

PROGRESSIVE PLANET SOLUTIONS INC.

CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

FOR THE NINE MONTHS ENDED JANUARY 31, 2024, AND 2023

(Expressed in Canadian Dollars)

Registered Head Office
724 Sarcee Street East
Kamloops, British Columbia
V2H 1E7

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

PROGRESSIVE PLANET SOLUTIONS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian dollars)
AS AT,

	January 31, 2024	April 30, 2023
ASSETS		
Current		
Cash and cash equivalents (Note 4)	\$ 344,452	\$ 704,553
Accounts receivable (Note 5)	1,979,416	1,675,691
Inventories (Note 6)	2,814,488	3,045,988
Prepaid expenses and other	293,678	201,546
	<u>5,432,034</u>	<u>5,627,778</u>
Investments in private companies (Note 7)	892,500	1,170,000
Property, plant and equipment (Note 8)	14,632,149	14,948,033
Leased assets (Note 9)	2,348,208	2,255,708
Mineral properties (Note 10)	1,315,283	1,143,026
Exploration and evaluation assets (Note 11)	1,265,764	1,682,412
	<u>\$25,885,938</u>	<u>\$26,826,957</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 12)	1,415,627	1,993,236
Deferred revenue (Note 13)	245,050	137,858
Other current liabilities (Note 14)	25,000	62,842
Lease obligations – current (Note 15)	175,507	168,105
Loans payable – current (Note 16)	304,077	382,029
Shares to be issued (Note 3)	190,286	393,428
	<u>2,355,547</u>	<u>3,137,498</u>
Long-term lease obligations (Note 15)	2,375,244	2,297,799
Long-term loans payable (Note 16)	6,215,565	6,365,937
Asset retirement obligations (Note 17)	280,055	261,150
Deferred income tax liability	1,994,219	2,013,726
	<u>13,220,630</u>	<u>14,076,110</u>
Shareholders' equity		
Share capital (Note 18)	29,999,266	29,999,266
Share-based payment reserve (Note 18)	6,019,157	5,783,852
Deficit	(23,353,115)	(23,032,271)
	<u>12,665,308</u>	<u>12,750,847</u>
	<u>\$25,885,938</u>	<u>\$26,826,957</u>

Nature of operations and going concern (Note 1)
Business acquisition (Note 3)

Commitments (Note 19)
Contingencies (Note 20)

Approved on behalf of the Board:

/s/ Stephen Harpur

Director

/s/ Randy Gue

Director

PROGRESSIVE PLANET SOLUTIONS INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Unaudited - Expressed in Canadian dollars, except share amounts)
FOR THE THREE AND NINE MONTHS ENDED JANUARY 31,

	Three-month period ended		Nine-month period ended	
	2024	January 31, 2023	2024	January 31, 2023
REVENUE (Note 25)	\$ 4,812,604	\$ 4,395,955	\$ 15,184,507	\$ 14,702,416
COST OF SALES				
Cost of goods sold (Notes 6 and 21)	2,444,441	2,602,363	8,097,235	8,147,876
Freight	565,402	541,457	1,912,383	2,116,518
Amortization and depreciation	227,831	227,581	676,881	617,718
Depletion and asset retirement obligations accretion	8,803	7,533	23,934	24,754
	3,245,757	3,378,934	10,710,433	10,906,866
GROSS PROFIT	1,566,847	1,017,021	4,474,074	3,795,550
EXPENSES				
<u>Selling expenses:</u>				
Advertising and other	174,595	111,584	614,593	623,386
Personnel (Note 21)	118,775	232,175	498,226	752,704
	293,370	343,759	1,112,819	1,376,090
Research & development costs (Note 21)	72,695	302,046	434,101	644,738
<u>General and administrative expenses:</u>				
Office and administration	212,835	265,300	784,690	860,440
Personnel (Note 21)	239,230	278,901	778,554	832,925
Share-based compensation (Notes 18 & 21)	-	57,030	235,305	180,761
Consulting fees	30,801	58,892	128,848	182,692
Professional fees (Note 21)	168,661	131,989	564,058	433,501
	651,527	792,112	2,491,455	2,490,319
	1,017,592	1,437,917	4,038,375	4,511,147
INCOME (LOSS) FROM OPERATIONS	549,255	(420,896)	435,699	(715,597)
Finance costs	158,562	142,116	468,071	469,801
Other expenses (income) (Note 22)	54,243	(115,859)	312,743	(240,096)
Income (loss) income before income taxes	337,450	(447,153)	(345,115)	(945,202)
Current income tax (recovery) expense	(4,764)	21,452	(4,764)	21,452
Deferred income tax (recovery) expense	(6,335)	65,740	(19,507)	117,556
Income (loss) and comprehensive income (loss) for the period	\$ 348,689	\$ (533,345)	\$ (320,844)	\$ (1,084,310)
Basic and diluted income (loss) per common share	\$ 0.00	\$ (0.01)	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	109,925,515	100,050,553	109,925,515	96,819,968

The accompanying notes are an integral part of these consolidated financial statements.

PROGRESSIVE PLANET SOLUTIONS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited - Expressed in Canadian dollars, except share amounts)
FOR THE PERIOD APRIL 30, 2022 TO JANUARY 31, 2024

	Number of shares	Share capital	Share-based payment reserve	Deficit	Total equity
			(2022 adjusted - Note 3)		
April 30, 2022	88,451,151	\$ 26,175,235	\$ 5,564,096	\$ (21,867,799)	\$ 9,871,532
Shares issued upon exercised options	60,000	19,628	(7,928)	-	11,700
Shares issued upon exercised warrants	12,279,600	1,763,975	(24,685)	-	1,739,290
Share-based compensation	-	-	180,761	-	180,761
Loss for the period	-	-	-	(1,084,310)	(1,084,310)
January 31, 2023	100,790,751	\$ 27,958,838	\$ 5,712,244	\$ (22,952,109)	\$ 10,718,973
Private placements	5,000,000	980,000	270,000	-	1,250,000
Share issuance cost - cash	-	(28,075)	-	-	(28,075)
Share issuance cost - broker warrant	-	(12,128)	12,128	-	-
Shares issued upon exercised warrants	1,563,336	470,631	(318,083)	-	152,548
Shares issued for acquisition of APL	2,571,428	630,000	-	-	630,000
Share-based compensation	-	-	107,563	-	107,563
Loss for the period	-	-	-	(80,162)	(80,162)
April 30, 2023	109,925,515	\$ 29,999,266	\$ 5,783,852	\$ (23,032,271)	\$ 12,750,847
Share-based compensation	-	-	235,305	-	235,305
Loss for the period	-	-	-	(320,844)	(320,844)
January 31, 2024	109,925,515	\$ 29,999,266	\$ 6,019,157	\$ (23,353,115)	\$ 12,665,308

The accompanying notes are an integral part of these consolidated financial statements.

PROGRESSIVE PLANET SOLUTIONS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian dollars)
FOR THE NINE MONTHS ENDED JANUARY 31,

	2024	2023 (Adjusted - Note 4)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (320,844)	\$ (1,084,310)
Adjustments:		
Reclamation work performed on mineral properties	(2,246)	(8,745)
Amortization and depreciation	676,882	647,137
Depletion and asset retirement obligation accretion	23,934	24,753
Share-based compensation	235,305	180,761
Finance costs	468,071	469,801
Gain on debt forgiveness	(20,000)	-
Gain on sale of property, plant and equipment	(93,513)	(5,246)
Gain on foreign exchange	(37,842)	-
Reversal of flow-through premium	-	(7,501)
Unrealized gain on shares to be issued liability	(203,142)	-
Unrealized loss on investments in private companies	277,500	-
Write-off of exploration and evaluation assets	436,763	78,554
Deferred income tax recovery	(19,507)	79,224
Net change in non-cash operating working capital (Note 23)	(634,774)	824,827
Net cash provided by (used in) operating activities	786,587	1,199,255
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment, net of dispositions	(202,464)	(1,095,203)
Leased asset additions	(157,520)	-
Mineral property additions	(175,040)	(335,511)
Exploration and evaluation assets acquisition and expenditures	(20,115)	(54,607)
Net cash used in investing activities	(555,139)	(1,485,321)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank indebtedness	(3,546)	(1,457,983)
Proceeds from loan financing	92,662	-
Loan repayments	(691,957)	(849,033)
Proceeds from lease financing	157,520	-
Payments on lease obligations	(146,228)	(142,369)
Proceeds from exercise of options	-	11,699
Proceeds from exercise of warrants	-	1,517,170
Net cash (used in) provided by financing activities	(591,549)	(920,516)
Change in cash during the period	(360,101)	(1,206,582)
Cash and cash equivalents, beginning of period	704,553	1,770,682
Cash and cash equivalents, end of period	\$ 344,452	\$ 564,100

Supplemental cash flow information (Note 23)

PROGRESSIVE PLANET SOLUTIONS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian dollars)
FOR THE NINE MONTHS ENDED JANUARY 31, 2024 AND 2023

1. NATURE OF OPERATIONS AND GOING CONCERN

Progressive Planet Solutions Inc. (the "Company") was incorporated under the laws of British Columbia, Canada on November 10, 2006. The Company's shares trade on the TSX Venture Exchange under the trading symbol PLAN and on the Frankfurt Stock Exchange under the symbol ARB3. On August 17, 2022, the Company's shares were listed to trade on the OTCQB Venture Market under the trading symbol ASHXF.

The Company is a manufacturer of mineral-based products derived from diatomaceous earth, zeolite, and bentonite that is headquartered in Kamloops, BC. In conjunction with these manufacturing operations, the Company is the sole owner of a diatomaceous earth mine located near Kamloops and a bentonite mine, located near Princeton, BC, as well as the operator and partial owner of a zeolite mine, also located near Princeton. The Company is also engaged in research and development activities to expand the current operations by developing products for the agricultural and supplementary cementing materials markets.

These consolidated financial statements have been prepared on the basis of accounting applicable to a "going concern," which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has incurred losses to date and for the nine-month period ended January 31, 2024, the Company recorded a loss of \$320,844. These conditions result in a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company may require additional debt or equity funding in order to meet its business objectives. In those circumstances, the Company would plan to raise the necessary funds primarily through issuance of common shares and the utilization of its credit facilities. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern and such adjustments could be material to the financial statements.

2. BASIS OF PREPARATION

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB of the International Financial Reporting Interpretations Committee. However, these updates either are not applicable to the Company or are not material to these consolidated financial statements.

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 8, 2024.

(b) Basis of presentation:

These consolidated financial statements have been prepared on the historical cost basis, except for where otherwise stated. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

PROGRESSIVE PLANET SOLUTIONS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian dollars)
FOR THE NINE MONTHS ENDED JANUARY 31, 2024 AND 2023

2. BASIS OF PREPARATION (cont'd...)

(c) Basis for consolidation:

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are all entities over which the Company has control. The Company controls an entity when it 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 included in the consolidated financial statements from the date on which control is transferred to the Company until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

These consolidated financial statements include the accounts of the Company and its subsidiaries as described below:

Company	Location	Ownership Interest
Progressive Planet Products Inc. (formerly, Absorbent Products Ltd.) 0820443 B.C. Ltd.	BC, Canada	100%
Progressive Planet Alberta Inc.	BC, Canada	100%
Progressive Planet US LLC	Alberta, Canada	100%
	Oregon, United States	100%

(d) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries, with the exception of Progressive Planet US LLC, whose functional currency is US dollars.

(e) Use of estimates and judgments:

The preparation of the financial statements in accordance with IFRS 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 financial statements include:

- i) The determination of whether an acquisition constitutes a business (Note 3). Transactions accounted for as business combinations may result in goodwill or a bargain purchase gain and transaction costs are expensed. Transactions accounted for as asset acquisitions do not result in goodwill or a bargain purchase gain and deferred tax amounts are not recognized; transactions costs are capitalized as part of the assets acquired.
- ii) The determination of the fair value of property, plant and equipment acquired in the APL acquisition which included: a) land; b) buildings; and c) plant and equipment involved significant estimates, including depreciated replacement cost and direct sales comparison. The Company engaged certified independent third-party appraisers to determine the depreciated replacement cost estimates for buildings and certain acquired plant and equipment and the direct sales comparison estimates for the remaining acquired plant and equipment.
- iii) The recognition of deferred tax assets.

PROGRESSIVE PLANET SOLUTIONS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian dollars)
FOR THE NINE MONTHS ENDED JANUARY 31, 2024 AND 2023

2. BASIS OF PREPARATION (cont'd...)

(e) Use of estimates and judgments (cont'd...)

Areas of estimation uncertainty that may have a significant effect on the amounts recognized in the consolidated financial statements, and could result in a material adjustment within the next fiscal year is included in the following notes:

- i) The determination of the fair value of share consideration issued for the purchase of the APL Group, including the liquidity discount applied (Note 3).
- ii) The measurement of the fair value of investments in private companies (Note 7).
- iii) Identification and correct interpretation of indicators of impairment of the Company's assets.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

(f) Business combinations

A business combination is an acquisition of assets and liabilities that constitute a business and whereby the Company obtains control of the business. A business is an integrated set of activities and assets that consist of inputs and processes, including a substantive process that, when applied to those inputs, have the ability to create or significantly contribute to the creation of outputs that generate investment income or other income from ordinary activities.

When acquiring a set of activities or assets in the exploration and development stage, which may not have outputs at the acquisition date, the Company considers other factors to determine whether the set of activities or assets is a business. In this case, an acquired process is considered substantive when: (i) the acquired process is critical to the ability to develop the acquired input into outputs; and (ii) the inputs acquired include both an organized workforce with the necessary skills, knowledge, or experience to perform the process and other inputs that the organized workforce could develop into outputs.

Business combinations are accounted for using the acquisition method whereby identifiable assets acquired and liabilities assumed, including contingent liabilities, are recognized at their fair values at the acquisition date. The acquisition date is the date at which the Company obtains control over the acquiree, which is generally the date that consideration is transferred, and the Company acquires control of the assets and assumes the liabilities of the acquiree. The Company considers all relevant facts and circumstances in determining the acquisition date.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values, determined as at the acquisition date, of the assets transferred by the Company, the liabilities, including contingent consideration, incurred and payable by the Company to former owners of the acquiree and the equity interests issued by the Company. Acquisition-related costs, other than costs to issue debt or equity securities of the Company, are expensed as incurred.

A non-controlling interest ("NCI"), if any, represents the equity in a subsidiary not attributable, directly or indirectly, to the Company. An NCI is recognized at its proportionate share of the fair value of identifiable net assets acquired on initial recognition.

Goodwill, if any, is calculated as the sum of the total consideration transferred by the Company and the NCI in the acquiree, if any, less the fair value of net assets acquired. When the fair value of net assets acquired exceeds the sum of the total consideration transferred by the Company and the NCI in the acquiree, if any, the Company recognizes a bargain purchase gain in net income or loss on the acquisition date.

PROGRESSIVE PLANET SOLUTIONS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. BASIS OF PREPARATION (cont'd...)

(g) 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 time of shipment or pickup, as the case may be, and they are usually payable within 45 days. Revenue arising from shipments that have not yet been accepted at the customer's premises, but for which invoices were generated (i.e., at the time of shipping), is classified as deferred revenue until such time as the goods are accepted. 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 of 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.

(h) 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 Company'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.

(i) 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.

Stockpiled ore inventories represent ore that has been extracted from the mine and is available for further processing. The average costs included in stockpiled ore inventories are based on mining costs incurred up to the point of stockpiling the ore, including depreciation and depletion related to mineral properties and equipment and are removed at the weighted average cost as ore is processed. The measurement of stockpiles involves the use of significant judgments and assumptions, including the volume of the stockpiles and bulk density. Stockpiled ore that is not expected to be processed within the next 12 months is classified as non-current.

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.

PROGRESSIVE PLANET SOLUTIONS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian dollars)
FOR THE NINE MONTHS ENDED JANUARY 31, 2024 AND 2023

2. BASIS OF PREPARATION (cont'd...)

(j) 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.

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.

Asset	
Buildings	20 to 40 years
Equipment	5 to 20 years
Vehicles	7 to 10 years

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

(k) Leases

At inception of a contract, the Company 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 Company 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 Company's incremental borrowing rate. The Company 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.

PROGRESSIVE PLANET SOLUTIONS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian dollars)
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2. BASIS OF PREPARATION (cont'd...)

(k) Leases (cont'd...)

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 Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company 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 Company has elected not to recognize right of use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) Exploration and evaluation assets

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity includes exploratory drilling and sampling, surveying transportation and infrastructure requirements, and gathering exploration data through geophysical studies.

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 reclassified to mineral properties.

The Company capitalizes direct costs of acquiring resource property interests as exploration and evaluation assets. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option.

(m) Mineral properties

Mineral properties include the costs incurred for acquisition and 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 mine, the bentonite clay mine and the zeolite mine including associated administrative costs have been capitalized. 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.

(n) 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian dollars)
FOR THE NINE MONTHS ENDED JANUARY 31, 2024 AND 2023

2. BASIS OF PREPARATION (cont'd...)

(o) Provisions

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.

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

ii. Other provisions

A provision is recognized if, because of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined using the expected future cash flows discounted, if material, at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance expense in net income or loss.

(p) 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.

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.

PROGRESSIVE PLANET SOLUTIONS INC.
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2. BASIS OF PREPARATION (cont'd...)

(p) Income taxes (cont'd...)

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

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.

(q) 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 Company 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 Company's financial assets are cash and cash equivalents, accounts receivable and investments in private 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 Company changes its 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 Company 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.

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2. BASIS OF PREPARATION (cont'd...)

(q) Financial instruments (cont'd...)

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.

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of loss in the period in which they arise. The Company 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 Company's financial liabilities are bank indebtedness, accounts payable and accrued liabilities, loans payable, and shares to be issued.

The Company has designated its shares to be issued as financial liabilities carried at FVTPL. Realized and unrealized gains and losses arising from changes in the fair value of the shares to be issued are included in the statement of loss in the period in which they arise.

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

(r) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company 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.

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2. BASIS OF PREPARATION (cont'd...)

(s) 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 Company 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 18. 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.

(t) Impairment

i. Non-derivative financial assets

The Company 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 Company 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 Company 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 Company's historical experience and informed credit assessment, which includes forward-looking information.

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

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

- The debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company 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 Company 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.

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2. BASIS OF PREPARATION (cont'd...)

(t) Impairment (cont'd...)

Write off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company 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 Company reviews the carrying amounts of its non-financial 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.

(u) Share capital

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

(v) Finance costs

The Company's finance costs include interest expense on loans and leases. Interest 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.

(w) 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 Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company'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 Company 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.

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2. BASIS OF PREPARATION (cont'd...)

(w) Fair value measurement (cont'd...)

If there is no quoted price in active market, then the Company 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 Company 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.

(x) Share-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee. The fair value of stock options and compensatory warrants are measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the goods or services received.

(y) Flow-through shares

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby the premium paid for the flow through shares in excess of the market value of the shares without flow-through features is credited as a liability and included in profit or loss at the same time the qualifying expenditures are made.

(z) Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component. Any fair value attributed to warrants is recorded as share-based payment reserve.

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2. BASIS OF PREPARATION (cont'd...)

(aa) Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed by assuming that outstanding options, warrants and similar instruments were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. The Company's 9,910,000 stock options and 31,321,572 warrants outstanding at January 31, 2024, as well as the 2,571,429 shares to be issued on February 18, 2024 (Note 3), are not included in the loss per share calculation as the effect would be anti-dilutive.

(bb) Contingencies

Contingent assets and contingent liabilities are not recognized in the consolidated financial statements. Contingent assets and contingent liabilities are possible assets or possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. A contingent liability can also be a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent assets and contingent liabilities are continually assessed to ensure developments are appropriately reflected in the consolidated financial statements.

3. BUSINESS ACQUISITION

On February 18, 2022 (the "Acquisition date"), the Company acquired 100% of the shares of Absorbent Products Ltd. ("APL") and certain related companies (combined "the APL Group").

The total consideration paid of \$13,517,376 included \$2,434,857 of share consideration, which was comprised of the following:

- (1) Tranche 1: \$1,200,000 in common shares of the Company issued at the Acquisition date at a price of \$0.35 per share (resulting in 3,428,571 shares issued).
- (2) Tranche 2: \$900,000 in common shares of the Company to be issued one year from the Acquisition 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. Effective February 24, 2023, the Company issued 2,571,428 shares to the vendor in order to satisfy this requirement.
- (3) Tranche 3: \$900,000 in common shares of the Company to be issued two years from the Acquisition 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.

All shares are subject to a 4 month hold period from the date of issuance.

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3. BUSINESS ACQUISITION (cont'd...)

The fair value of the share consideration at the Acquisition date was determined based on the face value of the three tranches of shares (\$3,000,000) less a discount to reflect 4 month hold periods as well as the one and two year "waiting periods" associated with the share issuances for 2nd and 3rd Tranches, respectively. The Tranche 2 and Tranche 3 common shares to be issued to the vendor are non-derivative financial liabilities as they comprise an obligation for the Company to deliver a variable number of its common shares to the vendor under the terms of the acquisition agreement. The Company has designated its shares to be issued as financial liabilities carried at FVTPL. Realized and unrealized gains and losses arising from changes in the fair value of the common shares to be issued are included in the statement of loss in the period in which they arise. The Company recorded a \$203,142 unrealized gain during the nine-month period ended January 31, 2024 (2023 - \$Nil) on the Tranche 3 common shares to be issued in February 2024.

In determining the fair value of shares to be issued liability, the discounts deducted from the face value of the shares to be issued as at April 30, 2023 and as at January 31, 2024, were calculated with the assistance of a Black-Scholes option pricing model. The following assumptions were used in the Black-Scholes valuations of these discounts:

	April 30, 2023	January 31, 2024
Risk-free interest rate	3.65%	4.00%
Expected hold period – 1 st Tranche	n/a	n/a
Expected hold period – 2 nd Tranche	n/a	n/a
Expected hold period – 3 rd Tranche	1.2 years	0.5 years
Expected annualized volatility	78.71%	82.95%
Expected dividend rate	0.00%	0.00%

The table below outlines preliminary and final recognized amounts of the fair values of identifiable assets acquired and liabilities assumed. In accordance with IFRS 3 *Business Combinations*, the comparative figures in these financial statements have been restated to reflect these adjustments.

Assets acquired and liabilities assumed	Reported as of April 30, 2022	Adjustments	Final Allocation
Cash	\$ 74,895	-	\$ 74,895
Accounts receivable	2,192,313	-	2,192,313
Inventories	4,111,982	(134,190)	3,977,792
Prepaid expenses	195,153	-	195,153
Property, plant & equipment	12,794,728	653,122	13,447,850
Leased assets	2,349,873	-	2,349,873
Mineral properties	1,108,351	(338,331)	770,020
Bank indebtedness	(2,225,125)	-	(2,225,125)
Accounts payable	(2,162,598)	-	(2,162,598)
Deferred revenue	(154,562)	-	(154,562)
Lease obligations	(2,422,773)	-	(2,422,773)
Asset retirement obligations	(261,070)	-	(261,070)
Deferred income tax liability	(2,145,970)	(118,422)	(2,264,392)
Fair value of net assets acquired	\$ 13,455,197	\$ 62,179	\$ 13,517,376

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4. CASH AND CASH EQUIVALENTS

	January 31, 2024	April 30, 2023
Bank balances	\$ 344,105	\$ 704,206
Cash on hand	347	347
Cash and cash equivalents	\$ 344,452	\$ 704,553

BANK INDEBTEDNESS:

The Company has a credit facility agreement with 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 (January 31, 2024 – 7.98%, in aggregate). Interest expense of \$3,546 (2023 – \$60,612) is included in finance costs in the statement of loss related to this facility.

The Company has an additional credit facility agreement with BMO to borrow up to \$1,000,000, by way of multi-draws of non-revolving lines of credit or fixed rate term loans to finance the purchase of equipment assets. The Company did not utilize this facility during the nine-month period ended January 31, 2024 or 2023.

Security is provided by way of a general security agreement with a second charge over all assets of the APL Group with priority over accounts receivable and inventories, general assignment of book debts, security over inventory with priority over finished and processed goods, and personal guarantees not to exceed \$3,000,000 in aggregate, from a certain shareholder, an officer and a former director of the Company.

Adjustment to the statement of cashflows for the nine-month ended January 31, 2023

The Company's previously reported statement of cashflows for the nine-month ended January 31, 2023 has been adjusted in these financial statements as follows:

	Net cash (used in) provided by operating activities	Net cash used in investing activities	Net cash (used in) provided by financing activities
Previously reported	\$ (609,403)	\$ (1,494,066)	\$ 896,887
Adjustment (a)	1,417,539	-	(1,417,539)
Adjustment (b)	(8,745)	8,745	-
Adjustment (c)	399,864	-	(399,864)
Adjusted	\$ 1,199,255	\$ (1,485,321)	\$ (920,516)

- (a) The Company previously presented a \$1,417,539 repayment of bank indebtedness as an operating activity cashflow when it should have been presented as a financing activity cashflow.
- (b) The Company previously presented \$8,745 of reclamation work performed on mineral properties as an investing activity cashflow when it should have been presented as an operating activity cashflow.
- (c) The Company previously presented \$399,864 of finance costs as an operating activity cashflow when it should have been presented as a financing activity cashflow.

The adjustments to the statement of cashflows had no impact on the previously reported statement of financial position as at January 31, 2023 and the Company's statements of loss and comprehensive loss for the nine-month period ended January 31, 2023.

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5. ACCOUNTS RECEIVABLE

	January 31, 2024	April 30, 2023
Trade receivables	\$ 1,833,671	\$ 1,498,148
Commodity tax recoverable	35,790	47,872
Income tax receivables	-	82,260
Other receivables	109,955	47,411
	<u>\$ 1,979,416</u>	<u>\$ 1,675,691</u>

6. INVENTORIES

	January 31, 2024	April 30, 2023
Finished goods	\$ 473,103	\$ 279,961
Raw materials	799,402	864,129
Supplies	1,541,983	1,901,898
	<u>\$ 2,814,488</u>	<u>\$ 3,045,988</u>

The cost of inventories recognized as an expense during the nine-month period ended January 31, 2024 was \$8,097,235 (2023 - \$8,147,876). Inventories have been pledged as security for the Company's bank indebtedness (Note 4) and long-term debt (Note 16) in accordance with the respective agreements.

7. INVESTMENTS IN PRIVATE COMPANIES

The Company's investments in shares and warrants are classified as and subsequently measured at FVTPL.

ZS2 Technologies Ltd. ("ZS2")

The following is a summary of the Company's investment in ZS2 for the nine-month period ended January 31, 2024:

	Total	
ZS2 Technologies Ltd. – Common shares	<u>Common shares</u>	
Balance, April 30, 2023	450,000	\$ 900,000
Unrealized loss from change in fair value (a)	-	(157,500)
Balance, January 31, 2024	<u>450,000</u>	<u>\$ 742,500</u>
ZS2 Technologies Ltd. – Share purchase warrants	<u>Warrants</u>	
Balance, April 30, 2023	300,000	\$ 270,000
Unrealized loss from change in fair value (b)	-	(120,000)
Balance, January 31, 2024	<u>300,000</u>	<u>\$ 150,000</u>
Investments in shares and warrants of ZS2 balance, April 30, 2023		\$ 1,170,000
Investments in shares and warrants of ZS2 balance, January 31, 2024		<u>\$ 892,500</u>

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7. INVESTMENTS IN PRIVATE COMPANIES (cont'd...)

- (a) In the fall of 2023 and in January 2024, ZS2 completed two private placements with arm's length investors. In those private placements, ZS2 issued shares at \$1.65 per common share. Accordingly, during the three-month period ended January 31, 2024, the Company reduced the carrying value of its 450,000 common shares in ZS2 from \$2.00 to \$1.65 per share, and recorded a corresponding unrealized loss on investments in private companies of \$157,500.
- (b) On April 30, 2023, the Company estimated the fair value of its 300,000 share-purchase warrants to be \$150,000, which was \$120,000 lower than the carrying value recorded as at April 30, 2023. Accordingly, the Company recorded an unrealized loss of \$120,000 during the nine-month period ended January 31, 2024. The share-purchase warrants were valued using a Black-Scholes option pricing model, with the following assumptions:

	Warrants at April 30, 2023	Warrants at January 31, 2024
Spot price per share	\$2.00	\$1.65
Strike price per share	\$2.00	\$2.00
Risk-free interest rate	3.51%	3.77%
Expected life of options	3.86 years	3.1 years
Expected annualized volatility	55.00%	50.00%
Expected dividend rate	0.00%	0.00%

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8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost less accumulated depreciation. Property, plant and equipment acquired as part of the APL Group acquisition was initially recorded at fair value. A summary of the changes in the Company's property, plant and equipment for the year ended April 30, 2023 and the nine-month period ended January 31, 2024 is as follows:

	Land	Buildings	Equipment	Vehicles	Total
Cost					
Balance, April 30, 2022	\$ 7,911,000	\$ 2,474,233	\$ 4,454,233	\$ 185,763	\$ 15,025,229
Additions	-	39,611	1,315,985	-	1,355,596
Dispositions	-	(8,085)	(91,942)	(5,108)	(105,135)
Balance, April 30, 2023	7,911,000	2,505,759	5,678,276	180,655	16,275,690
Additions	-	1,989	285,194	88,580	375,763
Dispositions	-	-	(183,677)	-	(183,677)
Balance, January 31, 2024	\$ 7,911,000	\$ 2,507,748	\$ 5,779,793	\$ 269,235	\$ 16,467,776
Accumulated depreciation					
Balance, April 30, 2022	\$ -	\$ 29,532	\$ 449,929	\$ 79,613	\$ 559,074
Additions	-	133,165	637,399	31,376	801,940
Dispositions	-	(2,905)	(29,098)	(1,354)	(33,357)
Balance, April 30, 2023	-	159,792	1,058,230	109,635	1,327,657
Additions	-	93,504	489,089	29,267	611,860
Dispositions	-	-	(103,890)	-	(103,890)
Balance, January 31, 2024	\$ -	\$ 253,296	\$ 1,443,429	\$ 138,902	\$ 1,835,627
Net Book Value					
Balance, April 30, 2023	\$ 7,911,000	\$ 2,345,967	\$ 4,620,046	\$ 71,020	\$ 14,948,033
Balance, January 31, 2024	\$ 7,911,000	\$ 2,254,452	\$ 4,336,364	\$ 130,333	\$ 14,632,149

Property, plant and equipment have been pledged as security for the Company's bank indebtedness (Note 4) and long-term debt (Note 16) in accordance with the respective agreements.

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9. LEASED ASSETS

As at January 31, 2024, the Company's equipment balance included \$36,781 of leased assets (April 30, 2023 - \$78,919) and the vehicles balance included \$29,028 of leased assets (April 30, 2023 - \$37,456). For the nine-month period ended January 31, 2024, depreciation expense for the equipment leased assets was \$6,491 (2023 - \$18,539) and \$8,428 (2023 - \$12,039) for the vehicle leased assets.

In addition to the above, the Company acquired leased forklifts of \$81,530 during the nine-month period ended January 31, 2024. Depreciation expense of \$7,691 was recorded during the nine-month period ended January 31, 2024 in relation to these leased forklifts.

The Company's leased land assets consist of leased real property utilized in its manufacturing operations. These leased land assets are depreciated on a straight-line basis over the term of the lease. No leased land additions were made during the year ended April 30, 2023. During the nine-month period ended January 31, 2024 leased land additions were \$75,990. Depreciation charge on leased land assets during the nine-month period ended January 31, 2024 was \$57,328 (2023 - \$58,530) and the net book value of leased land assets as at January 31, 2024 was \$2,274,370 (April 30, 2023 - \$2,255,708).

10. MINERAL PROPERTIES

A summary of the changes in the Company's mineral properties for the year ended April 30, 2023 and the nine-month period ended January 31, 2024 is as follows:

	Red Lake Mine Savona, BC	Bud Mine Princeton, BC	Bromley Creek Mine Princeton, BC	Total
Balance, April 30, 2022	\$ 518,111	\$ 190,249	\$ 101,485	\$ 809,845
Additions	79,821	73,729	184,196	337,746
Increase in asset retirement obligations	14,976	4,787	-	19,763
Depletion and asset retirement obligations accretion	(15,897)	(8,431)	-	(24,328)
Balance, April 30, 2023	597,011	260,334	285,681	1,143,026
Additions	38,316	27,251	109,473	175,040
Increase in asset retirement obligations	11,232	3,590	-	14,822
Depletion and asset retirement obligations accretion	(12,646)	(4,959)	-	(17,605)
Balance, January 31, 2024	\$ 633,913	\$ 286,216	\$ 395,154	\$ 1,315,283

The additions to the Bromley Creek property for the nine-month period ended January 31, 2024 included three \$31,150 payments to acquire an additional 6.4% interest in the mineral property as well as \$16,022 of costs to further develop the mine. As at January 31, 2024, the Company owned a 22.1% interest in the Bromley Creek Mine. See Note 20 – Contingencies for additional information on the Company's option agreement to obtain up to a 50% ownership interest in this mineral property. The Company pays a royalty of \$4.50 per metric tonne of zeolite that is mined and removed from the property to International Zeolite Corporation, the property's majority owner.

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11. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets interests involves certain inherent risks due to the difficulty of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its exploration and evaluation assets interests and, to the best of its knowledge, expects title to all of its interests to be in good standing.

A summary of the changes in the Company's exploration and evaluation assets for the year ended April 30, 2023, and the nine-month period ended January 31, 2024 is as follows:

	Z1 Zeolite Property, BC	Z2 Zeolite Property, BC	Heffley Creek Property, BC	Sun Group Zeolite Property, BC	Total
Balance, April 30, 2022	\$ 1,290,986	\$ 75,179	\$ 265,974	\$ -	\$ 1,632,139
Acquisition cost additions	-	-	27,500	36,250	63,750
Exploration cost additions	150	3,375	51,957	9,595	65,077
Write-off	-	(78,554)	-	-	(78,554)
Reclassification	(87,397)	-	87,397	-	-
Balance, April 30, 2023	1,203,739	-	432,828	45,845	1,682,412
Exploration cost additions	1,874	-	3,935	14,306	20,115
Write-off	-	-	(436,763)	-	(436,763)
Balance, January 31, 2024	\$ 1,205,613	\$ -	\$ -	\$ 60,151	\$ 1,265,764

Z1 Zeolite Property, British Columbia

On January 23, 2017, the Company entered into a property option agreement, subsequently amended, for the Z1 Zeolite Property, located 3km northeast of Cache Creek, BC, for the following consideration:

- i) Cash payment of \$20,000 (paid).
- ii) 666,667 common shares (issued at a value of \$430,000);
- iii) 333,333 common shares (issued at a value of \$105,000); and
- iv) incur \$500,000 of exploration expenditures on or before January 23, 2019 (incurred).

The property is subject to a royalty in the amount of \$1.25 per tonne of zeolite sold from the property, and additionally a royalty fee of \$10/tonne on the first 10,000 tonnes sold or otherwise disposed of.

Z2 Zeolite Property, British Columbia

On October 3, 2019, the Company entered into a property option agreement to acquire the Z-2 Zeolite Property near Falkland, BC. In October 2022, the Company ceased exploration activities on the Z2 Zeolite Property and relinquished its rights to acquire the property under the terms of the above-noted option agreement. As such, the Company wrote-off the capitalized value of this property of \$78,554 during the year ended April 30, 2023.

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11. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Heffley Creek Property, British Columbia

On February 24, 2020, the Company entered into an option agreement to acquire a 100% interest in the Heffley Creek Metals & Pozzolan Property in Heffley Creek, BC, for the following consideration:

- i) Cash payment
 - a) \$7,500 on or before February 25, 2020 (paid).
 - b) \$10,000 on or before February 10, 2021 (paid).
 - c) \$10,000 on or before February 10, 2022 (paid).
 - d) \$12,500 on or before February 10, 2023 (paid).
 - e) \$15,000 on or before February 10, 2024.

- ii) Exploration expenditures
 - a) incur \$50,000 in exploration on or before February 10, 2021 (incurred).
 - b) incur \$50,000 in exploration on or before February 10, 2022 (incurred).
 - c) incur \$75,000 in exploration on or before February 10, 2023 (incurred).
 - d) incur \$100,000 in exploration on or before February 10, 2024 (incurred).

Based on the results of the exploration work conducted during the nine-month period ended January 31, 2024, the Company determined not to proceed further with the acquisition of the Heffley Creek Property. Accordingly, as of January 31, 2024, the Company wrote-off the capitalized value of this property of \$436,763.

Sun Group Property, British Columbia

The Sun Group Property is a group of zeolite claims located in southern B.C. In July 2022, the Company entered into an option agreement to earn up to a 50% interest in the property by making cash payments and/or funding exploration expenditures totalling \$725,000 by July 2027. Required within the total payment of \$725,000 was a cash payment of \$36,250 due in July 2022, which was made by the Company at that time.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of \$23,159 as at January 31, 2024 (April 30, 2023 - \$45,950), which include amounts payable for GST, PST, EHT, payroll related taxes, workers' compensation and other federal remittances.

13. DEFERRED REVENUE

The Company generates invoices to customers at time of shipment or pickup, but revenue is not recognized on delivered orders until the goods are accepted at the customer's premises. Accordingly, sales revenue from these orders is classified as deferred revenue until such time as the goods are accepted by the customer. As at January 31, 2024 the Company had \$245,050 (April 30, 2023 - \$137,858) of orders in transit that had not yet been accepted at the customer's premises. All of these orders were accepted by the customers subsequent to January 31, 2024.

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14. OTHER CURRENT LIABILITIES

A summary of the Company's other current liabilities as at January 31, 2024 and April 30, 2023 is as follows:

	January 31, 2024	April 30, 2023
Current portion of Asset Retirement Obligation (Note 17)	\$ 25,000	\$ 25,000
US dollar liability (Note 24)	-	37,842
	\$ 25,000	\$ 62,842

15. LEASE OBLIGATIONS

	January 31, 2024	April 30, 2023
Equipment (1)	\$ 131,698	\$ 89,287
Land (2)	2,419,053	2,376,617
	2,550,751	2,465,904
Less current portion of lease obligations	175,507	168,105
	\$ 2,375,244	\$ 2,297,799

- (1) The Company's equipment leases as at January 31, 2024, were comprised of the following:
- (a) A 5-year lease for the use of a transport truck commencing September 20, 2019, comprised of a down payment of \$32,034 at inception and monthly lease payments of \$1,448 over the following 59 months. An initial amount of \$128,471 was capitalized to equipment assets.
 - (b) A 5-year lease for the use of a forklift commencing September 25, 2020, comprised of a down payment of \$12,917 at inception and monthly lease payments of \$1,217 over the following 59 months. An initial amount of \$75,123 was capitalized to equipment assets.
 - (c) A 5-year lease for the use of a forklift commencing August 1, 2023 comprised of monthly lease payments of \$1,485 over the following 64 months. An initial amount of \$81,530 was capitalized to leased assets.
- (2) The Company's land leases as at January 31, 2024, were comprised of the following:
- (a) A lease expiring June 30, 2055 (approximately 31 years remaining at January 31, 2024) for 2.2 acres of industrial property in Kamloops, B.C. owned by the Tk'emlúps te Secwépemc First Nation. Annual lease payments are \$27,225. The interest rate attributed to the lease is 3.55% based on an estimate of the Company's incremental borrowing rate at the lease recognition date.
 - (b) A lease expiring June 30, 2055 (approximately 31 years remaining at January 31, 2024) for 1.4 acres of industrial property in Kamloops, B.C. owned by the Tk'emlúps te Secwépemc First Nation. Annual lease payments are \$23,595. The interest rate attributed to the lease is 3.55% based on an estimate of the Company's incremental borrowing rate at the lease recognition date.
 - (c) A lease expiring June 30, 2055 (approximately 31 years remaining at January 31, 2024) for 0.5 acres of industrial property in Kamloops, B.C. owned by the Tk'emlúps te Secwépemc First Nation. Annual lease payments are \$8,250. The interest rate attributed to the lease is 3.55% based on an estimate of the Company's incremental borrowing rate at the lease recognition date.

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15. LEASE OBLIGATIONS (cont'd...)

- (d) A lease expiring February 28, 2055 (approximately 31 years remaining at January 31, 2024) for 1.1 acres of industrial property in Kamloops, B.C. owned by the Tk'emlúps te Secwépemc First Nation. Annual lease payments are \$22,425. The interest rate attributed to the lease is 3.55% based on an estimate of the Company's incremental borrowing rate at the lease recognition date.
- (e) A lease expiring September 30, 2058 (approximately 35 years remaining at January 31, 2024) for 2.7 acres of industrial property in Kamloops, B.C. owned by the Tk'emlúps te Secwépemc First Nation. Annual lease payments are \$41,175. The interest rate attributed to the lease is 3.55% based on an estimate of the Company's incremental borrowing rate at the lease recognition date.
- (f) A lease expiring June 30, 2031 (approximately 7 years remaining at January 31, 2024) for industrial storage property located near Kamloops, B.C. owned by a private landowner. Annual lease payments are \$10,000. The interest rate attributed to the lease is 3.55% based on an estimate of the Company's incremental borrowing rate at the lease recognition date.

Interest expense of \$73,555 (2023 - \$78,073) relating to lease liabilities has been included in finance costs in the statement of loss related to these lease arrangements.

A summary of the changes in the Company's lease liabilities for the year ended April 30, 2023 and the nine-month period ended January 31, 2024, as well as a schedule of lease maturities is as follows:

	January 31, 2024	April 30, 2023
Lease liabilities, beginning of period	\$ 2,465,904	\$ 2,553,918
Additions	157,520	-
Payments	(146,228)	(183,816)
Interest expense	73,555	95,802
Lease liabilities, end of period	\$ 2,550,751	\$ 2,465,904

	January 31, 2024	April 30, 2023
Maturity analysis - contractual undiscounted cash flows		
Less than one year	\$ 172,342	\$ 172,707
More than one year	3,961,054	3,873,123
Total undiscounted lease liabilities	\$ 4,133,396	\$ 4,045,830

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16. LOANS PAYABLE

	January 31, 2024	April 30, 2023
Canada Emergency Business Account loans #1 and #2, non-interest bearing until January 18, 2024, 5% per annum thereafter. \$20,000 of principal forgivable if \$60,000 repaid by January 18, 2024 (a)	\$ -	\$ 80,000
BMO 25-year term non-revolving demand loan, interest at BMO's prime rate + 0.75% per annum, repayable in monthly installments of \$23,233 plus interest, secured by a general security agreement of the Company's assets as well as first mortgages on the Company's real property and leased properties, and partially secured by personal guarantees of certain shareholders of the Company	6,435,632	6,667,966
TD Auto Finance 48-month term loan, interest at 5.99% per annum, repayable in 48 equal blended payments of principal and interest of \$2,176, with the final payment due on August 10, 2027	84,010	-
	6,519,642	6,747,966
Less current portion of loans payable	304,077	382,029
	\$ 6,215,565	\$ 6,365,937

(a) The Company repaid the Canada Emergency Business Account loans #1 and loan #2 prior to January 18, 2024. Accordingly, the Company received \$20,000 of loan forgiveness during the nine-month period ended January 31, 2024.

The Company's non-revolving demand loan with BMO is subject to a fixed charge coverage ratio covenant. The covenant specifies that the Company's consolidated net income after taxes, plus amortization and depreciation, interest and adjusted for non-cash charges, share-based compensation, equity raise(s), less unfunded capital expenditures, dividends, transfer to related parties outside the normal course of business, divided by the aggregate of required principal payment on long-term debt and capital leases plus interest. The ratio must be no less than 1.0x and is to be calculated annually commencing on April 30, 2023. The Company was in compliance with this covenant as at April 30, 2023.

A summary of changes in the Company's loans payable for the year ended April 30, 2023 and the nine-month period ended January 31, 2024 is as follows:

	January 31, 2024	April 30, 2023
Loans payable, beginning of period	\$ 6,747,966	\$ 8,713,224
Loan proceeds	92,662	-
Loan repayments	(691,957)	(2,486,455)
Interest expense	390,971	521,197
Loan forgiveness	(20,000)	-
Loans payable, end of period	\$ 6,519,642	\$ 6,747,966

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17. ASSET RETIREMENT OBLIGATIONS

The Company has recorded asset retirement obligations for the estimated costs of reclaiming its mineral property assets. 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 BC Ministry of Energy, Mines and Low Carbon Innovation. The following is a reconciliation of the changes in the asset retirement obligations during the year ended April 30, 2023 and the nine-month period ended January 31, 2024:

	January 31, 2024	April 30, 2023
Asset retirement obligations, beginning of period	\$ 286,150	\$ 266,694
Reclamation work performed	(2,246)	(8,745)
Change in estimated costs and assumptions	14,822	19,763
Accretion expense	6,329	8,438
Asset retirement obligations, end of year	305,055	286,150
Less estimated current portion	(25,000)	(25,000)
	\$ 280,055	\$ 261,150

18. SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE

Authorized: unlimited common shares without par value

During the nine-month period ended January 31, 2024, the Company:

- i) No activity.

During the year ended April 30, 2023, the Company:

- ii) issued 13,842,936 common shares upon exercise of warrants for gross proceeds of \$1,891,838. The Company reallocated \$342,768 of its share-based payment reserve to share capital.
- iii) issued 60,000 common shares upon exercise of stock options for gross proceeds of \$11,700. The Company reallocated \$7,928 of its share-based payment reserve to share capital.
- iv) issued 2,571,428 common shares which comprised the 2nd tranche share payment required under the terms of the APL acquisition (see Note 3). The estimated fair value of these shares was \$630,000 or \$0.24 per share.
- v) closed a private placement of 5,000,000 non-flow through units of \$0.25 per unit for gross proceeds of \$1,250,000. Each unit is comprised of one common share and one share purchase warrant of the Company. Each warrant will entitle the holder to purchase one share at a price of \$0.25 per share until April 27, 2024. The warrants were valued at \$0.056 each using a Black Scholes option pricing model (details below). The residual value of \$0.194 per unit was allocated to the common shares. The Company paid issuance costs of \$28,075 in cash and issued 224,600 finder's warrants valued at \$12,128. Each finder's warrants will entitle the holder to purchase one share at a price of \$0.25 per share until April 27, 2024.

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18. SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE (cont'd)...

Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less an applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of five years. Vesting is determined by the Board of Directors.

A summary of the Company's stock option activity for the years ended April 30, 2023 and the nine-month period ended January 31, 2024 is as follows:

	Options	Weighted Average Exercise Price
Balance, April 30, 2022	8,048,000	0.38
Granted	3,090,000	0.34
Exercised	(60,000)	0.20
Expired/Cancelled	<u>(2,633,000)</u>	0.39
Balance, April 30, 2023	8,445,000	0.34
Granted	3,000,000	0.28
Expired/Cancelled	<u>(1,535,000)</u>	0.37
Balance, January 31, 2024	9,910,000	\$ 0.34
Exercisable, January 31, 2024	9,640,000	\$ 0.34

During the nine-month period ended January 31, 2024, the Company:

- i) granted 300,000 stock options to a director of the Company exercisable at \$0.35 per share expiring on May 11, 2026. The estimated fair value of the options is \$21,000 or \$0.06 per option.
- ii) granted 25,000 stock options to an employee of the Company exercisable at \$0.35 per share expiring on October 12, 2024. The estimated fair value of the options is \$750 or \$0.03 per option.
- iii) granted 2,475,000 stock options to employees, consultants, director and officers of the Company, exercisable at \$0.275 per share expiring on June 13, 2026. The stock options issued to the consultants were in exchange for corporate strategy and research and development services. The estimated fair value of the options is \$172,500 or \$0.07 per option.
- iv) granted 100,000 stock options to a consultant of the Company, exercisable at \$0.275 per share expiring on June 13, 2025, in exchange for business development services. The estimated fair value of the options is \$5,400 or \$0.054 per option.
- v) granted 100,000 stock options to an employee of the Company, exercisable at \$0.275 per share expiring on September 20, 2026, in exchange for research and development services. The estimated fair value of the options is \$4,800 or \$0.048 per option.

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18. SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE (cont'd)...

Stock options (cont'd)...

During the year ended April 30, 2023, the Company:

- vi) granted 200,000 stock options to a consultant of the Company exercisable at \$0.29 per share expiring on May 13, 2024, in exchange for investor relations services. The estimated fair value of the options is \$18,000 or \$0.09 per option.
- vii) granted 175,000 stock options to a consultant of the Company exercisable at \$0.32 per share expiring on July 18, 2024, in exchange for government-relations services. The estimated fair value of the options is \$17,500 or \$0.10 per option.
- viii) granted 50,000 stock options to an employee of the Company exercisable at \$0.35 per share expiring on July 26, 2024. The estimated fair value of the options is \$3,500 or \$0.07 per option.
- ix) granted 50,000 stock options to an employee of the Company exercisable at \$0.35 per share expiring on July 27, 2025. The estimated fair value of the options is \$4,000 or \$0.08 per option.
- x) granted 150,000 stock options to employees of the Company, exercisable at a price of \$0.35 per share, expiring on August 17, 2024. The fair value of the options is \$13,500 or \$0.09 per option. Upon termination of one of the employee's contracts on November 17, 2022, their respective 50,000 unvested options were cancelled immediately.
- xi) granted 1,500,000 stock options to a consultant of the Company, exercisable at a price of \$0.355 per share, expiring on August 24, 2024, in exchange for investor relations services. The fair value of the options is \$180,000 or \$0.12 per option.
- xii) granted 15,000 stock options to consultants of the Company, exercisable at a price of \$0.35 per share, expiring on September 13, 2024, in exchange for product consulting services. The fair value of the options is \$1,500 or \$0.10 per option.
- xiii) granted 100,000 stock options to an employee of the Company, exercisable at a price of \$0.35 per share, expiring on November 9, 2024. The fair value of the options is \$7,000 or \$0.07 per option.
- xiv) granted 100,000 stock options to an employee of the Company, exercisable at a price of \$0.35 per share, expiring on November 9, 2024. The fair value of the options is \$7,000 or \$0.07 per option.
- xv) granted 150,000 stock options to an officer of the Company, exercisable at a price of \$0.25 per share, expiring on January 25, 2026. The estimated fair value of the options is \$15,000 or \$0.10 per option.
- xvi) granted 300,000 stock options to a consultant of the Company, exercisable at a price of \$0.29 per share, expiring on February 17, 2025, in exchange for communication services. The estimated fair value of the options is \$30,000 or \$0.10 per option.
- xvii) granted 300,000 stock options to a director of the Company, exercisable at a price of \$0.35 per share, expiring on March 27, 2026. The estimated fair value of the options is \$36,000 or \$0.12 per option.

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18. SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE (cont'd)...

Stock options (cont'd)...

As at January 31, 2024, the Company had the following stock options outstanding:

Options Outstanding	Options Exercisable	Exercise Price	Expiry Date
2,500,000	2,500,000	0.39	22-Feb-24
175,000	175,000	0.32	18-Jul-24
50,000	50,000	0.35	26-Jul-24
100,000	50,000	0.35	17-Aug-24
1,500,000	1,500,000	0.355	24-Aug-24
15,000	7,500	0.355	13-Sep-24
25,000	25,000	0.35	12-Oct-24
100,000	50,000	0.35	9-Nov-24
300,000	300,000	0.29	17-Feb-25
150,000	150,000	0.40	14-Mar-25
1,520,000	1,520,000	0.35	6-Apr-25
100,000	100,000	0.275	13-Jun-25
50,000	50,000	0.35	27-Jul-25
150,000	150,000	0.25	25-Jan-26
300,000	300,000	0.35	27-Mar-26
300,000	300,000	0.35	11-May-26
2,475,000	2,312,500	0.275	13-Jun-26
100,000	100,000	0.275	20-Sep-26
9,910,000	9,640,000		

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the nine-month periods ended January 31, 2024 and 2023:

	2024	2023
Risk-free interest rate	4.19%	3.35%
Expected life of options	2.10 years	2.08 years
Expected annualized volatility	60.67%	52.62%
Expected dividend rate	0.00%	0.00%

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18. SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE (cont'd...)

Warrants

A summary of the Company's warrant activity for the year ended April 30, 2023 and the nine-month period ended January 31, 2024:

	Warrants	Weighted Average Exercise Price
Balance, April 30, 2022	45,586,675	\$ 0.54
Granted	5,224,600	0.25
Exercised	(13,842,936)	0.14
Expired	(5,646,767)	0.26
Balance, April 30, 2023 and January 31, 2024	31,321,572	\$ 0.48

During the nine-month period ended January 31, 2024, the Company:

- i) No activity.

During the year ended April 30, 2023, the Company:

- ii) accelerated the exercise of 7,500,000 share purchase warrants that had been issued in conjunction with the January 20, 2021 private placement. The terms of the share purchase warrants issued in the private placement allowed for acceleration of the expiry date of the share purchase warrants by the Company if the Company's shares closed at a price higher than \$0.25 per share as quoted on the securities exchange on which the majority of the Company's common shares were traded for a period of ten consecutive trading days. As a result, the expiry date of these share purchase warrants was changed from January 20, 2023 to August 26, 2022. The 7,500,000 share purchase warrants were exercised in August 2022 at a price of \$0.15 per share which resulted in the Company issuing 7,500,000 common shares for total proceeds of \$1,125,000.
- iii) closed a private placement of 5,000,000 non-flow through units at \$0.25 per unit for gross proceeds of \$1,250,000. Each unit was comprised of one common share and one share purchase warrant of the Company. Furthermore, the Company paid issuance costs which included 224,600 finder's warrants. Each warrant and finder's warrant will entitle the holder to purchase one share at a price of \$0.25 per share until April 27, 2024. The warrants and finder's warrants were valued at \$0.056 each using a Black Scholes option pricing model, using the following assumptions:

Warrants	
Risk-free interest rate	3.73%
Expected life of warrants	1 year
Expected annualized volatility	64.0%
Expected dividend rate	0.00%

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18. SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE (cont'd...)

Warrants (cont'd)...

As at January 31, 2024, the Company had the following warrants outstanding:

Warrants Outstanding	Exercise Price	Expiry Date
11,470,500	0.60	10-February-24
6,293,140	0.60	25-February-24
8,333,332	0.36	2-March-25
5,000,000	0.25	27-Apr-24
224,600	0.25	27-Apr-24
<u>31,321,572</u>		

19. COMMITMENTS

The Company is committed to five land leases with T'kemplups te Secwepmc and one lease with a private landowner with annual payments totaling \$132,670 (Note 15(2)). The leases contain clauses allowing the rental amount to be reviewed and adjusted every five years. The lease with the private landowner expires on June 30, 2031. One of the leases with T'kemplups te Secwepmc expires on February 28, 2055, three leases expire June 30, 2055, and one lease expires on September 30, 2058.

The Company is committed to three equipment leases with payments totalling \$39,622 for the twelve-month period following January 31, 2024 (Note 15(1)). The expiry dates of these leases range between September 20, 2024, and November 30, 2028.

The Company is committed to a non-revolving 25-year term loan payable to BMO in the amount of \$6,435,633. Annual principal payments on this loan are \$278,796 and the interest rate is equal to BMO's prime rate + 0.75% per annum. The loan matures on February 28, 2047.

The Company is committed to a non-revolving 48-month term loan payable to TD Auto Finance in the amount of \$89,226, with an annual interest rate of 5.99%. Annual combined principal and interest payments on this loan are \$26,109. The loan matures on August 10, 2027.

As at January 31, 2024, the Company had open US dollar forward sales contracts which require it to sell a total of \$2,750,000 USD in exchange for \$3,668,750 by January 31, 2025 (Note 24(a)).

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20. CONTINGENCIES

Due to the nature of the Company's operations, various contingencies such as, but not limited to, environmental obligations, litigation, regulatory proceedings, and tax matters arise in the ordinary course of business. The Company accrues such items as liabilities when the amount can be reasonably estimated, and settlement of the matter is probable to require an outflow of future economic benefits from the Company.

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 17 cannot be reasonably determined.

The Company is contingently liable with respect to financial letters of credit issued by BMO for \$266,000 as at January 31, 2024 (April 30, 2023 - \$266,000).

The Company has an option agreement to acquire a 50% interest in the Bromley Creek Zeolite deposit from International Zeolite Corporation for \$725,000. As at January 31, 2024, the Company had made cumulative royalty payments of \$320,046. The agreement stipulates that the Company is to pay the remaining \$404,954 in 13 equal quarterly installments of \$31,150 from April 2024 to March 2027.

The Company has an option agreement to acquire a 50% ownership interest in the Sun Group zeolite property from International Zeolite Corporation for \$725,000. The Company made a \$36,250 payment in July 2022 in order to acquire an initial 5% interest. The remaining \$688,750 must be paid by July 26, 2027, for the Company to acquire the remaining 45% ownership interest. 50% of the value of any exploration expenditures made by the Company on the Sun Group zeolite property prior to July 26, 2027, will be considered payments toward the acquisition price.

21. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company, and comprises the Company's Chief Executive Officer, President, Chief Financial Officer, Vice President Strategy and Investor Relations, and Directors.

Key management compensation for the nine-month periods ended January 31, 2024 and 2023 is comprised of the following:

	2024	2023
Cost of goods sold	\$ 33,373	\$ 63,859
Selling expenses – Personnel	14,303	27,368
General and administrative expenses – Personnel	373,978	341,316
General and administrative expenses – Professional fees	76,600	122,000
Share-based compensation	165,000	15,000
	\$ 663,254	\$ 569,543

As at January 31, 2024, \$21,186 (April 30, 2023 - \$11,766) is included in accounts payable and accrued liabilities which is comprised of amounts owed to an officer of the Company and a corporation owned by the Company's CFO.

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22. OTHER INCOME

A summary of the Company's other income for the three and nine-month periods ended January 31, 2024 and 2023 is as follows:

	Three-month period ended January 31,		Nine-month period ended January 31,	
	2024	2023	2024	2023
(Loss) gain on foreign exchange	\$ 98,943	\$ (3,447)	\$ 16,774	\$ 91,618
Grant revenue	17,892	109,568	21,538	214,285
Gain on debt forgiveness	20,000	-	20,000	-
Gain on disposal of property, plant and equipment	-	5,246	93,513	5,246
Property rental (i)	13,708	-	46,553	-
Reversal of flow-through premium liability	-	4,492	-	7,501
Unrealized gain on shares to be issued liability (Note 3)	43,714	-	203,142	-
Unrealized loss on investments in private companies (Note 7)	(247,500)	-	(277,500)	-
Write-off of exploration and evaluation assets (Note 10)	-	-	(436,763)	(78,554)
	\$ (53,243)	\$ 115,859	\$ (312,743)	\$ 240,096

i) The Company leases excess warehouse space to a third party.

23. SUPPLEMENTAL CASH FLOW INFORMATION

The following supplemental cash flow information is provided for the nine-month periods ended January 31, 2024 and 2023:

	2024	2023
Fair value of stock options exercised	\$ -	\$ 7,929
Fair value of warrants exercised	\$ -	\$ 246,805

The net change in non-cash operating working capital during the nine-month period ended January 31, 2024 and 2023 was comprised of changes in the following balances:

	2024	2023
Restricted cash	\$ -	\$ 266,000
Accounts receivable	(303,725)	535,762
Inventories	231,500	(25,997)
Prepaid expenses and other	(92,132)	90,621
Accounts payable and accrued liabilities	(577,609)	(19,098)
Deferred revenue	107,192	(22,461)
	\$ (634,774)	\$ 824,827

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24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

(a) Market risk

Market risk is the risk that changes in market prices – e.g., foreign exchange rates, interest rates – will affect the Company'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 Company'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 2022 due to a decrease in long-term debt between periods.

A change of 100 basis points on interest rates would have changed finance costs by \$50,000 during the nine-month period ended January 31, 2024 (2023: \$91,000). 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. There has been an increase to the risk exposure from 2022 due to an increase in US denominated revenues. Effective February 1, 2023, the Company began entering into US dollar forward sales agreements to partially mitigate this risk (see US dollar facilities section below)

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

	January 31, 2024 USD	April 30, 2023 USD
Cash	\$ 32,497	\$ 90,597
Trade receivables	827,441	519,798
Tax receivable	-	14,663
Accounts payable	(37,424)	(97,643)
	\$ 822,514	\$ 527,415

US dollar facilities

Greater than 50% of the Company's annual sales are priced in US dollars, compared to a less than 20% of its expenses. Accordingly, the Company accumulates excess US dollars that need to be converted to Canadian dollars on a regular basis. In order to partially mitigate the risk arising from this exposure to US dollar fluctuations, the Company regularly enters into US dollar forward sales contracts.

On January 31, 2024, US\$2,750,000 US dollar forward sales contracts were outstanding for the combined purchase of \$3,668,750 (an average exchange rate of 1.3341 Canadian dollars to US dollars). Had the Company entered into the same US dollar forward sales contracts on January 31, 2024, those contracts would have purchased a combined amount of \$3,666,464, which is \$2,286 less than the actual total contract amount. The Company recorded the difference of \$2,286 as a US dollar asset as at January 31, 2024, which is included in prepaid expenses and other.

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24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

The following table summarizes the US dollar sales contracts outstanding as at January 31, 2024 and the corresponding US dollar asset:

Contract settlement period		US dollars sold	Contract exchange rate	Canadian dollars purchased	Canadian dollar proceeds of comparable contracts at Jan 31, 2024	US dollar asset at Jan 31, 2024
Open	Closed					
Jul 10, 2023	Apr 30, 2024	500,000	1.3120	656,000	667,256	(11,256)
May 1, 2024	July 31, 2024	750,000	1.3165	987,375	1,000,157	(12,782)
Aug 1, 2024	Oct 31, 2024	750,000	1.3670	1,025,250	999,805	25,445
Nov 1, 2024	Jan 31, 2025	750,000	1.3335	1,000,125	999,246	879
		\$ 2,750,000	1.3341	\$ 3,668,750	\$ 3,666,464	\$ 2,286

(b) Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Company 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 Company extends credit to. The Company uses a provision matrix to analyze impairment of its trade receivables at the end of each reporting date. During the nine-month period ended January 31, 2024, the Company recognized an impairment loss allowance on trade receivables of \$nil (2023 - \$nil) in profit or loss.

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

As at January 31, 2024	Geographic location			ECL allowance	Credit impairment
	Canada	US	Total		
Current (not past due)	\$ 578,025	\$ 893,305	\$ 1,471,330	\$ -	No
1 - 30 days past due	151,186	69,601	220,787	-	No
31 - 60 days past due	3,276	138,278	141,554	-	No
Over 60 days past due	-	-	-	-	No
	\$ 732,487	\$ 1,101,184	\$ 1,833,671	\$ -	

Cash and cash equivalents

The Company held cash and cash equivalents of \$344,452 at January 31, 2024 (April 30, 2023 - \$704,553). The cash and cash equivalents are held with bank rated at AA-, based on Fitch ratings.

(c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to fulfil its obligations on a timely basis or at a reasonable cost. The Company 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.

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24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

As at January 31, 2024	Undiscounted contractual cash flows				
	Carrying amount	Remainder Fiscal 2024	Fiscal 2025	Fiscal 2026	Fiscal 2027 and thereafter
Accounts payable	\$ 1,415,627	\$ 1,415,627	-	-	-
Lease liabilities	2,550,751	44,253	205,853	155,362	3,765,785
Loans payable (excludes interest)	6,519,642	74,995	300,787	302,141	5,841,719
	\$ 10,486,020	\$ 1,534,875	\$ 506,640	\$ 457,503	\$ 9,607,504

(d) Fair value disclosure

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, investments in private companies, bank indebtedness, accounts payable and accrued liabilities, other current liabilities (US dollar liability), loans payable, and shares to be issued liability. The fair values of cash and cash equivalents, accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximate their carrying amounts due to their current nature.

Loans payable have 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.

	Jan 31, 2024		April 30, 2023	
	Carrying amount	Fair Value (Level 2)	Carrying amount	Fair Value (Level 2)
Loans payable	\$ 6,519,642	\$ 6,519,642	\$ 6,747,967	\$ 6,737,260

Investments in private companies, the US dollar liability, and the shares to be issued liability are carried at fair value.

(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 Company 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 Company's net debt to equity ratio as at January 31, 2024 and at April 30, 2023 was as follows:

	January 31, 2024	April 30, 2023
Total liabilities	\$ 13,220,630	\$ 14,076,110
Less: cash	(344,452)	(704,553)
Net debt	12,876,178	13,371,557
Total equity	\$ 12,665,308	\$ 12,750,847
Net debt to equity	1.02	1.05

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25. SEGMENTED INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer. The Company has identified one operating segment being the Canadian operations. Aggregation of one or more operating segments into a single operating segment is permitted if aggregation is consistent with the core principle of the standard, the operating segments have similar economic characteristics, and the operating segments have a number of other similarities, including similarities in the nature of their products, production processes, and regulatory environment. The Company operates in one reportable operating segment – Canada. All of the Company’s assets are located in Canada.

Revenue by geographic location

The Company sells to customers located in Canada and in the US. The following is a summary of sales by geographic location for the nine-month periods ended January 31, 2024, and 2023:

	2024	2023
Revenue from customers located in Canada	\$ 6,547,344	\$ 7,311,068
Revenue from customers located in the US	8,637,163	7,391,348
	\$ 15,184,507	\$ 14,702,416

Customer concentration

During the nine-month period ended January 31, 2024, there were two customer that individually accounted for more than 10% of total revenues (nine-month ended January 31, 2023: two customers). These customers accounted for 15% and 12%, respectively of total revenues (nine-month ended January 31, 2023: 12% and 10%, respectively).