



**COMET INDUSTRIES LTD.
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
OCTOBER 31, 2025 AND 2024**

(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 Comprehensive (Loss)****For the Nine Months Ended October 31, 2025 and 2024**

(Expressed in Canadian Dollars)

	Note	Three months ended October 31, 2025	Three months ended October 31, 2024	Nine months ended October 31, 2025	Nine months ended October 31, 2024
		\$	\$	\$	\$
Expenses					
Advertising		9,736	-	24,919	-
Amortization and depreciation	5	3,524	675	10,571	2,025
Bank charges and interest		124	87	8,772	20,282
Insurance expense (recovery)		(1,479)	-	4,792	-
Interest on leased assets	5	602	-	1,932	-
Management fees		31,250	32,814	110,000	81,566
Office and miscellaneous		3,287	1,808	7,236	3,936
Professional fees		64,853	34,680	203,529	134,464
Development expenses		-	-	-	86,654
Property taxes and utilities		14,674	10,016	37,789	30,126
Rent		3,300	3,300	9,900	9,900
Salaries and benefits		12,925	9,630	46,349	31,255
Share based compensation	11	-	9,014	145,776	32,536
Telephone		838	705	2,037	2,116
Transfer agency		2,275	4,254	12,590	14,359
Travel		120	-	1,417	505
		146,029	106,983	627,608	449,724
Loss before other items		(146,029)	(106,983)	(627,608)	(449,724)
Other items					
Interest income		9,646	77,437	53,699	223,347
Share of gain (loss) in equity investments	6	890	-	(2,511)	-
Income tax expense		654	-	654	-
Loss on sale of investment properties	7	-	-	-	(9,847)
Net loss and comprehensive loss		(134,839)	(29,546)	(575,766)	(236,224)
Loss per share - basic		(0.03)	(0.01)	(0.12)	(0.05)
Loss per share - diluted		(0.03)	(0.01)	(0.12)	(0.05)
Weighted average number of commons shares outstanding – basic					
		4,794,528	4,794,528	4,794,528	4,794,528
Weighted average number of commons shares outstanding – diluted					
		4,994,528	4,934,528	4,994,528	4,934,528

(The accompanying notes are an integral part of these condensed interim financial statements)

COMET INDUSTRIES LTD.**Condensed interim Statements of Financial Position****As at October 31, 2025 and January 31, 2025**

(Expressed in Canadian Dollars)

	Note	October 31, 2025	January 31, 2025
		\$	(Audited)
		\$	\$
Assets			
Current			
Cash and cash equivalents		1,037,246	3,789,490
Interest receivable		-	19,987
Sales tax receivable		32,656	208,889
Corporate tax receivable		-	82,000
Prepayments and deposits		8,043	-
		1,077,945	4,100,365
Property, plant, and equipment	8	13,275	15,300
Long-term investments	6	105,432	107,943
Right of use asset	5	34,182	42,727
Investment properties	7	1,691,084	1,691,084
Property under development	9	7,658,455	3,950,970
		10,580,373	9,908,389
Liabilities			
Current			
Accounts payable and accrued liabilities		1,301,121	191,350
Lease liabilities – current	5	2,684	10,480
		1,303,805	201,830
Lease Liabilities – long term	5	32,581	32,581
Total liabilities		1,336,386	234,411
Shareholders' equity			
Share capital	10	3,836,760	3,836,760
Share based payment reserve	11	990,395	844,619
Retained earnings		4,416,833	4,992,599
		9,243,987	9,673,978
		10,580,373	9,908,389

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)

Approved on Behalf of the Board on December 23, 2025:

"Michael O'Reilly"

Michael O'Reilly, Director

"Jess Alfonso"

Jess Alfonso, Director

(The accompanying notes are an integral part of these condensed interim financial statements)

COMET INDUSTRIES LTD.**Condensed Interim Statements of Changes in Equity
For the Nine months Ended October 31, 2025 and 2024
(Expressed in Canadian Dollars)**

	Number of Common Shares	Share Capital	Share Based Payment Reserve	Accumulated Surplus	Total Equity
		\$	\$	\$	\$
Balance, January 31, 2024	4,794,528	3,836,760	803,068	5,392,638	10,032,466
Share based compensation	–	–	32,536	-	32,536
Comprehensive loss	–	–	–	(236,224)	(236,224)
Balance, October 31, 2024	4,794,528	3,836,760	835,604	5,156,414	9,828,778
Balance, January 31, 2025	4,794,528	3,836,760	844,619	4,992,599	9,673,977
Share based compensation	–	–	145,776	-	145,776
Comprehensive loss	–	–	–	(575,766)	(575,766)
Balance, October 31, 2025	4,794,528	3,836,760	990,395	4,416,833	9,243,987

(The accompanying notes are an integral part of these condensed interim financial statements)

COMET INDUSTRIES LTD.**Condensed Interim Statements of Changes in Cash Flows****For the Nine Months Ended October 31, 2025 and 2024**

(Expressed in Canadian Dollars)

	Note	Note	2025	2024
			\$	\$
Operating activities				
Net loss for the period			(575,766)	(206,677)
Items not involving cash:				
Amortization			10,570	1,350
Interest accrued			19,987	(145,910)
investment properties	7		-	9,847
Share based compensation	11		145,776	23,522
Share of loss in equity investments	6		2,511	-
			(396,923)	(317,868)
Changes in non-cash working capital items:				
Prepayments and deposits			(8,043)	(41,417)
Accounts payable and accrued liabilities			1,129,771	336,382
Income tax payable			285,232	(1,060,000)
			963,038	(1,052,903)
Investing activities				
Proceeds from sale of investment properties		7	-	169,841
Lease payments			(7,796)	-
Cost of sales from sale of investment properties		7	-	(1,400)
Purchase of property under development			(3,707,485)	(602,101)
			(3,715,281)	(433,660)
Financing activities				
Repayment of long-term debt			-	-
			-	-
Decrease in cash			(2,752,244)	(1,486,563)
Cash, beginning of period			3,789,490	8,530,879
Cash, end of period			1,037,246	7,044,316
Supplemental disclosures				
Interest paid			-	20,000

(The accompanying notes are an integral part of these condensed interim financial statements)

COMET INDUSTRIES LTD.**Notes to the Condensed Interim Financial Statements
For the Nine Months Ended October 31, 2025 and 2024
(Expressed in Canadian Dollars)**

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 900-234 1st Avenue, Kamloops, BC V2C 3J5. The Company is in the business of developing properties currently Iron Mask, and holding and managing real properties, all in British Columbia (“BC”). The Company owns unimproved land in Green Bay on Nelson Island, BC on a freehold basis. It holds various resource properties related to its Kamloops land and it has previously explored these resource claims for copper, gold, silver, and other mineralization. It has not yet been determined whether these properties contain reserves that are economically feasible.

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

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 – Interim Financial Reporting under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements of the Company. These condensed interim consolidated financial statements do not contain all of the information required for full annual financial statements. Accordingly, these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s January 31, 2025, annual consolidated financial statements, which were prepared in accordance with IFRS as issued by the IASB.

These 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. All amounts are expressed in Canadian dollars unless otherwise stated.

b. Significant accounting judgments and estimates

The preparation of these interim condensed consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect of amounts recognized in the financial statements is as follows:

COMET INDUSTRIES LTD.**Notes to the Condensed Interim Financial Statements
For the Nine Months Ended October 31, 2025 and 2024
(Expressed in Canadian Dollars)**

2. BASIS OF PREPARATION (continued)

Significant judgments

Going concern

The interim condensed consolidated financial statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the financial position classifications used and such adjustments could be material. Management applies its judgement in the Company's going concern assessment at the end of each reporting period.

3. 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 other than enhanced presentation and disclosures which the Company is assessing in relation to IFRS.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements. This standard aims to improve the consistency and clarity of financial statement presentation and disclosures by providing updated guidance on the structure and content of financial statements. Key changes include enhanced requirements for the presentation of financial performance, financial position, and cash flows, as well as additional disclosures to improve transparency and comparability. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027.

4. RELATED PARTY BALANCES AND TRANSACTIONS AND BALANCES

Key management personnel include the Company's Board of Directors and Officers of the Company. The Company's related parties include key management personnel, and companies related by way of directors or shareholders in common.

a. Key management personnel compensation is comprised of the following:

The remuneration of directors and other members of key management personnel during the period ended October 31, 2025, and October 31, 2024 were as follows:

	2025	2024
Consulting and management fees	\$ 166,781	\$ 40,000
Salaries and benefits	31,655	17,976
Share-based payments	145,776	32,536
	<u>\$ 344,212</u>	<u>\$ 90,512</u>

COMET INDUSTRIES LTD.**Notes to the Condensed Interim Financial Statements
For the Nine Months Ended October 31, 2025 and 2024
(Expressed in Canadian Dollars)**

4. RELATED PARTY BALANCES AND TRANSACTIONS AND BALANCES (continued)

b. Amounts due to/from related parties

In the normal course of operations, the Company transacts with companies related to the Company's directors and officers. All amounts payable and receivable are non-interest bearing, unsecured and due on demand. The following table summarizes the amounts due to related parties at October 31, 2025, and January 31, 2025:

	October 31, 2025	January 31, 2025
Seamark Development Corporation	\$ 3,150	\$ -

5. RIGHT OF USE ASSET AND LEASE LIABILITIES

On October 1, 2024, the Company entered into a 48-month equipment lease agreement. In analysing the identified agreement, the Company applied the lease accounting model pursuant to IFRS 16 and considered all the facts and circumstances surrounding the inception of the agreement. The lease term matures on October 6, 2028.

For the period October 31, 2025, depreciation of the right of use asset was \$8,546 (2024 - \$Nil). The right of use asset is depreciated on a straight-line basis over 48 months.

Right of use asset, January 31, 2024	\$ -
Additions	45,576
Depreciation of right of use asset	(2,849)
Right of use asset January 31, 2025	\$ 42,727
Depreciation of right of use asset	(8,546)
Right of use asset October 31, 2025	\$ 34,182

For the period ended October 31, 2025, finance charges on the lease liability was \$1,932 (October 31, 2024 - \$Nil)

Lease liabilities, January 31, 2024	\$ -
Additions	45,576
Accretion	727
Payments	(3,242)
Lease liabilities, January 31, 2025	\$ 43,061
Accretion	1,932
Payments	(9,728)
Lease liabilities, October 31, 2025	\$ 35,265

Current lease liabilities	2,684
Long-term lease liabilities	32,581
Total lease liabilities at October 31, 2025	\$ 35,265

COMET INDUSTRIES LTD.**Notes to the Condensed Interim Financial Statements
For the Nine Months Ended October 31, 2025 and 2024
(Expressed in Canadian Dollars)**

6. LONG-TERM INVESTMENTS

	October 31, 2025	January 31, 2025
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	100,047	217,250
Share of current year's loss	(2,393)	(117,203)
Carrying value at end of period	97,654	100,047
 Advances to DVO Industries Ltd.:		
Advances beginning of year	7,896	7,896
Settlement during the year	-	-
Advances during the year	-	-
Advances end of period	7,896	7,896
 Long-term investment in DVO Industries Ltd. at end of period	105,550	107,943
 Initial Developers Limited:		
1,800,000 common shares of Initial Developers Limited ("Initial"), 35.8% owned, carrying value at beginning and end of year	-	-
Advances to Initial, beginning and end of year	-	-
Impairment of advances to Initial	-	-
 Long-term investment in Initial Developers Limited at end of period	-	-
 Total long-term investment end of period	105,550	107,973

The Company, DVO and Initial have a combined interest of 25% in Property B comprised of exploration and evaluation assets. 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 an inactive holding company. During the year ended January 31, 2023, the Company impaired the advances receivable from Initial totaling \$51,974, however, the amount remains outstanding and due to the Company.

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 transactions with associates are eliminated. 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 October 31, 2025 is \$Nil (2024 - \$Nil) and cumulatively is \$Nil (2024 - \$Nil).

COMET INDUSTRIES LTD.**Notes to the Condensed Interim Financial Statements
For the Nine Months Ended October 31, 2025 and 2024
(Expressed in Canadian Dollars)**

6. LONG-TERM INVESTMENTS (continued)

The following is summarized financial information for DVO, which is October 31, 2025.

	October 31, 2025	January 31, 2025
	\$	\$
Current assets	97,980	107,600
Non-current assets	258,234	258,234
TOTAL ASSETS	356,214	365,834
Current liabilities and financial liabilities	60,550	60,550
Due to related parties	7,896	7,896
TOTAL LIABILITIES	68,446	68,446

	Period ended October 31, 2025	Year ended January 31, 2025
	\$	\$
Revenue	26,020	22,020
Depreciation and amortization	(125)	(500)
Interest expense	(244)	(104)
Loss from continuing operations	(34,624)	(48,319)
Impairment of long-term assets	-	(412,609)
Comprehensive income (loss)	(8,973)	(439,511)

During the year ended January 31, 2024, DVO sold land to the Company and recorded a gain of \$140,481 related to the sale of land in the books of DVO. Since the gain was a result of the transaction with an associate, the Company eliminated the gain when recognizing its shares of the current year's loss in DVO in accordance with IAS 28 – *Investments in associates and joint ventures*.

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.

	October 31, 2025	January 31, 2024
	\$	\$
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

COMET INDUSTRIES LTD.**Notes to the Condensed Interim Financial Statements
For the Nine Months Ended October 31, 2025 and 2024
(Expressed in Canadian Dollars)****7. INVESTMENT PROPERTIES**

	Land – Kamloops	Land – Pender Harbor	Land – Terrace	Land – Green Bay	Land – Nelson Island	Total
	\$	\$	\$	\$	\$	\$
Balance - January 31, 2023						
Cost	544,053	305,307	152,300	383,246	-	1,630,302
Accumulated amortization	-	-	-	-	-	(125,784)
	544,053	305,307	152,300	383,246	-	1,504,518
Movements during 2004						
Amortization	-	-	-	-	-	-
Addition	-	-	-	159,973	1,147,865	1,307,838
Disposal	-	(127,019)	(152,300)	-	-	(398,431)
	-	(127,019)	(152,300)	159,973	1,147,865	908,907
Balance - January 31, 2024						
Cost	544,053	178,288	-	543,219	1,147,865	2,413,425
Accumulated amortization	-	-	-	-	-	-
	544,053	178,288	-	543,219	1,147,865	2,413,425
Movements during 2025						
Amortization	-	-	-	-	-	-
Removed and presented separately for Iron Mask	(544,053)	-	-	-	-	(544,053)
Disposal	-	(178,288)	-	-	-	(178,288)
	(544,053)	(178,288)	-	-	1,147,865	(722,341)
Balance – October 31, 2025						
Cost	-	-	-	543,219	1,147,865	1,691,084
Accumulated amortization	-	-	-	-	-	-
Net book value	-	-	-	543,219	1,147,865	1,691,084

COMET INDUSTRIES LTD.**Notes to the Condensed Interim Financial Statements
For the Nine Months Ended October 31, 2025 and 2024
(Expressed in Canadian Dollars)**

7. INVESTMENT PROPERTIES (continued)

During the year ended January 31, 2025, the Company completed a sale of Pender Harbour property for total gross proceeds of \$180,000. Net sales proceeds of \$160,406 less the net book value of 178,288 resulted in a loss on disposal of \$17,882.

During the year ended January 31, 2024, the Company disposed of the Powell Street land and building for \$10,200,000. Net sales proceeds of \$9,903,471 less the net book value of 119,112 resulted in a gain on disposal of \$9,784,359.

During the year ended January 31, 2024, the Company disposed of the Terrace land for \$143,810. Net sales proceeds of \$131,473 less the net book value of 152,300 resulted in a loss on disposal of \$20,827.

During the year ended January 31, 2024, the Company disposed of a portion of the Pender for \$520,000. Net sales proceeds of \$497,184 less the net book value of 127,019 resulted in a gain on disposal of \$370,165.

8. EQUIPMENT

	Machinery and Equipment	Total
Cost	\$	\$
As at January 31, 2024	18,000	18,000
Additions	-	-
As at January 31, 2025	18,000	18,000
Additions	-	-
As at October 31, 2025	18,000	18,000
Accumulated amortization	\$	\$
As at January 31, 2024	-	-
Additions	(2,700)	(2,700)
As at January 31, 2025	15,300	15,300
Additions	(2,025)	(2,025)
As at October 31, 2025	13,275	13,275
Net book value	\$	\$
As at January 31, 2025	15,300	15,300
As at October 31, 2025	13,275	13,275

Management has not identified any indicators of impairment relating to equipment as at October 31, 2025.

COMET INDUSTRIES LTD.**Notes to the Condensed Interim Financial Statements
For the Nine Months Ended October 31, 2025 and 2024
(Expressed in Canadian Dollars)**

9. INVESTMENT PROPERTIES UNDER DEVELOPMENT

The Company presents its investment properties under development separately. As at October 31, 2025 the Company has capitalized costs related to assets under development totaling \$7,658,455 (Fiscal 2025: \$3,950,970).

The Company began to capitalize development costs for the Iron Mask project during the fiscal 2025 year end when management determined that it would proceed with the land development based on its judgment that the Company would be successful in its efforts to obtain zoning as light industrial land after improvements were made to redevelop the properties.

Properties under development represent expenditures incurred on the development of the Company's Iron Mask project located in Kamloops British Columbia. These expenditures relate to the development of Iron Mask as a light industrial commercial real-estate project. Properties under development are recorded at cost in accordance with IAS 40 – Investment Property.

A continuity schedule of investment properties under development:

	July 31, 2025	January 31, 2025
Opening balance	\$ 3,950,970	\$ -
Development costs incurred	3,707,485	3,406,917
Transfer from investment properties	-	544,053
Closing balance	\$ 7,658,455	\$ 3,950,970

Management has not identified any indicators of impairment relating to properties under development as at October 31, 2025

10. SHARE CAPITAL

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

	Number of Shares	Amount
		\$
Issued and outstanding: January 31, 2023	4,794,528	3,836,760
Issued and outstanding: January 31, 2024	4,794,528	3,836,760
Issued and outstanding: January 31, 2025	4,794,528	3,836,760
Issued and outstanding: 31, 2025	4,794,528	3,836,760

The issued and outstanding common shares above are presented net of 341,567 of the Company's common shares.

The issued and outstanding common shares above have been revised to adjust for the correct number of shares of the Company owned by DVO Industries Ltd. and Initial Developers Limited from 4,666,901 shares as previously reported to 4,794,528 shares.

COMET INDUSTRIES LTD.**Notes to the Condensed Interim Financial Statements**
For the Nine Months Ended October 31, 2025 and 2024
(Expressed in Canadian Dollars)

11. SHARE BASED PAYMENTS

Share based compensation recognized in the statements of comprehensive loss for the periods ending October 31, 2025 and 2024 includes:

	2025	2024
	\$	\$
Share based compensation	145,776	32,536

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. The Board of Directors shall determine the exercise price and the term of the stock options at the time of grant. If the shares are listed on a stock exchange, then the exercise price for the options granted will not be less than the minimum prevailing price permitted by the stock exchange. If the shares are not listed, posted and trading on any stock exchange or quoted on any quotation system, the exercise price will be determined by the Board at the time of granting.

	October 31, 2025			January 31, 2025		
	# of options	Weighted average price \$	Remaining life (years)	# of options	Weighted average price \$	Remaining like (years)
Balance, beginning of year	200,000	3.62	4.18	200,000		
Granted	60,000	3.85	4.98	-	3.62	4.18
Balance, end of period	260,000	3.67	4.85	200,000	3.62	4.18
Exercisable, beginning of year	140,000	3.62	4.85	120,000	3.62	4.18
Vested	60,000	3.85	4.85	20,000	3.62	4.18
Exercisable, end of period	200,000	3.67	4.85	140,000	3.62	4.18

On March 2, 2025, 60,000 options were granted to various directors of the Company. All options vested immediately, contain an exercise price of \$3.85 per option, and have an expiry date of March 2, 2030. The stock options were valued using the Black-Scholes model based on the following assumptions: expected life: 5 years, volatility: 43.77%, dividend yield: 0%, risk-free interest rate: 2.76%, expected fair value: \$1.61.

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.

11. SHARE BASED PAYMENTS (continued)

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.

12. 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 at October 31, 2025, the Company considers capital to consist of all components of shareholders' equity, long-term debt, and loans payable. The Company manages the capital structure and adjusts it in light of 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.

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

As at October 31, 2025, the Company's financial instruments consist of cash and cash equivalents, advances to related entities (including advance balances recorded in long-term investments), accounts payable (excluding GST payable), loan payable and long-term debt. 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.

COMET INDUSTRIES LTD.**Notes to the Condensed Interim Financial Statements
For the Nine Months Ended October 31, 2025 and 2024
(Expressed in Canadian Dollars)**

13. FINANCIAL INSTRUMENTS AND RISK (continued)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, 2025, are as follows:

	Fair Value Measurements Using			Balance,
	(Level 1)	(Level 2)	(Level 3)	October 31, 2025
	\$	\$	\$	\$
Assets:				
Cash and cash equivalents	1,037,246	-	-	1,037,246
GIC	-	-	-	-
Total assets measured at fair value	1,037,246	-	-	1,037,246

Financial risk management objectives and policies

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 manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 12.

COMET INDUSTRIES LTD.**Notes to the Condensed Interim Financial Statements
For the Nine Months Ended October 31, 2025 and 2024
(Expressed in Canadian Dollars)**

13. FINANCIAL INSTRUMENTS AND RISK (continued)

The following are the contractual maturities of financial liabilities as at October 31, 2025

	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years	Within 3 + years
	\$	\$	\$	\$	\$
Accounts payable & Accrued Liability	1,300,371	-	1,300,371	-	-
Deposit	750	750	-	-	-
Lease Payable	35,265	35,265	2,684	22,375	10,206
Total	1,336,386	36,105	1,302,305	22,375	10,206

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.

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.

Market risk**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.