

COMET INDUSTRIES LTD. (“Company”)

FIRST QUARTER MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED APRIL 30, 2018

DATED: June 28, 2018

This document constitutes Management’s Discussion and Analysis (“MD & A”) of the financial and operational results of Comet Industries Ltd. (“Comet” or the “Company”) for the fiscal quarter ended April 30, 2018 and for the period to June 28, 2018. This MD & A supplements, but does not form part of, the financial statements of the Company, and should be read in conjunction with the audited financial statements for the years ended January 31, 2018 and 2017 and the unaudited financial statements for the fiscal quarter which ended April 30, 2018.

All audited financial statements referred to herein have been prepared in accordance with International Financial Reporting Standards accounting policies.

The Company’s fiscal quarter ended April 30, 2018 is herein called the “Quarter”, and its fiscal year ended January 31, 2018 is herein called the “Fiscal Year”. The period between April 30, 2018 and June 28, 2018 is herein called the “Subsequent Period”.

FORWARD LOOKING STATEMENTS

Certain statements in this MD&A, other than statements of historical fact, constitute “forward-looking information” within the meaning of Canadian securities legislation. “Forward-looking information” includes, but is not limited to, statements with respect to the potential merits of the Company’s properties, as well as the Company’s future plans, objectives, business strategy, budgets, projected costs, financial results, and requirements for additional capital.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Some risks and uncertainties applicable to Comet are disclosed in Clause 11.

In making the statements in this MD&A containing forward-looking information, the Company has applied several material assumptions, including but not limited to, assumptions regarding the ability of the Company to obtain, on reasonable terms, any financing it may require in the future.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements.

The Company disclaims any intention or obligation to update or revise the forward-looking information in this MD&A, whether as a result of new information, events or otherwise, except as required by applicable securities legislation. Accordingly, readers are cautioned not to put undue reliance on forward-looking information.

1. Overall Performance

Other than as described below, there have been no material changes in, or developments with respect to, the Company's business or assets since the fiscal year which ended January 31, 2018 – as discussed in the Company's annual MD & A dated May 29, 2018.

Properties and Property Interests Held by the Company:

(a) Iron Mask Crown Granted Mineral Claims

The Company holds a 40% working interest in the five Crown Granted ("Crown Grants") - known as the Iron Mask property, which is located in southwest Kamloops, B.C. The remaining interests are held 30% each by Initial Developers Ltd. ("Initial") and DVO Industries Ltd. ("DVO"). The Crown Grants cover approximately 190 contiguous acres (approximately 76.9 hectares). The names of the Crown Grants are:

Victor –	Con Verdant - 1341
Norma -	Nighthawk – Lot 1747
Mint – Lot	

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

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

Comet – as to a 10% , and Initial and DVO each as to 7.5% hold an aggregate 25% carried net profits interest in a contiguous block of mineral properties ("Property B" in Note 8 of the Company's financial statements for the Quarter) which are owned by KGHM International Ltd. ("KGHM"), the successor to Abacus Mining & Exploration Corp. and adjoin the Crown Grants – (hereinafter referred as the "Abacus Claims").

The Abacus Claims are a portion of a larger group of mineral properties owned by KGHM and called by it the Ajax Property. The Abacus Claims are known to contain three mineralized zones named "DM", "Audra" and "Crescent" (hereinafter referred to as the "Mineralized Zones"). Abacus Mining has provided some information about the Abacus Claims in a Feasibility Study Technical Report dated January 6, 2012 (the "Feasibility Report") – which may be viewed on Abacus' website: www.amemining.com or on SEDAR.

The mining study in the Feasibility Report is limited to a portion of the Ajax property that is approximately 8.5 kilometers from the Abacus Claims, and does not include the DM-Audra-Crescent resource estimate as part of its analysis. The Feasibility Report also refers to subsequent drilling in the area of the Abacus claims.

Indirectly the Company holds a greater interest in the Crown Grants and the Royalty Interests through its shareholdings in Initial (35.8%) and DVO (26.6%).

(c) Iron Mask Surface Land Titles

The Company owns the surface land titles covering the Crown Grants (“Surface Lands”). The Surface Lands cover an area of 190.64 acres (approximately 77.15 hectares). The Surface Lands are within the boundaries of the City of Kamloops, BC and are designated, under the Kamloops Official Community Plan, as a “Special Industrial Development Area”. This is a general zoning designation and provides flexibility to Kamloops City development staff to specify the exact type of industrial zoning that will be applied to portions of the lands.

Comet’s Management understands that there is a shortage of industrially zoned land in the City of Kamloops. Management believes that the change in zoning status greatly enhances the value of the Lands.

Comet now has no current plans for any development of the Surface Lands.

(d) Other Surface Lands Owned

The Company owns three parcels of land at Pender Harbour, British Columbia. The Company also owns two parcels of undeveloped land – covering 9 contiguous acres - located at Terrace, British Columbia.

The Company has no plans for the development of the Pender Harbour or Terrace lands. It receives no revenue from the lands.

(e) Gastown Property

The Company owns land and a commercial building at the corner of Carrall and Powell Streets in the Gastown area of Vancouver, British Columbia (hereinafter called the “Gastown Property”). The building is 2-storey building with 8,632 square feet of commercially rentable space. The main street level floor is occupied by 5 tenants. The second floor is leased by a single tenant who operates the space as a restaurant and night club. All of the leases are short term. The building is fully rented. As a result of the short terms of the leases, and the terms of the leases, the Company is able to periodically increase the rents charged to the various tenants. The revenue flow from the rentals is always subject to the possibility of portions of the building being vacant from time to time. Management does not consider that there are any trends toward increasing vacancies in the Gastown area of Vancouver, BC and anticipates being able to maintain a relatively full occupancy rate for the immediate future. The rental revenue from the Gastown Property for the Quarter was \$_____ (2017 - \$133,995).

2. Financing and Capital Resources

Comet’s cash flow is principally from the rental revenues from its Gastown Property. The Company realized higher revenues in the Fiscal Year and the Quarter from the Gastown property tenant base which is providing a steady income stream.

Based on the Company’s current cash on hand and the rate at which it expects to incur expenses during the current fiscal year, Management believes that the Company has sufficient cash resources to operate well beyond the end of the next fiscal year.

3. Selected Financial Information and Discussion of Operations

The Company's quarterly results for the past 8 quarters – detailed in Clause 4 below - have varied from quarter to quarter primarily due to the different dates that irregularly received rental payments are deposited or credited to the Company's bank account and the dates that various expenses that are not incurred on a regular monthly basis are posted to the Company's accounts.

The financial information given in Clause 4 below is taken from the Financial Statements and should be read in conjunction with those statements.

4. Summary of Quarterly Results

The following information is provided for each of the eight most recently completed quarters of the Company:

	Jan. 31/18	Oct. 31/17	July 31/17	Apr. 30/17	Jan. 31/17	Oct.31/16	July 31/16	Apr 30/16.
(a) Net sales or total rental revenue	112,283	135,495	129,493	127,664	122,914	122,758	124,227	121,584
(b) Net Earnings (Loss)								
- total	(20,957)	22,880	8,385	32,302	(21,805)	19,912	6,937	27,210
- per share*	(0.00)	0.01	0.00	0.00	(0.00)	0.00	0.00	0.01
(c) Comprehensive Income (Loss)								
- total	(2,497)	22,880	8,385	32,302	(21,805)	19,912	6,937	27,210
- per share*	(0.00)	0.01	0.00	0.00	(0.00)	0.00	0.00	0.01

*The loss or gain per share figures are presented on an undiluted basis – as the effect of dilution is to reduce the reported loss or gain per share.

The results for the Quarter were not significantly different from preceding quarters. The differences are largely as a result of the dates that various non-regular expenses and rental payments are posted to the Company's financial records. The annual taxes which are payable on the lands owned by the Company are expensed in the second fiscal quarterly period (ending July 31st) which results in higher expenses and lower profit figures for that quarter each year.

5. Liquidity

At the end of the Quarter the Company had cash on hand of \$_____ (2017 - \$88,621). At the end of the Quarter the Company had a working capital deficiency of \$_____ (2017 - \$196,215).

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

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

The Company paid or incurred management fees of \$_____ (2017 - \$20,343) to Garden Bay Management Ltd. ("GBM") - which is controlled by the wife of the Company's President – for the provision of the management services of the Company's President, R.J. (Jack) Wiley.

Management salary of \$_____ (2017 - \$15,000) was paid to Richard Angus a director of the Company.

The Company incurred legal fees of \$_____ (2017 - \$6,350) with the law firm in which Mr. Jonsson is a principal. At the end of the Quarter \$_____ were due to the law firm.

The Company has two outstanding demand loans – which had a total principal payable as of the end of the Quarter of \$_____ (2017 - \$53,000) payable to the wives of two directors. The loans bear interest at 7.0% per annum, payable monthly as to interest only. The interest expense incurred for the Quarter was \$_____. At the end of the Quarter \$_____ of interest was owing. As the loans are repayable on demand, they are classified as current liabilities.

At the end of the Quarter DVO owed the Company \$_____ (2017 - \$383,245). DVO's indebtedness to the Company is payable on demand, bears no interest, and is unsecured.

At the Quarter end there was \$51,974 (2017 - \$51,974) owing to the Company by Initial for advances made by the Company to or on behalf of Initial in previous years. This amount is payable on demand, bears no interest, and is unsecured. There were no amounts paid to, or advanced on behalf of Initial, by the Company during the Quarter.

Related party transactions are recorded at the amount paid or received as established by contract or as agreed upon by the Company and the related party. Some of the officers and directors of the Company are also officers, directors or shareholders of the related companies.

7. Outstanding share data

At April 30, 2018 the Company had 4,779,895 common shares issued and outstanding. The shares are all voting shares and rank equally with each other. The Company's financial statements show only 4,409,201 shares issued. This is because 370,694 of the issued shares are held by Initial and DVO and are accordingly not considered to be issued and outstanding in financial statement disclosure due to applicable accounting rules.

At April 30, 2018 the Company had share purchase options outstanding, the details of which are:

No. Options outstanding	Exercise Price per	Expiry Date
400,000	\$1.50	February 24, 2020

No shares were issued or options granted during the Quarter or the Subsequent Period.

8. Critical Accounting Estimates and Judgments

The Company's financial statements are prepared on a historical cost basis except for certain financial instruments, which are measured at fair value. The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Significant areas requiring the use of management estimates include determination of impairment of property and equipment, impairment of investment property, impairment of exploration and evaluation assets, decommissioning liabilities, realization of deferred income tax assets, and assumptions used in valuing options and warrants in share-based compensation calculations.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments with a significant risk of material adjustment in the next year. These include (i) Going concern, (ii) Classification of investment properties, and (iii) Classification of property held for sale

9. Changes in Accounting Policies and Recent Accounting Pronouncement

Note 3 to the January 31, 2018 audited Financial Statements describes the significant Accounting Policies followed in preparing the Statements. Note 4 of the Statements describes recent changes in accounting policies that the Company has had to adopt and changes which will become effective in the future.

10. Financial Instruments

As at April 30, 2018, the Company's financial instruments consist of cash, amounts receivable (excluding GST receivable), advances to related entities, long-term investments, accounts payable, advances to related entities, 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 which approximates carrying value based on market rates for similar financial instruments. The Company classified cash as fair value through profit or loss, amounts receivable, advances to related entities as loans and receivables, due from and demand loans from related parties and long-term debt as other financial liabilities.

The Company is not exposed to significant concentrations of credit 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 above. The Company monitors its ability to meet its short-term exploration and administrative expenditures by raising additional funds through share issuance when required.

All 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 discussed in Note 10 of the Company's financial statements. The Company does not have investments in any asset backed deposits. The Company does not have foreign exchange risk as all of its transactions are in Canadian dollars. The Company has some exposure to significant interest rate risk. None of the Company's financial instruments is exposed to significant credit risk, liquidity risk, foreign exchange risk. Sensitivity analysis is considered not necessary.

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 in trading its investments, and unfavourable market conditions could

result in dispositions of investments at less than favorable 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 its ongoing working capital requirements is dependent on the state of Canada's capital markets.

11. Risks and Uncertainties

Comet's business is a speculative business and involves a high degree of risk which even a combination of professional evaluation and management experience may not eliminate. The following are some of the risks to the Company, recognizing that it may be exposed to other additional risks from time to time.

- Limited business history of the Company and no assurance of reaching or maintaining significant profitability
- Dependence on key management personnel
- Reliance on availability and performance of independent contractors
- Challenges by other unknown parties or Aboriginals to property titles
- Environmental issues
- Federal and provincial political risk
- Commodity price risk
- Financial markets

12. Other MD & A Requirements

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