. 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 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.

14. 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.