



**COMET INDUSTRIES LTD.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JANUARY 31, 2025 AND 2024**

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Comet Industries Ltd.

Opinion

We have audited the financial statements of Comet Industries Ltd. (the Company) which comprise:

- the statement of financial position as at January 31, 2025 and January 2024;
- the statements of operations and comprehensive income for the years then ended;
- the statements of changes in shareholder's equity for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended January 31, 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the Company's Management Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Joseph Bonvillain.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
June 2, 2025

COMET INDUSTRIES LTD.**Statements of Comprehensive Income (Loss)****For the Years Ended January 31, 2025 and 2024**

(Expressed in Canadian Dollars)

	Note	2025	2024
		\$	\$
Revenue			
Rental revenue	18	3,238	352,903
Expenses			
Advertising		180	14,022
Amortization and depreciation	7	5,549	500
Bad debt		-	36,500
Bank charges and interest		398	824
Building maintenance		-	15,470
Insurance		-	27,579
Interest		20,000	17,025
Interest on leased assets	11	727	-
Management fees	5	135,136	97,849
Office supplies and sundry		4,026	2,770
Pre-development expenses		86,654	535,676
Professional fees	5	236,198	162,767
Property taxes and utilities		41,345	76,609
Rent		13,200	3,330
Salaries and benefits	5	45,172	79,900
Share-based compensation	14	41,551	261,882
Telephone		2,679	1,770
Transfer agent		15,063	17,776
Travel and entertainment		505	3,628
		648,383	1,355,877
Loss before other items		(645,145)	(1,002,974)
Other items			
Share of loss in equity investments	6	(117,203)	(17,047)
Gain (loss) on sale of investment properties	7	(17,882)	10,133,697
Interest income		298,191	74,999
CEBA loan forgiveness		-	20,000
Canada Emergency Wage Subsidy	12, 18	-	1,100
		(482,039)	9,209,775
Income (loss) before income taxes		(482,039)	9,209,775
Income taxes recovery (expense)			
Current tax recovery (expense)		82,000	(1,060,000)
Net income (loss) and comprehensive income (loss)		(400,039)	8,149,775
Income (loss) per share - basic		(0.08)	1.70
Income (loss) per share - diluted		(0.08)	1.63
Weighted average number of common shares outstanding - basic		4,794,528	4,794,528
Weighted average number of common shares outstanding - diluted		4,794,528	4,994,528

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

COMET INDUSTRIES LTD.**Statements of Financial Position****As at January 31, 2025 and 2024**

(Expressed in Canadian Dollars)

	Note	2025	2024
		\$	\$
Assets			
Current			
Cash and cash equivalents		3,789,490	8,530,879
Interest accrued		19,987	74,999
Sales tax receivable		208,888	-
Income tax recoverable		82,000	-
Prepayments and deposits		-	4,880
		4,100,365	8,610,758
Equipment	9	15,300	18,000
Long-term investments	7	107,943	225,146
Right of use asset	6	42,727	-
Investment properties	8	1,691,084	2,413,425
Properties under development	10	3,950,970	-
		9,908,389	11,267,329
Liabilities			
Current			
Accounts payable and accrued liabilities	5	191,350	174,863
Income taxes	17	-	1,060,000
Lease liabilities – current	6	10,480	-
		201,830	1,234,863
Lease liabilities – long term	6	32,581	-
Total liabilities		234,411	-
Equity			
Share capital	15	3,836,760	3,836,760
Share based payment reserve	16	844,619	803,068
Retained earnings		4,992,599	5,392,638
		9,673,978	10,032,466
		9,908,389	11,267,329

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)

Approved on Behalf of the Board on June 2, 2025:

“Michael O’Reilly”

Michael O’Reilly, Director

“Jess Alfonso”

Jess Alfonso, Director

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

COMET INDUSTRIES LTD.**Statements of Changes in Equity****For the Years Ended January 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, 2023	4,794,528	3,836,760	541,186	(2,757,137)	1,620,809
Share based compensation	–	–	261,882	-	261,882
Comprehensive income	–	–	–	8,149,775	8,149,775
Balance, January 31, 2024	4,794,528	3,836,760	803,068	5,392,638	10,032,466
Share based compensation	–	–	41,551	-	41,551
Comprehensive loss	–	–	–	(400,039)	(400,039)
Balance, January 31, 2025	4,794,528	3,836,760	844,619	4,992,599	9,673,978

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

COMET INDUSTRIES LTD.**Statements of Changes in Cash Flows****For the Years Ended January 31, 2025 and 2024**

(Expressed in Canadian Dollars)

	Note	2025	2024
		\$	\$
Operating activities			
Net income (loss) for the year		(400,039)	8,149,775
Items not involving cash:			
Loan payable forgiveness		-	(20,000)
Interest accrued		(19,987)	(74,999)
Amortization and depreciation	6,9	5,549	500
Interest on lease liability	6	727	-
(Gain) loss on sale of investment properties	8	17,882	(10,133,697)
Share based compensation	16	41,551	261,882
Share of loss in equity investments		117,203	17,047
		(237,114)	(1,799,492)
Changes in non-cash working capital items:			
Income taxes payable		(1,060,000)	1,060,000
Income tax recovery receivable		(82,000)	-
Prepayments and deposits		4,880	22,440
Interest receivable		74,999	-
Sales tax receivable		(217,117)	-
Accounts payable and accrued liabilities		24,718	6,069
		(1,491,634)	(710,983)
Investing activities			
Proceeds from sale of investment properties	8	160,405	10,863,810
Selling costs of investment properties	8	-	(331,682)
Purchase of investment properties	8	-	(1,307,838)
Property development costs	10	(3,406,917)	-
Purchase of property, plant, and equipment	9	-	(18,000)
		(3,246,512)	9,206,290
Financing activities			
Repayment of loan		-	(40,000)
Lease payments	6	(3,243)	-
Repayment of long-term debt	11	-	(655,408)
		(3,243)	(695,408)
Increase (decrease) in cash		(4,741,389)	7,799,899
Cash, beginning of year		8,530,879	730,980
Cash, end of year		3,789,490	8,530,879
Supplemental disclosures			
Income taxes		82,000	1,060,000
Development costs in accounts payable		102,245	-
Interest paid	11	20,727	17,025

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

COMET INDUSTRIES LTD.**Notes to the Financial Statements****For the Years Ended January 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 1177 West Hastings Street, Suite 1610, Vancouver, British Columbia, Canada V6E 2K3.

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.

The Company previously earned commercial rental revenue from its Powell Street rental property in Vancouver until it was sold in September 2023.

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

These financial statements, including comparatives, have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS").

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 set out in Note 3. All amounts are expressed in Canadian dollars unless otherwise stated.

b) Significant accounting judgments and estimates

The preparation of these 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:

Significant judgments**Going concern**

The 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.

COMET INDUSTRIES LTD.**Notes to the Financial Statements****For the Years Ended January 31, 2025 and 2024**

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (continued)**b) Use of estimates and judgements (continued)****Significant judgments (continued)****Properties under development**

The Company incurs significant development costs prior to properties receiving the final zoning required for the land to be in the condition intended by management. The Company capitalizes development costs (see Note 3(f)) based upon management's judgement that the Company will be successful in obtaining the necessary approvals from relevant authorities to receive the final zoning. However, uncertainty exists as to whether the Company will be successful, and properties under development (including development costs) are tested for impairment based upon management's judgement reflecting the existence of impairment indicators (see Note 3(f)).

Impairment

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 January 31, 2025, based on management's judgements and an evaluation of the recoverability of the amounts, the Company recorded impairments on advances due from long term investments.

Significant Estimates**Share-based compensation**

Management uses the Black-Scholes option pricing model to determine the fair value of stock options and any standalone share purchase warrants issued. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options and warrants, future risk-free interest rates, and the dividend yield of the Company's common shares.

3. MATERIAL ACCOUNTING POLICIES**a) Functional currency**

The Company's operations and properties are in Canada and management has determined that 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 are redeemable at any time or those that have maturities of 90 days or less when acquired to be cash equivalents.

COMET INDUSTRIES LTD.**Notes to the Financial Statements****For the Years Ended January 31, 2025 and 2024**

(Expressed in Canadian Dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)**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 in order 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 subsequent to 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).

As at January 31, 2024, the Company classifies its advances to related entities as amortized cost.

COMET INDUSTRIES LTD.**Notes to the Financial Statements****For the Years Ended January 31, 2025 and 2024**

(Expressed in Canadian Dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)**d) Financial instruments (continued)***Fair value through other comprehensive income ("FVTOCI"):*

Financial assets that are held within a business model whose objective is to hold financial assets in order 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.

Classification – financial assets*Fair value through profit or loss ("FVTPL"):*

By default, all other financial assets are measured subsequently at FVTPL. The Company's cash and cash equivalents are 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, loan payable and long-term debt.

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.

COMET INDUSTRIES LTD.**Notes to the Financial Statements****For the Years Ended January 31, 2025 and 2024**

(Expressed in Canadian Dollars)

3. MATERIAL 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. Investment properties are measured at cost.

The Company capitalizes investment development expenditures at cost reflecting the amounts paid to bring properties under development to the condition necessary for it to be capable of operating in the manner intended by management. Costs that are capitalized include, but are not limited to, construction contract costs, professional fees incurred for the development process, permitting costs and other development specific expenditures. Staff and internal management costs for labor or project management are excluded from capitalization unless the employees or managers are employed exclusively for the development process.

Under the cost model, management tests investment properties for impairment whenever indicators of impairment exist. Impairment is recognised if the carrying amount of an asset or a cash-generating unit (CGU) exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value in use. Impairment indicators include, but are not limited to, a decline in property prices, declines in market rental rates, a decline in permitting if this limits options for the use of the property, and physical or other damage to the property.

g) 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.

COMET INDUSTRIES LTD.**Notes to the Financial Statements****For the Years Ended January 31, 2025 and 2024**

(Expressed in Canadian Dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)**g) Impairment (continued)**

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.

h) Decommissioning liabilities

The Company is subject to various government laws and regulations relating to environmental disturbances that may be caused by any 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. Management has determined that as at January 31, 2025 and 2024, the Company has not incurred any decommissioning liabilities.

i) 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, taking into account 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 of 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.

j) 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.

k) 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.

COMET INDUSTRIES LTD.**Notes to the Financial Statements****For the Years Ended January 31, 2025 and 2024**

(Expressed in Canadian Dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)**k) Share-based payments (continued)**

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.

l) Lease and right-of-use asset

The Company applies IFRS 16, Leases. Accordingly, the standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee.

Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations or similar. After lease commencement, a lessee shall measure the right-of-use asset using a cost model, unless: i. ii. the right-of-use asset is an investment property and the lessee fair values its investment property under IAS 40; or the right-of-use asset relates to a class of Property, Plant, and Equipment to which the lessee applies IAS 16's revaluation model, in which case all right-of-use assets relating to that class of Property, Plant, and Equipment can be revalued. Under the cost model a right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability and are initially measured using the index or rate as at the commencement date. Amounts expected to be payable by the lessee under residual value guarantees are also included.

The Company applies the practical expedient in IFRS 16.15, electing not to separate non-lease components from lease components. Instead, the Company accounts for each lease component together with its associated non-lease components as a single lease component, in accordance with IFRS 16. The lease liability is subsequently remeasured to reflect changes in the lease term (using a revised discount rate); the assessment of a purchase option (using a revised discount rate); the amounts expected to be payable under residual value guarantees (using an unchanged discount rate); or future lease payments resulting from a change in an index or a rate used to determine those payments (using an unchanged discount rate).

The remeasurements are treated as adjustments to the right-of-use asset. Lease modifications may also prompt remeasurement of the lease liability unless they are to be treated as separate leases.

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.

COMET INDUSTRIES LTD.**Notes to the Financial Statements****For the Years Ended January 31, 2025 and 2024**

(Expressed in Canadian Dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)**n) Income taxes**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit and loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not recognized on the initial recognition of goodwill, on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction, and on temporary differences relating to investments in subsidiaries and jointly controlled entities where the reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply when the assets are recovered and the liabilities settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered..

o) Earnings (loss) per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

The weighted average number of common shares outstanding in the year ended January 31, 2024 has been revised from 4,666,901 to 4,794,528 to adjust for the number of shares of the Company owned by DVO Industries Ltd. and Initial Developers Limited. As a result of this change, the Company has revised its basic earnings per share and diluted earnings per share in the year ended January 31, 2024 as previously reported from \$1.76 per share to \$1.70 per share and \$1.67 per share to \$1.63 per share, respectively.

COMET INDUSTRIES LTD.**Notes to the Financial Statements****For the Years Ended January 31, 2025 and 2024**

(Expressed in Canadian Dollars)

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 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.

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. Total key management compensation is \$254,151 (2024 - \$146,574) and further details are described below.

During the year, the Company paid management fees of \$76,636 (2024 - \$50,700) to the Company's President and CEO. Salary of \$42,015 (2024 - \$40,000) was also paid to the President and CEO. Included in accounts payable and accrued liabilities at January 31, 2024 was \$15,138 (2024 - \$4,965) owed to the President for salary and management fees.

During the year, management fees of \$135,500 (2024 - \$44,123) were paid to officers of the Company. The Company paid \$Nil to John Angus (2024 - \$37,877) to a related person for management service on the Powell Street property.

Included in accounts payable and accrued liabilities at January 31, 2025 was \$16,100 (2024 - \$23,450) owed to the officers of the Company.

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 Financial Statements****For the Years Ended January 31, 2025 and 2024**(Expressed in Canadian Dollars)

6. 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 year January 31, 2025, depreciation of the right of use asset was \$2,848 (2024 - \$Nil). The right of use asset is depreciated on a straight-line basis over 487 months.

Right of use asset, January 30, 2024	\$	-
Additions		45,576
Depreciation of right of use asset		(2,849)
Right of use asset January 31, 2025	\$	42,727

Lease liabilities, January 31, 2024	\$	-
Additions		45,576
Accretion		727
Payments		(3,242)
Lease liabilities, January 31, 2025	\$	43,061

Current lease liabilities		10,480
Long-term lease liabilities		32,581

Total lease liabilities at January 31, 2025	\$	43,061
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COMET INDUSTRIES LTD.**Notes to the Financial Statements****For the Years Ended January 31, 2025 and 2024**(Expressed in Canadian Dollars)

7. LONG-TERM INVESTMENTS

	2025	2024
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	217,250	234,298
Share of current year's loss	(117,203)	(17,048)
Carrying value at end of year	100,047	217,250
 Advances to DVO Industries Ltd.:		
Advances beginning of year	7,896	7,896
Settlement during the year	-	-
Advances during the year	-	-
Advances end of year	7,896	7,896
 Long-term investment in DVO Industries Ltd. at end of year	107,943	225,146
 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	-	51,974
Impairment of advances to Initial	-	(51,974)
Long-term investment in Initial Developers Limited at end of year	-	-
 Total long-term investment end of year	107,943	225,146

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 January 31, 2025 is \$Nil (2024 - \$Nil) and cumulatively is \$Nil (2024 - \$Nil).

COMET INDUSTRIES LTD.**Notes to the Financial Statements****For the Years Ended January 31, 2025 and 2024**

(Expressed in Canadian Dollars)

7. LONG-TERM INVESTMENTS (continued)

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

	2025	2024
	\$	\$
Current assets	107,600	138,382
Non-current assets	258,234	666,021
TOTAL ASSETS	365,834	804,403
Current liabilities and financial liabilities	60,550	59,609
Due to related parties	7,896	7,896
TOTAL LIABILITIES	68,446	67,505

	Year ended January 31, 2025	Year ended January 31, 2024
	\$	\$
Revenue	22,020	26,685
Depreciation and amortization	(500)	(550)
Interest expense	(104)	(101)
Loss from continuing operations	(48,319)	(63,927)
Impairment of long-term assets	(412,609)	
Comprehensive income (loss)	(439,511)	(63,927)

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 (Note 13).

	2025	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 Financial Statements****For the Years Ended January 31, 2025 and 2024**

(Expressed in Canadian Dollars)

8. INVESTMENT PROPERTIES

	Land – Powell St.	Building – Powell St.	Land – Kamloops	Land – Pender Harbor	Land – Terrace	Land – Green Bay	Land – Nelson Island	Total
	\$	\$	\$	\$	\$	\$	\$	\$
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	20,191	544,053	305,307	152,300	383,246	-	1,504,518
Movements during 2004								
Amortization	-	(500)	-	-	-	-	-	(500)
Addition	-	-	-	-	-	159,973	1,147,865	1,307,838
Disposal	(99,471)	(19,641)	-	(127,019)	(152,300)	-	-	(398,431)
	(99,471)	(20,141)	-	(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 - January 31, 2025								
Cost	-	-	-	-	-	543,219	1,147,865	1,691,084
Accumulated amortization	-	-	-	-	-	-	-	-
	-	-	-	-	-	543,219	1,147,865	1,691,084

COMET INDUSTRIES LTD.**Notes to the Financial Statements****For the Years Ended January 31, 2025 and 2024**(Expressed in Canadian Dollars)

8. INVESTMENT PROPERTIES (continued)

During the current year, 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.

9. EQUIPMENT

	Machinery and Equipment	Total
Cost	\$	\$
As at January 31, 2023	-	-
Additions	18,000	18,000
As at January 31, 2024	18,000	18,000
Additions	-	-
As at January 31, 2025	18,000	18,000
Accumulated amortization	\$	\$
As at January 31, 2023	-	-
As at January 31, 2024	-	-
Additions	(2,700)	(2,700)
As at January 31, 2025	15,300	15,300
Net book value	\$	\$
As at January 31, 2025	15,300	15,300
As at January 31, 2025	15,300	15,300

COMET INDUSTRIES LTD.**Notes to the Financial Statements****For the Years Ended January 31, 2025 and 2024**(Expressed in Canadian Dollars)

10. Investment Properties Under Development

The Company presents its investment properties under development separately. As at January 31, 2025 the Company has capitalized costs related to assets under development totaling \$3,950,970 (2024: \$Nil).

The Company began to capitalize development costs for the Iron Mask project during the 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:

	2025	2024
Opening balance	\$ -	\$ -
Development costs incurred	\$ 3,406,917	-
Transfer from investment properties	544,053	-
Closing balance	\$ 3,950,970	\$ -

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

11. LOANS PAYABLE

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. As per terms of the program, \$40,000 of the loan was repaid in cash prior to January 18, 2024. The remaining \$20,000 was forgiven and is included in income in the year ended January 31, 2024.

12. LONG-TERM DEBT

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

Total interest expense incurred for the mortgage payable for the year ended January 31, 2025 was \$Nil (2024 - \$17,025). The mortgage was repaid upon the sale of the Powell Street property.

COMET INDUSTRIES LTD.**Notes to the Financial Statements****For the Years Ended January 31, 2025 and 2024**(Expressed in Canadian Dollars)

13. GOVERNMENT GRANT

Canada Emergency Wage Subsidy (CEWS)

At January 31, 2024, an amount of \$1,100 CEWS (2023 - \$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.

14. 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

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. See note 3(o) for a description of the impact on earnings per share.

COMET INDUSTRIES LTD.**Notes to the Financial Statements****For the Years Ended January 31, 2025 and 2024**(Expressed in Canadian Dollars)

15. SHARE BASED PAYMENTS

Share based compensation recognized in the statements of comprehensive income (loss) for the years ends January 31, 2025 and 2024 includes:

	2025	2024
	\$	\$
Share based compensation	41,551	261,882

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.

	January 31, 2025			January 31, 2024		
	# of options	Weighted average price \$	Remaining like (years)	# of options	Weighted average price \$	Remaining like (years)
Balance, beginning of year	200,000		3.18	-		
Granted	-		-	200,000	3.62	4.18
Balance, end of year	200,000	3.62	3.18	200,000	3.62	4.18
Exercisable, beginning of year	120,000	3.62	3.18	120,000	3.62	4.18
Vested	20,000	3.62	3.18	-	3.62	4.18
Exercisable, end of year	140,000	3.62	3.18	120,000	3.62	4.18

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.

COMET INDUSTRIES LTD.**Notes to the Financial Statements****For the Years Ended January 31, 2025 and 2024**

(Expressed in Canadian Dollars)

16. INCOME TAXES

The following is a reconciliation of income taxes at statutory rates (January 31, 2025 - 27%; January 31, 2024 - 27%) with the reported taxes is as follows:

	2025	2024
Canadian and provincial statutory income tax rate	27%	27%
Income tax provision (recovery) at statutory rate	(130,151)	2,486,639
Tax effect of:		
Non-taxable portion of the capital gain	-	(1,370,860)
Permanent differences and other	13,272	77,289
Change in income tax rate	-	-
Change in unrecognized deductible temporary differences	37,879	(133,068)
Income tax expense (recovery)	(82,000)	1,060,000

In assessing the realizability of deferred tax assets, management considers whether it is probably that some portion of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

	2025	2024
	\$	\$
Deferred tax assets (liabilities):		
Property and equipment	(1,032)	(1,761)
Long-term investments	942	1,791
Right of use assets	(11,537)	-
Lease liabilities	(1,626)	-
Deferred tax assets not recognized	-	-

The temporary differences giving rise to unrecognized deferred tax assets are comprised of:

	2025	Expiry Date Range	2024	Expiry Date Range
Temporary Differences				
Allowable capital losses	\$ 8,941	No expiry date	\$ -	No expiry date
Long-term investments	595,427	No expiry date	475,190	No expiry date
Advances to related parties	53,575	No expiry date	57,535	No expiry date

COMET INDUSTRIES LTD.**Notes to the Financial Statements****For the Years Ended January 31, 2025 and 2024**(Expressed in Canadian Dollars)

17. 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 January 31, 2024, 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.

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

As at January 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.

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 January 31, 2025, are as follows:

	Fair Value Measurements Using			Balance,
	(Level 1)	(Level 2)	(Level 3)	January 31, 2025
	\$	\$	\$	\$
Assets:				
Cash and cash equivalents	462,492	-	-	462,492
GIC	3,326,995			3,326,995
Total assets measured at fair value	3,789,490	-	-	3,789,490

COMET INDUSTRIES LTD.**Notes to the Financial Statements****For the Years Ended January 31, 2025 and 2024**(Expressed in Canadian Dollars)

18. FINANCIAL INSTRUMENTS AND RISK (continued)

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. The cash and cash equivalents consist of redeemable Guaranteed Investments Certificates totaling \$3,326,995 maturing on November 25, 2025.

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 16.

The following are the contractual maturities of financial liabilities as at January 31, 2024:

	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years	Within 3 + years
Accounts payable & Accrued Liability	\$ 190,600	\$ 190,600	\$ 190,600	\$ -	\$ -
Deposit	750	(750)	-	-	-
Lease Payable	43,061	43,061	10,480	11,182	43,061
Total	234,411	232,911	201,080	11,182	232,911

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 except for long-term debt which has terms as described in Note 11. The Company's mortgage is secured by an assignment of rents. The Company does not have investments in any asset-backed deposits. The accounts payable are due and within 1 year. The advances from related parties are due on demand.

COMET INDUSTRIES LTD.**Notes to the Financial Statements****For the Years Ended January 31, 2025 and 2024**(Expressed in Canadian Dollars)

18. 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 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.

19. 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, mineral exploration and assets under construction in BC, Canada. Details of these three segments (see Note 1) are as follows:

	2025				
	Investment Properties	Exploration	Properties under Development	General / Administration	Total
	\$	\$		\$	\$
Investment properties	-	1,691,084		-	1,691,084
Accounts payable and accrued liabilities	-	-	(76,018)	(29,980)	(105,998)
Rental revenue	-	-	3,238	-	3,238
Amortization and depreciation	-	-		(5,549)	(5,549)
Development expense	-	-	(86,654)	-	(86,654)
Property taxes	(8,157)	-	(31,584)	-	(39,741)

COMET INDUSTRIES LTD.**Notes to the Financial Statements****For the Years Ended January 31, 2025 and 2024**(Expressed in Canadian Dollars)

19. SEGMENTED INFORMATION (continued)

	Year ended January 31, 2024			
	Investment Properties	Exploration	General / Administration	Total
	\$	\$	\$	\$
Investment properties	2,413,425	-	-	2,413,425
Accounts payable and accrued liabilities	-	-	(43,583)	(43,583)
Rental revenue	352,903	-	-	352,903
Government subsidy	1,100	-	-	1,100
Amortization	(500)	-	-	(500)
Building maintenance	(15,470)	-	-	(15,470)
Insurance	(27,579)	-	-	(27,579)
Interest on long-term debt	(17,025)	-	-	(17,025)
Property taxes	(60,380)	-	-	(39,741)

For the year ended January 31, 2024, the top five of the Company's tenants accounted for 90% of the Company's total revenues. The building has been sold and there is no material adverse effect on the Company's financial position and results of operations.

20. SUBSEQUENT EVENT

On April 2, 2025, the company granted of a total of 60,000 Incentive Stock Options under the Company's Incentive Stock Option Plan to Directors of the company. The Options are exercisable at a price of \$3.85 per share and expire March 16, 2030.