
COMET INDUSTRIES LTD.
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
APRIL 30, 2018 AND 2017
(unaudited)

Notice to No Auditor Review of Condensed Interim Financial Statements

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

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

(Expressed in Canadian Dollars)

(Unaudited)

	Note	April 30, 2018	January 31, 2018
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash		81,537	87,606
Amounts receivable		20,172	2,438
Prepaid expenses		23,278	18,317
		124,987	108,361
LONG-TERM INVESTMENTS	6	683,955	683,960
INVESTMENT PROPERTIES	7	1,357,230	1,357,555
EXPLORATION AND EVALUATION ASSETS	8	23,961	23,961
		2,190,133	2,173,837
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	5	243,314	240,532
Demand loans from related parties	9	98,342	97,522
Current portion of long-term debt	10	849,055	857,791
		1,190,711	1,195,845
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	11	3,384,137	3,384,137
SHARE BASED PAYMENT RESERVE		607,258	607,258
DEFICIT		(2,991,973)	(3,013,403)
		999,422	977,992
		2,190,133	2,173,837

Approved on Behalf of the Board on June 27, 2018:

"Rudolph John Wiley"

Rudolph John Wiley, Director

"Richard J. Angus"

Richard J. Angus, Director

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

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

(Expressed in Canadian Dollars)

(Unaudited)

		Three months ended	
	Note	April 20, 2018	April 30, 2017
		\$	\$
REVENUE			
Rental revenue	16	135,085	127,664
EXPENSES			
Amortization		325	350
Automotive		18	202
Bank charges and interest		135	118
Building maintenance		7,548	-
Insurance		10,230	8,540
Interest on demand loans and long-term debt	9 and 10	10,632	10,622
Management fees	5	20,258	19,846
Office supplies and sundry		893	600
Professional fees	5	4,252	5,425
Property taxes and utilities		32,868	21,588
Rent		5,670	6,390
Salaries and benefits	5	15,500	16,468
Telephone		2,039	2,200
Transfer agency		2,415	2,653
Travel and entertainment		868	435
		113,651	95,437
INCOME (LOSS) FROM OPERATIONS		21,434	32,227
OTHER INCOME (EXPENSE)			
Share of gain (loss) in equity investments	6	(4)	75
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		21,430	32,302
Income (Loss) Per Share – Basic		0.00	0.01
Income (Loss) Per Share – Diluted		0.00	0.01
Weighted Average Number of Common Shares Outstanding – Basic		4,409,201	4,409,201
Weighted Average Number of Common Shares Outstanding – Diluted		4,603,604	4,520,078

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

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

(Expressed in Canadian Dollars)

(Unaudited)

	Number of Common Shares	Share Capital	Share-Based Payment Reserve	Deficit	Total Equity
		\$	\$	\$	\$
Balance, January 31, 2017	4,409,201	3,384,137	607,258	(3,013,291)	978,104
Comprehensive income	–	–	–	32,302	32,302
Balance, April 30, 2017	4,409,201	3,384,137	607,258	(2,980,989)	1,010,406
Comprehensive income	–	–	–	(32,414)	(32,414)
Balance, January 31, 2018	4,409,201	3,384,137	607,258	(3,013,403)	977,992
Comprehensive income	–	–	–	21,430	21,430
Balance, April 30, 2018	4,409,201	3,384,137	607,258	(2,991,973)	999,422

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

COMET INDUSTRIES LTD.**CONDENSED INTERIM STATEMENTS OF CASH FLOWS****FOR THE THREE ENDED APRIL 30, 2018 AND 2017**

(Expressed in Canadian Dollars)

(Unaudited)

	Note	2018	2017
		\$	\$
OPERATING ACTIVITIES			
Net income (loss) for the year		21,430	32,302
Items not involving cash:			
Amortization		325	350
Interest accrual and accretion on long-term debt		860	857
Share of (gain) loss in equity investments	6	4	(75)
		22,619	33,434
Changes in non-cash working capital items:			
Amounts receivable		(17,733)	5,477
Prepaid expenses		(4,961)	(12,729)
Accounts payable and accrued liabilities		2,782	(9,378)
		2,707	16,804
FINANCING ACTIVITIES			
Repayment of demand loans from related parties	9	-	(5,000)
Interest accrual on demand loans from related parties	9	820	927
Repayment of long-term debt	10	(9,596)	(9,471)
		(8,776)	(13,544)
INCREASE (DECREASE) IN CASH		(6,069)	3,260
CASH, BEGINNING OF YEAR		87,606	72,066
CASH, END OF YEAR		81,537	75,326
SUPPLEMENTAL DISCLOSURES			
Income taxes		-	-
Interest paid		8,953	8,838

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

COMET INDUSTRIES LTD.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED APRIL 30, 2018 AND 2017**

(Expressed in Canadian Dollars)

(Unaudited)

1. NATURE 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 acquiring and holding mineral properties, and holding and managing real properties, all in British Columbia ("BC"). The Company owns unimproved land in Kamloops, Terrace, Pender Harbour, BC and a rental property in Vancouver, BC on a freehold basis. It holds various resource properties related to the Kamloops land and it has previously explored these resource properties for copper, gold, silver and other mineralization. It has not yet been determined whether these properties contain reserves that are economically feasible.

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

The Company is also earning commercial rental revenue from its Carrall Street rental property in Vancouver and holds other real estate properties.

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

These condensed interim financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. These condensed interim financial statements should be read in conjunction with the Company's financial statements for the year ended January 31, 2018.

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

b) Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

COMET INDUSTRIES LTD.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED APRIL 30, 2018 AND 2017**

(Expressed in Canadian Dollars)

(Unaudited)

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

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

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgments or assessments with a significant risk of material adjustment in the next year.

(i) Going concern

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

(ii) Classification of investment properties

The application of the Company's accounting policy to classify properties as investment properties requires judgement, which may be based on decisions made on assumptions about future events or circumstances. Management may have planned to utilize the properties for operation at acquisition. If management's intention changes due to new business information becoming available, management can decide to classify the properties from property and equipment used in operations to investment properties. As at January 31, 2018 and 2017, the Company has identified the Pender Harbor, Kamloops and Carrall Street properties as investment properties.

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

Judgement is required in assessing whether certain factors would be considered an indicator of impairment. Annually, the Company must assess its long-term investment balance for impairment by reviewing various impairment indicators. As at April 30, 2018 and 2017, management determined there were no impairment indicators present.

(iv) Assessment of deferred income tax assets and liabilities

Judgement is required in determining whether or not it is probable that the Company's deferred tax assets will be recovered as a result of future taxable income. Management has determined that the recoverability of the Company's deferred tax assets are remote due to the history of losses. As a result, no deferred income tax assets have been recognized as at April 30, 2018 and 2017.

COMET INDUSTRIES LTD.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED APRIL 30, 2018 AND 2017**

(Expressed in Canadian Dollars)

(Unaudited)

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

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

b) Cash and cash equivalents

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

c) Long-term investments

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

d) Financial instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. Financial instruments comprise cash, amounts receivable, advances to related entities (including advances recorded in long-term investments), accounts payable (excluding GST payable), demand loans and long-term debt. At initial recognition management has classified financial assets and liabilities as follows:

Financial assets

The Company has recognized its cash at FVTPL. A financial instrument is classified as FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair values in accordance with the Company's documented risk management or investment strategy. Financial instruments at FVTPL are initially measured at fair value and subsequent changes are recognized in income.

The Company's amounts receivable and advances to related entities are classified as loans and receivables. Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income except for losses in value that are considered other than temporary, which are recognized in earnings. At April 30, 2018, the Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

The Company has recognized its accounts payable, demand loans from related parties and long-term debt as other financial liabilities. Other financial liabilities are recognized at the amount required to be paid less, when material, a discount to reduce the payable to fair value.

COMET INDUSTRIES LTD.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED APRIL 30, 2018 AND 2017**

(Expressed in Canadian Dollars)

(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

e) Property and equipment

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

Furniture and fixtures	20%
Equipment	30%

f) Investment properties

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

g) Exploration and evaluation assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Impairment

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

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

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

i) Decommissioning liabilities

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities and may from time to time incur asset retirement obligations and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for a decommissioning liability is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at April 30, 2018, the Company had not incurred any decommissioning liabilities related to the exploration and development of its mineral properties.

j) Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, 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.

COMET INDUSTRIES LTD.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED APRIL 30, 2018 AND 2017**

(Expressed in Canadian Dollars)

(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**k) Revenue recognition**

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

l) Share-based payments

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

m) Share issue costs

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

n) Income taxes

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

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

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

COMET INDUSTRIES LTD.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED APRIL 30, 2018 AND 2017**

(Expressed in Canadian Dollars)

(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**o) Earnings (Loss) per share**

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

4. CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS**New Accounting Pronouncements Adopted During the Year**

During the year ended January 31, 2018, the Company did not adopt any new accounting standards and interpretations.

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. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

Standards effective for annual periods beginning on or after January 1, 2018

IFRS 9 Financial Instruments - In November 2009, as part of the IASB project to replace IAS 39, "Financial Instruments: Recognition and Measurement", the IASB issued the first phase of IFRS 9, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013 the standard was revised to add the new general hedge accounting requirements. The standard was finalized in July 2014 and was revised to add a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income ("FVOTCI") category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics test.

IFRS 15 - Revenue from Contracts with Customers - On May 28, 2014 the IASB issued IFRS 15, "Revenue from contracts with customers". IFRS 15 will replace IAS 11, "Construction contracts", IAS 18, "Revenue", IFRIC 13, "Customer loyalty programmes", IFRIC 15, "Agreements for the construction of real estate", IFRIC 18, "Transfers of assets from customers" and SIC 31, "Revenue – barter transactions involving advertising services". The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time; or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The Company expects the above potential changes to be the only impacts, as the Company currently has no hedging arrangements.

CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Standard effective for annual periods beginning on or after January 1, 2019

IFRS 16 – Leases - On January 13, 2016 the IASB issued IFRS 16, “Leases”. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, “Revenue from contracts with customers” at or before the date of initial adoption of IFRS 16.

The Company is in the process of identifying and collecting data relating to existing agreements. At this time it is not possible for the Company to make reasonable quantitative estimates of the effects of the new standard, and is currently evaluating its expected impact on the financial statements.

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

Key management personnel

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

During the period, the Company paid management fees of \$20,258 (2017 - \$19,847) to Garden Bay Management Ltd., which is controlled by the spouse of the Company’s President. These transactions were recorded at the amount agreed to between the Company and Garden Bay Management Ltd. and the directors.

During the period, salaries and benefits of \$15,000 (2017 - \$15,000) were paid to an officer of the Company. During the period, benefits of \$500 (2017 - 1,468) were paid for the President and Chief Executive Officer of the Company.

As at April 30, 2018, \$3,000 (2017 - \$3,000) was outstanding and included in accounts payable for director’s fees owing to a director. In addition, the Company received \$1,500 in rental income from the same director during the period ended April 30, 2018.

During the period ended April 30, 2018, the Company incurred legal fees of \$2,715 (2017 - \$510) to a firm in which one of the directors is a principal. Included in accounts payable and accrued liabilities at April 30, 2018 was \$36,565 (2017 - \$10,240) owed to this firm for legal fees.

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

COMET INDUSTRIES LTD.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED APRIL 30, 2018 AND 2017**

(Expressed in Canadian Dollars)

(Unaudited)

6. LONG-TERM INVESTMENTS

	April 30, 2018	January 31, 2018
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	248,740	250,717
Share of current year's gain (loss)	(4)	(1,977)
Carrying value at end of year	248,736	248,740
Advances to DVO:		
Advances beginning of year	383,246	380,979
Advances during the year	-	2,267
Advances end of year	383,246	383,246
Long-term investment in DVO Industries Ltd. at end of year	631,982	631,696
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	51,974
Long-term investment in Initial Developers Limited at end of year	51,974	51,974
Total long-term investment end of year	683,956	683,960

DVO and Initial have a combined interest of 25% in Property B comprised of exploration and evaluation assets (see Note 8). The three companies are entitled to receive a total of 25% of the net project derived from this mining operation. Currently, the only activity for DVO is property rental and Initial is inactive.

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. Gains and losses resulting from transactions between the Company and DVO are recognized in the Company's financial statements only to the extent of unrelated investors' interests in the associate. The Company's share in the associate's gains or losses resulting from these transactions are eliminated.

COMET INDUSTRIES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED APRIL 30, 2018 AND 2017

(Expressed in Canadian Dollars)

(Unaudited)

6. LONG-TERM INVESTMENTS (continued)

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

The investment in Initial was written down to a nominal amount in 1999. The Company's unrecognized share of Initial's loss, as at January 31, 2018 is \$1,479 (2017 - \$1,479) and cumulatively is \$173,645 (2017 - \$173,645).

COMET INDUSTRIES LTD.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED APRIL 30, 2018 AND 2017**

(Expressed in Canadian Dollars)

(Unaudited)

7. INVESTMENT PROPERTIES

	Land – Carrall St.	Building – Carrall St.	Land – Kamloops	Land – Pender Harbor	Land – Terrace	Total
	\$	\$	\$	\$	\$	\$
Balance - January 31, 2017						
Cost	99,471	145,925	544,053	535,707	152,300	1,477,457
Accumulated amortization	–	(118,532)	–	–	–	(118,532)
	99,471	27,393	544,053	535,707	152,300	1,358,925
Movements during 2018						
Amortization	–	(1,370)	–	–	–	(1,370)
	–	(1,370)	–	–	–	(1,370)
Balance - January 31, 2018						
Cost	99,471	145,925	544,053	535,707	152,300	1,477,457
Accumulated amortization	–	(119,902)	–	–	–	(119,902)
	99,471	26,023	544,053	535,707	152,300	1,358,555
Movements during 2019						
Amortization	–	(325)	–	–	–	(325)
	–	(325)	–	–	–	(325)
Balance - April 30, 2018						
Cost	99,471	145,925	544,053	535,707	152,300	1,477,457
Accumulated amortization	–	(120,227)	–	–	–	(120,227)
	99,471	25,698	544,053	535,707	152,300	1,357,230

COMET INDUSTRIES LTD.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED APRIL 30, 2018 AND 2017**

(Expressed in Canadian Dollars)

(Unaudited)

7. INVESTMENT PROPERTIES (continued)

The Carrall Street land and building have been used as a commercial rental property leased to third parties. It is pledged as security for the debt described in Note 10.

In the absence of current prices in an active market, the fair value of the Carrall street land and building is estimated by applying a market yield to the net annual rental value. The yield applied was 5%. The estimated fair value of the property at January 31, 2018 was \$9.3 million.

In the absence of current prices in an active market, the fair value is estimated based on the 2018 property tax assessment. The estimated fair values of the Kamloops, Pender Harbor and Terrace properties at January 31, 2018 were \$1,995,300, \$644,000, and \$155,100, respectively.

8. EXPLORATION AND EVALUATION ASSETS

All of the Company's mineral claims are held jointly with others and are located in the Kamloops Mining Division, BC. The Company owns a 40% working interest in the Big Onion zone on the Iron Mask Property ("Property A"), which consists of five crown granted mineral claims.

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

Amounts included in these financial statements for resource properties represent the Company's acquisition costs of Property A:

	April 30, 2018	January 31, 2018
	\$	\$
Mineral claims – acquisition costs	23,961	23,961

As at April 30, 2018, the Company assessed and did not identify any impairment related to the exploration and development of its mineral properties.

9. DEMAND LOANS FROM RELATED PARTIES

Two demand loans of \$3,000 and \$45,000 remain outstanding from two related parties (2017 - \$3,000 and \$50,000 respectively), the spouses of an officer and a director. Both loans bear interest at 7% per annum and are unsecured. During the period ended April 30, 2018, interest expense of \$820 (2017 - \$927) was recorded on these loans. As at April 30, 2018, interest payable of \$50,342 (2017 - \$46,773) was outstanding and included in the demand loans balance. Since the loans are repayable on demand, they have been classified as current liabilities.

COMET INDUSTRIES LTD.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED APRIL 30, 2018 AND 2017**

(Expressed in Canadian Dollars)

(Unaudited)

10. LONG-TERM DEBT

	April 30, 2018	January 31, 2018
	\$	\$
Mortgage repayable in monthly instalments of \$6,183 including interest of 4.27% per annum, maturing on January 1, 2019	849,055	857,791
Current portion	(849,055)	(857,791)
Long-term portion	-	-

The mortgage payable is secured as follows:

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

Required principal repayments of long-term debt over the next one fiscal years are as follows:

2019	\$38,500
------	----------

11. SHARE CAPITAL

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

	Number of Shares	Amount
		\$
Issued and outstanding: April 30, 2017 and 2018	4,409,201	3,384,137

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

There are no shares held in escrow.

COMET INDUSTRIES LTD.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED APRIL 30, 2018 AND 2017**

(Expressed in Canadian Dollars)

(Unaudited)

12. SHARE-BASED PAYMENTS

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

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

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

On February 25, 2015, the Company recorded share-based compensation of \$102,003 with respect to 400,000 options granted to directors which fully vested upon grant. The fair value of these stock options was \$0.26 and was estimated using the Black-Scholes option pricing model. The assumptions used in calculating the fair value are as follows:

Risk free interest rate	0.70%
Expected life of options	5 years
Expected dividend yield	0.0%
Expected stock price volatility	43%
Expected forfeiture rate	0.0%

The following table summarizes stock options outstanding at April 30, 2018:

Expiry Date	Exercise Price \$	Number of shares	Outstanding and Exercisable	
			Weighted average remaining contractual life (years)	Weighted average exercise price \$
February 24, 2020	1.50	400,000	1.82	1.50

During the period ended April 30, 2018 there have been no stock options granted, exercised, cancelled or forfeited.

13. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order 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 April 30, 2018, the Company considers capital to consist of all components of shareholders' equity, long-term debt and demand loans from related parties. The Company manages the capital structure and makes adjustments to 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.

COMET INDUSTRIES LTD.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED APRIL 30, 2018 AND 2017**

(Expressed in Canadian Dollars)

(Unaudited)

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

As at April 30, 2018, the Company's financial instruments consist of cash, amounts receivable, advances to related entities (including advance balances recorded in long-term investments), accounts payable (excluding GST payable), demand loans from related parties 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 following table summarizes the carrying values and classification of the Company's financial instruments:

	April 30, 2018	January 31, 2018
	\$	\$
FVTPL (i)	81,537	87,606
Loans and receivables (ii)	455,392	437,659
Other financial liabilities (iii)	1,016,948	1,036,996

(i) Cash

(ii) Amounts receivable and advances to related entities (including balances recorded in long-term investments)

(iii) Accounts payable (excluding GST payable), advances and demand loans from related parties and long-term debt

Fair Value Measurements

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 THREE MONTHS ENDED APRIL 30, 2018 AND 2017**

(Expressed in Canadian Dollars)

(Unaudited)

14. 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 April 30, 2018 are as follows:

	Fair Value Measurements Using			Balance, April 30, 2018
	(Level 1)	(Level 2)	(Level 3)	
	\$	\$	\$	\$
Assets:				
Cash	81,537	—	—	81,537
Total assets measured at fair value	81,537	—	—	81,537

Credit Risk

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

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

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 13.

The following are the contractual maturities of financial liabilities as at April 30, 2018:

	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years	Within 3 years
	\$	\$	\$	\$	\$
Accounts payable	69,552	(69,552)	(69,552)	-	-
Demand loans from related parties	98,342	(98,342)	(98,342)	-	-
Long-term debt	849,055	(849,055)	(849,055)	-	-
Total	1,016,949	(1,016,949)	(1,016,949)	-	-

14. FINANCIAL INSTRUMENTS AND RISK (continued)

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 10. 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 and long-term debt are due and within 1 year. The demand loans and advances from related parties are due on demand.

Foreign Exchange Risk

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

Interest Rate Risk

The Company is not subject to interest rate risk on its demand loans from related parties and long-term debt which are at fixed rates of interest.

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.

COMET INDUSTRIES LTD.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED APRIL 30, 2018 AND 2017**

(Expressed in Canadian Dollars)

(Unaudited)

15. SEGMENTED INFORMATION

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

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

	April 30, 2018			
	Rental	Exploration	General / Administration	Total
	\$	\$	\$	\$
Investment properties	1,357,230	–	–	1,357,230
Exploration and evaluation assets	–	23,961	–	23,961
Accounts payable	–	–	(243,314)	(243,314)
Long-term debt	(849,055)	–	–	(849,055)
Rental revenue	135,085	–	–	135,085
Amortization	(325)	–	–	(325)
Building maintenance	(7,548)	–	–	(7,548)
Insurance	(10,230)	–	–	(10,230)
Interest on long-term debt	(8,953)	–	–	(8,953)
Property taxes	(19,700)	–	–	(19,700)

	January 31, 2018			
	Rental	Exploration	General / Administration	Total
	\$	\$	\$	\$
Investment properties	1,357,555	–	–	1,357,555
Exploration and evaluation assets	–	23,961	–	23,961
Accounts payable	–	–	(240,532)	(240,532)
Long-term debt	(857,794)	–	–	(857,791)
Rental revenue	525,456	–	–	525,456
Amortization	(1,370)	–	–	(1,370)
Building maintenance	(46,189)	–	–	(46,189)
Insurance	(29,228)	–	–	(29,228)
Interest on long-term debt	(37,173)	–	–	(40,653)
Property taxes	(89,834)	–	–	(89,834)