Form 51-102F4
Business Acquisition Report

Item 1 Identity of Company

1.1 Name and Address of Company

Progressive Planet Solutions Inc. (“PLAN” or, the “Company”)
724 Sarcee Street East
Kamloops, British Columbia
V2H 1E7

1.2 Executive Officer

For further information, please contact Chris Halsey-Brandt, Chief Financial Officer at 1-800 910-3072.

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

On February 18, 2022, PLAN acquired all the issued and outstanding shares of Absorbent Products Ltd. and certain related companies[1] (combined, “**APL**”) pursuant to the terms of a Share Purchase Agreement (the “**SPA**”) entered into among PLAN and the vending shareholders, dated December 17, 2021 (the “**Acquisition**”).

APL is a manufacturer of mineral-based products derived from diatomaceous earth, zeolite, and bentonite headquartered in Kamloops, British Columbia. APL is the sole owner of a diatomaceous earth mine located near Kamloops and a bentonite mine, located near Princeton, British Columbia. APL is also the operator of a zeolite mine, also located near Princeton. APL has been in operation since 1989.

PLAN intends to support and grow APL’s existing business operations, with a specific focus on the expansion of the regenerative agricultural product market. In addition, PLAN intends on developing an incremental line of business in sustainable cement.

For the foreseeable future, PLAN does not expect to dispose of any significant business assets or interests owned by APL, including its mineral and mining operations; industrial properties (i.e., long-term lease properties); manufacturing, sales and distribution infrastructure; portfolio of eco-conscious product lines; or patents and intellectual property.

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[1] Related companies included 0820443 B.C. Ltd., a company which owned certain properties utilized in APL’s business, and 1111157 B.C. Ltd., a holding company which owned shares in APL.

2.2 Acquisition Date

The acquisition date was February 18, 2022.

2.3 Consideration

The total consideration paid by the Company was $16.3 million, which is comprised of:

a) $11.2 million in cash, including:
   i. $10.3 million payable upon closing, and
   ii. $1.0 million holdback payable within 95 days of closing, subject to a working capital adjustment[2].

b) Assumption of a $2.1 million existing APL revolving bank loan.

c) $3 million in common shares of the Company, including:
   i. $1.2 million in common shares of the Company issued at the closing date at a price of $0.35 per share. These shares have a 4 month hold period which expired on June 19, 2022.
   ii. $900,000 in common shares of the Company to be issued one year from the closing date, at a price equal to the greater of (a) $0.35 per share, or (b) the 50-day volume weighted average trading price of such shares in the days immediately preceding each issuance of such shares, and
   iii. $900,000 in common shares of the Company to be issued two years from the closing date, at a price equal to the greater of (a) $0.35 per share, or (b) the 50-day volume weighted average trading price of such shares in the days immediately preceding each issuance of such shares.

The cash component of the purchase price was funded from:

a) $8,683,000 of senior bank debt comprised of:

   i. $6.97 million non-revolving mortgage amortized over 25 years, repayable in blended monthly payments at an interest rate equal to the bank's prime rate (2.45% at the acquisition date) + 0.75%.

[2] At the date of this report, a dispute existed between the Company and the vending shareholders regarding the determination of APL's working capital at the acquisition date. The Company calculated the working capital to be approximately $190,000 less than the amount calculated by the vending shareholders. The difference is being resolved through the dispute resolution process defined in the SPA. The Company expects to be successful in the dispute resolution process. To the extent all or part of the Company's calculation of working capital is determined to be appropriate, the cash consideration payable by the Company will decrease (by a maximum of the disputed amount of $190,000).

ii. $990,000 term loan amortized over 5 years, repayable in blended monthly payments at an interest rate equal to the bank's prime rate (2.45% at the acquisition date) + 1.25%.

iii. $723,000 term loan amortized over 6 years, repayable in blended monthly payments at an interest rate equal to the bank's prime rate (2.45% at the acquisition date) + 1.75%.

b) Two private placements of the Company's shares which generated combined proceeds of $6.2 million, as follows:

i. 11,470,500 units issued at $0.35 per unit for gross proceeds of $4,014,675.
ii. 6,293,140 units at $0.35 per unit for gross proceeds of $2,202,599.

All units were comprised of one common share and one share purchase warrant of the Company. Each warrant entitles the holder to purchase one additional share of the Company at a price of $0.60 per share for a period of two years.

Only a portion of the cash raised by the private placements noted above was used to fund the purchase of APL. The excess cash will be used for business development and general operating purposes.

2.4 Effect on Financial Position

Upon completion of the Acquisition, APL became a wholly-owned subsidiary of PLAN. The business and operations of APL will be combined with those of PLAN and managed concurrently. In addition, PLAN intends to integrate its existing comminution operations into the material processing operations of APL.

As discussed previously, PLAN does not expect to dispose of any significant business assets or interests owned by APL, including its mineral and mining operations; industrial properties (i.e., long-term lease properties); manufacturing, sales and distribution infrastructure; portfolio of eco-conscious product lines; or patents and intellectual property.

Accordingly, other that noted herein, the Company does not presently have plans or proposals for material changes in the business or affairs of PLAN or APL which may have a significant effect on the results of operations and financial position of the Company.

2.5 Prior Valuations

Not applicable.

Schedule "A"

Unaudited interim combined financial statements of APL

For the three and nine-month periods ended December 31, 2021 and 2020

2.6 Parties to Transaction

The Acquisition was not a transaction with an “informed person” (as such term is defined in Section 1.1 of National Instrument 51-102 Continuous Disclosure Obligations (“NI 51-102”)), associate, or affiliate of PLAN.

2.7 Date of Report

Report was completed on August 26, 2022.

Item 3 Financial Statements and Other Information

The following financial statements required by Part 8 of National Instrument 51-102 Continuous Disclosure Obligations are included in this report:

a) Attached as Schedule “A” are the unaudited interim combined financial statements of APL for the three and nine-month periods ended December 31, 2021 and 2020.

b) Attached as Schedule “B” are the annual combined financial statements of APL for the years ended March 31, 2021 and 2020.

APL’s auditors have not given their consent to include their audit report on the annual combined financial statements of APL as at and for the year ended March 31, 2021 in this Business Acquisition Report.

Interim Combined Financial Statements of

ABSORBENT PRODUCTS LTD.

Three and Nine months ended December 31, 2021

Unaudited

ABSORBENT PRODUCTS LTD.

Combined Statement of Financial Position
(Unaudited)
As at

	December 31, 2021	March 31, 2021
Assets		
Current assets:		
Cash and cash equivalents (note 4)	$ 211,324	$ 284,852
Accounts receivable (note 5)	1,634,360	1,807,418
Inventories (note 6)	3,420,024	3,064,992
Prepaid expenses and deposits	236,441	133,144
Advances to related parties (note 7)	250,563	593,295
	5,752,712	5,883,701
Property, plant and equipment (note 8)	4,735,764	4,752,786
Right of use assets (note 9)	2,428,848	2,494,558
Mineral properties (note 10)	1,063,650	992,485
Intangible assets (note 11)	357,005	308,126
	$ 14,333,979	$ 14,431,031
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 4)	$ 1,664,959	$ 904,547
Accounts payable and accrued liabilities (note 12)	989,613	1,741,161
Income taxes payable	-	492,389
Current portion of long-term debt (note 13)	379,701	379,701
Current portion of lease liabilities (note 14)	161,621	164,593
Asset retirement obligations (note 16)	25,000	25,000
	3,220,894	3,707,391
Long-term debt (note 13)	2,108,128	2,419,013
Lease liabilities (note 14)	2,304,868	2,369,820
Asset retirement obligations (note 16)	233,423	227,611
Deferred tax liabilities	683,059	911,012
	8,550,372	9,634,847
Shareholders' equity:		
Share capital (note 17)	60,872	60,872
Contributed surplus	14,013	14,013
Retained earnings	5,708,722	4,721,299
	5,783,607	4,796,184
Commitments (note 18):		
Contingencies (note 19):		
Subsequent event (note 24):		
	$ 14,333,979	$ 14,431,031

See accompanying notes to combined financial statements.

ABSORBENT PRODUCTS LTD.

Interim Combined Statement of Profit and Other Comprehensive Income
(Unaudited)

	Three months ended December 31, 2021	Three months ended December 31, 2020	Nine months ended December 31, 2021	Nine months ended December 31, 2020
Revenue (note 20)	$4,488,070	$5,599,242	$14,349,397	$16,409,751
Cost of sales:				
Amortization and depreciation	136,774	108,614	329,473	316,809
Changes in inventories	2,665,574	2,947,630	8,351,901	8,485,365
Depletion and asset retirement obligations amortization (note 10)	6,875	8,761	21,368	24,876
Freight	496,231	623,917	1,671,423	1,906,276
	3,305,454	3,688,922	10,374,165	10,733,326
Gross profit	1,182,616	1,910,320	3,975,232	5,676,425
Expenses:				
Selling expenses:				
Advertising	93,795	97,539	310,003	294,898
Commissions	2,422	2,569	6,213	14,693
Other sales expenses	431,459	347,852	1,337,512	1,320,102
Personnel (note 21)	138,057	138,960	411,062	410,068
	665,733	586,920	2,064,790	2,039,761
Other expenses (income):				
General and administrative	277,292	454,635	1,072,550	1,302,557
Impairment loss on advance to related parties (note 7)	-	-	-	1,251,742
Loss (gain) on disposal of property and equipment	(161,926)	-	(161,926)	2,919
Loss on foreign exchange	5,165	1,553	12,337	16,857
	120,531	456,188	922,961	2,574,075
Finance income (note 22)	(4,138)	(4,329)	(13,343)	(13,388)
Finance cost	80,101	33,956	150,821	106,986
Net finance cost	75,963	29,627	137,478	93,598
Profit before income tax	320,389	837,585	850,003	968,991
Income taxes:				
Current	83,201	3,731	100,531	11,560
Deferred (recovered)	(339,801)	161,457	(237,951)	433,793
	(256,600)	165,188	(137,420)	445,353
Profit and comprehensive income for the period	$ 576,989	$ 672,397	$ 987,423	$ 523,638

See accompanying notes to combined financial statements.

ABSORBENT PRODUCTS LTD.

Combined Statement of Changes in Equity
(Unaudited)

	Share capital	Contributed surplus	Retained earnings	Total equity
Balance at April 1, 2020	$ 60,872	$ 14,013	$ 4,170,030	$ 4,244,915
Total comprehensive income for the period				
Profit and comprehensive income	-	-	523,638	523,638
Transactions with owners, recorded directly in equity				
Dividends on common shares	-	-	-	
Balance at December 31, 2020	$ 60,872	$ 14,013	$ 4,693,668	$ 4,768,553
Balance at April 1, 2021	$ 60,872	$ 14,013	$ 4,721,299	$ 4,796,184
Total comprehensive income for the period				
Profit and comprehensive income	-	-	987,423	987,423
Transactions with owners, recorded directly in equity				
Dividends on common shares	-	-	-	-
Balance, December 31, 2021	$ 60,872	$ 14,013	$ 5,708,722	$ 5,783,607

See accompanying notes to combined financial statements.

ABSORBENT PRODUCTS LTD.

Interim Combined Statement of Cash Flows
(Unaudited)
For the nine months ended December 31,

		2021		2020
Cash provided by (used in):				
Cash flow from operating activities:				
Profit for the period	$	987,423	$	523,638
Adjustments for:				
Depreciation on property, plant, and equipment (note 8)		270,603		296,380
Depreciation of right of use assets (note 9)		69,710		68,903
Depreciation of mineral properties (note 10)		37,252		42,374
Amortization of intangible assets (note 11)		1,267		-
Exchange gain		-		(16,857)
Loss (gain) on disposal of property and equipment		(165,426)		2,919
Interest on callable debt		21,195		-
Impairment loss on advances to related parties (note 7)		-		1,251,742
Write off of intangible assets (note 11)		-		34,073
Income tax expense (gain)		(137,420)		317,983
		1,084,604		2,521,155
Changes in non-cash operating working capital:				
Accounts receivable		173,058		(460,935)
Inventories		(355,032)		(301,053)
Accounts payable and accrued liabilities		(1,587,022)		(81,671)
Asset retirement obligations		2,840		(11,054)
Prepaid expenses and deposits		(103,297)		(128,150)
Cash generated from operating activities		(1,869,453)		(982,863)
Cash flow from financing activities:				
Repayments on long-term debt		(310,039)		(93,521)
Repayments on lease liabilities		(64,952)		(88,622)
Repayments on interest on long-term debt		(9,003)		-
		(383,994)		(182,143)
Cash flow from investing activities:				
Advances to related companies		-		(1,284,047)
Proceeds from insurance		300,516		-
Receipt of advances to related companies		581,811		-
Additions to property, plant, and equipment (net of grants) (note 8)		(388,861)		(197,285)
Mineral properties costs incurred (note 10)		(108,417)		(99,613)
Additions to intangible assets (note 11)		(50,146)		-
		334,903		(1,580,945)
Decrease in cash and cash equivalents		(833,940)		(224,796)
Cash and cash equivalents, beginning of the period		(619,695)		(1,733,264)
Cash and cash equivalents, end of period (note 4)	$	(1,453,635)	$	(1,958,060)

See accompanying notes to combined financial statements.

1. Nature of operations:

Absorbent Products Ltd. (“Absorbent”, “the Company”) is a private company incorporated under the laws of British Columbia and its principal business activity is the production of industrial and domestic absorbents in Kamloops, B.C. The address of the Company’s registered office is 724 Sarcee Street E, Kamloops, B.C., Canada. The ultimate parent of Absorbent is Progressive Planet Solutions Inc. (“Progressive”).

Basis of preparation:

These combined financial statements include the results of the Company, 0820443 B.C. Ltd. and 1111157 B.C. Ltd., commonly controlled entities (the “Group”). The Group has prepared these combined financial statements in accordance with International Financial Reporting Standards (IFRSs) for inclusion in Progressive’s Business Acquisition Report dated August 26, 2022. These combined financial statements are the first financial statements of the Group in accordance with IFRS1.3. The Group prepared the combined financial statements using IFRS 1.D16(a) (“predecessor accounting method”). The Group used the same accounting policies and valuation methods for the preparation of these combined financial statements, as those used by Absorbent for the preparation of the financial information included in Absorbent’s financial statements. These accounting policies have been disclosed under Note 2 – Significant accounting policies. The combined financial statements were prepared on a historical cost basis as included in Absorbent’s financial statements, based on Absorbent’s date of transition to IFRS (April 1, 2019).

The combined financial statements of the Group have been derived from the aggregation of the net assets of the Company, 0820443 B.C. Ltd. and 1111157 B.C. Ltd, commonly controlled entities. All intra-group balances, income, expenses and unrealized gains and losses arising from transactions between companies belonging to the Group were eliminated when preparing the combined financial statements. In addition, the investments of the holding companies of the Group were eliminated against the equity of the respective companies.

2. Basis of accounting:

(a) Statement of compliance:

The interim combined financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretation Committee ("IFRIC"). These interim combined financial statements have been prepared on the basis of IFRS standards that are effective for the Company's reporting year ended March 31, 2021.

The financial statements were authorized for issue by the Progressive's Management on August 26, 2022.

(b) Basis of measurement:

The interim combined financial statements have been prepared on the historical cost basis, except for where otherwise stated.

(c) Functional and presentation currency:

These interim combined financial statements are presented in Canadian dollars, which is the functional currency of the Group.

(d) Use of estimates and judgments:

The preparation of the interim combined financial statements in accordance with IFRSs requires management to use judgment in applying accounting policies and to make estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2. Basis of accounting (continued):

(d) Use of estimates and judgments (continued):

Information about judgments made that have the most significant effects on the amounts recognized in the financial statements include whether the Group is party to a lease arrangement (notes 8 and 13). Areas of estimation uncertainty that may have a significant effect on the amounts recognized in the financial statements, and could result in a material adjustment within the next fiscal year is included in the following notes:

- Notes 2(c) and 5 - measurement of inventory raw materials;
- Notes 2(h) and 9 - depletion of mineral properties; and
- Notes 2(i) and 15 - recognition and measurement of asset retirement obligations.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statement of financial position as at April 1, 2019 for the purposes of the transition to IFRSs, unless otherwise indicated.

(a) Cash and cash equivalents:

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments and form an integral part of the Group's cash management. They include cash on hand, balances with bank and short-term deposits with remaining maturities at the time of acquisition of three months or less. Their carrying amount approximates their fair value.

(b) Revenue recognition:

The Company recognizes sales on deliveries once the goods are accepted at the customer's premises, and for customer pick-up orders, at the point of sale, which is when the customer obtains control, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Invoices are generated at that point in time and they are usually payable within 45 days. Revenue is measured based on the consideration specified in a contract with a customer. These contracts usually specify discounts granted. Therefore, discounts are recognized as a reduction of revenue. For contracts that permit the customer to return an item, revenue is recognized to the extent that a significant reversal in the amount if cumulative revenue will not occur. Returns are exchanged only for new goods. Revenue is recognized at a point in time and sales are made to customers in Canada and the United States.

3. Significant accounting policies (continued):

(c) Inventories:

Raw materials and finished goods inventories are recorded at the lower of cost (determined on a weighted average basis) and net realizable value. Finished goods cost includes direct costs and attributable manufacturing overhead. Supplies are recorded at the lower of cost (determined on a weighted average basis) and replacement value.

The Company estimates net realizable value as the amount of inventories expected to be sold and taking into consideration fluctuations in price, less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of the inventories is not estimated to be recoverable due to obsolescence, damage or permanent declines in selling price. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in retail selling price, the amount of the write down previously recorded is reversed.

Mined raw materials are deposited in piles, hence the measurement of these raw materials involves the use of significant judgments and assumptions including volume of the pile and bulk density.

(d) Subsidiaries:

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are consolidated from the date on which control commences until the date in which control ceases.

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated.

On February 7, 2020, Western Industrial Clay Products Ltd. filed for corporate dissolution.

(e) Property, plant and equipment:

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditures that are directly attributable to the acquisition of the asset. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

3. Significant accounting policies (continued):

(e) Property, plant and equipment (continued):

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in profit or loss.

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in profit or loss on a diminishing balance basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land improvements are depreciated using the straight-line method.

Asset	Rate
Buildings	5-10%
Mining and processing equipment	10-40%
Office equipment	12-20%
Vehicles	30%
Lab equipment	10%
Land improvements	25 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) Leases:

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of any costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

3. Significant accounting policies (continued):

(f) Leases (continued):

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Group has elected not to recognize right of use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(g) Intangible assets:

Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets include computer software and exploration and evaluation expenditures. Amortization for computer software is provided on a diminishing value basis at 20% and is recognized in profit or loss.

Intangible assets of exploration and evaluation expenditures relating to acquisition of mining claims are not amortized. When the decision to develop an area is made, its exploration and evaluation expenditures are reclassed to mineral properties.

3. Significant accounting policies (continued):

(g) Intangible assets (continued):

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The carrying value of an intangible asset which is subject to amortization is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount is not recoverable and exceeds its fair value.

(h) Mineral properties:

Mineral properties include the costs incurred for the development of the Company's mineral properties as well as related asset retirement obligations. All costs related to the development of the diatomaceous earth material project and bentonite including associated administrative costs have been capitalized. Expenditures related to acquisition of mining and exploration are capitalized as exploration and evaluation expenditures within intangible assets until exploration is complete or there is an indicator of impairment. Depletion of such costs is provided on the units of production basis. Mineral properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and exceeds its fair value.

(i) Asset retirement obligations:

The Company recognizes a future asset retirement obligation as a liability in the year in which it incurs a legal or constructive obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development and/or normal use of the assets based on the best estimate of the expenditure required to settle the obligation. The Company concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is amortized over the life of the asset.

The amount of the asset retirement obligation is estimated using the expected cash flow approach discounted at a credit adjusted interest rate based on government bonds with a similar date to maturity. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of the reporting period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation due to the passage of time are recognized in profit or loss as finance costs using the effective interest method. Changes in the obligation due to changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related long-lived asset that is amortized over the remaining life of the asset.

3. Significant accounting policies (continued):

(i) Asset retirement obligations (continued):

Establishing the appropriate provision for asset retirement obligations involves application of considerable judgment and involves a risk of significant adjustments. These retirement activities are many years into the future hence the estimates include assumptions of the time required. Furthermore, changes in the discount rate may impact the estimates. As a result, the initial recognition of the liability and the capitalized cost associated with the retirement obligations as well as the subsequent adjustment involves the application of judgment.

(j) Government assistance:

The Company periodically applies for financial assistance under available government incentive programs.

Government assistance relating to capital expenditures is reflected as a reduction of the cost of such assets. Government assistance relating to expenses incurred are recognized in profit or loss as other income or as a reduction of the related expense, on a systematic basis in the periods in which the expenses are recognized.

(k) Provisions:

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability. The unwinding of the discount is recognized in profit or loss as finance costs.

(l) Income taxes:

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in profit or 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 or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date.

3. Significant accounting policies (continued):

(l) Income taxes (continued):

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: 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, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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 the related tax benefit will be realized.

(m) Financial instruments:

Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue. Trade receivables, without a significant financing component, are initially measured at the transaction price.

3. Significant accounting policies (continued):

(m) Financial instruments (continued):

Classification and subsequent measurement

Financial assets

The Group's financial assets are trade and other receivables, cash and cash equivalents and advances to related companies. On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes it business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management.

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairments are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows.

3. Significant accounting policies (continued):

(m) Financial instruments (continued):

Financial liabilities

The Group's financial liabilities are accounts payable and accrued liabilites, long-term debt, bank indebtedness and lease liabilities. The Group's financial liabilities are classified at amortized cost. They are subsequently measured at amortized cost using the effective interest method except for lease liabilities. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognized in profit or loss.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(n) Foreign currency translation:

Transactions in foreign currencies are translated into the functional currency of the Group using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate at the reporting date. Non-monetary assets and liabilities that are measured on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange gains and losses on translation of monetary assets and liabilities are recognized in profit or loss.

If applicable, assets and liabilities of foreign operations are translated into the functional currency at the exchange rates at the reporting date. Income and expenses of foreign operations are translated into the functional currency at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income or loss and accumulated in the translation reserve. When a foreign operation is disposed of in its entirety, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

3. Significant accounting policies (continued):

(o) Employee benefits:

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Company has a stock-based compensation plan, which is described in note 16. Equity instruments awarded to employees and the cost of the services received as consideration are measured and recognized based on the fair value of the equity instruments. The grant-date fair value is generally recognized as an expense, with a corresponding increase in equity over the vesting period of the awards. Consideration paid on the exercise of stock options is recorded as share capital, up to the par value of the issued shares and the remaining amount to contributed surplus.

Under the fair value-based method, the compensation cost is recognized over the vesting period of the awards. Awards for past service are recognized as an expense in the period when granted.

(p) Impairment:

i. Non-derivative financial assets

The Group recognizes loss allowances for expected credit losses (ECLs) on financial assets measured at amortized cost. Loss allowances for trade receivables are measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial asset. Twelve-month ECLs are the portion of ECLs that result from default events that are possible within twelve months after the reporting date (or a shorter period of the expected life of the instrument is less than twelve months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

3. Significant accounting policies (continued):

(p) Impairment (continued):

i. Non-derivative financial assets (continued) :

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- The debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or

- The financial asset is more than 90 days past due.

At each reporting date, the Group assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred. Evidence that a financial asset is credit-impaired includes observable data such as significant financial difficulty of the debtor and a breach of contract such as a default or being more than 90 days past due.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount when the financial asset is 120 days past due based on historical experience of recoveries of similar assets.

3. Significant accounting policies (continued):

(p) Impairment (continued):

ii. Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGU). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 assets.

Impairment loss is recognized in profit or loss if the carrying amount of an asset or CGU exceeds its recoverable amount.

(q) Share capital:

i. Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects are recognized as deduction from equity.

(r) Finance income and finance costs:

The Group's finance income and finance costs and include interest income and interest expense on loans and leases. Interest income or expense is recognized as it accrues in profit or loss, using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset, or the amortized cost of the financial liability.

3. Significant accounting policies (continued):

(s) Statement of cash flows:

The statement of cash flows is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows have been eliminated for the purpose of preparing the statement. Dividends paid to ordinary shareholders are included in financing activities. Finance costs paid is also included in financing activities while finance income is included in investing activities.

(t) Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When one is available, the Group measures the fair value of an instrument using the quoted price in active market for that instrument. A market is regarded as ‘active’ if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

3. Significant accounting policies (continued):

(u) Future accounting standards:

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier adoption is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

a. Onerous contracts - Cost of fulfilling a contract (amendments to IAS 37):

On May 14, 2020, the IASB issued Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37).

IAS 37 does not specify which costs are included as a cost of fulfilling a contract when determining whether a contract is onerous. The IASB's amendments address this issue by clarifying that the 'costs of fulfilling a contract' comprise both:

- the incremental costs - e.g. direct labour and materials; and

- an allocation of other direct costs - e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

The amendments are effective for annual periods beginning on or after January 1, 2022 and apply to contracts existing at the date when the amendments are first applied. Early adoption is permitted. The amendment is not expected to have a material impact on the financial statements.

b. Other standards:

The following new and amended standards are not expected to have a significant impact on the Group's financial statements and are effective for annual periods beginning on or after January 1, 2022 or 2023:

- Property, Plant Equipment: Proceeds before Intended Use (Amendment to IAS 16); and
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).

4. Cash and cash equivalents:

	December 31, 2021	March 31, 2021
Bank balances	$ 211,175	$ 272,021
Cash	149	12,831
Cash in the statement of financial position	211,324	284,852
Bank indebtedness repayable on demand and used for cash management purposes	(1,664,959)	(904,547)
Cash and cash equivalents in statement of cash flow	$ (1,453,635)	$ (619,695)

Bank indebtedness:

The Company has a credit facility agreement with the Bank of Montreal (BMO) to borrow Canadian and U.S. funds by means of an operating line of credit to a maximum of $3,000,000 Canadian dollars. The available operating line of credit balance is calculated based on the Company's available accounts receivable and inventory balances. The operating line of credit bears interest at 0.78% above the bank's commercial prime lending rate (December 31, 2021 - 3.23%, in aggregate) for Canadian funds and 0.78% above the U.S. Base Rate (December 31, 2021 - 4.23%, in aggregate) for U.S. funds.

Security is provided by way of a general security agreement with a second charge over all assets of the Company with priority over accounts receivable and inventories, general assignment of book debts, Section 427 of the Bank Act security over inventory with priority over finished and processed goods, corporate guarantee from 0820443 B.C. Ltd. of $700,000, a company related through common control, personal guarantee not to exceed $2,228,500 from the majority shareholder and a director of the Company, subrogation of all shareholder loans and an assignment of key man insurance in the amount of $1,000,000 and fire and other perils insurance on the assets of the Company.

Interest expense of $46,232 (March 31, 2021 - $46,232) is included in finance costs in the statement of profit or loss related to this facility.

5. Trade and other receivables:

	December 31, 2021	March 31, 2021
Trades receivables	$ 1,451,713	$ 1,784,541
Other receivables	182,647	22,877
	$ 1,634,360	$ 1,807,418

5. Trade and other receivables (continued):

a. Included in other receivables for the year are amounts due from employees in the amount of $Nil (March 31, 2021 - $18,108) which are unsecured, bear interest at 2.0% and are due on demand.

b. Trade receivables

		December 31, 2021		March 31, 2021
Gross trade receivables	$	1,634,360	$	1,800,409
Impairment		-		(15,868)
	$	1,634,360	$	1,784,541

Information about the Group's exposure to credit and market risks are included in note 23.

6. Inventories:

		December 31, 2021		March 31, 2021
Finished goods	$	2,218,000	$	1,965,479
Raw materials		939,716		832,988
Supplies		262,308		266,525
	$	3,420,024	$	3,064,992

The cost of inventories recognized as an expense during the nine months ended December 31, 2021 was $8,351,901 (March 31, 2021 - $11,614,100). As of December 31, 2021, inventories have been reduced by $Nil (March 31, 2021 - $147,644) as a result of write-down to net realizable value. The write-downs are included in change in inventories in the statement of profit or loss.

Inventories have been pledged as security for the Company's bank indebtedness (note 4) and long-term debt (note 13) and in accordance with the respective agreements.

7. Advances to related parties:

		December 31, 2021		March 31, 2021
1132922 B.C. Ltd., a company related through common control, non-interest bearing, unsecured, with no specified terms of repayments		-		5,694,297
Receivables from shareholders, unsecured, with no specified terms of repayments		250,563		593,295
Less impairment loss		-		(5,694,297)
	$	250,563	$	593,295

The advances to related parties were assessed for impairment in accordance with IFRS 9. During the nine months ended December 31, 2021, an impairment loss of $Nil (March 31, 2021 - $1,251,742) was recognized on the advances from 1132992 B.C. Ltd.

8. Property, plant and equipment:

	Land	Buildings	Mining and processing equipment	Office equipment	Vehicles	Lab equipment	Leasehold and land improvements	Total
Cost								
Balance at March 31, 2020 (Unaudited)	**$ 357,882**	**$3,889,930**	**$5,761,940**	**$ 175,347**	**$ 88,664**	**$ 39,910**	**$ 15,823**	**$10,329,496**
Additions	-	131,667	56,869	7,610	85,897	-	5,000	287,043
Write off*	-	-	(136,327)	(8,340)	(16,765)	-	-	(161,432)
Balance at March 31, 2021	357,882	4,021,597	5,682,482	174,617	157,796	39,910	20,823	10,455,107
Additions	-	64,932	338,224	2,341	7,156	-	-	412,653
Disposal	-	(256,691)	-	-	(46,565)	-	-	(303,256)
Balance at Dec 31, 2021	**$ 357,882**	**$3,829,838**	**$6,020,706**	**$ 176,958**	**$118,387**	**$ 39,910**	**$ 20,823**	**$10,564,504**
Depreciation and impairment losses								
Balance at March 31, 2020 (Unaudited)	**$ -**	**$1,271,279**	**$3,893,477**	**$ 145,267**	**$ 77,417**	**$ 25,708**	**$ 14,477**	**$ 5,427,625**
Depreciation	-	149,394	248,024	6,724	25,656	1,420	1,991	433,209
Write off*	-	-	(133,408)	(8,340)	(16,765)	-	-	(158,513)
Balance at March 31, 2021	-	1,420,673	4,008,093	143,651	86,308	27,128	16,468	5,702,321
Depreciation	-	123,477	158,435	4,928	18,230	959	1,855	307,884
Write off*	-	(134,900)	-	-	(46,565)	-	-	(181,465)
Balance at December 31, 2021	**$ -**	**$1,409,250**	**$4,166,528**	**$ 148,579**	**$ 57,973**	**$ 28,087**	**$ 18,323**	**$ 5,828,740**
At March 31, 2021	**$ 357,882**	**$2,600,924**	**$1,674,389**	**$ 30,966**	**$ 71,488**	**$ 12,782**	**$ 4,355**	**$ 4,752,786**
At December 31, 2021	**$ 357,882**	**$2,420,588**	**$1,854,178**	**$ 28,379**	**$ 60,414**	**$ 11,823**	**$ 2,500**	**$ 4,735,764**

*This relates to fully depreciated assets which were written off during the year.

8. Property, plant and equipment (continued):

Property, plant and equipment have been pledged as security for the Group's bank indebtedness (note 4) and long-term debt (note 13) and in accordance with the respective agreements.

On July 1, 2021, a forest fire destroyed one of the Group's scrapers, fencing and a power pole at a mine site, The Group's insurer has determined the extent of loss and estimated the incremental costs relating to refurbishment of the assets affected. The Group received $300,516 from insurance.

9. Right of use assets:

	December 31, 2021	March 31, 2021
Equipment	$ 69,082	$ 81,273
Land	2,359,766	2,413,295
	$ 2,428,848	$ 2,494,558

Additions to the right of use assets during the nine months ended December 31, 2021 was $Nil (March 31, 2021 - $88,220).

The right of use assets are depreciated on a straight line basis over the term of the lease Depreciation charge on right of use assets is as follows:

	December 31, 2021	March 31, 2021
Equipment	$ 12,077	$ 20,318
Land	57,633	75,639
	$ 69,710	$ 95,957

10. Mineral properties:

	December 31, 2021	March 31, 2021
Mineral properties, beginning of the period	$ 992,485	$ 933,647
Mineral properties costs incurred	108,417	72,387
Increase in asset retirement obligations	-	19,763
Depletion and asset retirement obligations amortization	(37,252)	(33,312)
	$ 1,063,650	$ 992,485

Mineral properties have been pledged as security for the Group's bank indebtedness (note 4) and long-term debt (note 13) in accordance with the respective agreements.

11. Intangible assets:

	Computer software	Exploration & evaluation expenditures	Total
Cost			
Balance at April 1, 2020	$ 157,636	$ 318,069	$ 475,705
Additions	-	40,842	40,842
Balance at March 31, 2021	157,636	358,911	516,547
Balance at April 1, 2021	157,636	358,911	516,547
Additions	-	50,146	50,146
Balance at December 31, 2021	157,636	409,057	566,693
Depreciation and impairment losses			
Balance at April 1, 2020	$ 147,077	$ -	$ 147,077
Depreciation	2,112	-	2,112
Wire off	-	59,232	59,232
Balance at March 31, 2021	149,189	59,232	208,421
Balance at April 1, 2021	149,189	59,232	208,421
Depreciation	1,267	-	1,267
Balance at December 31, 2021	150,456	59,232	209,688
At March 31, 2020	**$ 10,559**	**$ 318,069**	**$ 328,628**
At March 31, 2021	**$ 8,447**	**$ 299,679**	**$ 308,126**
At December 31, 2021	**$ 7,180**	**$ 349,825**	**$ 357,005**

During the year ended March 31, 2021, the Company determined that exploration at some of its sites which mining claims expenditures had been incurred was no longer feasible hence expenditure on claims previously capitalized were written off.

12. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities at December 31, 2021 are government remittances payable of $131,350 (March 31, 2021 - $114,390), which include amounts payable for GST, PST, EHT, payroll related taxes, workers' compensation and other federal remittances.

13. Long-term debt:

	December 31, 2021	March 31, 2021
Business Development Bank of Canada (BDC) loan, repayable in interest only instalments to October 2020 and monthly instalments of $8,815 plus interest at BDC's Floating Base Rate of 4.55% minus 1.0% (December 31, 2021 - 3.55%, in aggregate) thereafter, 25% guaranteed by the majority shareholder and 1111157 B.C. Ltd., a company owned by the majority shareholder, secured by a general security agreement providing a first security interest on all property of the Company and 0820443 B.C. Ltd. and a first mortgage of a lease on land held by the Company, due June 2039.	$ 1,826,149	$ 1,930,485
Business Development Bank of Canada (BDC) loan, repayable in interest only instalments to September 2020, one instalment of $7,640 due October 2020 and monthly instalments of $7,639 plus interest at BDC's Floating Base Rate of 4.55% minus 1.5% (March 31, 2021 - 3.05%, in aggregate) thereafter, 25% guaranteed by the majority shareholder and 1111157 B.C. Ltd., secured by a general security agreement providing a first security interest in new and existing specific equipment and a security interest in all other present and after-acquired personal property, due September 2026.	226,095	291,625
Business Development Bank of Canada (BDC) loan, repayable in interest only instalments to September 2020, one instalment of $2,778 due October 2020 and monthly instalments of $2,778 plus interest at BDC's Floating Base Rate of 4.55% minus 0.24% (March 31, 2020 - 4.31%, in aggregate) thereafter, guaranteed by the majority shareholder and 1111157 B.C. Ltd., due September 2026.	183,333	183,333
Brandt Finance Agreement, repayable in monthly instalments of $3,633, 0% interest per annum, secured by specific equipment with a net book value of $170,000, due July 2023.	63,503	93,939
Bank of Montreal, term loan, repayable in blended monthly payments of $2,700 plus interest at 3.72%, secured by specific property and guarantees from Absorbent Products Ltd. and a personal guarantee from Peter Aylen, due August 2022	188,749	213,049
Bank of Montreal, term loan, repayable in blended monthly payments of $1,100 plus interest at 3.68%, secured by specific property and guarantees from Absorbent Products Ltd. and a personal guarantee from Peter Aylen, due August 2021	-	86,283
	2,487,829	2,798,714
Less current portion of long-term debt	379,701	379,701
	$ 2,108,128	$ 2,419,013

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effects on the business is not known at this time; however, they could be material. These impacts could include an impact on the ability to obtain debt and equity financing, impairments in the value of long-lived assets, or potential future decreases in revenue or the profitability of ongoing operations. As part of the measures taken, the Group was given a postponement of principal payments on the long-term debt with BDC, due June 2039, for a six-month period from May 2020 to October 2020.

13. Long-term debt (continued):

Interest expense of $16,732 (March 31, 2021 - $111,416) is included in finance costs in the statement of profit or loss related to these facilities.

Information about the Group's interest rate risk and liquidity risks is included in note 23.

14. Lease liabilities:

	December 31, 2021	March 31, 2021
Equipment	$ 33,810	$ 59,850
Land	2,432,679	2,474,563
	2,466,489	2,534,413
Less current portion of lease liabilities	161,621	164,593
	$ 2,304,868	$ 2,369,820

Interest expense of $44,473 (March 31, 2021 - $62,054) relating to lease liabilities has been included in finance costs in the statement of profit or loss related to these lease arrangements.

15. Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Long-term debt	Lease liabilities	Retained earnings
Balance at April 1, 2020	$ 2,985,132	$ 2,522,125	$ 4,170,030
Changes from financing cash flows:			
Proceeds from lease liabilities	-	88,220	-
Repayment of borrowing	(186,418)	-	-
Dividend paid	-	-	-
Payment of lease liabilities	-	(97,938)	-
Total changes from financing cash flows	(186,418)	(9,718)	-
Other changes:			
Interest expense	111,416	92,186	-
Interest paid	(111,416)	(70,180)	-
Total liabilities-related other changes	-	22,006	-
Total equity-related other changes	-	-	551,269
Balance at March 31, 2021	$ 2,798,714	$ 2,534,413	$ 4,721,299

15. Reconciliation of movements of liabilities to cash flows arising from financing activities (continued):

	Long-term debt	Lease liabilities	Retained earnings
Balance at March 31, 2021	$ 2,798,714	$ 2,534,413	$ 4,721,299
Changes from financing cash flows:			
Proceeds from lease liabilities	-	-	-
Repayment of borrowing	(318,614)	-	-
Dividend paid	-	-	-
Payment of lease liabilities	-	(112,397)	-
Total changes from financing cash flows	(318,614)	(112,397)	-
Other changes:			
Interest expense	16,732	44,473	-
Interest paid	(9,003)	-	-
Total liabilities-related other changes	7,729	44,473	-
Total equity-related other changes	-	-	987,423
Balance at December 31, 2021	$ 2,487,829	$ 2,466,489	$ 5,708,722

16. Asset retirement obligations:

The Company has recorded asset retirement obligations for the estimated costs of reclaiming its Red Lake and Princeton Bentonite quarries. Due to the long-term nature of the liability, the greatest uncertainty in estimating the provision relates to the timing and costs that will be incurred. The estimated reclamation costs include costs of backfilling, grading, applying topsoil, and seeding and planting trees as required by the Ministry of Energy, Mines and Petroleum Resources. The following is a reconciliation of the changes in the asset retirement obligations during the nine months ended December 31, 2021 and year ended March 31, 2021:

	December 31, 2021	March 31, 2021
Balance, beginning of the period	$ 252,611	$ 264,395
Increase in asset retirement obligations	5,812	19,763
Accretion expense	-	8,439
Reclamation carried out	-	(39,986)
	258,423	252,611
Less estimated current portion	25,000	25,000
	$ 233,423	$ 227,611

The Company reviews its estimates of its asset retirement obligations on an ongoing annual basis.

17. Share capital:

		December 31, 2021		March 31, 2021
Authorized:				
Unlimited Class A common shares, voting, participating, without par value				
Unlimited Class B common shares, non-voting, participating, without par value				
Unlimited Class C preferred shares, non-voting, participating, redeemable and retractable at an amount set by the directors at the time of issuance. $0.01 par value				
Unlimited Class D common shares, voting, participating, $0.01 par value				
Unlimited Class E common shares, voting, participating, $0.05 par value				
Unlimited Class F common shares, voting, participating, $0.10 par value				
Unlimited Class G common shares, voting, participating, $0.15 par value				
Unlimited Class H common shares, voting, participating, $0.20 par value				
Issued:				
2,540,100 Class A common shares	$	60,700	$	60,700
14,750 Class D common shares		148		148
2,350 Class A common shares		24		24
	$	60,872	$	60,872

The Company has established employee stock purchase plans to be known as the Absorbent Products Ltd. Employee Share Purchase Plans ("Purchase Plans") as of August 31, 2007. The common shares for purchase will be determined by the Compensation Committee. The Compensation Committee may designate the bona fide employees and the maximum number of shares each employee can purchase in accordance with the terms of the plans. A bona fide employee must elect by signing to participate in specified time to the Compensation Committee. After election, the employees will lose a right to exercise on any part of the excess after that time. No stock under the Purchase Plans were issued during the nine months ended December 31, 2021 (March 31, 2021 – nil).

18. Commitments:

The Group is committed to five land leases with T'kemlups te Secwepmc with annual payments totaling $118,070. The leases contain clauses allowing the rental amount to be reviewed and adjusted every five years. Four of the leases expire between February 28, 2055 and September 30, 2058. The Group is also committed to a land lease with a private owner with annual payments of $10,000 which expires June 30, 2031.

18. Commitments (continued):

The Company has entered into an agreement with Canadian Mining Company Inc., whereby the Company pays a royalty fee of $9.00 per metric tonne of raw material that is extracted from the mine. As part of the agreement, the Company has the option to purchase up to a 50% ownership interest in the mine for total consideration of $725,000 expiring March 31, 2025. This option has not been exercised as at the reporting date (refer to note 24.

Further, the agreement stipulates that upon termination of use of the mine, the Company is required to remediate the mine to a condition in accordance with Ministry of Environment Standards. The termination date of use and the estimate of cost to the Company of remediation is unknown at this time.

19. Contingencies:

The Company, by agreement with the Government of British Columbia, is responsible for any future site restoration costs on its mining properties. At this time, the need for, or the nature of, any future site restorations costs in addition to those already disclosed in note 15 cannot be reasonably determined.

The Group is contingently liable with respect to financial letters of credit issued by BMO for $266,000 (March 31, 2021 - $266,000).

The Company has guaranteed loans of 1132992 B.C. Ltd., to a maximum amount of $1,936,200. The balance of the loan as at December 31, 2021 was $1,630,250 (March 31, 2021 - $1,689,766).

20. Revenue:

Revenue from contracts with customers disaggregated by product line is as follows:

	December 31, 2021	March 31, 2021
Cat litter	$ 3,471,403	$ 5,777,117
Industrial absorbents	1,484,779	1,858,424
Agricultural	3,822,071	9,735,326
Stall dry	843,216	1,247,293
Feeds	1,092,055	1,608,122
Pellets	458,519	581,434
Ice melt	168,662	289,999
Sorbents	184,247	193,774
Rental	64,350	61,600
Exploration agreement	103,927	12,628
Others	2,656,168	213,765
	$ 14,349,397	$ 21,579,523

21. Employee benefit expenses:

	December 31, 2021	March 31, 2021
Wages and salaries	$ 1,600,025	$ 2,117,515
Other benefits	304,141	374,170
Included in cost of sales	1,904,166	2,491,685
Wages and salaries	411,062	553,503
Included in selling expense	411,062	553,503
Wages and salaries	419,195	594,885
Other benefits	68,335	99,423
Canada pension costs	18,505	30,244
Included in general and administrative expenses	506,035	724,552
	$ 2,821,263	$ 3,769,740

22. Related party transactions:

a. Transactions with key management personnel

Key management personnel compensation comprised of short-term employee benefits amounting to $377,950 (March 31, 2021 - $493,778).

b. Other related parties

	December 31, 2021	March 31, 2021
DE-Source Inc., wholly owned subsidiary of 1132992 B.C. Ltd., marketing expense included in other sales expenses	965,610	1,257,428
DE-Source Inc., wholly owned subsidiary of 1132992 B.C. Ltd., inventory included in cost of sales	161,226	1,401,263

Included in accounts payable is $41,299 (March 31, 2021 - $58,319) due to DE-Source Inc.

Included in inventories is $64,814 (March 31, 2021 - $45,606) purchased from DE-Source Inc.

These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

23. Financial risks and concentration of risk:

The Company has exposure to the following risks arising from financial instruments:

- Market risk (see a)
- Credit (see b)
- Liquidity risk (see c)

(a) Market risk:

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

Interest rate risk:

The Group's long-term debt is subject to interest rate risk as the required payments to service the debts will fluctuate as a result of the variable lending rate. There has been a decrease to the interest rate risk exposure from 2021 due to a decrease in long-term debt during the nine months ended December 31, 2021.

An increase of 100 basis points on interest rates would have increased finance cost by $1,000 (March 31, 2021 - $1,000). This analysis assumes that all other variables remain constant.

Currency risk:

The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. The Company does not currently enter into forward contracts to mitigate this risk. There has been an increase to the risk exposure from 2020 due to an increase in U.S. denominated revenues.

The summary quantitative data about the Company's exposure to currency risk is as follows:

	December 31, 2021 USD	March 31, 2021 USD
Trade receivables	$ 390,000	$ 594,172
Cash	141,408	199,997
Bank indebtedness	-	-
Accounts payable	-	(246,382)
	$ 531,408	$ 547,787

23. Financial risks and concentration of risk (continued):

(a) Market risk (continued):

A reasonable possible strengthening of the CAD against the U.S. dollar at nine months ended December 31, 2021 and year ended March 31, 2021 would have increased profit or loss by the amounts shown below.

	December 31, 2021 USD	March 31, 2021 USD
CAD (5% strengthening)	$ 26,570	$ 34,407

A weakening of the CAD would have equal but opposite effect to the amounts shown above.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Group deals with creditworthy counterparties to mitigate the risk of financial loss from defaults. The Company monitors the credit risk of customers through credit rating reviews. The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 45 days.

In management's opinion, the maximum amount of credit risk is the carrying value of those assets. There has not been a change in who the Group extends credit to. Despite the impacts of COVID-19, the Group's exposure to credit risk remains unchanged.

The Company uses a provision matrix to analyze impairment of its trade receivables at the end of each reporting date. During the year, the Company recognized an impairment loss allowance on trade receivables of $Nil (March 31, 2021 - $15,868) in profit or loss.

The Company's aged trade receivables and related expected credit loss allowance are as follows:

December 31, 2021

	Geographic location				
	Canada	US	Gross	ECL allowance	Credit impaired
Current (not past due)	$ 629,246	$ 348,108	$ 977,354	$ -	No
1 – 30 days past due	291,459	146,604	438,063	-	No
31 – 60 days past due	23,942	12,288	36,230	-	No
Over 60 days past due	66	-	66	-	No
	$ 944,713	$ 507,000	$1,451,713	$ -	

23. Financial risks and concentration of risk (continued):

(b) Credit risk (continued):

March 31, 2021

	Geographic location				
	Canada	US	Gross	ECL allowance	Credit impaired
Current (not past due)	$ 696,523	$ 713,838	$1,410,361	$ -	No
1 – 30 days past due	330,021	39,699	369,720	-	No
31 – 60 days past due	4,460	-	4,460	-	No
Over 60 days past due	15,868	-	15,868	15,868	Yes
	$1,046,872	$ 753,537	$1,800,409	$ 15,868	

Cash and cash equivalents

The Group held cash and cash equivalents of at $211,324 December 31, 2021 (March 31, 2021: $284,852). The cash and cash equivalents are held with bank rated at AA-, based on Fitch ratings.

Advances to related parties

The Group has advanced loans related parties by virtue of being related through common control. Payment terms are usually not established for these advances. These amounts were assessed for impairment in accordance with IFRS 9 (note 7).

(c) Liquidity risk:

Liquidity risk is the risk that the Group will be unable to fulfil its obligations on a timely basis or at a reasonable cost. The Group manages its liquidity risk by monitoring its operating requirements. The Group prepares budget and cash forecasts to ensure it has sufficient funds to fulfil its obligations. In addition, the Company maintains an operating line of credit facility that can be drawn on to meet short-term financing needs.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

23. Financial risks and concentration of risk (continued):

(c) Liquidity risk (continued):

December 31, 2021	Carrying amount	Contractual cash flows 2022	2023	2024	2025 and thereafter
Bank indebtedness	$1,664,959	$1,664,959	$ -	$ -	$ -
Long-term debt	2,487,829	379,701	311,130	271,628	2,277,922
Lease liabilities	2,466,489	162,741	128,070	128,070	3,780,747
Accounts payable and accrued liabilities	981,390	981,390	-	-	-
	$7,600,667	$3,071,581	$ 422,582	$ 358,523	$4,722,755

March 31, 2021	Carrying amount	Contractual cash flows 2022	2023	2024	2025 and thereafter
Bank indebtedness	$ 904,547	$ 904,547	$ -	$ -	$ -
Long-term debt	2,798,714	617,271	311,130	271,628	2,277,922
Lease liabilities	2,534,413	163,363	152,627	128,070	3,865,370
Accounts payable and accrued liabilities	1,736,167	1,736,167	-	-	-
	$7,973,841	$3,421,348	$ 463,757	$ 399,698	$6,143,292

(d) Fair value disclosure:

The following table shows the carrying amounts and fair values of financial liabilities, including their levels in the fair value hierarchy.

	December 31, 2021		March 31, 2021		March 31, 2020	
	Carrying amount	Fair value (Level 2)	Carrying amount	Fair value (Level 2)	Carrying amount	Fair value (Level 2)
Financial liabilities not measured at fair value:						
Bank indebtedness	$ 1,664,959	$ -	$ 904,547	$ -	$1,756,179	$ -
Accounts payable and accrued liabilities	989,613	-	1,741,161	-	1,558,285	-
Long-term debt	2,487,829	2,481,038	2,798,714	2,363,351	2,985,132	2,929,238
	$ 5,142,401	$2,481,038	$ 5,444,422	$2,363,351	$6,299,596	$2,929,238

Trade and other receivables, advances to related parties, cash, trade and other payables, bank indebtedness, and current portions of non-current liabilities are the Group’s short-term financial instruments. Accordingly, management believes that their carrying amount is a reasonable approximation of fair value.

Long-term debt has been valued using the discounted cash flow method. This valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate.

23. Financial risks and concentration of risk (continued):

(e) Capital management:

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors capital using a ratio of "net debt" to equity. For this purpose, net debt is defined as total liabilities (as shown in the statement of financial position) less cash and cash equivalents. Equity comprises all components of equity.

The Group's net debt to equity ratio at the end of the reporting year was as follows:

	December 31, 2021	March 31, 2021	March 31, 2021
Total liabilities	$ 8,550,372	$ 9,634,847	$ 9,781,621
Less cash and cash equivalents	(211,324)	(284,852)	(22,915)
Net debt	$ 8,274,506	$ 9,349,995	$ 9,758,706
Total equity	5,783,607	4,796,184	4,244,915
Net debt to equity	1.43	1.95	2.3

(f) Concentration of risk:

The Company derived net sales from five (March 31, 2021 - five) major customers amounting to approximately 50% (March 31, 2021 - 50%) of total revenues. Accounts receivable from the above significant customers at December 31, 2021 amounted to approximately 59% (March 31, 2021 - 59%) of total accounts receivable. In addition, approximately 42% (March 31, 2021 - 42%) of accounts receivable is from U.S. customers.

24. Subsequent event:

Subsequent to year end, in August 2022, the Company amended its agreement to acquire a 50% interest in the Bromley Creek zeolite deposit from International Zeolite Corporation for $750,000. Prior to amending the agreement, the Company had a 7% interest in the deposit, which it had acquired by making cumulative royalty payments of approximately $100,000 (at a rate of $9.00 per tonne of zeolite extracted). The amended agreement stipulates that the Company is to pay the remaining $625,000 in 20 equal quarterly installments to March 2027.

Schedule "B"

Annual combined financial statements of APL

For the years ended March 31, 2021 and 2020

Combined Financial Statements of

ABSORBENT PRODUCTS LTD.

And Independent Auditors' Report thereon

Year ended March 31, 2021

KPMG LLP
560 Victoria Street
Kamloops BC V2C 2B2
Canada
Telephone (250) 372-5581
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Progressive Planet Solutions Inc.

Opinions, including Qualified Opinion on the Combined Results of Operations and Cash Flows

We have audited the combined financial statements of Absorbent Products Ltd. including the operations of 0820443 B.C. Ltd. and 1111157 B.C. Ltd (the Reporting Entity), which are comprised of:

- the combined statement of financial position as at March 31, 2021
- the combined statement of profit and other comprehensive income for the year then ended
- the combined statement of changes in equity for the year then ended
- the combined statement of cash flows for the year then ended
- and notes to the combined financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

Unmodified Opinion on the Combined Financial Position

In our opinion, the accompanying combined statement of financial position presents fairly, in all material respects, the financial position of the Reporting Entity as at March 31, 2021 in accordance with International Financial Reporting Standards (IFRS).

Qualified Opinion on the Combined Results of Operations and Cash Flows

In our opinion, except for the possible effects on the comparative information of the matter described in the "***Basis for Qualified Opinions, including Basis for Qualified Opinion on the Combined Results of Operations and Cash Flows***" section of our auditors' report, the accompanying combined statement of profit and other comprehensive income, statement of changes in equity and statement of cash flows present fairly, in all material respects, the combined financial performance and cash flows of the Reporting Entity for the year ended March 31, 2021, and its combined financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinions, including Basis for Qualified Opinion on the Combined Results of Operations and Cash Flows

We were appointed as auditors of the Reporting Entity for the year ended March 31, 2021. We were not able to observe the counting of the physical inventories at the beginning of the fiscal year ended March 31, 2021 or to be satisfied concerning those inventory quantities by alternative means. Therefore, since opening inventories enter into the determination of results of combined operations and cash flows, we were not able to determine whether adjustments might be necessary to:

- The combined profit and other comprehensive income reported in the combined statement of profit and comprehensive income for the year ended March 31, 2021
- The combined profit reported in the combined statement of changes in equity for the year ended March 31, 2021
- The components of combined cash flows from operating activities reported in the combined statement of cash flows for the year ended March 31, 2021.

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 auditors' report. We are independent of the Reporting Entity in accordance with the ethical requirements that are relevant to our audit of the combined financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Comparative Information

We draw attention to Note 24 in the combined financial statements which describes that the Reporting Entity adopted International Financial Reporting Standards (IFRS), with a transition date of April 1, 2019. These standards were applied retrospectively by management to the comparative information presented in these combined financial statements.

Our opinion is not modified in respect of this matter.

We were not engaged to report on the comparative information presented in these combined financial statements, and as such, it is unaudited.

Emphasis of Matter – Basis of preparation

We draw attention to the "***Basis of preparation***" note to the combined financial statements which describes the basis of preparation, including the approach to and the purpose for preparing them. The combined financial statements were prepared for the purpose of inclusion in Progressive Planet Solutions Inc. Business Acquisition Report dated August 26, 2022. Our opinion is not modified in respect of this matter.

Responsibilities of Management for the Combined Financial Statements

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

In preparing the combined financial statements, management is responsible for assessing the Reporting Entity’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 Reporting Entity or to cease operations, or has no realistic alternative but to do so.

Auditors’ Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 the combined 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 combined 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 Reporting Entity'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 Reporting Entity'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 combined 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 Reporting Entity 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 combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Obtain sufficient appropriate audit evidence regarding the combined financial information of the entities or business activities within the group Reporting Entity to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants

KPMG LLP

Kamloops, Canada
August 26, 2022

ABSORBENT PRODUCTS LTD.

Combined Statement of Financial Position

As at

		March 31, 2021		March 31, 2020 (Unaudited)		April 1, 2019 (Unaudited)
Assets						
Current assets:						
Cash and cash equivalents (note 3)	$	284,852	$	22,915	$	155,975
Accounts receivable (note 4)		1,807,418		2,103,332		2,126,467
Inventories (note 5)		3,064,992		3,193,525		2,923,082
Prepaid expenses and deposits		133,144		40,468		41,261
Advances to related parties (note 6)		593,295		–		–
		5,883,701		5,360,240		5,246,785
Property, plant and equipment (note 7)		4,752,161		4,901,726		4,956,154
Right of use assets (note 8)		2,494,558		2,502,295		2,593,445
Mineral properties (note 9)		992,485		933,647		850,391
Intangible assets (note 10)		308,126		328,628		306,034
	$	14,431,031	$	14,026,536	$	13,952,809
Liabilities and Shareholders' Equity						
Current liabilities:						
Bank indebtedness (note 3)	$	904,547	$	1,756,179	$	1,313,418
Accounts payable and accrued liabilities		1,741,161		1,558,285		1,534,983
Income taxes payable		492,389		47,052		327,784
Current portion of long-term debt (note 12)		379,701		204,581		194,970
Current portion of lease liabilities (note 13)		164,593		154,593		150,881
Asset retirement obligations (note 15)		25,000		25,000		25,000
		3,707,391		3,745,690		3,547,036
Long-term debt (note 12)		2,419,013		2,780,551		2,192,355
Lease liabilities (note 13)		2,369,820		2,367,532		2,421,288
Asset retirement obligations (note 15)		227,611		239,395		226,958
Deferred tax liabilities (note 16)		911,012		648,453		806,895
		9,634,847		9,781,621		9,194,532
Shareholders' equity:						
Share capital (note 17)		60,872		60,872		60,872
Contributed surplus		14,013		14,013		14,013
Retained earnings		4,721,299		4,170,030		4,683,392
		4,796,184		4,244,915		4,758,277
Commitments (note 18)						
Contingencies (note 19)						
Subsequent event (note 25)						
	$	14,431,031	$	14,026,536	$	13,952,809

See accompanying notes to combined financial statements.

ABSORBENT PRODUCTS LTD.

Combined Statement of Profit or Loss and Other Comprehensive Income or Loss

For the year ended March 31

	2021	2020 (Unaudited)
Revenue (note 20)	$ 21,579,532	$ 17,695,662
Cost of sales:		
Amortization and depreciation	536,757	529,775
Changes in inventories	11,485,567	9,993,591
Depletion and asset retirement obligations amortization (note 9)	33,312	30,228
Freight	2,584,594	2,204,223
	14,640,230	12,757,817
Gross profit	6,939,302	4,937,845
Expenses:		
Selling expenses:		
Advertising	87,025	114,580
Commissions	16,388	18,292
Other sales expenses	1,693,877	1,769,066
Personnel (note 21)	553,503	535,153
	2,350,793	2,437,091
Other expenses (income):		
General and administrative	1,461,610	1,278,048
Impairment loss on trade receivables (note 4)	15,868	–
Impairment loss on advance to related parties (note 6)	1,251,742	1,391,485
Loss on disposal of property and equipment	2,919	–
Loss (gain) on foreign exchange	108,382	(39,939)
	2,840,521	2,629,594
Finance cost (note 11)	253,450	300,930
Net finance cost	253,450	300,930
Profit (loss) before income tax	1,494,538	(429,770)
Income taxes (note 16):		
Current	680,710	190,937
Deferred (recovered)	262,559	(158,442)
	943,269	32,495
Profit (loss) and comprehensive income (loss) for the year	$ 551,269	$ (462,265)

See accompanying notes to combined financial statements.

ABSORBENT PRODUCTS LTD.

Combined Statement of Changes in Equity

For the year ended March 31

	Share capital	Contributed surplus	Retained earnings	Total equity
Balance at April 1, 2019 (Unaudited)	$ 60,872	$ 14,013	$ 4,683,392	$ 4,758,277
Total comprehensive income				
Loss and comprehensive loss	–	–	(462,265)	(462,265)
Transactions with owners, recorded directly in equity				
Dividends on common shares	–	–	(51,097)	(51,097)
Balance at March 31, 2020 (Unaudited)	60,872	14,013	4,170,030	4,244,915
Balance at April 1, 2020 (Unaudited)	60,872	14,013	4,170,030	4,244,915
Total comprehensive income for the period				
Profit and comprehensive income	–	–	551,269	551,269
Transactions with owners, recorded directly in equity				
Dividends on common shares	–	–	–	–
Balance at March 31, 2021	$ 60,872	$ 14,013	$ 4,721,299	$ 4,796,184

See accompanying notes to combined financial statements.

ABSORBENT PRODUCTS LTD.

Combined Statement of Cash Flows

For the year ended March 31

	2021	2020 (Unaudited)
Cash provided by (used in):		
Cash flow from operating activities:		
Profit (loss) for the year	$ 551,269	$ (462,265)
Adjustments for:		
Depreciation on property, plant and equipment (note 7)	438,834	435,985
Depreciation of right of use assets (note 8)	95,957	91,150
Depletion and asset retirement obligations amortization (note 9)	33,312	30,228
Amortization of intangible assets (note 10)	2,112	2,639
Impact of change of discount rate (note 15)	8,439	8,439
Exchange (gain) loss	(26,506)	36,947
Loss on disposal of property and equipment	2,919	–
Net finance cost	191,644	211,741
Impairment loss on trade receivables (note 4)	15,868	–
Interest on callable debt	11,957	12,801
Write down of inventory (note 5)	147,644	2,091
Impairment loss on advances to related parties (note 6)	1,251,742	1,391,485
Impairment of intangible assets (note 10)	59,232	–
Income tax expense (note 16)	943,269	32,495
	3,727,692	1,793,736
Changes in non-cash operating working capital:		
Accounts receivable	280,046	23,135
Inventories	(19,111)	(272,533)
Accounts payable and accrued liabilities	182,876	23,303
Asset retirement obligations	(39,986)	(14,586)
Prepaid expenses and deposits	(92,676)	792
Cash generated from operating activities	4,038,841	1,553,847
Income taxes paid	(235,373)	(471,669)
Net cash from operating activities	3,803,468	1,082,178
Cash flows from financing activities:		
Repayments on long-term debt	(297,979)	(319,651)
Repayments on lease liabilities	(168,117)	(141,168)
Proceeds of long-term debt	–	784,039
Dividends paid on common shares	–	(51,097)
	(466,096)	272,123
Cash flows from investing activities:		
Advances to related companies	(1,865,037)	(1,391,485)
Receipt of advances to related companies	20,000	–
Additions to property, plant and equipment (net of grants) (note 7)	(292,043)	(381,559)
Mineral properties costs incurred (note 9)	(72,387)	(94,900)
Additions to intangible assets (note 10)	(40,842)	(25,233)
	(2,250,309)	(1,893,177)
Increase (decrease) in cash and cash equivalents	1,087,063	(538,876)
Cash and cash equivalents, beginning of year	(1,733,264)	(1,157,443)
Effect of exchange rate fluctuations on cash held	26,506	(36,945)
Cash and cash equivalents, end of year (note 3)	$ (619,695)	$ (1,733,264)

See accompanying notes to combined financial statements.

Nature of operations:

Absorbent Products Ltd. (“Absorbent”, “the Company”) is a private company incorporated under the laws of British Columbia and its principal business activity is the production of industrial and domestic absorbents in Kamloops, B.C. The address of the Company’s registered office is 724 Sarcee Street E, Kamloops, B.C., Canada. The ultimate parent of Absorbent is Progressive Planet Solutions Inc. (“Progressive”).

Basis of preparation:

These combined financial statements include the results of the Company, 0820443 B.C. Ltd. and 1111157 B.C. Ltd., commonly controlled entities (the “Group”). The Group has prepared these combined financial statements in accordance with International Financial Reporting Standards (IFRSs) for inclusion in Progressive’s Business Acquisition Report dated August 26, 2022. These combined financial statements are the first financial statements of the Group in accordance with IFRS1.3. The Group prepared the combined financial statements using IFRS 1.D16(a) (“predecessor accounting method”). The Group used the same accounting policies and valuation methods for the preparation of these combined financial statements, as those used by Absorbent for the preparation of the financial information included in Absorbent’s consolidated financial statements. These accounting policies have been disclosed under Note 2 – Significant accounting policies. The combined financial statements were prepared on a historical cost basis as included in Absorbent’s consolidated financial statements, based on Absorbent’s date of transition to IFRS (April 1, 2019).

The combined financial statements of the Group have been derived from the aggregation of the net assets of the Company, 0820443 B.C. Ltd. and 1111157 B.C. Ltd, commonly controlled entities. All intra-group balances, income, expenses and unrealized gains and losses arising from transactions between companies belonging to the Group were eliminated when preparing the combined financial statements. In addition, the investments of the holding companies of the Group were eliminated against the equity of the respective companies.

1. Basis of accounting:

(a) Statement of compliance:

As described in the basis of preparation, the combined financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). These are the Group's first financial statements prepared in accordance with IFRSs and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in note 24.

The combined financial statements were authorized for issue by Progressive's Management on August 26, 2022.

(b) Basis of measurement:

As described in the basis of preparation, the combined financial statements have been prepared on the historical cost basis, except for where otherwise stated.

(c) Functional and presentation currency:

These combined financial statements are presented in Canadian dollars, which is the functional currency of the Group.

(d) Use of estimates and judgments:

The preparation of the combined financial statements in accordance with IFRSs requires management to use judgment in applying accounting policies and to make estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Information about judgments made that have the most significant effects on the amounts recognized in the combined financial statements include whether the Group is party to a lease arrangement (notes 8 and 13). Areas of estimation uncertainty that may have a significant effect on the amounts recognized in the combined financial statements, and could result in a material adjustment within the next fiscal year is included in the following notes:

- Notes 2(c) and 5 - measurement of raw material inventories;

- Notes 2(h) and 9 - depletion of mineral properties; and

- Notes 2(o) and 7 - 10 - impairment of non-financial assets.

2. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these combined financial statements and in preparing the opening IFRS statement of financial position as at April 1, 2019 for the purposes of the transition to IFRSs, unless otherwise indicated.

(a) Cash and cash equivalents:

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments and form an integral part of the Group's cash management. They include cash on hand, balances with bank and short-term deposits with remaining maturities at the time of acquisition of three months or less. Their carrying amount approximates their fair value.

(b) Revenue recognition:

The Group recognizes sales on deliveries once the goods are accepted at the customer's premises, and for customer pick-up orders, at the point of sale, which is when the customer obtains control, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Invoices are generated at that point in time and they are usually payable within 45 days. Revenue is measured based on the consideration specified in a contract with a customer.

Rental revenue and exploration agreement revenue is recognized straight-line in accordance with the lease term and agreements. Other revenue is recognized when earned.

(c) Inventories:

Raw materials and finished goods inventories are recorded at the lower of cost (determined on a weighted average basis) and net realizable value. Finished goods cost includes direct costs and attributable manufacturing overhead. Supplies are recorded at the lower of cost (determined on a weighted average basis) and replacement value.

The Group estimates net realizable value as the amount of inventories expected to be sold and taking into consideration fluctuations in price, less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of the inventories is not estimated to be recoverable due to obsolescence, damage or permanent declines in selling price. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in retail selling price, the amount of the write down previously recorded is reversed.

2. Significant accounting policies (continued):

Mined raw materials are deposited in piles, hence the measurement of these raw materials involves the use of significant judgments and assumptions including volume of the pile and bulk density.

(d) Subsidiaries:

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are combined from the date on which control commences until the date in which control ceases.

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated.

On February 7, 2020, Western Industrial Clay Products Ltd. filed for corporate dissolution.

(e) Property, plant and equipment:

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditures that are directly attributable to the acquisition of the asset. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in profit or loss.

2. Significant accounting policies (continued):

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in profit or loss on a diminishing balance basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land improvements are depreciated using the straight-line method.

Asset	Rate
Buildings	5-10%
Mining and processing equipment	10-40%
Office equipment	12-20%
Vehicles	30%
Lab equipment	10%
Land improvements	25 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) Leases:

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of any costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

2. Significant accounting policies (continued):

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Group has elected not to recognize right of use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(g) Intangible assets:

Intangible assets with a finite useful life are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets include computer software and exploration and evaluation expenditures. Amortization for computer software is provided on a diminishing value basis at 20% and is recognized in profit or loss.

Intangible assets of exploration and evaluation expenditures relating to acquisition of mining claims are not amortized. When the decision to develop an area is made, its exploration and evaluation expenditures are reclassed to mineral properties.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The carrying value of an intangible asset which is subject to amortization is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount is not recoverable and exceeds its fair value.

2. Significant accounting policies (continued):

Mineral properties include the costs incurred for the development of the Group's mineral properties as well as related asset retirement obligations. All costs related to the development of the diatomaceous earth material project and bentonite including associated administrative costs have been capitalized. Expenditures related to acquisition of mining and exploration are capitalized as exploration and evaluation expenditures within intangible assets until exploration is complete or there is an indicator of impairment. Depletion of such costs is provided on the units of production basis. Mineral properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and exceeds its fair value.

(h) Asset retirement obligations:

The Group recognizes a future asset retirement obligation as a liability in the year in which it incurs a legal or constructive obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development and/or normal use of the assets based on the best estimate of the expenditure required to settle the obligation. The Group concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is amortized over the life of the asset.

The amount of the asset retirement obligation is estimated using the expected cash flow approach discounted at a credit adjusted interest rate based on government bonds with a similar date to maturity. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of the reporting period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation due to the passage of time are recognized in profit or loss as finance costs using the effective interest method. Changes in the obligation due to changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related long-lived asset that is amortized over the remaining life of the asset.

Establishing the appropriate provision for asset retirement obligations involves application of considerable judgment and involves a risk of significant adjustments. These retirement activities are many years into the future hence the estimates include assumptions of the time required. Furthermore, changes in the discount rate may impact the estimates. As a result, the initial recognition of the liability and the capitalized cost associated with the retirement obligations as well as the subsequent adjustment involves the application of judgment.

2. Significant accounting policies (continued):

(i) Government assistance:

The Group periodically applies for financial assistance under available government incentive programs.

Government assistance relating to capital expenditures is reflected as a reduction of the cost of such assets. Government assistance relating to expenses incurred are recognized in profit or loss as other income or as a reduction of the related expense, on a systematic basis in the periods in which the expenses are recognized.

(j) Income taxes:

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in profit or 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 or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: 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, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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 the related tax benefit will be realized.

2. Significant accounting policies (continued):

(k) Financial instruments:

Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue. Trade receivables, without a significant financing component, are initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

The Group's financial assets are trade and other receivables, cash and cash equivalents and advances to related parties. On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes it business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

2. Significant accounting policies (continued):

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management.

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairments are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows.

Financial liabilities

The Group's financial liabilities are accounts payable and accrued liabilities, long-term debt, bank indebtedness and lease liabilities. The Group's financial liabilities are classified at amortized cost. They are subsequently measured at amortized cost using the effective interest method except for lease liabilities. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognized in profit or loss.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(l) Foreign currency translation:

Transactions in foreign currencies are translated into the functional currency of the Group using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate at the reporting date.

2. Significant accounting policies (continued):

Non-monetary assets and liabilities that are measured on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange gains and losses on translation of monetary assets and liabilities are recognized in profit or loss.

If applicable, assets and liabilities of foreign operations are translated into the functional currency at the exchange rates at the reporting date. Income and expenses of foreign operations are translated into the functional currency at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income or loss and accumulated in the translation reserve. When a foreign operation is disposed of in its entirety, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(m) Employee benefits:

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Absorbent Products Ltd. has a stock-based compensation plan, which is described in note 17. Equity instruments awarded to employees and the cost of the services received as consideration are measured and recognized based on the fair value of the equity instruments. The grant-date fair value is generally recognized as an expense, with a corresponding increase in equity over the vesting period of the awards. Consideration paid on the exercise of stock options is recorded as share capital, up to the par value of the issued shares and the remaining amount to contributed surplus.

Under the fair value-based method, the compensation cost is recognized over the vesting period of the awards. Awards for past service are recognized as an expense in the period when granted.

(n) Impairment:

i. Non-derivative financial assets

The Group recognizes loss allowances for expected credit losses (ECLs) on financial assets measured at amortized cost. Loss allowances for trade receivables are measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial asset.

2. Significant accounting policies (continued):

Twelve-month ECLs are the portion of ECLs that result from default events that are possible within twelve months after the reporting date (or a shorter period of the expected life of the instrument is less than twelve months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- The debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or

- The financial asset is more than 90 days past due.

At each reporting date, the Group assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred. Evidence that a financial asset is credit-impaired includes observable data such as significant financial difficulty of the debtor and a breach of contract such as a default or being more than 90 days past due.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

2. Significant accounting policies (continued):

Write off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount when the financial asset is 120 days past due based on historical experience of recoveries of similar assets.

ii. Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGU). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 assets.

Impairment loss is recognized in profit or loss if the carrying amount of an asset or CGU exceeds its recoverable amount.

(o) Share capital:

i Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects are recognized as deduction from equity.

2. Significant accounting policies (continued):

(p) Finance income and finance costs:

The Group's finance income and finance costs and include interest income and interest expense on loans and leases. Interest income or expense is recognized as it accrues in profit or loss, using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset, or the amortized cost of the financial liability.

(q) Statement of cash flows:

The statement of cash flows is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows have been eliminated for the purpose of preparing the statement. Dividends paid to ordinary shareholders are included in financing activities. Finance costs paid is also included in financing activities while finance income is included in investing activities.

(r) Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When one is available, the Group measures the fair value of an instrument using the quoted price in active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

2. Significant accounting policies (continued):

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

(s) Future accounting standards:

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier adoption is permitted; however, the Group has not early adopted the new or amended standards in preparing these combined financial statements.

(a) Onerous contracts - Cost of fulfilling a contract (amendments to IAS 37):

On May 14, 2020, the IASB issued Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37).

IAS 37 does not specify which costs are included as a cost of fulfilling a contract when determining whether a contract is onerous. The IASB’s amendments address this issue by clarifying that the ‘costs of fulfilling a contract’ comprise both:

- the incremental costs - e.g. direct labour and materials; and
- an allocation of other direct costs - e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

The amendments are effective for annual periods beginning on or after January 1, 2022 and apply to contracts existing at the date when the amendments are first applied. Early adoption is permitted. The amendment is not expected to have a material impact on the financial statements.

2. Significant accounting policies (continued):

(b) Other standards:

The following new and amended standards are not expected to have a significant impact on the Group's financial statements and are effective for annual periods beginning on or after January 1, 2022 or 2023:

- Property, Plant Equipment: Proceeds before Intended Use (Amendment to IAS 16); and
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).

3. Cash and cash equivalents:

		March 31, 2021		March 31, 2020 (Unaudited)		April 1, 2019 (Unaudited)
Bank balances	$	284,574	$	22,915	$	155,975
Cash		278		–		–
Cash in the statement of financial position		284,852		22,915		155,975
Bank indebtedness repayable on demand and used for cash management purposes		(904,547)		(1,756,179)		(1,313,418)
Cash and cash equivalents in the statement of cash flows	$	(619,695)	$	(1,733,264)	$	(1,157,443)

Bank indebtedness:

The Group has a credit facility agreement with the Bank of Montreal (BMO) to borrow Canadian and U.S. funds by means of an operating line of credit to a maximum of $3,000,000 Canadian dollars. The available operating line of credit balance is calculated based on the Group's available accounts receivable and inventory balances. The operating line of credit bears interest at 0.78% above the bank's commercial prime lending rate (March 31, 2021 - 3.23%, in aggregate) for Canadian funds and 0.78% above the U.S. Base Rate (March 31, 2021 - 4.23%, in aggregate) for U.S. funds.

Security is provided by way of a general security agreement with a second charge over all assets of Absorbent Products Ltd. with priority over accounts receivable and inventories, general assignment of book debts, Section 427 of the Bank Act security over inventory with priority over finished and processed goods, corporate guarantee from 0820443 B.C. Ltd. of $700,000, personal guarantee not to exceed $2,228,500 from the majority shareholder and a director of the Group, subrogation of all shareholder loans and an assignment of key man insurance in the amount of $1,000,000 and fire and other perils insurance on the assets of Absorbent Products Ltd.

3. Cash and cash equivalents (continued):

Interest expense of $46,232 (2020 - $76,342) is included in finance costs in the statement of profit or loss related to this facility.

4. Trade and other receivables:

		March 31, 2021		March 31, 2020 (Unaudited)		April 1, 2019 (Unaudited)
Trade receivables	$	1,784,541	$	2,078,065	$	2,100,245
Other receivables		22,877		25,267		26,222
	$	1,807,418	$	2,103,332	$	2,126,467

(a) Included in other receivables for the year are amounts due from employees in the amount of $18,108 (2020 - $20,632, April 1, 2019 - $22,439) which are unsecured, bear interest at 2.0% and are due on demand.

(b) Trade receivables

		March 31, 2021		March 31, 2020 (Unaudited)		April 1, 2019 (Unaudited)
Gross trade receivables	$	1,800,409	$	2,078,065	$	2,100,245
Impairment		(15,868)	$	–		–
	$	1,784,541	$	2,078,065	$	2,100,245

Information about the Group's exposure to credit and market risks are included in note 23.

5. Inventories:

		March 31, 2021		March 31, 2020 (Unaudited)		April 1, 2019 (Unaudited)
Finished goods	$	1,965,479	$	2,184,054	$	1,832,274
Raw materials		832,988		1,004,471		1,085,808
Supplies		266,525		5,000		5,000
	$	3,064,992	$	3,193,525	$	2,923,082

5. Inventories (continued):

The cost of inventories recognized as an expense during the year was $11,614,100 (2020 - $9,723,148). As of March 31, 2021, inventories have been reduced by $147,644 (2020 - $2,091, April 1, 2019 - $17,427) as a result of write-down to net realizable value. The write-downs are included in change in inventories in the statement of profit or loss.

Inventories have been pledged as security for the Group's bank indebtedness (note 3) and long-term debt (note 12) and in accordance with the respective agreements.

6. Advances to related parties:

	March 31, 2021	March 31, 2020 (Unaudited)	April 1, 2019 (Unaudited)
1132992 B.C. Ltd., a company related through common control, non-interest, bearing, unsecured with no specified terms of repayment	$ 5,694,297	$ 4,442,555	$ 3,051,070
Receivables from shareholders, unsecured, with no specified terms of repayment	593,295	–	–
Less impairment loss	(5,694,297)	(4,442,555)	(3,051,070)
	$ 593,295	$ –	$ –

The advances to related parties were assessed for impairment in accordance with IFRS 9. During the year, an impairment loss of $1,251,742 (2020 - $1,391,485) was recognized on the advances from 1132992 B.C. Ltd.

7. Property, plant and equipment:

	Land	Building	Mining and processing equipment	Office equipment	Vehicles	Lab equipment	Leasehold and land improvement	Total
Cost:								
Balance at April 1, 2019 (Unaudited)	$ 357,882	$ 3,818,154	$ 5,459,755	$ 167,751	$ 88,664	$ 39,910	$ 15,823	$ 9,947,939
Additions	–	71,776	306,881	2,900	–	–	–	381,557
Balance at March 31, 2020 (Unaudited)	357,882	3,889,930	5,766,636	170,651	88,664	39,910	15,823	10,329,496
Balance at April 1, 2020 (Unaudited)	357,882	3,889,930	5,766,636	170,651	88,664	39,910	15,823	10,329,496
Additions	–	131,667	56,869	7,610	85,897	–	10,000	292,043
Write off*	–	–	(136,327)	(8,340)	(16,765)	–	–	(161,432)
Balance at March 31, 2021 (Unaudited)	357,882	4,021,597	5,687,178	169,921	157,796	39,910	25,823	10,460,107
Depreciation and impairment losses:								
Balance at April 1, 2019 (Unaudited)	–	1,118,033	3,628,496	135,000	72,598	24,130	13,528	4,991,785
Depreciation	–	153,246	268,636	6,757	4,819	1,578	949	435,985
Balance at March 31, 2020 (Unaudited)	–	1,271,279	3,897,132	141,757	77,417	25,708	14,477	5,427,770
Balance at April 1, 2020 (Unaudited)	–	1,271,279	3,897,132	141,757	77,417	25,708	14,477	5,427,770
Depreciation	–	149,394	248,526	6,222	25,656	1,420	7,616	438,834
Write off*	–	–	(133,553)	(8,340)	(16,765)	–	–	(158,658)
Balance at March 31 2021	–	1,420,673	4,012,105	139,639	86,308	27,128	22,093	5,707,946
At April 1, 2019 (Unaudited)	**357,882**	**2,700,121**	**1,831,259**	**32,751**	**16,066**	**15,780**	**2,295**	**4,956,154**
At March 31, 2020 (Unaudited)	**357,882**	**2,618,651**	**1,869,504**	**28,894**	**11,247**	**14,202**	**1,346**	**4,901,726**
At March 31, 2021	**357,882**	**2,600,924**	**1,675,073**	**30,282**	**71,488**	**12,782**	**3,730**	**4,752,161**

*This relates to fully depreciated assets which were written off during the year.

Property, plant and equipment have been pledged as security for the Group's bank indebtedness (note 3) and long-term debt (note 12) and in accordance with the respective agreements.

8. Right of use assets:

For the year ended March 31, 2021, depreciation of the right of use assets was $95,957 (2020 - $91,150). The right of use assets are depreciated on a straight line basis over the term of the lease.

	March 31, 2021	March 31, 2020 (Unaudited)	April 1, 2019 (Unaudited)
Equipment	$ 81,273	$ 101,591	$ 126,989
Land	2,413,285	2,400,704	2,466,456
	$ 2,494,558	$ 2,502,295	$ 2,593,445

Additions to the right of use assets during the year was $88,220 (2020 - nil).

Depreciation charge on right of use assets is as follows:

	2021	2020 (Unaudited)
Equipment	$ 20,318	$ 25,398
Land	75,639	65,752
	$ 95,957	$ 91,150

9. Mineral properties:

	March 31, 2021	March 31, 2020 (Unaudited)	April 1, 2019 (Unaudited)
Mineral properties, beginning of the year	$ 933,647	$ 850,391	$ 709,974
Mineral properties costs incurred	72,387	94,900	153,182
Increase in asset retirement obligations	19,763	18,584	18,584
Depletion and asset retirement obligations amortization	(33,312)	(30,228)	(31,349)
	$ 992,485	$ 933,647	$ 850,391

Mineral properties have been pledged as security for the Group's bank indebtedness (note 3) and long-term debt (note 12) in accordance with the respective agreements.

10. Intangible assets:

		Computer software		Exploration & evaluation expenditures		Total
Cost						
Balance at April 1, 2019 (Unaudited)	$	157,636	$	292,836	$	450,472
Additions		–		25,233		25,233
Balance at March 31, 2020 (Unaudited		157,636		318,069		475,705
Balance at April 1, 2020 (Unaudited)		157,636		318,069		475,705
Additions		–		40,842		40,842
Balance at March 31, 2021		157,636		358,911		516,547
Depreciation and impairment losses						
Balance at April 1, 2019 (Unaudited)	$	144,438	$	–	$	144,438
Depreciation		2,639		–		2,639
Balance at March 31, 2020 (Unaudited)		147,077		–		147,077
Balance at April 1, 2020 (Unaudited)		147,077		–		147,077
Depreciation		2,112		–		2,112
Write off		–		59,232		59,232
Balance at March 31, 2021		149,189		59,232		208,421
At April 1, 2019 (Unaudited)	$	13,198	$	292,836	$	306,034
At March 31, 2020 (Unaudited)	$	10,559	$	318,069	$	328,628
At March 31, 2021	$	8,447	$	299,679	$	308,126

During the year, the Group determined that exploration at some of its sites which mining claims expenditures had been incurred was no longer feasible hence expenditure on claims previously capitalized were written off.

11. Finance cost:

		2021		2020 (Unaudited)
Interest on long-term debt	$	111,416	$	133,419
Interest on lease liabilities		92,186		91,123
Interest on bank indebtedness repayable on demand		46,232		76,342
Others		3,616		46
	$	253,450	$	300,930

12. Long-term debt:

	March 31, 2021	March 31, 2020 (Unaudited)	April 1, 2019 (Unaudited)
Business Development Bank of Canada (BDC) loan, repayable in interest only instalments to October 2020 and monthly instalments of $8,815 plus interest at BDC's Floating Base Rate of 4.55% minus 1.0% (March 31, 2021 - 3.55%, in aggregate) thereafter, 25% guaranteed by the majority shareholder and 1111157 B.C. Ltd., a company owned by the majority shareholder, secured by a general security agreement providing a first security interest on all property of Absorbent Products Ltd. and 0820443 B.C. Ltd. and a first mortgage of a lease on land held by the Absorbent Products Ltd. , due June 2039	$ 1,930,485	$ 1,983,375	$ 1,839,155
Business Development Bank of Canada (BDC) loan, repayable in interest only instalments to September 2020, one instalment of $7,640 due October 2020 and monthly instalments of $7,639 plus interest at BDC's Floating Base Rate of 4.55% minus 1.5% (March 31, 2021 – 3.05%, in aggregate) thereafter, 25% guaranteed by the majority shareholder and 1111157 B.C. Ltd., secured by a general security agreement providing a first security interest in new and existing specific equipment and a security interest in all other present and after-acquired personal property of Absorbent Products Ltd., due September 2026	291,625	334,239	-
Business Development Bank of Canada (BDC) loan, repayable in interest only instalments to September 2020, one instalment of $2,778 due October 2020 and monthly instalments of $2,778 plus interest at BDC's Floating Base Rate of 4.55% minus 0.24% (March 31, 2020 - 4.31%, in aggregate) thereafter, guaranteed by the majority shareholder and 1111157 B.C. Ltd., due September 2026	183,333	200,000	-
Brandt Finance Agreement, repayable in monthly instalments of $3,633, 0% interest per annum, secured by specific equipment with a net book value of $170,000, due July 2023	93,939	133,232	171,079
Bank of Montreal, term loan, repayable in blended monthly payments of $2,700 plus interest at 3.72%, secured by specific property and guarantees from Absorbent Products Ltd. and a personal guarantee from the majority shareholder, due August 2022	213,049	237,875	268,458

continued

12. Long-term debt (continued):

	March 31, 2021	March 31, 2020 (Unaudited)	April 1, 2019 (Unaudited)
Bank of Montreal, term loan, repayable in blended monthly payments of $1,100 plus interest at 3.68%, secured by specific property and guarantees from Absorbent Products Ltd. and a personal guarantee from the majority shareholder, due August 2021	86,283	96,411	108,633
	2,798,714	2,985,132	2,387,325
Less current portion of long-term debt	379,701	204,581	194,970
	$ 2,419,013	$ 2,780,551	$ 2,192,355

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. As part of the cash conservation measures taken, the Group was given a postponement of principal payments on the long-term debt with BDC, due June 2039, for a six-month period from May 2020 to October 2020.

Interest expense of $111,416 (2020 - $131,922) is included in finance costs in the statement of profit or loss related to these facilities.

Information about the Group's interest rate risk and liquidity risks is included in note 23.

13. Lease liabilities:

	March 31, 2021	March 31, 2020 (Unaudited)	April 1, 2019 (Unaudited)
Equipment	$ 59,850	$ 93,375	$ 125,221
Land	2,474,563	2,428,750	2,446,948
	2,534,413	2,522,125	2,572,169
Less current portion of lease liabilities	164,593	154,593	150,881
	$ 2,369,820	$ 2,367,532	$ 2,421,288

Interest expense of $92,186 (2020 - $91,124) relating to lease liabilities has been included in finance costs in the statement of profit or loss related to these lease arrangements.

14. Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Long-term debt	Lease liabilities	Retained earnings
Balance at April 1, 2019 (Unaudited)	$ 2,387,325	$ 2,572,169	$ 4,683,392
Changes from financing cash flows:			
Proceeds from loans and borrowings	784,039	–	–
Repayment of borrowings	(186,232)	–	–
Dividends paid on common shares	–	–	(51,097)
Payment of lease liabilities	–	(73,026)	–
Total changes from financing cash flows	597,807	(73,026)	(51,097)
Other changes:			
Lease liabilities	–	–	–
Interest expense	133,419	91,123	–
Interest paid	(133,419)	(68,141)	–
Total liability-related other changes	–	22,982	–
Total equity-related other changes	–	–	(462,265)
Balance at March 31, 2020 (Unaudited)	$ 2,985,132	$ 2,522,125	$ 4,170,030

	Long-term debt	Lease liabilities	Retained earnings
Balance at April 1, 2020 (Unaudited)	$ 2,985,132	$ 2,522,125	$ 4,170,030
Changes from financing cash flows:			
Proceeds from lease liabilities	–	88,220	–
Repayment of borrowings	(186,418)	–	–
Dividend paid	–	–	–
Payment of lease liabilities	–	(97,938)	–
Total changes from financing cash flows	(186,418)	(9,718)	–
Other changes:			
Interest expense	111,416	92,186	–
Interest paid	(111,416)	(70,180)	–
Total liability-related other changes	–	22,006	–
Total equity-related other changes	–	–	551,269
Balance at March 31, 2021	$ 2,798,714	$ 2,534,413	$ 4,721,299

15. Asset retirement obligations:

The Group has recorded asset retirement obligations for the estimated costs of reclaiming its Red Lake and Princeton Bentonite quarries. Due to the long-term nature of the liability, the greatest uncertainty in estimating the provision relates to the timing and costs that will be incurred. The estimated reclamation costs include costs of backfilling, grading, applying topsoil, and seeding and planting trees as required by British Columbia's Ministry of Energy, Mines and Petroleum Resources. The following is a reconciliation of the changes in the asset retirement obligations:

	March 31, 2021	March 31, 2020 (Unaudited)	April 1, 2019 (Unaudited)
Balance, beginning of the year	$ 264,395	$ 251,958	$ 232,012
Increase in asset retirement obligations	19,763	18,584	18,584
Impact of change of discount rate	8,439	8,439	7,781
Reclamation carried out	(39,986)	(14,586)	(6,419)
	252,611	264,395	251,958
Less estimated current portion	25,000	25,000	25,000
	$ 227,611	$ 239,395	$ 226,958

The Group reviews its estimates of its asset retirement obligations on an ongoing annual basis.

16. Income taxes:

(a) Amount recognized in profit or loss:

	2021	2020 (Unaudited)
Income taxes:		
Current tax expense	$ 680,710	$ 190,937
Deferred tax expense:		
Origination and reversal of temporary differences	262,559	(158,442)
Tax expense	$ 943,269	$ 32,495

16. Income taxes (continued):

(b) Reconciliation of effective tax rate:

	2021 %	2021 $	2020 (Unaudited) %	2020 (Unaudited) $
Profit (loss) before tax		$ 1,494,538	–	$ (429,770)
Tax using the Group's tax rate	24.14	360,802	(18.11)	(77,831)
Tax effect of:				
Deductible temporary differences for which no deferred tax asset is recognized	21.11	315,439	81.59	350,654
Non-deductible expenses	(0.13)	(1,940)	(0.86)	(3,706)
Recognition of previously recognized deductible temporary differences	18.28	273,223	(48.36)	(207,819)
Others	(0.29)	(4,255)	(6.70)	(28,803)
	63.11	$ 943,269	7.56	$ 32,495

(c) Movement in deferred tax balances:

The tax effect of temporary differences that give rise to significant portions of future tax assets and future tax liabilities at the substantively enacted tax rates of 24.14% (2020 – 18.11%) are presented below:

2021	Net balance at April 1	Recognized in profit or loss	Net	Deferred tax tax assets	Deferred liabilities
Asset retirement obligations	$ 47,881	$ 13,103	$ 60,984	$ 60,984	$ –
Property, plant and equipment	(1,035,922)	(360,752)	(1,396,674)	–	(1,396,674)
Exploration and evaluation expenditures	(117,165)	(70,326)	(187,491)	–	(187,491)
Lease liabilities	456,753	155,087	611,840	611,840	–
Finance fee	–	329	329	329	–
	$ (648,453)	$ (262,559)	$ (911,012)	$ 673,153	$ (1,584,165)

16. Income taxes (continued):

2020 (Unaudited)	Net balance at April 1	Recognized in profit or loss	Net	Deferred tax tax assets	Deferred liabilities
Asset retirement obligations	$ 57,317	$ (9,436)	$ 47,881	$ 47,881	$ –
Property, plant and equipment	(1,339,786)	303,865	(1,035,921)	–	(1,035,921)
Exploration and evaluation expenditures	(109,593)	(7,572)	(117,165)	–	(117,165)
Lease liabilities	585,167	(128,415)	456,752	456,752	–
	$ (806,895)	$ 158,442	$ (648,453)	$ 504,633	$ (1,153,086)

d. Unrecognized deferred tax assets:

Deferred tax assets have not been recognized in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefit therefrom:

	2021		2020 (Unaudited)	
	Gross amount	Tax effect	Gross amount	Tax effect
Deductible temporary differences	$ 1,434,963	$ 361,610	$ 1,119,524	$ 287,718

17. Share capital:

		2021		2020 (Unaudited)		2019 (Unaudited)
Authorized:						
Unlimited Class A common shares, voting, participating, without par value						
Unlimited Class B common shares, non-voting, participating, without par value						
Unlimited Class C preferred shares, non-voting, participating, redeemable and retractable at an amount set by the directors at the time of issuance. $0.01 par value						
Unlimited Class D common shares, voting, participating, $0.01 par value						
Unlimited Class E common shares, voting, participating, $0.05 par value						
Unlimited Class F common shares, voting, participating, $0.10 par value						
Unlimited Class G common shares, voting, participating, $0.15 par value						
Unlimited Class H common shares, voting, participating, $0.20 par value						
Issued:						
2,540,100 Class A common shares	$	60,700	$	60,700	$	60,700
14,750 Class D common shares		148		148		148
2,350 Class A common shares		24		24		24
	$	60,872	$	60,872	$	60,872

Absorbent Products Ltd. has established employee stock purchase plans to be known as the Absorbent Products Ltd. Employee Share Purchase Plans ("Purchase Plans") as of August 31, 2007. The common shares for purchase will be determined by the Compensation Committee. The Compensation Committee may designate the bona fide employees and the maximum number of shares each employee can purchase in accordance with the terms of the plans. A bona fide employee must elect by signing to participate in specified time to the Compensation Committee. After election, the employees will lose a right to exercise on any part of the excess after that time. No stock under the Purchase Plans were issued during the year (2020 – nil).

During the year ended March 31, 2020, the Group declared a dividend on its Class A common shares in the amount of $0.02/share.

18. Commitments:

The Group is committed to five land leases with T'kemlups te Secwepmc with annual payments totaling $118,070. The leases contain clauses allowing the rental amount to be reviewed and adjusted every five years. Four of the leases expire between February 28, 2055 and September 30, 2058. The Group is also committed to a land lease with a private owner with annual payments of $10,000 which expires June 30, 2031.

18. Commitments (continued):

The Group has entered into an agreement with Canadian Mining Company Inc., whereby the Group pays a royalty fee of $9.00 per metric tonne of raw material that is extracted from the Zeolite Bromely mine. As part of the agreement, the Group has the option to purchase up to a 50% ownership interest in the mine for total consideration of $725,000 expiring March 31, 2025. This option has not been exercised as at the reporting date (refer to note 25(b))

Further, the agreement stipulates that upon termination of use of the mine, the Group is required to remediate the mine to a condition in accordance with Ministry of Environment Standards. The termination date of use and the estimate of cost to the Group of remediation is unknown at this time.

19. Contingencies:

The Group, by agreement with the Government of British Columbia, is responsible for any future site restoration costs on its mining properties. At this time, the need for, or the nature of, any future site restorations costs in addition to those already disclosed in note 15 cannot be reasonably determined.

The Group is contingently liable with respect to financial letters of credit issued by BMO for $266,000 (2020 - $256,000, April 1, 2019 - $176,000).

20. Revenue:

Revenue from contracts with customers disaggregated by product line is as follows:

	2021	2020 (Unaudited)
Cat litter	$ 5,777,117	$ 5,232,908
Industrial absorbents	1,858,424	1,907,288
Agricultural	9,735,326	7,747,351
Stall dry	1,247,293	1,026,348
Feed	1,608,122	696,464
Pellets	581,434	405,023
Ice melt	289,999	288,978
Sorbents	193,774	167,481
Rental	61,600	63,625
Exploration agreement	12,678	5,669
Others	213,765	154,527
	$ 21,579,523	$ 17,695,662

21. Employee benefit expenses:

	2021	2020 (Unaudited)
Wages and salaries	$ 2,117,515	$ 1,960,280
Other benefits	374,170	339,122
Included in cost of sales	2,491,685	2,299,402
Wages and salaries	553,503	535,153
Included in selling expenses	553,503	535,153
Wages and salaries	594,885	456,401
Other benefits	99,423	97,064
Canada pension plan cost	30,244	21,193
Included in general and administrative expenses	724,552	574,658
	$ 3,769,740	$ 3,409,213

22. Related party transactions:

(a) Transactions with key management personnel

Key management personnel compensation comprised of short-term employee benefits amounting to $493,778 (2020 - $392,234).

(b) Other related parties

	2021	2020 (Unaudited)
DE-Source Inc., wholly owned subsidiary of 1132992 B.C. Ltd., marketing expense included in other sales expenses	1,257,428	1,383,568
DE-Source Inc., wholly owned subsidiary of 1132992 B.C. Ltd., inventory included in cost of sales	1,401,263	505,238

Included in accounts payable is $58,319 (2020 - $47,952, April 1, 2019 - $32,635) due to DE-Source Inc.

Included in inventories is $45,606 (2020 - $48,584, April 1, 2019 - $66,657) purchased from DE-Source Inc.

22. Related party transactions (continued):

These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

23. Financial risks and concentration of risk:

The Group has exposure to the following risks arising from financial instruments:

1. Market risk (see a)
2. Credit (see b)
3. Liquidity risk (see c)

(a) Market risk:

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates – will affect the Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

Interest rate risk:

The Group's long-term debt is subject to interest rate risk as the required payments to service the debts will fluctuate as a result of the variable lending rate. There has been a decrease to the interest rate risk exposure from 2020 due to a decrease in long-term debt during the year. Subsequent to year end, interest rates have increased significantly.

An increase of 100 basis points on interest rates would have increased finance cost by $27,987 (2020: $29,851). This analysis assumes that all other variables remain constant.

Currency risk:

The Group is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. The Group does not currently enter into forward contracts to mitigate this risk. There has been an increase to the risk exposure from 2020 due to an increase in U.S. denominated revenues.

23. Financial risks and concentration of risk (continued):

The summary quantitative data about the Group's exposure to currency risk is as follows:

	March 31, 2021 USD	March 31, 2020 USD (Unaudited)	April 1, 2019 USD (Unaudited)
Trade receivable	$ 594,172	$ 677,985	$ 696,091
Cash	199,997	–	126,328
Bank indebtedness	–	(414,453)	–
Accounts payable	(246,382)	(240,621)	(94,504)
	$ 547,787	$ 22,911	$ 727,915

A reasonable possible strengthening of the CAD against the U.S. dollar at March 31 would have increased profit or loss by the amounts shown below.

	2021 USD	2020 USD (Unaudited)
CAD (5% strengthening)	$ 34,407	$ 1,611

A weakening of the CAD would have equal but opposite effect to the amounts shown above.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Group deals with creditworthy counterparties to mitigate the risk of financial loss from defaults. The Group monitors the credit risk of customers through credit rating reviews. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 45 days.

In management's opinion, the maximum amount of credit risk is the carrying value of those assets. There has not been a change in who the Group extends credit to. Despite the impacts of COVID-19, the Group's exposure to credit risk remains unchanged.

The Group uses a provision matrix to analyze impairment of its trade receivables at the end of each reporting date. During the year, the Group recognized an impairment loss allowance on trade receivables of $15,868 (2020 - nil) in profit or loss.

23. Financial risks and concentration of risk (continued):

The Group's aged trade receivables and related expected credit loss allowance are as follows:

March 31, 2021

	Geographic location Canada	US	Gross	ECL allowance	Credit impaired
Current (not past due)	$ 696,523	$ 713,838	$ 1,410,361	$ –	No
1 - 30 days past due	330,021	39,699	369,720	–	No
31 - 60 days past due	4,460	–	4,460	–	No
Over 60 days past due	15,868	–	15,868	15,868	Yes
	$ 1,046,872	$ 753,537	$ 1,800,409	$ 15,868	

March 31, 2020 (Unaudited)

	Geographic location Canada	US	Gross	ECL allowance	Credit impaired
Current (not past due)	$ 751,674	$ 884,235	$ 1,635,909	$ –	No
1 - 30 days past due	364,681	57,880	422,561	–	No
31 - 60 days past due	8,328	11,267	19,595	–	No
Over 60 days past due	–	–	–	–	No
	$ 1,124,683	$ 953,382	$ 2,078,065	$ –	

April 1, 2019

	Geographic location Canada	US	Gross	ECL allowance	Credit impaired
Current (not past due)	$ 581,334	$ 889,528	$ 1,470,862	$ –	No
1 - 30 days past due	520,831	39,753	560,584	–	No
31 - 60 days past due	29,352	–	29,352	–	No
Over 60 days past due	39,447	–	39,447	–	No
	$ 1,170,964	$ 929,281	$ 2,100,245	$ –	

Cash and cash equivalents

The Group held cash and cash equivalents of $284,852 at March 31, 2021 (2020: $22,915, April 1, 2019: $155,975). The cash and cash equivalents are held with bank rated at AA-, based on Fitch ratings.

23. Financial risks and concentration of risk (continued):

Advances to related parties

The Group has advanced loans related parties by virtue of being related through common control. Payment terms are usually not established for these advances. These amounts were assessed for impairment in accordance with IFRS 9 (note 6).

Other receivables

Other receivables include employee receivables and other sundry receivables. The Group reviews the balances periodically, taking into consideration functions such as continued employment relationship and ability to offset amounts against transactions with these parties. Where such does not exist, the amounts are impaired. No impairment loss has been recognized during the year (2020: nil, April 1, 2019: nil).

(c) Liquidity risk:

Liquidity risk is the risk that the Group will be unable to fulfil its obligations on a timely basis or at a reasonable cost. The Group manages its liquidity risk by monitoring its operating requirements. The Group prepares budget and cash forecasts to ensure it has sufficient funds to fulfil its obligations. In addition, the Group maintains an operating line of credit facility that can be drawn on to meet short-term financing needs.

		Contractual cash flows			
March 31, 2021	Carrying amount	2022	2023	2024	2025 and thereafter
Bank indebtedness	$ 904,547	$ 904,547	$ –	$ –	$ –
Long-term debt	2,798,714	617,271	311,130	271,628	2,277,922
Lease liabilities	2,534,413	153,354	128,070	128,070	3,824,195
Accounts payable and accrued liabilities	1,741,161	1,741,161	–	–	–
	$ 7,978,835	$ 3,416,333	$ 439,200	$ 399,698	$ 6,102,117

		Contractual cash flows			
March 31, 2020 (Unaudited)	Carrying amount	2021	2022	2023	2024 and thereafter
Bank indebtedness	$ 1,756,179	$ 1,756,179	$ –	$ –	$ –
Long-term debt	2,985,132	193,936	573,702	274,370	1,955,193
Lease liabilities	2,522,125	155,620	143,354	118,070	3,872,265
Accounts payable and accrued liabilities	1,558,285	1,558,285	–	–	–
	$ 8,821,721	$ 3,664,020	$ 717,056	$ 392,440	$ 5,827,458

23. Financial risks and concentration of risk (continued):

		Contractual cash flows			
March 31, 2019 (Unaudited)	Carrying amount	2020	2021	2022	2023 and thereafter
Bank indebtedness	$ 1,313,418	$ 1,313,418	$ –	$ –	$ –
Long-term debt	2,387,325	526,461	149,370	149,370	1,579,935
Lease liabilities	2,572,169	144,880	155,620	143,354	3,990,335
Accounts payable and accrued liabilities	1,534,983	1,534,983	–	–	–
	$ 7,807,895	$ 3,519,742	$ 304,990	$ 292,724	$ 5,570,270

(d) Fair value disclosure:

The following table shows the carrying amounts and fair values of financial liabilities, including their levels in the fair value hierarchy.

	2021		2020		April 1, 2019	
	Carrying amount	Fair value (Level 2)	Carrying amount (Unaudited)	Fair value (Level 2) (Unaudited)	Carrying amount (Unaudited)	Fair value (Level 2) (Unaudited)
Financial liabilities not measured at fair value:						
Bank indebtedness	$ 904,547	$ –	$ 1,756,179	$ –	$ 1,313,418	$ –
Accounts payable and accrued liabilities	1,741,161	–	1,558,285	–	1,534,983	–
Long-term debt	2,798,714	2,662,683	2,985,132	2,929,238	2,387,325	2,475,727
	$ 5,444,422	$ 2,662,683	$ 6,299,596	$ 2,929,238	$ 5,235,726	$ 2,475,727

Trade and other receivables, advances to related parties, cash, trade and other payables, bank indebtedness, and current portions of non-current liabilities are the Group's short-term financial instruments. Accordingly, management believes that their carrying amount is a reasonable approximation of fair value.

Long-term debt has been valued using the discounted cash flow method. This valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate.

23. Financial risks and concentration of risk (continued):

(e) Capital management:

The Group derived net sales from five (2020 - three) major customers amounting to approximately 50% (2020 - 48%) of total revenues. Accounts receivable from the above significant customers at March 31, 2021 amounted to approximately 59% (2020 - 38%) of total accounts receivable. In addition, approximately 42% (2020 - 44%) of accounts receivable is from U.S. customers.

The Group's net debt to equity ratio at the end of the reporting year was as follows:

	March 31, 2021	March 31, 2020 (Unaudited)	April 1, 2019 (Unaudited)
Total liabilities	$ 9,634,847	$ 9,781,621	$ 9,194,532
Less cash and cash equivalents	(284,852)	(22,915)	(155,975)
Net debt	9,349,995	9,758,706	9,038,557
Total equity	4,796,184	4,244,915	4,758,277
Net debt to equity	1.95	2.30	1.90

(f) Concentration of risk:

The Group derived net sales from five (2020 - three) major customers amounting to approximately 50% (2020 - 48%) of total revenues. Accounts receivable from the above significant customers at March 31, 2021 amounted to approximately 59% (2020 - 38%) of total accounts receivable. In addition, approximately 42% (2020 - 44%) of accounts

As stated in note 1(a), these are the Group's first combined financial statements prepared in accordance with IFRSs.

The accounting policies set out in note 2 have been applied in preparing the combined financial statements for the year ended March 31, 2021, the comparative information presented in these combined financial statements for the year ended March 31, 2020 and in the preparation of an opening IFRS statement of financial position at April 1, 2019 (the Group's date of transition).

24. Explanation of transition to IFRS:

In preparing the opening IFRS statement of financial position, the Group adjusted amounts previously reported in its financial statements prepared in accordance with Canadian Accounting Standards for Private Enterprises (ASPE), the Group's previous basis of accounting. The Group has taken the following optional and mandatory elections and exemptions, respectively,

IFRS optional elections:

— All agreements in effect at the transition date have been assessed to determine if they contain leases based on conditions as at the transition date, and not retroactively.

— Existing provisions have been measured as at the date of transition. The standard, with regard to changes in existing asset retirement obligations, has not been applied retroactively.

— The application of the effective interest rate method of interest income and expense on financial assets and liabilities have been applied prospectively from the transition date.

IFRS mandatory exemptions:

— Hindsight is not used to create or revise estimates. The estimates previously made by the Group under ASPE were not revised for the application of IFRS except where necessary, to reflect any differences in accounting policies between IFRS and ASPE.

— Recognition of expected credit losses were applied by using reasonable and supportable information to determine the credit risk at the date that the financial instruments were initially recognized and compare that to the credit risk at the date of transition.

In preparing its opening IFRS statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with ASPE. An explanation of how the transition from previous ASPE to IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

24. Explanation of transition to IFRS (continued):

Reconciliation of equity:

		March 31, 2020 (Unaudited)			April 1, 2019 (Unaudited)		
	Notes	ASPE	Effect of transition to IFRS	IFRS	ASPE	Effect of transition to IFRS	IFRS
Assets							
Current assets:							
Cash and cash equivalents	*vi*	$ 22,915	$ –	$ 22,915	$ 18,793	$ 137,182	$ 155,975
Accounts receivable	*iv*	2,047,875	55,457	2,103,332	2,126,467	–	2,126,467
Inventories		3,193,525	–	3,193,525	2,923,082	–	2,923,082
Prepaid expenses	*i*	40,468	–	40,468	60,770	(19,509)	41,261
Deferred tax assets	*viii*	4,527	(4,527)	-	5,687	(5,687)	–
		5,309,310	50,930	5,360,240	5,134,799	111,986	5,246,785
Advances to related parties	*v*	4,442,555	(4,442,555)	–	3,051,060	(3,051,060)	–
Investment in subsidiary		–	–	–	10	(10)	–
Property, plant and equipment	*i*	5,003,317	(101,591)	4,901,726	5,083,142	(126,988)	4,956,154
Right of use assets	*i*	–	2,502,295	2,502,295	–	2,593,445	2,593,445
Mineral properties	*vii*	1,251,716	(318,069)	933,647	1,143,227	(292,836)	850,391
Intangible assets	*vii*	10,559	318,069	328,628	13,198	292,836	306,034
Deferred taxes	*viii*	43,354	(43,354)	–	51,631	(51,631)	–
		$16,060,811	$ (2,034,275)	$14,026,536	$14,477,067	$(524,258)	$13,952,809
Liabilities and Equity							
Current liabilities:							
Bank indebtedness	*vi*	1,756,179	–	1,756,179	1,176,236	137,182	1,313,418
Accounts payables and accrued liabilities	*iv*	1,541,479	16,806	1,558,285	1,534,983	–	1,534,983
Income tax payable		47,052	–	47,052	327,784	–	327,784
Long-term debt		204,581	–	204,581	194,970	–	194,970
Lease liabilities	*i*	36,523	118,070	154,593	36,523	114,358	150,881
Asset retirement obligation		25,000	–	25,000	25,000	–	25,000
		3,610,814	134,876	3,745,690	3,295,496	251,540	3,547,036
Long-term debt	*iii*	2,792,619	(12,068)	2,780,551	2,210,166	(17,811)	2,192,355
Lease liabilities	*i*	56,852	2,310,680	2,367,532	88,698	2,332,590	2,421,288
Deferred tax liabilities	*viii*	688,801	(40,348)	648,453	844,451	(37,556)	806,895
Asset retirement obligation		239,395	–	239,395	226,958	-	226,958
		7,388,481	2,393,140	9,781,621	6,665,769	2,528,763	9,194,532
Equity:							
Share capital		60,872	–	60,872	60,872	–	60,872
Contributed surplus		14,013	–	14,013	14,013	–	14,013
Retained earnings		8,597,445	(4,427,415)	4,170,030	7,736,413	(3,053,021)	4,683,392
		8,672,330	(4,427,415)	4,244,915	7,811,298	(3,053,021)	4,758,277
		$ 16,060,811	$ (2,034,275)	$ 14,026,536	$ 14,477,067	$(524,258)	$ 13,952,809

24. Explanation of transition to IFRS (continued):

Reconciliation of comprehensive income for the year ended March 31, 2020:

	Notes	ASPE (Unaudited)	Effect of transition to IFRS (Unaudited)	IFRS (Unaudited)
Revenue	ii	$ 17,976,877	$ (281,215)	$ 17,695,662
Cost of sales:				
Amortization and depreciation	i	464,023	65,752	529,775
Changes in inventories	i	10,116,718	(123,127)	9,993,591
Depletion and asset retirement obligation amortization		30,228	–	30,228
Freight		2,204,223	–	2,204,223
		12,815,192	(57,375)	12,757,817
Gross profit		5,161,685	(223,840)	4,937,845
Expenses:				
Selling expenses:				
Advertising	ii	395,795	(281,215)	114,580
Commissions		18,292	–	18,292
Other sales expenses		1,769,066	–	1,769,066
Personnel expenses		535,153	–	535,153
		2,718,306	(281,215)	2,437,091
Other expenses:				
General and administrative expenses		1,278,048	–	1,278,048
Impairment loss on advance to related parties	v	–	1,391,485	1,391,485
Gain on foreign exchange	iv	(1,288)	(38,651)	(39,939)
		1,276,760	1,352,834	2,629,594
Finance income		–	–	–
Finance cost	i, iii	209,767	91,163	300,930
Net finance costs		209,767	91,163	300,930
Profit (loss) before income tax		956,852	(1,386,622	(429,770)
Income tax expense:				
Current tax		190,937	–	190,937
Deferred tax	viii	(146,215)	(12,227)	(158,442)
		44,722	(12,227)	32,495
Profit (loss) for the period		$ 912,130	$ (1,374,395)	$ (462,265)

24. Explanation of transition to IFRS (continued):

Material adjustments to the statement of cash flows for 2020

Net finance cost and write down of inventory have moved into the body of the statement of cash flows, whereas they were previously disclosed as supplementary information. Additionally, the effect of foreign exchange differences on cash and cash equivalents has also been presented on the body of the statement of cash flows. There are no other material differences between the statement of cash flows presented under IFRSs and the statement of cash flows presented under ASPE.

Reconciliation of adjustments

i. Under ASPE, a lease is classified as a finance lease or an operating lease. Operating lease payments are recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term. Under IFRS, a lessee applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets and recognizes lease liabilities on lease payments and right of use assets representing the right to use the underlying assets.

At the date of transition to IFRS, the Group applied the transitional provision and measured lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRS. Right of use assets were measured at the amount equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments. In addition, the Group reclassed leased assets from property, plant and equipment to right of use assets.

The impact arising from the change is summarized as follows:

Statement of comprehensive income		2020 (Unaudited)
Increase in amortization and depreciation	$	65,752
Increase in finance cost		85,420
Decrease in rent expense		(123,127)
Decrease in profit before income tax	$	28,045

Statement of financial position		April 1, 2019 (Unaudited)		March 31, 2020 (Unaudited)
Increase in lease liabilities	$	(2,446,948)	$	(2,428,750)
Increase in right of use assets		2,593,445		2,502,295
Decrease in property, plant and equipment		(126,988)		(101,591)
Decrease in prepaid expenses		(19,509)		–
Decrease in retained earnings	$	–	$	(28,046)

24. Explanation of transition to IFRS (continued):

ii. Under ASPE, the Group recorded discounts to customers in selling expenses. Under IFRS, discounts give rise to variable consideration. At the date of transition, the Group recognized discounts in revenue.

The impact arising from the change is summarized as follows:

Statement of comprehensive income		2020 (Unaudited)
Decrease in revenue	$	(281,215)
Decrease in advertising expenses		281,215
Adjustment before income tax	$	–

iii. Under ASPE, the Group recognized financial liabilities including long-term debt with zero-interest rate at the transaction price. Under IFRS, other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

At the date of transition to IFRS, the Group recognized zero interest long-term debt at the present value of cash flows of the remaining term, discounted using an interest rate with a similar term at the date of transition to IFRS.

The impact arising from the change is summarized as follows:

Statement of comprehensive income		2020 (Unaudited)
Increase in finance cost		5,743
Decrease in profit before income tax	$	5,743

Statement of financial position		April 1, 2019 (Unaudited)		March 31, 2020 (Unaudited)
Decrease in long-term debt	$	17,811	$	12,068
Increase in retained earnings	$	17,811	$	12,068

24. Explanation of transition to IFRS (continued):

iv. Under ASPE, the Group translated monetary assets and liabilities at year end using Bank of Canada's year end exchange rate which is an indicative rate. At the date of transition to IFRS, the Group has used a more appropriate rate sourced from Bloomberg to translate its monetary assets and liabilities.

The impact arising from the change is summarized as follows:

Statement of comprehensive income		2020 (Unaudited)
Increase in foreign exchange gain	$	(38,651)
Increase in profit before income tax	$	(38,651)

Statement of financial position		April 1, 2019 (Unaudited)		March 31, 2020 (Unaudited)
Increase in accounts receivable	$	–	$	55,457
Increase in accounts payable		–		(16,806)
Increase in retained earnings	$	–	$	38,651

v. The adoption of IFRS has changed the Group's accounting for impairment losses for financial assets by replacing the incurred loss approach under the ASPE with the expected credit loss (ECL) method. IFRS requires the Group to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss.

At the date of transition to IFRS, the Group recognized an impairment loss on its advances to related parties. In addition, the Group reclassified advances to related parties from non-current assets to current assets as these advances are repayable on demand.

24. Explanation of transition to IFRS (continued):

The impact arising from the change is summarized as follows:

Statement of comprehensive income	2020 (Unaudited)
Increase in impairment	$ 1,391,485
Decrease in profit before income tax	$ 1,391,485

Statement of financial position	April 1, 2019 (Unaudited)	March 31, 2020 (Unaudited)
Decrease in advances to related parties	$ 3,051,060	$ 4,442,555
Decrease in retained earnings	$ 3,051,060	$ 4,442,555

vi. Under ASPE, the Group recognized bank indebtedness and cash and cash equivalents on a net basis in the statement of financial position. At the date of transition to IFRS, the Group has recognized them separately on a gross basis.

The impact arising from the change is summarized as follows:

Statement of financial position	April 1, 2019 (Unaudited)	March 31, 2020 (Unaudited)
Increase in cash and cash equivalents	$ 137,182	$ –
Increase in bank indebtedness	(137,182)	–
Adjustment to retained earnings	$ –	$ –

24. Explanation of transition to IFRS (continued):

vii. Under ASPE, the Group recognized acquisition of mine claims in mineral properties. Under IFRS, exploration and evaluation expenditures are classified differently from development costs and are measured based on the nature of the cost making up the asset (tangible or intangible). As such, at the date of transition to IFRS, the Group has classified acquisition costs of mine claims as intangible assets.

The impact arising from the change is summarized as follows:

Statement of financial position		April 1, 2019 (Unaudited)		March 31, 2020 (Unaudited)
Increase in intangible assets	$	292,836	$	318,069
Decrease in mineral properties		(292,836)		(318,069)
Adjustment to retained earnings	$	–	$	–

viii. Under ASPE, the Group separately recognized deferred tax assets and liabilities on the statement of financial position. Under IFRS, deferred tax assets and deferred tax liabilities can be offset under certain conditions. The Group meets those conditions, and as such, on the date of transition, deferred tax assets were netted with deferred tax liabilities and recognized net deferred tax liabilities on the statement financial position.

The impact arising from the change is summarized as follows:

Statement of comprehensive income		2020 (Unaudited)
Increase in deferred tax recovery	$	12,227
Increase in profit after tax	$	12,227

Statement of financial position		April 1, 2019 (Unaudited)		March 31, 2020 (Unaudited)
Decrease in deferred tax assets	$	(57,318)	$	(47,881)
Decrease in deferred tax liabilities		37,556		40,348
Adjustment to retained earnings	$	19,762	$	7,533

25. Subsequent events:

(a) Subsequent to year end, on July 1, 2021, a forest fire destroyed one of the Group's scrapers, fencing and a power pole at a mine site. As at that date, the net book value of assets destroyed was $135,090. The Group has recovered $463,682 from its insurer covering the cost of refurbishment of the assets destroyed and business loss.

(b) Subsequent to year end, in August 2022, the Company amended its agreement to acquire a 50% interest in the Bromley Creek zeolite deposit from International Zeolite Corporation for $750,000. Prior to amending the agreement, the Company had a 7% interest in the deposit, which it had acquired by making cumulative royalty payments of approximately $100,000 (at a rate of $9.00 per tonne of zeolite extracted). The amended agreement stipulates that the Company is to pay the remaining $625,000 in 20 equal quarterly installments to March 2027.