

**PROGRESSIVE PLANET SOLUTIONS INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited – Prepared by Management)**

**FOR THE NINE MONTHS ENDED JANUARY 31, 2025, AND 2024**

**(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, 2025	April 30, 2024
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (Note 3)	\$ 4,819,839	\$ 1,685,806
Accounts receivable (Note 4)	1,604,232	1,341,426
Inventories (Note 5)	2,555,302	2,520,423
Prepaid expenses and other	244,716	224,313
	<u>9,224,089</u>	<u>5,771,968</u>
<b>Investment in a private company</b> (Note 6)	246,000	892,500
<b>Property, plant and equipment</b> (Note 7)	13,352,159	14,451,338
<b>Leased assets</b> (Note 8)	1,571,609	2,430,941
<b>Mineral properties</b> (Note 9)	1,754,092	1,490,712
<b>Exploration and evaluation assets</b> (Note 10)	1,209,200	1,267,890
<b>Deferred income tax asset</b> (Note 25)	502,000	-
	<u>\$ 27,859,149</u>	<u>\$ 26,305,349</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 11)	\$ 1,646,534	\$ 1,662,956
Other current liabilities (Note 12)	239,836	96,558
Deferred grant revenue (Note 13)	1,509,363	-
Lease obligations - current (Note 14)	177,213	225,248
Loans payable - current (Note 15)	304,077	304,077
	<u>3,877,023</u>	<u>2,288,839</u>
<b>Long-term lease obligations</b> (Note 14)	1,526,699	2,404,265
<b>Long-term loans payable</b> (Note 15)	5,938,335	6,140,571
<b>Asset retirement obligations</b> (Note 16)	291,239	273,577
<b>Deferred income tax liability</b>	2,401,827	2,201,799
	<u>14,035,123</u>	<u>13,309,051</u>
<b>Shareholders' equity</b>		
Share capital (Note 17)	29,913,928	30,202,409
Share-based payment reserve (Note 17)	6,223,501	6,218,992
Deficit	(22,313,403)	(23,425,103)
	<u>13,824,026</u>	<u>12,996,298</u>
	<u>\$ 27,859,149</u>	<u>\$ 26,305,349</u>

**Nature of operations** (Note 1)  
**Commitments** (Note 18)

**Contingencies** (Note 19)

**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 January 31,		Nine-month period ended January 31,	
	2025	2024	2025	2024
<b>REVENUE</b> (Note 24)	\$ 4,779,099	\$ 4,812,604	\$ 14,919,438	\$ 15,184,507
<b>COST OF SALES</b>				
Cost of goods sold (Notes 5 and 20)	2,589,529	2,444,441	7,184,014	8,097,235
Freight	615,407	565,402	2,006,876	1,912,383
Amortization and depreciation	206,919	227,831	669,604	676,881
Depletion and asset retirement obligations accretion	8,193	8,803	25,293	23,934
	3,420,048	3,245,757	9,885,787	10,710,433
<b>GROSS PROFIT</b>	1,359,051	1,566,847	5,033,651	4,474,074
<b>EXPENSES</b>				
<u>Selling expenses:</u>				
Advertising and other	180,566	174,595	532,597	614,593
Personnel (Note 20)	142,209	118,775	474,640	498,226
	322,775	293,370	1,007,237	1,112,819
Research & development costs (Note 20)	91,692	72,695	226,583	434,101
<u>General and administrative expenses:</u>				
Office and administration	263,659	212,835	867,673	784,690
Personnel (Note 20)	251,499	239,230	731,994	778,554
Share-based compensation (Notes 17 & 20)	439	-	4,509	235,305
Consulting fees	-	30,801	10,500	128,848
Professional fees (Note 20)	197,542	168,661	368,917	564,058
	713,139	651,527	1,983,593	2,491,455
	1,127,606	1,017,592	3,217,413	4,038,375
<b>INCOME (LOSS) FROM OPERATIONS</b>	231,445	549,255	1,816,238	435,699
Finance costs	120,685	158,562	415,813	468,071
Other expenses (Note 21)	24,598	54,243	443,054	312,743
(Loss) income before income taxes	89,162	337,450	957,371	(345,115)
Current income tax expense (recovery)	1,204	(4,764)	147,643	(4,764)
Deferred income tax recovery	(29,880)	(6,475)	(301,972)	(19,507)
<b>Income (loss) and comprehensive income (loss) for the period</b>	\$ 114,838	\$ 348,689	\$ 1,111,700	\$ (320,844)
<b>Basic and diluted income (loss) per common share</b>	\$ 0.00	\$ 0.00	\$ 0.01	\$ (0.00)
<b>Weighted average number of common shares outstanding – basic and diluted</b>	109,761,943	109,925,515	111,087,679	109,925,515

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, 2023 TO January 31, 2025

	Number of shares	Share capital	Share-based payment reserve	Deficit	Total equity
<b>April 30, 2023</b>	109,925,515	\$ 29,999,266	\$ 5,783,852	\$ (23,032,271)	\$ 12,750,847
Shares issued for acquisition of APL	2,571,428	203,143	-	-	203,143
Share-based compensation	-	-	435,140	-	435,140
Loss for the year	-	-	-	(392,832)	(392,832)
<b>April 30, 2024</b>	112,496,943	\$ 30,202,409	\$ 6,218,992	\$ (23,425,103)	\$ 12,996,298
Repurchased shares for cancellation	(2,735,000)	(288,481)	-	-	(288,481)
Share-based compensation	-	-	4,509	-	4,509
Net income for the period	-	-	-	1,111,700	1,111,700
<b>January 31, 2025</b>	109,761,943	\$ 29,913,928	\$ 6,223,501	\$ (22,313,403)	\$ 13,824,026

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,**

	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) for the period	\$ 1,111,700	\$ (320,844)
Adjustments:		
Reclamation work performed on mineral properties	(3,490)	(2,246)
Amortization and depreciation	669,604	676,882
Depletion and asset retirement obligation accretion	25,293	23,934
Share-based compensation	4,509	235,305
Finance costs	415,813	468,071
Gain on debt forgiveness	-	(20,000)
Gain on sale of property, plant and equipment	(199,184)	(93,513)
Loss (gain) on foreign exchange	147,934	(37,842)
Realized gain on lease liabilities	(52,189)	-
Unrealized gain on shares to be issued liability	-	(203,142)
Unrealized loss on investments in private companies	646,500	277,500
Write-off of exploration and evaluation assets	24,059	436,763
Deferred income tax recovery	(301,972)	(19,507)
Net change in non-cash operating working capital (Note 22)	1,170,197	(634,774)
<b>Net cash provided by operating activities</b>	<b>3,658,775</b>	<b>786,587</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(559,089)	(375,763)
Proceeds from dispositions of property, plant and equipment	1,284,500	173,299
Mineral property additions	(231,272)	(175,040)
Exploration and evaluation assets acquisition and expenditures	(1,619)	(20,115)
<b>Net cash provided by (used in) investing activities</b>	<b>492,520</b>	<b>(397,619)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of bank indebtedness	(91)	(3,546)
Proceeds from loan financing	-	92,662
Loan repayments	(543,971)	(691,957)
Payments on lease obligations	(184,719)	(146,228)
Repurchased shares for cancellation	(288,481)	-
<b>Net cash used in financing activities</b>	<b>(1,017,262)</b>	<b>(749,069)</b>
<b>Change in cash during the period</b>	<b>3,134,033</b>	<b>(360,101)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>1,685,806</b>	<b>704,553</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 4,819,839</b>	<b>\$ 344,452</b>

Supplemental cash flow information (Note 22)

**PROGRESSIVE PLANET SOLUTIONS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited - Expressed in Canadian dollars)**  
**FOR THE NINE MONTHS ENDED JANUARY 31, 2025, AND 2024**

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**1. NATURE OF OPERATIONS**

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.

**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 13, 2025.

(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.

(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 are 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.)	BC, Canada	100%
0820443 B.C. Ltd.	BC, Canada	100%
Progressive Planet Alberta Inc.	Alberta, Canada	100%
Progressive Planet US LLC	Oregon, United States	100%

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**FOR THE NINE MONTHS ENDED JANUARY 31, 2025, AND 2024**

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

(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 consolidated 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 recognition of deferred tax assets.
- ii) The measurement of raw material inventory stockpiles involves the use of significant judgments and assumptions, including the volume and bulk density of that material.
- iii) Identification and correct interpretation of indicators of impairment of the Company's assets.

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 measurement of the fair value of investment in a private company (Note 6).
- ii) The expected taxable income the Company will generate in the subsequent 12-month period which is the basis for recognising unused tax losses or other deductible amounts (Note 25).

*Material Accounting Policies*

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.



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

(f) Business combinations (cont'd...)

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.

(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, cash equivalents, and restricted cash:

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.

Restricted cash consists of monies held in trust on legal undertakings which can only be used for a specific purpose (i.e., the repayment of bank indebtedness) once a release has been obtained. Restricted cash is classified as current or non-current assets based on the applicable restriction periods.

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**(Unaudited - Expressed in Canadian dollars)**  
**FOR THE NINE MONTHS ENDED JANUARY 31, 2025, AND 2024**

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

(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.

(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.

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<b>Asset</b>	
Buildings	20 to 40 years
Equipment	5 to 20 years
Vehicles	3 to 10 years

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

**PROGRESSIVE PLANET SOLUTIONS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited - Expressed in Canadian dollars)**  
**FOR THE NINE MONTHS ENDED JANUARY 31, 2025, AND 2024**

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

(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.

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.

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**(Unaudited - Expressed in Canadian dollars)**  
**FOR THE NINE MONTHS ENDED JANUARY 31, 2025, AND 2024**

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

(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.

(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 risk of significant adjustments. These retirement activities are many years into the future hence the estimates include assumptions of the time required. 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.

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**(Unaudited - Expressed in Canadian dollars)**  
**FOR THE NINE MONTHS ENDED JANUARY 31, 2025, AND 2024**

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

(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.

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; affects neither accounting nor taxable profit or loss; and does not give rise to equal taxable and deductible temporary differences. Temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future are also not recognized. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

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

(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.

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

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

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.

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.

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

(r) Foreign 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.

(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 19. 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 fair 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.

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

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

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.

*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. Non-financial assets that have been impaired in prior periods are reviewed for possible reversal of the impairment at each reporting date. When identified, a reversal of an impairment loss is recognized in the statement of income immediately.

(u) Share capital

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



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

(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.

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.

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

(y) Grant revenue

The Company recognizes grant revenue when there's a reasonable assurance that the Company will meet the grant's conditions and receive it. Grant proceeds received by the Company prior to the grant's conditions being met are reported as deferred grant revenue. The deferred grant revenue is recognized as income in the consolidated statement of income (loss) and comprehensive income (loss) in the same period, and in proportion to, the expenses the Company incurs in order to meet the conditions of the grant.

The Company discloses the grant revenue and the related expenditures as a separate amounts in the consolidated statement of income (loss) and comprehensive income (loss), rather than deducting the grant revenue from the expenditures and disclosing the net amount.

(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.

(aa) Income (Loss) per share

The Company presents basic income (loss) per share for its common shares, calculated by dividing the net income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted income (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 8,600,000 stock options and 8,333,332 warrants outstanding at January 31, 2025 are not included in the income (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.

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**3. CASH AND CASH EQUIVALENTS**

	January 31, 2025	April 30, 2024
Bank balances	\$ 2,069,492	\$ 685,459
Cash on hand	347	347
Term deposit	2,750,000	1,000,000
Cash and cash equivalents	\$ 4,819,839	\$ 1,685,806

Term deposit

As January 31, 2025, the Company had the following term deposits:

- (a) \$1,000,000 in a short-term investment account with a Tier 1 Canadian bank (April 30, 2024: \$1,000,000). The account bears interest at 4.75% per annum, for a period of 12 months (maturing on April 18, 2025). The funds can be withdrawn in whole, or in part, at any time without penalty.
- (b) \$1,750,000 in a short-term investment account with a Tier 1 Canadian bank (April 30, 2024: \$Nil). The account bears interest at 3.05% per annum, for a period of 12 months (maturing on Nov 19, 2025). The funds can be withdrawn in whole, or in part, at any time without penalty.

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, 2025 – 5.98%, in aggregate). Interest expense of \$91 (2023 – \$3,546) is included in finance costs in the statement of income (loss) and comprehensive income (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 periods ended January 31, 2025 and 2024.

Security is provided by way of a general security agreement with a second charge over all assets of the Company with priority over accounts receivable and inventories, general assignment of book debts, 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 director of the Company.

**4. ACCOUNTS RECEIVABLE**

	January 31, 2025	April 30, 2024
Trade receivables	\$ 1,528,262	\$ 1,293,161
Commodity tax recoverable	21,525	5,752
Other receivables	54,445	42,513
	\$ 1,604,232	\$ 1,341,426

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**5. INVENTORIES**

	January, 2025	April 30, 2024
Finished goods	\$ 393,374	\$ 390,961
Raw materials	827,437	892,799
Supplies	1,334,491	1,236,663
	<u>\$ 2,555,302</u>	<u>\$ 2,520,423</u>

Inventories have been pledged as security for the Company's bank indebtedness (Note 3) and long-term debt (Note 15) in accordance with the respective agreements.

**6. 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 year ended April 30, 2024, and the nine-month period ended January 31, 2025:

	Total	
<b>ZS2 Technologies Ltd. – Common shares</b>	<u>Common shares</u>	
Balance, April 30, 2023	450,000	\$ 900,000
Unrealized loss from change in fair value (a)	-	(157,500)
Balance, April 30, 2024	450,000	\$ 742,500
Unrealized loss from change in fair value (b)	-	(517,500)
Balance, January 31, 2025	<u>450,000</u>	<u>\$ 225,000</u>
<b>ZS2 Technologies Ltd. – Share purchase warrants</b>	<u>Warrants</u>	
Balance, April 30, 2023	300,000	\$ 270,000
Unrealized loss from change in fair value (c)	-	(120,000)
Balance, April 30, 2024	300,000	\$ 150,000
Unrealized loss from change in fair value (d)	-	(129,000)
Balance, January 31, 2025	<u>300,000</u>	<u>\$ 21,000</u>
Investments in common shares and warrants of ZS2 balance:		
As at April 30, 2024		\$ 892,500
As at January 31, 2025		<u>\$ 246,000</u>

- (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 units at \$1.65 per unit, each unit consisting of one common share and 1/10 of a warrant. Accordingly, during the year ended April 30, 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.

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**6. INVESTMENTS IN PRIVATE COMPANIES (cont'd...)**

- (b) In December 2024, ZS2 completed a rights offering, in which existing shareholders were offered the right to purchase additional shares of ZS2 for \$0.50 per share. The Company did not participate in the rights offering. However, the rights offering price of \$0.50 per share was an indicator of the fair value of the ZS2 shares as at January 31, 2025. Accordingly, the Company recorded an unrealized loss of \$517,500 (\$1.15 per share) to reduce the carrying value of the investment from \$742,500 to \$225,000 during the nine-month period ended January 31, 2025.
- (c) On April 30, 2024, 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 year ended April 30, 2024.
- (d) On January 31, 2025, the Company estimated the fair value of its 300,000 share-purchase warrants to be \$21,000, which was \$129,000 lower than the carrying value recorded as at April 30, 2024. Accordingly, the Company recorded an unrealized loss of \$129,000 during the nine-month period ended October 31, 2024.

The share-purchase warrants expire on March 8, 2027 and were valued using a Black-Scholes option pricing model, with the following assumptions:

	<b>January 31, 2025</b>	<b>April 30, 2024</b>
Spot price per share	\$0.50	\$1.65
Strike price per share	\$2.00	\$2.00
Risk-free interest rate	2.66%	3.79%
Expected life of options	2.1 years	2.86 years
Expected annualized volatility	83.00%	50.00%
Expected dividend rate	0.00%	0.00%

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**7. PROPERTY, PLANT AND EQUIPMENT**

A summary of the changes in the Company's property, plant and equipment for the year ended April 30, 2024, and the nine months ended January 31, 2025, as follows:

	Land (a)	Buildings	Equipment	Vehicles	Total
<b>Cost</b>					
Balance, April 30, 2023	\$ 7,911,000	\$ 2,505,759	\$ 5,678,276	\$ 180,655	\$ 16,275,690
Additions	-	1,989	372,319	88,580	462,888
Dispositions	-	-	(370,118)	-	(370,118)
Balance, April 30, 2024	7,911,000	2,507,748	5,680,477	269,235	16,368,460
Additions	-	139,058	420,031	-	559,089
Dispositions	(707,000)	(399,047)	(267,234)	-	(1,373,281)
Balance, January 31, 2025	\$ 7,204,000	\$ 2,247,759	\$ 5,833,274	\$ 269,235	\$ 15,554,268
<b>Accumulated depreciaton</b>					
Balance, April 30, 2023	\$ -	\$ 159,792	\$ 1,058,230	\$ 109,635	\$ 1,327,657
Additions	-	124,591	647,299	41,237	813,127
Dispositions	-	-	(223,662)	-	(223,662)
Balance, April 30, 2024	-	284,383	1,481,867	150,872	1,917,122
Additions	-	85,688	460,633	26,632	572,953
Dispositions	-	(152,982)	(134,984)	-	(287,966)
Balance, January 31, 2025	\$ -	\$ 217,089	\$ 1,807,516	\$ 177,504	\$ 2,202,109
<b>Net Book Value</b>					
Balance, April 30, 2024	\$ 7,911,000	\$ 2,223,365	\$ 4,198,610	\$ 118,363	\$ 14,451,338
Balance, January 31, 2025	\$ 7,204,000	\$ 2,030,670	\$ 4,025,758	\$ 91,731	\$ 13,352,159

(a) The land assets are comprised of one freehold property on which the Company's Red Lake Mine (Note 9) is located and four long-term leasehold properties on which the Company's head office and manufacturing operations are located. The reported value of the freehold land asset was \$2,170,000 at January 31, 2025 (April 30, 2024: \$2,170,000) and the reported value of the four leasehold land assets was \$5,034,000 (April 30, 2024: \$5,741,000).

Property, plant and equipment have been pledged as security for the Company's bank indebtedness (Note 3) and long-term debt (Note 15) in accordance with the respective agreements.

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**8. LEASED ASSETS**

The Company acquired leased forklifts of \$327,247 during the year ended April 30, 2024. Depreciation expense of \$46,317 was recorded during the nine-month period ended January 31, 2025 (2023 - \$nil) in relation to these leased forklifts. As at January 31, 2025 the net book value of these leased forklifts was \$257,861 (April 30, 2024 - \$304,178).

The Company's leased land assets consist of leased real property utilized in its manufacturing operations. The acquisition cost of these leased land assets is included in the land value of the Company's property, plant & equipment balance (see note 7 above). The right-of-use component of these leased land assets is included in the leased asset balance. The right-of-use component is depreciated on a straight-line basis over the terms of the leases. During the nine-month period ended January 31, 2025 leased land additions were \$nil (2023 - \$nil). On October 30, 2024, the Company sold a leased land asset, and the associated building, for gross proceeds of \$1,230,000. Depreciation charge on leased land assets during the nine-month period ended January 31, 2025 was \$39,255 (2023 - \$57,328) and the net book value of leased land assets as at January 31, 2025 was \$1,313,748 (April 30, 2024 - \$2,126,763).

**9. MINERAL PROPERTIES**

A summary of the changes in the Company's mineral properties for the year ended April 30, 2024, and the nine months ended January 31, 2025 is as follows:

	Red Lake Mine Savona, BC	Bud Mine Princeton, BC	Bromley Creek Mine Princeton, BC	Total
<b>Balance, April 30, 2023</b>	\$ 597,011	\$ 260,334	\$ 285,681	\$ 1,143,026
Additions	98,766	106,964	145,346	351,076
Increase in asset retirement obligations	14,976	4,787	-	19,763
Depletion and asset retirement obligations accretion	(16,603)	(6,550)	-	(23,153)
<b>Balance, April 30, 2024</b>	694,150	365,535	431,027	1,490,712
Additions	88,302	49,198	130,022	267,522
Increase in asset retirement obligations	11,232	3,590	-	14,822
Depletion and asset retirement obligations accretion	(13,434)	(5,530)	-	(18,964)
<b>Balance, January 31, 2025</b>	\$ 780,250	\$ 412,793	\$ 561,049	\$ 1,754,092

As at April 30, 2024, the Company owned a 24.2% interest in the Bromley Creek Mine. Under the terms of an option agreement, the Company was in the process of acquiring up to a 50% ownership interest in the mine from International Zeolite Corporation, the property's majority owner. The option agreement required the Company to make quarterly acquisition payments in the amount of \$31,150, each representing an additional 2.1% ownership interest in the Bromley Creek Mine. Effective May 31, 2024, the Company gave notice to International Zeolite Corporation that it intended to cease making acquisition payments under the terms of the option agreement. The minimum notice period to cease acquisition payments in the option agreement was six months and any acquisition payments scheduled during the notice period became due immediately. Accordingly, on May 31, 2024, the Company made two additional quarterly payments of \$31,150 to International Zeolite Corporation, which resulted in the Company earning an additional 4.3% interest in the property.

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**9. MINERAL PROPERTIES (cont'd...)**

Furthermore, effective May 30, 2024, the Company cancelled the option agreement with International Zeolite Corporation to acquire up to a 50% interest in the Sun Group Property (see note 10 below). In conjunction with this cancellation, the Company relinquished its 2.5% interest in the Sun Group Property in exchange for an additional 2.5% interest in the Bromley Creek Mine. Management estimated the fair value of the 2.5% interest in the Bromley Creek Mine to be \$36,250.

Accordingly, as at January 31, 2025, the Company owned a 31.0% interest in the Bromley Creek Mine.

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.

**10. 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, 2024 and the nine months ended January 31, 2025 is as follows:

	Z1 Zeolite Property, BC	Heffley Creek Property, BC	Sun Group Zeolite Property, BC	Total
<b>Balance, April 30, 2023</b>	\$ 1,203,739	\$ 432,828	\$ 45,845	\$ 1,682,412
Exploration cost additions	4,000	3,935	14,306	22,241
Write-off	-	(436,763)	-	(436,763)
<b>Balance, April 30, 2024</b>	1,207,739	-	60,151	1,267,890
Exploration cost additions	1,461	-	158	1,619
Disposition	-	-	(60,309)	(60,309)
<b>Balance, January 31, 2025</b>	\$ 1,209,200	\$ -	\$ -	\$ 1,209,200

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).



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**10. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

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.

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 months ended January 31, 2025, the Company determined not to proceed further with the acquisition of the Heffley Creek Property. Accordingly, as of October 31, 2023, 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.

Effective May 31, 2024, the Company cancelled the option agreement and relinquished its 2.5% interest in the Sun Group Property in exchange for an additional 2.5% interest in the Bromley Creek Mine (Note 9). Management estimated the fair value of the 2.5% interest in the Bromley Creek Mine to be \$36,250. Accordingly, the difference between the fair value of the proceeds of \$36,250 and the carrying value of the Sun Group property of \$60,309 was recorded as a \$24,059 loss on the disposition of exploration and evaluation assets in the statement of income (loss) and consolidated income (loss) for the nine-month period ended January 31, 2025 (see Note 21).

**11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Included in accounts payable and accrued liabilities are government remittances payable of \$26,893 as at January 31, 2025 (April 30, 2024 - \$102,353), which include amounts payable for GST, PST, EHT, payroll related taxes, workers' compensation and other federal remittances.

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**12. OTHER CURRENT LIABILITIES**

A summary of the Company's other current liabilities as at January 31, 2025 and April 30, 2024 is as follows:

	January 31, 2025	April 30, 2024
Current portion of Asset Retirement Obligation (Note 16)	\$25,000	\$ 25,000
Deferred revenue (1)	-	4,656
US dollar liability (Note 23)	214,836	66,902
	<b>\$ 239,836</b>	<b>\$ 96,558</b>

- (1) The Company's April 30, 2024 deferred revenue balance was comprised of rental revenue received from a third party tenant for use of certain warehouse facilities subsequent to the respective balance sheet dates. The Company sold these warehouse facilities effective October 30, 2024.

**13. DEFERRED GRANT REVENUE**

Effective November 18, 2024, the Company was awarded a grant from Sustainable Development Technology Canada (SDTC) to support the Company's construction of a pilot plant to produce PozGlass™, a low-carbon supplementary cementitious material (SCM) derived from post-consumer glass. The total grant award from SDTC was equal to 40% of the Company's anticipated pilot plant project costs, to a maximum of \$4,636,468.

The first tranche of grant funding was received by the Company on January 31, 2025, in the amount of \$1,555,682. During the nine-month period ended January 31, 2025, the Company incurred \$115,795 in eligible pilot plant project costs. Accordingly, the Company recognized 40% of these costs (\$46,318) as grant revenue for the period (see Note 21 – Other Expenses). The remaining \$1,509,363 was reported as deferred grant revenue as at January 31, 2025.

The entire grant is expected to be funded and utilized over a 45-month period beginning in November 2024.

**14. LEASE OBLIGATIONS**

	January 31, 2025	April 30, 2024
Equipment (1)	\$ 284,033	\$ 359,924
Land (2)	1,419,879	2,269,589
	1,703,912	2,629,513
Less current portion of lease obligations	(177,213)	(225,248)
	<b>\$ 1,526,699</b>	<b>\$ 2,404,265</b>

- (1) The Company's equipment leases as at January 31, 2025, were comprised of the following:
- (a) 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 amount of \$75,123 was capitalized to equipment assets on initial inception of the lease.
  - (b) Four 5-year leases for the use of four forklifts commencing between August 1, 2023 and March 1, 2024, with a combined monthly lease payment of \$5,963 over the following 64 months. An initial amount of \$327,309 was capitalized to leased assets on inception of the leases.

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**14. LEASE OBLIGATIONS (cont'd...)**

- (2) The Company's land leases as at January 31, 2025, were comprised of the following:
- (a) A lease expiring June 30, 2055 (approximately 30 years remaining at January 31, 2025) 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 30 years remaining at January 31, 2025) 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 30 years remaining at January 31, 2025) 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.
  - (d) A lease expiring August 31, 2055 (approximately 30 years remaining at January 31, 2025) for 1.1 acres of industrial property in Kamloops, B.C. owned by the Tk'emlúps te Secwépemc First Nation. This lease was modified on effective September 1, 2023 and annual lease payments were increased from \$17,825 to \$22,425 at that time. The interest rate attributed to the lease is 7.6% based on an estimate of the Company's incremental borrowing rate at the lease modification date.
  - (e) A lease expiring June 30, 2031 (approximately 6 years remaining at January 31, 2025) 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.

Effective September 1, 2024, the Company exercised a buyout option on a transport truck that was at the end of its 5-year lease. The buyout price was \$34,281 and the remaining lease liability was \$23,414 at the buyout date. The Company reported the difference of \$10,967 as a loss on settlement of lease liability (included in Other expenses – see Note 21).

Effective October 30, 2024, the Company sold a leased property, and the associated building, for gross proceeds of \$1,230,000. This lease for a 2.7 acres of industrial property in Kamloops, B.C. was expiring September 30, 2058 (approximately 34 years remaining at the date of sale). Prior to sale, the leased land and building were used by the Company for inventory and equipment storage. In addition, a portion of the building was leased to a third-party. At the date of sale, the lease liability recognized by the Company in relation to this lease was \$825,836 and the corresponding right-of-use asset value (capitalized in Leased assets) was \$762,679. On disposition of the leased property, the Company eliminated both the lease liability and the right-of-use asset, with difference of \$63,157 being reported as a gain on settlement of lease liability (included in Other expenses – see Note 21).

Interest expense of \$73,987 (2023 - \$73,555) relating to lease liabilities has been included in finance costs in the statement of income (loss) and comprehensive income (loss) related to these lease arrangements.

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**14. LEASE OBLIGATIONS (cont'd...)**

A summary of the changes in the Company's lease liabilities for the year ended April 30, 2024, and the nine months ended January 31, 2025, is as follows:

	January 31, 2025	April 30, 2024
Lease liabilities, beginning of period	\$ 2,629,513	\$ 2,465,904
Additions	-	327,309
Payments	(184,718)	(199,432)
Decrease due to lease modification	-	(62,947)
Settlement of lease liability	(762,679)	-
Gain on settlement of lease liabilities	(52,191)	-
Interest expense	73,987	98,679
Lease liabilities, end of the period	\$ 1,703,912	\$ 2,629,513

A schedule of the Company's lease maturities as at January 31, 2025 and at April 30, 2024 is as follows:

	January 31, 2025	April 30, 2024
Maturity analysis - contractual undiscounted cash flows		
Less than one year	\$ 171,568	\$ 226,071
More than one year	2,658,639	4,156,230
Total undiscounted lease liabilities	\$ 2,830,207	\$ 4,382,301

**15. LOANS PAYABLE**

	January 31, 2025	April 30, 2024
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	\$ 6,180,067	\$ 6,365,933
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	62,345	78,715
	6,242,412	6,444,648
Less current portion of loans payable	(304,077)	(304,077)
	\$ 5,938,335	\$ 6,140,571

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**15. LOANS PAYABLE (cont'd...)**

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, at the Company's fiscal year end (April 30). The Company was in compliance with this covenant as at April 30, 2024.

A summary of changes in the Company's loans payable for the year ended April 30, 2024, and the nine months ended January 31, 2025 is as follows:

	January 31, 2025	April 30, 2024
Loans payable, beginning of period	\$ 6,444,648	\$ 6,747,966
Loan proceeds	-	92,662
Loan repayments	(543,971)	(893,526)
Interest expense	341,735	517,546
Loan forgiveness	-	(20,000)
Loans payable, end of period	\$ 6,242,412	\$ 6,444,648

**16. 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, 2024, and the nine months ended January 31, 2025:

	January 31, 2025	April 30, 2024
Asset retirement obligations, beginning of period	\$ 298,577	\$ 286,150
Reclamation work performed	(3,489)	(15,774)
Change in estimated costs and assumptions	14,822	19,763
Accretion expense	6,329	8,438
Asset retirement obligations, end of period	316,239	298,577
Less estimated current portion	(25,000)	(25,000)
	\$ 291,239	\$ 273,577

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**17. SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE**

**Authorized:** unlimited common shares without par value

During the nine months ended January 31, 2025, the Company:

- i) Repurchased 2,735,000 of its common shares for cancellation under the terms of a normal course issuer bid ("NCIB"). The total cost of the shares, including transaction costs, was \$288,481 (\$0.105 per common share). The Company cancelled all of the 2,735,000 shares prior to January 31, 2025.

During the year ended April 30, 2024, the Company:

- ii) Issued 2,571,428 common shares which comprised the 3<sup>rd</sup> tranche share payment required under the terms of the APL Group acquisition. The estimated fair value was \$203,143 or \$0.08 per share.

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 year ended April 30, 2024, and the nine months ended January 31, 2025, is as follows:

	Options	Weighted Average Exercise Price
<b>Balance, April 30, 2023</b>	8,445,000	\$ 0.34
Granted	6,505,000	0.23
Cancelled	(1,210,000)	0.35
Expired	(2,975,000)	0.39
<b>Balance, April 30, 2024</b>	10,765,000	0.27
Cancelled	(300,000)	0.30
Expired	(1,865,000)	0.35
<b>Balance, January 31, 2025</b>	8,600,000	\$ 0.26
<b>Exercisable, January 31, 2025</b>	8,600,000	\$ 0.26

During nine months ended January 31, 2025, the Company did not grant any stock options.

During the year ended April 30, 2024, the Company granted 6,505,000 stock options to employees, officers, directors and consultants of the Company. The stock options issued to the consultants were in exchange for corporate strategy, business development or research and development services. The weighted average exercise price of the stock options granted was \$0.23 per option and the weighted average term was 4.1 years. The estimated fair value of the options granted was \$400,730 or \$0.06 per option.

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

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year ended April 30, 2024:

	<b>2024</b>
Risk-free interest rate	3.85%
Expected life of options	4.1 years
Expected annualized volatility	66.72%
Expected dividend rate	0.00%

As at January 31, 2025, the Company had the following stock options outstanding:

Options Outstanding	Options Exercisable	Exercise Price	Expiry Date
300,000	300,000	0.29	17-Feb-25
150,000	150,000	0.40	14-Mar-25
1,420,000	1,420,000	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
2,100,000	2,100,000	0.275	13-Jun-26
225,000	225,000	0.275	13-Jun-26
3,505,000	3,505,000	0.18	14-Mar-29
<b>8,600,000</b>	<b>8,600,000</b>		

Warrants

A summary of the Company's warrant activity for the year ended April 30, 2024, and the nine months ended January 31, 2025:

	Warrants	Weighted Average Exercise Price
<b>Balance, April 30, 2023</b>	31,321,572	\$ 0.48
Expired	(22,988,240)	0.52
<b>Balance, April 30, 2024 and January 31, 2025</b>	<b>8,333,332</b>	<b>\$ 0.36</b>

The Company did not issue any warrants during the nine months ended January 31, 2025, or during the year ended April 30, 2024. As at January 31, 2025, the Company had 8,333,332 warrants outstanding, which had an exercise price of \$0.36 and expired on March 2, 2025.

Share-based Compensation

During the nine months ended January 31, 2025, the Company recognized share-based compensation of \$4,509 (2023 - \$235,305) for stock options vesting in the period.

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**18. COMMITMENTS**

The Company is committed to four land leases with T'kemlups te Secwepmc and one lease with a private landowner with annual payments totaling \$91,495 (Note 14(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. Three of the leases with T'kemlups te Secwepmc expire on June 30, 2055 and one lease expires on August 31, 2055.

The Company is committed to six equipment leases with payments totalling \$80,073 for the twelve-month period following January 31, 2025 (Note 14(1)). The expiry dates of these leases range between August 31, 2025, and June 30, 2029.

The Company is committed to a non-revolving 25-year term loan payable to BMO in the amount of \$6,180,067. 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 \$62,345, 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, 2025, the Company had open US dollar forward sales contracts which require it to sell a total of \$2,500,000 USD in exchange for \$3,378,750 by October 31, 2025 (Note 23(a)).

**19. 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 16 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, 2025 (April 30, 2024 - \$266,000).



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**20. 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, Chief Financial Officer, Chief Operating Officer (from May 9, 2023 until February 13, 2024), President and Directors. The spouses of three of the Company's key management personnel are employed by the Company in sales or marketing positions (one spouse resigned in October 2024).

Key management compensation for the nine months ended January 31, 2025, and 2024 is comprised of the following, and includes amounts paid to both key management and certain of their spouses noted above:

	2025	2024
Cost of goods sold	\$ -	\$ 33,373
Selling expenses – Personnel	111,655	14,303
General and administrative expenses – Personnel	374,900	373,978
General and administrative expenses – Professional fees	68,325	76,600
Share-based compensation	-	165,000
	<b>\$ 554,880</b>	<b>\$ 663,254</b>

As at January 31, 2025 \$Nil (April 30, 2024 - \$10,203) is included in accounts payable and accrued liabilities which is comprised of amounts owed to the CEO and a corporation owned by the Company's CFO.

**21. OTHER EXPENSES**

A summary of the Company's other (expenses) income for the three and nine months ended January 31, 2025, and 2024 is as follows:

	Three-month period ended January 31,		Nine-month period ended January 31,	
	2025	2024	2025	2024
(Loss) gain on foreign exchange	\$ (97,203)	\$ 98,943	\$ (166,989)	\$ 16,774
Gain on debt forgiveness	-	20,000	-	20,000
(Loss) gain on disposal of property, plant & equipment	(6,494)	-	199,184	93,513
Grant revenue (loss)	46,318	17,892	44,504	21,538
Other income (1)	33,146	-	72,236	-
Property rental (2)	(365)	13,708	26,381	46,553
Realized gain on settlement of lease liabilities	-	-	52,189	-
Unrealized gain on shares to be issued liability	-	43,714	-	203,142
Unrealized loss on investment in private co. (Note 6)	-	(247,500)	(646,500)	(277,500)
Write-off of exploration & evaluation assets (Note 10)	-	-	(24,059)	(436,763)
	<b>\$ (24,598)</b>	<b>\$ (53,243)</b>	<b>\$ (443,054)</b>	<b>\$ (312,743)</b>

- (1) The Company earns royalty income for the use of one of its proprietary product formulations by a third-party.
- (2) Prior to the sale of one of its leased properties effective October 30, 2024, the Company leased excess warehouse space to a third party.

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**22. SUPPLEMENTAL CASH FLOW INFORMATION**

The following supplemental cash flow information is provided for nine months ended January 31, 2025 and 2024:

	2025	2024
Disposition (addition) of leased assets	762,679	(157,520)
(Settlement) addition of lease liability	(762,670)	157,520
Mineral property additions	(36,250)	-
Evaluation and exploration asset dispositions	36,250	-

The net changes in non-cash operating working capital, during the nine-month periods ended January 31, 2025 and 2024, were comprised of changes in the following balances:

	2025	2024
Accounts receivable	(262,806)	(303,725)
Inventories	(34,879)	231,500
Prepaid expenses and other	(20,403)	(92,132)
Accounts payable and accrued liabilities	(16,422)	(577,609)
Deferred revenue	(4,656)	107,192
Deferred grant revenue	1,509,363	-
	1,170,197	\$ (634,774)

**23. 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 compared to the fiscal year ended April 30, 2024 due to a decrease in long-term debt.

A change of 100 basis points on interest rates would have changed finance costs by \$47,000 during the nine-month period ended January 31, 2025 (2024: \$50,000). This analysis assumes that all other variables remain constant.

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**23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)...**

(a) Market risk (cont'd)...

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 the fiscal year ended April 20, 2024 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, 2025, USD	April 30, 2024, USD
Cash	\$ 200,339	\$ 35,280
Trade receivables	456,543	464,479
Accounts payable	(81,416)	(84,666)
	<b>\$ 575,466</b>	<b>\$ 415,093</b>

*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, 2025, US\$2,500,000 (April 30, 2024: US\$2,250,000) US dollar forward sales contracts were outstanding for the combined purchase of \$3,378,750 (April 30, 2024 \$3,012,750), which equates to an average exchange rate of 1.3515 (April 30, 2024: 1.3390) Canadian dollars to US dollars. Had the Company entered into the same US dollar forward sales contracts on January 31, 2025, those contracts would have purchased a combined amount of \$3,593,586 (April 30, 2024: \$3,079,652) which is \$214,836 more (April 30, 2024: \$66,902 more) than the actual total contract amount. The Company recorded the difference of \$214,836 as a foreign exchange loss during the year and a corresponding US dollar liability as at January 31, 2025 (April 30, 2024 - \$66,902).

The following table summarizes the US dollar sales contracts outstanding as at January 31, 2025 and the corresponding US dollar liability:

Contract settlement period		US dollars	Contract exchange rate	Canadian dollars purchased	Canadian dollar proceeds of comparable contracts at Jan 31, 2025	US dollar liability at Jan 31, 2025
Open	Closed	sold				
Feb 1, 2025	Apr 30, 2025	750,000	1.3460	1,009,500	1,082,707	(73,207)
May 1, 2025	Aug 8, 2025	750,000	1.3470	1,010,250	1,078,023	(67,773)
Aug 1, 2025	Oct 31, 2025	1,000,000	1.3590	1,359,000	1,432,856	(73,856)
		<b>\$ 2,500,000</b>	<b>1.3515</b>	<b>\$ 3,378,750</b>	<b>\$ 3,593,586</b>	<b>\$ (214,836)</b>

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**23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

(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 90 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 months ended January 31, 2025, the Company recognized an impairment loss allowance on trade receivables of \$75,845 (2023 - \$nil).

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

As at January 31, 2025	Geographic location			ECL allowance	Credit impairment
	Canada	US	Total		
Current (not past due)	\$ 716,894	\$ 423,792	\$ 1,140,686	\$ -	No
1 – 30 days past due	127,560	219,068	346,628	-	No
31 – 60 days past due	14,594	9,268	23,862	-	No
Over 60 days past due	92,931	-	92,931	(75,845)	Partial
	\$ 951,979	\$ 652,128	\$ 1,604,107	\$ (75,845)	

Cash and cash equivalents

The Company held cash and cash equivalents of \$4,819,839 at January 31, 2025 (April 30, 2024 - \$1,685,806), which includes \$2,750,000 deposited in redeemable short-term investment accounts. 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 and 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.

A summary of the Company's prospective undiscounted contractual cash flows (i.e., including known or estimated interest costs) that existed as at January 31, 2025 is as follows:

As at January 31, 2025	Undiscounted contractual cash flows				
	Carrying amount	Remainder Fiscal 2025	Fiscal 2026	Fiscal 2027	Fiscal 2028 and thereafter
Accounts payable	\$ 1,646,534	\$ 1,646,534	\$ -	\$ -	\$ -
Lease liabilities	1,703,912	32,752	167,916	162,960	2,466,492
Loans payable	6,242,412	176,422	704,226	685,547	8,991,730
Asset retirement obligation	316,239	10,000	20,000	20,000	266,239
	\$ 9,909,097	\$ 1,865,708	\$ 892,142	\$ 868,507	\$ 11,724,461

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**23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

(d) Fair value disclosure

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, investments in a private company, bank indebtedness, accounts payable and accrued liabilities, other current liabilities (US dollar liability) and loans payable. 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.

	January 31, 2025		April 30, 2024	
	Carrying amount	Fair Value (Level 2)	Carrying amount	Fair Value (Level 2)
Loans payable	\$ 6,242,412	\$ 6,242,412	\$ 6,444,648	\$ 6,444,648

Investment in a private company and the US dollar 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 at the end of the reporting year was as follows:

	January 31, 2025		April 30, 2024	
Total liabilities	\$ 14,035,123	\$ 13,309,051		
Less: cash and cash equivalents	(4,819,839)	(1,685,806)		
Net debt	9,215,284	11,623,245		
Total equity	\$ 13,824,026	\$ 12,996,298		
Net debt to equity		0.67		0.89

**24. 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. All of the Company's assets are located in Canada.

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**24. SEGMENTED INFORMATION (cont'd...)**

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 months ended January 31, 2025, and 2024

	2025	2024
Revenue from customers located in Canada	\$ 6,501,963	\$ 6,547,344
Revenue from customers located in the US	8,417,475	8,637,163
	\$ 14,919,438	\$ 15,184,507

Customer concentration

During the nine months ended January 31, 2025, there were two customers that individually accounted for more than 10% of total revenues (nine months ended January 31, 2024: two customers). These customers accounted for 16% and 12%, respectively of total revenues (nine months ended January 31, 2024: 15% and 12%, respectively).

**25. DEFERRED INCOME TAX ASSET**

The Company recognizes a deferred tax asset on unused tax losses or other deductible amounts only when the Company expects to have future taxable profit against which the amounts could be utilized. As at January 31, 2025, the Company expected to generate future taxable profits within the subsequent 12 month period such that it would utilize approximately \$1,860,000 of unused tax losses or other deductible amounts. Accordingly, the Company recognized a deferred tax asset of \$502,000 (\$1,860,000 of taxable income multiplied by the current statutory tax rate of 27%) as at January 31, 2025. A corresponding \$502,000 was included in the deferred income tax recovery for the nine-month period ended January 31, 2025.